

Economic incentive to turn farmland into wetlands alarms some

WETLANDS from Page 1

The price depends on the demand. Credits are often broken up and sold by the square foot. One credit can reportedly sell for anywhere from a little under \$200,000 to more than \$1 million.

"The prices for credits are all handled by the private marketplace," Ecology shorelines program manager Gordon White said. "These are private transactions."

Banks' history

Federal agencies originated wetland mitigation banks in the 1980s to allow development, including highway construction, without a net loss of wetlands. Many states, including Oregon, Idaho and California, have wetland banks. Most are usually created on land historically used for agriculture.

Washington, a relative late-comer to the practice, has 17 banks, with at least four more in the works. The Morgan family's wetland mitigation bank would be Washington's largest on non-tribal land and more than double the size of the next largest bank. About 250 cows graze there now on bottom land where the Lewis River flows into the Columbia River in Clark County.

The Ecology Department praises wetland mitigation banks for their environmental benefits and economic incentives to create wetlands.

But that economic incentive to turn farmland into wetlands has alarmed some pro-agriculture groups, including Skagitonians to Preserve Farmland in Skagit County in northwestern Washington.

Although only 4 percent of Washington's cropland is west of the Cascades, agriculture remains an important industry in Skagit County. Holding on to that industry has local political support. "We're an anomaly," Skagitonians Executive Director Allen Rozema said.

A decade ago, Clear Valley Environmental Farm, a California company, proposed converting 396 acres of farmland in the county into wetlands. The proposal came soon after another California company had created a 310-acre bank in the same area.

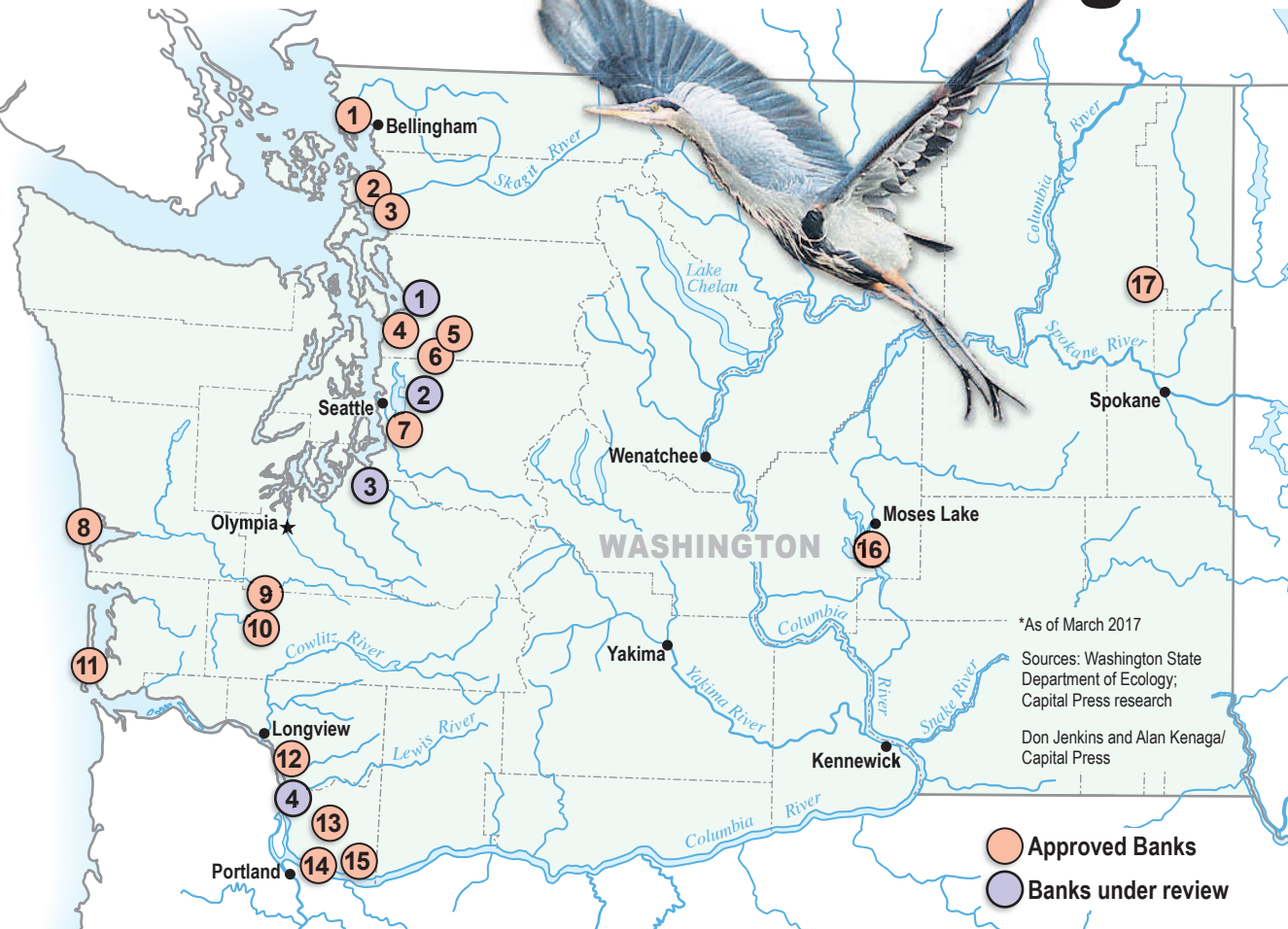
'New industry'

"We saw a new industry, the wetland banking industry, starting up," Rozema said. "It was a business model to essentially make money off converting farmland to another use."

Skagitonians opposed the Clear Valley bank at the county level, arguing the plan would violate the state Growth Management Act's goal of conserving farmland. Eventually, the Skagitonians and Clear Valley made a deal.

The deal depended on county commissioners banning more wetland banks on farmland. Also, Skagitonians will get \$6,000 for every credit Clear Valley sells. Skagitonians anticipate eventually getting about \$1.5 million to spend on buying development

Wetland banks in Washington



Wetland mitigation banks

- Lummi Nation**
 - Owner: Lummi Indian Reservation
 - Acres: 1,945 (three sites)
- Skagit Environmental Bank**
 - Owner: Clear Valley Environmental Farm
 - Acres: 396
- Nookachamps**
 - Owner: Nookachamps, LLC
 - Acres: 310
- Paine Field**
 - Owner: Snohomish County
 - Acres: 59
- Skykomish Habitat**
 - Owner: Privately owned
 - Acres: 260
- Snohomish Basin**
 - Owner: Privately owned
 - Acres: 225

- Springbook Creek**
 - Owner: City of Renton; cooperated with Washington State Dept. of Transportation
 - Acres: 129
- Weatherwax**
 - Owner: City of Ocean Shores
 - Acres: 120
- Chehalis Basin**
 - Owner: TransAlta Centralia Mining
 - Acres: 176
- North Fork Newaukum**
 - Owner: Natural Resources Conservation Service; Washington State DOT
 - Acres: 230
- Long Beach**
 - Owner: Privately owned
 - Acres: 76

- Coweeman River**
 - Owner: Privately owned
 - Acres: 320
- East Fork Lewis**
 - Owner: Privately owned
 - Acres: 113
- Terrace**
 - Owner: Privately owned
 - Acres: 113
- Columbia River**
 - Owner: Port of Vancouver
 - Acres: 115
- Moses Lake Three Ponds**
 - Owner: City of Moses Lake; managed by Washington State DOT
 - Acres: 12
- Meadowcraft**
 - Owner: Privately owned
 - Acres: 13

Pending mitigation banks

- Blue Heron**
 - Owner: Port of Everett
 - Acres: 344
- Keller Farm**
 - Owner: City of Redmond
 - Acres: 91
- Port of Tacoma**
 - Owner: Port of Tacoma
 - Acres: As many as 152 (distributed over 19 sites)
- Wapato Valley**
 - Owner: Privately owned
 - Acres: 876



rights to farmland to keep it in agricultural uses.

So far, the group has received about \$44,000 from the 7.38 credits sold for \$963,090 to the Port of Skagit for an airport project.

Rozema said that if the money was piling up more quickly, that would mean the countryside was being developed more quickly. "In an ideal world, there would be no money going into it," he said. To the Skagitonians, a better outcome would have been no wetland mitigation bank at all. But a potential, less attractive alternative was more housing developments. Plus, the settlement meant not having to fight future banks and provided money for farmland preservation.

"It was a good deal. I think it sets a model for how we want to operate in the future," Rozema said.

The county's ban doesn't shut the door entirely on new wetlands. The ban applies to land of "long-term commercial significance for agriculture."

A landowner can also apply to have the property rezoned. "We're trying to be respectful of people's private-party

rights," Rozema said.

Rozema said he won't be surprised if more wetland banks are created in other Western Washington counties as the economy and population grow.

"Being in the business of wetland mitigation banking is probably a good business," he said. "It would appear to me to have a big future."

'Wants to be wet'

But the future might not be that big, said Victor Woodward, the owner of Habitat Bank and the entrepreneur behind several wetlands mitigation banks in Western Washington.

Woodward created Western Washington's first privately owned wetlands bank in 2006 in Snohomish County, which is wedged between Skagit County and Seattle and growing even faster than Clark County. The previous banks were set up by public agencies seeking to offset their projects that were built on wetlands.

Woodward said that 30 of the bank's 140 credits have sold so far. The demand is limited, he said.

The credits must be bought

in the same watershed as the development. Plus, government agencies must issue permits to fill in wetlands in the first place. "The demand (for credits) is really controlled by the issuance of permits," Woodward said.

A credit in rural Clark County, where Woodward has also created a wetland bank, sells for about \$170,000, he said.

He said he anticipates credits for wetlands he's developing on 91 acres in the city of Redmond in King County to be worth around \$1 million each. The property is known locally as the Keller Farm, a former dairy now in a city with a population of 60,000.

Woodward said that he's worked with dairy farmers "desperate" to get out of the industry and expects to be involved in more wetland banks, including in Clark County.

"We do need to eat, but I don't see where we're going to have that much of an impact," he said.

Woodward said he once gave a presentation to skeptical farmers, concerned about the effect on agriculture. Af-

terward, one approached him about converting his land into a wetland bank.

"It can work in some cases, but with very limited cases. I can't emphasize enough, you have to have the right kind of property because you can't pay too much for the land or for restoration because you might not get the payback for 10, 20 years," he said. "You want to find a site that was wet, wants to be wet and is easy to restore to wetlands," Woodward said. "I do see where farmland is being converted, but I think they tend to be wet, wet situations, where it's difficult to keep farming."

Morgan farm

In Clark County, the Morgan family farm has been inundated by at least three major floods in the past 70 years.

David Morgan's grandparents, Aubrey and Constance Morgan, bought the farm in 1941 and named it Plas Newydd, Welsh for "new place." They had a dairy until the flood of 1948 wiped it out. The Morgans then raised Angus cattle, but the '56 flood helped end that, David Morgan said. The pastures had

to be restored again after the 1996 flood.

The land has a distinguished history. The farm's two-story house was built circa 1850 by Columbia Lancaster, Washington territory's first delegate to Congress. The farm also has a barn built in the 1880s. The house and barn are both on the National Register of Historic Places.

The farm is just a few miles west of Interstate 5, not far from a new tribal casino and expanding subdivisions.

"The rest of the farms in Ridgefield are really stressing, watching homes go in," Morgan said. "The whole family doesn't want to turn this into houses."

In June, Ecology also certified a 113-acre wetland mitigation bank in Vancouver, south of Ridgefield. The privately owned land was historically a mint farm. Corn harvested in 2014 was the last crop grown there, according to the bank's records.

Value of farmland

Clark County Farm Bureau President Bill Zimmerman said he once leased land in the area to grow vegetables. "Beautiful soil there," he said. "It would grow just phenomenal crops."

Zimmerman said public officials are too dismissive of farmland's benefits to the environment.

"When the farmer owns the land, it's not worth anything. If it's wetlands, it's worth something," he said. "We hear all the time that the only value agricultural land has is as a land bank for future development."

Some 96 percent of Washington's cropland is east of the Cascades. The two Eastern Washington wetland mitigation banks total 25 acres. Woodward, however, said he is interested in creating more.

Demand for credits would probably be less than in Western Washington, but converting 100 to 200 acres could mitigate for construction projects over a large geographical area because of the size of many of the region's watersheds, he said.

"I'm sure there would be a lot of skepticism from farmers in Eastern Washington," Woodward said. "But compared to the land being chopped into 5 acres or 20 acres for housing development, this is a drop in the bucket."

At Plas Newydd, creating wetlands will involve removing levees, filling in drainage ditches and moving dirt to turn pastures into fish habitat.

Portions of the land, according to a notice from Ecology and Army Corps, "have been degraded by cattle grazing and agricultural activities."

Morgan said that he hopes he can still graze some cows on the property, though that's yet to be decided.

The tree farm on the property will remain in production, and the land will stay in the family, he said.

"I get to retain ownership of the property," Morgan said. "It takes all the development pressure off."

'They're just buying ... all wheats now, which probably isn't really sustainable'

WHEAT from Page 1

Dark northern wheat generally has a high percentage of protein — more than 14 percent — and soft white wheat has a lower percentage of protein, usually below 10.5 percent.

Higher protein generally indicates higher gluten content. High gluten content is important for baking light, yeast-leavened breads.

Nearby DNS futures prices are higher than futures prices later on, said Clark Johnston, a marketing consultant in Ogden, Utah.

"That's because the demand is outstripping the supply," he said. "The market is saying, 'We need your wheat right now, we're not going to give you an incentive to hold it until after the first of the year.'"

The DNS price increase prompted speculators to move into the other wheat classes, said Dan Steiner, grain merchandiser for Morrow County Grain Growers in Boardman, Ore.

Soft white wheat ranged from \$5.50 to \$5.60 per bushel in Portland this week. That's up from \$4.40 to \$4.60 a bushel in April. Hard red winter wheat ranged from \$5.51 to \$6.20 per bushel, up from \$4.97 to \$5.17 a bushel in April.

"For soft white, six months ago, you'd have thought, 'This would be a great price,'" Steiner said. "But when you're looking at \$9 wheat (for DNS), it's like, 'Gee, can we have some more of that?'"

"They're just buying ... all wheats now, which probably isn't really sustainable in Chicago futures because soft wheat and dark northern spring wheat are two completely different things," Behne said.

Lower protein soft white wheat has less gluten than DNS and is used in Asian noodles, cakes, pastries and flat breads.

"I don't really see this ending well for soft wheat unless we end up with a corn problem later on," Behne said.

Corn prices would need to increase to pull excess soft wheat supplies into livestock feed channels and boost demand, Behne said.

Wheat futures were nearly \$2 over corn futures, making the spread too high for farmers to buy it for livestock.

"We have a big soft white crop coming again this year," Behne said. "Without some feeding going on, I don't know how we're going to chew through that."

Wheat needs to trade at roughly \$4.95 per bushel to be viable for feed, Steiner said.

Steiner isn't sure how long the higher prices will last.

"I had no idea this rally was going to be this big, that it was going to go this far, or how long they're going to push this," he said.

Behne and Johnston both expect an eventual drop in prices. But weather forecasts indicate heat will continue in the spring wheat production areas of the Northern Plains, Behne said.

Johnston advises farmers to look for futures bids that are in keeping with current cash prices, and contract their wheat now before prices begin to decline, particularly in the other classes.

If DNS gets to be too expensive, some end-users won't want it, he said, which will impact cash markets.

"There's been a 90-cent spread between the high and the low of the day," he said. "When that kind of stuff happens, I start to get a little nervous about this market."

In recent tenders, Russia sold wheat to Egypt at \$5.80 per bushel and Romania at \$5.75 per bushel. France offered wheat at \$6.10 per bushel, while U.S. wheat prices were \$8.03 per bushel, Steiner said.

"We're not remotely close to being competitive on the world market," he said. "(Prices are) spectacular, but probably a selling opportunity (for farmers), I would guess."

OWRD's method challenged in past

SHUTDOWN from Page 1

Mallams' lawsuit is not the first time that OWRD's method of gauging groundwater pumping impacts on surface water has provoked controversy.

In 2014, lawmakers proposed several bills requiring the agency to prove that individual wells were affecting surface flows before taking enforcement action.

The proposals were divisive in the agricultural community, with some irrigators arguing they'd disrupt Oregon water law while others claimed they'd protect water rights.

According to OWRD, the new testing requirements would have cost the agency \$80,000 per well. Ultimately, the bills died in committee.

Aside from Mallams' petition, the agency's decision to restrict irrigation in the Klamath region is facing several other lawsuits this year.

Reacting to a "water call" from the Klamath Tribes — which have the most senior "time immemorial" water rights — OWRD has issued orders halting irrigation on roughly 300,000 acres of land.

Since early June, irrigators have filed four lawsuits disputing the agency's rationale for enforcement action.