



California Association of Wheat Growers

Newsletter

November 18, 2016

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



During this busy time of year the association would like to thank you for your much appreciated continued support. We hope you enjoy a feast as bountiful as California's agricultural community. **Best wishes to you and yours this holiday season!**

National Associations of Wheat Growers Update



NAWG participates in Sustainable Agriculture Summit

This week, NAWG Environmental Policy Advisor, Keira Franz, was in Atlanta participating in the 2016 Sustainable Agriculture Summit hosted by Field to Market: The Alliance for Sustainable Agriculture, the Innovation Center for US Dairy, the Pork Checkoff, the Sustainability Alliance for Specialty Crops, US Poultry and the US Roundtable for Sustainable Beef. Franz spoke to the general session regarding sustainability and the next Farm Bill,

highlighting NAWG's farm bill process and discussion about USDA conservation programs and how they are working for wheat growers. Franz also participated in a breakout session regarding NAWG's participation in the Honey Bee Health Coalition and the Monarch Collaborative. The Summit brought together different sectors of the agricultural supply chain including growers, agribusinesses, technology, government, academics, food companies and retailers to discuss sustainability challenges and opportunities. The Summit was followed by a day of Field to Market meetings.

U.S. Wheat Associates Update



Wheat Feed Usage Increases as Corn-Wheat Price Spreads Flip Around the World

By Stephanie Bryant-Erdmann, USW Market Analyst

In its November World Agriculture Supply and Demand Estimates (WASDE) update, USDA pegged global wheat production at 745 million metric tons (MMT), up 1 percent from 2015/16 and, if realized, the fourth consecutive record high. USDA also increased its estimate for global wheat consumption to 732 million metric tons (MMT), up 3 percent year over year and 5 percent above the 5-year average. In particular, wheat feeding is expected to increase 6 percent to 147 MMT. In the European Union (EU) and Canada, wheat damaged by excessive moisture is bolstering wheat feed usage, but in the United States, the Black Sea and even Brazil, the difference in price, or the spread, between corn and wheat is playing a key role.

USDA expects Canadian wheat feeding to increase 71 percent year over year to 4.5 MMT after excessive rain and, in some cases, snow caused significant harvest delays across Western Canada that reduced wheat and durum quality. According to the Canadian International Grains Institute (CIGI), 24 percent of this year's Canadian Western Red Spring (CWRS) production, which accounts for 70 percent of Canadian wheat production, graded as Canadian Western (CW) Feed. This is triple the 8 percent of CWRS that graded as CW Feed in 2015/16. Excessive moisture also affected Canadian Western Amber Durum (CWAD). CIGI reported 50 percent of Canada's durum crop graded as #4 or #5 CWAD, compared to just 19 percent in 2015/16.

USDA estimates the EU used 38 percent of its total wheat production for feed in 2015/16, and this year it expects that to rise to 40 percent. However, the total volume of feed wheat usage will be down compared to last year because the EU's production was sharply lower. USDA estimates wheat feeding will decrease 5 percent year over year to 58.0 MMT, which is still 6 percent above the 5-year average.

Despite not having a designated "feed grade" for wheat, some wheat feeding occurs in the United States every year. It happens for many reasons that include its local availability, protein levels and even the preferences of the livestock rations manager. Price relative to corn is certainly a factor. Normally, wheat trades at a premium to corn but in the United States and Brazil that spread has flipped, with corn now at a premium to wheat. Wheat cash prices to U.S. farmers at U.S. Southern Plains local elevators averaged about 87 percent of corn cash prices in October, according to the USDA's Agricultural Marketing Service Texas Hi Plains report. With corn trading at a premium to wheat at local elevators, wheat feeding is much more attractive this year. That is why USDA has increased its wheat feeding forecast in the United States to 7.08 MMT, up 71 percent year over year and 28 percent higher than the 5-year average.

On Nov. 4, Reuters reported Brazilian pork and poultry producers are increasing wheat in their rations because local Brazilian corn prices are \$225/MT, compared to wheat at \$178/MT. This price dynamic is expected to increase wheat feeding by 50 percent year over year. Brazil typically produces about half of its total wheat consumption. As a result, any increase in wheat feeding should result in an increase in wheat imports. USDA pegged Brazilian wheat imports at 6.6 MMT, which would make Brazil the fourth largest wheat importer in the world this year.

While world production continues to increase, milling quality wheat supply continues to erode. Unfavorable weather damaged quality in two major growing regions, pushing a larger than normal percentage of production into feed wheat channels. In countries where rains boosted yields, a reversed corn-wheat spread is encouraging lower protein, milling quality wheat into feed wheat channels, further constraining milling wheat supplies.

Please contact your local USW representative if you have any questions about current market conditions, U.S. wheat quality or the U.S. wheat marketing system.

Crop Outlook and International Durum Forum Addresses Grower Challenges

Members of the U.S. durum industry met this week in Minot, ND, for the 2016 Crop Outlook and International Durum Forum. The annual event, hosted by the U.S. Durum Growers Association and the North Dakota Wheat Commission (NDWC), brings growers and members of the grain industry from across the United States together to hear from experts, participate in panel discussions and hold breakout sessions on some of the crop's most pressing challenges. The event also provides a unique opportunity for producers, millers, grain trade and pasta manufacturers to interact and share information.

"Not only does the forum provide information on timely durum related topics, it also provides a platform for the industry and growers to discuss issues that affect the industry as a whole and work together toward common goals," said NDWC Administrator Neal Fisher. "The connections made at this meeting every year are priceless and provide the necessary link from producer to processor to consumer."

Many speakers focused their presentations on addressing vomitoxin (DON) levels. The northern plains durum crop is coming through a year of adverse environmental conditions that favored the development of Fusarium head blight or scab and challenged even the most vigilant of growers. North Dakota State University (NDSU) Plant Pathologist Dr. Andrew Friskop highlighted the environmental conditions necessary for scab development and recent field trials evaluating the effectiveness of various control methods. NDSU Food Safety Program Director Dr. Paul Schwarz shared a basic history of the fungal pathogen, including background on how current regulatory DON limits were established. Schwarz spends the majority of his research time working with barley and the brewing industry, which faces many of the same DON challenges as durum growers and end users. Brian Adams, from the Federal Grain Inspection Service (FGIS), spoke on DON testing, including efforts to ensure consistent test results across laboratories, methods and locations. FGIS is working on studies to evaluate variables in procedures, such as how the particle size of wheat after grinding for the DON test may affect results.

Though there seem to be no easy answers to reducing DON levels, particularly in years

with wet, humid growing conditions during the flowering stage of the durum plant, a great deal of work continues to identify best practices for growers and using technology to find long-term solutions.

Also at the conference, USW Vice President of Policy Dalton Henry appeared on a panel titled "Current and Future Durum Policy" with National Association of Wheat Growers (NAWG) President Gordon Stoner and Ward County Farm Service Agency (FSA) Director Grant Buck. Henry highlighted USW's work overseas and discussed export trends and the role that trade policy plays in facilitating exports of U.S. grown commodities. The panel answered questions about how best to adjust current U.S. farm policy to encourage durum production, possible trade priorities of the next U.S. administration and the need to continue improving market access for U.S. growers and their customers overseas. Other presentations included national pasta consumption trends and supply and demand outlooks for durum and hard red spring wheat.

The 2016 Crop Outlook and International Durum Forum is just one example of a number of meetings this season that involve growers in key discussions about the future of their industry. Active wheat grower organizations and grower leaders help facilitate positive changes in the U.S. industry that work to the benefit of wheat producers and enable them to better meet end-users needs year after year.

Wheat Growers Urge Congressional Leadership to Allow a Vote on TPP

Nine months ago, following the signing of the 12-nation Trans-Pacific Partnership (TPP), NAWG and USW called on Congress to rapidly consider and ratify the agreement. After a long and disappointing wait, a real window of opportunity for a vote on TPP will soon open when the legislative session resumes next week. We call on Congress again, to urge its leadership to allow an implementing bill to be considered as soon as possible.

Wheat is the most export-dependent grain commodity grown by U.S. farmers. Since February, many national and state wheat grower association members visited congressional offices to stress their support for the agreement. Since February, however, those same growers have seen their average cash prices drop from an already unprofitable \$4.90 per bushel to a devastating \$3.50 per bushel.

"Wheat growers depend on export markets like those in South Asia and Latin America that are growing, but highly competitive," said NAWG President Gordon Stoner, a wheat farmer from Outlook, MT. "When implemented, TPP will help ease the pain of low prices by expanding demand for our wheat in those markets. Now more than ever, we cannot afford to lose even more momentum in these markets from Congress letting this opportunity to ratify TPP slip by."

Asia is a growing region and TPP has the potential to increase economic opportunity and wheat demand even in countries where we already have duty free access. That is critically important because competitors like Australia are moving ahead with bilateral agreements that eliminate tariffs on wheat imports with countries like Vietnam. Moreover, U.S. wheat exports face similar tariff disadvantages in several other countries that want to join TPP but cannot apply for membership until after Congress and governments of the other countries ratify the agreement.

"The high standards in the TPP agreement should help us be more competitive and hopefully lead to even more opportunity for our wheat as new countries join TPP in the

future," said USW Chairman Jason Scott, a wheat farmer from Easton, Md. "The Obama Administration has taken strong actions that show trade agreements, when enforced, work for agriculture. At such a critical time, America's farmers and ranchers need this agreement as a platform for expanding global markets for years to come."

State Policy Update



Election Overview

The election of Donald Trump as President of the United States has dominated the news cycle. His election as President and his promise to reduce taxes, reduce regulation, and deport immigrants puts his agenda and the agenda of the Democrats in the State Legislature at odds and will make for an interesting year in California politics.

While several down-ticket legislative races are still too close to call, the following is a snapshot of the big stories coming out of the November election.

California Goes Its Own Way

The major theme of the November election is that California voters defied national trends by overwhelmingly voting for people and issues that are typically identified as Democratic. Hillary Clinton carried California by nearly a two to one margin and voters approved ballot measures to raise taxes, legalize marijuana, promote bilingual education, and to ban the use of plastic grocery bags.

The Trump Effect on Down-ticket Races

It does not appear that Donald Trump's unpopularity in California had too much effect on down-ticket legislative races. Early on there was speculation that five or six legislative seats would change parties as Democrats tried to tie all Republican candidates to Trump. A couple of races are still too close to call, but so far the Assembly Democrats have only picked up three seats from the Republicans and two of the three seats were Democrat seats lost in the previous midterm election. So while every competitive congressional and legislative campaign in the state attempted to tie the Republican candidate to Donald Trump, it does not appear that this strategy worked as well as some thought.

Party Registration

A more relevant factor in the outcome of legislative and congressional races, is the relative decline in party registration of the Republican Party. Twenty years ago, 36 percent of the electorate was Republican. Today, Republicans only make up 26 percent of the electorate. It is worth noting that the percentage share of the electorate is down for both major parties in that time span, but the Republicans have seen a far greater decline with current party registration numbers nearly equal to those who register as No Party Preference. Millennials now make-up the greatest share of eligible voters and they are not registering or voting Republican. This is troubling for

the Republican Party as it makes winning legislative elections very difficult if new voters are not among the base of party voters.

Supermajority

With the pickup of three seats, the Democrats have regained a two-thirds supermajority in the Assembly. There is still one Senate race to be decided by late arriving ballots which could result in the Senate Democrats picking up a two-thirds supermajority. Much is made of the fact that with a supermajority, the Democrats can, by party-line vote, raise taxes and place Constitutional amendments on the ballot. However, it is highly unlikely that such controversial items could garner party-line votes. The more practical impact is the fact that majority vote bills are simply easier to pass with a larger majority party.

Moderate Democrats

The Democrats' strong majorities will be tempered a bit by those who self-identify as "moderate" Democrats. These are Democrats who, depending on the issue, align with business interests on matters involving taxes, fees, regulations, and government bureaucracy.

The November election featured several races pitting two Democrats against each other. The following self-identified moderates prevailed:

Bill Dodd: State Senate representing Napa, Sonoma, Yolo, Solano Counties

Tim Grayson: State Assembly representing Contra Costa County

Anna Caballero: State Assembly representing Monterey, Santa Clara and San Benito

Raul Bocanegra: State Assembly representing San Fernando Valley

At the same time, Assemblywoman Cheryl Brown, a moderate Democrat from San Bernardino was defeated in her re-election effort.

How moderate Democrats and more traditional liberal Democrats work together in the upcoming legislative session will be an ongoing matter to monitor.

Governor Makes Key Natural Resources Appointments

Keali'i Bright, 40, of Sacramento, has been appointed deputy secretary for energy and

climate at the California Natural Resources Agency, where he has served as deputy secretary for legislation since 2011. Bright held several positions for the California Assembly Budget Committee from 2001 to 2011, including senior consultant, committee consultant and committee assistant.

Caroline Godkin, 43, of Sacramento, has been appointed deputy secretary for legislation at the California Natural Resources Agency. Godkin has been deputy director of legislation at the California Department of Forestry and Fire Protection since 2011. She was a senior fiscal and policy analyst at the California Legislative Analyst's Office from 2008 to 2011 and an associate consultant at NewPoint Group from 2006 to 2008. She was a senior consultant at Anite PLC from 2002 to 2004, a consultant at Arthur Andersen Business Consulting from 1999 to 2002 and an associate consultant at OC&C Strategy Consultants from 1997 to 1999. She earned a Master of Science degree in public policy and management from Carnegie Mellon University and a Master of Engineering degree in manufacturing engineering from the University of Cambridge.

Federal Policy Update



Lame Duck Session Underway ahead of the Thanksgiving Holiday

Congress Reconvenes for Lame Duck, Leaves Nov. 18 for a Week

Congress reconvened this week following the November 8 election, formally kicking off its lame duck session. This week was all about transitions: new member orientation and House and Senate leadership nominations, as well as coordination between the Republican-controlled Congress and the newly

elected GOP White House.

Congress recesses again November 18 for the Thanksgiving holiday, and will reconvene the week of November 21 for district/state work periods. It is currently the plan of both House and Senate leadership to adjourn the 114th Congress, on or about December 16.

Lame Duck Gets Lamer as House GOP Opts to Punt Appropriations to 2017

With the election of a Republican controlled White House and Congress, and with Vice President-elect Pence participating in the meetings, House GOP leadership decided this week to shelve plans to try and move FY2017 "mini-bus" spending measures, or to craft an omnibus package, opting instead to extend the current continuing resolution (CR) funding the government through March, 2017.

This likely signals a much-abbreviated lame duck session given the spending bill is the only "must-pass" legislation on the schedule. It is expected, however, that completed, non-controversial bills, including the Water Resources Development Act (WRDA) will get floor votes as the details of the CR are worked out.

The current CR expires December 9, and the 90-day extension will allow President-elect Trump to have a say in FY2017 spending priorities, supporters say, as well as letting Republicans avoid trying to cut a spending deal with President Obama as he leaves office.

The next hurdle to get over, however, is convincing Senate Majority Leader Mitch McConnell (R, KY) of the wisdom of funding the federal government at current levels through March next year. McConnell, along with most of the House and Senate Appropriations Committee leaders, favor hammering together a FY2017 omnibus spending package. Some conservative House members are also still pushing for a series of "mini-bus" spending measures.

A CR extension will also allow Congress to adjourn a week earlier than planned, as well as move to procedurally block any new regulations the Obama White House may crank out during his last weeks in office. It's expected the Senate will grudgingly agree with the House strategy.

House, Senate Hold Leadership Elections Looking to the 115th Congress

Both sides of the aisle in both chambers of Congress convened this week to nominate their respective caucus leadership for the 115th Congress convening January 3, 2017. All but House Democrats were able to pull off their nominations without angst.

In the House, Speaker Paul Ryan (R, WI) was unanimously nominated by voice vote for a second Speaker's term. Many speculated Ryan would have a tough time securing a renomination given his public distancing from President-elect Trump during the campaign, along with the growing restiveness of the ultra-conservative wing of the House GOP. The vote is a very public demonstration of party unity, and signals Ryan and his team enjoy incoming White House support. The final election will be held in January.

Ryan will have some powerful friends in the White House. Vice President-elect Pence is a long-time friend and former Ryan colleague in the House. Newly anointed White House Chief of Staff Reince Priebus, immediate past chair of the Republican National Committee (RNC) and Wisconsin GOP ally, is also firmly in Ryan's corner.

House Minority Leader Nancy Pelosi (D, CA) did not have such a straight-forward time with her caucus. She agreed at the 11th-hour to postpone the Democrat nomination process until the end of the month to allow "for greater assessment" of the GOP wins November 8, and while no member has announced opposition, she sent a strong letter to the caucus about the strength of her candidacy.

In the Senate, Majority Leader Mitch McConnell (R, KY) was easily renominated to his "dream job." Senate Democrats nominated Sen. Charles Schumer (D, NY) to replace the retired Sen. Harry Reid (D, NV). Senator Schumer, who is known as a political pragmatist, but fiercely partisan when he needs to be, expanded his leadership team to 10 Senators including a slot for Sen. Bernie Sanders (I, VT).

Sen. Richard Durbin (D, IL) was reelected minority whip, the number two slot in the Senate minority leadership, but only after agreeing to give his assistant Democrat leader title to Sen. Patty Murray (D, WA), a new member of leadership. Sen. Debbie Stabenow (D, MI), ranking member of the Senate Agriculture Committee, was nominated to be chair of the Democratic Policy & Communications Committee.

Obama Administration Gets Request from House GOP: No 'Midnight Rules'

In the wake of a handful of media reports indicating President Obama does not plan to head quietly into retirement, but will continue to promulgate new rules, House Majority Leader Kevin McCarthy (R, CA) and all Republican committee chairs sent a letter this week to the heads of all government agencies asking them to halt all new regulations through the remainder of Obama's term in office.

For its part, the Office of Management & Budget (OMB) said it will continue to review rules using "the same rigorous practices and principles" it normally follows, in short saying the regulatory process will be business as usual until the president leaves office.

McCarthy told reporters this week that his letter was similar to one sent by then White House Chief of Staff Rahm Emanuel to Congress when Obama was first elected in 2008.

In related action, the House approved on a party line vote this week an amendment - HR 5982, the "Midnight Rules Relief Act" - to the Congressional Review Act (CRA) to allow Congress to bundle together any number of regulations for a CRA challenge, rather than handling them one at a time.

Said Speaker Paul Ryan (R, WI), "The last thing that we need to see today or in the next weeks is unelected bureaucrats pushing through regulations at the 11th hour. We look forward to tackling regulatory reform in the new unified Republican government."

The president has vowed to veto the bill if it reaches his desk, saying it's unnecessary and unreasonably expands the reach of the CRA.

Agriculture and the New Administration and Congress

Most Often Mentioned Candidates for Trump's Agriculture Secretary

In poring over both general and agriculture media, the following names are most often mentioned - in no order of likelihood or preference - as possible candidates for secretary of agriculture in a Trump Administration:

- Chuck Conner, CEO of the National Council of Farmer Cooperatives (NCFC), and former USDA deputy secretary and special assistant to President George W. Bush;
- Charles Herbster, Nebraska angus breeder, businessman, donor and chair of Trump's agricultural advisory committee;
- Gov. Sam Brownback, Kansas;
- Former Nebraska Gov. Dave Heineman;
- Former Georgia Gov. Sonny Perdue;
- Former Texas Gov. Rick Perry;
- Mike McCloskey, Indiana dairy executive;
- Bruce Rastetter, Iowa donor and alternative fuel champion;
- Don Villwock, president of the Indiana Farm Bureau;
- Ted McKinney, director, Indiana Department of Agriculture in the Pence Administration, and
- Sid Miller, the current Texas secretary of agriculture

Trump's Campaign Ag Talking Points Leaked to Politico

A list of agriculture talking points for the incoming Trump Administration was leaked to the Capitol Hill newspaper *Politico* this week, and the list shows a get-tough USDA and White House, at least from main stream agriculture's point of view.

The points contain the broad commitment to "defend American agriculture against its critics, particularly those who have never grown or produced anything beyond a backyard tomato plant," the newspaper reported. The document also pledges, "All segments of the agriculture industry will have a say in the development of any legislation or rulemaking done or supported by the executive branch."

To that end, the talking points include a pledge to kill off the "unlawful" Waters of the U.S. (WOTUS) rule, and select an EPA administrator "friendly to farmers," says the paper. The federal estate or "death tax" would be eliminated, and the Trump White House promises to "protect private property, water and mineral rights for farmers and ranchers," enforce the Interstate Commerce Clause "to keep individual states from dictating policy for food growers." The new administration further promises to "use the best available science to determine appropriate regulations for the food and agriculture sector; agriculture will NOT be regulated based upon the latest trend on social media," *Politico* said.

The target of the talking points was Trump's Agricultural Advisory Committee, and was written during the campaign, *Politico* said. The newspaper said the points "offer a host of policy pledges - from suggesting a shift back to conventional agriculture, to promises for the Trump White House to be an 'active participant' in writing the next Farm Bill, to fighting the so-called 'good food movement' and undoing Obama-era agricultural and environmental policies."

House Ag Committee Reorganizing

The loss of a veteran scientist on the majority side, and the promotion of a long-time professional staffer on the minority side mark a reorganization of the House Agriculture Committee going into the 115th Congress in January.

Ag committee ranking minority member Rep. Collin Peterson (D, MN) announced this week that going into the 2017-2018 Farm Bill, veteran committee staffer Anne Simmons will become Democrat staff director, replacing long-time Peterson aide Rob Larew who moved to the private sector. On the committee staff since 1993, Simmons, well respected by both sides of the aisle and the agriculture community, was raised near Spencer, Iowa, on a corn, soybean and livestock farm. Dr. John Goldberg, a 22-year committee veteran who fought tirelessly to ensure animal health, welfare and other technical policy decisions confronting the ag committee were made on the basis of science and not popular opinion, retired in late October, joining Science Based Strategies, a Washington, DC, food, agriculture and environmental policy consultancy. He will also work with Mathis Public Affairs as a strategic partner.

Glyphosate Science Advisory Panel Meeting Reset for December 13-16, Membership Reworked

The ongoing EPA saga over the future of glyphosate, the world's most widely used herbicide, took another couple of twists this week as the agency rescheduled an outside science advisory panel (SAP) meeting for December 13-16, in Arlington, Virginia. The original meeting was set for October 18-21, but was cancelled due to conflicts with members' schedules.

The SAP meeting is for scientists to review EPA's cancer findings for glyphosate. Reportedly the agency has found glyphosate does not pose an unreasonable risk of cancer when used according to label instructions. A similar safety conclusion was reached by the European Food Safety Agency (EFSA) and the New Zealand EPA. However, the United Nation's (UN) International Agency for Research on Cancer reported in spring, 2015, that glyphosate is "probably carcinogenic."

EPA also shuffled the advisory committee's membership, most notably removing from the committee Dr. Peter Infante, an epidemiologist, due to complaints he worked with laboratories which oppose the use of chemicals in agriculture. The most extensive complaint came in a five-page letter from CropLife America which accused Infante of "patent biases (which) should disqualify him from service on the science advisory panel." At the same time, EPA named five new members to the panel.

The agency's final glyphosate risk assessment, originally due to be released in spring, 2017, will likely be pushed back until sometime during the summer due to the delayed committee review and the change of administrations.

Quick Links...

California Wheat Commission

National Association of Wheat Growers

California Weekly Grain and Feed Report: USDA-AMS

CARB Diesel Fuel Ave Rack Prices

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