California Association of Wheat Growers

Newsletter

October 7, 2016

Thank you for your commitment to the future of agriculture and our membership.

California Wheat Collaborator Meeting

The annual California Wheat Collaborator Meeting will be held **this Wednesday, October 12th, 2016** at the U.C. Davis Buehler Alumni Center located across the arboretum from Mark Hall and next to the Mondavi Center, Davis California. Hope to see you there.

2016 CAWG Proposition Voter Guide

Election Day is just over a month away! A voter guide for the 2016 California Propositions is provided below for your reference. Don't forget to vote on November 8th!

2016 CAWG Proposition Voter Guide

U.S. Wheat Associates Update

U.S. WHEAT ASSOCIATES

2016/17 Wheat Yields Break from Trend

By Stephanie Bryant-Erdmann, USW Market Analyst

It is no secret that U.S. farmers produced a very large wheat crop this year. Looking past the bin-busting numbers, the longer term production trends and divergence from them this year are worth noting.

USDA's Sept. 30 Small Grains Summary reported that, despite harvesting the smallest area in 46 years, U.S. farmers produced the largest wheat crop since 2008/09. USDA estimated that 2016/17 U.S. wheat production is up 258 million bushels (7.00 million metric tons [MMT]) to 2.31 billion bushels (62.9 MMT). That is a 13 percent increase from last year and 10 percent above the 5-year average of 2.09 billion bushels (57.0 MMT). A 21 percent improvement in average yield more than offset the smaller harvested area.

The low price market signals at planting time last fall encouraged farmers to plant less hard red winter (HRW), hard red spring (HRS) and soft red winter (SRW) wheat. Higher prices for soft white (SW) due to a drought-constrained supply encouraged Pacific Northwest (PNW) farmers to increase planted area slightly. Durum prices were also attractive at planting time, prompting an increase in planted area. However, the increases in SW and durum planted area were not enough to offset the decreases in the other classes. USDA reported U.S. farmers planted 50.1 million acres (20.3 million hectares) of wheat, down 8 percent year over year and 10 percent below the 5-year average.

A mild winter and early spring allowed winter wheat in the reduced planted area to emerge from dormancy in better than normal condition. The early spring also let farmers finish planting spring wheat well ahead of normal in most areas. Beneficial spring rains and favorable temperatures boosted average yields to a record 52.6 bu/acre (3.54 metric tons(MT) per hectare) for all U.S. wheat classes, up 21 percent from 2015/16 and 17 percent higher than the 5-year average of 44.9 bu/acre (3.02 MT/ha).

Over the past 50 years, U.S. wheat average yields increased by 4 bu/acre (0.27 MT/ha) each decade (about 0.20 percent each year) due to breeding improvements and more sophisticated farm management. It is safe to say that this year's 9 bu/acre (0.60 MT/ha) increase in average yield significantly diverges from the trend line.

If yields had remained near the 5-year average, 2016/17 U.S. production would have been 53.9 MMT, 3 percent less than 2015/16. Therefore, the yield improvement benefits U.S. wheat buyers who can take advantage of decade-low prices to secure an abundant supply of high quality U.S. wheat this year.

With U.S. winter wheat planting well underway, farmers are now looking towards next year's crop. How much winter wheat they will plant for 2017/18 is still unknown, but wheat prices hovering near decade lows and, for many farmers, below the cost of production would suggest that they will again plant less wheat. If yields return to the historic trend line, then production in the United States could be much smaller next year.

Here is a by-class breakdown of the Sept. 30 report.

Hard Red Winter (HRW). USDA reported 2016/17 HRW planted area at 26.5 million acres (10.7 million hectares), down 9 percent from 2015/16. With exceptionally favorable weather across much of the HRW growing region, USDA estimates total 2016/17 HRW production increased 30 percent to 1.08 billion bushels (29.4 MMT). Yields improved 54 percent and 50 percent from 2015/16 in Kansas and Oklahoma, the top two HRW-producing states.

Hard Red Spring (HRS). In the Northern Plains this year, HRS was not as competitive as pulses, durum and oilseeds, and planted area fell 9 percent from 2015/16 to 11.4 million acres (4.61 million hectares). Average yields in North Dakota, the top HRS-producing state, are projected to fall 4 percent from last year's record high to 46.0 bu/acre (3.09 MT/ha). USDA projected HRS production at 493 million bushels (13.4 MMT), down 13 percent from the 2015/16 record.

Soft Red Winter (SRW). USDA estimated total 2016/17 SRW area at 6.58 million acres (2.66 million hectares), 7 percent lower than 2015/16 and 20 percent below the 5-year average. USDA expects SRW production will total 370 million bushels (10.1 MMT), up 3 percent from 2015/16, but 18 percent below the 5-year average of 451 million bushels. To read the 2016/17 USW SRW Crop Quality report, click here.

Soft White (SW). Though fall planting in the PNW occurred during the third consecutive year of drought, wheat planted area increased slightly year over year to 4.15 million acres (1.68 million hectares). Then timely rains boosted yield potential across the PNW. USDA forecasts 2016/17 white production at 285 million bushels (7.78 MMT), a 27 percent increase year over year and 8 percent above the 5-year average of 257 million bushels (7.00 MMT).

Durum. Durum acreage increased again this year as farmers responded to higher prices. Northern durum is grown primarily in North Dakota and Montana, while Desert Durum® is grown in Arizona and California. USDA estimates 2.14 million acres were planted to durum, up 24 percent from 2015/16 but still 5 percent below the 5-year average of 2.26 million acres. USDA estimated 2016/17 U.S. durum production at 104 million bushels (2.25 MMT), up 24 percent from 2015/16 after generally favorable weather boosted yields in the Northern Plains.

WTO Negotiations Facing New Realities

By USW Deputy Director of Policy Ben Conner
After attending a series of World Trade Organization (WTO) meetings in Geneva in September, it appears to me that member representatives are at the intersection of two trends influencing agricultural trade negotiations.

First, there is growing recognition that the Doha Round approach to future trade negotiations is not viable , so some countries are casting about for new approaches, while others are digging into seemingly unworkable positions. Second, more countries understand that the policy environment has shifted dramatically since the Doha Round started in the early 2000s. Many now see that the vast majority of trade distortions in agriculture now come from developing country policies.

This second point was felt like an earthquake in Geneva when the United States initiated a first-of-its-kind dispute against China's price supports for wheat, corn and rice. U.S. industry and government officials had been talking about the problem of advanced developing country farm subsidies for years, but it was easy to ignore as long as no one thought anything would be done. What is hard to ignore now is this: one Chinese program covering three crops provides more than $100 billion in support, which is greater than the GDPs of more than 100 WTO member countries.

Negotiators are still digesting the potential impact of that case, but everyone should know that this is not simply symbolism meant to bolster the prospects of trade agreements like the Trans-Pacific Partnership (TPP). This reflects the serious problem of developing country subsidies that must be addressed. Any new negotiations need to be based on reality, particularly this reality. We at USW believe that developing country subsidies are by far causing the greatest distortions in world wheat trade today.

Outdated frameworks, in which the least ambitious participant dominated, have bogged down negotiators for years. Now, many countries are approaching the negotiations with fresh eyes, ready to tackle specific topics and go beyond the old multilateral model.

However, that is not to say that an agricultural outcome will have the effect of opening trade in wheat. In fact, the last two agriculture agreements actually had the opposite effect.

At the Bali ministerial meeting in 2013 and the Nairobi meeting in 2015, the agricultural agreements reversed some of the progress made by the WTO Agriculture Agreement. In Bali, India and other countries negotiated language, that masquerades trade-distorting price supports as food security programs. At Nairobi, WTO members notably agreed to eliminate all export subsidies but, at the same time, granted an eight-year, unlimited exemption for certain export subsidies commonly used by developing countries in violation of the original WTO Agriculture Agreement.

The next ministerial meeting will be in Buenos Aires in 2017. There, trade ministers will be under pressure to deliver something on agriculture. Again, certain advanced developing countries will try to reverse the progress already been made on trade liberalization and protect current trade-distorting programs.

The United States has clearly sent a strong signal with the China case that not following the existing rules will no longer be ignored. The top priority in Buenos Aires should be preventing further erosion of the trade liberalizing provisions of the WTO Agriculture Agreement, even if that means no new agreement on agriculture.

National Association of Wheat Growers Update

National Association of Wheat Growers

USDA Sends Out 2015 Crop Year ARC, PLC Payments

On Tuesday, U.S. Department of Agriculture (USDA) Secretary Tom Vilsack announced farm program payments would be going out for the 2015 crop year through the Agriculture Risk Coverage (ARC) County program and the Price Loss Coverage (PLC) program, which were both created in the 2014 Farm Bill. These programs provide essential revenue and price support for farmers across the country. In total, more than $7 billion in payments are being made through these programs, including around $1 billion in assistance for wheat farmers.

With this announcement, NAWG will dig deeper into the data that was used to calculate county payment rates and will seek feedback from states about the effectiveness of these programs. USDA's Farm Service Agency (FSA) has posted maps on its website showing the payment rate ranges for wheat, corn, and soybeans through the ARC-County program, as well as revenue maps for those commodities. Those maps can be found at this link. As required by Congress in the Budget Control Act of 2011, all payments are reduced by 6.8 percent as part of sequestration requirements.

FAPRI Report Reflects the Need to Maintain a Strong Farm Bill

On Monday, the Food and Agricultural Policy Research Institute (FAPRI) released its most recent "Baseline Update for U.S. Farm Income and Government Outlays" report. In the report, FAPRI anticipates that net farm income in 2016 will decline by $10 billion and will represent the third year in a row of decline. Additionally, expected net farm income will "remain well below recent peaks for the next several years." The report includes a number of statistics estimating land rental rates, asset value, cash receipts, farm program spending, and other data.

The drastic and continual decline in net farm income is more evidence to the fact that the rural economy is struggling amidst historically low commodity prices. The commodity programs established in the 2014 Farm Bill, along with the federal crop insurance program, are absolutely critical to enable farmers to manage some of the market and production risk they've faced the past few years.

U.S. Wheat Associates Testifies at USTR about China's Non-compliance with WTO Commitments

By U.S. Wheat Vice President for Policy Dalton Henry

In his testimony Oct. 5 at the U.S. Trade Representative's (USTR) annual public hearing on China's compliance with World Trade Organization (WTO) commitments, USW President Alan Tracy thanked the USTR staff for their recent enforcement actions against China's domestic support subsidies for corn, rice and wheat. "China is the world's largest wheat producing country and the steps they have taken to support their producers harm wheat producers all over the world," he said. "For our wheat farmers here in the United States, those effects are real, significant and ongoing, and they could not be happening at a worse time, as wheat prices hover near recent historic lows."

Tracy also used the occasion to highlight additional Chinese policies that hinder U.S. wheat exports, notably troublesome administration of their 9.64 million metric ton wheat tariff rate quota (TRQ). Upon its accession to the WTO in 2001, China agreed to implement a TRQ for wheat at a 1% duty with specific provisions intended to ensure the Chinese government couldn't artificially restrict imports through government owned companies. Those provisions included transparency and reallocation mechanisms that should allow the TRQ to fill under today's market conditions, with China's domestic wheat prices nearly double international prices. Tracy encouraged additional work on TRQ barriers saying, "The value of a successful challenge of China's subsidy programs will be significantly impaired unless China also removes its other restrictions on wheat imports."

Enforcement of past trade commitments remains a top priority for USW and NAWG, as effective enforcement shows a pro-trade agenda works for U.S farmers. To read the full testimony click here.

Federal Policy Update

Farm Bill Debates Intensify

With the 2018 Farm Bill now looking to become the 2017 Farm Bill given negative pressure on farm income due to falling commodity prices, one ag group this week took on a prominent Washington, DC think tank which is calling for Congress to kill income support and federal crop insurance programs.

The Heritage Foundation, a fiscally conservative DC think tank, in September said Congress could save up to $15 billion by ending the programs, which it contends benefit mainly the wealthiest producers. Farm Policy Facts, a group underwritten by corn, rice, cotton, sugar and crop insurance industries, fired back that farmers and ranchers take on more financial risk on an annual basis than most citizens experience in a lifetime, and income support and crop insurance programs are needed to prevent a financial crisis.

Farm programs only represent 0.26% of federal spending, said Farm Facts, an average of $11 billion a year since 2007, not including crop insurance payments, which amount to about $8 billion a year.

"The farm bill is performing the way it is designed to do when prices plummet by more than 50% and the farm economy is hurting. During a downturn, the farm safety net provides a safeguard for farm families so they are better able to repay loans, get credit for the next crop year and weather a down market distorted by foreign government subsidies, tariffs and other trade barriers," the group said. It added that federal payments are "very small in comparison to the losses farmers absorb."

Heritage, contending the Farm Facts response to its report is an "ad hominem attack," allowed the 0.26% figure is correct. "However it would be highly irresponsible for policymakers to not carefully examine the impact of these policies and ensure that the $15 billion taxpayer dollars a year that fund the safety net are spent wisely," it said, explaining its report is designed, in part, to "encourage a thoughtful dialogue on agricultural policy."

$7 Billion in 2016 Farmer Safety Net Payments Predicted by USDA

The 1.7 million U.S. farmers enrolled in either the Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) income protection programs will get checks this year due to price drops during the 2015 crop year, and those payments will exceed $7 billion, roughly 10% of 2016 projected farm income, USDA said this week.

USDA said the payments are critical to producers who face "low commodity prices compounded by unfavorable growing conditions in many parts of the country." On an acreage basis, about 76% of participating farms are enrolled in the ARC-county payment program, 23% in the PLC program, and 1% in the ARC-individual program, with payments covering about 91% of corn base acres, 96% of soybean base acres and 66% of wheat base acres.

"We are standing strong behind them, tapping into every resource that we have to help," said Agriculture Secretary Tom Vilsack. Vilsack said so far this commitment has resulted in a one-time cost-share program for cotton ginning, buying about $800 million in surplus commodities for food banks and nutrition programs, making $11 million available to dairy farmers un the dairy Margin Protection Program (MPP), and "reprogramming" Farm Service Agency (FSA) funds to provide credit for strapped farmers and ranchers.

Federal Court Won't Review Army Corps Memos, Records in WOTUS Challenge
A federal court of appeals hearing the state/industry challenge to EPA's "waters of the U.S. (WOTUS)" rule said this week it will not consider most of the memos and other records from the U.S. Army Corps of Engineers which plaintiffs contend were wrongly omitted from the administrative record, and which should raise concerns about not only the politics surrounding rule, but the process involved in drafting the rule.

The decision by the 6th Circuit Court of Appeals - which found the documents "properly omitted from the administrative record" - said it will not consider the memos/records because plaintiffs failed to show the omission was deliberate or wrongly excluded the information. The plaintiffs said memos show the rule is politically motivated and not based on science. The court's decision came on the heels of a motion this week by major environmental groups that the court accelerate its decision on what records will be included in the judicial review.

The memos in question were uncovered last year after GOP-led congressional hearings found the memos indicated the Corps did not support EPA's expansion of its authority under the Clean Water Act (CWA). One memo said, "In the Corps' judgment, the documents contain numerous inappropriate assumptions with no connection to the data provided, misapplied data, analytical deficiencies and logical inconsistencies."

U.S Rejects EU Request for Ag Talks during TTIP New York Session
Further eroding hope for an eventual bilateral trade deal between the U.S. and the European Union (EU), U.S. negotiators flatly rejected an EU request for three days of exclusive agricultural negotiations during the latest formal round of talks on the Transatlantic Trade & Investment Partnership (TTIP).

Observers say U.S. elections and an ongoing impasse on agriculture issues led to the U.S. dodging the EU invitation, with ag issues getting less than a full day's discussion during the 15th negotiating session held in New York City. Even requests for low-level issue talks were rebuffed, it was reported.

Given President Obama and his trade team won't be around in 2017 when the deal is supposed to be finalized, there's less pressure to push forward, observers said. Only 3% of existing tariffs have not been addressed, insiders said, and most of those apply to agricultural products. Up in the air are access and labeling surrounding for meat, dairy and wine.

Little progress has been made on these sensitive agriculture issues, including geographical indicators demanded by the EU under which the use of regional and place names on food labels, e.g. Feta cheese, Greek yogurt, Parma ham, parmesan cheese, etc., would be restricted to those specific regions and places.