2024 Durum Wheat Situation
World, Canada & United States

Jim Peterson

Policy and Marketing Director

ND Wheat Commission

October 24, 2024

NORTH DAKOTA WHEAT COMMISSION

NATIONAL PASTA ASSOCIATION

All great change in America begins at the dinner table.

Ronald Regan

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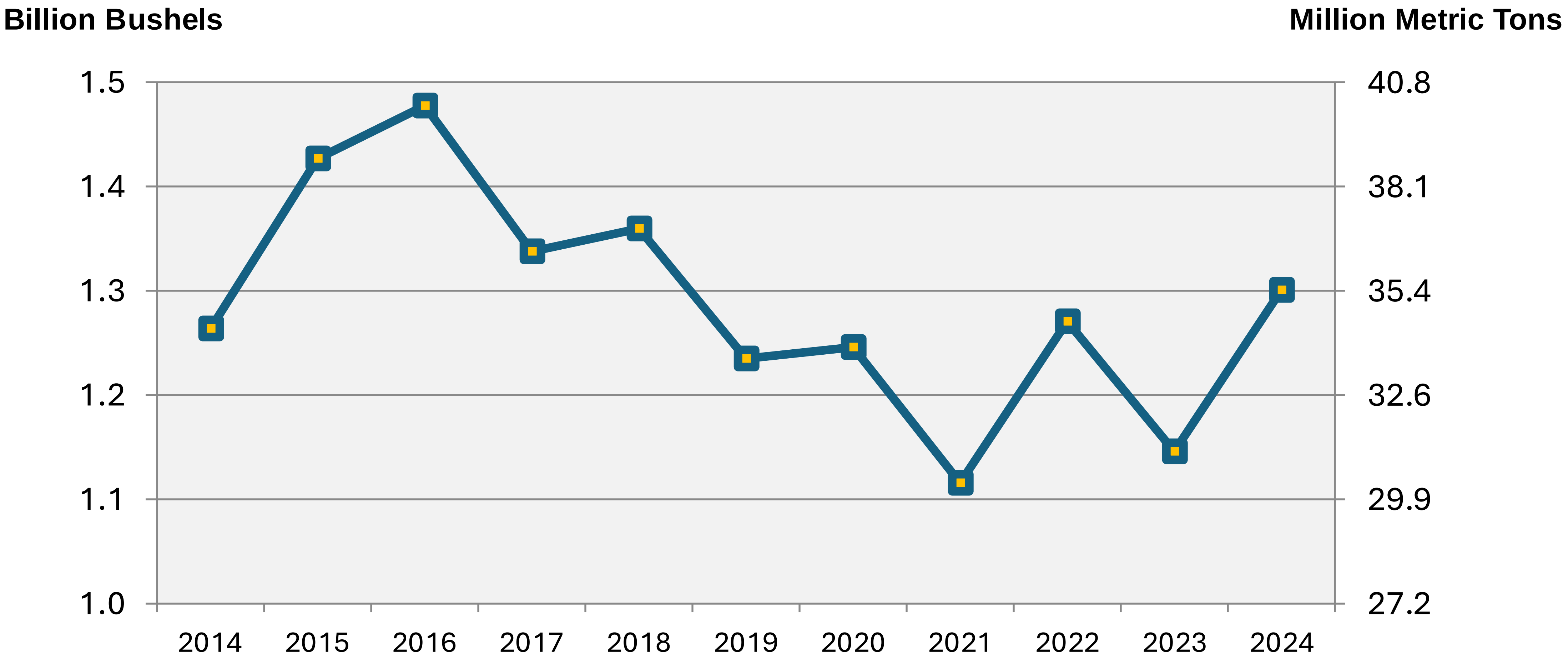
World Durum 2024

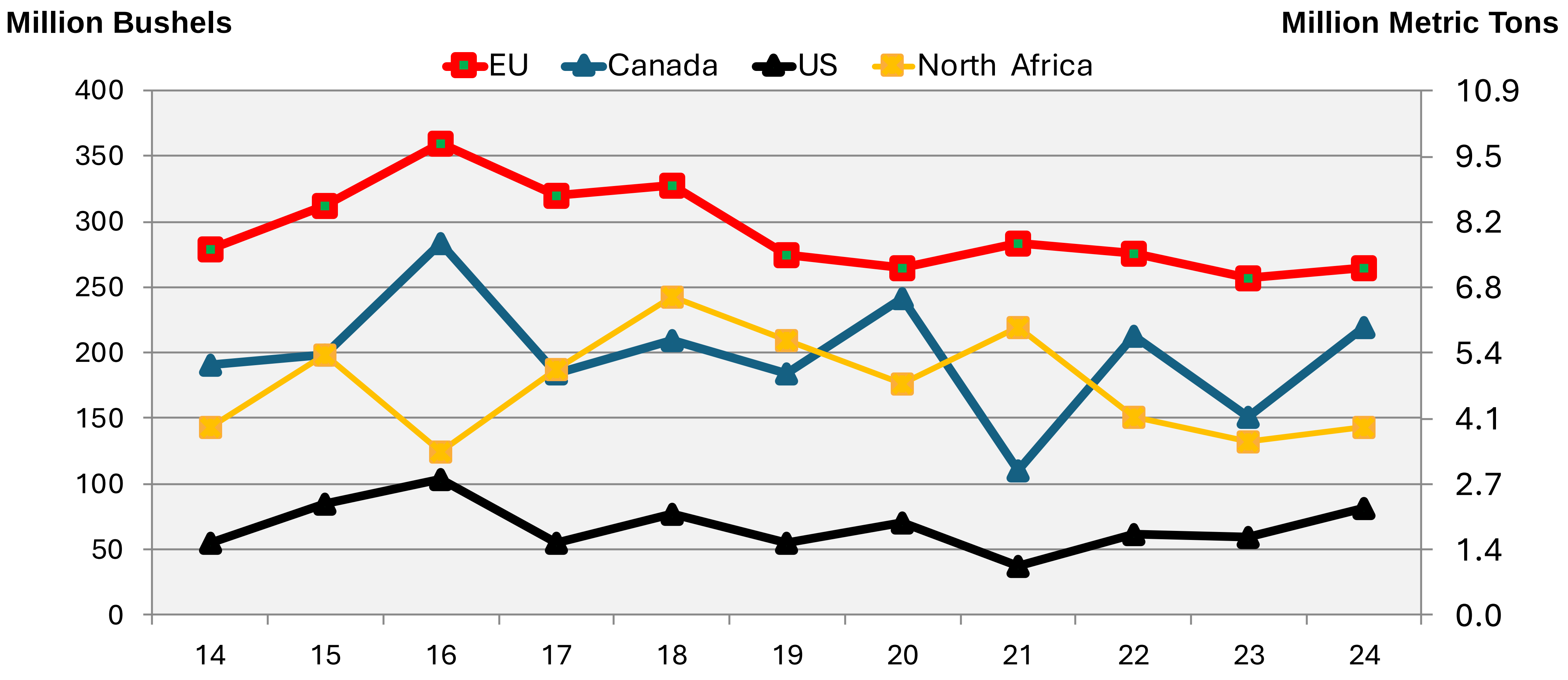
- **World production rebounds on stronger production in many regions -- sharpest % gains in U.S. and Canada. EU and North Africa production mostly stable**
- **World crop above 5 year average, but still notably below 10 year production levels**
- **Quality issues in EU, Russia and Kazakhstan**
- **Food use steady to slightly higher**
- **World trade also projected slightly higher, supported by quality needs in EU and drought in Morocco**
- **Turkey and Russia remain "wild cards" for 2024 and 2025 trade, due to heavy hand of government policies in exports from those countries**
- **World durum market still working on historically tight carry-over inventories**
- **Price premium to soft wheat (bread wheat classes) has narrowed from earlier this year, and overall price complex for world durum trade is about $100/MT lower than a year ago**
- **While pasta demand continues to grow in world, "durum" pasta is competing with "non-durum" pasta in some growth markets**

World Durum Production



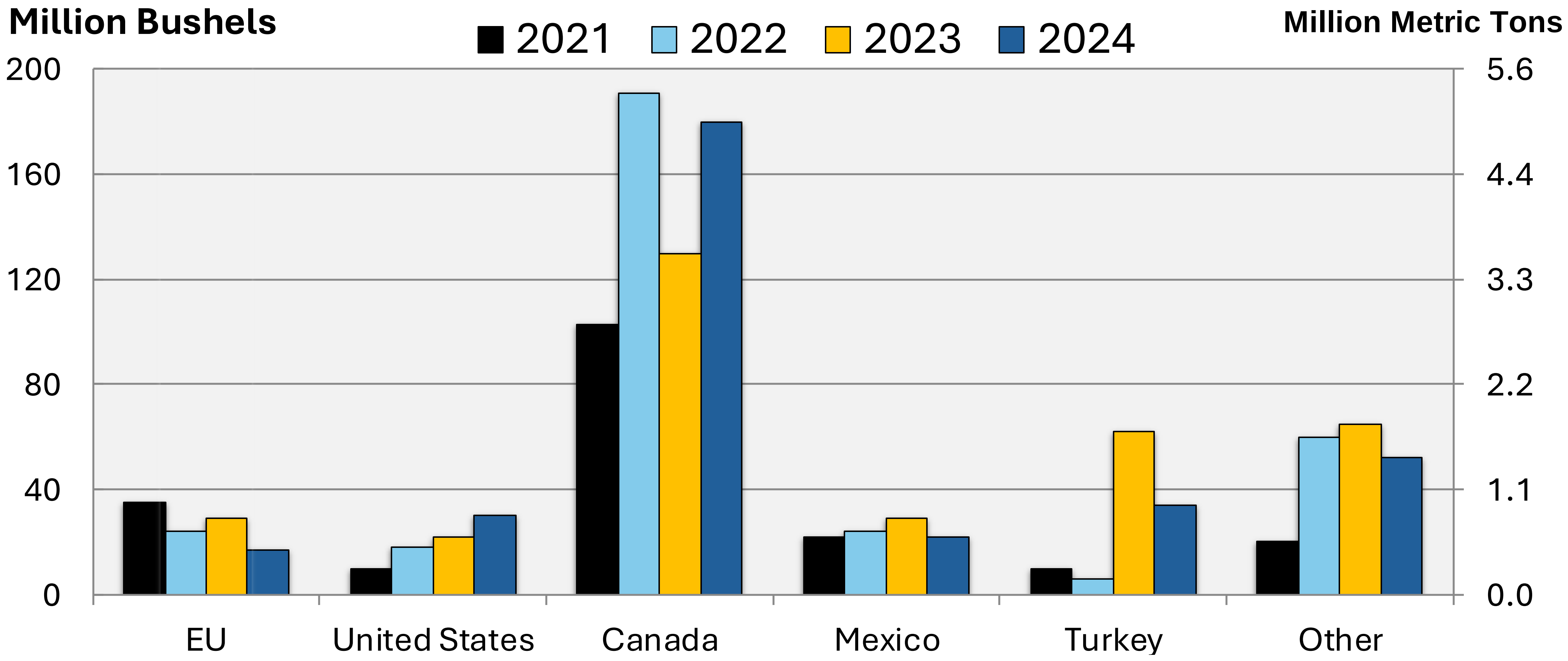
Source: Int'l Grains Council Oct 2024

World Durum Production by Country/Region



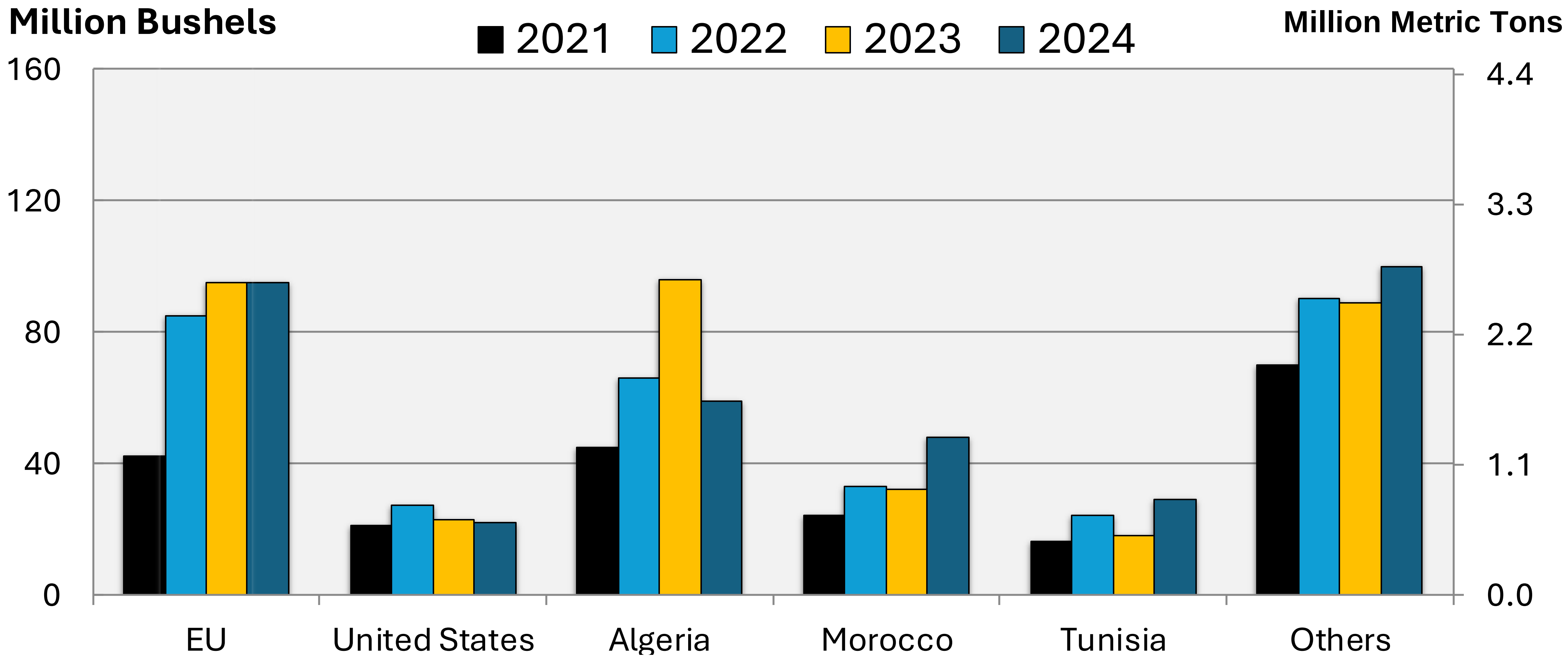
Source: Int'l Grains Council Oct 2024

World Durum Exports (July-June)



International Grains Council
Oct 2024

World Durum Imports (July-June)



International Grains Council
Oct 2024

End of Year Durum Stocks

EU, U.S. and Canada (July-June)

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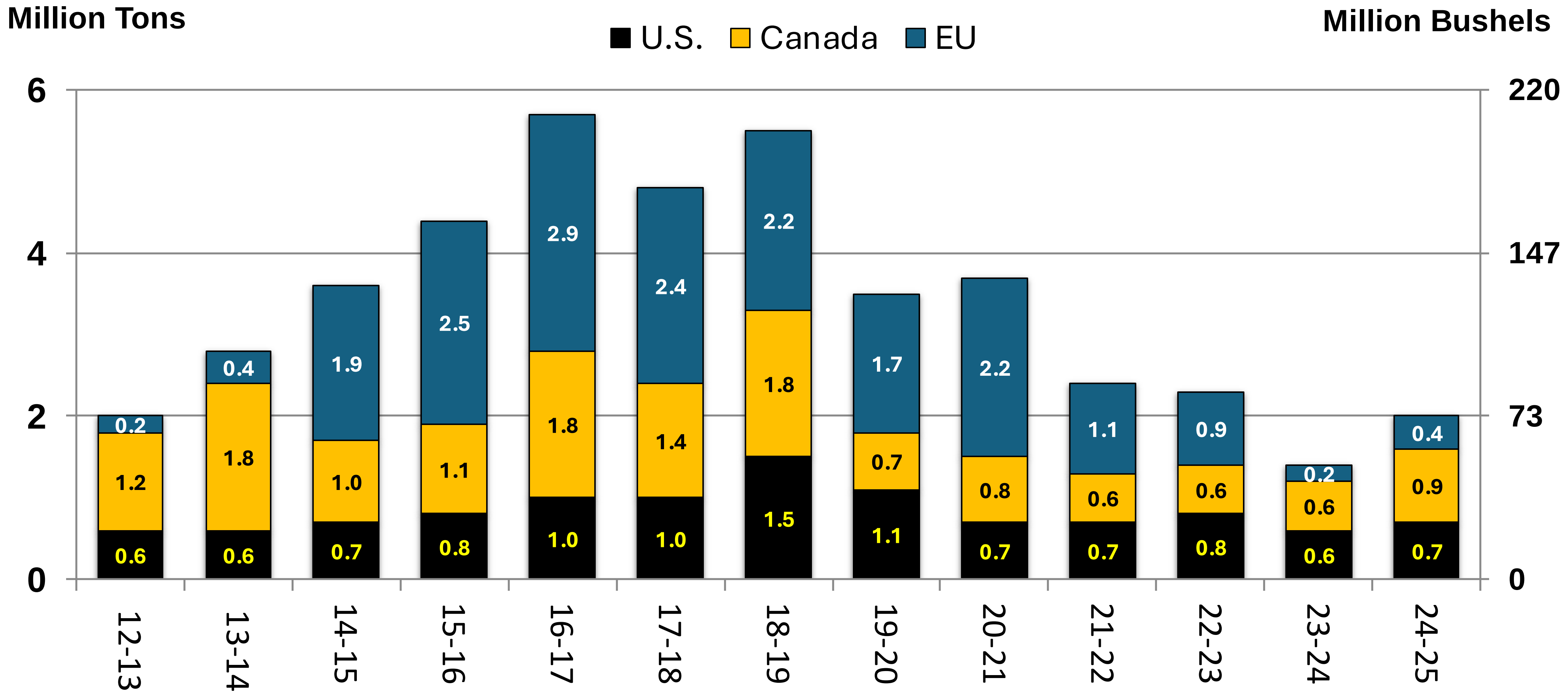

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Source: Int'l Grains Council -- Oct 2024

2024 Canadian Durum

- Strong production rebound in 2024, on higher planted area and yields. 5% increase in planted area, 40% increase in yield
- Final production of 6 MMT (220 mb), up from 4.1 MMT (151 mb) in 2023
- Early growing season was very favorable for temperatures and precipitation, but latter half of season turned hot and dry
- Yield potential impacted in late July and early August, as well as some kernel qualities
- Harvest was mostly favorable and timely but some rain did impact vitreous kernels
- Preliminary quality data on the crop from the Canadian Grain Commission indicates three-fourths of harvest survey samples are #1 and #2 grade, compared to 82% in 2023.
- Primary downgrading factors are vitreous kernels, kernel weight and some midge damage
- Higher than average protein at 14.5 percent (12.5% moisture)

North American Drought Monitor

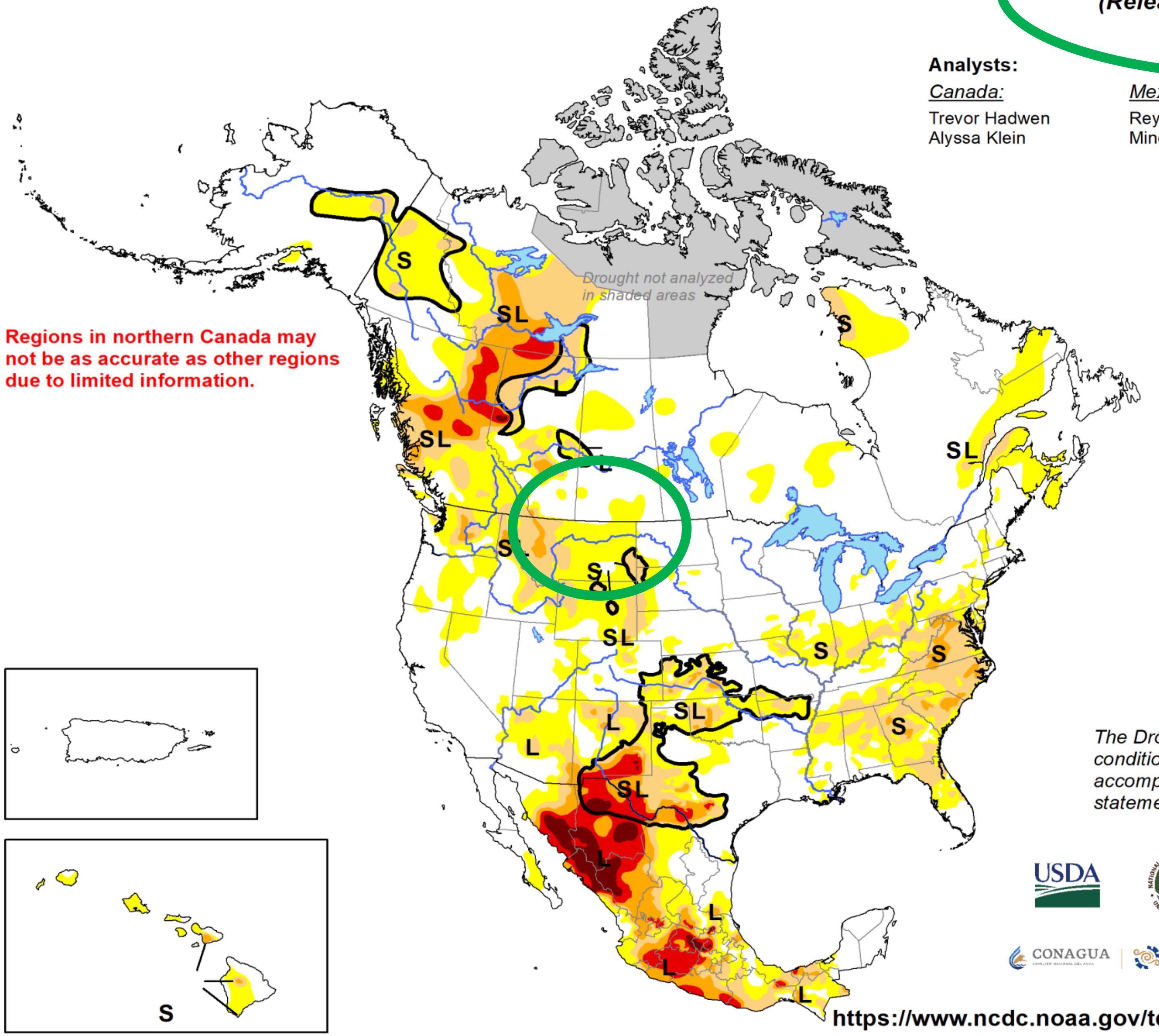
June 30, 2024
(Released Wednesday, Jul. 10, 2024)

Analysts:

Canada:	*Mexico:*	*USA:*
Trevor Hadwen	Reynaldo Pascual	Rocky Bilotta*
Alyssa Klein	Minerva Lopez	Adam Hartman

(Responsible for collecting analysts' input & assembling the NA-DM map)*

Regions in northern Canada may not be as accurate as other regions due to limited information.



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

https://www.ncdc.noaa.gov/temp-and-precip/drought/nadm/

North American Drought Monitor

July 31, 2024

(Released Monday, Aug. 19, 2024)

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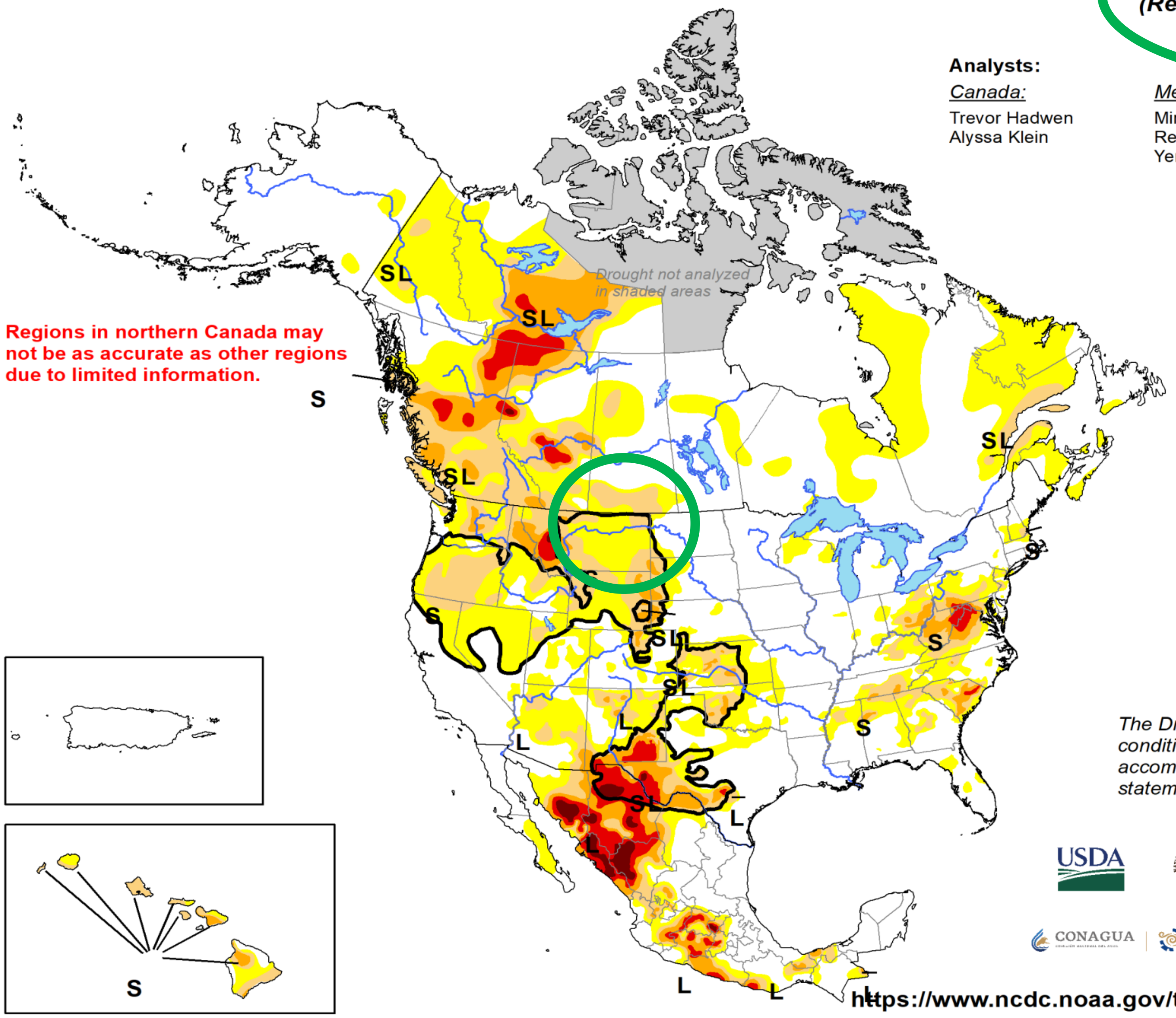
Analysts:

Canada:
Trevor Hadwen
Alyssa Klein

Mexico:
Minerva Lopez*
Reynaldo Pascual
Yenifeer Loranca

USA:
Lindsay Johnson

(Responsible for collecting analysts' input & assembling the NA-DM map)*



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Intensity
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Drought Impact Types:

~ Delineates dominant impacts

S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)

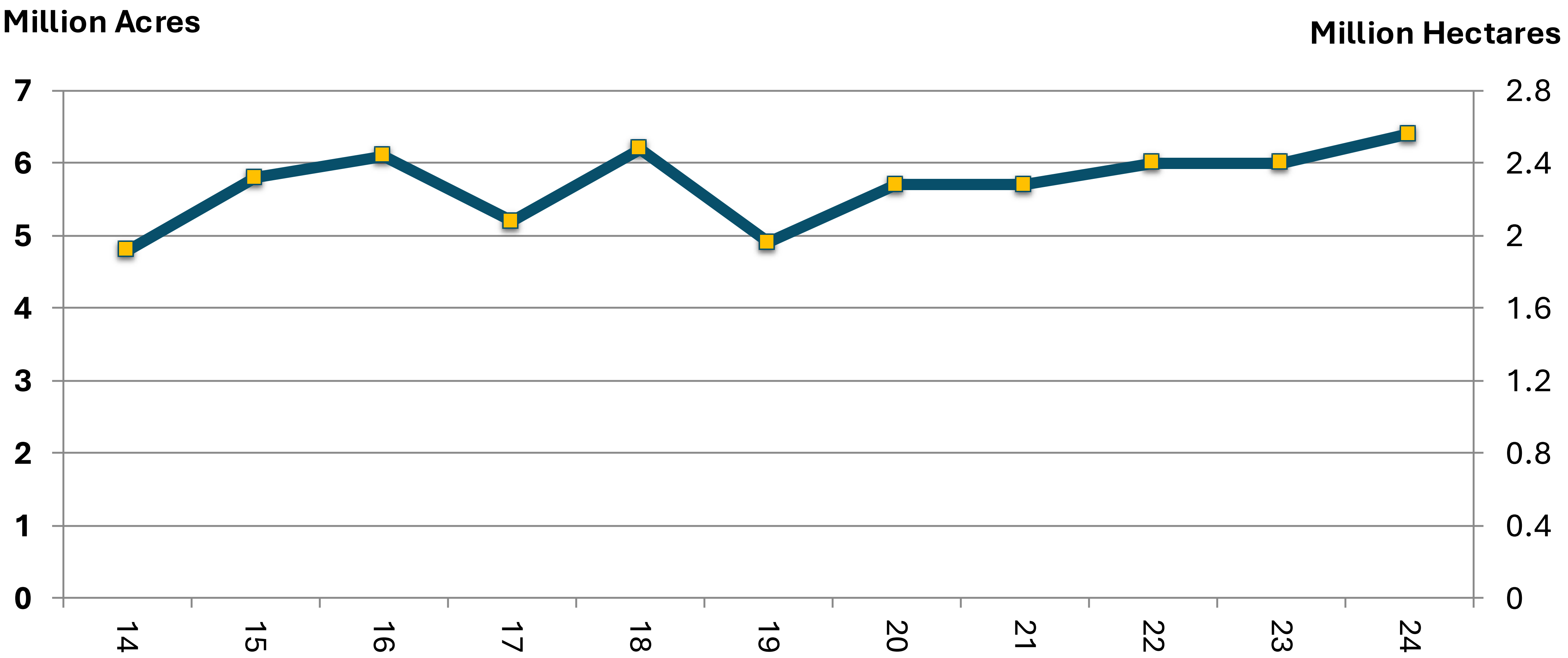
L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

USDA NDMC CONAGUA SMN Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada Environment and Climate Change Canada Environnement et Changement climatique Canada

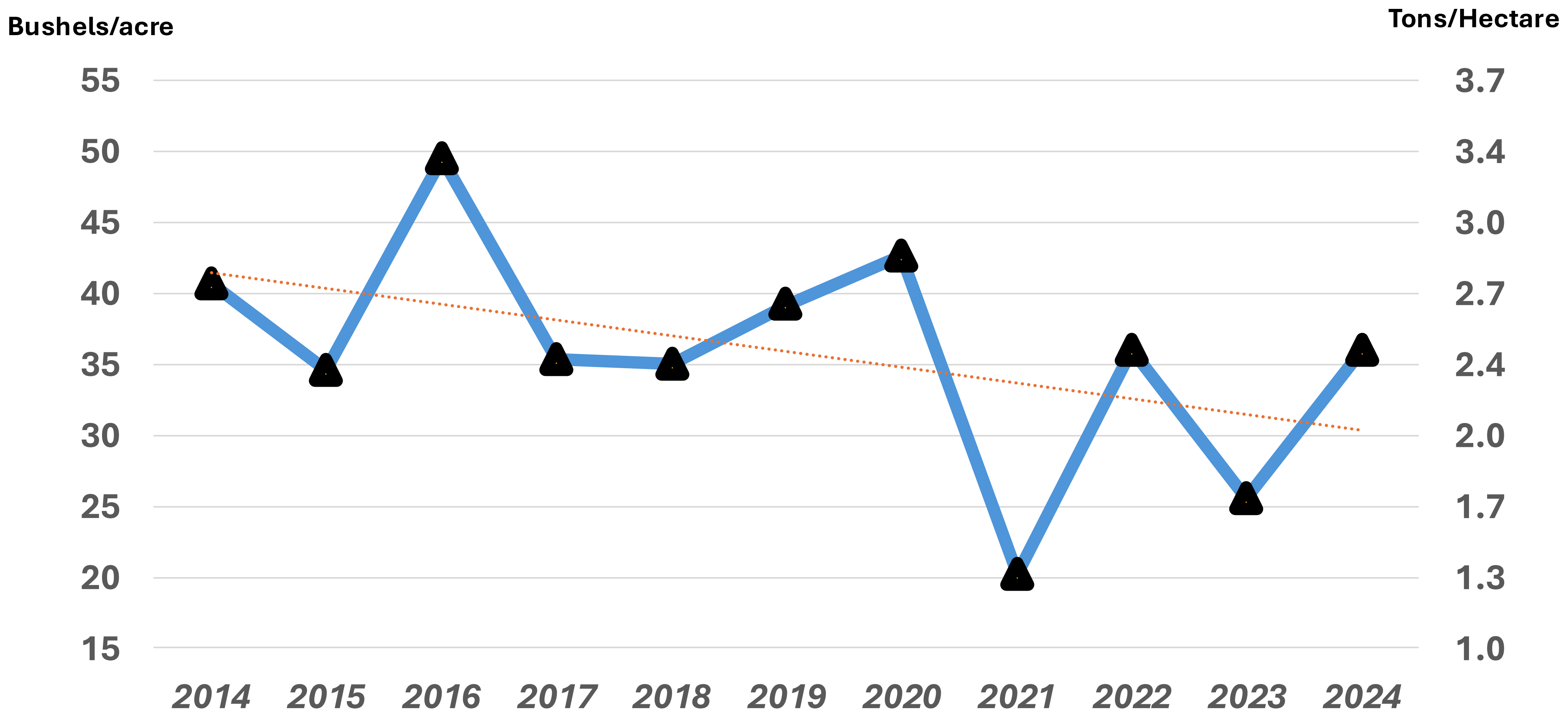
https://www.ncdc.noaa.gov/temp-and-precip/drought/nadm/

CANADIAN DURUM
PLANTED AREA



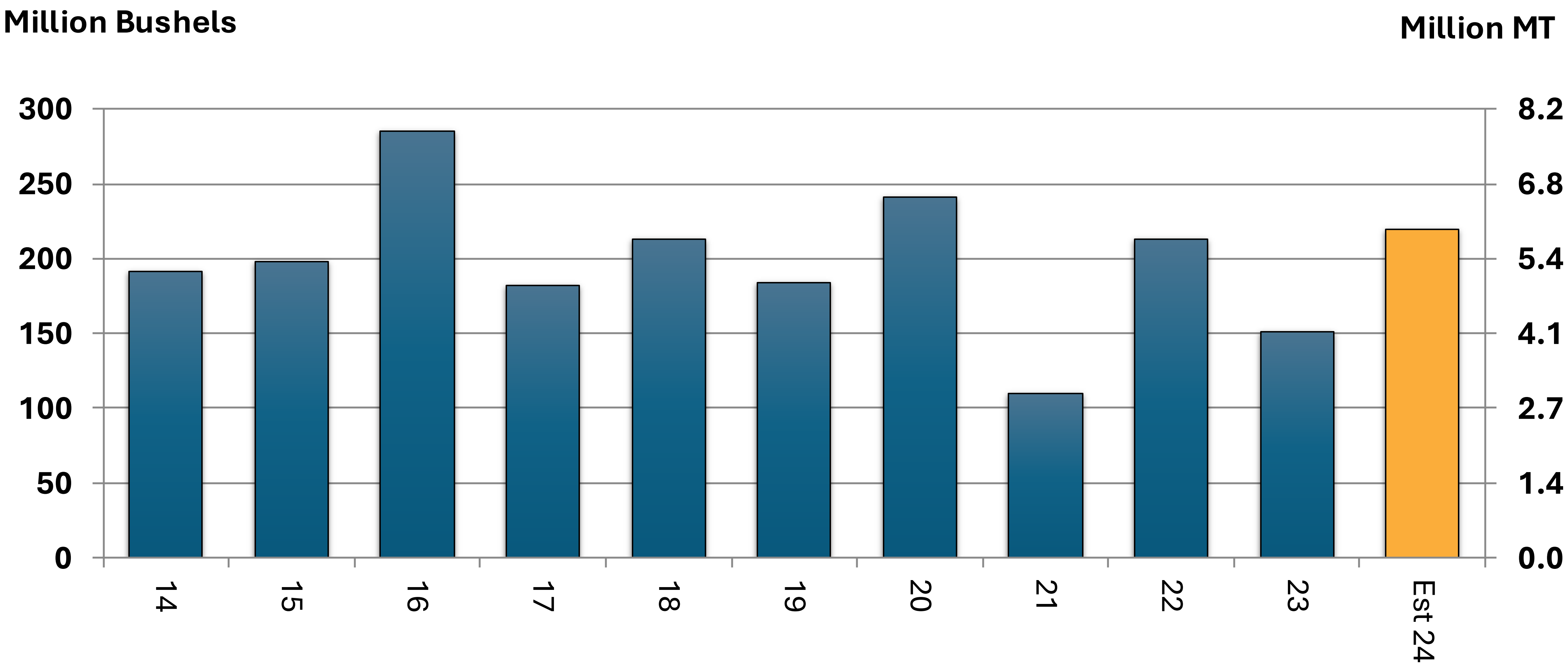
Source: Ag Canada / Stats Canada – Oct 24

Canadian Durum Yields



Stats Canada

CANADIAN DURUM PRODUCTION



Source: Ag Canada
Sept 2024

2024 CANADIAN DURUM

- Larger crop will enable Canada to be larger exporter in the coming marketing year
- Agriculture Canada projections:
  - Exports of 4.8 MMT, up from 3.5 MMT in 2023, but below the recent high of 5 MMT in 2022
  - Food use of 200 TMT – stable. Feed use of 350 TMT, up 50% from 2023
  - Ending stocks increase to 1 MMT (37 million bushels), up from just 600 TMT (20 mb) the last two years.
- Headwinds to Canadian early season success in capturing export demand:
  - Turkey export pace and posture into EU and North Africa
  - Russian sales into North Africa market, even though quality of their crop is downgraded
- Temporary rail shutdown due to labor strike seems to have had little impact, but likely caused some shift in marketing strategy
  - Government forced both sides into arbitration

CANADIAN DURUM
End of Year Stocks – As of July 31

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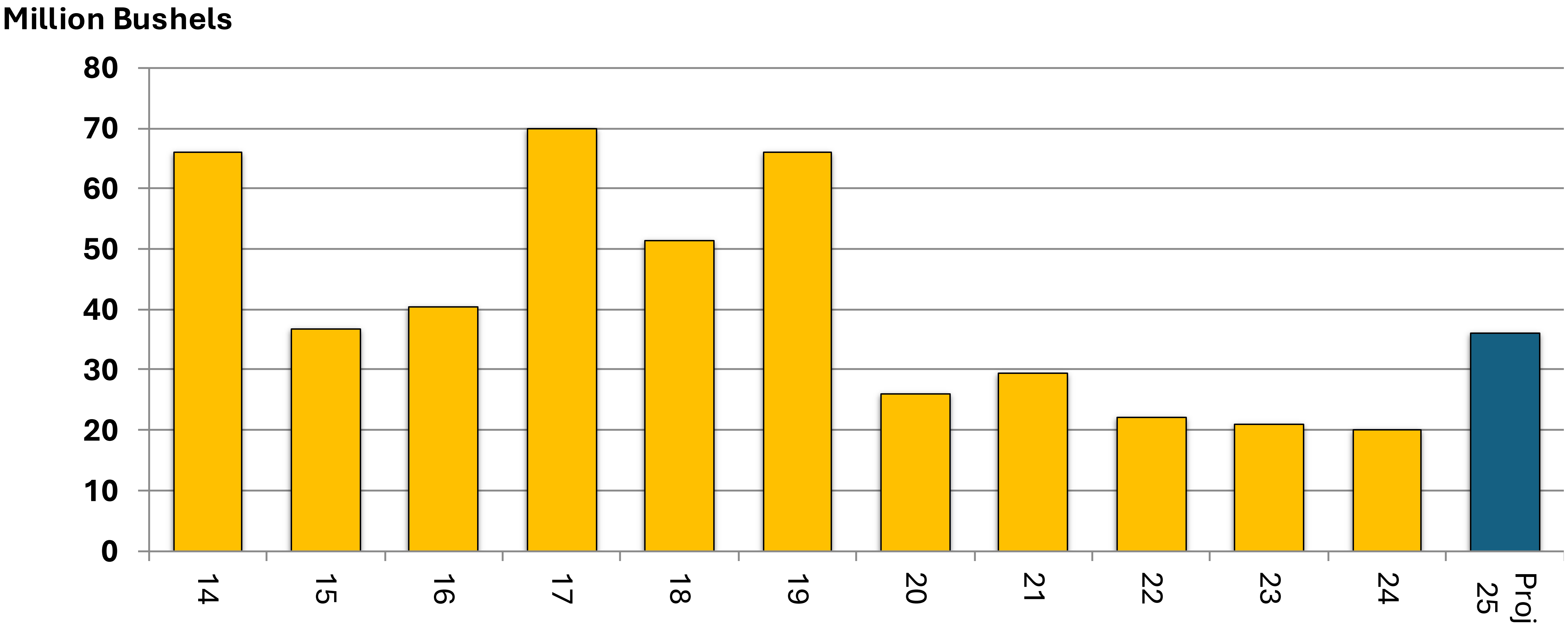

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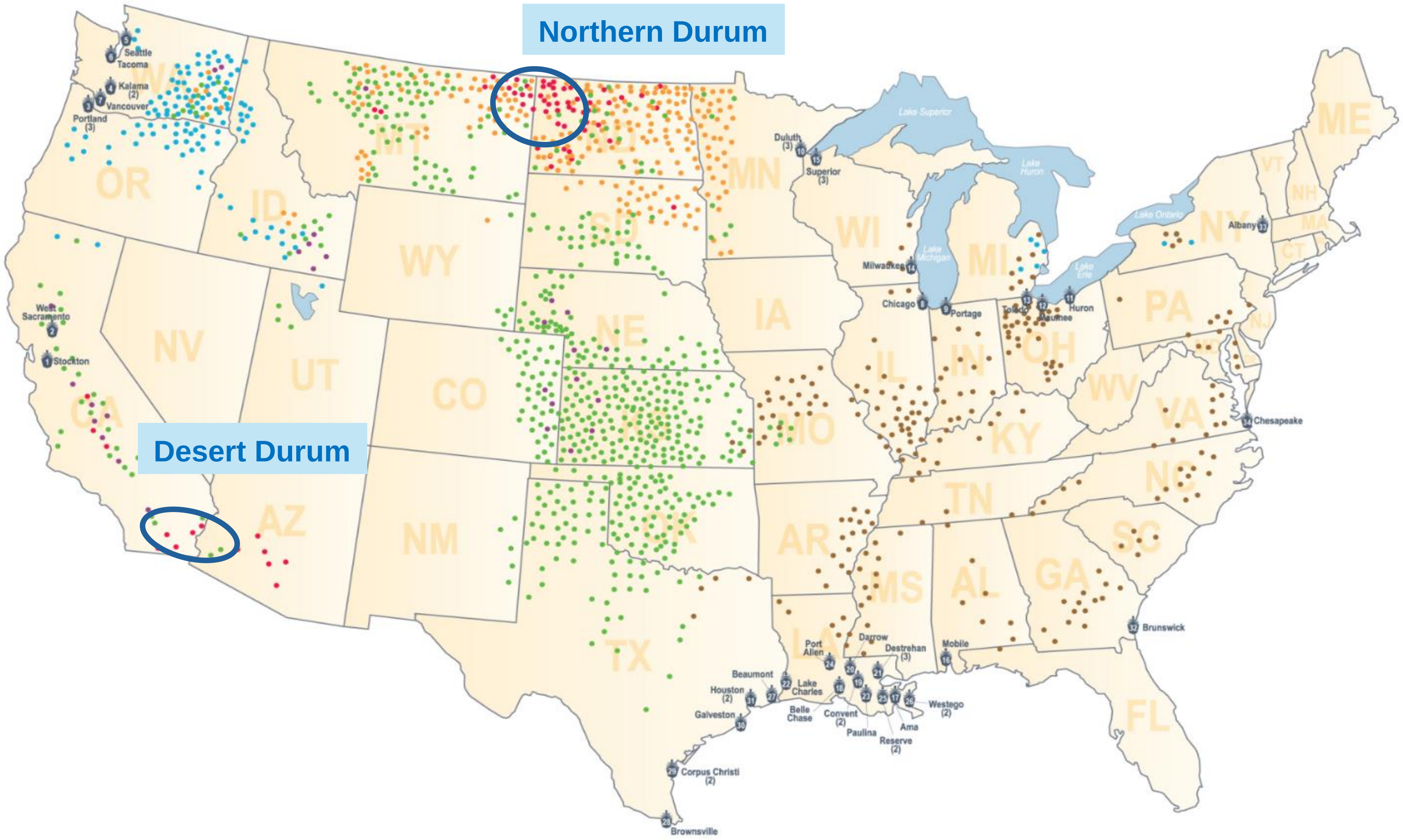
Source: Ag Canada

U.S. Durum



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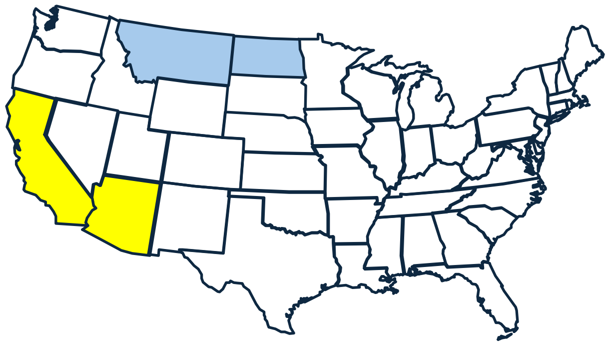
U.S. Durum Regions

- Production in two regions
  - Northern Durum in North Dakota and Montana – 85-90% of production
  - Desert Durum - California and Arizona
- Northern durum planted in April-June, harvested in August-September
- Desert Durum planted in Nov-January, harvested in June
- All Northern durum is dryland production, Desert is all irrigated
- Majority of Desert Durum pre-contracted prior to harvest
- Majority of Northern Durum is contracted post-harvest, due to quality risks, but a portion is also contracted pre-harvest
- Both focus varietal development for high quality pasta products…protein, color and gluten properties. Difference in kernel moisture and kernel size



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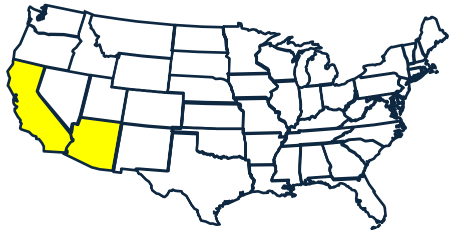
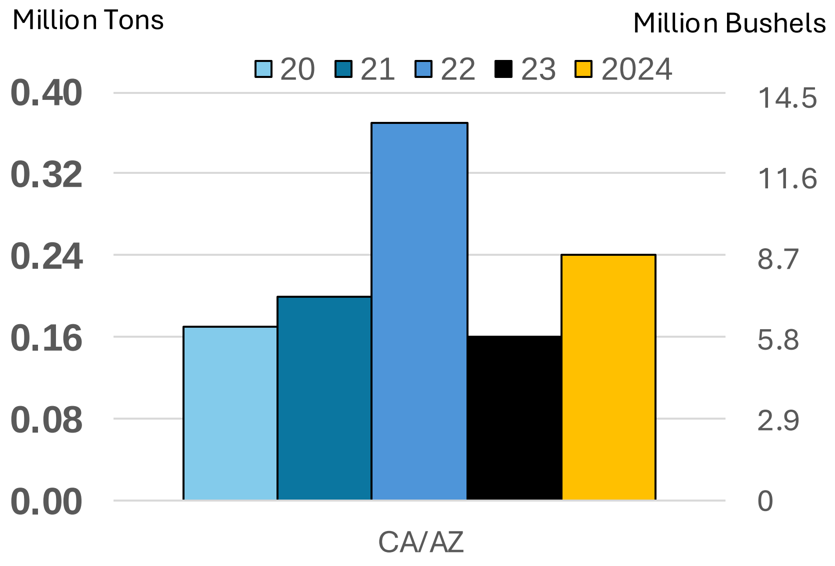
2024 U.S. Desert Durum

- Desert Durum (AZ & CA) production was 54% higher than 2023 to 240,000 MT
- Planted area heavily influenced by the forage and hay market (export and domestic demand) – Competes directly with durum
- Recent years have seen strong prices for forage/feed crops….some relaxation in prices in recent months
- In 2025, likely not to see expansion in planted area, even with retreat in hay prices
- Water costs remain high, as well as restrictions on quantity.
- Incentives to ag producers to "not use" water for 2-3 month periods are quite attractive (build water reserves for municipalities)
- 2025 crop will be planted in next couple months



Recent Production Trend



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2024 U.S. Northern Durum

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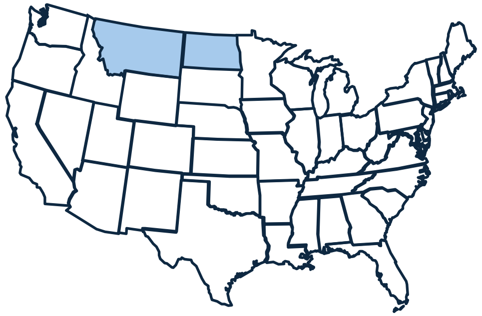
- Planted area increased 20-25% due to price premium of durum to Hard Red Spring wheat, and limited malt barley contracts.
- Timely planting pace and good initial soil moisture conditions in most areas
- June was relatively cool with abundant moisture, promoted excellent crop stands and yield potential
- July turned hotter, and drier especially across Montana impacting yields and kernel development
- Precipitation remained good in North Dakota
- Harvest was timely in region, securing mostly high quality, but some rains did lower vitreous levels
- Record yields were attained in North Dakota, but Montana saw year on year declines



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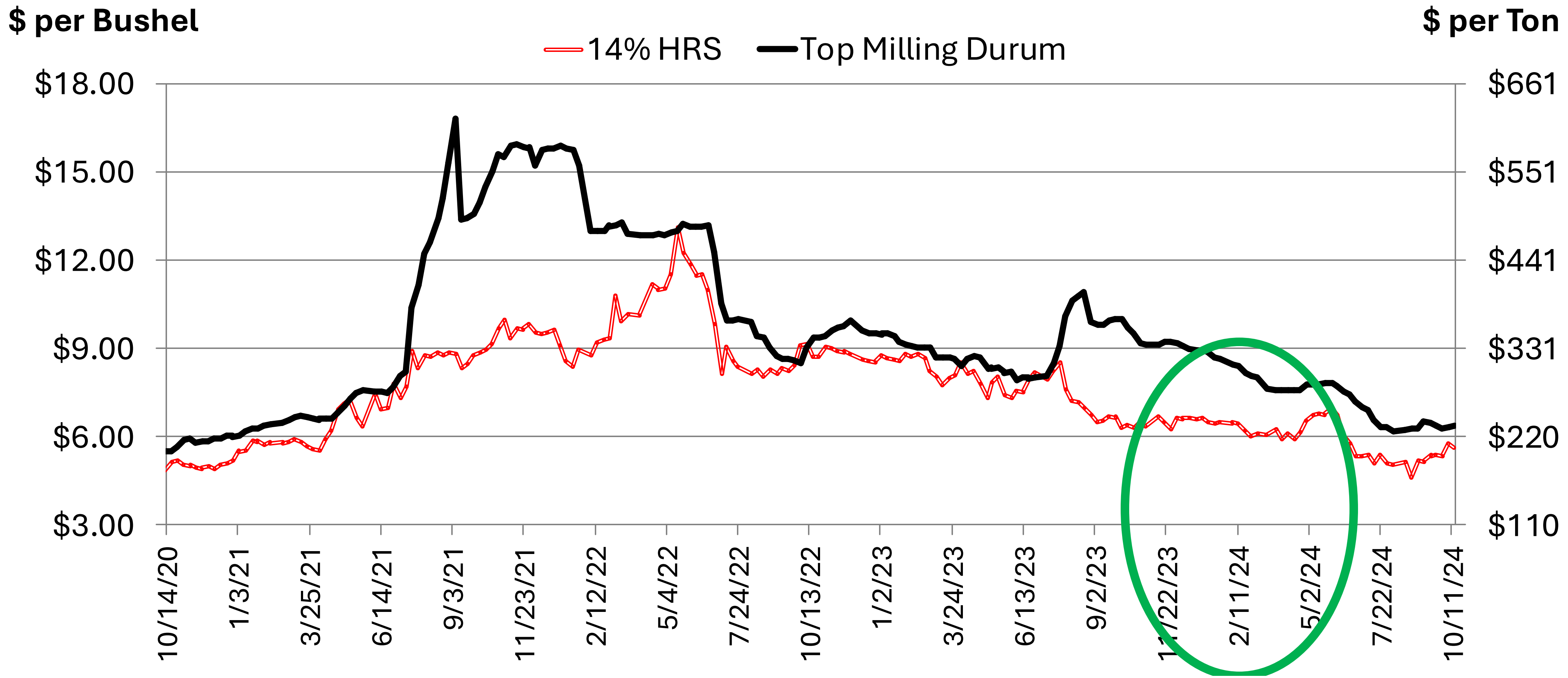
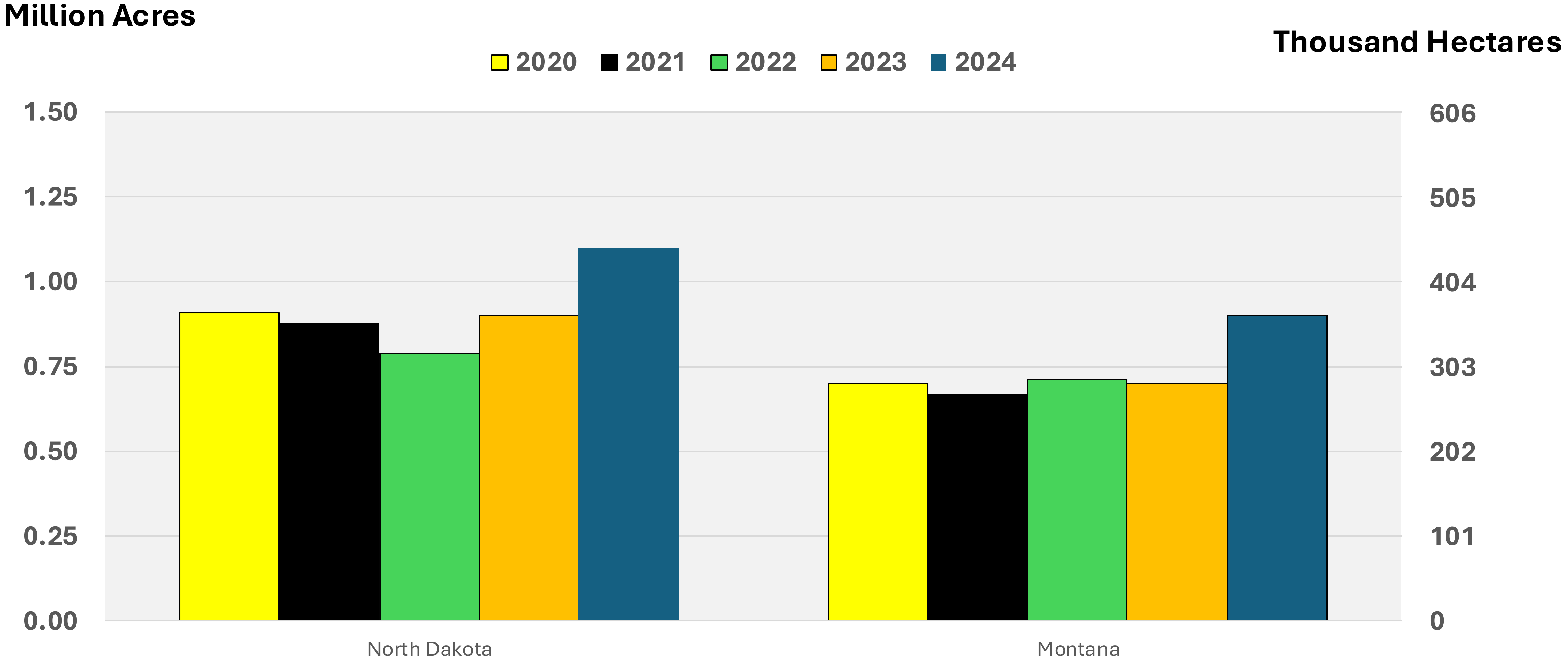
Average North Dakota Producer Bids Hard Red Spring and Durum Wheat



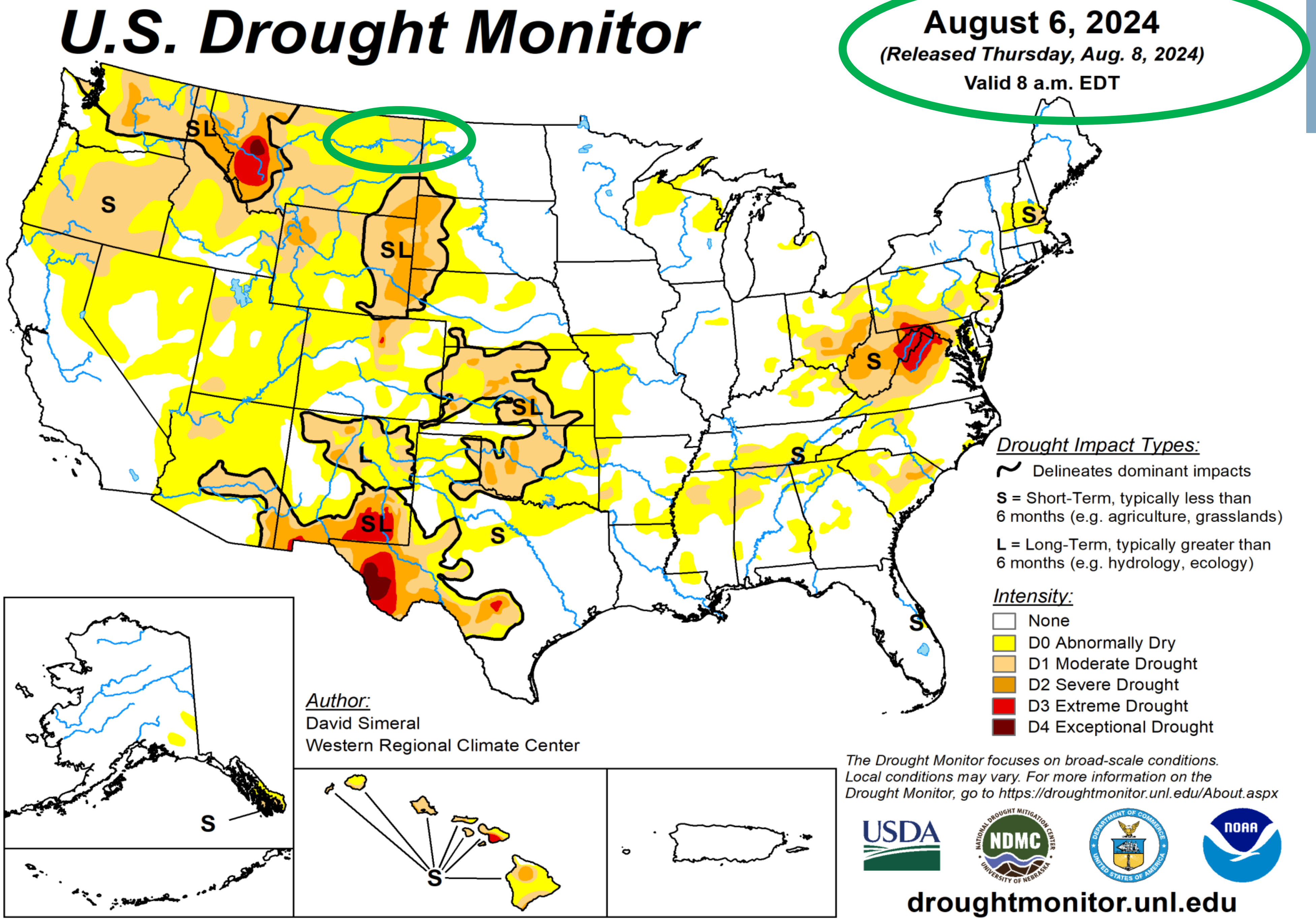
Source: Elevator weekly prices 10/14/24

U.S. DURUM WHEAT

PLANTED AREA BY STATE -- NORTHERN REGION



Source: USDA Oct 2024



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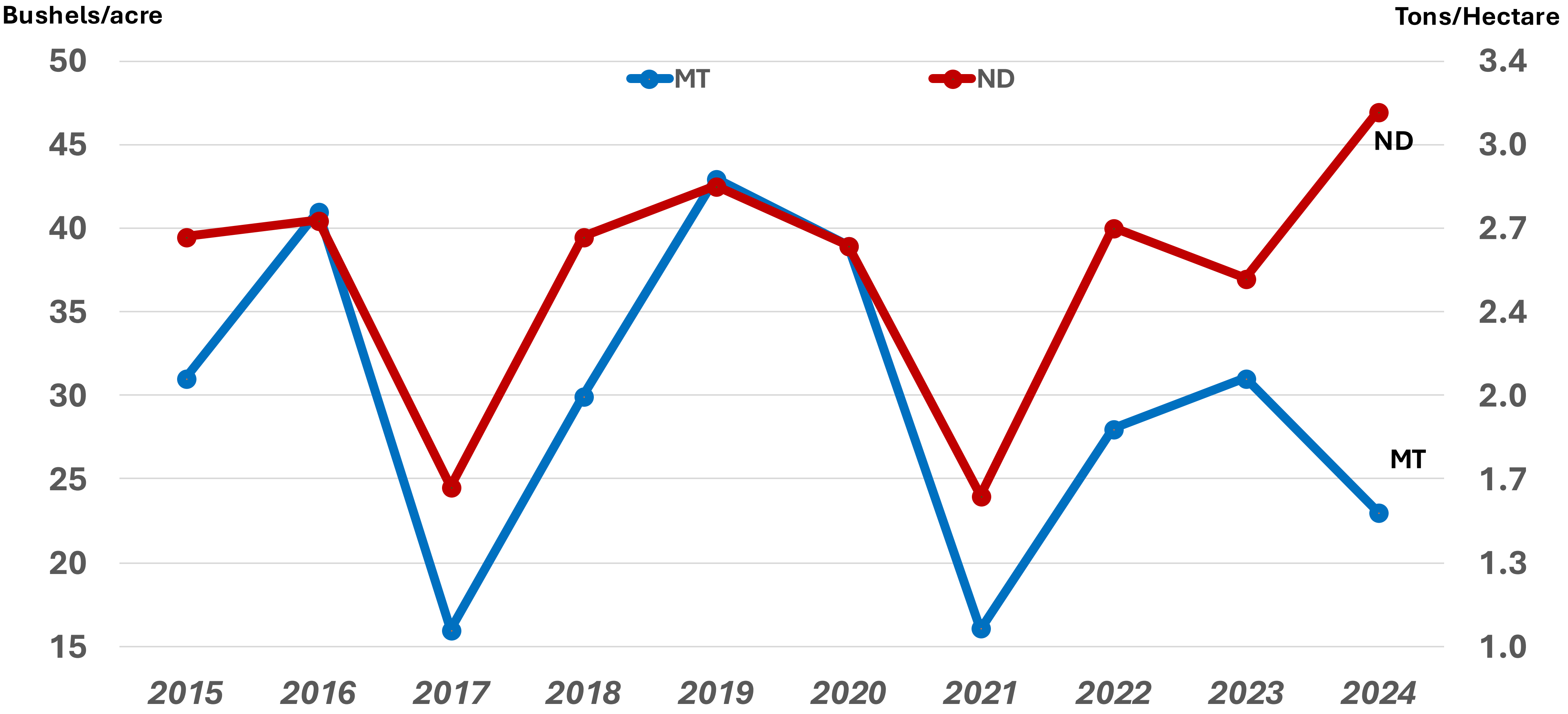
Durum Yields by State



USDA Sept

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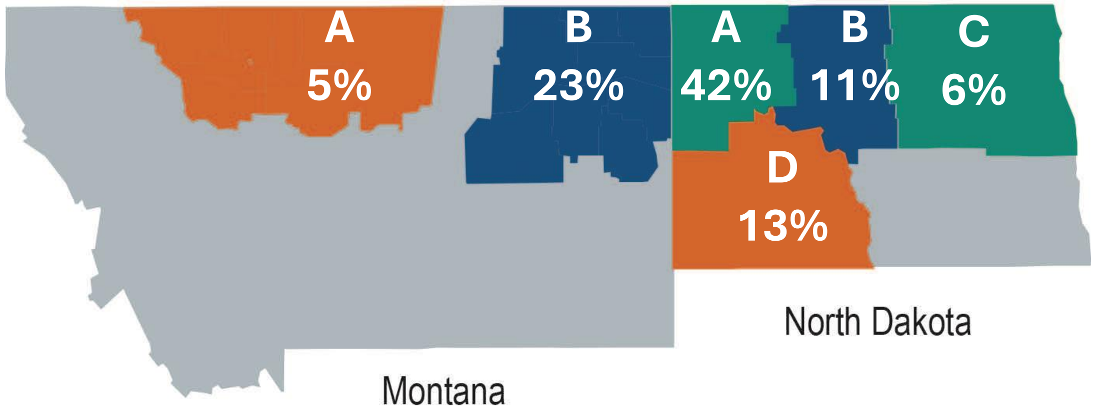
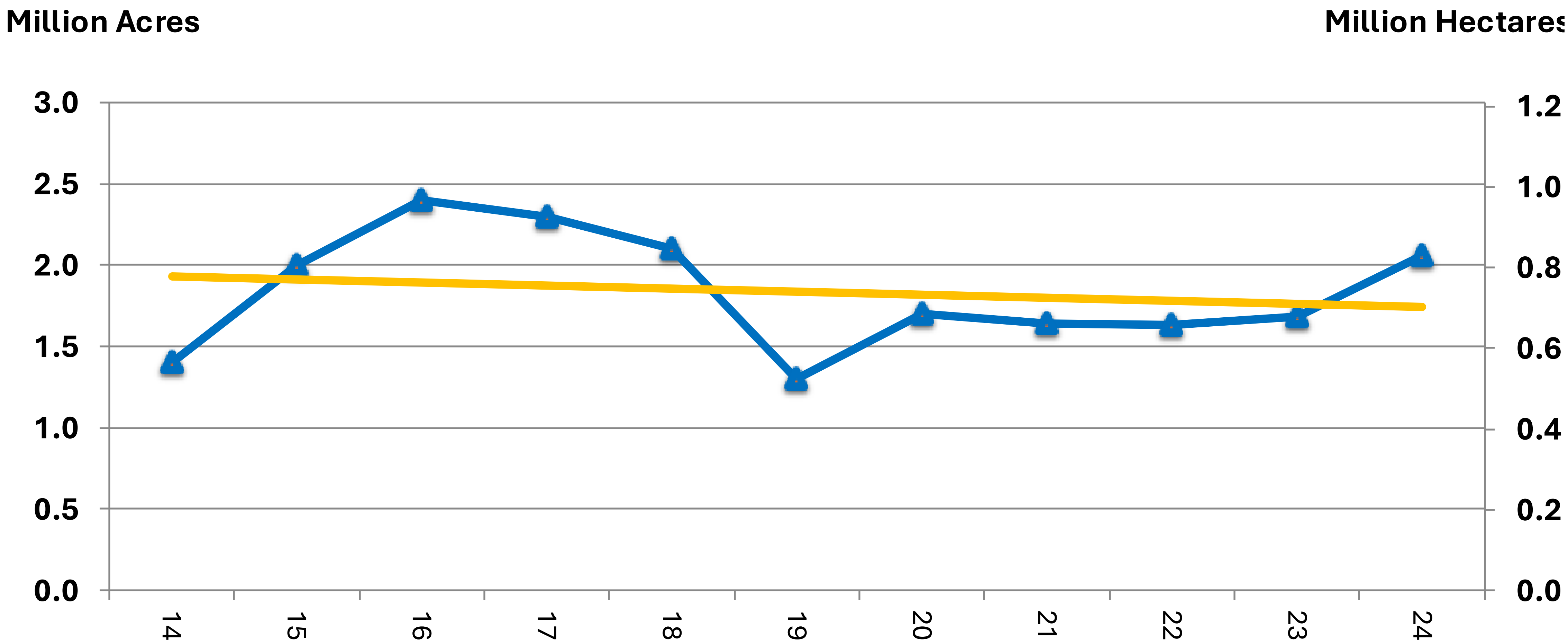
Northern Durum 2024 Quality Survey

- Harvest samples collected direct from producers and elevators during harvest, by NASS and NDSU Extension Agents
- Sent to ND State University for kernel, milling and pasta quality traits…data weighted by production
- Good overall crop in 2024……
    - High protein levels and good vitreous levels
    - Smaller kernel size in some western areas impacted by late season heat
    - Grade profile – 60% #1 and #2 Hard Amber, compared to 70% in 2023
    - Lower semolina and pasta color scores but improved cooked firmness

Approximate Production Share



U.S. DURUM WHEAT
PLANTED AREA



Source: USDA

U.S. DURUM PRODUCTION

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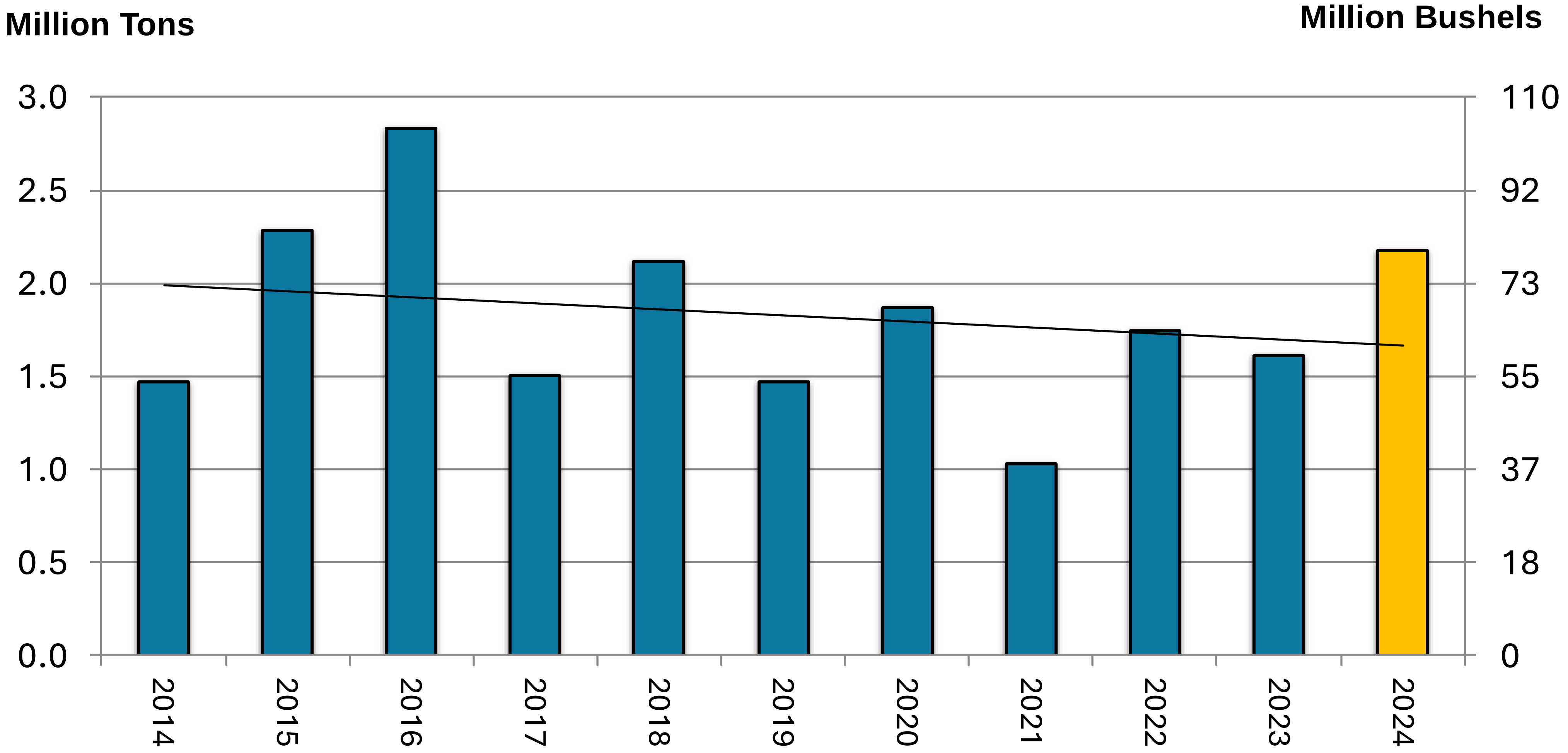

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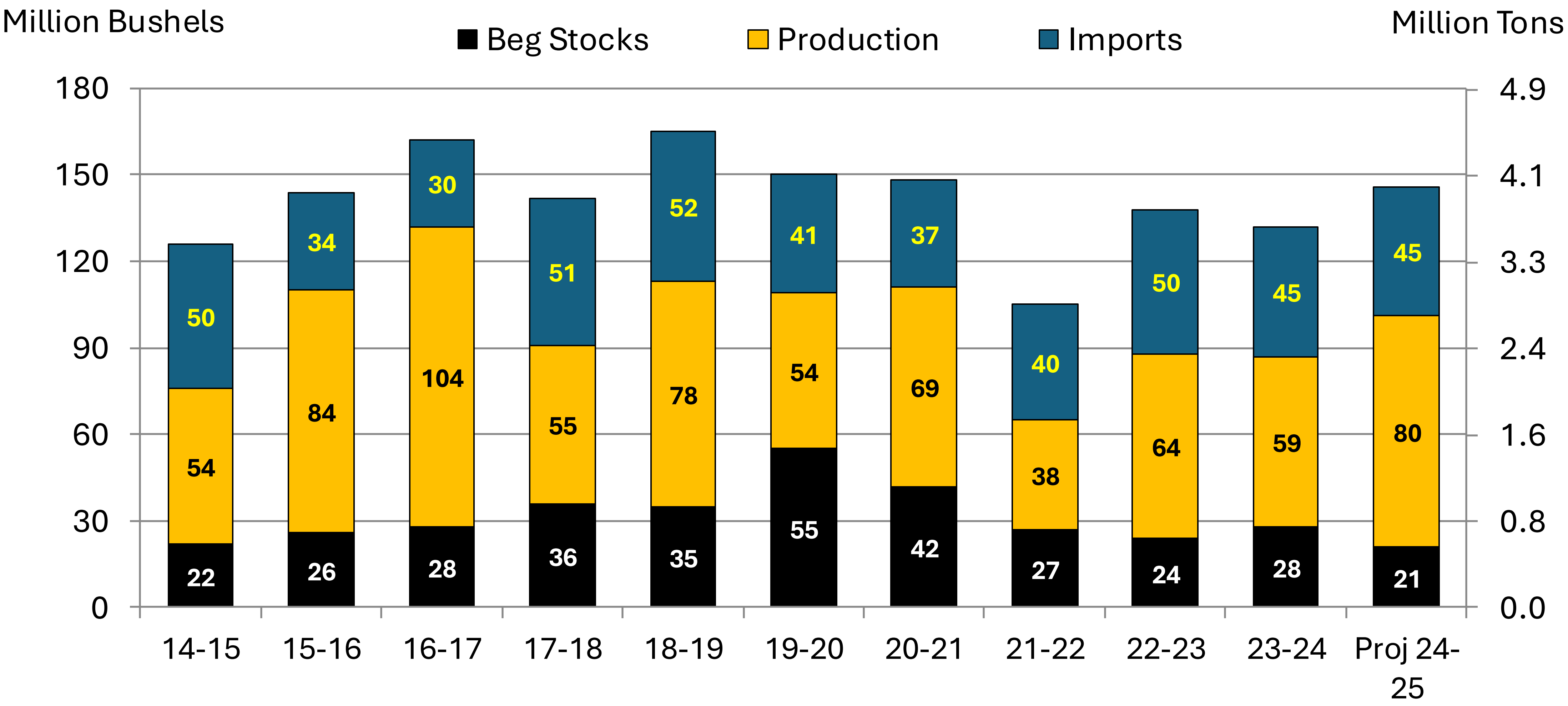
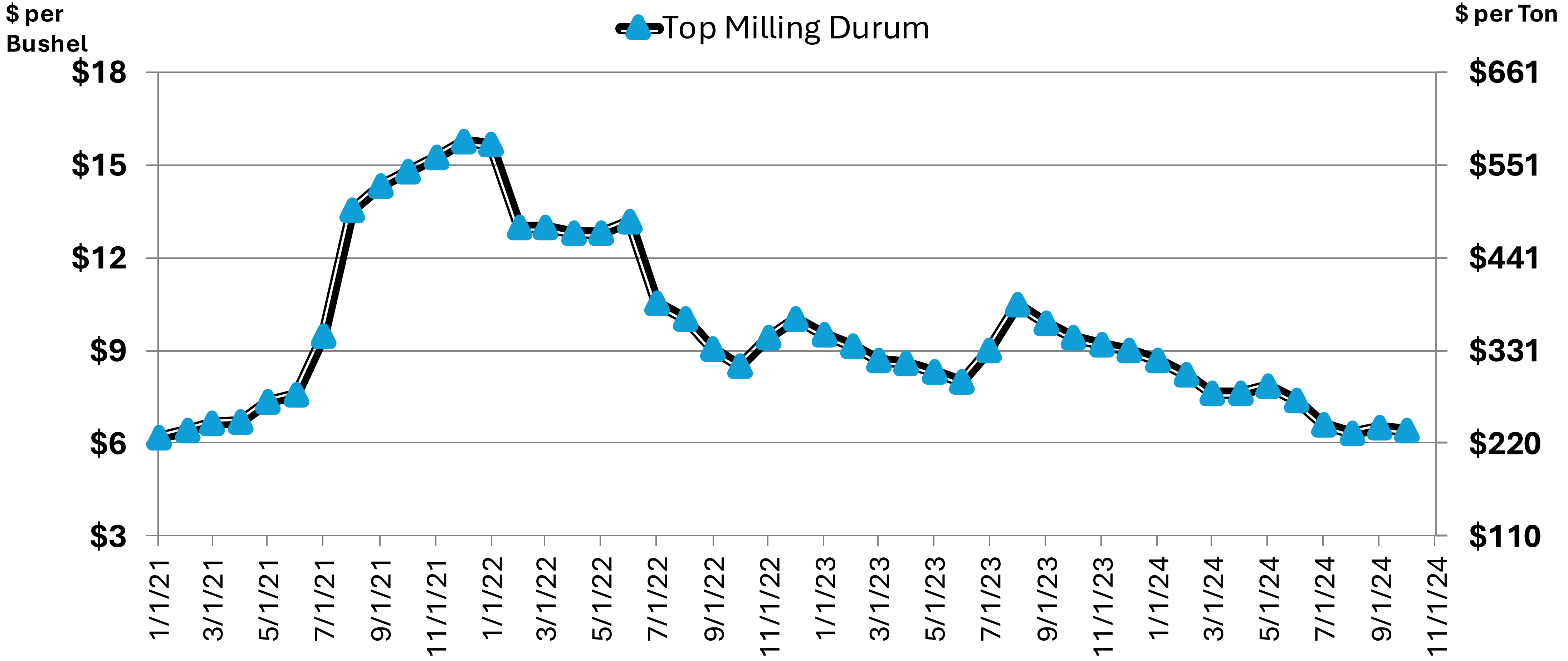
Source: USDA Oct 2024

U.S. DURUM SUPPLIES



Source: USDA Oct 2024
May-June time period

North Dakota Durum Wheat Producer Bids
2021-2024



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Source: Basket of ND elevator bids
Weekly bids averaged over a month

U.S. Durum Demand 2024 / 2025

- Domestic - USDA projecting steady demand for durum food use in 2024
  - Stable demand for pasta, but lower than recent record during COVID shut-downs
  - Hard Red Spring wheat price discount is leading to some substitution in certain product segments
- Exports – USDA projecting higher exports, up about 10%. Current sales are lower than projections.
  - Higher world demand in 2024/2025
  - U.S. prices more competitive with world values, and good quality crop

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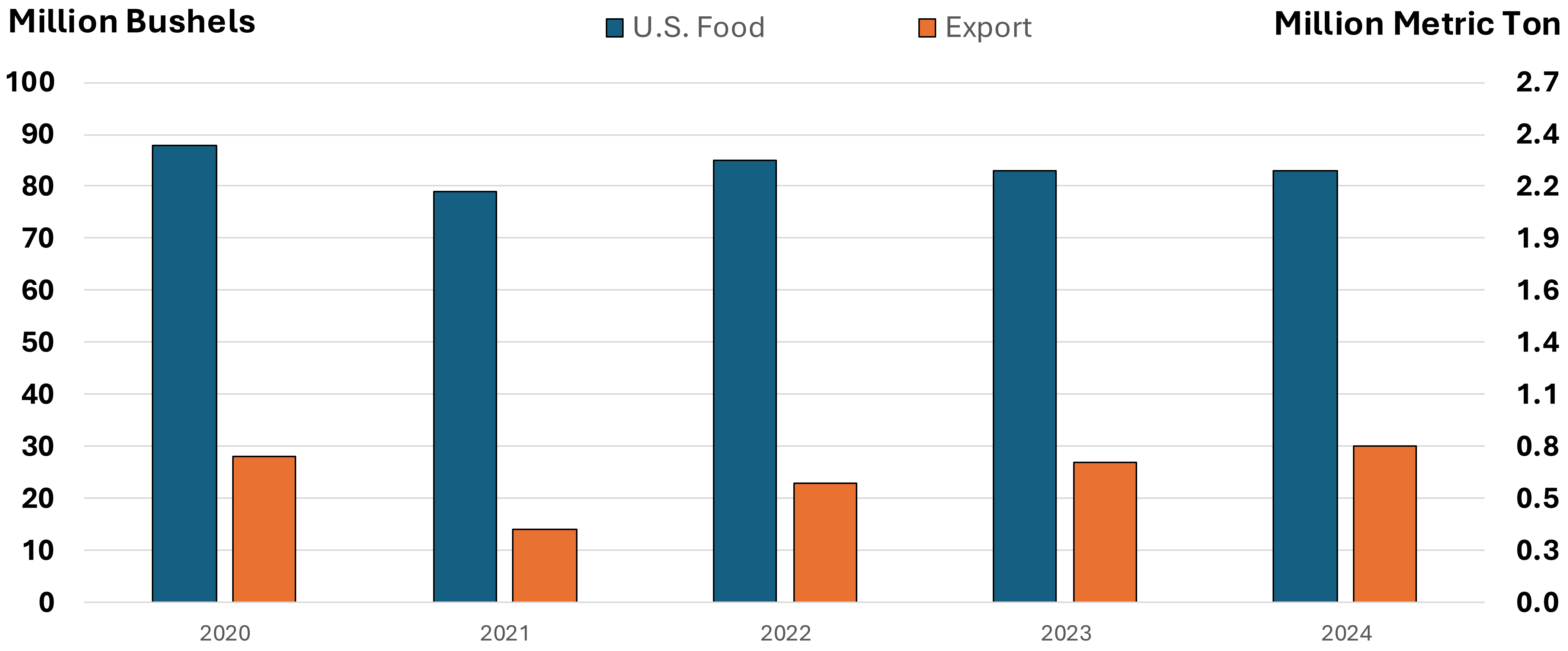
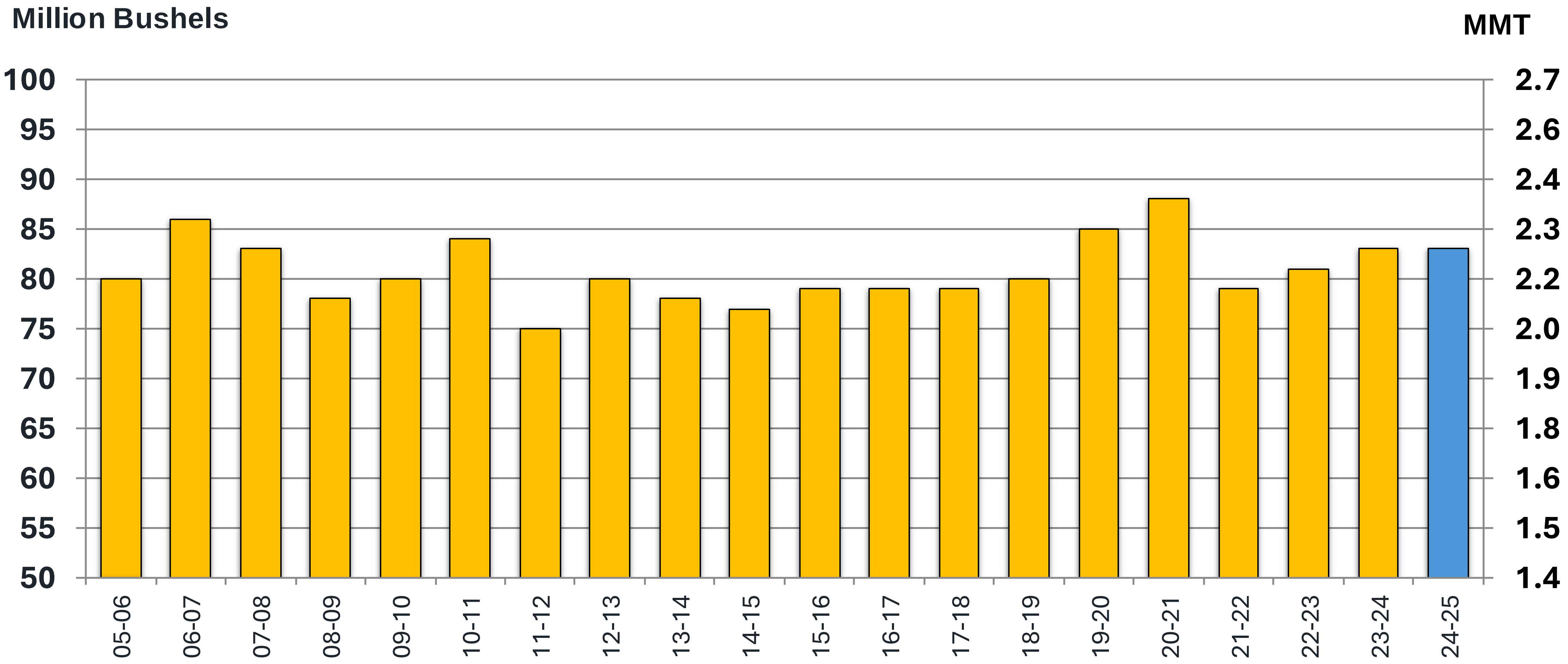
U.S. Durum Demand Trends



Source: USDA

U.S. FOOD USE OF DURUM



Source: USDA Oct 2024
June-May time period

Summary

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- ✓ The 2024 world durum market is better supplied than recent years leading to more price stability and less volatility
- ✓ Import demand is being driven by EU and North Africa primarily
- ✓ Export demand is being driven by rebound in Canadian production, but Turkey and Russia remain large unknowns which can dramatically influence price and demand trends
- ✓ Pasta demand continues to see growth in world market, but added competition to traditional "durum" pasta
- ✓ Transportation in the U.S. and Canada bear watching, as slow downs in rail velocities, generally higher point-to-point costs for freight, lower Mississippi river levels, and potential for labor strikes can have notable impact on logistic costs and timing
- ✓ Still early to project 2025 planting intentions in both the U.S. and Canada, but likely to see lower level of plantings, and expanding fall drought in the U.S. will make winter and spring moisture trends even more important

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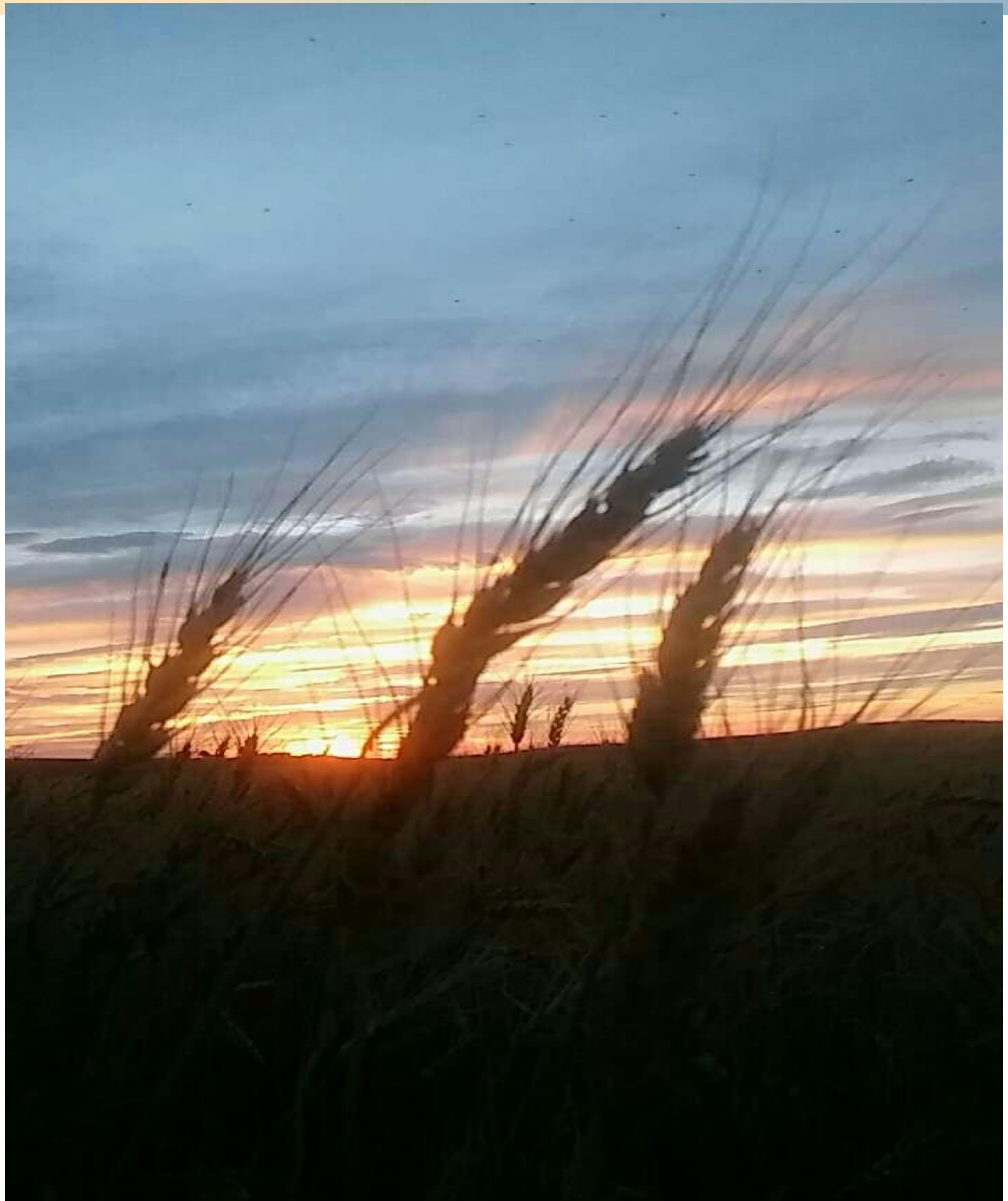
THANK YOU!



QUESTIONS?