Expert: Read fine print on soil carbon market contracts

By MATTHEW WEAVER
Capital Press

Farmers should read the fine print when entering into agreements with soil carbon market programs, an expert says.

Soil carbon market programs are not fully established, and a lot of uncertainty remains, said Jeremy Bunch, the sales, research and logistics manager at Shepherd's Grain, whose farmer-owners use no-till practices.

"There's a lot of companies that are trying to be leaders in this space, but my sense is no one really knows where they're going exactly yet," he said. "It's still an evolving program overall."

More education is needed, Bunch said.

"The goal is not to get growers to sign up for carbon markets, the goal is to sequester carbon," he said.

Growers also need to be aware of the value of their data. Some programs require sharing on-farm data, Bunch said.

Long-term contracts that restrict farming practices are a deal-breaker for growers, particularly those on leased land, Bunch said.

Many new carbon markets are not able to pay for past carbon accruals, Bunch said.

"It becomes more of a challenge for the folks who have been farming no-till, diverse crop rotations for 20 or 30 years — it's more difficult for them to jump into these programs," he said.

Growers who have already adopted no-till practices will be restricted from a lot of soil carbon market programs, Bunch said. Most want to require growers to implement a major new practice to enhance carbon sequestration.

Shepherd's Grain
Shepherd's Grain is working with carbon markets to assure that its farmer-owners will be able to participate.

Shepherd's Grain is working with several companies to develop a program that would retroactively apply to carbon already stored, Bunch said.

Bunch spoke Feb. 24 during the Palouse chapter of the Citizens' Climate Lobby meeting on agriculture, soil health and climate policy, held online.

Current programs won't necessarily help a farmer transition from conventional tillage to no-till, he said. He cited one grower's concerns over yield loss, saying the programs didn't pay enough to cover it.

Shepherd's Grain farmers use direct seed farming practices and are certified for sustainable practices. The company's primary market is the Pacific Northwest, but it sells flour around the U.S. through distributors.

Tai, Biden's USTR nominee, unveils her vision for global trade

By SIERRA DAWN McCLAIN
Capital Press

WASHINGTON, D.C. — The U.S. Senate Finance Committee Feb. 25 held a hearing to consider Katherine Tai, Biden's nominee to serve as U.S. Trade Representative.

Tai is chief trade lawyer for the House Ways and Means Committee. She speaks fluent Mandarin and would be the first Asian American to hold the role.

"The chance to serve the American people, fight on their behalf and represent them on the world stage once again will be the greatest honor of my life," she told senators.

If confirmed, Tai said her priorities would include emerging from the pandemic, enhancing the nation's "competitive edge," building diversified supply chains, rebuilding alliances, holding nations to climate standards and cracking down on unfair trade practices, especially from China.

"China is simultaneously a rival, a trade partner and an outsized player whose cooperation we'll also need to address certain global challenges," said Tai.

Katherine Tai

The ambassador-designate fielded 3 1/2 hours of senators' questions.

Tai said, if confirmed, she will push China to follow through on its Phase 1 trade deal commitments.

"There are promises China made that China needs to follow through on," she said.

On the United States-Mexico-Canada Agreement, or USMCA, Tai said she understands U.S. dairy producers' frustration with Canada's dairy policies. Tai said consulting with American dairy farmers will be "very, very important" as she holds Canada to its promises.

With Mexico, she plans to "engage" the country's leaders regarding labor violations and address Mexico's restrictions on U.S. potato imports.

WSU economist: Crop insurance choice a 'crapshoot'

By MATTHEW WEAVER
Capital Press

Wheat farmers this year won't have a clear-cut choice between which federal crop insurance program will work best for them in the 2021-2022 marketing year, a small grains economist at Washington State University says.

One type of crop insurance is Price Loss Coverage — called PLC. A payment is triggered when the price of wheat is below $5.50 per bushel.

USDA projects the average wheat price will be at most $5.10 per bushel for the next decade, assuming stable production and demand.

"If this ends up being accurate, and it won't, because it's 10 years out, PLC will always make payments in the foreseeable future," said Randy Fortenbery of WSU.

However, Kansas State University recently projected an average price of $5.80 per bushel for the 2021-2022 marketing year, and USDA projects $5.50 per bushel for the year after that.

That will make it difficult for farmers to decide between PLC crop insurance and the Agriculture Risk Coverage program, known as ARC, Fortenbery said. ARC provides income support tied to the historical base acres, not current production, of covered commodities, according to USDA.

To make matters even more confusing for farmers, there's a 40% chance the price will be below the $5.50 per bushel target price next summer, but there's also a 40% chance the price will be above $6.50 per bushel, he said.

"This year, right now, it really appears to be kind of a crapshoot between PLC or ARC is going to give us the strongest protection," Fortenbery said. "It's going to be a challenging decision and there is no real clear answer in my mind right now about which program is likely to be the most attractive."

It comes down to whether a farmer lives in an area where county average yields have a lot of variability, he said.

"We're right at that $5.50 benchmark, where it wouldn't take much of a change one way or the other to change the attractiveness of one program over the other," Fortenbery said. "It's very early to try and predict which of those changes is most likely to happen."

Fortenbery delivered his annual economic forecast Feb. 24 during the Spokane Ag Show, held virtually due to the COVID-19 pandemic.

Part of the reason wheat prices have recently risen is wheat is beginning to move into feed rations domestically and internationally because of high corn prices, he said. About 25% more wheat will go into feed this year than in 2020.

Matthew Weaver/Capital Press File
Randy Fortenbery, small grains economist at Washington State University.

China ramped up its purchases of feed grain, including wheat, exceeding expectations as it rebuilds its livestock herds, particularly hogs, after a 50% loss due to swine fever in the past year.

Wheat acres have been declining steadily since 2013, and USDA predicts that will continue through the next decade.

This year may be the exception, Fortenbery said, as USDA predicts winter wheat planted last fall for the 2021 harvest is up about 1.6 million acres from the 30.4 million acres planted in 2020.

Ratification of the U.S.-Mexico-Canada agreement, Japan Trade Agreement and phase 1 of the China agreement does provide stability, Fortenbery said.

China did not meet its initial obligations in the first phase of the deal, but later bought a record amount of U.S. products, particularly in agriculture. Continued purchases will be an important contributor to U.S. farm income in 2021, representing 25% of total U.S. agricultural export volume.

Fortenbery called 2018 the most aggressive trade re-alignment and re-negotiation period in a century.

"We'd never approached attempting to renegotiate with all of our trading partners simultaneously since the 1900s," he said. "We made some significant progress."

The overall U.S. trade balance declined since then, with the country importing more than it exported. But for agriculture, exports have returned to 2015-2016 levels, Fortenbery said.

"For agriculture, we've really come out of the 2018-2019 period looking pretty good, and in fact the picture continues to improve," he said.

Early projections in August forecast a $4.5 billion fiscal year agricultural trade balance. By November, the forecast had increased to $15 billion. Fortenbery said USDA's current prediction is $19.5 billion, driven by a large increase in corn and soybean exports.