# Opinion



## Idaho potato growers weigh options for boosting fry profits

By CHUCK STADICK
For the Capital Press

**Guest comment**
Chuck Stadick

For the past several years, grower margins have consistently declined in Idaho to the point they are no longer sufficient to maintain a stable business environment for growers' long-term financial future. For the four-year period including crop years 2014 through 2017, pricing has plummeted 7 percent (down 70 cents a cwt.)

Processors use the bargaining group to set an advertised price and then present growers with different options to leverage an even cheaper raw product price. Some growers have been offered multiple-year contracts at a discounted price. Others, a joint venture where profits are split between the producer and the buyer.

However, the majority of growers still sell their crop on an annual agreement where the grower takes all of the risks with more and more contract language that leaves the grower vulnerable to rejection and reduced pricing for the slightest quality variance.

The question needs to be asked whether these multi-year contracts make sense for the grower and the industry as a whole given the current demand for frozen potato products from a domestic and global perspective.

In my opinion, both of these "off contract" alternatives guarantee a raw product supply for the processors' production needs and also provide them with significant leverage for flat or reduced pricing since a portion of their raw potato requirements are guaranteed from year to year. Some processors are more aggressive on both pricing and acreages than others.

Where do these multi-year purchasing programs leave the potato industry in Idaho and the Pacific Northwest? The answer is the current situation in Idaho and Washington, where the grower organizations have little or no leverage for their members to provide financial sustainability and sufficient profitability to invest in the future.

Looking at the financial data that is available, processors are currently enjoying record profitability and the motivation from stockholders and senior management is to continue this trend. Meanwhile, the grower base continues to diminish with larger operations taking over the supply chain even at the sacrifice of raw product quality.

The Quick Service Restaurant chains (QSRs) realize the effect of this dynamic with their French fry prices increasing based upon demand and a tight capacity situation resulting in uncertainty of potential supplies for the future. So, finished pricing moves higher while raw product concurrently moves lower. That is the recipe for windfall profit-taking and this will continue as long as the industry's demand is ahead of processing capacity, especially when you consider the global marketing programs. There is also the potential, with all of the new capacity being added in the Pacific Northwest, for excess processing capacity in the future and this would make it even more difficult for the grower to survive.

So, what can the grower community do to "right the ship" and secure their financial future? Sticking your head in the sand and waiting for a poor crop year to make a market is not a strategy. The industry could say no to the multi-year agreements that guarantee the processors a significant portion of their raw product supplies annually. Perhaps the larger growers could have the discipline to reduce acres to promote inclusivity with smaller growers to maintain the quality the industry needs. Or finally, there is the scenario whereby growers individually negotiate their own deal with the processors, similar to the chip industry. Perhaps not the most attractive set of alternatives, but that is the reality of our industry today.

It's obvious that if Idaho had an increase in processing capacity, acreage would be in high demand and that would give the bargaining association more leverage. There has been some movement by both out-of-state processors and French fry customers to determine what can be done to offset the diminished profits in their arena. SIPCO has started a dialogue with both to determine if this is feasible in Idaho.

The intent is to position the SIPCO group to be their primary raw suppliers. Due to the confidentiality of this dialogue, we can't announce the companies that might participate with us in creating a more stable pricing program that will be sustainable in the future. The cost plus method of pricing has been discussed and this could be the solution to make sure both customers remain solvent in the industry.

This would be a big undertaking. However, our industry has thrived on innovation and resourcefulness. We do not begrudge the processors making a fair profit. However, SIPCO is committed to making sure the growers receive the same fairness as our valued end users in the French fry industry.

As part of my new role as executive director of SIPCO, it is one of my primary goals to reach out to all of the contract potato growers in Idaho. It is my opinion that contract growers must come together if they are to claim their fair share of the $23 billion global market for frozen potato products. Growers' opinions and comments are invited.

*Chuck Stadick is executive director of the Southern Idaho Potato Cooperative, SIPCO.*

### Our View

Don Jenkins/Capital Press

Washington hemp entrepeneur Cory Sharp takes photos at a hemp planting June 6 in Moses Lake. Sharp said Oct. 9 that the hemp has been harvested, but he's still looking for a market.

## Hemp dilemma leaves farmers in a lurch

Cory Sharp of Moses Lake, Wash., has a problem, and it's a big one.

He has as much as 80,000 pounds of hemp seed from a 75-acre crop he planted in June. He'd like to crush them for their oil, but no facility exists in Washington for that purpose. He can't cart them across state lines, or into Canada, where facilities exist, because the crop is illegal under U.S. law.

Hemp, like marijuana, is a cannabis plant. Unlike its cousin, hemp contains very low amounts of THC, the chemical that produces the "high" in marijuana. Nonetheless, it is classified as a Schedule I controlled substance and lumped in with the likes of heroin, LSD and ecstasy.

That was not always the case.

Hemp has been grown for fiber for centuries. Colonial Virginia required its cultivation in 1691 and it became an American staple until the 20th century. By the 1930s it had been lumped together with marijuana and made illegal by most states — some say at the bidding of cotton interests.

During World War II the federal government encouraged farmers to grow hemp to replace jute and other fibers from Japanese-held areas in the Pacific necessary for the manufacture of rope. The plant proved so prolific that farmers in the Midwest still struggle to stamp it out of ditches and fence rows more than 70 years later.

States that have recently moved to legitimize pot under provisional legal cover from the Department of Justice have also moved to allow commercial hemp production.

As we've said before, we have no moral objection to hemp. Hemp is to marijuana what a poppyseed muffin is to heroin. That it remains illegal under federal law is our only problem with hemp.

And that's Sharp's problem, and the problem of all growers. The wink-and-nod protections they receive from their states are sufficient to bring a crop to harvest, but insufficient to guarantee commercial prospects.

There is no doubt that hemp is commercially viable. Imported hemp products — oils, foodstuffs and fiber — are widely available in shops large and small across the country.

The limitations placed on Sharp and his fellow hemp growers were not unforeseeable. It would have been better to wait until Congress had lifted the prohibition. But the cart is already before the horse.

There are efforts being pressed by members of the congressional delegations of states that have legalized recreational and medical marijuana to change the law and decriminalize cannabis. We have never embraced "legal marijuana," but we don't see any reason hemp should be classified as a controlled substance.

## Readers' views

### *Climate argument lacks support*

I congratulate the editors for their parody of a guest editorial, in which they presented a caricature, M. Reynolds (Oct. 20), a lobbyist who, if he existed, should seek another line of work, writing on "clean power" and the need to "price carbon," attributing recent hurricanes and California fires to climate change and carbon emissions.

This was cleverly done, mocking environmentalists and their faulty reasoning and poor science, when no real scientists attribute recent events to such causes.

We all know these are scare tactics, meant to frighten children and those who cannot or will not think. Pretending to advocate to prevent "climate change," the article advocates more government and more taxes.

Raising taxes and more government are Democrats' and "environmentalists'" answer to every problem.

When Congress "fails to act," that means there is no consensus — Congress has decided not to do something. When only 60 Members support a cause, that means there is no real support in a House of 435 Members (not even a third of the 194 Democrats).

Fourteen percent of the House of Representatives is nothing.

When Obama imposed carbon taxes by regulation because Congress "failed to act," that was still another example of unconstitutional lawmaking by regulation because, even in a Democratic Party-controlled Congress, Obama could not find sufficient support for his policies, which the Trump administration is now rescinding.

How clever to say that the Obama Clean Power Plan (his "legacy" for which he could not even find support in his own party) was "gutted" when it never found more than minor support, and never has been a rational or good policy.

Neither the Kyoto Protocol nor the Paris Climate Accord even won support in Congress, in part because everyone knows they will harm the U.S. without affecting the climate.

How clever to call something "bipartisan" when it has no real support in either party.

The only "bipartisan" aspect was that both parties rejected them and Obama's rules. Carbon pricing is an idea only supported by a very few.

Most editorials make valid arguments for this or that position.

The Capital Press was clever to mock climate change and carbon taxes by such a caricature of reasoning and evidence.

*Alan L. Gallagher*
*Canby, Ore.*