



# California Association of Wheat Growers

## Newsletter

November 11, 2016

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

### **National Associations of Wheat Growers Update**



Last week, NAWG hosted and attended, in conjunction with U.S. Wheat Associates, the Fall Wheat Conference in Denver, Colorado. NAWG and USW policy committees met and discussed policy priorities, heard from several speakers, and held joint and individual board meetings. An update from each committee is available below for your Weekly Update.

#### **Domestic Trade & Policy Committee**

The Domestic Trade & Policy Committee (DTPC) met at the Fall Conference and heard from Dr. Art Barnaby from Kansas State University, received a presentation from NAWG staff about Farm Bill survey results to date, and discussed Farm Bill priorities. The meeting began with a presentation from Dr. Barnaby and Dr. Dan O'Brien (also of Kansas State University) about non-convergence in the Hard Red Winter wheat futures market. Non-convergence is when the local cash price doesn't match the futures market. The large wheat crop this year meant there has been widespread storage issues and historically low prices. Limited storage capacity has caused a widening in the basis and caused farmers to receive lower prices for their crops. Dr. Barnaby discussed the causes of non-convergence, possible policy alternatives for addressing the problem, as well as the role non-convergence plays in the federal crop insurance program.

Following Dr. Barnaby's presentation, NAWG staff gave a presentation about the results to date of NAWG's Farm Bill survey. The survey remains open through December 15, and wheat growers across the country are strongly urged to provide their thoughts about how current farm programs and crop insurance are functioning. NAWG expects that the Senate and House Agriculture Committees will quickly begin holding Farm Bill hearings early next year and input from growers at the grassroots level is critical to enable NAWG to effectively advocate on their behalf.

In addition to the survey presentation, the DTPC then moved into Executive Session to begin a discussion to develop NAWG's priorities for the next Farm Bill. Over the coming months in the lead-up to the Winter Wheat Conference at the end of January, the DTPC will hold a series of conference calls to discuss policy issues that arose during the Executive Session.

### **Environment and Renewable Resources Committee**

The Environment and Renewable Resources Committee (ERR) met at the Fall Conference to hear from Michelle Marrone, of the bio-based chemistry and fuels firm Beta Renewables, based in Italy, and to discuss other policy issues. In hearing from Marrone, the ERR Committee learned how the company's commercial-scale cellulosic ethanol plant can be used to allow wheat farmers to add value to straw residue. NAWG policy staff also updated the committee on several policy issues, such as Waters of the U.S., which NAWG opposes, the Spill Prevention, Control, and Countermeasure (SPCC), and pesticide regulation issues. NAWG has worked in coalition with other industry leaders and organizations to support the continued registration of chlorpyrifos, as well as the continued use of sulfoxaflor on wheat, . NAWG policy staff also provided an update on the benefits of voluntary conservation programs and the committee discussed the development of the next Farm Bill.

### **Research and Technology Committee**

The Research and Technology Committee (R&T) met at the Fall Conference to hear an update from NAWG staff on the National Wheat Yield Contest (NWYC), the United Soybean Double Crop initiative, USDA APHIS Part 340, and other research issues. Although the winners of the NWYC will not be publicly announced until December, staff stated that there was an impressive number of entrants for the contest's first year. The Committee also heard from Linda Kuhl and Dan Davidson from Illinois Soybean Association with an update on the United Soybean Board's Double Crop initiative, which looks to improve the double crop soybeans and what cropping system. The program intends to develop strategies and education to increase yields and profitability of double crop beans without sacrificing wheat yields. Dr. Dan Voytas, Chief Science Officer from Calyxt, provided the Committee with an update on Calyxt's gene editing. Currently, the company is working on powdery mildew in wheat. NAWG policy staff provided an update to the USDA APHIS Part 340, which is the authority mandated in the plant protection act regarding biotechnology. NAWG is concerned that a lack of transparency and clarity about their changes to the rule may result in regulatory delay and uncertain market acceptance. The Committee also received updates from several of NAWG's research partners, including Bayer Crop Science, Syngenta, DuPont Pioneer, and John Deere.

### **Joint Biotechnology Committee**

The Joint Biotechnology Committee (JBC) met at the Fall Conference to hear updates from industry leaders, and receive an update on biotechnology and biotech coordinated framework, and precision breeding techniques. In addition, U.S. Wheat Associates policy staff provided an overview of global biotechnology, particularly in developing countries where biotech crops allow for more economic benefits to farmers, as well as encourage technological progress and address food insecurity. Regarding precision breeding techniques, USW staff said that overseas growers are interested in the sequencing of the wheat genome, and look forward to new techniques being discussed by customers. Staff stated that it's important that these technologies are not lumped with GMOs and the regulations that are associated with GMOs.

### **Joint International Trade Policy Committee**

The Joint International Trade Policy Committee met at the Fall Conference, to hear updates from USW and NAWG staff on several issues. USW staff presented on trade policy issues in China and the current efforts for WTO enforcement of China's domestic

subsidy program. Staff also talked about ongoing efforts to push for a solution with China's TRQ implementation. Staff then discussed current efforts to resolve the lack of WTO TRQ implementation in Brazil.

NAWG staff then gave an update on TTIP negotiations, which are moving slowly and have been controversial in the EU. Staff also updated the committee on NAWG's recent meeting with the Canadian embassy and the strong positive response to our joint letter with NAWG, USW, and the Western Canadian Wheat Growers that was sent to Canadian Ministers of Agriculture and Trade. The NAWG staff also presented on current efforts to get TPP passed in a Lame Duck session and encouraged all members to write to their Congressional representatives before the election and urge the ratification of TPP.

Next, Kansas Wheat leadership gave a summary of Kansas' efforts to bring a group of Cubans to Kansas and discussed some of the positive outcomes and relationship-building from that trip, as well as the complex logistics getting the trip organized. USW policy staff gave a status update on MAP/FMD funding discussions, and informed the committee that the Winter meeting would likely see a request to support coalition efforts to double funding for both programs. Finally, staff led a discussion on the 2017 Trade Policy Priorities and areas of opportunity that committee members thought should be focused on.

### **NAWG Board of Directors**

The NAWG Board of Directors met on the last day of the Fall Conference, to hear updates from the committees and the work they did throughout the Conference, and to hear from several speakers, including U.S. Wheat Associates Chairman Jason Scott, and USDA Deputy Undersecretary Jonathan Cordone. Following reports from the NAWG Executive Board and committees, the full Board heard from Cordone, who spoke to the importance of foreign markets and international trade to American agriculture. Cordone emphasized that trade agreements are important for both advancing American agriculture and holding trading partners accountable for commitments. He stated that although the Trans Pacific Partnership (TPP) has seen plenty of opposition, it is vital that it is passed in a Lame Duck session, as the agreement will open important markets for American growers. In addition, the full Board heard the results of the research conducted in the development process of the National Wheat Action Plan as well as the details of the NWAP itself. The intent of the National Wheat Action Plan is to unify the industry around common goals, identify priority areas to address declines, and increase grower investment in and implementation of modern wheat production practices, among other goals. The full Board heard the details of the plan and discussed plans for moving forward with implementation. The NAWG Board of Directors also participated in a closed session reviewing Farm Bill priorities discussed in committees.

### **National Wheat Foundation**

The National Wheat Foundation, which is the charitable arm for NAWG, also met during the Conference to review a number of items, including the organization's budget, an update about the Wheat Growers Building in Washington, DC, and an overview of the National Wheat Action Plan. The board also discussed a number of other possible projects current under exploration.

## State Policy Update



### Election Overview

California just completed a historic election that came to a close late on November 8th. Some of the unique attributes of this election cycle in California were record breaking campaign spending, the longest ballot with 17 statewide initiatives as well as many local school funding, transportation and municipal policy initiatives, a record number of registered voters due to the first cycle with new policies such as "motor voter" and an attempt to restore super majorities of Democrats in both houses. This being a presidential election year, turnout was much higher than mid-year elections. Higher turnout historically means better results for Democrats in California.

### What was at stake in California?

This election cycle had all 80 Assembly members and 20 of the 40 state Senators up for election in addition to 17 statewide propositions. One US Senate seat was open, this is the first time in 24 years that there has been an open US Senate seat in California. There were not any statewide elections for California's Constitutional officers - they are all up for election in 2018.

While every Assembly seat and half the Senate seats were on the ballot, only a handful of districts were "competitive" with a threat of changing hands or open due to a retiring member.

### California State Assembly

The Democrats won enough seats to achieve two-thirds control of the State Assembly. This threshold is important for the ability to place measures on the ballot, and raise taxes. Several moderate Democrats were elected, although in one high visibility race (Assembly District 47) the incumbent moderate Democrat, Cheryl Brown, was ousted by efforts from trial lawyers and environmental interests.

Assembly: 54 Democrats (55 likely)

25 Republicans

One seat too close to call, Democrat currently 1,600 votes ahead

### California State Senate

The California State Senate is likely to remain the same count as before - 26 to 14. Senate District 29 was the main seat with potential to switch from Republican to Democrat. Republican Assemblywoman Ling Ling Chang has taken the lead in the race to replace outgoing Senator Bob Huff by a narrow margin of 3,700 votes.

Senate: 26 Democrats

13 Republicans (14 likely)

One seat too close to call, Republican currently 3,700 votes ahead

## **National Political News**

Donald Trump will become the 45th President of the United States.

## **US Senate**

Kamala Harris soundly defeated Loretta Sanchez to represent California in the US Senate. Democrats have picked up two seats with Tammy Duckworth defeating incumbent Republican Senator Mark Kirk in Illinois, and Maggie Hassan unseating Republican incumbent Kelly Ayotte in New Hampshire. Democrats also held on to Senator Harry Reid's seat in Nevada, however the Senate will remain in Republican control, albeit with a slightly smaller margin.

## **US House of Representatives**

Democrats had predicted that Donald Trump's presidential nomination would prompt an anti-Republican wave that would sweep 20 or more Democrats into the House. Instead, Republicans maintained control of the House with a net gain of only five Democratic seats as of Wednesday morning. Democrats seized four redrawn, GOP-held districts in Florida and Virginia and have small leads that may not hold up in several other battleground districts. However, Democrats were unable to unseat Republicans in key districts across the country, including in California where Democrats had targeted four Republican held seats.

Republicans now control 69 of 99 state legislative chambers, and a record 34 (maybe 35) governorships across the country.

## **Initiatives**

Below is a list of key pertinent initiatives impacting business and legislative process

and how they fared.

Proposition 51 - \$9 Billion School Bond - Could result in significant school construction and renovation and energy efficiency projects. Passed

Proposition 53 - Voter Approval \$2 billion Bonding Authority - Requires statewide voter approval for infrastructure projects seeking over \$2 billion in bonding authority. Failed

Proposition 54 - 72 hour legislation "In Print" - Would prohibit the Legislature from passing any bill unless it has been in print and published on the Internet for at least 72 hours before the vote, except in cases of public emergency. Passed

Proposition 55 - Extension of High Income Earners Tax - Raises approximately \$4 billion annually for until 2030. The tax revenue would go primarily to K-12 schools and community colleges. In some years, funding would also go to health care. Passed

Proposition 64 - Recreational Marijuana Cultivation and Use - This measure legalizes the recreational use of marijuana and cultivation of up to 6 plants per household. It also provides a regulatory scheme for cultivation, distribution and retail or recreational marijuana. Passed

### **Water Board Releases Report Recommending Higher Flows in Sacramento River**

On October 18th, State Water Resources Control Board staff released a working draft Scientific Basis Report (Report) for fisheries and flows in the Sacramento River and Bay-Delta. The Report is the next step in the State Water Board's update of the Bay-Delta Water Quality Control Plan.

The draft Report identifies the science that will be relied on when considering potential changes to the Bay-Delta Plan to enhance flows in and out of the Sacramento River basin and within the Bay-Delta to protect fish and wildlife beneficial uses. The Report also acknowledges that non-flow measures should be integrated with flows to protect fish and wildlife.

There will be a workshop and opportunity for public comment on the Report. There will also be a review by the Delta Independent Science Board and a final draft document will be developed. That final document will then be submitted for independent peer review. An environmental document that analyzes possible effects of modified requirements for fish and wildlife protection on other beneficial uses of water, including alternatives and economic impacts, will also be developed as part of the process and

will accompany any proposed changes to the plan later next year.

Highlights of the Report:

- Greater quantities of Delta outflow are needed during the winter and spring to support estuarine processes, habitat, and the species that depend upon them.
- The average annual Delta outflow is reduced by approximately 48 percent compared to unimpaired conditions, according to the Report. The number of juvenile salmon migrating out of the Delta in spring increases with increased flow, according to the Report; and increased Delta outflow improves populations of species that live within the estuary.
- The Report recommends improving habitat and providing flows that support native species and not non-native fish. That includes more natural timing, distribution and variability of flows. A range of tributary inflows from 35 percent to 75 percent of unimpaired flow is analyzed in the Report.

Association staff and California Advocates will follow the report and workshops. The process is likely to result in SWRCB mandating increased flows as is being implemented in the San Joaquin River Shed where 40% unimpaired flows are being required.

For the media release from the State Water Board announcing a call for comments follow the link below:  
[http://www.swrcb.ca.gov/press\\_room/press\\_releases/2016/pr101916\\_bay\\_delta.pdf](http://www.swrcb.ca.gov/press_room/press_releases/2016/pr101916_bay_delta.pdf)

## Federal Policy Update



### Who Will Help Trump Transition? Who's Up for Ag Secretary, HHS, Labor?

President-elect Donald Trump has his transition team in place, complete with an "agency action" chain of command, the transition gang subdividing into defense, national security, economic issues, domestic issues (where agriculture resides), management and budget, and "agency transformation and innovation." Nearly the entire administration fits into one of six silos.

As the process of transition begins, the list of prospective cabinet members, agency heads and key White House personnel swells.

Mike Torrey, principal in Michael Torrey Associates, a food/agriculture lobbying firm, will head up the agriculture transition team. A 25-year Washington, DC veteran, Torrey started his lobbying career with Kansas Grain & Feed Assn., then moved to Washington to work for Sen. Bob Dole on the agriculture committee. He was also former Agriculture Secretary Anne Veneman's deputy chief of staff during President George W. Bush's first term, and worked at the Commodity Futures Trading Commission (CFTC).

The Trump campaign circulated few names of prospective cabinet picks during the campaign, and the media, figuring Hillary Clinton would win, focused on handicapping her cabinet selections. Trump's challenge is to surround himself with smart, experienced people, wise to the operation of government from the inside, and with a talent for working with Congress.

However, running as an "outsider" constricts his slate of potential cabinet members and agency heads. He's expected to pick business and industry types, along with recognized conservative notables, to staff his administration. Some speculate that campaign remarks and allegations

considered demeaning to women will cut the number of women willing to serve in a Trump cabinet, but former Alaska Gov. Sarah Palin, who was Sen. John McCain's (R, AZ) running mate, has made no secret of her desire to enter the Trump cabinet and he's said he'd like to appoint her to a cabinet job, according to reports. Several women sitting as governors or current or former members of Congress have also indicated a willingness to serve in a Trump administration.

His inner circle of advisors includes seasoned political veterans, including former New York City Mayor Rudy Giuliani, New Jersey Gov. Chris Christie, and former House Speaker Newt Gingrich. His congressional allies are few and far between as only a couple of Senators - Bob Corker (R, TN) and Jeff Sessions (R, AL) - came out publicly to support Trump during the campaign. However, Trump's latest membership list for his national agriculture advisory committee now has 70 names on it, many of sitting members of the House and Senate.

For secretary of agriculture, a slot most often awarded to a Farm Belt governor, names mentioned include Texas Commissioner of Agriculture Sid Miller, who's campaigning for the slot; Kansas Gov. Sam Brownback; former Nebraska Gov. Dave Heinemann; former Georgia Gov. Sonny Perdue, and former Texas Gov. Rick Perry, who chased the GOP presidential nomination early on. Millionaire Charles Herbster, Nebraska Angus breeder and business tycoon, who chairs the Trump ag advisory committee, is also mentioned, along with Chuck Conner, president of the National Council of Farmer Cooperatives (NCFC), who was President George W. Bush's special assistant for food and agriculture, as well as deputy secretary of agriculture in Bush's second term. Bruce Rastetter, an Iowa ethanol executive and major donor, is also discussed for the ag slot.

For secretary of Health & Human Services (HHS), which oversees all things FDA, the short list currently includes former presidential hopeful Dr. Ben Carson and Florida Gov. Rick Scott. Over at the Department of Energy, Oklahoma billionaire and long-time Trump friend Harold G. Hamm, CEO of Continental Resources, leads the list, and for Labor, the top of the prospect list is occupied by Victoria Lipnic, commissioner of the Equal Opportunity Commission (EOC), and a former assistant secretary of labor from 2002-2009.

Gingrich is often mentioned as a logical secretary of state nominee, as is Corker, who chairs the Senate Foreign Relations Committee. Former UN Ambassador John Bolton is also on the short list for state. Steve Mnuchin, a veteran of Goldman Sachs and Trump's campaign finance chair, is seen as a logical Treasury secretary choice, but Jamie Dimon, CEO of JP Morgan, has also been talked about. Giuliani is seen leading the pack for attorney general, with Christie as a possible. Giuliani's name also makes the short list for secretary of homeland security.

Forest Lucas, co-founder of Lucas Oil and primary underwriter of anti-activist group Protect the Harvest, is considered a leading contender for interior secretary, though Trump's son, Donald Trump, Jr., is rumored to be eyeing the job. However, Trump has said none of his children will be part of his administration.

### **Canada, Mexico Says They'll Talk NAFTA with Trump White House**

Calling it the "worst trade agreement the U.S. ever signed," President-elect Donald Trump made the North American Free Trade Agreement (NAFTA) a key part of his anti-globalism campaign rhetoric, vowing to renegotiate the 22-year-old deal or scrap it altogether. Based on statements this week from Canadian and Mexican leaders, the new president may get his chance to at least talk about U.S. frustration with the treaty.

Canadian Prime Minister Justin Trudeau, a free trade supporter, said in a press conference at



which he acknowledged calling Trump to congratulate him, "I think it's important that we be open to talking about trade deals. If the Americans want to talk about NAFTA, I'm more than happy to talk about it." He said periodic reassessment of treaties signed by Canada makes sense to ensure the benefits of the original deal continue.

Mexican officials were less open, saying they're willing to "discuss" NAFTA, explain the strategic importance of the treaty to Trump, but not reopen the pact. "We're ready to talk so we can explain the strategic importance of NAFTA to the region," said Mexico's Economy Minister Ildefonso Guajardo. "Here we're not talking about renegotiating it, we're simply talking about dialogue." Another official said Mexico is willing to talk about "modernizing" the trade treaty, but said there will be no renegotiation.

Trump, who during the presidential campaign, visited Mexican President Enrique Pena Nieto, will come back to Mexico, Pieta said, possibly before Trump's inauguration on January 20, 2017.

### **Trump Win Puts Budget, Spending Back in Play; CR Until Spring, 2017 Possible**

While just a few weeks ago the mere mention of a continuing resolution (CR) that would keep the government funded into the first quarter of 2017 was considered a non-starter on both sides of the Hill, this week the post-Trump victory mindset of GOP leaders is reevaluating that option to avoid handing President Obama any policy victories in the last weeks of his administration.

The strategy being discussed now would include a CR running through March or April next year, and one that would carry no unrelated and/or controversial policy riders. This would avoid wrangling among members, preclude a battle over the federal debt ceiling, but would also foreclose on Obama putting his stamp on policy issues.

Going into the election - when popular "wisdom" expected a Hillary Clinton victory and perhaps significant losses for Republicans in Congress - House Speaker Paul Ryan (R, WI) said he favored passing a series of "mini-buses," abbreviated spending measures that would be consolidated into a single package to fund the government for FY2017. Both House and Senate appropriators favored a massive FY2017 omnibus spending package, as was passed last year. The notion of a long-term CR, an idea popular with conservative House Republicans, was rejected by Senate Democrats altogether.

Sen. Pat Roberts (R, KS) told reporters this week congressional leaders were favoring a long-term CR because enacting an omnibus spending bill before December 9, when the current CR runs out, looked less and less possible. Part of the incentive to pass a long-term CR instead of an omnibus spending package is the difficulty in keeping unrelated policy riders off the omnibus bill.

### **Mass. Voters Okay Anti-Farming Ballot Question; Oklahoma Voter Reject 'Right-to-Farm' Item**

A Massachusetts ballot question that would make illegal in the commonwealth the sale of eggs, veal and pork if the animals were raised in "tight confinement" was overwhelmingly approved this week, while a ballot item in Oklahoma to bar the state from limiting farmers' use of technology or setting standards for livestock production was rejected.

The Massachusetts ballot item, similar to Question 2 passed in California in 2008, would require egg laying hens, veal calves and swine to be raised in housing systems which "guaranteed" the animals could stand up, lie down, turn around and fully extend their wings and/or limbs. While only one poultry farm operates in the Bay State, the measure prohibits the sales of meat items from other states that don't meet the Massachusetts standard.

The Humane Society of the U.S. (HSUS) donated \$2.4 million of the \$2.6 million spent by supporters of the measure, according to Politico; opponents, who organized very late in the game, spent about \$302,000, with the biggest donation -- \$195,000 - coming from Forrest Lucas, head of Lucas Petroleum and founder of Protect the Harvest. The National Pork Producers Council (NPPC) contributed \$100,000.

In Oklahoma, voters rejected the so-called "right-to-farm" ballot item that sought to amend the state's constitution with the language protecting production practices and use of technology. Supporters said the protections were necessary to thwart well-financed animal rights groups. Opponents argued the constitutional changes would benefit only large-scale production facilities and would limit environmental protections.

Oklahoma supporters raised about \$1.4 million, while opponents raised about half that amount. Top donors were the Oklahoma Farm Bureau and the Oklahoma Pork Council. HSUS contributed \$154,000 to defeat the measure, reports indicate.

### **Obama Push on TPP Vote during Lame Duck Falling on Deaf Ears; NFU says Public Opposes Deal**

With the post-election lame duck session of Congress set to begin next week - and in earnest the first or second week in December - the only action likely to occur is funding the federal government for all or part of FY2017. This means the 11<sup>th</sup>-hour call by President Obama and industry to get a ratification vote on the Trans-Pacific Partnership (TPP) trade treaty is largely falling on deaf ears.

This no doubt pleases the National Farmers Union (NFU) which this week released the results of a poll taken by the Wisconsin Farmers Union (WFU) of its members, 80% of whom steadfastly oppose TPP, not trusting the 12-nation treaty's promised benefits will accrue to farmers, particularly dairy producers.

The White House began releasing state-by-state TPP benefit statistics, relying on USDA and the U.S. Special Trade Representative's Office to compile the data.

"In the case of TPP, we will be opening our borders to a flood of low-cost (dairy) imports from New Zealand, displacing Wisconsin milk in cheese production," said the WFU. "This loss will supposedly be offset by giving U.S. dairy producers access to the Japanese market, but that access will evaporate" given suspicions the Japanese will manipulate their currency to make imports more expensive. WFU said the treaty needs to be sidelined until it includes strong currency manipulation penalties.

### **Corn Crop Pushes Higher, Ethanol Use Rises**

A record 15.226-billion-bushel corn crop is forecast by USDA this year, higher than the department estimate a month ago. Yields are up, USDA said in its November 9, World Agricultural Supply & Demand Estimates report, expected to be 175.3 bushels per acre, compared to 173.4 bushels per acre predicted in October.

Corn for ethanol in 2016-2017 is predicted to be about 5.3 billion bushels, up nearly 100 million bushels from last month's projection. Corn exports are seen hitting 2.225 billion bushels, up from last year's 1.9 billion. USDA says cash corn prices will average about \$3.30 a bushel, down from \$3.61 per bushel last year.

Soybean production is expected to reach 4.361 billion bushels, up 92 million from last month's

report, and based on record average yield of 52.5 bushels per acre. Projected 2016-2017 ending wheat stocks are pegged at 1.143 billion bushels, up 5 million bushels from October based on an expected drop in food use.

## **Quick Links...**

California Wheat Commission

National Association of Wheat Growers

California Weekly Grain and Feed Report: USDA-AMS

CARB Diesel Fuel Ave Rack Prices

## **Contact Information**

California Association of Wheat Growers  
1521 I Street  
Sacramento, CA 95814  
(916)492-7066 Fax (916)446-1063  
E-mail: [nmatteis@cgfa.org](mailto:nmatteis@cgfa.org)  
*Jane Townsend* - Manager  
*Nick Matteis* - Executive Director