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Our View

Will winds of war blow fortune to U.S. farmers?

With Russian troops massed for invasion along the Ukrainian border, Europe braces for war and its inevitable humanitarian and economic consequences.

Ukraine is Europe's second-largest country behind Russia. Once a part of the Soviet Union, it broke free in 1990. Russia has long taken steps to keep its influence, backing separatist factions waging war with the government. In 2014, Russian troops took over the Crimea region on the Black Sea.

Russian President Vladimir Putin is wary of Ukraine's ties to the West and its desire to join NATO. Ukraine and western intelligence agencies say he's looking for a pretense to invade.

Ukraine is a major producer of wheat and corn — 12% and 16% of the world supply, respectively. Russia is also a major wheat producer. The mere threat of an invasion has sent commodity prices up, with wheat topping $8 last week and corn exceeding $6.50 a bushel.

Putting aside the human toll to those on the front lines, U.S. Secretary of Agriculture Tom Vilsack told The Associated Press that a conflict in Ukraine would present an "opportunity, obviously, for us to step in and help our partners, help them through a difficult time and situation."

Source: CIA World Factbook Alan Kenaga/Capital Press

It is, they say, truly an ill wind that doesn't blow someone some good.

If Ukrainian farmers are unable to produce or export next season's crop, U.S. farmers are ready to take up the slack, at least according to Vilsack. And short supply would mean higher prices.

That's good for U.S. farmers, particularly wheat growers in the Northwest — as far as it goes. What the war giveth, the war can taketh away.

In addition to producing a lot of grain, Russia and Ukraine also produce a huge share of the world's fertilizer supply. Should Ukrainian supplies be blocked because of war and Russian supplies because of potential export sanctions, U.S. farmers can expect higher prices as supplies shrink.

Sanctions threatened by the West would also boost fertilizer prices, and the costs of other farm inputs.

Russia exports a lot of natural gas to the rest of Europe. The West has threatened to cut off those exports if Russia attacks. Less natural gas means higher prices for the remaining supply.

Natural gas is a major component in the production of fertilizer, pesticides, plastics and other inputs.

A major regional conflict, assuming a Russian invasion would remain a regional conflict, would have unknown impacts on the global supply chain. Russia is a major supplier of raw materials — rare earth minerals and heavy metals. Ukraine is a supplier of neon, an important component in semiconductor manufacturing.

Then there's the human toll, which can't be put aside.

A little saber rattling might be good for business, but an all-out shooting war would be bad for everyone — particularly those in the path of a Russian army.

Our View

Andrew Harnik/Associated Press

Agriculture Secretary Tom Vilsack, right, accompanied by National Economic Council Director Brian Deese, left, speaks during a virtual meeting with family and independent farmers and ranchers Jan. 3 to discuss work to boost competition and reduce prices in the meat-processing industry.

$1 billion bet on more meat processing capacity

Politicians have a way of oversimplifying complex problems. Often, their answer to a problem is to add money, and lots of it.

If only it was that simple.

During the past two years — the Era of COVID — the main answer to almost every problem that arose was to add money. Trillions of dollars were injected into the economy to keep the doors open at certain businesses. Those were the success stories; many other businesses closed permanently. Millions of people were thrown out of work for extended periods and received money, sometimes more than they were making on the job.

Most recently, the Biden administration, with Agriculture Secretary Tom Vilsack on board, has decided to "solve" the complex problem of low cattle prices and high meat prices by spending $1 billion to subsidize the construction or expansion of small and medium-sized meat processing plants.

If only it was that simple.

First the facts. About 85% of the beef processing capacity is owned by four large companies — Tyson, Cargill, JBS and National Beef. During the COVID pandemic, they struggled to keep up with demand as employees fell ill. Until they figured out how best to keep employees safe and healthy the processors could not keep up with consumer demand, and retail beef prices jumped.

At the same time, because the processors were struggling just to keep their plants in operation, they didn't need to buy as much cattle as usual. Those prices dropped — a body blow to ranchers and feedlot owners who bought cattle anticipating a certain price range but received far less.

It was a worst-case scenario for cattle producers.

Even before COVID, cattle producers worried out loud that processors held too much sway over the markets. They called for more openness in price discovery through public auctions so everyone could see what the prices were and who was paying them.

USDA under Vilsack has opened some of those doors, even promising to work with the Department of Justice to look for antitrust violations.

We have to wonder why the USDA and DOJ weren't doing that all along. One of their jobs is making sure all U.S. commodity markets are open and competitive.

We believe in competition. It is the lifeblood of capitalism. But we worry about the unintended consequences of injecting $1 billion into the beef processing industry.

Will it go to the processing plants that are already under construction? Will it go to plants that are struggling? Will it convince reticent local politicians that new processing plants are good for their communities?

And, ultimately, will it increase cattle prices and decrease beef prices?

These are questions without answers, and certainly without any guarantees attached.

All we know is it will be a long time before new plants — or additions to small and medium plants — go online.

And when that happens, we can only hope the supply of labor will be adequate. Getting and keeping good employees has been one of the largest challenges facing processors of all sizes.

We hope Vilsack and President Biden have thought this through. The new worst-case scenario that we don't want to see is to be five years down the road and still have low cattle prices and high beef prices even after spending $1 billion.

Farmers — and consumers — will suffer from ag overtime mandate

GUEST VIEW

Mike Townsend

The agricultural world is a lot different now than it was when I started running Townsend Farms in Fairview, Ore., in 1980. What used to be a sea of strawberry and raspberry fields in Western Oregon has been transformed mostly into subdivisions and other development as land has skyrocketed in value along with the state's population.

Oregonians haven't stopped buying fruits and vegetables. But fewer and fewer come from local growers. An ever-shrinking percentage of local blueberries and blackberries and very few strawberries are now grown in Oregon, as large retailers have opted to buy cheaper berries from foreign countries with cheaper labor, often as low as $2 to $4 an hour.

In the last two decades, the size of Oregon's locally produced strawberry crop has fallen from around 80 million pounds annually to just 8 million pounds. Raspberries have seen an even more significant fall, from roughly 15 million pounds a year to not more than 500,000 pounds a year.

Local growers now rely primarily on blueberries and blackberries. But between 2009 and 2021, the cost to prune and wrap an acre of blackberries has jumped from $800 to $1,800. Combined with an ever-increasing minimum wage in Oregon, the picture is clear. Blackberries and other fruits from Chile, Argentina, Peru, Mexico, Serbia and other countries are taking an ever-larger share of the local market away from local growers.

We still employ upward of 1,400 people at Townsend Farms during the peak of the harvest months and closer to 400 people during the rest of the year at our two packing facilities and farms. This includes our fruit processing operation workers and the seasonal workers that we employ (at $16.34 an hour in 2021) and temporarily house on H2A visas. Those costs also grow annually.

Labor, however, is not the only issue affecting local growers. More stringent food safety regulations in the U.S. and the increased cost of fuel, fertilizer and other chemicals contribute.

And now, the Oregon Legislature is considering new legislation that would mandate overtime pay for agricultural workers putting in more than 40 hours a week, even though this type of workload only happens for a few weeks at a time during the height of harvest season.

Therefore, as a voter, we would hope you would consider the impact of the cost increases that it will take for your local growers to stay in business. This includes the fact that reliance on food imports also contributes to the exact global climate change that a recent study by environmental toxicologist Deke Gunderson of Pacific University concluded is "already causing significant impacts on farms."

The next generation has asked us to be more concerned about our climate. And as good stewards of our land, we need to point out that importing too high of a percentage of frozen and fresh products can and will continue to impact the environment negatively. We must take precautions to take care of what God has given us, the land, and the crops.

We want to help voters understand the effects of policies that will contribute to the rising labor cost in Oregon, including a law mandating overtime pay. Because the alternative is a continual rise in the price of both fresh and frozen produce for consumers — and the continued erosion of Oregon's treasured agricultural industry.

Mike Townsend operates Townsend Farms in Fairview, Ore.