

Washington producers see higher fees

By **JANAE SARGENT**
Capital Press

Small raw goat milk processor Martha Horel was not prepared to read a letter announcing that her milk-processing license would be raised \$195 when she checked the mail April 6.

The Washington State Department of Agriculture announced several food processing license fees would increase in 2016 to offset department operating costs. The fee increases were a part of a bill passed by the Legislature in 2015. Food and dairy processors were sent notices in April.

For Horel, who milks 20 goats in a small raw-milk operation, the increase from \$55 to \$250 was more than she could afford.

"When you're only making \$8 a gallon and they want \$250 a year, it's impossible

to make a living," Horel said. "How am I going to pay for that?"

Horel put the \$250 on a credit card and said she is struggling to pay it off.

The deadline to pay the new license fees was July 1.

Hector Castro, communications director for the Washington State Department of Agriculture, said the agency has been receiving complaints from processors since the letters were sent out.

"We are hearing calls from folks who aren't happy about having to pay a higher fee and we totally get that," Castro said. "We were directed by the state Legislature and we tried to work with partners to get ideas about appropriate increases."

Rep. Zack Hudgins, the Democrat sponsor of the bill that included the raised fees, said the conversation about re-evaluating the fees began

during the budget crisis after the 2008 recession. Hudgins said the state made significant cuts across the state budget.

Castro said the Legislature directed the agency to review fees to ensure they were more closely meeting costs of services in 2013.

To ensure fees were raised fairly, the Washington Department of Agriculture established a work group made up of representatives from several commodity groups and the Washington State Farm Bureau.

The group decided to focus on raising fees that were partially funded by the Washington State General Fund and partially funded by licensing fees.

William J. Gordon, Washington State Dairy Federation director of policy and government affairs, sat on the work group and said significant effort was put in to ensure the

fee adjustments reflected the expenses to manage the food safety programs.

The work group spent more than two years debating how the fees should be adjusted. Gordon said the members decided to focus on food processing and food safety because they were the most expensive programs to maintain.

"We have a lot of small-scale food production, which is a good thing and we want to do our best to support those but the cost the department had in maintaining those productions was way out of line with what the fees were," Gordon said.

Castro added that the fees that saw increases had not been increased in 10 to 20 years and no longer reflected the cost of operating the food safety program.

The milk processing license saw the most significant fee increase but food

processing annual fees, food storage warehouse fees, dairy technician licenses and sanitary certificate fees were also increased.

According to the work group report, the increased fees would create approximately \$262,500 in revenue each year.

The 2013-2015 budget funding for the Food Safety Program reported that the state department provided 64 percent of the program funding and agricultural fund fees provided 36 percent of the program funding. Castro said the figure is comparable to neighboring states, except Oregon — which is entirely funded by fees.

Gordon said the group expected raw dairies and home-stead cheese makers to have the most difficulty with the increase but that the group did its best to balance the fees with what the agency needed.

Calif. wine industry's economic impact growing

By **TIM HEARDEN**
Capital Press

SACRAMENTO — The California wine industry's contributions to the state and national economies have grown significantly over the last few years, a study by a pair of industry groups has found.

The wine and winegrape sector and related businesses contribute \$57.6 billion annually to the state's economy, up 17 percent from seven years ago, and \$114.1 billion annually to the U.S. economy, a rise of 19 percent over the same period.

These were the key findings of a report commissioned by the Sacramento-based California Association of Winegrape Growers and the San Francisco-based Wine Institute, which credits wineries and vineyards in the Golden State with creating 325,000 jobs within the state and 786,000 jobs across the nation.

The report, "The Economic Impact of California Wine and Grapes 2015," was prepared by John Dunham and Associates of New York and presented recently to state legislators at an informational hearing at the University of California-Davis.

The study continues a trend in which wine has grown in sales and popularity despite the recession and slow economic recovery, proving the commodity is "an economic engine for our nation," asserted Bobby Koch, the Wine Institute's president and chief executive officer.

The industry has also weathered California's five-year drought, although wine grapes are more drought-tolerant than many other crops.

The industry's growth in value reflects a continuing movement by consumers toward more premium wines, said Gladys Horiuchi, the Wine Institute's spokeswoman.

"People are drinking more higher-value wines," Horiuchi said. Moreover, "I think wine has gained a lot of traction as far as being more of a mainstream beverage at meals," she said.

California Association of Winegrape Growers president John Aguirre said in a statement that tasting rooms in the wine country attracted nearly 24 million tourist visits last year, and "the commitment of California growers and vintners to sustainable practices" supports 325,000 jobs while also providing "important social and environmental benefits."

The report measures economic impact in terms of employment, wages, taxes, tourism spending and visits, and charitable giving, according to a news release. It includes businesses that benefit directly and indirectly from wine production and sales.

In addition to sales and jobs, the study found the state's wine industry paid \$15.2 billion in state and federal taxes in 2015 and averages \$249 million annually in charitable contributions.

The increases came despite a 10 percent drop in the average price of all grape varieties in California in 2015, to \$671.31 per ton, according to the National Agricultural Statistics Service.

However, grapes from the state's most famous regions went up in price, by 6 percent in Napa County to \$4,336 per ton and by 5 percent in Sonoma and Marin counties to \$2,443, the agency reported.

Koch noted in a statement that California's wine industry is gaining ground even as the strong dollar and pressure from imports make the U.S. the most competitive wine market in the world, and the industry continues to face the threat of increased taxes and regulation.

The CAWG and Wine Institute are both public policy advocates for the wine industry.

USDA projects Russia as top wheat exporter

By **MATTHEW WEAVER**
Capital Press

The USDA predicts that Russia will become the world's largest wheat exporter this year, but the impact on U.S. overseas sales will be minimal, a U.S. Wheat Associates official says.

The reasons: Russia and the U.S. produce different types of wheat and target different markets, said Vince Peterson, U.S. Wheat vice president of overseas operations.

The USDA Foreign Agricultural Service projects Russia will ship a record 30 million metric tons of wheat for the 2016-2017 year.

The European Union and the U.S. will ship about 27 million and 25 million metric tons, respectively.

Russia mainly sells its wheat to the Middle East and North Africa. The U.S. sold wheat there in the 1980s, but today sells only small quantities to those regions.

U.S. wheat goes to markets that have "more demanding" specifications, Peterson said. U.S. customers include the Asian Pacific region, Latin America and South America.

"We're actually selling our wheat at quite significant premiums than this Russian-Black Sea wheat going into the less sophisticated (countries) in terms of product need," Peterson said. "Flatbreads in the Middle East and North Africa don't take anything real sophisticated to produce."

Russian wheat is also cheaper, he said.

Last week, Russian wheat sold at roughly \$165 per ton, while soft white winter wheat from the Pacific Northwest sold for roughly \$205 per ton. Peterson said that equates to a premium of more than a dollar per bushel.

Most Russian wheat is equivalent to low-protein hard red winter wheat, Peterson said.

"They're still selling lower-end bread wheats at lower-end bread wheat prices," he said.

Peterson doesn't see much risk that Russian wheat will replace U.S. wheat in the marketplace.

Russia has a record crop this year, he said. With the largest land mass of any nation, Russia's wheat production has been growing since it entered the international market 15 years ago.

"(Russia) is a very important component of world trade any more, but the whole pie has gotten so big that it almost washes out any individual country because the total demand is so big anymore," he said.

Value of Idaho ag exports down 19 percent in first half of 2016

By **SEAN ELLIS**
Capital Press

BOISE — Idaho agricultural exports set a record for total value in 2014, but they have been on a steady decline since.

Through the first half of 2016, the value of Idaho farm exports totaled \$351 million, down 19.5 percent from the \$437 million total during the same period of 2015.

They were down 39 percent compared with the same period in 2014, when Idaho farm exports set a record of \$1.02 billion for the year, according to the Idaho State Department of Agriculture.

The decrease didn't surprise University of Idaho agricultural economist Garth Taylor, who said Russia's boycott of some European Union commodities as well as a stronger U.S. dollar are having a major impact on demand and prices.

"The dollar continues to be stronger and the world is awash in commodities," he said. "EU produce, dairy products and other commodities (barred from Russia) are looking for a home in the world market and it's driving down prices."

A steep decline in the total value of dairy products exported is a major reason Idaho ag export values have plummeted. A total of \$56 million worth of Idaho dairy products were exported from January through June, a 57 percent



Sean Ellis/Capital Press

A mint field is harvested near Greenleaf, Idaho, in this June 28 photo. The total value of Idaho farm exports was down 19 percent during the first half of 2016 compared with the same period in 2015.

decline from 2015 and 73 percent decrease from 2014.

Dairy was the state's leading farm export when Idaho export values reached record levels for four straight years through 2014 but they only ranked third during the first half of 2016.

Gem State farm exports under the "miscellaneous grain and seed" category totaled \$73 million during the first six months of 2016, an increase of 10 percent from 2015. The "vegetables" category was second with \$63 million in sales, an 11 percent decline from last year.

Doug Robison, Northwest Farm Credit Service's senior

vice president for Western Idaho, told Capital Press in an email that the U.S. dairy industry has been hit by a perfect storm of events since 2014, including "a strengthening U.S. dollar, the elimination of milk production quotas in the European Union, Russian sanctions reducing or eliminating their import of dairy products, slowing growth from China and other emerging markets and continued increases in milk production in the U.S."

"The strong dollar story continues with other ag commodities as well and has adversely impacted values and export demand for beef, hay

and grains from Idaho," Robison added.

He said that based on research by the Federal Reserve, "it takes about three years for the impact of a 10 percent increase in the value of the dollar to work its way through the system in the form of diminished export values and demand."

The U.S. dollar is up more than 18 percent since January 2014, so "even if the U.S. dollar remains flat, it will take another year or two for the full effect of this dollar strength to play out in the form of diminished export values for Idaho products," Robison said.

Dairy fits well in sustainable dietary guidelines

By **CAROL RYAN DUMAS**
Capital Press

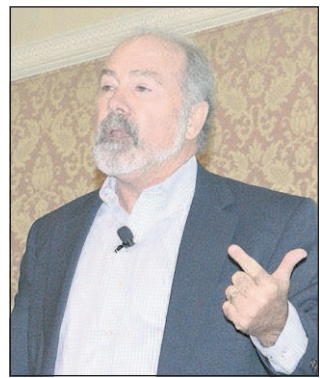
SUN VALLEY, Idaho — There isn't enough research on food sustainability to develop dietary guidelines for it, but they are inevitable, and the dairy industry needs to be involved in the discussion, an industry expert says.

"It's probably one of the most important issues facing our industry in the next five years," said Greg Miller, chief science officer for the National Dairy Council, during the Idaho Milk Processors Association's annual convention last week.

"Dr. Dairy" as he's known in the industry, Miller said three pillars — environmental, economic and social — form the foundation for sustainability goals, and nutrient-rich dairy fits in the sweet spot of all three objectives.

The issue is a hot topic due to a growing world population, expected to reach 9.5 billion by 2050. A lot of that growth will be in developing countries, which is where dairy exports fit in. Food production will need to increase 70 percent with shrinking resources, he said.

Global dairy demand, excluding butter, is expected to reach 2 trillion pounds of milk equivalent, so innovation and new technology are



Carol Ryan Dumas/Capital Press
Gregory Miller, also known as "Dr. Dairy," talks about the increasing pressure worldwide to establish guidelines for sustainability during the Idaho Milk Processors Association's annual convention in Sun Valley on Aug. 11.

needed, he said.

"We need consumers to understand that technology and how it allows us to produce more food and more nutritious food," he said.

The dairy industry has seen continuous improvements in the efficiency of milk production over the last 70 years. Today's gallon of milk is produced with 90 percent less land and 60 percent less water than in 1944, while producing 75 percent less manure with a 63 percent smaller carbon footprint.

Milk per cow has increased from about 5,000 pounds a year to 20,000 pounds, he said.

Perception and fact

Dairy farmers are already doing a good job trying to keep the environmental footprint as small as possible, he said.

But that doesn't stop the detractors — who claim dairy production is inefficient due to the amount of feed needed and that people can get the same nutrients from plants, he said.

"The reality is most of the cow feed is roughage that people can't eat," he said.

And cows are great recyclers, converting byproducts of human food — such as almond shells and orange peels, which would end up in landfills — into milk, he said.

On the nutrient front, recommended dairy substitutes aren't practical and aren't widely consumed. Someone would have to eat 36 1/2 cups of kale to get the same amount of calcium found in the recommended three servings of dairy daily, he said.

Replacing the nutrients in dairy would demand too many calories or be too large an amount to consume, and it would cost more money, he said.

Affordability is another factor in the sustainability goals, and dairy costs less per serving than meat, poultry, fish, fruit and vegetables, he said.

Health and healthcare costs are also factors, and dairy consumption has a positive effect on both. Non-communicable, preventable diseases are responsible for three out of five deaths worldwide. Scientific evidence shows consuming dairy improves bone health and reduces the risk of cardiovascular disease, type 2 diabetes and high blood pressure, he said.

A 2004 study by the National Dairy Council found that if Americans consumed three to four servings of dairy a day, it would reduce healthcare costs by \$214 billion over five years.

Another study by Dairy Australia estimated the cost of direct healthcare attributable to low dairy consumption in 2010-2011 in that nation was \$2.1 billion, he said.

Most research on agricultural sustainability has been aimed at the carbon footprint, and a lot more needs to be done on the other aspects of sustainability to have science-based dietary guidelines.

But such guidelines are coming, and the dairy industry needs to be telling its story of sustainability and educating consumers on the economic and social benefits of nutrient-rich dairy products, he said.