The outlook for specific ag sectors is mixed

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Immigration issues

Then there's Trump's "build that wall" rhetoric regarding immigration. It worries producers who rely on manual labor to tend and harvest fruits, nuts, vegetables and berries, because they already have a hard time finding and retaining enough workers.

The second largest Washington apple crop on record this past fall, for example, stretched seasonal workers ever thinner, and employers are still scrambling to find packing shed workers.

Reggie Collins, general manager of Chelan Fruit Cooperative in Chelan, Wash., said a bigger crop means more people are needed for more shifts, and he didn't know of any packer who wasn't in the same fix.

"We're not gaining on it," he said in December. "As many as we hire, we lose about the same number. We're still short 80 to 100. People move or go to California or Mexico. We're trying every method we can to hire people."

The Washington Employment Security Department says there were an average of 54,124 seasonal ag workers per month in the state in 2015 with a low of 28,584 in January and a high of 90,782 in June. It won't have 2016 numbers until next fall.

H-2A questions

Washington growers have turned increasingly to H-2A visa foreign guestworkers in recent years, hiring 13,641 in 2016. California, Oregon and Idaho use far fewer but are beginning to use more.

"There is an absolute shortage and as the economy picks up it will only get worse," said Kerry Scott, program manager of masLabor in Lovingston, Va., the largest provider of H-2A (agricultural) and H-2B (nonagricultural) workers in the nation.

Answers to the labor shortage include mechanization and immigration reform. With the latter, growers want work authorization for illegal immigrants but the greater need, they say, is improvement or replacement of the H-2A program.

Frank Gasperini Jr., executive vice president of the National Council for Agricultural Employers, said producers who grow, pick and ship labor-intensive crops are concerned the new administration and Congress will move aggressively on border enforcement and electronic verification of employment eligibility, called E-Verify, without addressing the need for farmworkers.

"If that happens, it will be disastrous," he said.

Regulatory relief

Labor shortages and trade disputes may be hurtful —

Courtesy of Oregon Farm Bureau

Gail Greenman, national affairs director for the Oregon Farm Bureau, says the new administration could have "really big benefits" for producers.

"The TPP is obviously dead" — but some changes accompanying a new administration could have "really big benefits" for producers, said Gail Greenman, national affairs director for the Oregon Farm Bureau.

"I expect a lot of change in the regulatory burden imposed on Oregon producers for many, many years," she said. "Regulatory relief is a big one."

Producers could wave goodbye to the EPA's onerous "Waters of the U.S." regulatory gambit, and might see some "honest to goodness" tax reform, including helpful adjustments to the estate tax, she said.

Conventional wisdom holds that a Trump administration will provide "more good opportunities than bad for ag," Greenman said.

The wonderfully named Zippy Duvall, president of the American Farm Bureau Federation, was particularly pleased with the selection of Oklahoma Attorney General Scott Pruitt to head the EPA. In a prepared statement, Duvall said it was welcome news to all who are "threatened by EPA's regulatory overreach — and should help provide a new degree of fairness for U.S. agriculture."

Still, it's unclear whether the president-elect is paying attention to agriculture. Into the last week of December he still hadn't nominated an ag secretary to replace Tom Vilsack, who held the post for eight years in the Obama administration.

USDA's funding focus may get wrenched. During Vilsack's tenure, USDA provided money for non-traditional endeavors such as organic research and production programs, small farms, urban farming, school nutrition, specialty crops and programs for women, minority, veteran and beginning farmers.

Vilsack said the department wanted to reconnect people with their food and where it comes from, strengthen local and regional food systems and bring new people to replace America's aging farmers.

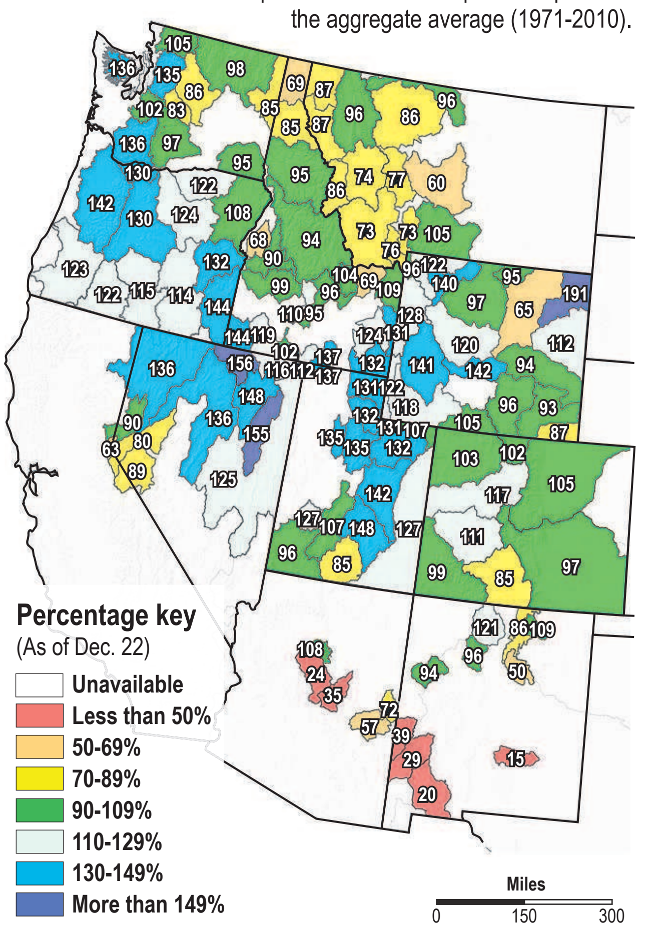
Then there's the 2018 Farm Bill. Some observers wonder if Trump realizes it's about more than commodities, but includes programs ranging from farmland conservation payments to school lunches and SNAP food stamps.

Courtesy of Georgia Farm Bureau

Zippy Duval is president of the American Farm Bureau Federation says he is particularly pleased with the selection of Oklahoma Attorney General Scott Pruitt to head the Environmental Protection Agency.

Western U.S. snow water equivalent

Basin-wide percent of 2016 snowpack compared to the aggregate average (1971-2010).



Source: USDA, Natural Resources Conservation Service — Capital Press graphic

Price outlook

The outlook for specific ag sectors is mixed. A November article in CropLife magazine said ag retailers believed 2017 would be "another in the current string of down years, with low commodity prices" depressing grower income. But an updated round of conversations showed some retailers now believe 2016 will prove to be the bottom of the down cycle and the coming year will be flat at worst and maybe up a little.

Analysts at Northwest Farm Credit Services expect headwinds in international markets due to a strong U.S. dollar and uncertainty of how the new administration's scrutiny of trade will affect ag exports.

Michael Stolp, vice president of customer insights at FCS, said things are looking up for dairy farmers but several commodities are currently selling for less than the cost of production.

Global milk production is down but U.S. production is up 2 percent and prices are strengthening, Stolp said. Class III milk prices are in the high $16s per hundredweight, with futures prices out to August nearing $18, he said.

The cattle industry, however, is in about year two of a six-year down cycle, he said, and prices are below the break-even point for most cow-calf producers.

Hay markets are showing regional differences in supply and prices: Low supplies in the Southwest but ample supplies of low- to mid-quality alfalfa in the Northwest, Stolp said.

Wheat prices also remain depressed, due to strong U.S. and global supplies and a projected record harvest in Australia. Strong production in potatoes and onions across the Northwest depressed prices, but the sugar beet and nursery-greenhouse industries are seeing positive returns.

Online

http://ucfoodobserver.com/category/general/

Pot-pourri

At least one edgy ag sector — marijuana growers — apparently believes it has little to fear from a Trump administration. Writing at cnbc.com, Grow Solutions Holdings Inc. President Jeff Beverly noted Trump has already endorsed medical cannabis use and said recreational pot use is a matter of state's rights.

In addition, several states that provided him critical electoral votes also passed measures legalizing various forms of cannabis use.

"For Trump to spend substantial political capital battling the legalization trend, when such crucial states to Republican victory as Florida, Ohio and Pennsylvania all passed measures approving cannabis use this year, seems unlikely given the administration's priorities on huge issues including repealing Obamacare, improving border security and revisiting international trade agreements," Beverly wrote.

Legal cannabis sales in the U.S. rose 17 percent to $5.4 billion in 2015, and are forecast to grow by 25 percent to $6.7 billion this year, according to ArcView Market Research. Investment bank Cowen and Co. predicts sales will hit $50 billion nationally within a decade.

Water relief

Even political rainmakers like Trump can't make it snow, but his administration is likely to begin with the best water outlook in years for Northwest and some California ag producers.

The water content of snow draping the Cascade range in Washington and Oregon was more than 160 percent of normal in many areas as of Dec. 21, according to the USDA's Natural Resources Conservation Service.

December snowstorms brought snow accumulation to above-normal levels in many areas in Southern Idaho, and well above normal in the Eastern Snake Plain. The U.S. Drought Monitor shows the Pacific Northwest to be drought-free except in southeastern Oregon, which is still in moderate drought or abnormally dry.

However, most of California is still in a drought, and it's rated as extreme or exceptional throughout the middle of the state and along the Southern California coast.

The good news is that a parade of rain clouds since mid-autumn has put many areas in Northern California above their normal seasonal rainfall totals. Redding, for instance, has sopped up 17.8 inches of rain for the season as of Dec. 21, well above its average of 10.47 inches, according to the weather service.

But California's snow water content was only 64 percent of normal statewide and 66 percent of normal in the northern Sierra, according to the state Department of Water Resources California Data Exchange Center.

Through the remainder of the winter, below-normal rainfall is most likely for Southern California while the remainder of the state faces equal chances of above- and below-normal precipitation, the climate center forecasts.

"If this trend continues, that would be awesome," said Mike Kochasic, a NWS forecaster in Sacramento. "We still have a long way to go, but it's a good start."

The uncertainty prompted the DWR to allocate only 45 percent of requested deliveries to State Water Project contractors for 2017. Lake Oroville, the project's chief reservoir, was still at only 54 percent of capacity and 88 percent of normal for this time of year as of late December, the agency reported.

"Our unpredictable weather means that we must make conservation a California lifestyle," DWR director Mark Cowin said.

So with all that, the last word goes to Hayden-Smith of UC Food Observer.

"It's tough being a farmer," she said. "For all that we say about how much we value them, I don't know that we always make it easy for them to do what they do."

Capital Press reporters Carol Ryan Dumas, Tim Hearden and Dan Wheat contributed to this story.

Snowpack needs to hit 85 percent of average

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Carryover water levels in Boise River reservoirs is comparable to last year and about average, said Tim Page, manager of the Boise Project Board of Control, which provides 167,000 acre-feet of water to five irrigation districts in southwestern Idaho and part of Eastern Oregon.

"We're on par for course," he said.

But Page and other water managers stressed that it's early in the season and a lot more snow is needed.

"This is a really good start," said Greg Curtis, water superintendent of the Nampa & Meridian Irrigation District, which provides water to 69,000 acres. "But we need to see it continue. It needs to keep going."

A lot of things can happen between now and spring, when the 2017 water season begins, said Mark Zirschky, manager of Pioneer Irrigation District, which provides water to 5,800 patrons.

But, "At this point at least, what we're seeing in the hills is good," he said. "I think the outlook is promising. As long as it stays cold and stays there, we should be in good shape."

> "We're still in need of a lot more snow. We have a long ways to go to get to where we need to be."
>
> **Vernon Lolley,** Weiser Irrigation District chairman

Snowpack in the Payette River basin is at 90 percent of normal and it's 68 percent of normal in the Weiser River basin.

"We're still in need of a lot more snow," said Weiser Irrigation District Chairman Vernon Lolley. "We have a long ways to go to get to where we need to be."

He said the district ended 2016 with a little bit of reservoir carryover water and if snowpack reaches about 85 percent of average, that should be enough to assure an adequate water supply for the district's patrons in 2017.

Tominaga: Credit trading concept has potential for the future

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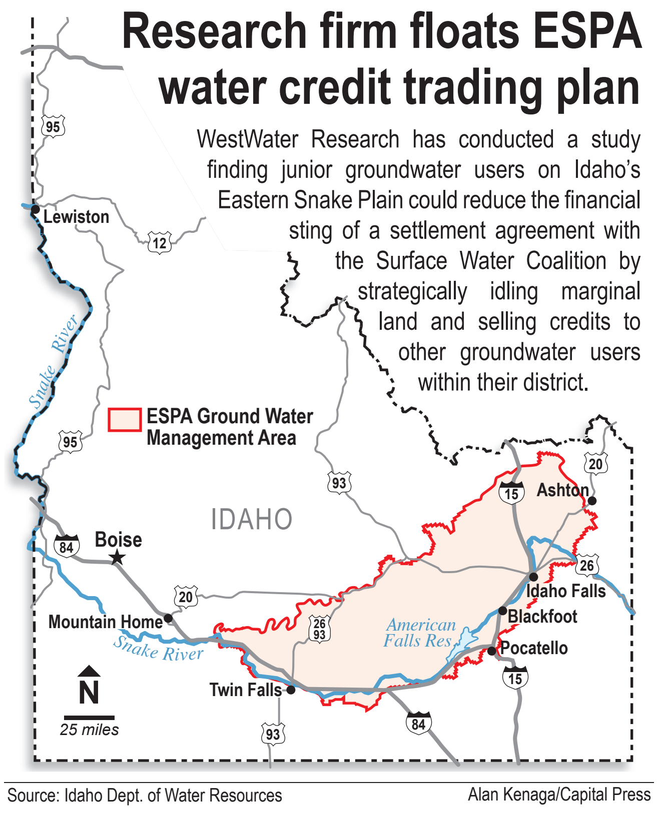
of the land is able to stay in full production," said Shepler, a master's student at Colorado State University. "This credit trading system has been successful in a number of different regions as a way to make sure water is going to its most valuable use."

Brett Bovee, regional director at WestWater, assigned Shepler the project, which took about a month and a half of work. Bovee explained his company had no contract to conduct the study and didn't accept payment but was interested in studying the settlement, having represented the Shoshone-Bannock Tribes in leasing 45,000 acre-feet of water to help IGWA with mitigation.

Bovee explained the study used budgets the University of Idaho created for hypothetical Eastern Idaho farms, basing estimates on a five-year average of crop values. The study finds farmers in the eight affected groundwater districts generate $311 million in income from 740,000 irrigated acres, not factoring in fixed costs. Simply idling 12 percent of those acres would reduce their income by $38 million, he said.

Research firm floats ESPA water credit trading plan

WestWater Research has conducted a study finding junior groundwater users on Idaho's Eastern Snake Plain could reduce the financial sting of a settlement agreement with the Surface Water Coalition by strategically idling marginal land and selling credits to other groundwater users within their district.



Source: Idaho Dept. of Water Resources — Alan Kenaga/Capital Press

He said cutting water by 12 percent across all crops would only exacerbate the negative impacts, reducing revenue by $127 million. The losses were reduced to $18 million when Shepler ran the numbers using a credit trading program, he said. Bovee presented the data to IGWA during a recent board meeting.

IGWA Executive Director Lynn Tominaga said the credit trading concept has potential for the future.

> "To me this is a very good agreement because the groundwater users are doing things to reduce impacts they think they can do while still maintaining their use."
>
> **Brett Bovee,** regional director at WestWater,

"It's still pretty fuzzy, and there really isn't a mechanism set up within groundwater districts to be able to do that yet," Tominaga said. "Most of the farmers I've talked with have said the prices are so low on everything, it's not really practical right now."

Bovee will be following the settlement closely to see if groundwater levels rebound to target levels.

"To me this is a very good agreement because the groundwater users are doing things to reduce impacts they think they can do while still maintaining their use," Bovee said.