

Washington

Farm tax breaks up for review by panel

Auditor urges clarification on policy goals

By **DON JENKINS**
Capital Press

OLYMPIA — A slew of tax breaks that save farmers and ranchers millions of dollars annually on tractor repairs, diesel fuel, chicken bedding and others goods and services are up for scrutiny by a watchdog panel.

Since 2007 a citizens commission has been grinding through more than 600 state laws that grant preferential tax treatment to individuals and industries. This year happens to be agriculture's turn

to be a focus, said Legislative Auditor Keenan Konopaski, who heads a nonpartisan staff of policy analysts.

The commission has no tax-writing authority, though it makes recommendations to the Legislature. Lawmakers established the panel to address concern about tax "loopholes." Tax exemptions, nevertheless, continue to remain widely popular with legislators. This year, the Legislature extended tax breaks for food processors and beekeepers.

At least seven tax laws that benefit sectors of agriculture will get a close look by the commission between now and December.

Konopaski isn't proposing that any tax break be elimi-

nated, though he is asking the five-member commission to clarify the purpose and, in some cases, set standards to judge the public benefit of the exemptions.

The tax laws up for review are:

- A sales tax exemption on replacement parts and repair services for farm equipment that will save producers an estimated \$62.2 million over the next two years. The Legislature granted the tax break in 2006 in response to increasing production costs and stagnating crop prices. Since then, according to legislative staff, production costs rose by 38 percent, while farm income increased by 141 percent. Auditors are asking whether the Legisla-

ture's rationale in granting the tax break still applies.

- A sales tax exemption on diesel, biodiesel and aircraft fuel consumed to grow crops that will save farmers an estimated \$53.2 million over the next two years. The tax break was granted in 2006 while diesel prices were rising. Lawmakers enacted an emergency clause, putting the exemption in place in time for spring planting.

Even if the sales tax exemption were eliminated, farmers would be exempt from fuel taxes for tractors and other off-road vehicles.

- Distributors of grains and unprocessed milk, such as grain elevators and co-operatives, are exempt from business taxes on wholesale

income. The exemption will save distributors an estimated \$14.8 million over the next two years. The law goes back to 1939 when sales of wheat, barley and oats were exempted from taxes. Other crops were added over the years, and unprocessed milk was added in 2007. It's unclear why lawmakers provided the exemption to some crops, but not to other agricultural products, according to auditors.

- Medicine for farm animals is exempt from sales taxes. Producers will save an estimated \$5.4 million over the next two years. Legislative analysts say lawmakers should explain the policy's objective.

- Bedding materials for

chickens and propane or natural gas to heat chicken coops are exempt from sales taxes. The exemptions will save poultry producers an estimated \$5.3 million over the next two years.

- The value of a family-owned farm can be deducted in calculating estate taxes, helping keep the farm in the family. That's fine, according to auditors. But they question whether heirs should then be free to immediately sell the farm without paying estate taxes.

- Builders are exempt from sales taxes on materials and labor to build or equip warehouses and grain elevators. Auditors suggested measuring whether the tax exemption was stimulating trade.

Inslee's trade trip to include pitches for spuds, blueberries, wine

Delegation to promote Washington goods in Japan, South Korea

By **DON JENKINS**
Capital Press

OLYMPIA — Washington potato growers, blueberry farmers and wine-makers will be represented on a trade mission this month to Japan and South Korea led by Gov. Jay Inslee.

All three agriculture groups have ambitions to increase sales in Asia. Potato and blueberry farmers hope to capitalize if trade barriers come down, while vintners are pitching Washington wines to retail outlets in Korea.

About 60 business and government leaders, including state Agriculture Director Derek Sandison, are expected to make the trip to promote Washington agriculture, aerospace, manufacturing and technology industries.

Inslee will leave Aug. 28 and begin by meeting with government and business leaders in Seoul, South Korea. The trip will end with a display of Washington food and wine at a Tokyo Costco. In between, the delegation will travel to Washington's sister state in Korea, North Jeolla province, and the Japanese cities Kobe and Nagoya.

Washington exported \$1.6 billion worth of agricultural goods to Japan last year, including \$218 million in frozen potatoes, despite an 8.5 percent tariff.

The Washington State Potato Commission hopes sales will increase if the Trans-Pacific Partnership does away with the tariff, the commission's assistant executive director, Matt Harris, said. The 12-nation pact is being negotiated in secret and hasn't been presented to Congress for ratification.

Washington saw frozen potato sales to Korea jump from about \$40 million to \$62 million annually in 2014 after a U.S.-Korea free-trade agreement was signed in 2012, eliminating an 18.5 percent tariff.

"We haven't seen (sales)

slow down yet. We hope we haven't hit that plateau of growth," Harris said.

Harris and the commission's marketing director, Ryan Holterhoff, will make the trip to firm up relations with distributors and probe how consumers can be won over. "It is important for us to make connections to customers," Harris said. "To show we care."

The blueberry industry has been looking toward Asia for customers as production has increased. The U.S. Department of Agriculture has purchased surplus blueberries for food banks and soup kitchens to stabilize prices.

"We know the handwriting is on the wall. We need to develop new markets," Washington State Blueberry Commission Executive Director Alan Schreiber said.

Washington blueberry farmers hope to gain permission to sell fresh berries to Korea. Oregon farmers gained access in 2012 after 10 years of negotiations to set food-safety regulations.

Schreiber said he hoped that Washington farmers will win access "within three years." The trade trip won't yield any immediate results, but it's important to "show the flag," he said.

"Foreign markets take time to develop, and this is just one of the things you do," Schreiber said.

Washington State Wine Commission will focus on the Korean leg of the trip, the commission's president, Steve Warner, said.

Japan already represents 9 percent of Washington wine exports, while Korea takes in 4.1 percent.

Washington wines are available for on-premise consumption at Western-style restaurants and hotels in Korea, but they need to break into more retail outlets.

"In order to be successful, we have to do on-premise and off-premise," he said.

"We're just scratching the surface," Warner said. "I'm really happy with where we are, and I think there are tremendous opportunities."

Washington exported \$469 million in agricultural products last year to South Korea.



Dan Wheat/Capital Press

Joshua Adkins, a Syngenta research and development scientist, talks to growers about disease control in dry beans during a field day south of Ephrata, Wash., on Aug. 5.

Farmers get a look at new pesticide products

By **DAN WHEAT**
Capital Press

EPHRATA, Wash. — New fungicides for potatoes, under the brand name Orondis, will be released in the U.S. by Syngenta next year.

The active ingredient, Oxathiapiprolin, is good against late blight and is an entirely new mode of action, said Joshua Adkins, a Syngenta research and development scientist.

Adkins was one of several personnel of the global agrochemical and seed company talking about new Syngenta

products to more than 100 upper Columbia Basin growers at a Syngenta field day at Qualls Agricultural Laboratories south of Ephrata, Aug. 5.

"It's very effective at low rates so that's exciting because we're able to control disease with less product," Adkins said.

Solatenol is an active ingredient in Syngenta's first foliar SDHI (succinate dehydrogenase inhibitor) fungicides that are being registered this year and will be on the market in 2016.

Solatenol is the sole active

ingredient in Aprovia to control powdery mildew and scab on apples, pears and grapes.

Solatenol is mixed with other active ingredients in Elatus for potatoes and Trivapro for cereal grains and corn.

Mixed with Azoxystrobin in Elatus for potatoes, Solatenol is excellent in crop safety, preventive fungicidal activity and in standing up to rain, Adkins said. It fits into resistance management programs with no cross-resistance to strobilurin or triazole fungicides and is excellent in combating Rhizoctonia fungi.

Solatenol demonstrates similar qualities in Trivapro for wheat, he said.

Sedaxane is the active ingredient in Vibrance fungicide blended with other seed treatments depending on the crop. It is used in soybeans, corn, wheat and pulse crops and just getting registered for potatoes.

Bicyclopyrone is the active ingredient in Acuron, a broad-spectrum herbicide for field and sweet corn. It also will be used for a new product, yet to be named, for launch in 2017 for weed control in cereals.

Groups support senators for backing trade authority

By **MATTHEW WEAVER**
Capital Press

Agriculture groups in Washington state are supporting their U.S. senators for backing fast-track trade promotion authority for President Barack Obama.

Seventeen of the state's agriculture groups are defending Sens. Patty Murray and Maria Cantwell against criticism from within their own Democratic party for supporting fast-track authority.

Organizations signing a letter of support include the Hop Growers of Washington, the U.S. Pea and Lentil Association, the Washington Cattlemen's Association, the Washington Association of Grape Growers, Washington Farm Bureau, Washington Friends of Farms and Forests, Washington State Fruit Commission, Washington State Potato Commission, Washington Grain Commission and Washington Association of Wheat Growers.

"Agriculture is very trade-dependent," said Nicole Berg, WAWG national legislation committee chair and a Paterson, Wash., farmer.

"We need to have stable, consistent trade policy. This issue needs to be done on a bipartisan concept, which is something that it seems in politics today is not quite there."

The groups felt Cantwell's and Murray's efforts needed

to be validated and appreciated, Berg said.

"There were not a lot of Democrats that went on this issue, there was a divide on giving the president that authority," said John Stuhlmiller, CEO of the Farm Bureau. "We're grateful that they bucked the party on that one and went with what's good for the state, which is increased opportunities for trade."

The ag groups see fast-track

authority as critical for negotiating the Trans-Pacific Partnership free trade agreement, which includes 12 countries, including the United States, Japan, Mexico, Canada and Australia. Stuhlmiller said final language for the TPP agreement could be presented to Congress by the end of the year.

Fast-track authority means the Senate can only take an up-or-down vote on a trade pact and cannot modify it.

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Oregon's top 20 commodities: 2014

Rank	Commodity	Value - Dollar
1	Cattle & calves	922,031,000
2	Greenhouse & nursery ¹	829,909,000
3	Hay	703,080,000
4	Milk	656,635,000
5	Grass seed ²	449,018,000
6	Wheat	302,056,000
7	Potatoes	164,703,000
8	Hazelnuts	129,600,000
9	Pears	127,392,000
10	Grapes for wine	118,320,000
11	Onions	106,334,000

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*Source: Oregon Agriculture Facts and Figures, July 2015

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