

# IDAHO GRAIN

THE IDAHO GRAIN PRODUCERS ASSOCIATION MAGAZINE

Fall 2010



**Joe Anderson  
of Genesee, Idaho**

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## Casting Your Vote



**B**y the time this edition of the *Idaho Grain* magazine reaches you, many of you will be finished with the small grains harvest, others will have harvest well under way, and for those of us living in the Caribou Highlands... well, we will just be getting a good start.

Hopefully this year's harvest is everything we anticipated and that because of a lot of good decisions coupled with a little bit of good luck, we will all have been successful enough to have the resources to do it all over again next year!

Those of us involved in agriculture are, in a way, a lucky group of people. For the most part we love what we do and do what we love. I have often heard the saying "you can take the boy off the farm, but you can't take the farm out of the boy." I'm sure that the majority of us feel that the way of life, the quality of living and the livelihood that agriculture provides is unparalleled by other professions.

A couple of years ago, while attending the annual Commodity Classic, I had the privilege of hearing a presenter by the name of Jolene Brown speak about her desire to share with others, particularly strangers, what she did for a living.

For example, she looked forward to telling the person next to her on the plane that she was a "producer of consumer goods". When ask what type of consumer goods she produced, she would reply "I grow food for your family, provide fiber for the clothing on your back and supplement the fuel you put in your car. I'm an American farmer". And then she would add "and if you breathe oxygen, well, I produce that too."

As our nation continues to evolve from a rural to an urban society, I believe our very existence as farmers is in danger. The number of citizens misunderstanding what we do for them, as Jolene so clearly communicates, continues to grow. This misunderstanding ripples not only through the population at large but exists with those very people governing our nation.

In a few months from now, we will all have the opportunity as American citizens of going to the voting booths and casting our vote for those who will make the laws that we must live by. We as rural Americans too often take this privilege and right too lightly. We need to remind ourselves that those public servants that we as a people elect - whether on a local, state or national level - can alter and affect not only the way we operate but the very way of life that we all cherish.

We seldom take the time to fully study the issues and the candidates. For many, it's a "why bother" attitude; a belief that my vote really will not change the outcome.

I challenge each one of you to study the issues and to get to know the candidates. Select those whose ideals and values parallel yours. Being an "agriculture friendly" candidate should not be overlooked.

Now, more than ever before, the agriculture community needs to stand up, be united, and send a strong message to those whom we select to govern us. The decisions we make on Election Day will be every bit as important as the decisions that we individually make on the farm. Don't rely on that "good luck" that we so often rely on as farmers to get those supportive of our way of life elected. ✱

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*Look for these symbols in headlines throughout the magazine to see at a glance whether an article pertains to wheat issues, barley issues, or both.*



**WHEAT**



**BARLEY**



**WHEAT & BARLEY**

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## What Will It Be?



**B**y the time this magazine hits the mailbox, grain growers will either be wrapping up harvest or - if you are a high elevation drylander – be smack dab in the middle of it. In either case, I won't hold it against you if you have other things on your mind besides policy issues affecting your operation. Really, it is the other 9 to 10 months out of the calendar year that has me concerned.

The IGPA is fortunate to maintain an infrastructure of twenty counties throughout Idaho that are considered "organized". Organized counties typically have an established and functioning volunteer team of officers, aka grower-leaders. These organized counties really serve as an independent body of local growers, perfectly capable of conducting business and affairs as its constituency deems.

One representative from each organized county holds a voting seat on the IGPA board of directors. In all, twenty directors and a five-member executive officer team are responsible for leading this organization through its 53-year existence.

When you stop to think about it, what an impressive testament to the selfless volunteerism of so many Idaho grain farmers! Amazing to consider that so many devoted their time and energy for the greater good of the industry. These individuals worked, and are working, to ensure that Idaho's grain farmers have a voice and influence with the people and programs that impact their way of life. YOUR way of life.

For me to be effective and successful in advocating for the policies of Idaho's wheat and barley farmers, I rely heavily on a host of folks. Our county leaders, IGPA executive officers, the Idaho wheat and barley commissions, and other key folks all are vital resources to my ability to be your everyday spokesman.

While I am eternally grateful for the people and resources the IGPA does have, I am much more disturbed at the missed opportunity of what the Association does not have.

As mentioned previously, twenty counties are organized and lead by motivated local growers. However, grain is grown in 42 of Idaho's 44 counties, leaving 22 grain producing counties that do not feel it a priority to become involved in the IGPA - an organization whose sole purpose is work for their sustainability and profitability.

In July, I attended a crop tour and related events in eastern Idaho. Although this region is the largest concentration of grain production in the state, the majority of growers seem detached from the myriad of issues knocking on their front door.

As the University of Idaho cereal grain agronomist gave a great presentation on her plot trial research to the tour participants, an enlightening thought occurred to me. The growers assembled literally had no idea of the work invested just to ensure this valuable individual can help them out.

The IGPA and other industry groups advocated and lobbied for federal and state dollars in support of her critical research. The Idaho congressional delegation spent political capital with top congressional leaders to secure federal project dollars. State legislators lent, and the Governor approved of, state taxpayer dollars supporting the UI-CALS research and extension budget that pays her base salary and your wheat and barley check-off dollars added critical funds to her specific research.

In a time where state and federal budgets are being slashed and special research grants scrutinized or eliminated altogether, it was no accident that this cereal researcher was still standing in that grain field on a hot July morning providing a service to producers.

The IGPA is working to change that indifference. In just the past two years, the IGPA has put in time towards rebuilding the producer infrastructure in the Upper Snake River Valley and elsewhere. ✱



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*National Association of Wheat Growers*

NAWG News

## Russia Bans Wheat Exports, Sending Prices Soaring

**W**heat prices soaring on news of production problems in Russia got an unusual boost this week when the country announced a ban on grain exports until at least December.

The country has been facing a severe drought and wildfires that have destroyed at least 20 percent of the Russian wheat crop. Still, the country has stocks and was until recently planning to draw on them to complete export orders.

The ban includes wheat and other grains as well as flour and goes into effect on Aug. 15, regardless of existing sales contracts, though the situation is very fluid and some contracts could be fulfilled.

Wheat buyers from around the world planning to source from Russia are expected to look elsewhere following the announcement on Thursday by Russian Prime Minister Vladimir Putin. This could affect U.S. wheat exports, which have been inching higher anyway; in July, the International Grain Council raised its forecast for U.S. wheat exports from 24.3 MMT to 29.2 MMT, which would be slightly above average.

In the U.S., futures prices for wheat reacted to the tightening supply by going up near the daily limit on Thursday, then falling by the limit on Friday.

At least temporarily, new export demand could mean Russia's move on the global wheat market helps farmers in hard red winter wheat areas who have been facing cash prices well below the cost of production.

U.S. Wheat Associates, a sister as-

sociation of NAWG's and the industry's export development organization working in 90 countries, assured its contacts that the U.S. is open for business and will always have wheat available for buyers regardless of nationality.

"In the genuinely open market we have in the U.S. today there is always wheat available at some price, both to domestic and international buyers," USW President Alan Tracy said in the organization's biweekly newsletter. "Supplies can be plentiful or tight, but the system finds a price that rationalizes the supply and demand balance. As we have said many times before, the U.S. wheat store is always open."

The price spike has created some concerns about increasing food prices, though it is widely acknowledged that the world has sufficient existing wheat stocks to fulfill demand. Wheat commodity prices have nearly doubled since harvest lows in June, but it is believed many large buyers in the U.S. have already arranged to have supplies on hand, and wheat as a base ingredient makes up a very small percentage of the cost of any food product.

Russia is significant wheat exporter, typically the third or fourth largest in the world after the U.S., the European Union and Canada. The U.S. is the world's largest wheat exporter, sending about half of each annual crop overseas.

For more information about buying or selling U.S. wheat, please visit <http://www.wheatworld.org/buying-and-selling-wheat/>. ♦

## CFTC Advisory Committee Looks at Cotton, Wheat Market Issues

**T**he Agricultural Advisory Committee of the Commodity Futures Trading Commission (CFTC) met Thursday in Washington to consider issues related to the cotton, wheat and livestock markets.

Cotton industry leaders and those at the CFTC are looking at changes to cotton market delivery locations and that industry's problems with wide basis. CFTC is attempting to weigh potential contract changes to balance the needs of producers and users, making sure that both parties are "reasonably inconvenienced" and, importantly, that storage is actually available in delivery locations.

That discussion fed into one about wheat, with a report on the variable storage rate system and additional delivery points recently added to the Chicago contract. Many wheat market participants now believe there have been structural changes to the wheat market that are affecting convergence, in addition to logistical challenges, like tight storage at Kansas City Board of Trade delivery points.

Members of the Committee expressed concern that credit limits are affecting storage facilities' ability to issue delivery receipts and encouraged further consideration of changes to delivery procedures. Another speaker, a trader, said changes to the variable storage rate in Chicago are making it impossible to trade the spreads in anything but nearby contracts, which is damaging to the market.

Concerns were also expressed about index funds entering the market with massive amounts of money but largely passive trading activity, affecting the overall system.

The meeting ended with a discussion of the implications of the Frank-Dodd financial reform bill that was recently signed into law, which could affect agricultural swaps and convergence issues.

That bill excludes exchange-traded ac-

tivity from further regulation but includes over-the-counter activity and options. These provisions are intended to exempt participants using the market as a hedging mechanism. The CFTC is in the process of writing rules to implement the new legislation, a process in which Advisory Committee members will be involved.

NAWG Chief Executive Officer Dana Peterson, an agricultural economist by training, is a member of the Advisory Committee and participated in Thursday's meeting.

NAWG will remain actively engaged with CFTC and other coalition partners to gauge how regulation of the commodity markets may or may not have influence on convergence and basis issues producers are seeing on the ground. The NAWG Board will also likely consider policy priorities related to these issues at its next meeting in October. ♦

## All Applications for 2008 SURE Payments Due Sept. 30

USDA's Farm Service Agency (FSA) announced this week that producers have until Sept. 30 to submit applications for payment under the 2008 SURE program.

SURE, which stands for Supplemental Revenue Assistance Payments, is a new program included in the 2008 Farm Bill to provide financial assistance for crop production or quality losses due to a natural disaster.

FSA began accepting and processing 2008 SURE program applications in January 2010, and the American Recovery and Reinvestment Act of 2009 allowed for a one-time increase in the calculation of 2008 SURE payments that are filed by the end of this fiscal year on Sept. 30.

FSA encouraged producers to file an application for 2008 SURE payments regardless of whether they think they qualify for the payment. Producers who don't file by the deadline won't be considered eligible for 2008 SURE program payments regardless.

An electronic SURE program payment calculator and additional information regarding the SURE program is located at <http://www.fsa.usda.gov/FSA/sure>, or producers can contact their local FSA office for more information. ♦

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# New EPA Pesticide Permit Proposal Prompts Grower Concerns

A proposal for a new general permit for pesticide applications released by the Environmental Protection Agency (EPA) in June has left more questions than answers about what exactly will be required of producers who utilize pesticides.

The concept of a general permit emerged following a ruling by the Sixth Circuit Court in 2009 in the case of *National Cotton Council of America v. EPA*. That case concluded pesticide discharges are a point source of pollution subject to additional regulation and permitting under the Clean Water Act, meaning producers would need additional permitting for every crop protection application.

The logistics of carrying out the order — which could affect up to 5.6 million pesticide applications annually — are harrowing for EPA, state agencies and producers alike, and the general permit concept is intended to make the process easier for all involved.

In a frequently asked questions document about the proposal, EPA said explicitly, “This permit does not cover terrestrial (land-based) applications for

the purpose of controlling pests on agricultural crops or forest floors.” However, that is quickly followed by a caveat — that “use patterns” not covered by the draft proposal would require additional permitting if the application in question could result in point-source discharges to waters of the U.S.

Key questions now at issue include how a farmer is to know on the spot if his application could fall into the definition of a point-source discharge; what counts as a “water of the United States”; and how to obtain whatever additional permitting might be needed. The penalties for noncompliance — intentional or not — could reach up to \$37,500 a day, steep enough to put a producer out of business quickly.

The new NPDES permitting is scheduled to be required by April 10, 2011, when the Court’s decision takes effect. EPA has said it intends to issue the rules and make final a general permit by December 2010.

The EPA held four public meetings around the country, including a June 16, 2010 meeting in Boise, Idaho, which the Idaho Grain Producers Association

(IGPA) attended. At the heavily-attended forum, the IGPA expressed its concerns on the proposal. In addition, the IGPA formally submitted written comments on the draft proposal by the EPA’s July 19, 2010 submission deadline.

In response to these developments, key agricultural leaders in Congress have weighed in on the EPA’s actions.

The top two members of the Senate Agriculture Committee, Sens. Blanche Lincoln (D-AR) and Saxby Chambliss (R-GA), recently introduced legislation (S.3725) to clarify that additional government-issued permits are not required if growers follow the federally approved labeling requirements of the chemicals. House Agriculture Committee ranking member Frank Lucas (R-OK) followed the Senate bill with a similar measure in the House of Representatives.

The National Association of Wheat Growers (NAWG) Environment and Renewable Resources Committee will be engaged in discussion and formulating a strategy for moving forward on this issue. Eric Hasselstrom, IGPA past president and farmer from Winchester, Idaho, chairs the Committee.

For much more information on the proposed permit including full draft text and the public meeting schedule, please visit [http://cfpub.epa.gov/npdes/home.cfm?program\\_id=410](http://cfpub.epa.gov/npdes/home.cfm?program_id=410). ♦



Photo courtesy of Joseph Anderson

***“The United States of America has seen many wars, seen lots of bloodshed, and seen numerous people die. All because these soldiers have given their lives to protect in what they believe: Freedom.”***

An excerpt from the senior project essay written by Kameron Mercado, the son of Idaho Grain Producers Association (IGPA) Past President Eric Hasselstrom and wife Sheila of Winchester, Idaho.

This past May, the city of Craigmont, Idaho had the privilege of dedicating a new Veterans Memorial born from the mind of a Highland High School senior, Kameron Mercado.

“I started with a sketch on notebook paper,” said Kameron.

As part of their senior year curriculum, each student must complete a project that meets certain criteria in order to graduate. Kameron, who has plans for a career in the Air Force, wanted to do something that gave back to the veterans of his community. To meet this last hurdle of his senior year, he began to develop his ideas.



**From left to right, Eric Hasselstrom, Kameron Mercado, Rep. Walt Minnick, and Sheila Hasselstrom.**



**Raising of the flag at the May dedication ceremony for the new Memorial.**

With the support of the local American Legion Post #38, and the surrounding communities of Craigmont, Reuben and Winchester, Kameron raised the necessary funds to help build the beginnings of a memorial that will stand for years to come.

Plaques of almost 300 U.S. war veterans from the Craig Mountain area will be mounted on a covered wall that faces concrete pillars designed to form a five-point-star and central pentagon when viewed from the front. To come later will be a patriotic mural on the back of the covered wall and surfacing of the stones to represent the colors of each of the five branches of service.

U.S. Rep. Walt Minnick of Idaho's first Congressional District joined several dozen people in the Memorial Day dedication of the Craig Mountain Veterans Memorial. A veteran himself, Rep. Minnick praised Kameron for envisioning and seeing through the completion of the memorial.

Craigmont city Mayor Roger Riggers and Rep. Minnick credited the widespread community support that allowed Kameron to accomplish his goal of completing the memorial. Contributions poured in from Grangeville to Touchet, WA. The first flag to fly at the memorial was donated by Margaret Nell Longeteig of Lewiston in honor of Wynne Mason Longeteig who died in World War II and was buried in France.

This was a great day for our community and our country. “If Kameron is an example of the young people today, our future is going to be okay” said Mayor Riggers.

Father Eric and mother Sheila could not be more proud of Kameron's amazing effort.

“To see a young kid have a vision and goal much bigger than himself, and to accomplish it, is more than any parent could ask for. We're very proud of Kameron.”

Funds are still being raised by the American Legion Post #38, to cover the cost of the plaques of the names and maintenance to come. If anyone wishes to donate to the Memorial, please call (208) 924-5146. ♦

# The Risk Management Agency Introduces Its New Common Crop Insurance Policy – 2011 Crop Year Update

SPOKANE, WASHINGTON, July 26, 2010—Change is often for the better, and that is what U.S. Department of Agriculture (USDA) Risk Management Agency (RMA) strived for in combining various insurance plans for the 2011 crop year.

The new insurance policy combines four insurance plans with similar features into one single policy. The four insurance plans that have been combined are Actual Production History (APH), Crop Revenue Coverage (CRC), Revenue Assurance (RA) and Income Protection (IP) that had similar features into a single policy. RMA kept the most important features of each insurance plan while simplifying the insurance options a producer faces when buying coverage. Wheat, barley, malting barley, corn and canola/rapeseed are the crops most affected by this change in the Spokane region.

“The intended effect of these changes is to offer producers a choice of revenue protection or yield protection under one policy. These changes will greatly simplify the program for agents and will help to promote better understanding of the options available for producers in our region,” said RMA’s Spokane Regional Director Dave Paul.

If a producer has an active insurance policy for one or more of the affected crops during the 2010 crop year, the insurance policy will be converted automatically to the new policy. No additional work is needed for insured producers who do not wish to make changes to their crop insurance policy for the 2011 crop year. The chart below describes how a 2010 policy will be converted to the new policy for the 2011 crop year.

## INSURANCE PLAN CONVERSION CHART

<u>2010 CROP YEAR POLICY</u>	<u>CONVERTED 2011 CROP YEAR TO:</u>
Crop Revenue Coverage (CRC)	Revenue Protection
Revenue Assurance (RA) with Fall Harvest Price Option	Revenue Protection
Revenue Assurance (RA) without Fall Harvest Price Option	Revenue Protection with Harvest Price Exclusion
Actual Production History (APH) (Cat Endorsement)	Yield Protection
Income Protection (IP)/Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion
CAT Income Protection (IP)/ Indexed Income Protection (IIP)	Revenue Protection with Harvest Price Exclusion (50/100)

Both yield and revenue protection policies are available for the 2011 crop year under the new Basic Provisions and related crop provisions for wheat, barley, malting barley, corn, and canola/rapeseed in the Pacific Northwest. The revenue protection plan provides protection against production loss, price decline or increase, or a combination of both. The yield protection plan provides coverage against a production loss for crops for which revenue protection is available but was not elected.

Both the Revenue and Yield Protection plans will use regional market exchanges to develop the projected price used to establish the insurance guarantee and premium for the crop and the harvest price used to value production to count under the Revenue Protection Plan. This pricing method is new to policies converting from the APH plan to the Yield Protection plan.

RMA reminds producers of the important link between Federal crop insurance and Farm Service Agency (FSA) Supplemental Agricultural Disaster Assistance programs for the 2011 crop year. To maintain eligibility for FSA’s disaster programs, producers must have a policy or plan of insurance at the catastrophic (CAT) level of coverage or higher. If there is no coverage in a county for a specific crop under the traditional MPCPI program, producers may ask a crop insurance agent whether they would be eligible for coverage under a written agreement. For those crops that are non-insurable, a producer may also buy coverage under the Noninsured Crop Disaster Assistance Program by the closing date. For further information about timetables, please contact the local FSA County Office.

### Upcoming Sales Closing Dates:

- **Canola/Rapeseed** – August 31, 2010 (*for Fall Planted types*)
- **Onions** – August 31, 2010 (*Fall Planted types – Umatilla/Walla Walla counties only*)
- **Mint with Winter Coverage** – September 30, 2010
- **Forage Production** – September 30, 2010 (*Klamath and Malheur counties, Oregon*)
- **Forage (Alfalfa) Seed Pilot** – September 30, 2010 (*in selected counties*)
- **Fall Planted Barley with Winter Coverage** – September 30, 2010 (*in selected counties*)
- **Fall Planted Dry Peas/Lentils with Winter Coverage** – September 30, 2010 (*in selected counties*)
- **Wheat** – September 30, 2010
- **Apiculture (Honey)** – September 30, 2010
- **Pasture Rangeland Forage** – September 30, 2010

Dave Paul added, “The Spokane Regional Office is committed to working with commodity groups and producers throughout the summer and prior to sales closing dates to ensure producers understand the changes described above and all the other changes being made for the 2011 crop year.”

Producers are encouraged to visit their agent early in the sales season to discuss how the new changes may affect their farming operation. Federal crop insurance program policies are sold and delivered only through private crop insurance companies and agents. A list of crop insurance agents is available at all USDA Service Centers throughout the United States or on the RMA Web site at <http://www3.rma.usda.gov/tools/agents/>. ♦



## Small Brewers Look to Accelerate Job Growth

By **Pete Johnson**

According to a Harvard University economist, bipartisan federal legislation seeking a graduated beer excise tax rate of \$3.50 and \$16.00 for domestic small brewers would both create jobs and stimulate growth around the country. Specifically, the legislation would create around 2,700 jobs in the first eighteen months following passage and generate more than \$115 million of economic activity in communities across America.

And Congress has taken note – the two bills have gained significant support in their respective chambers, where H.R. 4278 currently enjoys the support of 108 U.S. Representatives (including 25 members of the influential Ways & Means Committee), while Senate Bill 3339 has the support of 24 U.S. Senators.

The bills seek to cut the small brewer tax rate on the first 60,000 barrels by 50 percent to \$3.50/barrel and lower the tax rate by two dollars to \$16 per barrel on beer production above 60,000 barrels up to two million barrels. Breweries with an annual production of six million barrels or less would be eligible for these reduced rates. Currently, a small brewer that produces less than two million barrels of beer per year is eligible to pay \$7.00 per barrel on the first 60,000 barrels produced each year. Once production exceeds 60,000 barrels, a small brewer must pay the same \$18.00 per barrel excise tax rate that the largest brewer pays at over 100 million barrels.

### Industry Support

The Brewers Association (BA), the national trade organization with a mission of promoting and protecting small, independent American brewers, is a strong supporter of both bills. According to the BA, there are close to 1,600 small and independent brewers across the nation,

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employing nearly 100,000 full- and part-time employees and generating more than \$3 billion in wages and benefits. These brewers are vital small businesses in communities across the country, typically employing 10 to 50 employees and paying more than \$2.3 billion in business, personal and consumption taxes.

Already proven economic generators in their local communities, reducing the initial tax rate to \$3.50 per barrel would provide approximately \$18.0 million per year to help strengthen America's smallest brewers and support their efforts to maintain and generate jobs. Adding a second, graduated tax rate of \$16 per barrel (on beer production above 60,000 barrels up to two million barrels) would provide small brewers with an additional \$26.2 million per year that would be used to support significant long-term investments and create jobs by growing their

businesses on a regional or national scale.

### Behind the Excise Tax Differential

The small brewer differential was originally put in place in response to the recognition that small brewers face many economic challenges. Due to differences in economies of scale, small brewers have higher costs for production, raw materials, packaging and market entry than larger, well-established multi-national competitors.

Unchanged since it was established in 1976, the small brewer tax rate has never been updated to reflect a significantly altered industry and marketplace. Since the mid-1970's, the annual production of America's largest brewery has increased from about 45 million to 107 million barrels. Raising the ceiling defining small breweries from two to six million barrels more accurately reflects the original intent of the differentiation between large and small brewers in the U.S.

Although beer produced by small, independent domestic brewers just represents five percent of beer sold nationwide, consumer demand for these bold and innovative beers continues to increase. Small brewers represent the only currently growing sector of the beer industry and are one of the few segments of the economy with the ability to add jobs. If passed, H.R. 4278 and S. 3339 will strengthen America's small brewery businesses, creating a real opportunity to positively impact local communities through job creation.

*Pete Johnson serves as Programs Manager of the Brewers Association based in Boulder, CO. ♦*

## IGPA Working to Ease Rules for Small Field Burning

**W**hen a statewide ban on field burning was issued in January 2007, the IGPA jumped in to find an immediate

resolution. After intense litigation and complex negotiations, a coalition of regionally diverse producers and agribusiness led by the IGPA successfully defended the use of crop field burning as a safe and economically vital option to managing crop residue, pests, and plant diseases.

State lawmakers agreed with the new program's goals during the 2008 session, and voted favorably to implement the law. House Bill 557 established a new crop residue disposal program under the jurisdiction of the Idaho Department of Environmental Quality (DEQ). Governor C.L. "Butch" Otter signed HB 557 into law on March 7, 2008.

The new Idaho crop residue burning rules have been in effect since 2008. Upon completion of the second year of burning under the new rules, growers voiced their frustration that some smaller crop residue burns could and should be regulated under the rules differently than those large-scale, high fuel content burns.

Since late June of this year, the IGPA and other stakeholders have participated in a series of meetings to hash out the details of program to conduct burning of small crop residues. When completed, the new rules will address small fuel burns including, but not limited to, mint blanching, spot burns, burns of 5 acres or less, broken bales, and 5 to 10 acre pasture burns. Burn approval criteria and general provisions may also be revised.

The specifics of the rule will be drafted by the DEQ in conjunction with a negotiating committee which includes the IGPA. The goal is to find agreement on the rule in hopes of providing grain producers and stakeholders new flexibility in managing crop residue needs on their farms.

Guidance and input from producers is very welcome. Please direct comments to the IGPA by calling IGPA Executive Director Travis Jones at (208) 345-0706 or e-mail at [tjones@idahograin.org](mailto:tjones@idahograin.org).

For information regarding participation in the meetings contact Paula Wilson at (208) 373-0418 or [paula.wilson@deq.idaho.gov](mailto:paula.wilson@deq.idaho.gov). ♦

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## *Message From the Chairman*

By Jerry Brown



The only thing that stays constant in life is change. The economic downturn has required most of us to change at some level where we spend money, and how much we spend. Over the past two years, Idaho's elected officials changed how they fund government based on reductions in state tax revenues. As a result, The University of Idaho – the only Land Grant University in the state, has been forced to reduce its budget. Large portions of research done for Idaho's crop and livestock industries are done by the College of Agriculture and Life Sciences (CALs).

Budget reductions at CALs are requiring substantial cost-cutting measures which will affect agricultural research and extension programs statewide. The FY 2011 (July 1, 2010 – June 30, 2011) Agricultural Research and Extension Service (ARES) base budget was reduced an additional 9.7% or \$2,430,900. Combined with the remaining portion of this year's reduction, about \$3,358,650 in ARES budget reductions are required and must be achieved by the end of this fiscal year. Notably for the Idaho wheat industry, both wheat breeders, Drs. Bob Zemetra and Jianli Chen, and other wheat researchers are being required to find 50% non-state funding for their technical support.

As a small entity dependent upon wheat producer

funding, the Idaho Wheat Commission (IWC) cannot cover the entire CALs shortfall. However, we are committed to protecting the research most important to Idaho wheat growers. The IWC is stepping up to the plate to provide additional funding to CALs to help ensure Idaho's wheat breeding programs stay whole. As you review the budget, charts and graphs in this report, note the increase in the research budget, while recognizing that the majority of wheat varieties grown in Idaho are still public varieties.

As things change, we must respond accordingly in order to meet our obligations. The IWC recently met with the Washington Grain Alliance and the Oregon Wheat Commission to look for opportunities to collaborate on joint research projects, which could include plant breeding, variety release, foundation seed production and basic research. We've just begun the arduous task of analyzing how three Land Grant Universities

can collaborate to meet grower needs in three states. We welcome your comments and suggestions as we look for ways to become more efficient.

On behalf of Idaho's Wheat Commissioners, we present the FY2010/11 budget and activities. They demonstrate sound fiscal responsibility and efficient use of funds that are in our care. Funds have been carefully designated to build a more profitable future for Idaho's wheat producers. ♦

**We are committed  
to protecting  
the research  
most important  
to Idaho wheat  
growers.**



# Idaho Wheat Commission Annual Report

## Market Development Overview

The Pacific Rim, The Middle East, and Latin America consumers enjoy products made from Idaho wheat. Nearly 50% of Idaho's wheat production is exported overseas each year. The Idaho Wheat Commission (IWC) designates a portion of its budget to U.S. Wheat Associates (USW), a national organization that helps promote and maintain U.S. wheat markets in more than 100 countries around the world on behalf of America's wheat producers.

- **Governor's Trade Mission to China** (see report on pages 14-17)

- **Expanding and Maintaining Market Share through Trade Teams.**

Hosting foreign buyers is vital to help maintain good working relationships with these valued customers. The IWC recently hosted wheat buyers from Japan and Korea to provide an overview of Idaho's 2010 wheat quality and production. Trade team members represented the major flour milling companies.

### Top Six Importers from the Pacific Coast ('000 bushels)

	Total	HRW	HRS	SW	Other
Japan	116947.1	35564.3	52457.4	28907.0	18.4
Philippines	58765.6	1153.2	29153.2	28458.8	0.0
Korea	40836.5	9005.0	10555.4	21265.1	11.0
Taiwan	31034.3	11374.7	15390.4	4206.7	62.5
Indonesia	20383.4	5059.1	1352.0	13972.2	0.0
Yemen	19182.0	0.0	0.0	19182.0	0.0

- **Domestic Marketing Highlights**

The other half of Idaho's wheat production finds its way into a variety of products. Some are household names. Other products are only sold wholesale and are used in restaurants and grocery stores.



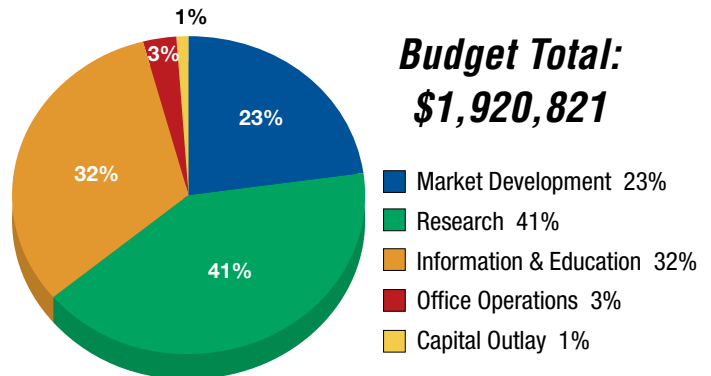
Just a few of the many U.S. products using Idaho wheat

- **Hard White Wheat**

Hard White Wheat is Idaho's fastest growing class of wheat and Idaho ranks second nationally in production of Hard White. It is the predominant class of wheat in spring plantings

in southern Idaho and most is grown under contract for national marketers of bread and other baked goods. Idaho will grow nearly eight million bushels of Hard White Wheat in 2010. Hard White from Idaho is shipped to California, Utah, Arizona, Colorado, Iowa, Mexico and eastern U.S. milling locations.

## Approved Fiscal Year 2010/2011



### IDAHO WHEAT COMMISSION FY2011 APPROVED BUDGET

CATEGORY	2010 Approved	2011 Approved
<b>MARKET DEVELOPMENT</b>	<b>440,332</b>	<b>435,236</b>
FOREIGN MARKET DEVELOPMENT INCLUDES ALL USW PROJECTS & TRADE TEAMS	275,000	275,100
DOMESTIC MARKET DEVELOPMENT	15,000	10,000
TRANSPORTATION	22,400	22,400
ADDITIONAL PROJECTS	28,820	28,470
SALARY/TRAVEL/EXPENSES	99,112	99,266
<b>RESEARCH</b>	<b>698,626</b>	<b>785,012</b>
VARIETY DEVELOPMENT – U of I	260,792	354,278
PEST MANAGEMENT – U of I	133,472	84,339
PRODUCTION PRACTICES/TECH TRANSFER – U of I	56,504	49,568
ADDITIONAL PROJECTS	125,292	168,258
SALARY/TRAVEL/EXPENSES	122,566	128,569
<b>INFORMATION &amp; EDUCATION</b>	<b>645,166</b>	<b>612,324</b>
PRODUCER INFO & EDUCATION	461,000	445,000
CONSUMER INFO & EDUCATION	71,625	48,800
SALARY/TRAVEL/EXPENSES	112,541	118,524
<b>OFFICE OPERATIONS</b>	<b>92,682</b>	<b>81,249</b>
OFFICE OVERHEAD	35,600	35,700
SALARY/TRAVEL/EXPENSES	57,082	45,549
<b>CAPITAL OUTLAY</b>	<b>5,000</b>	<b>7,000</b>
<b>TOTAL BUDGET</b>	<b>1,881,806</b>	<b>1,920,821</b>

# Idaho Wheat Commission Annual Report

## ■ Research Overview

The IWC continues to fund research to help meet growers' demands. Funding for variety development programs alone is up nearly 25%. Research on diseases and pests continues to meet local challenges and help growers maintain their competitive edge. Over the years, the increases in yields and end use quality in newer varieties, along with incorporation of resistance and control of pests has put millions of dollars in growers' pockets. These advances help maintain and increase market share.

Two new projects funded this year include focusing on variety development with increased resistance to Fusarium head blight (FHB), which is a growing concern due to the increase in corn production and a second project researching the genomics for abiotic stress, particularly to improve wheat cultivars for drought tolerance.

The Wheat Marketing Center (WMC) brings overseas buyers to its facility in Portland to demonstrate to the world the functional end use properties of Idaho wheat. WMC experiments with ways to incorporate our wheat into buyers' products to match their individual cultural and consumer tastes. This information loops back to wheat breeders to help them anticipate what markets will require in the future and to farmers who make the final decision on which varieties to plant.

For a complete list of projects funded along with researcher contact information see the IWC website: [www.idahowheat.org](http://www.idahowheat.org)

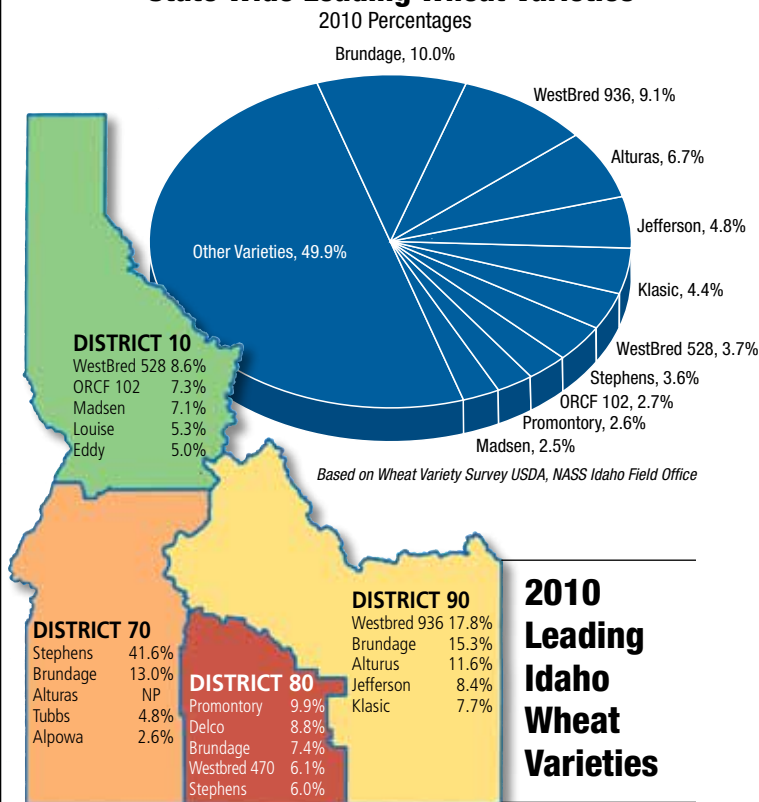
## ■ Information and Education Overview

A large portion of IWC's Information & Education budget goes to the Idaho Grain Producers Association (IGPA) and the National Association of Wheat Growers to help advocate for positive government policy for growers. Some of the issues tackled by IGPA this past year include:

- **Climate Change** In 2009, Congress focused heavily on federal legislation meant to curb greenhouse gas emissions linked to perceived climate change in the environment. The House of Representatives passed a bill, HR 2454, in June 2009 seeking to impose a cap-and-trade system on the nation's major carbon emitters. The bill included specific provisions allowing production agriculture to participate in the carbon trading system included in the legislation. The IGPA worked with NAWG during debate of the bill and lead a successful effort to modify NAWG policy to better reflect the sentiment of the nation's wheat growers to the impact of climate change legislation.

- **Field Burning** The Idaho DEQ-administered statewide crop residue burning (CRB) program underwent its first full cycle of implementation with grain producers. Reacting to Governor Otter's January 2007 statewide ban on field burning, the IGPA formed a coalition of other industry stakeholders to regain the use of the farm management tool. After months of difficult negotiations, a resolution was reached and a new pro-

## State Wide Leading Wheat Varieties



gram approved by the state legislature. Since its passage, the IGPA has focused on receiving feedback to ensure the program is workable and effective for grain producers. Currently, the IGPA is in negotiations with the DEQ and others to create less burdensome rules for "de minimus" (minor) burning such as spot burns or disposal of broken bales.

- **Environmental Threats Abound** Idaho agriculture is under the microscope of the U.S. Environmental Protection Agency like never before. The IGPA is working on behalf of Idaho's wheat and barley producers to address numerous EPA regulations ranging from pesticide application near aquatic areas, more restrictive general water quality standards, possible endangered species listing of the Giant Palouse Earthworm, air quality restrictions on dust generated from agriculture practices, and a potential ban on crop chemicals perceived to threaten PNW salmon populations.

- **Transportation** To Idaho grain producers roads, rails and rivers are all vital to the success and existence of a viable grain industry in the State of Idaho. Producers utilize and rely on trucks, trains and tugs to ship grain from all parts of the state to markets both foreign and domestic. However, all forms of transportation face issues that could significantly impact Idaho agriculture. The lack of adequate funding to maintain and grow Idaho's highway infrastructure, onerous rail rates, and efforts to remove the dam system and eliminate barge movements of bulk grain are just a few of the concerns keeping the IGPA busy. ♦



# Governor's Trade Mission to China

By Jerry Brown



China's national bird must be the construction crane. Their growing economy is apparent by the multitude of new office buildings, condominiums, and factory construction occurring in major cities. As China slowly evolves into a more urban population, the size of their cities and farms has increased. The 1.33 billion people living in China have become more affluent and with more resources available, they are consuming more protein in their diets.

USDA reports show China's 2009 domestic wheat production at 4.2 billion bushels compared to 2.2 billion bushels produced by the United States. China's domestic utilization of 3.8 billion bushels allows for a healthy carry-over stocks to use ratio, giving cause for the Chinese government to put quotas on the amount of wheat imported, which changes year-to-year, depending on the condition of its domestic production.

With memories still vivid of past famines, the Chinese government has retained a storage reserve of wheat. Currently 25% of world wheat inventory is

in this reserve. Forty-nine percent of China's flour consumption is used for making noodles and dumplings. Forty percent goes towards steam breads and the remaining eleven percent is utilized in cakes, biscuits, and western breads. It was interesting to note that nearly everyone we met with during the Governor's Trade Mission to China, which was held June 4-12, 2010, were watching the U.S. wheat harvest. At that time early reports indicated that Texas and Oklahoma were harvesting protein levels that were lower than desired.

## New Flour Mill in Shanghai

One of our stops included the DaChang Liangyou Food Co., LTD, which recently opened their new mill. The mill is located in the largest logistics base for China, at Shanghai Wai Gao Qiao New Port Grains and Oil Processing Zone, located 16 miles from the mouth of the Yangtze River. The company's equipment is among the most advanced Buhler flour milling technology available, with capability to provide high quality flour to the market. Their docks are capable of receiving two 1.8 million bushel Panamax ocean vessels at the

same time. Railroad service to the plant is still three years away. Also, in the planning stage is a connection to the inland canal system. The two lines currently in production each process 11,020 bushels per day. When these two lines reach 70% of capacity, a third line will be installed, producing an additional 11,020 bushels bringing total production to 33,060 bushels per day. The third line will be dedicated solely to soft white wheat milling. Eighty percent of their flour is high grade flour destined for bakeries in China. The other 20% is used in "social" flour, similar to U.S. all purpose flour for household general usage. DaChang Liangyou has 38 wheat storage bins with a capacity of 1.5 million bushel. Seventy-four flour storage bins and a computer controlled system give this state-of-the-art company the ability to store and blend flour to each customer's specification. The mill's laboratory includes advanced analysis capability performed by a staff of highly qualified individuals.

DaChang is the industry leader in agriculture, livestock, and the food industry in Taiwan. They have been in the flour business for four decades and have gained professional knowledge and expe-

rience in producing specialty flour. Their customer base includes companies such as Kentucky Fried Chicken, Christine Bakery (Taiwan), PASCO Foods (Japan), Bread Talk (Singapore), all companies with established operations in China.

### **Guangzhou Baking School Encourages Wheat Consumption**

U.S. Wheat Associates is the industry's market development organization working in more than 100 countries on behalf of America's wheat producers. The activities of U.S. Wheat Associates (USW) are made possible by producer check-off dollars managed by 19 state wheat commissions and through cost-share funding provided by USDA's Foreign Agricultural Service.

USW has been both a financial and knowledge supporter of the Sino-American Baking Vocational Training Center (SABS) in Guangzhou. Much of their equipment has been provided by USW and they continue to provide information and technical assistance to the school. Now in its 26th year of operation, SABS is a cooperative activity with the Guangdong Vocational, Professional and Technical Trade College, the Guangdong Grain Corporation, USW and the Guangdong flour milling and baking industry. SABS provides students with the opportunity to develop professional skills in traditional Chinese baking as well as Western baking, career counseling, and job placement. It is the largest bakers training center in China. Several of the instructors have graduated from the American Institute of Baking in the USA. Many have received additional training in Hong Kong, Macau and Thailand.

One of the instructors wanted "some talk" from the farmer from southeast Idaho. I had the opportunity to describe our family farm and the types of wheat we produce. While I was talking to the students (about 50) they all took out their cell phones or cameras to take my picture. Afterwards, each of the girls had to have their picture taken with me. The boys were a little more reserved however.

USW provided the school's cereal quality laboratory with a test mill, an extensigraph, and a farinograph. USW is then able to use the lab in testing blends of domestic produced wheat with wheat

imported from the U.S. This enables demonstration of U.S. wheat to potential buyers and instruction of trainees at the SABS. USW and SABS conduct test bakes and contests in order to better promote U.S. wheat classes after the sampling programs.

SABS is a partner with the Asian Prod-

ucts Collaborative (APC). The Idaho Wheat Commission provides samples of Idaho wheat each year to the APC. SABS instructors have joined teams working to develop noodles and steamed bread test processing methods for analyzing hard white and soft white wheat varieties. This work is in conjunction with the Wheat



**DaChang Flour Mills located in Shanghai provides flour to Kentucky Fried Chicken, PASCO Foods, Bread Talk and Christine Bakeries.**

Nearly everyone we met with were watching the U.S. wheat harvest.



**Students at the Sino-American Baking School.**



**Jerry Brown, Chairman Idaho Wheat Commission at the Sino-American Baking School during the Governor's Trade Mission to China.**

Marketing Center. USW gathers up to 24 samples annually in order to understand millers' requirements.

Provincial officials and industry leaders attribute the increase of Guangdong's wheat usage from 18.4 million bushels in 1986 to about 110 million bushels in 2010, to joint efforts with the USW and the SABS training program. USW continues to popularize Western style cakes, breads, and other wheat foods in a province where rice is the primary staple.

### COFCO Corporation

Before leaving for home, the Governors' trade team visited with the leadership of COFCO, one of China's leading food companies. COFCO is a government and privately owned organization which processes all types of food needed in the grocery stores of China. Several COFCO teams have visited Idaho and Portland over the past four years to learn about PNW wheat quality and transportation issues. Much of the import quota on wheat is held by this entity. They decide from which country to import wheat.

Five of the eight COFCO directors present had wheat in their title. The CEO Mr. "Frank" Ning Gaoning was delayed at a food safety conference so the Deputy General Manager; Mm. Yang Hong began the meeting. After introductions were made around the conference room table, her first question to Governor Otter was, "What is the quality of the Idaho wheat crop going to be like this year?" I had the opportunity to field their questions for the next several minutes. They seemed very interested in hard white



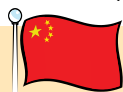
Jerry Brown with USW Associates Matt Weimer at the Sino-American Baking School.

wheat, especially when they were told that the flour yields are about 2% more than red wheat. They were also interested in the two new varieties of hard white Idaho released last year.

Mm. Yang Hong indicated that even though China produces enough wheat for its needs, they still need to import high protein red wheat and very low protein soft white wheat. Flour millers look to imports to provide quality wheat

for their upscale flour needs. They are impressed with U.S. wheat quality and know they can import what they want from the U.S.

After Mr. "Frank" Ning Gaoning finished his speech on food safety he joined the meeting. He was curious as to the size of the average Idaho farm. He indicated that the average farm size in China is less than one acre per farmer. Celia Gould, Idaho's Director of Agricul-



## China

**Formal name:** People's Republic of China (PRC)

**Capital:** Beijing

**Head of State:** President Hu Jintao elected March 15, 2003.

**National flag:** Red flag with five stars.

**Land size:** China is the fourth largest country in the world (after Russia, Canada, and the U.S.). It has an area of 3,719,275 square miles (slightly smaller than the U.S.).

**Border countries:** Korea, Mongolia, Russia, Kazakhstan, Kyrgyzstan, Tadjikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Myanmar, Laos and Vietnam.

**Population:** One in every five people in the world is Chinese. China's population was estimated to reach a whopping 1,338,612,968 by July 2009. China's population is four times that of the United States.

**Administrative divisions:** China is made up of 23 provinces, five autonomous regions, four municipalities directly under the Central Government, and the special administrative regions of Hong Kong and Macao.

### Chinesa Trivia

- Fortune cookies are not a traditional Chinese custom. They were invented in 1920 by a worker in the Key Heong Noodle Factory in San Francisco.
- Toilet paper was invented in China in the late 1300s. It was for emperors only.
- The Chinese invented paper, the compass, gunpowder, and printing.
- Despite its size, all of China is in one time zone
- The number one hobby in China is stamp collecting.
- White, rather than black, is the Chinese color for mourning and funerals





Bread display provided by students at SABS for USDA's "Great American BBQ"



COFCO board room where Governor Otter and Jerry Brown met with COFCO's executive team.

ture provided them with a brochure in Chinese showing facts and figures about Idaho agriculture. Mr. Ning explained that China is becoming more urbanite and as such is becoming more affluent. That increases the need and ability for people to acquire more protein in their diet, particularly meat and milk products. The CEO stated "China will buy more from the U.S. in the future, partic-

ularly agricultural products." COFCO is very interested in food safety and traceability.

Governor Otter proposed that COFCO establish a presence in Idaho, particularly in building and owning a wheat elevator at the Port of Lewiston. Having an Idaho location would allow COFCO to contract directly with Idaho wheat farmers for the varieties, quality and

quantities they desire. Otter explained the logistics of getting wheat from Lewiston via the river barge system to the port in Portland and then on to China. COFCO leadership seemed interested at least in the idea.

With China's increasing consumption of wheat and their desire for quality food the potential for Idaho wheat farmers in China could be very favorable. ♦

## Governor Re-Appoints Gordon Gallup to Idaho Wheat Commission

Governor Butch Otter re-appointed Gordon Gallup of Ririe, to the Idaho Wheat Commission. Gordon represents the wheat producers of District Four, which includes Custer, Butte, Jefferson, Bingham, Bonneville, Madison, Teton, Fremont and Clark Counties. Gallup, who has been operating the family farm since 1975, grows wheat, barley, and alfalfa on a 3,000-acre farm.

Commissioner Gallup has been actively involved in the Idaho Grain Producers Association (IGPA), the National Association of Wheat Growers (NAWG), he currently serves on the Board of Directors of the Ririe Grain and Feed Co-Op.

Gallup has been instrumental in organizing and facilitating the IWC Direct Seed Workshops held for the past three years in Idaho Falls. He has been using direct seed tillage since 1985 with six years prior to that in minimum tillage.

"Our goal at the Commission," says Gallup, "is to help growers maximize profitability. There are many ways to do that including direct seeding. I want to help interested growers expand direct seeding in both dryland and irrigated wheat."

Mr. Gallup attended Idaho State University and Ricks College. He and his wife Carole have been married for 35 years and have seven sons and seven grandchildren. The Gallup's enjoy boating, snowmobiling, four wheeling, and fishing. ♦

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# How to Reduce Discounts for

## Low-Falling Number Wheat



Wheat Marketing Center technician demonstrates the falling number test.



Many Idaho wheat growers have received discounts over the

past two-years due to low falling number scores. Wheat embryo germination activity may occur as result of sprout or frost damage, or from wide temperature swings during ripening. To help growers understand what they can do to help mitigate discounts, the Idaho Wheat Commission produced a nine-minute video to explain what the falling number test measures, why the falling number value is important, what causes low falling numbers and what wheat farmers can do if they have a low falling number score. You can view the video at [www.idahowheat.org](http://www.idahowheat.org)

### Why is a Falling Number Value Important?

The level of enzyme activity measured by the Falling Number Test affects product quality. Wheat with a low falling number has lower test weight and results in less flour yield for the miller. It also impacts baking quality. The flour absorbs less water, which affects bread

yield; crust strength and crumb texture are inferior; and shelf life is shorter; product can be sticky and gummy. The grain handler or miller will need to blend wheat with a low falling number wheat with a higher quality wheat to reach flour spec. That is why discounts are being applied at point of purchase.

### Helpful Tips to Avoid Discounts

- **Harvest Ripe Wheat As Soon As Possible.** The longer ripe wheat stands in the field the higher the probability that an unexpected rain shower will cause premature germination of the embryo of the wheat kernel. Getting the harvest quickly into a dry bin helps keep the embryo dormant.

- **Be Careful of 'No Price Established Contracts.'** Entering into a 'No Price Established' contract often allows

the grain handler to make unlimited deductions from the grower, and sometimes leaves the grower without recourse. Be sure to read and understand all provisions of the contract.

- **Do Not Overwater the Wheat.** Center pivots have made watering too easy. In fact, it is easy to continue watering when the plant no longer needs it. If part of the crop is already ripe while part is still taking water, due to late fill-in seeding or other reason, you risk sprout damage on the ripe wheat by continuing to water. Also, remember late planting can lead to late harvesting when the crop is more susceptible to activating the embryo and causing starch damage.

- **Avoid Discounts by Avoiding Harvest Delivery.** Discounts are most severe and premiums are weakest right at harvest, before quality of crop is known. If harvest delivery is necessary try to deliver neutral wheat first, neither worst or best quality, just right in the middle, until grade of harvest is known.

- **Find a Grain Handler Who Treats Low-Falling Number Wheat**

**on a Case-by-Case Basis.** The discount schedule is generally based on the grade of the rest of the wheat taken in by the house. Discount schedules vary from elevator to elevator, so shop around for the best price for your quality of wheat. Many elevators will have a minimal discount schedule if there is enough wheat with a high-falling number to blend with the low. Keep in mind, though, that other elevators may use low-falling number wheat as a revenue vehicle. Sell your wheat to an elevator you trust to treat you fairly.

• **Seek a Second Opinion on Your Wheat, If Necessary.** There is a wide variance in the scores of a low-falling number test. The way the sample is prepared by the test operator may cause a variance by as much as 25% for the same sample of wheat on the same equipment. Equipment error may add another 5% to the variance. Many growers are able to reduce their discounts by having their wheat re-tested. Wheat with a falling number score above 300 is O.K. Wheat with a falling number score below 250 generally has experienced some sprout damage or some level of enzyme activity, and it is unlikely a re-test will move the score above 300, although it may move it enough to reduce the discount. It is recommended that wheat with scores between 250 and 300 be re-tested. Several labs offer low-falling number tests for growers, including the following:

FGIS  
1450 3rd Ave N  
Lewiston, Idaho 83501  
(208) 746-0451

Idaho Grain Inspection Service  
6702 S. 5th Ave  
Pocatello, Idaho 83204  
(208) 233- 8303

Wheat Marketing Center  
1200 N.W. Naito Parkway, Suite 230  
Portland, Oregon 97209  
(503) 295-0823

• **Wheat for Export May be Discounted More than Wheat for Domestic.** Overseas customers are demanding that the exporters provide falling number tests for each shipment. This request

cascades back to the country elevator and the grower. Although some domestic millers are now asking for falling number scores, many domestic customers still do not and some elevators serving the domestic market have not yet instituted testing.

• **Know the Variety of Wheat You’re Growing.** A few wheat varieties grown in Idaho can show a low falling number however their quality performance may not be affected. Currently the partial waxy wheats – Alturas and Cataldo – fall into this category.

A low falling number doesn’t always mean a variety shouldn’t be grown. Both Alturas and Cataldo were developed for the Japanese noodle market and make great Japanese noodles. Both varieties are in demand for that use and other uses.

Growers and buyers should be aware of this possibility whenever a low falling number occurs for these varieties. Segregation is an important part in effective marketing for these wheats.

• **The Impact of Late-maturity alpha amylase (LMA) on Wheat.** In recent years an additional cause of low falling number has been identified. Unlike sprouting due to rain fall at harvest, LMA is triggered by low temperatures and large temperature fluctuations at grain fill. One night of freezing temperatures at soft dough or prolonged cooler

conditions can trigger LMA.

This development appears to be the source for much of the problem in the rain-fed areas. Expression of this characteristic is often found in varieties not adapted to high elevation growing conditions. Varieties released for production in other areas may have LMA when grown in higher elevations in eastern Idaho.

Genetics control LMA. The genes controlling LMA have been identified. Work is continuing to find molecular markers to develop varieties with less susceptibility to this defect.

Additional information about the falling number test, why the falling number value is important and environmental effects can be found at [www.idahowheat.org](http://www.idahowheat.org) ♦



**Korean millers team evaluates PNW SWW at the Wheat Marketing Center.**



*The Russian government announcement to ban wheat exports effective August 15 to December 1, 2010 initially roiled world wheat markets that were already reacting unusually to the potential impact of drought on the Russian wheat crop. Early estimates indicate that 20% of Russia's 2010 wheat crop has been destroyed by drought and wildfires.*

*Export bans work against wheat buyers and users and force the rest of the market to restore the supply/demand balance and absorb the price shock. Restrictions distort trade and artificially drive up global wheat prices to the detriment of all importers and consumers. To make matters worse, the latest Russian government intervention likely brings force majeure into play and some importers counting on their purchases may find themselves short of supply. There is a curious context to all of this: not too many weeks ago, Russian grain officials were publicly predicting that their country would be the dominant source of wheat to the world and would likely sell up to 40 percent of its significant intervention stocks.*

*Russia normally produces 3.7 billion bushels of wheat a year, or 10% of total global output. It exports 20% of this total to markets in Europe, the Middle East and North Africa. The extent of the drought and wildfires this year has prompted Russian officials to revise the country's 2010 estimated grain production to 2.4 billion bushels, though Russia holds 880 million bushels of wheat in storage – meaning it has enough to cover the domestic demand, which is 2.8 billion bushels even if the drought gets worse.*



## Former Soviet Union Region To Play Larger Role in Meeting World Wheat Needs



The next decade is likely to see a major shift in global wheat production and trade.

The largest gains in wheat production and exports will likely come from the former Soviet Union (USSR), specifically Russia, Ukraine, and Kazakhstan, where changes in production efficiency and market forces combine to favor wheat. USDA projects that wheat exports by Russia, Ukraine, and Kazakhstan will increase by about 50 percent to over 50 million metric tons (mmt) by 2019. In the coming decade, the region may account for over half the growth in world wheat exports, perhaps even supplanting the U.S. as the “wheat breadbasket of the world.”

The United States, the world's largest wheat exporter since World War II, could slip to second place. U.S. wheat production is projected to rise only slightly over the next decade, and exports are forecast to remain below the average for 2001-09. By 2019, according to USDA projections, Russia's wheat exports will exceed those of the United States. And, total wheat exports from Russia, Ukraine, and Kazakhstan likely will be more than double those of the United States.

These developments could improve global food security. The 2006-08 surge in world food prices raised concerns about the potential for world wheat production to increase sufficiently to feed a growing population. Commercial imports account for a rising share of food supplies in many developing countries. The availability of more wheat from Russia, Ukraine, and Kazakhstan could help meet these countries' growing import needs.

### **U.S. To Relinquish Top Spot as Wheat Exporter to Former Soviet Union**

The United States has been the largest wheat exporter during the post-World War II period. However, the U.S. share of world wheat exports could drop from an average of 24 percent in 2001-09 to an estimated 16 percent by 2019, with the annual volume of U.S. wheat exports declining from 27.5 mmt during the 2000s to 24.5 mmt in 2019. The European Union, Canada, and Argentina also will lose shares of world wheat exports, while Australia will likely maintain its share. USDA projects that over the next 10 years, Russia, Ukraine, and Kazakhstan's share of wheat exports could increase from less than 20 percent in the 2000s to over 33 percent in 2019. Russia

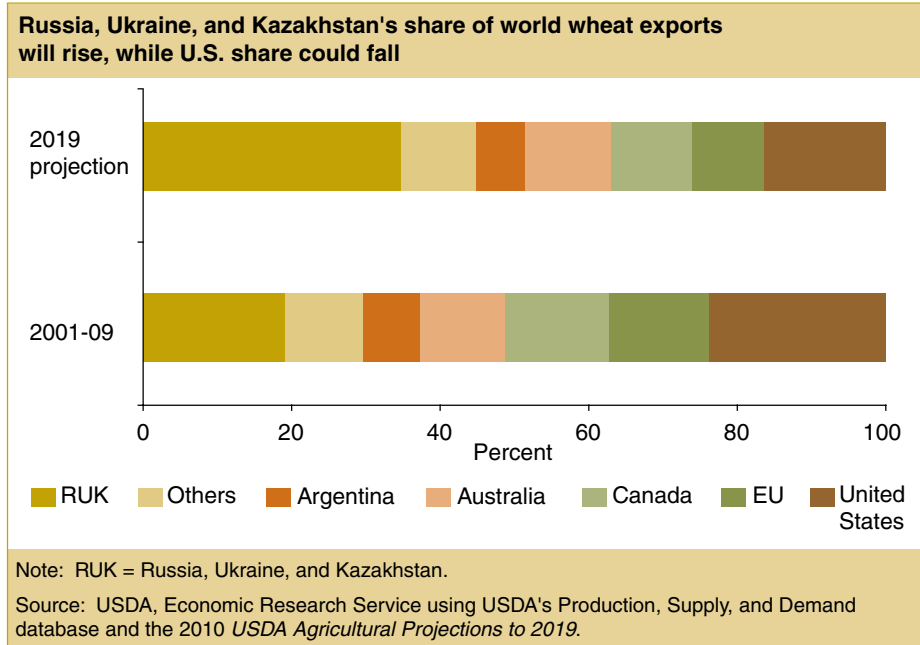
and Ukraine are returning to their historical role, as during the Russian tsarist empire which ended in the late 1910s, of being major wheat exporters.

By severing the link between Federal farm program payments and the production of specific commodities, the 1996 Farm Act gave U.S. farmers the flexibility to switch acreage among crops, often at the expense of wheat acreage. Progress in biotechnology has given the United States an increasing competitive advantage in corn and soybean production over wheat.

### Expanding Production in the Former Soviet Union Is Driving Export Growth

There are two main reasons why Russia, Ukraine, and Kazakhstan have become large wheat exporters. First, the region's transition from planned to market-oriented economies that began with the collapse of the USSR in the early 1990s generally restructured its agricultural production and trade. During the late Soviet period of 1987-91, the USSR imported about 35 mmt (net) of grain per year, while in 2009, the former USSR countries exported nearly 55 mmt. This change involved a shift of about 90 mmt of additional grain available to the world market, a huge increase given that in 2009 total world exports of wheat, barley, and corn equaled about 245 mmt.

The exportable grain surpluses were made possible because of the dramatic contraction of the livestock sectors of Russia, Ukraine, and Kazakhstan during the 1990s. While the former Soviet Union produced high-cost livestock products us-



ing imported feed grain and oilseeds, the market-oriented successor countries have become large importers of meat and other livestock products. The big drop in domestic feed demand not only ended imports of grain and oilseeds, but also freed internal grain production for export.

Second, the region's wheat yields rose steadily during the 2000s, which increased output and surpluses for export. During the 1990s, grain and wheat yields fell in Russia, Ukraine, and Kazakhstan because of the general disruption to the agricultural economy following the collapse of the USSR and its planned economic system, a drop in input use, especially of fertilizer, and several bad weather years in the second half of the decade. However, during the 2000s, wheat yields

rose by 32 percent in Russia and 25 percent in Kazakhstan, compared with yields during 1992-2000, while Ukrainian yields rose slightly.

Yields improved mainly because of the rise of a new type of agricultural producer in these countries. These "new operators" are large, vertically integrated enterprises that combine primary agriculture, processing, distribution, and sometimes retail sale. The most common types of farms in these countries are big corporate farms, most of which are the former State and collective farms of the Soviet period that remained largely unreformed even into the 2000s. The more dynamic new operators usually acquire a number of these corporate farms and improve them, as well as bring investment;



Picture courtesy of US Wheat Associates, June 2008 Ural Don farm located near Rostov.

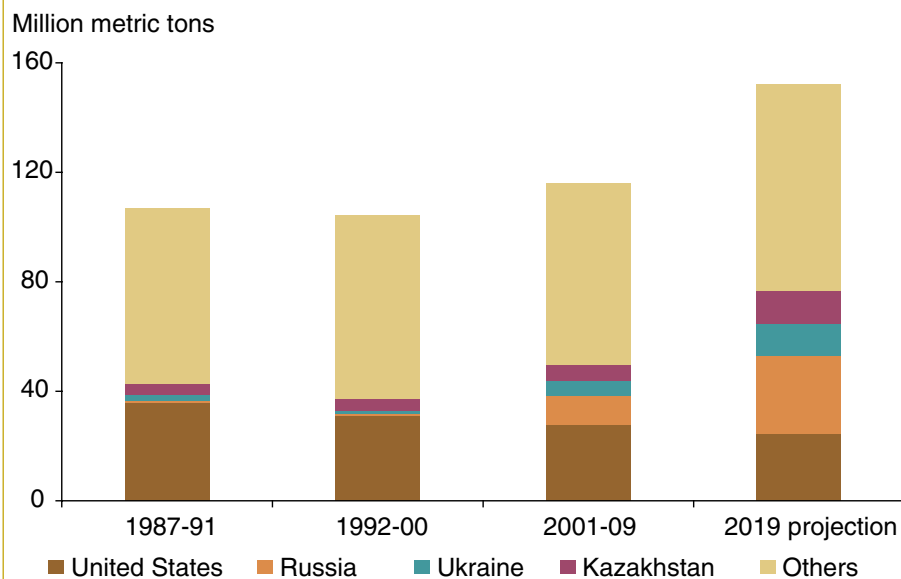
superior technology, including the use of imported high-quality seed; and better management practices into the entire agro-food system. The new operators are especially interested in grain production because of the opportunities for profitable export.

Increased fertilizer use, higher rain-

fall and generally more favorable weather conditions, and a switch from spring wheat to higher yielding winter wheat also contributed to the growth in yields during the 2000s. The 2010 report USDA Agricultural Projections to 2019 assumes continued growth in the use of fertilizer and other inputs in the region and

further expansion in the number and influence of new operators. USDA projects that by 2019, wheat yields will rise 20 percent in Russia and 17 percent in Ukraine from their yearly averages over 2001-09. ERS estimates that Kazakhstan wheat yields will increase 5 percent by 2019 compared with 2001-09.

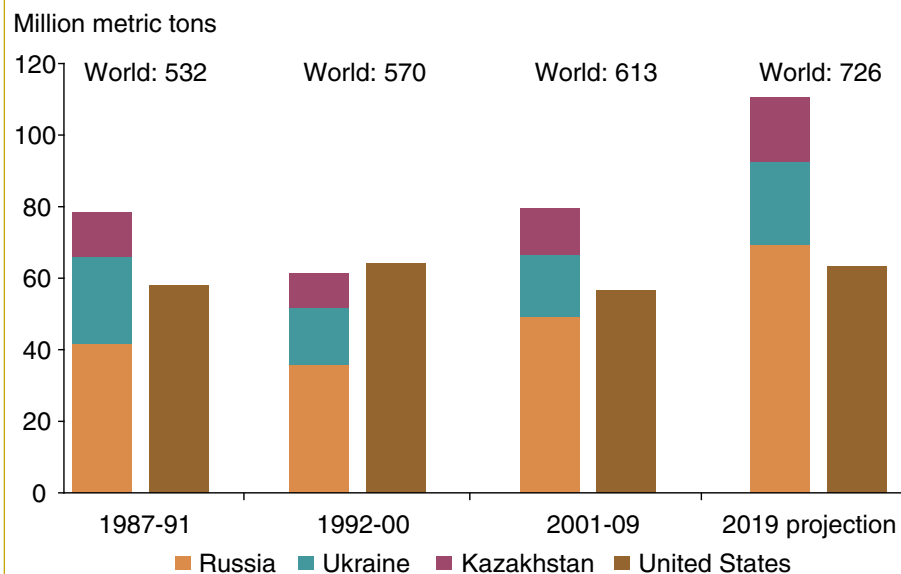
### Russian, Ukrainian, and Kazakhstan wheat exports are expanding . . .



Note: Figures give average annual exports over the periods identified, except for 2019, which are from the 2010 *USDA Agricultural Projections to 2019*.

Source: USDA, Economic Research Service using USDA's Production, Supply, and Demand database and the 2010 *USDA Agricultural Projections to 2019*.

### . . . because wheat production in the three countries is expanding



Note: Figures give average annual production over the periods identified, except for 2019, which are from the 2010 *USDA Agricultural Projections to 2019*.

Source: USDA, Economic Research Service using USDA's Production, Supply, and Demand database and the 2010 *USDA Agricultural Projections to 2019*.

### Wheat Area Could Expand, but Possibly at Higher Cost

Russia, Ukraine, and Kazakhstan's wheat and grain production in the 2010s will depend not only on yield growth but also on changes in planted acreage. During the 1990s, wheat and total grain area fell in Ukraine and Kazakhstan, with wheat area dropping 15 and 20 percent, respectively, compared with the 1987-91 period. In Russia, total grain area declined 30 percent, though wheat acreage remained unchanged. To a large extent, the reduced area corrected the Soviet-era policy of pushing wheat and other grains onto marginal land, which resulted in inefficient high-cost production. During the 2000s, wheat and grain area rose slightly in Russia, Ukraine, and Kazakhstan, though total wheat area in the three countries was still below the former Soviet level.

The surge in world agricultural and food prices in 2006-08 rekindled interest in not only returning the remaining idled land to grain production, but also expanding area beyond the Soviet-era levels. Some observers of global food markets argue that an expansion of grain acreage in Russia, Ukraine, and Kazakhstan, especially if combined with higher yields, might substantially increase world grain supplies, putting strong downward pressure on prices and benefiting lower income consumers around the world. USDA projects that by 2019, total wheat area in Russia, Ukraine, and Kazakhstan will grow by 20 percent, compared with the yearly average in the 2000s. By 2019, wheat area in all three countries is projected to exceed that of the former Soviet period.

However, these projections depend on world wheat prices remaining high enough to motivate growers in Russia, Ukraine, and Kazakhstan to increase grain area. The acreage expansion likely will occur mainly in the more isolated and underdeveloped regions of these countries. For the increased area to translate into more output for domestic consumers or export markets, improve-

ments will be needed in the region's physical and commercial infrastructure for storing and transporting grain. Some improvements were made during the 2000s, but the governments of Russia, Ukraine, and Kazakhstan recognize that more are necessary.

### Government Policies Might Constrain the Growth in Wheat Exports

In 2009, Russia, Ukraine, and Kazakhstan created State-owned grain companies to promote wheat and other grain exports. The companies' main functions are to facilitate State grain purchases in domestic markets and help improve infrastructure for export.

State policies that focus on reviving the countries' livestock sectors could mitigate the growth in grain exports, however. During the transition years of the 1990s, both livestock herds and product output in the three former Soviet countries contracted by about half. The downsizing largely corrected costly overexpansion during the Soviet period.

The growing importance of Russia, Ukraine, and Kazakhstan as world

wheat suppliers raises concerns about the reliability of their supply and policy responses to weather-related shortfalls. The region's climate is characterized by variable temperature and rainfall, with severe drought possible in any year. These conditions can produce major fluctuations in annual grain output and exports. This effect can be exacerbated if the countries react with policies that restrict exports. For example, when world wheat prices spiked during 2006-08, Russia, Ukraine, and Kazakhstan tried to contain the growth in domestic wheat prices by restricting, or even banning, exports.

### Implications for Global Food Security Uncertain

In 2009, the number of people around the world suffering from food insecurity topped 1 billion for the first time, according to the Food and Agriculture Organization of the United Nations. Moreover, the world's population is projected to grow over the next 10 years by about 10 percent. Of all the major grain-producing countries, Rus-

sia, Ukraine, and Kazakhstan appear to have the most potential to substantially increase wheat production and exports. This boost in supplies could improve world food security by putting downward pressure on wheat prices, making this staple food more affordable to the world's poor.

Yet, uncertainty exists as to the degree to which the three former Soviet Union countries will increase their wheat exports. Export growth requires costly improvements in the infrastructure needed to store, transport, and export grain. Policies that favor expansion of the domestic livestock sectors could increase internal demand for feed wheat, reducing the surplus available for trade. Variable weather and possible export restrictions in low-production years could diminish the region's export reliability. These uncertainties are likely to mitigate, though not reverse, the growing importance of Russia, Ukraine, and Kazakhstan as providers of wheat to the world.

Reprinted from USDA ERS, *Amber Waves*, June 2010. [www.ers.usda.gov/amberwaves](http://www.ers.usda.gov/amberwaves) ♦



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