Russia may focus more wheat sales in its own 'backyard'

By MATTHEW WEAVER
Capital Press

Increasing regional demand, competition for acreage from other crops and higher shipping costs may force the Russian wheat industry to market its crop closer to home in the coming years, a top U.S. Wheat Associates official says.

"While we are not done with Russian competition and they are here to stay as a main player in the world market, they will behave more responsibly (due) to these changing market signals in the next 20 years," said Vince Peterson, U.S. Wheat president.

Peterson gave the Capital Press a summary of the presentation he recently delivered to the Australian government's Grains Research and Development Corporation.

Peterson believes Russia will not be as motivated to sell to Southeast Asian and South American customers as they were several years ago.

The country has seen record yield after record yield for the last five years, with crops during the most recent years "off the charts," he said.

But acreage devoted to other crops increased at more than double the rate wheat acreage increased, Peterson said.

Ukraine has not increased wheat acreage in more than 20 years, but has added acreage for other crops.

"Now that all this investment in Russian ag has been made, will the Russian farmers/investors not be looking for the best possible return on that land 10 to 20 years from now?" Peterson said. "That implies a shift in future growth away from a wheat concentration and into other crops."

According to U.S. Wheat, Russian freight on board prices — the cost of the wheat to buyers as it leaves the elevators, not including freight and insurance — are $204 per ton, compared to $237 per ton for U.S. hard red winter wheat and $276 per ton for U.S. dark northern spring wheat.

Matthew Weaver/Capital Press File

U.S. Wheat Associates president Vince Peterson says market changes may mean the Russian wheat industry will focus more on its own "backyard" in the next 20 years.

USDA estimates Russia had 96.3 million metric tons of wheat for the marketing year that ends May 2018 — 36 million metric tons for exports, 45 million metric tons for domestic use and 15.3 million metric tons in ending stocks.

About 82 percent of Russia's wheat exports go to Africa and the Middle East. The population there will continue to rapidly grow in coming years, increasing demand for imported wheat, Peterson said.

"Russia will be far more consumed in these markets in the future than they are today, and rightly so," Peterson said. "This is their backyard, and they will be the most profitable sales for them."

The U.S., Australia and Canada are breeding and producing wheat to meet specific market demands, while Russia's customers in that 82 percent export category are not as particular.

"They will likely continue to tell Russia by market signals that they need low- to moderate-protein, cheap wheat," Peterson said. "And that is what Russia will be best placed to do."

The cost of shipping wheat has shifted wildly in the last 15 years, Peterson said. Commodity price and trade spikes from 2007 to 2012 incentivized the expansion of the dry bulk carrier fleet. Capacity peaked in 2015, decreasing ocean freight rates and allowing Russia to economically ship wheat almost everywhere.

The pendulum is beginning to swing back, Peterson said.

"The next cycle is going to make it far more expensive, and far less economical, for Russia — any origin for that matter — to be shipping their goods halfway around the globe and right into a competitor's backyard," Peterson said. "Particularly if those supplies are just of moderate, fair quality parameters."

WSU returns grant funds improperly spent on salaries

By MATTHEW WEAVER
Capital Press

Washington State University has returned about $17,000 to two federal grants after a state audit determined the money had been improperly used to pay the salaries and benefits of two WSU employees.

A spokeswoman for WSU's agriculture college called it an "anomaly."

A whistleblower report by the state auditor found that James Moyer, associate dean of research at WSU's College of Agricultural, Human and Natural Resource Sciences, had directed the salaries of two employees be paid with money from NASA and the U.S. Department of Energy grants for projects on which they did not work, or worked at a lesser percentage than was charged to the grant.

The research projects involved secondary plant metabolism related to biofuels.

Moyer declined to comment beyond CAHNRS' response.

The report cited $11,634 from the NASA grant between July 1 and Aug. 15, 2016, had been used to pay a university employee, and $5,419 from the DOE grant was used to pay part of the salary of another employee, also in 2016.

Charges to federal grants for salaries and wages must

Jim Moyer

be based on records that accurately reflect the work performed, according to the state auditor's report.

By mid-August, 2016, the employees' salaries were no longer improperly charged to the grants, according to the report.

"The situation ... was an anomaly resulting from the good faith efforts of college management to move two employees off state-funded accounts that were in deficit," Marta Coursey, director of communications for CAHNRS, told the Capital Press. "Rather than re-assigning the employees to appropriate grants as instructed, the principal investigator allowed the charges to accrue and then reported them to the state auditor. At no time did college management knowingly authorize or intend for unallowable personnel costs to be charged to the grants, and any unallowable charges would have been corrected through normal university processes."

The audit report was issued in August. The university responded to Capital Press queries about the report this week.

Wheat organizations 'disappointed' in new steel and aluminum tariffs

Capital Press

Fearing retaliation against U.S. agricultural commodities, two major U.S. wheat organizations say they are "extremely disappointed" in President Donald Trump's decision to impose tariffs on imported steel and aluminum.

"We have repeatedly warned that the risks of retaliation and the precedent set by such a policy have serious potential consequences for agriculture," the U.S. Wheat Associates and National Association of Wheat Growers said in a joint press release. "It is dismaying that the voices of farmers and many other industries were ignored in favor of an industry that is already among the most protected in the country."

Trump on March 1 announced his intention to invoke a 25 percent tariff on any foreign-made steel and a 10 percent tariff on foreign-made aluminum. He based his decision on a Commerce Department assessment of the U.S. steel industry that found the quantities of steel imported to the U.S. "threaten to impair the national security."

A Defense Department memo singled out only China, but the administration included steel from all nations out of a fear that Chinese metals could be exported through other nations.

About one-third of the steel used in the U.S. is imported, according to the Commerce report.

"It is critical that we reinforce to our key allies that these actions are focused on correcting Chinese overproduction and countering their attempts to circumvent existing antidumping tariffs," Defense Secretary James Mattis wrote. Instead of across-the-board tariffs, Mattis recommended that they be targeted.

However, Mattis also wrote that the Department of Defense "does not believe that the findings in the (Commerce Department) reports impact the ability of DoD programs to acquire the steel or aluminum necessary to meet national defense requirements."

In announcing the tariffs, Trump cited a federal law that allows the president to act to protect national security and the general security and welfare of certain industries, beyond those necessary to satisfy national defense requirements, which are critical to minimum operations of the economy and government."

The Commerce Department report states that during the past 50 years, six presidents have invoked similar tariffs.

Wallowa ranchers pursue energy projects

By KATY NESBITT
For Capital Press

JOSEPH, Ore. — A conditional use permitted on Wallowa County ranchland this winter would allow two cattle producers to offset their power costs with energy generated on their shared irrigation pipeline.

The Triple Creek Ranch sprawls across the upper Wallowa Valley north of Wallowa Lake, abutting the Schaafsma Ranch. Ditch water diverted from a nearby creek runs through a pipe and irrigates pasture on both ranches. If the project is built, excess pressure from the pipeline will generate energy sent to the power grid via power lines less than 20 feet from the generator.

Kyle Petrocine of Wallowa Resources, the local organization coordinating the project, said there are operational benefits to both ranches.

"The ranches will share the net metering credit generated and have lower operational costs to lower power costs," Petrocine said.

Ranch owner Lori Schaafsma said if the project goes through, power will only be generated during the irrigation season. She said the energy credits earned through power generation can only be used by the partnering ranches.

The cost saving could be considerable. While Schaafsma said their power bill runs about $3,000 a year, Scott Shear, manager of the Triple Creek Ranch, said his ranch spends roughly $20,000 on electricity annually.

The cost savings are high, but so is the initial outlay for permitting, siting and construction..

Schaafsma said she and her husband, Tom, have long been interested in harnessing power off their irrigation pipeline, but need grant funding to pay for installation.

"We had always talked about it, but when we were told how much it would cost it was way more than we could afford," Schaafsma said.

Funding for hydro projects, Petrocine said, is always a hold-up

"Hydro is still fairly expensive, even for small-scale projects," Petrocine said.

To help pay for the project Petrocine said he is applying for grants this spring and targeting fall of this year for installation.

The proposed power plant on the upper Wallowa Valley ranches will be the third hydro project Wallowa Resources has fostered; the first two were installed on a ranch in the mid-Wallowa River Valley between Lostine and Wallowa on the Spaur Ranch in 2010 and 2016.

Now that Wallowa Resources has made hydro a priority, Petrocine said he anticipates overseeing two projects a year. From concept to installation, each project takes about two years. Permitting alone takes about six months, including the conditional use permit granted by Wallowa County Jan. 30.

"Now that we have our ducks in a row things will be accelerating," Petrocine said.

Katy Nesbitt/For the Capital Press

Triple Creek Ranch and Schaafsma Ranch in Oregon's Wallowa County hope to benefit from energy generated off their shared irrigation pipeline.

Energy Trust of Oregon has funded feasibility studies for these Wallowa County projects, including a few that didn't pencil out.

A large chunk of funding for a $219,000 project at the head of Wallowa Lake was received through a Pacific Power's Blue Sky Grant — a fund supported through ratepayers who dedicate a portion of their bill to renewable energy development. County Commissioner Susan Roberts said Pacific Power granted $60,000 for the installation of a power plant that will generate around 150 kilowatts a year, saving the project's owner, the Wallowa Lake Service District, a municipal water and sewer entity managed by Wallowa County, about $15,000 a year in energy costs.

The log cabin style pump house will be in Wallowa Lake State Park's campground, Petrocine said, and will have an interpretive sign explaining how a spring on the mountainside powers the turbine.

Construction of the hydroelectric plant at Wallowa Lake State Park will begin in the fall, after the tourist season.