Opinion

Our View

Initiative has something for everyone not to like

We'll just blurt this out: We don't see any need to raise taxes in Washington state — or any other state, for that matter.

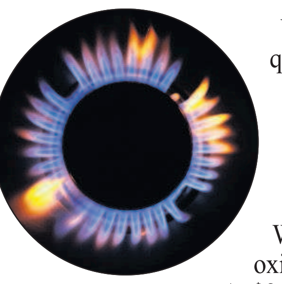
Yet voters in several states this fall will see tax-increase initiatives on their general election ballots.

Every election, special interest groups and politicians cook up ideas for spending OPM — Other People's Money.

They say they want to save the climate, pay for schools, feed the needy and any number of other goals. But their "solution" for accomplishing these goals is heaping more taxes on citizens and businesses.

Here's a question: If those are the highest priorities, why not cut the lowest priorities from the state budgets and reallocate that money?

In Washington, Initiative 732 will be on the ballot. It's a tax on Washingtonians, pure and simple. Even the sponsors say the initiative, if it passes, would raise gasoline prices 10 to 20 cents. That's on top of state and federal gas prices, which combined are already 67.8 cents a gallon and among the highest in the nation.



Opponents estimate the impact will be even higher, adding 25 cents to the gasoline and diesel tax burden. Add that to an estimated 10 percent increase in the cost of electricity and a 15 percent increase in the cost of natural gas.

Taken together, that means the cost of farming, ranching and processing food will increase in Washington state.

The goal of Initiative 732 is reducing carbon output in Washington state. OK, what will that do to our changing climate? No, really. How much, exactly, will it reduce or reverse climate change?

We don't see the answers to those questions anywhere in the pro-Initiative 732 literature. What we see is a tax on carbon dioxide, which is produced by cars, trucks and factories. It's also produced by people. More than 7 million Washingtonians exhale carbon dioxide — 5.9 billion pounds a year. At $25 a ton, that means under Initiative 732 the people of Washington should be taxed about $74 million, just for breathing.

Of course, Initiative 732 won't tax people, just the businesses that employ them and the utilities that supply their electricity and their natural gas. And, of course, those costs will be passed on to the people, in the form of fewer jobs and higher prices.

Washingtonians are told they will benefit from the tax, because the sales tax would be reduced. Here's a thought. Washington legislators could convene and reduce the sales tax any time they want. They don't need an initiative to do it.

The irony of Initiative 732 is its alleged goal of reducing carbon output. Washington state businesses have already done just that without this initiative.

Even more telling is the list of organizations lining up against Initiative 732.

The Washington State Democratic Party is against it. So are the Washington State Labor Council and the state Sierra Club chapter.

So are the Washington Farm Bureau, Washington State Council of Farmer Cooperatives, Washington Association of Wheat Growers, Washington State Tree Fruit Association, Washington Potato and Onion Association, Washington State Dairy Federation, and the Washington Cattlemen's Association.

Enough said.

Our View

Mateusz Perkowski/Capital Press

John Gilmour, owner of a straw-compressing facility near Albany, Ore., won his dispute with neighbors who objected to his business.

When neighbors go to court

An Albany, Ore., farmer has won a legal challenge against his straw compressing facility launched by his neighbors and now wants the plaintiffs to cover his legal bills.

The neighbors, happy to shell out money to put him out of business, didn't count on losing and having to pony up for his defense. Pay back, they say, is a … disappointment.

Farmer John Gilmour operates a straw compressing facility on a farm he owns in Linn County. He uses the facility to prepare 5,000 tons of straw he produces and 25,000 tons from other farmers. Compressing straw into tighter bales makes easier its overseas shipment.

Gilmour initially applied for a conditional-use permit from Linn County, which viewed the operation as an agricultural processing plant not covered by the property's agricultural zoning. The county granted the permit, but restricted the hours and days the facility could operate and regulated the routes available to trucks servicing the business.

But Gilmour said the conditions set out under the county's permit made his business less competitive. He appealed to the Oregon Land Use Board of Appeals, or LUBA. The board ruled for Gilmour, holding that compressing straw or hay into tighter bales is not "processing," but instead is a form of crop preparation allowed on land zoned for farm use.

LUBA said Gilmour doesn't need a permit to operate the facility.

That didn't sit well with neighbors of the facility, who weren't all that happy that the county had granted it a conditional-use permit in the first place. They say the facility, a relative newcomer to their rural neighborhood, takes in as many as 20 semi-trucks a day on their small road. One resident complained the neighborhood had taken on an industrial character.

Backed by two conservation groups, the neighbors appealed LUBA's ruling to the Oregon Court of Appeals. They argued LUBA should have deferred to Linn County's determination that compressing straw meets the definition of processing.

Instead, the court sided with LUBA and Gilmour. It ruled that straw-compressing is crop "preparation" allowed outright on farmland.

"The record reflects that the straw is unchanged in substance from when it is first baled in the field to when it is packaged for resale," the appellate court said.

LUBA and the court are right, and the rulings provide important protections for farmers.

Now Gilmour has asked the court to order his neighbors to pay his legal fees — $50,911. Sauce for the goose, but not unexpected when neighborhood disputes are handled by lawyers and not by neighbors.

The neighbors' complaints are not without merit. Many have lived peacefully for years on their rural acreages before Gilmour built his facility. No doubt its operation has made their lives less pleasant, perhaps even more dangerous.

But the zoning that makes possible their rural acreages makes possible Gilmour's business. One of the consequences of living on farmland for its aesthetics is having to tolerate actual farming operations and the legitimate commercial enterprises they produce.

Readers' views

Why is Farm Bureau missing in action?

The last five years have seen a dramatic change in political attitude as it affects farmland in Clackamas County, Ore. The election of a new majority of Clackamas County commissioners four years ago suddenly put Metro's Urban and Rural Reserves process into a state of chaos. That process was designed to designate "urban" land for development and preserve "rural" land over the next 50 years. The saddest part of it all is the absence of a position by the Farm Bureau.

Specifically, the Tri-County Metro effort to designate lands as Urban or Rural Reserves was contested, and one little area (the so-called Stafford triangle) of Clackamas County was remanded back to the county by the Oregon Court of Appeals for resolution.

Sadly, shortly thereafter there was a significant change on the Clackamas County Commission, and the newly elected commissioners have been blatantly pro-development and took the opportunity to use the remand for leverage. Enough so that they commissioned their own consultant to assess the need for "employment lands," resulting in a study that said the county needed employment lands, and then they started a process of fighting with Metro about their right to go back and re-study the Rural Reserves, while spending over a quarter of a million dollars of taxpayer money while they're at it!

It's no surprise that most of those commissioners received significant campaign contributions from the land developers who stand to make the most money from converting this ag land to commercial use. The net of where we are now, though, is that the majority of the commissioners have laid out three blocks of high quality ag land in the county that they want to "re-study" in order to convert them from Rural Reserves to Undesignated (meaning essentially, unprotected from development). The total is over 1,600 acres — and that's in a county that starts off with over 50 percent of its land base being public (Mount Hood National Forest), and only 14 percent of the county is land in farms!

So, where is the Farm Bureau? Nowhere to be heard. What is most striking here is the contrast between Oregon and Washington. As the Capital Press reported in the Aug. 5 edition (Washington Farm Bureau rips Puget Sound plan), Tom Davis, the Washington State Farm Bureau director of government relations, stated in written testimony that "preserving farmable ground should be the single greatest priority of our state and our nation."

What a contrast to the Oregon Farm Bureau and its County associates who have chosen to remain silent on the crony capitalism behind this attempt to flip 1,600 acres of the best farmland in the country, so a few developers can get rich putting in industrial or commercial developments.

Ben Williams
Friends of French Prairie
Aurora, Ore.

Strong dollar challenging U.S. agricultural industry

Guest comment
Brad Flodin

Agriculture is a risky business. From the time our ancestors first began cultivating crops, farmers have faced the possibility of losing their harvests to extreme weather events.

Whether it's a hailstorm that destroys a grain or fruit crop, a flood that washes out a newly planted cornfield or a drought that turns grazing lands into a barren desert, uncooperative weather can upend the best-laid plans.

For example, if the end of this growing season happens to be extremely wet in some areas of the country, many commodities could be ruined, affecting processing, packaging, transportation and other sectors as well as producers.

Or if natural disasters strike in other countries, that could put pressure on U.S. supplies. Or, longer term, if the drought continues in California, the state's agricultural sector could see a significant shift in the coming years as farmers attempt to adapt by changing crops.

Currency risk

And as if these traditional risks weren't enough, farmers also have to deal with the effects of currency fluctuation on international trade.

Globalism and the terms of international trade have recently come under heavy criticism from both sides of the political aisle, but there's no arguing that international trade is critical to farmers' ability to feed the planet's more than 7 billion inhabitants. Even countries that are capable of producing enough food to feed their own populations import many foodstuffs because people like variety in their diets.

But although most nations want access to global markets, the world economy is complex, with many variables affecting a nation's competitiveness. One of these variables is the exchange rate. The continued strength of the U.S. dollar against most major currencies is one of American farmers' top concerns at the moment, as it makes U.S. agricultural exports more expensive.

Trade impact

In its most recent forecast for fiscal year 2016, the USDA Economic Research Service projected that U.S. agricultural exports would decrease $15.2 billion from 2015, to $124.5 billion, while imports would increase to a record $114.8 billion.

These figures still represent an agricultural trade surplus of $9.7 billion, but it's down from $25.7 billion in 2015 — and the lowest surplus since 2006. The productivity of the U.S. agricultural industry has long outpaced domestic demand, creating a trade surplus every year since 1960.

As a result of the decrease in exports, national net farm income and net cash income are both projected to drop this year.

Economists attribute the decline in exports to slower world economic growth, decreasing prices for bulk commodities (world grain stocks are currently high) and a strong U.S. dollar.

This creates a complicated situation for U.S. producers. At the same time prices are dropping and demand is slowing due to weak economies in many countries around the world, the position of U.S. farmers' competitors — producers in Canada, Australia and South America, for example — are being strengthened by the exchange rate.

Exchange rate

This puts significant pressure on American agriculture. U.S. commodities are more than 30 percent costlier than their Canadian counterparts. Some purchasers are willing to pay a premium for top-quality products, such as U.S. wheat, but not all products can be clearly differentiated. After all, sales of commodities are, by definition, driven primarily by price. Not all farmers are affected in the same way, as different products have different export markets with different currencies.

The strong dollar cuts both ways, of course, also making imports cheaper. So farmers who use imported inputs such as fertilizer or feed will have lower costs, which does help the bottom line but, depending on the crop, usually doesn't fully compensate for the lower sale price of the final product.

Many producers utilize commodity contracts, options, or guidance from brokers to hedge against some of these risks, but there are costs associated with these approaches, so many producers simply opt to ride out the cycles.

Strategic plan

If you're a farmer, a conversation with your banker should be part of your strategic planning process as you look toward next season. In the next few weeks, you'll likely receive a great deal of information about your harvest and crop yields and will then have a very short window for making future plans.

Talk to your banker about the market for your specific commodities and ask him or her for comparisons of financials so you can better understand how your farm stacks up with others in the industry.

Also request your banker's assessment of your borrowing capacity, and ask what steps you should take to increase it — before you need a loan. Regular communication allows you to strengthen your relationship with your banker and builds trust on both sides, increasing the probability that you'll get the resources you need when challenges or opportunities arise.

Brad Flodin is a vice president of Washington Trust Bank. He earned his finance degree at the University of Idaho and is a graduate of Western Agricultural Credit School at Washington State University.