APPENDIX B

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NORTH DAKOTA GRAIN DEALERS ASSOCIATION

INTERIM AG COMMITTEE -- JANUARY 12, 2010 -- NCI

NDGDA COMMENTS ON GRAIN DISCOUNTS

For the record my name is Steve Strege and I am the Executive Vice President of the North Dakota Grain Dealers Association. With me today are a couple elevator managers who know more about this issue than I do. They are David Fiebiger, manager of the Finley Farmers Grain & Elevator Co. and 2nd Vice President of our Association. Also here is Paul Coppin, manager of Reynolds United Cooperative and a former Director on our Board.

Protein premiums and discounts, like premiums and discounts for other quality factors, are a function of the market. When protein is in demand the premiums for those who have it will be high and the discounts for what is at the other end of the scale will be more severe. The market trading standard is 14 pro.

Elevators typically blend to get the most value out of the protein they have. This benefits both the grower and the elevator. You can blend 15s or 16s with 12s and 13s to make 14 pro. But if you have ten bushels of the lower for every one bushel of the higher, that isn't going to work. That describes the 2009 crop in many areas.

Some grain elevators might not have markets for certain protein levels or enough bin capacity to keep all protein levels and other factors segregated. If you have to put 11 and 12 protein together that may affect pricing in and out.

Some varieties typically produce more bushels but less protein. You farmers on this committee know more about that than I do. There are tradeoffs. Weather and fertilization have their effects.

We've come a long way with protein. I'm old enough to remember hauling wheat in and having the protein determined by the Udy test method. As I recall that was a reddish liquid mixed with ground wheat and then shaken. I don't know how the actual test was done. Then we graduated to the electronic testers using a couple teaspoons of ground wheat. That was better, but sampling was critical. Now we have the whole grain analyzers that measure much more grain. Of course none of that makes up for a crop with low protein, it only confirms the fact more quickly and accurately.

The elevator mangers here might be able to elaborate on my remarks. I will try to answer any questions you have or refer them to the managers.