Kenya opens market for Pacific Northwest wheat

USDA announces new agreement

By GEORGE PLAVEN
Capital Press

EO Media Group File

Wheat is harvested near Lexington, Ore. A new trade deal with Kenya will allow more wheat from the Pacific Northwest to be exported to that African nation.

Capital Press graphic

PORTLAND — A new market is opening for wheat farmers in Oregon, Washington and Idaho.

After 12 years of negotiations, Kenya has agreed to lift its prohibition against U.S. wheat exports from the Pacific Northwest, the USDA has announced.

As part of the agreement, the agency's Animal and Plant Health Inspection Service, or APHIS, will work with producers to increase crop surveillance for flag smut, a seed-borne and soil-borne fungal disease that poses no human or animal health risks but can reduce wheat yields by as much as 50%.

Greg Ibach, USDA undersecretary for marketing and regulatory programs, said Northwest farmers now have full access to the Kenyan wheat market, valued at nearly $500 million annually.

"This action proves our commitment to securing fair treatment and greater access for U.S. products in the global marketplace," Ibach said in a statement.

Flag smut affects primarily dryland winter wheat, grown predominately across Eastern Oregon, Washington and Idaho. Spores can survive for at least four years in the field. Symptoms of infected plants include stunted growth, twisted and distorted leaves and, in severe cases, no grain head development.

The disease has been found periodically in U.S. wheat since the early 1900s, according to the USDA, though it has been controlled through the use of treated seed, crop rotation and modern production practices. Chemical seed treatments are the most effective method of controlling flag smut, researchers at Oregon State University say.

Amanda Hoey, CEO of the Oregon Wheat Growers League and Oregon Wheat Commission, said the deal with Kenya provides new opportunities for Oregon growers. The vast majority of Oregon wheat, between 85% and 90%, is exported.

"We need as many open markets as we are able to secure for our wheat," Hoey said. "The acceptance of export phytosanitary inspection and certification provides access to a market restricted to Oregon growers for more than a decade."

Kenya imports much of its annual wheat supply, since domestic production only supports about 10% of the country's overall consumption. Most imports come from suppliers such as Russia, Ukraine and the European Union. The U.S. currently provides only 5% of Kenya's wheat imports, or about 120,000 metric tons.

The deal struck between APHIS and Kenya also has an impact on U.S. wheat being sold into landlocked Uganda, since they both use Kenya's port facilities. Between the two countries, Hoey said they import about 1.6 million metric tons of wheat a year.

"Even if we saw a 5% rise in the market share, it could be worth over $20M to the U.S. wheat industry," she said.

Steve Mercer, a spokesman for U.S. Wheat Associates in Arlington, Va., said the industry supports continued free trade negotiations with Kenya, which could provide a model for other African countries to follow.

"Africa is a fast-growing continent, but one that the U.S. has had limited opportunity for trade negotiations with," Mercer said. "A high standard (free trade agreement) with Kenya should open the door for additional African countries to pursue two-way trade negotiations with the U.S."

Wheat price outlook filled with uncertainty

Uncertainty skews timing of China buying U.S. wheat

By MATTHEW WEAVER
Capital Press

Matthew Weaver/Capital Press

Ty Jessup, industry representative for the Washington Grain Commission, speaks during a board meeting discussion March 12 in Spokane. Regarding coronavirus and its effects on markets, Jessup says, "We're in a different realm now."

SPOKANE — The wheat market will be full of uncertainties for the foreseeable future, a Washington Grain Commission board member says.

"Coronavirus is obviously leading the charge," Ty Jessup, an industry representative, said during his market outlook presentation at the commission meeting March 12. "We're in a different realm now. This is something that's uncharted territory. Where's it going to go? I have no idea."

Grower wheat-selling is essentially zero, and demand is light, Jessup said.

Jessup said wheat prices have dropped 20 to 30 cents per bushel over the last month. That's not all due to the virus, he said. There are other factors.

"There's a lot of uncertainty in the industry," Jessup said.

He's not sure what the future price range could be.

The virus may delay China's purchase of wheat following the new trade agreement with the U.S. Jessup said the expectation is that China will still buy wheat, but the timing may be "skewed."

"The longer this event changes things in the world, it's just going to push it back," he said.

The industry didn't really expect China to begin purchasing until the second half of the year, with new crop, Jessup said.

Jessup is marketing manager for HighLine Grain Growers in Waterville, Wash.

Jessup also pointed to a large global supply of wheat.

Australia is expected to have a 40% bigger crop as farmers there enter planting season.

Current production projections for the Black Sea region are 82 million tons in Russia, with the possibility of reaching 85 million tons, which Jessup said would set a record.

Ukraine's crop may be down a little, but 95% is rated "good to excellent," he said.

Glen Squires, CEO of the commission, said the wheat price received by Washington farmers is typically 20 to 45 cents above the average nationwide price. It's been holding about 96 cents higher. That's "unusual," Squires said.

The U.S. average wheat price received is $4.55 per bushel, while Washington is at $5.51.

He pointed to lower prices nationally for hard red winter wheat, while Washington farmers are boosted by demand for soft white wheat, a market class grown primarily in the Pacific Northwest.

Squires uses the figures as a way to gauge the commission's budget. He expects it to be down about $500,000 compared to last year, due to lower winter wheat yields. The state's wheat production dropped from 153 million to 142 million bushels, he said.

The annual assessment on wheat is 0.75% of the net receipts at the first point of sale. The annual assessment on barley is 1% of the net receipts.

"The average price so far is about the same," he said.

The commission will finalize its annual budget during its May meeting.

And coronavirus impacts on wheat prices?

"Who knows?" Squires said. "I have no idea."

Judge: Ranch's grazing preference expired with permit

By MATEUSZ PERKOWSKI
Capital Press

An Oregon ranch's "priority" access to neighboring public lands in Idaho expired along with the landowner's grazing permit, regardless of who now operates the property, according to a federal judge.

The ruling affirms a decision by the U.S. Bureau of Land Management that "threatens to subvert the entire system of public land livestock grazing," according to cattlemen's groups tracking the dispute.

The dispute relates to the "preference" for grazing permits provided to private "base" ranches that neighbor federal property.

In this case, the 1,900-acre Hanley Ranch near Jordan Valley, Ore., once served as the "base property" for access to public grazing allotments on 30,000 acres of BLM land across the state border in Idaho.

However, the federal government refused to renew the landowner's grazing permit due to an "extensive record of noncompliance," such as "trespass on the public lands by grazing cattle in excess of approved numbers."

The ranch's owners, Michael and Linda Lee Hanley, leased the base property to their daughter and her husband, Martha and John Corrigan, who requested a transfer of the property's "grazing preference" to them.

However, the BLM determined the base property's preference was extinguished along with the grazing permit for the Trout Springs and Hanley Fenced Federal Range allotments. In 2018, the Corrigans challenged the agency's decision in federal court.

The Corrigans argued this "new disappearing preference theory" violates the Taylor Grazing Act, a foundational 1934 law governing public rangeland management, as well as the BLM's own regulations.

According to their complaint, the grazing preference or priority is attached to the ranch property itself and serves "a separate and different function" than the grazing permit, which regulates the activities of specific people and their livestock.

The BLM has conflated the two concepts in a way that "leads to irrational results," such as potentially terminating a property's grazing preference if the landowner leases the ranch to someone who doesn't qualify for a grazing permit, the plaintiffs argued.

In other words, "the owner of the base property will have lost the grazing preference independent of any of his own actions, without any notice or process," according to the Corrigans.

The Corrigans were joined in their arguments by the Owyhee Cattlemen's Association and the Idaho Cattlemen's Association, which filed a legal brief claiming that BLM's "new interpretation turns a fundamental aspect of the Taylor Grazing Act on its head."

The federal agency's decision in this case "effectively destroys the concept of grazing preferences" and could "devalue private lands across the West" for ranches whose owners don't get permits renewed for whatever reason, the groups argued.

"Even if a rancher has a permit that is not renewed for reasons that do not stem from improper livestock management (e.g., non-use or changed resource conditions), there is the threat that his grazing preference will disappear, creating a penalty without an offense," their brief said.

The Western Watersheds Project, an environmental group, intervened on behalf of the government to argue the grazing preference was properly canceled to protect public lands from "further grazing abuses."

The plaintiffs' understanding of grazing preferences would basically create an "indefinite entitlement or property-based right" that would undermine environmental protections, since ranchers would always be first in line for a permit regardless of their conduct, the environmental group said.

U.S. District Judge Lynn Winmill ultimately sided with the federal government and environmental group, ruling that grazing preferences cease to exist when permit renewals are denied for non-compliance.

If the Hanleys had simply sold the ranch with the grazing permit in good standing, the preference would still have been attached to the base property, the judge said. However, failing to comply with the permit's conditions means the preference is also lost.

"A preference is not some self-contained privilege that needs to be separately cancelled with notice and a hearing," Winmill said. "It is instead a privilege to renew a permit — once the permit is not renewed due to noncompliance, the preference disappears at the same moment the permit disappears."