

‘We are very heavily dependent on international markets’

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to exports, Miller said.

Most of the state’s wheat crop travels by barge down the Snake and Columbia rivers or by train before it is loaded onto bulk ships for the voyage overseas, primarily to Asia.

Losing any export markets would be devastating, he said.

“It’s all we’ve got,” Miller said, adding that most Washington wheat farmers grow only the one crop.

With the current low price of wheat, that reliance on a single commodity is making things tough. While exports are ahead of pace, leftover wheat from last year’s crop is weighing down prices, he said.

“Markets are active, there’s just a whole lot of wheat right now,” he said.

A lot of relatively new areas of the world are growing wheat, making markets more competitive, and the strength of the U.S. dollar isn’t helping, he said. As the dollar’s value increases, the buying power of customers in other nations decreases.

Protecting markets

About one-third of Washington’s apple production is exported to more than 60 countries, and the Washington Apple Commission focuses all of its promotional activities on international markets.

“We are very heavily dependent on international markets,” said Todd Fryhover, the commission’s president. And those exports are critical in protecting the domestic market, he said.

Washington exports 40 million to 50 million 40-pound boxes of apples annually — more than 90 percent of all U.S. apple exports. The state’s orchards grow about 60 percent of all U.S. apples.

The U.S. grows more apples than the domestic market can absorb, Fryhover said.

“It all comes down to supply and demand. If we don’t move it out, obviously prices are going to come down ... prices are going to decline dramatically,” he said.

The West Coast port slowdown from October 2014 to March 2015 offered a dramatic example. The Washington State Tree Fruit Association estimates the International Longshore and Warehouse Union’s work slowdown at West Coast container ports cost the state’s apple and pear growers \$95 million in lost sales.

And that’s not counting additional cold storage costs and penalties imposed by importers because of shipping delays, said Tim Kovich, the association’s communications manager.

“It had an incredible effect on our industry. It created a huge backlog,” Fryhover said.

In addition to the slowdown, Washington was dealing with its largest apple crop in its history. It needed bins in the orchards and space in the warehouse.



Carol Ryan Dumas/Capital Press

Doug Robison, Northwest Farm Credit Services senior vice president for Western Idaho, looks up from export statistics on his screen at his office in Twin Falls on Dec. 2.

Ag weighs in on Trump effect on trade

By CAROL RYAN DUMAS
Capital Press

Commodity groups are watching closely to see what U.S. trade policies will look like in a Trump administration.

President-elect Donald Trump took a hard line on trade during his campaign. He has already said he will kill the 12-nation Trans-Pacific Partnership and overhaul the North American Free Trade Agreement, which includes Mexico and Canada.

U.S. exporters are already challenged by tariffs, non-tariff barriers, protectionist policies and a strong U.S. dollar. Yet ag exports continue to contribute a significant amount of revenue to U.S. producers and pull a large share of production out of the domestic market, increasing prices.

“There are always impediments to trade that surface and go away, but it takes months to go through,” said Todd Fryhover, present

of the Washington Apple Commission.

And markets can close for a variety of reasons.

Such was the case with Russia, which banned U.S. and European Union produce two years ago after they invoked sanctions over the Kremlin’s actions in Crimea and Ukraine.

That meant Poland’s 43 million bushels of apples a year were diverted to other markets where they competed with U.S. apples, which previously sold at a premium, he said.

A total shutdown of U.S. ag exports is so unrealistic it wouldn’t happen, but some markets could close, he said.

Hypothetically, a cessation of all exports would be a dramatic blow to Washington’s apple industry. Some 40 million to 50 million boxes of apples would have nowhere to go, he said.

“We would have a fire sale. It would be beyond devastating,” he said.

“We absolutely needed movement,” he said.

Capacity is limited, and apples need to be brought in, packed, sold and shipped. When storage gets full, packing has to stop, he said.

“There’s a real need for it to go out immediately,” he said.

“Exports are an integral part of the Washington apple industry’s business model,” said Jon Alegria, a Tieton, Wash., grower-packer and president of CPC International Apple Co. He is also chairman of the U.S. Apple Association and past chairman of the Washington Apple Commission.

More markets mean more fruit sold. Certain sizes and grades that aren’t acceptable in the U.S. are desirable in foreign markets, he said.

“You end up selling more of the tree that way,” he said.

“Export markets are extremely important. You have to diversify your markets, and you sometimes find a competitive advantage with certain markets,” he said.

Closed markets

For the U.S. beef industry, the devastating effect of lost exports came crashing down in December 2003 when a single case of bovine spongiform encephalopathy — commonly

known as mad cow disease — was found in a Washington state dairy cow. Major export markets such as Japan stopped buying U.S. beef overnight.

Some markets reopened fairly quickly, but the loss was major, said Joe Schuele, vice president of communications for the U.S. Meat Export Federation.

U.S. exports of beef and beef varietal meats shrank from \$3.86 billion in 2003 to \$809 million in 2004, a drop of 79 percent. The share of production that is exported decreased from 13.5 percent to less than 4 percent.

Exports began to pick up again in 2005 but were still less than \$1 billion, Schuele said.

While beef exports are back up to 13.5 percent of production and in 2014 set a record of \$7.1 billion, China continued to ban U.S. beef and has only recently announced it is again buying U.S. beef.

Analysts estimate the lack of access to China is costing the beef industry more than \$100 for every head of fed cattle produced in the U.S., Schuele said.

“Whenever you have markets closed there it is a definite loss to the industry. China

is the last really needle-moving market ... it really impacts overall demand,” he said.

China’s beef imports were a record \$2.3 billion in 2015 and were expected to increase 67 percent this year, according to USDA.

The loss of access to Russia is also costing U.S. commodities, including the beef industry, which once rang up \$300 million in annual sales there, Schuele said.

Russian President Vladimir Putin banned the import of food from the U.S. and EU after they sanctioned his nation for taking over Crimea and intervening in Ukraine in 2014.

The value of beef exports this year is about \$253 per head of all U.S. fed cattle, down from the peak of \$300 per head in 2014 but double what it was five or six years ago. While returns to each sector of the industry vary, exports are an important part of revenue for the whole sector, Schuele said.

Given the current herd expansion and a larger beef supply ahead, it will be imperative to move product through exports, he said.

“Expanding and opening new global markets for U.S. beef is critical to the econom-

Top 10 U.S. ag exports, 2015†

(By calendar year, billions of dollars)

1.....Soybeans	\$18.9 billion	
2.....Corn	8.27	
3.....Feeds/fodder	7.35	
4.....Wheat, unmilled	5.57	
5.....Misc. hort. products	5.54	
6.....Beef, veal*	5.15	
7.....Almonds	5.14	
8.....Soybean meal	4.79	
9.....Pork*	4.01	
10.....Cotton	3.89	

†As of March 16
*Fresh and frozen
Source: USDA ERS
Alan Kenaga/
Capital Press

ic viability of Idaho’s beef industry and producers like us,” said Laurie Lickley, a Jerome, Idaho, cow-calf producer and immediate past-president of the Idaho Cattle Association.

“Our trading partners, with a growing middle class, recognize our premium domestic product and are willing to pay us for it. However, we must negotiate not only free trade with those countries but, more importantly, fair trade,” she said.

Increasing reliance

Continued strong exports are essential to California’s almond industry.

“We’re anticipating a fairly significant increase in production in the next three to five years,” said Julie Adams, vice president of global, technical and regulatory affairs for the Almond Board of California.

High-value commodities continue to be the crop of choice in California, which is seeing additional almond tree plantings and greater efficiency in production.

Almonds are the No. 1 specialty crop export in the U.S. and California’s No. 1 ag export. The state grows 100 percent of U.S. almonds and accounts for 80 percent of global production. California’s almond exports were valued at about \$4.5 billion in 2015.

Exports continue to be a “very significant” opportunity for California almonds, and growers invest quite a bit in marketing programs in many countries, Adams said.

“We’re seeing a lot of growth in virtually all our overseas markets,” she said.

Any disruption in exports makes it difficult for customers who rely on California almonds and difficult for the industry. Such was the case in the port slowdown two years ago, she said.

“We estimate that the slowdown resulted in hundreds of containers delayed, dozens of canceled orders and rerouted shipments at considerably greater expense, as well as hundreds of thousands of dollars in congestion and other charges,” she said.

With one of the few Mediterranean climates in the world, California is the global supplier to an almond-hungry world, said Mike Mason,

a Shafter, Calif., grower and owner of Supreme Almonds of California and chairman of the Almond Board of California.

The U.S. is by far the largest single consumer of almonds, but the export share of production illustrates the significance of exports to almond growers. If something happens in those markets, it’s going to affect the almond community and those consumers in other countries because they don’t have a lot of options, he said.

With 70 percent of the crop heading for foreign markets, a shutdown in exports would be an “absolute disaster,” said Daniel Sumner, director of the University of California Agricultural Issues Center.

“What we know in agriculture is a small shift in demand at the wrong time of year — and prices collapse,” he said.

Because California exports about one-fourth of its nearly \$40 billion in annual agricultural production overseas sales are crucial for success, he said.

Biggest challenge

A slowing in exports translates into significantly lower domestic prices as markets correct for excess supply, said Doug Robison, Northwest Farm Credit Services senior vice president for Western Idaho.

“You can see a 10 percent to 15 percent swing in price just on a few percent change in surplus or shortfall,” he said.

The biggest swing factor in U.S. export markets is the U.S. dollar. A strong dollar makes U.S. products more expensive, he said.

“At the end of the day, the U.S. dollar strength is going to be the biggest influencer of commodity prices here in the U.S.,” he said.

One of the strengths of U.S. agriculture is it’s typically been a net exporter, but the acceleration of the value of the U.S. dollar has narrowed that net trade surplus considerably, he said.

The U.S. agricultural trade surplus declined 49 percent in 2015, from \$38.3 billion in 2014 to \$19.5 billion, and it’s expected to drop to \$13.9 billion in 2016, according to USDA.

Vilsack says he’s had very little contact with Trump transition

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a USDA secretary. Vilsack said the Trump team hasn’t asked him for a recommendation regarding the next ag secretary, although he’d be happy to provide advice if they ask. He said former governors — he was a two-term governor of Iowa — are uniquely qualified to hold the USDA job because they simultaneously handle a wide variety of issues. The ag secretary, he said, might be dealing with food safety, international trade, a forest fire or farm loans at any given time.

Otherwise, he said Chuck Conner, an Indiana Republican who was deputy ag secretary and acting secretary in the George W. Bush administration and now is CEO of the National Council of Farmer Cooperatives, would be a good choice. North Dakota Sen. Heidi Heitkamp and West Virginia Sen. Joe Manchin, both Democrats, have surfaced as possible Trump picks.



Eric Mortenson/Capital Press

Agriculture Secretary Tom Vilsack leaves his position in January after eight years in office. He said fellow Democrats must reconnect with rural voters.

Vilsack said he’s had very little contact with the Trump transition regarding USDA, which has a sweeping role in rural America. The department includes the U.S. Forest Service, APHIS, NRCS and a variety of research, trade, conservation and food safety agencies.

Vilsack said one person from Trump’s transition team was on

hand at USDA for awhile but had to depart due to a conflict of some kind. Another person “showed up for a day” and hasn’t been back, he said. The department had prepared work space for the transition team, equipped with computers, thumb drives and three-ring binders, he said.

Nonetheless, Vilsack said he’s written a long memo to his successor. He declined to disclose what he said.

Vilsack is a true-blue Democrat. He was mentioned early as a possible running mate for Hillary Clinton, and was in the box seat and elbow to elbow with former President Bill Clinton during the party’s nominating convention this past summer.

But Vilsack also enjoyed a good relationship with producer groups such as the American Farm Bureau, which at its 2015 convention presented him with a “U.S. Ag” branding iron. Then-AFB President Bob Stallman, a Texas cattle and rice producer, said Vilsack was “loyal to the outfit.”

Scotts and Monsanto agree not to commercialize or further propagate plant

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it could clog irrigation ditches and affect shipments of hay and other crops to nations that don’t accept traces of genetically modified organisms.

The Center for Food Safety criticized the final EIS, saying it will result in USDA relinquishing all authority over the GE grass and lay the burden for controlling it on farmers and other landowners.

“USDA’s approval of this genetically engineered grass is as dangerous as it is unlawful,” CFS Senior Attorney George Kimbrell said in a news release. “The agency is giving Monsanto and Scotts a free pass for the harm their product has already caused farmers and the environment and is irresponsibly gambling future harm on nothing more than their empty promises.”

Sid Abel, assistant deputy director of USDA’s Biotechnology Regulatory Services, said a final decision has not been made on the petition for deregulation. A 30-day public viewing period follows release of the EIS and a final determination by the secretary of agriculture won’t be made until that time has passed.

He said it is incorrect to state that commercial approval of the bentgrass has been granted, as is stated

in the CFS news release.

“That is an incorrect statement,” Abel said. “This process has not been completed.”

Kimbrell said it’s a technicality to say a final decision hasn’t been made.

“It’s called a final EIS because it’s final,” he said. “For all intents and purposes, the decision was made yesterday. That’s not going to change.”

Scotts reached a 10-year agreement with USDA last October that critics say allows the company to essentially walk away from any responsibility for controlling the plant in a few years.

As part of the agreement, Scotts and Monsanto agreed not to commercialize or further propagate the plant in the future.

Farmer Jerry Erstrom, chairman of the Malheur County Weed Board and one of the most vocal critics of the agreement, said deregulation of the creeping bentgrass will shift the onus for controlling it from Scotts to landowners.

“This smells so bad,” he said about the final EIS. “They just dumped it all on the landowner.”

Both Scotts and USDA officials have told Capital Press the 10-year agreement does not allow the company to walk away from its responsibility, and Abel said deregulation of the plant would have no impact on the agreement.