



A MATTER OF GREAT INTEREST



Brad Carlson/Capital Press

Logan and Paul Skeen in their farm shop near Nyssa, Ore.

Rate hikes put brakes on inflation but squeeze farmers' cash flow

By BRAD CARLSON
Capital Press

NYSSA, Ore. — Faced with soaring input costs and inflation at a 40-year high, Logan Skeen decided to reduce his farm's footprint this year by 15-20%. Most of his farm is leased except for a small amount of land he owns. Other concerns also came into play in his decision to downsize — the continuing drought across much of the West and a tight land rental market. "It all adds up, and it all affects your bottom line," said the 32-year-old Skeen, who owns Arrow Farms near Nyssa, Ore. Of all the factors, however, higher interest rates — the costs of borrowing money — presented an inescap-

able challenge to Skeen and other farmers entering the 2022 growing season. In an effort to rein in inflation, the Federal Reserve Board on March 16 raised its federal funds rate from 0.25%, to 0.50%. While that may not seem like much, it was the first of seven expected increases this year aimed at slowing inflation. **Impact will be felt** Doug Robison, Idaho president of Northwest Farm Credit Services, said recent and expected increases in the federal funds rate will be felt. "These rate increases will have a direct impact on borrowing costs for businesses and consumers by increasing the base rate indexes that most lines of

credit are priced off of, including operating lines, business lines of credit, and even credit cards and home equity lines," he said. Robison said farmers, ranchers and dairy producers will "have the interest rates on their operating lines of credit and other variable rate loans increase by approximately the same amount as the increases in the federal funds rate." But, he said, interest rates are still likely to remain relatively low. "Even with the anticipated increase in short-term funding costs, interest rates are expected to remain well below historical averages," Robison said.

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'THESE RATE INCREASES WILL HAVE A DIRECT IMPACT ON BORROWING COSTS FOR BUSINESSES AND CONSUMERS BY INCREASING THE BASE RATE INDEXES THAT MOST LINES OF CREDIT ARE PRICED OFF OF.'

Doug Robison, Idaho president of Northwest Farm Credit Services

Drought begets difficult decisions for Oregon farmers

By GEORGE PAVLEN
Capital Press

MADRAS, Ore. — As drought intensifies across parts of central and southern Oregon, farmers and ranchers are having to make difficult decisions heading into the irrigation season. "I think at this point, we're just in survival mode," said Phil Fine, who grows seed crops, alfalfa and grain near Madras. "Budgets are really tight. ... It's more about getting by and not getting too far behind right now." Fine is a member of the North Unit Irriga-

tion District, which set its annual water allotment on March 29. This year, patrons will receive 0.45 acre-feet per acre, which is less than one-quarter of normal. In response, Fine said he is transitioning more of his alfalfa fields to spring barley, which requires less water to grow while still producing an adequate hay crop. Customers depend on Fine to provide feed for livestock, which is becoming increasingly scarce and more expensive. He estimated there are 25% fewer cattle in the region than a year ago, as ranchers have downsized their herds.

"I've had people calling, just scrounging for hay," Fine said. "I've turned people down." A shortage of irrigation water last fall also forced Fine to cut back on planting higher-value bluegrass and carrot seed, pivoting instead to winter wheat. Unless the region gets some timely rain, it may amount to no more than a cover crop. "Our farm plans basically change daily at this point. It's weather-dependent," he said.

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Ryan Brennecke/EO Media Group File

A sign warns visitors to stay away from the inlet pipes exposed by low water at the Wickiup Reservoir dam.

Upper Klamath Lake sees another year of record low inflows

By GEORGE PAVLEN
Capital Press

KLAMATH FALLS, Ore. — One year after the U.S. Bureau of Reclamation shut off water to the Klamath Project amid a devastating region-wide drought, conditions appear to be worse heading into the 2022 irrigation season. Upper Klamath Lake is again getting record-low inflows following another dry winter. As of April 5, the Klamath Basin had received just 67% of its median precipitation for the water year dating back to Oct. 1 and 26% of median snowpack. Brian Person, a senior adviser for the Bureau of Reclamation in Klamath Falls, Ore., said the agency will announce its annual water allocation for the Klamath Project on April 12. He declined to speculate whether there would be a second consecutive shutoff, but said it has been "a very difficult year." "We had a promising start to the water year," Person said, adding the basin had above-average snowpack in November and December. "It just



George Pavlen/Capital Press File

Water flows from Upper Klamath Lake into the A Canal, part of the Klamath Project.

stopped. It almost flatlined through this calendar year." During that time, Upper Klamath Lake inflows totaled 425,000 acre-feet of water. That is a record low, Person said, even lower than the previous record of 427,000 acre-feet set last year. Person said each of the last three years — 2020, 2021 and 2022 — rank in the top five dri-

est years on record for Upper Klamath Lake. "That's not a record we were hoping to set," he said. The Bureau of Reclamation manages water in Upper Klamath Lake for irrigators and two species of endangered sucker fish, known by the Klamath Tribes as C'waam and Koptu. Under the agency's interim operations plan, the lake's water surface elevation must remain above 4,142 feet in April and May to provide shoreline spawning habitat for the sucker fish. However, Person said the lake has already failed to meet that requirement. The operations plan also calls for a spring-time "flushing flow" of water from Upper Klamath Lake down the Klamath River to protect coho salmon from C. shasta, a fish-killing parasite that thrives in warm, slow-moving water. Person said the bureau is working to formulate a flushing flow for this year, though there is not enough water in the lake to release the full 50,000 acre-foot volume.

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