

Wheat industry asks decision-makers to consider billion-dollar impact

Report shows farmers' business, personal spending

By **MATTHEW WEAVER**
Capital Press

As state legislators consider changes in tax policy that could impact the wheat industry, a Washington State University economist has issued a report showing wheat farmers directly contribute more than a billion dollars to the state.

"It's a pretty stable contributor to the overall economy," said Randy Fortenbery, professor and small grains endowed chairman in Pullman, Wash.

According to the report, wheat farmers contributed more than \$1.1 billion in 2012 to the earnings of non-farmers through purchases of business inputs — seed, fertilizer and such business services as accounting and legal fees — and personal purchases made by growers and their employees,



Matthew Weaver/Capital Press

Washington State University economist Randy Fortenbery found that Washington wheat growers contribute more than \$1 billion in activity to the state's economy.

such as eating in local restaurants, attending local sporting events or movies.

Every dollar earned on the wheat farm contributed to 51 cents in earnings by businesses supporting the business needs of wheat farms and 47 cents



File photo

A new report says Washington wheat farmers contributed more than \$1.1 billion in 2012 to the earnings of non-farmers through purchases of business inputs — seed, fertilizer and such business services as accounting and legal fees — and personal purchases made by growers and their employees.

earned by businesses supporting personal needs of farmers and their employees, according to the report.

"Every dollar from wheat farming resulted in another 98 cents in economic activity throughout the state, much of it in the rural communities where the grain producers operate," the report states.

by cutting production costs.

If the sales tax exemption on the purchase of seed, fertilizer and chemicals were eliminated, wheat farmers would have faced increased costs of \$13.3 million, assuming their input use did not change. Total profits to Washington wheat farmers would decline by roughly \$25.5 million.

"This would impact the ability of wheat farmers and their employees to make purchases in support of other businesses in the state, and as a result the businesses supported by wheat farm workers would also be negatively impacted," the report states.

Some farmers may cut back on input use, affecting yields and total revenue. Others may decrease off-farm spending.

The value of the report may be for people who are less connected to the wheat sector, Fortenbery said.

"The growers already know they have a significant impact in the communities where they

live and operate, and probably most people in those rural communities do as well," he said.

"It's important those who make some of the rules that govern our industry know what wheat farming means to the state," said Scott Yates, director of communications for the Washington Grain Commission. The commission requested Fortenbery's report. "Although each individual wheat farmer is not big by any means, add them together and it's a billion-dollar industry in direct impacts with another billion-dollar impact in indirect impacts."

Fortenbery hopes to monitor economic impacts of the industry over time, releasing reports every other year.

"If we ended up having some policy initiatives that we thought would impact (the industry) coming out of the legislature this year, we might want to come back and investigate exactly what those changes will mean for contributions in the coming years," he said.

Spud market sluggish as planting begins

By **JOHN O'CONNELL**
Capital Press

IDAHO FALLS, Idaho — As potato growers plant their 2015 crops, University of Idaho Extension economist Paul Patterson believes the market is sending signals that they should reduce their spud acres.

Whether growers will heed the market's warning remains to be seen, Patterson said.

The potato market started 2013 with low prices and gradually improved, finishing the year strong. In December, Patterson predicted 2014 crop prices, which started low, would also improve steadily, with grower returns crossing into the black by January.

Instead, according to Patterson's estimates of Eastern Idaho production costs and economist Bruce Huffaker's estimates of grower returns, prices peaked in early December, when the grower return covered about 87 percent of production costs on paid yield. From February through April, Patterson estimates grower returns have covered just 67 percent of production costs on paid yield.

The exception has been cartons of the largest spuds, due to a 2014 crop profile heavy in small tubers. Large carton prices are up 16 percent since early December, while consumer bag prices are down about 29 percent. On Russet Burbank, Patterson said just 60-65 percent of Idaho's crop grades U.S. No. 1 and can be packed for fresh sales, and just 10-15 percent of spuds end up in large cartons, which are now selling for more than \$30 per hundredweight, compared with \$10.50 per hundredweight for



John O'Connell/Capital Press

Seed potatoes are loaded into a planter April 13 at a Wada Farms field in Eastern Idaho. Spud prices remain below the cost of production as Idaho growers commence with planting.

the smallest-sized cartons.

"The market is saying reduce the supply," Patterson said. "The message that growers should hear is plant fewer acres of potatoes."

The major processors, looking to cut their Northwest acreage, are allowed under Idaho contracts to reduce spud acres by 10 percent. Industry experts hope contract growers won't maintain normal acreages and sell the excess through fresh channels.

Patterson believes processors are responding to the high value of the U.S. dollar affecting foreign exports and market disruptions caused by the West Coast port labor dispute.

Kevin Stanger, senior vice president of Wada Farms in East Idaho, said his business has cut back on spud acres in favor of wheat.

"I see large cartons continuing to stay strong and get stronger. I don't really see much hope on the small bags and small cartons," Stanger said. "I think we're looking forward to next year, and hopefully we've

got less acreage and we've got a little better product."

United Potato Growers of America will physically count every spud acre in Idaho and other major growing areas in May and June. UPGA President and CEO Jerry Wright and his staff have updated a 2004 UI study to convince growers to lengthen their rotations between spuds.

In 2004, UI calculated growers who plant spuds every other year stand to increase yields by 40 hundredweight per acre over time by lengthening rotations between spuds by one year. Using Patterson's most current yield and input cost estimates and 2014-2015 contract prices, UPGA calculated the extra year increases grower margins 50 cents per hundredweight.

"You'll also get measurable improvement in quality," Wright said.

UPGA will send thumb drives with a program to growers wanting to calculate farm-specific numbers on lengthening rotations.

Wheat breeders to meet with Asian customers

By **MATTHEW WEAVER**
Capital Press

Four wheat breeders and researchers will meet with Asian customers next week to hear what they want from the varieties U.S. farmers grow.

Washington State University winter wheat breeder Arnon Carter, Oregon State University extension cereals specialist Mike Flowers, North Dakota State University spring wheat breeding professor Mohamed Mergoum and University of Minnesota wheat breeding and genetics professor James Anderson will travel to Asia on April 18-26.

They will meet with buyers and end-users in Japan, South Korea and Thailand. In 2014-2015, Japan purchased 2.8 million metric tons of U.S. wheat, Korea 1.1 million metric tons and Thailand roughly 500,000 metric tons, according to U.S. Wheat Associates, which is sponsoring the trip.

Breeders have to balance the needs of their customers, Flowers said.

"One of those is obviously the growers, but ultimately, they have to be able to sell their product to somebody else," he said. "The idea is to bring that information back and make sure the quality attributes people are looking for are built into the varieties

and they're also the best agronomic varieties for the growers."

Roughly half of the 55 million-60 million metric tons produced in the United States each year is exported, said Steve Wirsching, vice president and director of U.S. Wheat's West Coast office in Portland. About 40 percent of U.S. wheat is exported from ports in Washington and Oregon, according to the Washington Grain Commission.

Wirsching hopes to get both positive feedback and areas in which the industry can improve. Positives are likely to include a dependable, consistent supply.

"That means we're producing a similar product year after year," Wirsching said. "The wheat grown in a certain area of northern Washington or the Palouse, even though the conditions are different than what you might find along the Columbia River in Oregon, both those

wheats will perform in a similar manner and can be blended as they're being loaded in vessels (in Portland)."

He expects customers to discuss such problems as increased moisture in the northern U.S. and lower protein levels in spring wheat.

U.S. Wheat officials often interact with buyers, but the buyers also like to meet with breeders to better understand how new varieties are developed, he said.

A similar team of breeders visited Asia in 2004. Teams have visited Latin America, Europe and North Africa, Wirsching said.

Flowers hopes to get more of an idea of what customers are looking for and bring that information back to growers.

"I'm just going there with an open mind to hear what they have to say," he said.

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