

Wheat

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the needs of customers will set it apart from other wheat grown around the world.

Last year, farmers in Idaho, Oregon and Washington produced nearly 239 million bushels of wheat, according to the USDA 2015 small grains summary report. About 80 percent of that was sold overseas. In Eastern Washington, even more wheat goes overseas — about 90 percent, according to the Washington Grain Commission.

The U.S. competes in the global market against other wheat-producing countries, including Canada, Australia and the Black Sea region that includes Ukraine and southern Russia. Some of that wheat is cheaper, and some of it is closer to the countries looking to buy, reducing transportation costs.

“We can’t compete with freight costs and price,” Miller said. “(Quality) is all we’ve got. That’s our true advantage.”

Miller, who farms about 60 miles southwest of Spokane, is chairman of the Washington Grain Commission and secretary-treasurer of U.S. Wheat Associates, which promotes U.S. wheat overseas. He recently returned from visiting buyers in Japan, Taiwan and South Korea.

Miller said the customers he met made it clear they hope the high quality of Pacific Northwest wheat continues.

“They are just making us very aware that we don’t jeopardize that,” Miller said. “If it drops down to where the other competitors are, we’ve lost our competitive edge.”

Ingredients for success

Perhaps “quality” is better defined as “suitability” to how the wheat is used, said Craig Morris, director of the USDA Agricultural Research Service Western Wheat Quality Laboratory.

For example, a wheat breeder’s best hard red spring wheat variety may be completely unsuitable for making Japanese sponge cakes, he said. But for making some types of bread, it may be just right.

“Understanding what our customers want, what is best-suited for their products, and then using our knowledge and experience to translate that into discrete, technical, well-de-



USDA Agricultural Research Service Western Wheat Quality Laboratory Director Craig Morris holds up an example of a good-quality cookie made using Pacific Northwest wheat April 8 in Pullman, Wash. Wheat farmers promote the quality of their wheat when selling it to customers overseas.



Farmer Mike Miller examines his wheat April 20 on farm property near Ralston, Wash. Wheat farmers in the region and across the country promote the quality of their crop when selling it to customers overseas.

defined criteria we can measure and communicate with wheat breeders” is crucial, he said.

Many international buyers seek out U.S. wheat because the value is higher compared to wheat from elsewhere, said Steve Wirsching, vice president and director of U.S. Wheat’s West Coast office in Portland.

Soft white wheat and club wheat — a subclass of soft white — are primarily grown in the Pacific Northwest and considered the perfect ingredients for Japanese sponge cakes and cookies.

“Wheat breeders in the PNW have worked for generations to breed varieties that meet the Japanese specifications for sponge cake and the reward is that this wheat is selling for a premium this year,” Wirsching said.

According to the USDA, soft white wheat sells for \$5.28 to \$5.40 per bushel and \$5.50 to \$5.75 per bushel for the maximum

10.5 percent protein at the Portland market, compared to \$5.19 to \$5.34 per bushel for hard red winter wheat.

Many customers expect higher value from the U.S., said Jim Peterson, marketing director at the North Dakota Wheat Commission and chairman of U.S. Wheat’s quality committee.

Quality is the primary consideration in markets such as Northern Asia, parts of Europe, Central America and Mexico, and to a lesser extent in other regions, particularly price-sensitive markets, Peterson said.

Reward for quality

Farmers might not immediately see a higher price for quality, said Morris.

“If I grow a better quality variety versus something down at the bottom (and) take a truckload of each to the elevator, is there any price differential?” he said. “Probably not. So am I getting paid for quality? It would appear not. But if I sell a shipload of PNW wheat and not only do

I sell that ship, but the price is so many dollars per metric ton over Black Sea (wheat), have I gotten paid for quality? I would argue yes, in some sense you have.”

The marketplace builds in premiums and discounts as a way of differentiating value, Morris said. He argues that Pacific Northwest wheat has higher value and should command a higher price.

Farmers could receive a higher price on a per-truckload basis for easily measured kernel traits such as protein, the falling number test, moisture, test weight or on a regional or class-specific basis, Peterson said.

Redefining quality

Each year, the three Pacific Northwest wheat commissions release a preferred variety brochure, ranking the quality of the available wheat varieties from Most Desirable to Least Desirable.

“If two varieties have the same agronomic characteristics, we encourage them to choose the one with the higher quality,” said Glen Squires, CEO of the Washington Grain Commission.

The commissions are also considering a redefinition of the rankings to more clearly differentiate them. Changes were made for soft white winter wheat for the 2016 brochure. The commissions are considering changes in the other classes.

Blake Rowe, Oregon Wheat CEO, said the commissions are raising standards so wheat breeders can aim for higher ratings for the varieties they develop.

“There’s always room to find and make the product a little better than what else is

available on the marketplace,” Rowe said.

Growers have always been interested in quality, said Blaine Jacobson, executive director of the Idaho Wheat Commission, but now more tools are available to help them grow wheat that meets the more precise standards buyers seek.

“The science regarding the chemistry of wheat has advanced, and so many of our customers are becoming much more specific in the type of wheat they need for their product,” he said.

If a variety is released and is negatively ranked, it can potentially create problems, said Squires.

In the early 2000s, the hard red winter variety Estica, slated for use in Europe, had high yields but poor quality. Japanese customers received a shipload of the variety, but couldn’t use it and refused to buy it, so the export company asked farmers not to grow it, he said.

“If you grow really poor quality, it’s going to negatively affect that market, and that’s what we want to stay away from,” Squires said.

There aren’t presently many low-quality wheats like that in the PNW market, Squires said.

“We want to keep it that way,” he said.

Increasing quality

Craig Morris stood in a room filled with about 1,500 flour samples, milled from wheat grown in 2015. Each one represented a variety that could eventually be released to Washington wheat growers.

The Western Wheat Quality laboratory, on the Washington State University campus,

also examines 4,500 breeding samples each year, measuring more than two dozen attributes, passing along results to wheat breeders.

“That huge amount of work culminates in releasing two or three varieties each year,” Morris said. “It’s interesting to consider the perspective of 95 percent of what we do is just to throw things away.”

Supply grows

High quality is becoming even more important as farmers around the globe are projected to raise a record 26.9 billion bushels of wheat this year. Combined with a strong U.S. dollar relative to foreign currencies, such a large supply means lower wheat prices for U.S. farmers.

“Last year, the planet Earth grew more wheat than the planet has ever grown,” Morris said.

And more is on the way.

Competing countries in the Black Sea region haven’t yet reached the limits of wheat production, Morris said.

“Currently, is it high-quality wheat? Absolutely not,” Morris said. “Is it cheap? Absolutely. Even though we’re super-efficient and super-productive, I don’t know that the U.S. farmer is going to be able to compete, or that we want to compete, on the global stage by producing the cheapest wheat possible.”

The future

As he moves up the leadership ranks of the U.S. Wheat Associates hierarchy in the next few years, Miller expects quality to continue to be one of the main topics.

“It’s a very important topic we have to work through, because of the competition for acres as well as for markets,” he said. Growers elsewhere in the United States could elect to raise corn or soybeans.

Peterson expects demand to remain steady in countries that already demand high quality, and increase in countries where the middle class is expanding. Middle class consumers want a larger variety of wheat products or quicker, more convenient ways to prepare them, he said.

Asked who produces the next-best wheat quality, Squires, of the Washington Grain Commission, said every country is a potential competitor, even in the Black Sea region, where farmers are slowly making improvements.

“Everyone is improving their quality,” he said. “Quality wheat tends to bring in a higher return. That’s why we’ve got to stay ahead of the game.”

PGG

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show PGG lost approximately \$4.4 million in 2013 and \$7.9 million in 2014. General Manager Rick Jacobson said the co-op needed at least 8 million bushels from last year’s harvest to maintain its investments, but came nowhere close to meeting that goal.

On the other hand, neighboring Morrow County Grain Growers earned a profit of \$321,315 last year, with \$207,584 in patronage and equity paid to members. Northwest Grain Growers, based in Walla Walla, also made \$4.4 million for the year ending April 30, 2015.

At Monday’s meeting, the PGG board recommended dissolving, which allows the



Members of the Pendleton Grain Growers cooperative voted Monday to dissolve the co-op. In recent years, the co-op lost millions of dollars in profit and misrepresented millions more in overstated earnings.

co-op to put its profitable divisions up for sale. By selling off businesses such as the grain

division, energy and Precision Rain irrigation subsidiary, the board wants to ensure those

services remain intact under new ownership. PGG has 67 employees, most of which Jacobson said would at least be offered the chance to keep their jobs.

“These are all profitable businesses,” said Jacobson, who was hired at PGG in 2012. “We’ll get those sold.”

The first order of business, Jacobson said, is to close the deal with United Grain Corporation, an outfit owned by the Mitsui Group of Japan. United Grain has traditionally been one of the West Coast’s top exporters, and is now expanding its reach to work directly with farmers.

Tony Flagg, vice president of business development, said he couldn’t discuss terms of a deal with PGG, but looks forward to establishing roots in the region.

“We want to do business with producers, not middlemen,” Flagg said. “We think it’s better for both.”

Meanwhile, PGG members won’t see any dividends returned to them for possibly three to six years. Some, such as Eric Anderson, have doubts they’ll see any money at all.

Anderson, who’s been a member of the co-op for 40 years, described the mood at Monday’s meeting as one of resignation. He said he and his wife have \$36,000 worth of lost dividends from PGG, and they’re far from the only ones. Missing those payments is especially difficult for seniors, Anderson said, who have counted on that income.

“These directors took it from their neighbors,” Anderson said. “It’s their neighbors’ money.”

As for seeing any equity returned, Anderson said it’s a steep climb for a co-op that still has pension obligations, environmental liabilities and a \$15 million loan from CoBank left to pay back.

“I hope there will be significant recovery,” he said. “But they’ve not given me much incentive (to believe).”

Jacobson said CoBank has not called on PGG’s loan and has been supportive through the process. He understands some people are angry, but that “it serves no purpose to find a scapegoat.” Jacobson also defended the board, saying they’ve been transparent reporting what they knew about the co-op’s finances.

Jacobson said he has an idea of how much equity will be returned to members, but would not specify.

Harvest

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to get tighter,” said Ken Bailey, vice president of Orchard View Farms in The Dalles, Ore., that state’s largest cherry grower.

On May 2, Jason Vargas, 30, was second in line and waited more than two hours for Stemilt’s job fair to open at the Wenatchee Convention Center. The line grew to only about 80 when the doors opened early at 1:30 p.m. and just 40 applications were received in the first half hour.

Some 492 applications had already been received by Wenatchee WorkSource, the local job office of the state

Department of Employment Security.

The job fair generated 550 applicants last year, 747 in 2014, 960 in 2013 and a record 1,546 in 2010. A Stemilt spokeswoman at the time credited the turnout to high unemployment during the recession. That was a two-day event at which the opening line wrapped halfway around the convention center.

This was the first year applicants could turn in applications at WorkSource, bypassing the fair. In time that may replace the fair but Zach Williams, Stemilt’s director of human resources, said the fair is kept to generate interest and applications.

Stemilt advertises its jobs through its website, Work-

Source, newspaper and radio advertisements and, for the first time this year, Facebook.

Stemilt needs 1,500 workers for its two cherry packing plants running double shifts at the height of packing. About half of those will be temporarily pulled from apple packing, Williams said. The other half was to come from the fair. If Stemilt gets more than 750 applicants it will hold them in reserve as replacements for what can be high turnover because of the tedious nature of sorting.

The amount of sorting by humans is being reduced by faster, high-tech optical sorting and sizing equipment by many companies.

Orchard View Farms is just finishing installation of

a new, high-tech Unitech line. The company has nearly 2,400 acres of cherries. The company needs 450 to 500 pickers and 175 to 180 sorters and packers and starts recruiting in March, Bailey said.

Orchard View had about 40 percent of a normal crop last season due to a November 2014 freeze. It hopes to have a full crop this year with picking estimated to start June 3 or 4 compared with May 29 last year.

Some Yakima companies struggled last year to get enough sorters and packers, and growers are always looking for more pickers, said Tommy Hanses, operations manager at Washington Fruit & Produce Co. in Yakima.

“We’re in good shape.

We just transfer apple people over for packing and our new (high-tech) cherry line (starting its third season) helps reduce the amount of hand sorting,” Hanses said.

Zirkle Fruit Co., Selah, starts hiring in late winter and early spring for June and July cherry packing.

“It’s been slow, but I think we’ll be adequate,” said Mark Zirkle, company president.

The company is completing a new Compac high-tech cherry line just in time for the season. Zirkle said without it he would be concerned.

“We just don’t have the numbers (packing applicants) we use to,” he said. More people want to pick but still the Columbia Basin could be a little short on pickers, he said.

Pickers generally make more money on piece rate than packers at minimum wage.

Norm Gutzwiller, a Wenatchee grower, said he thinks there will be a picker shortage on the front end of the crop.

“California will finish ahead of Washington so pickers should move up, but we don’t see as much migrant movement as we use to,” he said.

Despite a nice bloom, no frost and good pollination weather, the crop just didn’t set up well, Gutzwiller said.

“It won’t be a record crop. It will probably be very similar to last year but there should be a lot of nice-size fruit for the market,” he said.