

Big crops, high dollar mean tough year for grain growers

By CAROL RYAN DUMAS
Capital Press

Another year of bumper crops and high inventories is likely to spell another year of lower prices for corn, soybean and wheat growers, and alternately keep some feed costs in check for livestock producers.

Ag economists at Purdue University's Center for Commercial Agriculture laid out what grain growers are facing in a crop outlook webinar on Sept. 13 based on USDA's latest crop estimates and world supply and demand report.

The wheat crop is expected to bring record yields of 52.6 per acre, although lower acreage won't bring record production. But at 2.3 billion bushels, it's the largest crop since 2003, according to USDA.

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Select U.S. grain prices

(Dollars per bushel, by marketing year)

Crop	2012-13	2013-14	2014-15	2015-16	2016-17*
Corn	\$6.89	\$4.46	\$3.70	\$3.60	\$3.20
Soybeans	14.40	13	10.10	8.95	9.05
Wheat	7.77	6.87	5.99	4.89	3.60

Source: USDA *Projected Capital Press graphic

Kansas up through Montana of farmers just piling wheat on the ground because of such huge yields this year," Chris Hurt, professor and extension ag economist, said.

Inventories are also an issue, with decade-high inventories of corn and soybeans and the highest inventory of wheat since 2009 by the end of the marketing year.

Approximately 50 percent of a full year's use of wheat at the end of next May will be

leftover when harvest begins on next year's crop in June and July, he said.

"That tells us that in terms of the U.S. our biggest problem of the major grains would be wheat, problem being with a surplus situation. That's an extraordinary number. That would suggest to us that probably wheat prices will be depressed," he said.

Corn inventories are at their highest since 2005, with an expected carryover of 16.5

percent of a full year's usage. Soybean inventories are at the highest since 2006, with an expected carryover of 9 percent of a year's usage into next year's crop, he said.

Wheat is in the most desperate surplus, corn is second and soybeans are not as dire. With corn and wheat somewhat interchangeable in animal feed, wheat supplies and prices will be a drag on corn demand and prices. And given prices, more wheat and corn acres are likely to shift to soybeans in 2017, he said.

Corn producers are looking at a record crop of more than 15 billion bushels, nearly 1 billion bushels above the previous record in 2014, with projected record yields of 174.4 bushels per acre, Hurt said.

It's a big crop that's coming at a time when the dollar has appreciated substantially,

making it harder to sell into the world market, and ethanol demand growth has leveled off. And it's the third year of very good yields, he said.

"There's no question that the depressed prices we have are certainly related to these very good yields, above-trend yields, and some of the extremely high prices we had back in '10, '11 and '12 were related not only to the strong demand but also to the smaller crops," he said.

This year's production is remarkable, considering that it's a 50 percent expansion from the 10 billion bushel corn crop 10 years ago at the start of the ethanol growth, he said.

"Amazing what American farmers have been able to do, but we've seen the consequences in terms of price as well," he said.

USDA is projecting corn prices to range from \$2.90 to \$3.50 a bushel.

The story in soybeans is more of the same, only worse, with yields higher than trade was expecting at a projected 50.6 bushels per acre and close to 5 bushels above expected trend yields. It will also be the third consecutive year of record yields and record production at an estimated 4.2 billion bushels, he said.

In addition to the challenge of a stronger dollar, Chinese purchases of soybeans have slowed although they're still strong, he said.

USDA is expecting soybean prices to range from \$8.30 to \$9.80 a bushel. The wide range reflects the uncertainty in yields and final production as well as what the demand structure is going to be, he said.

Pack removal rekindles wolf debate in Washington

Profanity Peak elimination continues

By DON JENKINS
Capital Press

ISSAQUAH, Wash. — Washington wildlife managers have yet to end an operation to remove the Profanity Peak pack, but a debate about how the state will react to future wolf attacks on livestock has already started.

The Department of Fish and Wildlife's Wolf Advisory Group convened Sept. 14 at a Holiday Inn for a meeting scheduled before WDFW began shooting wolves in the Colville National Forest.

The group didn't discuss the operation, but many in the audience of about 50 people brought it up.

The meeting was occasionally heated as wolf advocates said the state shouldn't shoot wolves on public land to protect cattle, a position described by others as contributing to rural discontent over wolves recolonizing northeast Washington.

Meeting moderator Francine Madden and WDFW staff members defused tensions by repeatedly thanking people for their opinions and interest. "I love your passion," WDFW wolf policy coordinator Donny Martorello told everyone.

WDFW has been hunting the Profanity Peak pack since Aug. 4, enacting a policy agreed to by the Wolf Advisory Group.

The group includes environmental and animal-welfare groups. They accepted a policy that allows for wolves to be shot if preventive measures don't stop depredations.

The response from environmental groups not involved in writing the policy was relatively muted when WDFW said it would remove part of the pack.

The atmosphere changed



Don Jenkins/Capital Press

Stevens County rancher and range-rider Arron Scotten gestures while speaking Sept. 14 in Issaquah at a meeting of the Washington Department of Fish and Wildlife's Wolf Advisory Group. Scotten told wolf advocates that not allowing for the lethal removal of cattle-killing wolves will lead to more depredations on livestock and more culling of wolf packs. Meeting facilitator Francine Madden and Humane Society of the U.S. state director Dan Paul look on.



Don Jenkins/Capital Press

Washington Department of Fish and Wildlife wolf policy coordinator Donny Martorello talks Sept. 14 in Issaquah at a meeting of the department's Wolf Advisory Group. About 50 people were in the audience, many upset with WDFW for shooting wolves in the Colville National Forest.

when WDFW announced Aug. 19 that shooting two wolves had failed to stop depredations and that the department intended to kill the entire pack. Environmental groups, including some on the advisory group, say WDFW should reconsider

the lethal-removal policy.

On the ground, ranchers and WDFW staff members have received death threats. "It's been a really hard nine weeks," Martorello said. "All the prep didn't prepare us emotionally for what we've been through."

WDFW has so far shot six wolves. Two adult wolves and perhaps four pups remain in the pack. WDFW has not provided an update on the operation since Sept. 2. Martorello said the department will release one Friday.

WDFW also has promised a post-operation report, including details on where cattle were released, efforts to prevent depredations and the reasoning behind WDFW Director Jim Unsworth's decision to authorize total pack removal.

Following its policy, WDFW waited until four confirmed depredations on livestock before shooting wolves. The confirmed depredation count has reached eight.

In an almost equal number

of cases, WDFW investigators have concluded that wolves probably attacked livestock, but they couldn't absolutely rule out another predator.

Stevens County Commissioner Don Dashiell, a member of the advisory group, said that earlier intervention might have made removing the entire pack unnecessary.

"By the time you get to four confirmed depredations, there's been a lot more killing going on," he said. "To do incremental take, you need to start with the first depredation."

Group member Paula Swedeen of Conservation Northwest noted that in some cases stepping up non-lethal protections has stopped depredations, but she agreed the group should discuss earlier intervention.

"It's an open question that warrants serious consideration," she said. "We need to take a hard look at the science and dive in deeply for the next protocol."

Hazelnut growers reach minimum price agreement with packers

By ERIC MORTENSON
Capital Press

Oregon's hazelnut growers, with growth and market questions always in the background, agreed to a minimum price this year of \$1.18 per pound.

The figure is the floor price, the lowest amount growers will receive from packing companies for nuts harvested this year. The finishing price is typically higher.

Farmer Doug Olsen, president of the Hazelnut Growers Bargaining Association, called it a good starting point.

The initial minimum price was \$1.22 in 2015 and a record \$1.70 per pound in 2014, when a bad freeze hammered Turkey, by far the world's largest producer, and demand for Oregon nuts jumped in response.

Olsen said the initial minimum price decreases since then aren't a major concern. He said 2014 was an anomaly — "Unheard of," he said of the price — and the four cent drop from 2015 doesn't amount to much.

In a Sept. 16 news release announcing the price agreement, growers' representative Terry Ross attributed the dip in price to a "decent" Turkish crop and a carryover of nuts, and good supply of nuts that compete with hazelnuts in various uses. Those include almonds, walnuts, pecans and pistachios, according to the news release.

In addition, the Turkish lira is weak against the U.S. dollar, making Turkish nuts cheaper. That could eat into the export market for Oregon growers.

Olsen, the bargaining association president, said fluctuation in the initial minimum price isn't a big deal. In 2014 and 2015, the ending price was 6.5 percent and 13 percent higher, respectively, than the initial price.



Courtesy of Hazelnut Industry Office

Hazelnuts tumble from a tote after harvest. Growers have agreed to a minimum price this year of \$1.18 per pound.

"As long as it stays above \$1, I think the interest to plant is still there," Olsen said.

"Interest to plant" has been hazelnut growers' operative phrase for many years, as the industry continues to add 1,500 to 2,000 acres per year, Olsen said. He estimated Oregon now has about 60,000 acres of hazelnuts, with about 35,000 acres in production. Willamette Valley grass seed growers, in particular, have converted fields to hazelnuts. It takes three or four years for trees to begin producing nuts.

One of the open questions in the business is whether a ceiling exists for Oregon hazelnut acreage. As things stand, Oregon dominates U.S. production but is a tiny presence on the international market, even with strong sales of snack nuts to China.

Growers wonder if increased production might attract a company to build a manufacturing plant in the Willamette Valley. Hazelnuts are used in candies, baked goods and spreads such as the popular brand Nutella.

Noted Oregon State University researcher Shawn Mehlenbacher has speculated in the past that Oregon could double its hazelnut production just to replace nuts now imported into the U.S. from Turkey.

In August, OSU was awarded a \$3.1 million, five-year USDA grant to continue research. Mehlenbacher is credited with saving the industry in Oregon by breeding varieties that could resist Eastern filbert blight. In its grant application, OSU indicated the money would be used to expand commercial hazelnut production in the U.S., with a focus on the Pacific Northwest.

Oregon's crop was worth close to \$90 million in 2015.

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