Bill would pay Oregon's Harney Basin farmers to stop irrigating

By MATEUSZ PERKOWSKI
Capital Press

Farmers in Oregon's Harney Basin would be paid to stop irrigating crops under a bill that's intended to alleviate groundwater depletion in the region.

Providing incentives for irrigators to stop pumping may prove less costly than a purely regulatory approach, which would likely provoke legal battles, said Rep. Mark Owens, R-Crane, chief sponsor of House Bill 2257.

"Money upfront in an investment will probably reduce litigation in the basin," Owens said during a recent legislative hearing on the proposal.

The bill would provide $500,000 in seed money for the approach, which could be amplified with money from the USDA's Conservation Reserve Enhancement Program.

The agency pays 70% of such project costs, with 30% matching funds from other sources.

The federal government has already allocated funds for CREP under the 2018 Farm Bill for projects that meet its criteria, Owens said. "It is sitting there, waiting."

The Oregon Farm Bureau supports HB 2257 as a matter of fairness to growers and to ensure the economical viability of the Harney Basin community, said Mary Anne Cooper, the group's vice president of public policy.

Mateusz Perkowski/Capital Press

Rep. Mark Owens, R-Crane, on 3,000 acres of alfalfa he grows in Oregon's Harney Basin. Behind him is a low elevation sprinkler application irrigation center pivot, which conserves water.

"You've had folks who've developed water in reliance on the state's assurance there was water available, and it turns out there was not," Cooper said, noting that such payments could help farmers transition to non-irrigated forms of agriculture.

Water regulators have already prohibited new well-drilling in the Harney Basin but groundwater pumping is still estimated to surpass natural aquifer recharge in the area.

Irrigators, environmentalists and community members are working on a collaborative solution to the problem, but it's possible the Oregon Water Resources Department will have to shut down some wells to prevent further groundwater declines.

Paying farmers to cease irrigation wouldn't solve the problem entirely, but it could be an important step in conjunction with other tools, said Owens, who estimates about $40 million would be needed for the program over time.

Money from CREP is already being used to ease groundwater problems in other Western states, said Ken Bierley, a consultant who's advising the Harney Basin collaborative group.

The goal would be to enroll about 20,000 acres in the program, which could cut groundwater withdrawal by 40,000-50,000 acre-feet per year, Bierley said. "That's not an insignificant amount when you're over-allocated by about two times that much."

Under the bill, the state government would pay irrigators to voluntarily cancel their water rights while the federal government would provide conservation payments for planting cover crops.

Assistance from OWRD staff would be needed to document that irrigation was actually being ceased under the program.

Aside from potential litigation, regulatory irrigation restrictions are a blunt tool based on the seniority of water rights that can't easily target specific geographic areas, Owens said.

Dairy Margin Coverage

January calculation

Corn (bushel)	$4.24
Blended alfalfa hay (ton)	$188.50
Soybean meal (ton)	439.24
All milk price (hundredweight)	$17.50
Final feed costs (hundredweight of milk)	$10.36
Milk margin above feed costs (hundredweight of milk)	$7.14

Source: USDA Agricultural Marketing Service

Dairy Margin Coverage to pay out for January

By CAROL RYAN DUMAS
Capital Press

Dairy farmers who signed up for USDA's Dairy Margin Coverage program can expect a payout for January if they protected a margin between milk prices and feed costs of $7.50 per hundredweight of milk or above.

USDA's calculated margin above feed costs is $7.14 per hundredweight for January.

Of the 162.2 billion pounds of production history enrolled nationally in DMC for 2021, producers covered 48.4 billion pounds at some margin level. Of that, 95% — 46.2 billion pounds — was protected at a $9.50 margin per hundredweight, USDA's Farm Service Agency told Capital Press.

Farm Service Agency hasn't yet posted the January payout, which would be for 1/12 of producers' annual covered production. At the $9.50 margin level, that accounts for about 3.8 billion pounds, or 38 million hundredweight of milk.

A payout of $2.36 per hundredweight at the $9.50 margin equates to almost $89 million.

A producer who covered 5 million pounds annually at the maximum 95% of production would have coverage for 4.75 million pounds or 47,500 hundredweight of milk. One-twelfth of that would be 3,958 hundredweight. Coverage at the $9.50 level would result in a payout of $9,342 for January.

The annual premium for that coverage, including the $100 administrative fee, is $7,225. So in January alone, that producer's net return on the program is $2,117.

But that's only on the first 5 million pounds of annual production, representing a herd of 200 to 250 cows.

DMC contracts for 2021 totaled 18,679. Of that, 17,899 — 95% of contracts — are at the $9.50 margin coverage level.

Total enrollment (not coverage) represents about 74% of dairy operations with production history for USDA programs and nearly 80% of established production history.

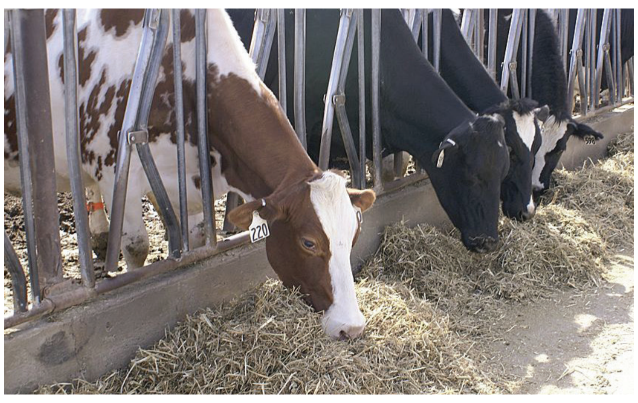
The large difference in volumes enrolled and volumes covered is most likely tied to the higher cost of premiums for annual milk production above 5 million pounds — the average U.S. production for which the program was designed.

The premium rate for $9.50 coverage on the first 5 million pounds is 15 cents per hundredweight of milk. Coverage is not available for an $8.50, $9 or $9.50 margin for production above 5 million pounds. But coverage of an $8 margin on production above 5 million pounds is $1.81 per hundredweight, compared with 10 cents per hundredweight for 5 million pounds or less.

Capital Press has filed a Freedom of Information Act request with USDA for a breakdown of coverage levels nationally and for certain western states.

Of dairies with established USDA production history in Idaho, 72% are enrolled in DMC, representing 67% of production. How much production was covered and at what margin level isn't immediately available.

Enrollment in Washington is 79% of dairies, representing 83% of production. Enrollment in Oregon is 75% of dairies, representing 60% of production. Enrollment in California is 72% of dairies, representing 79% of production.



Carol Ryan Dumas/Capital Press File

USDA's calculated margin above feed costs under the dairy margin program is $7.14 per hundredweight for January 2021.

Washington Senate passes overtime bill

By DON JENKINS
Capital Press

OLYMPIA — The Washington Senate approved legislation Tuesday to phase in overtime pay for farmworkers and shield dairies and other farms from lawsuits seeking to apply a state Supreme Court ruling retroactively.

Senate Bill 5172 passed, 37-12, and now goes to the House. Under the bill, all dairy workers would immediately receive time-and-a-half pay for hours worked over 40 in a week.

Phased-in overtime pay for other agricultural employees would begin Jan. 1, 2022, with workers becoming eligible for overtime after 55 hours in one week.

The overtime standard threshold would fall to 48 hours on Jan. 1, 2023, and to 40 hours on Jan. 1, 2024.

The bill responds to a 5-4 Supreme Court ruling in November granting overtime pay to dairy workers. The ruling has led to some 30 lawsuits against farms seeking to apply the ruling to the past three years.

Some Republicans from agricultural areas criticized the bill, calling it incomplete at best, failing to take account the seasonal nature of agriculture.

Sen. Kevin Van De Wege, D-Sequim, said the Supreme Court's ruling forced lawmakers to act. "We worked hard to make it as good as possible," he said.

The bill was a major improvement for agricultural employees compared to the bill as it passed Senate committees.

Oregon Senate seeks increased farm co-op accountability

By MATEUSZ PERKOWSKI
Capital Press

SALEM — The failure of NORPAC and other agricultural cooperatives in Oregon has spurred two legislative proposals aimed at making such organizations more accountable to member farmers.

However, opponents of the two bills argue they'd actually leave agricultural cooperatives vulnerable to increased litigation and could reveal their sensitive business information.

Senate Bill 468 would prohibit directors and officers from providing false or misleading information to agricultural cooperative members.

Under Senate Bill 469, agricultural cooperatives couldn't restrict the ability of members to access or share the organizations' records, subject to reasonable conditions, for the purpose of assessing their financial condition.

Cooperatives could face lawsuits for violating these requirements.

The legislation is necessary because agricultural cooperatives are fundamentally different than similar businesses, such as food processors, that aren't owned by their suppliers, said Larry George, president of the George Packing Co. and a former state senator who testified in support of the bills on behalf of the Oregon Family Farm Association.

When farmers deliver crops to a regular food processor, for example, Oregon's lien laws ensure they are paid before the banks and unsecured creditors in the event of a bankruptcy, he said. Cooperative members, on the other hand, are the last to be repaid.

Unlike similar businesses, marketing cooperatives can also use their members' crops as collateral for loans, increasing their borrowing capacity, George said.

Carl Sampson/Capital Press File

The NORPAC plant in Stayton, Ore. Two bills aim to increase the accountability of Oregon farm cooperatives, such as NORPAC.

"What farmers don't realize is they are guaranteeing the actions of the cooperative," he said.

Grower-members often don't realize a cooperative faces serious financial problems until the company has deteriorated so much that it can't be saved, George said. When a cooperative does fail, farmers are often owed money for crops and retained earnings that they won't recover.

"What you see is a massive crash that hurts farmers," he said.

The two bills seek to reduce these hazards by preventing a "toxic relationship" from developing between the cooperative's executives and its membership, George said.

The CEO and other top leaders are currently invested in keeping their jobs by perpetuating the cooperative's existence, which can lead them to manipulate financial records to create the appearance of solid performance, he said.

Boards of directors who should be overseeing the executives are generally comprised of farmers who aren't able to recognize such complex financial machinations, George said. "The farmers have so much invested that they want to believe there is a way out of the problem."

The Northwest Agricultural Cooperative Council, which opposes the bills, countered that the legislation would subject farm cooperatives to different and unreasonable standards than other companies.

"Not all cooperatives have failed. There are many successful ones," said Mike Freese, the council's representative, during a recent legislative hearing.

The bills would provide a new opportunity for directors and officers to be sued "if business decisions don't go as predicted," he said. "In our minds, this is just really bad policy."

Existing securities laws provide adequate protection from fraud, while the proposed legislation would discourage farmers from leading cooperatives to avoid liability, said Dan Jarman, a representative of the Tillamook County Creamery Association.