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Opinion

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Our View

It's about marketing

Most experts would agree that the worst marketing plan ever is this: "Our product is pretty much the same as everyone else's."

Yet, for many farmers and ranchers, that may well be their marketing plan — or lack thereof. Crops and livestock are often marketed en masse with little or no differentiation from others.

They are price-takers.

The farmers and ranchers who carve out a niche for their crops and livestock can make the transformation to price-setters.

One example of a readily recognized niche is crops and livestock that are raised organically. Some customers seek out organic products and are willing to pay a premium price for them.

Many beef producers market their cattle based on how they are raised or the breed. Grass-fed and hormone-free are just two examples of niches. Wagyu cattle, a breed originally from Japan, produce highly marbled beef and extraordinary prices. A wagyu ribeye steak for sale online was priced at $138 a pound.

That's the advantage of being a price-setter.

Similarly, some wheat growers market their crop as unique, either in how it is grown or how their cooperative is organized. Some even help consumers trace flour back to the farm where it was raised.

Some ranchers sell their beef directly to customers online. Many of those customers become loyal because they get to know the ranchers' families.

In the food world, perhaps no farmers have developed the concept of niche more than the French. Not only is food produced in France marketed as its own niche, but food and wine from various provinces and regions are marketed as special.

Everyone knows that "champagne" sparkling wine must come from the Champagne region, but do they know about black truffles from Dordogne, or scallops from Brittany, cheese from the French Alps, ham from Bayonne, garlic from Uzes, chili peppers from Espelette or the unique blue-legged chickens from Bresse?

In their own ways, each of these products is unique, and consumers willingly pay higher prices for them.

France is not alone in its niche-centric marketing. In Spain, the ham is considered to be so special there is a museum dedicated to it in Madrid. Called Jamon Iberico, it and its cousin, Jamon Serrano, sell for many times the price of U.S. ham. It sells for $13 an ounce online.

As a whole, the wine industry has perfected niche marketing. Not only is wine from various regions marketed separately — think Napa Valley or Willamette Valley — but it is marketed by its American Viticultural Area, or AVA.

California has 139 AVAs, Washington state has 20 and Oregon has 23. Each has its own geography, climate and soil. The federal Alcohol and Tobacco Tax and Trade Bureau approves each AVA. A 5,530-acre AVA was just approved for the Mount Pisgah Polk County area in Oregon's Willamette Valley.

In turn, many wineries market their wines based on the region and the AVA they are in.

Like so many other farmers and ranchers, they know that when it comes to marketing, niche is the thing. It is often the difference between being a price-taker and a price-setter.

Our View

Truckers don't want AB 5's protections

A group of independent truckers instituted an extended blockade of the Port of Oakland to protest a California law that endangers their livelihood.

The truckers' actions have caused delays in getting inbound goods into the supply chain, and has stopped domestic goods — including farm products — from being shipped abroad. At a time when the country is struggling to get the supply chain back on its feet, the delays are problematic.

But, we think the truckers' concerns have merit.

In 2019, the California legislature passed Assembly Bill 5, a measure pushed by organized labor to rein in the state's burgeoning gig economy.

When using independent contractors, businesses don't have to pay overtime, provide benefits, deduct taxes and pay workers comp and other payroll taxes as they do with their regular employees. Independent contractors are often used to augment a company's regular workforce to meet peak demand, while some businesses rely entirely on contractors to carry out key functions.

In recent years, the use of independent contractors has exploded in California, particularly in the creative services, software and ride-share industries. Many contractors like the flexibility and independence the status offers.

Supporters of AB 5 claimed that businesses too often were strictly controlling the work of contractors, treating them as employees but not providing the pay and benefits due. There being bad actors in all areas of life, that no doubt was sometimes true.

The protesting truckers don't seem to want these protections. Our dictionary defines "independent" as "free from outside control; not depending on another's authority." Unlike drivers who are employed by trucking companies, the independent drivers own their trucks and are free to refuse an assignment.

But, that's not enough to satisfy the law.

AB 5 requires that a hire be classified as an employee unless the business can prove each of the following points:

(A) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.

(B) The person performs work that is outside the usual course of the hiring entity's business.

(C) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

Don Jenkins/Capital Press File

Owner-operator truckers in California are protesting a state law that would force companies to hire them as employees instead of as independent contractors.

The truckers, and the companies that hire them, say this test makes it all but impossible for them to qualify as independent contractors. The work of an independent trucker is not "outside the usual course" of a trucking company's business.

The protest started after the U.S. Supreme Court refused to take up a challenge to the law.

California's 70,000 owner-operator truckers now face the prospect of setting up their own trucking companies and dealing directly with shippers, or for their present customers to make them employees and pay for the use of their rigs.

Or, like ride-share giants Uber and Lyft, maybe they can get an exemption on the ballot. Once Californians start paying the increased costs of moving the goods they buy, they should be happy to pass such a measure.

Renewable hydrogen project can produce green fertilizer, reducing emissions and costs

GUEST VIEW

Ken Dragoon

If there's one overarching reminder from today's record-high fertilizer prices, it's that global crises and markets have an outsized impact on essential inputs of U.S. farms.

Between the restriction in trade with Russia and Belarus and surging domestic inflation, thin profit margins in the agricultural sector are being consumed by higher costs of production. But we can mitigate these disruptions in the future by producing fertilizer in a way that shields it from some of today's market volatility. Our project, the Obsidian Pacific Northwest Hydrogen Hub, will do just that.

First, let's define the problem and isolate two of the many factors driving fertilizer cost: natural gas and transportation.

Today, nitrogen fertilizers are based on ammonia produced principally from natural gas. Natural gas is processed with steam to release hydrogen, which is combined with nitrogen from air to synthesize the ammonia. The U.S. currently produces $20 billion of hydrogen annually, and the second-largest use for this simple gas is in the production of fertilizer for agriculture. It is estimated 70-to-90% of the cost of fertilizer is the cost of natural gas. So, the recent global surge in natural gas prices has greatly impacted fertilizer cost and supply.

There are other ways to produce hydrogen, however. Our solution to protect Northwest farmers from the volatility of the natural gas market is to produce hydrogen using wind and solar electricity to separate water into oxygen and hydrogen using a process called electrolysis. Renewable energy installations paired with electrolyzers located along a storage pipeline will carry the released hydrogen to two regional fertilizer production facilities that will be in Oregon and Washington.

In Eastern Oregon and Washington, where the storage pipeline would be built, there are ideal locations with wind and solar resources for producing this renewable hydrogen. The price of hydrogen from this storage pipeline is not tied to the cost of natural gas and can be controlled through contracts with local renewable energy installations, thereby stabilizing the cost of one of fertilizer's most volatile inputs.

An additional driver of fertilizer price volatility for Northwest farmers is transportation. There is little fertilizer production in our region, so it is primarily purchased from the Gulf states and abroad. The surge in fuel prices and shipping rates are exacerbating fertilizer prices here because of the distance the fertilizer must travel.

Obsidian's proposed hydrogen hub would use regional renewable resources to produce ammonia fertilizers locally at stable, predictable costs and use the storage pipeline to greatly reduce transportation cost because transport and delivery of this hydrogen would not be dependent on volatile fossil fuel prices.

The Obsidian Pacific Northwest Hydrogen Hub will leverage private investment and — to a lesser extent — federal grants to make the project a reality. Last year, President Biden signed a bipartisan infrastructure law that will award competitive grants to regional "clean" hydrogen networks.

Earlier this year, Obsidian established a Steering Committee of more than 30 stakeholders, representing a broad range of interests, that is advising on project development. We are preparing an application to be awarded a federal grant from the U.S. Department of Energy.

Through partnerships with farmers, landowners and local officials, we believe this project has the potential to stabilize and improve farm operations across the Northwest. You can find more information about the Obsidian Pacific Northwest Hydrogen Hub at www.pnwhydrogenhub.com.

Ken Dragoon is director of hydrogen development for Obsidian Renewables in Lake Oswego, Ore.

READERS' VIEW

Power line worries those in its path

For 13 years Idaho Power Co. has been trying to railroad the 310-mile-long B2H, Boardman to Hemingway power lines through Eastern Oregon.

No one wants it, but Idaho Power keeps pushing, trying to outflank the public and government agencies, state and federal.

By the time they go into service they will be archaic, but Idaho Power gets around 10% of building cost bonus, most of which will go into stockholders' pockets.

Nor does Idaho Power have an adequate fire plan for when the lines break and start fires, as it did in Paradise, Calif., when PG&E ignited a wildfire. Death toll: 85 people.

Nor has weed control from building the project been properly addressed. The power lines cross the Oregon Trail numerous times, but Idaho Power could care less about preserving the trail or the heritage that goes with it. Their plan is to place their lines directly in front of the $16 million Oregon Trail interpretive center outside Baker City. The list goes on.

Whit Deschner
Baker City, Ore.

Protect land that grows food crops

As a city dweller, I support limits on urban expansion. More compact cities fight climate change by reducing fossil fuel based transportation.

However, I question farm advocates' use of the argument that we need to preserve farmland for our food supply. It's just like when anti-tax developers hide behind little old widows to justify their objections to taxes.

Yes, food production is important, but how much farmland grows non-food products?Nearby Linn County touts itself as the "grass seed capital of the world." How much of that grass is grown for golf courses? Urban and rural lawns? Nobody eats that grass, not even cows. As the new normal of drought takes over, and homeowners are converting their lawns to rock gardens, the demand for grass seed will fall, just like it fell during the recession when fewer homes were being built with their requisite lawns.

In Oregon, when field burning was restricted, hazelnut farms began taking over the grass seed fields. Hazelnut trees require lots of pesticides, harmful to food-pollinating bees.

If farmers want city allies, they must make the case that protected farmland will be used to grow (organic?) food, not such crops as non-edible grass seeds or bee-killing pesticide dependent crops.

Dave Stone
Springfield, Ore.