California Association of Wheat Growers

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Newsletter

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Upcoming Events

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Wednesday, August 31, California Association of Wheat Growers and California Wheat Commission Board of Directors Meetings.

- **Location: California Farm Bureau Federation, 2300 River Plaza Drive Sacramento, CA 95833**

Stabenow says No FTAs until Worker Aid Renewed; Farm Groups Call for FTAs Now

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While Sen. Debbie Stabenow (D, MI), chair of the Senate Agriculture Committee, coordinated a letter from 41 Senators this week to the President telling him not to submit trade agreement legislation until U.S. worker protections are renewed, national crop and livestock groups held a press conference on Capitol Hill calling on the Obama Administration to submit implementing legislation for the Panama, Colombia and Korean free trade agreements immediately. The Senators asked President Obama to work with them on a long-term extension of the Trade Adjustment Assistance (TAA), a program which provides aid to workers whose jobs, hours or wages are affected or lost due to trade agreements. Meanwhile, the American Soybean Assn. (ASA) said at the ag press conference, "While we're sitting on the sidelines, we're losing significant market share." The National Council of Farmer Cooperatives (NCFC) said in a separate statement, "With over 95% of consumers living outside the U.S., these agreements are an important step in expanding trade opportunities for American agriculture," adding the agreements will give farmers, ranchers, agribusiness and co-ops greater access to both commodities and value-added products. The other organizations participating in the press event were the American Farm Bureau Federation, the National Association of Wheat Growers, the National Cattlemen's Beef Assn., the National Pork Producers Council and the National Corn Growers Assn.

Vilsack, AFBF's Stallman Call for Immigration Reform

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Secretary of Agriculture Tom Vilsack and American Farm Bureau Federation President Bob Stallman this week demonstrated rare agreement when they met on a USDA teleconference to call for full reform of this country's "broken" immigration system. Vilsack echoed many of the White House's talking points - border security, holding business accountable for breaking the law and providing "clear guidance" to other companies - but it was Stallman who made the hard points on the need for recognizing ag needs an "adequate workforce." Stallman said $5-9 billion a year in production is dependent on immigrant workers now in the U.S. whether legally or illegally, with California representing the lion's share at $3 billion in production reliant upon immigrant labor, many with fraudulent documents. He said most vulnerable are specialty crops, but the livestock sector, especially dairy is also vulnerable. When asked about E-Verify, an electronic system used to verify a worker's legal status, Vilsack said the cost of the system on small business is a concern. Stallman added it's an important but short-term tool, and under the current system there's no alternative labor supply, meaning the loss of workers currently sustaining production. Stallman said AFBF supports reform of the current guest worker program, but also wants to see innovation, including biometric identifiers that would allow workers to cross into the U.S. to work. A large part of the problem, Stallman said, is that the jobs being done by immigrant labor are jobs "American workers will not do." Vilsack said there are too many bureaucratic obstacles in USDA to try and fix the situation administratively and full legislative reform is needed.

White House Lays Out "Regulatory Relief" Plan

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Calling it "immediate steps to significantly reduce burdens on individuals, small businesses and state and local governments," White House officials this week laid out what they call the President's "regulatory relief plan." Office of Management & Budget (OMB) Director Jack Lew and White House Office of Information & Regulatory Affairs Administrator Cass Sunstein held a conference call May 26, during which they laid out the "results of the president's retrospective analysis of existing regulation" as announced in an executive order to his administration to identify pending, prospective and existing regulations for the potential such rules have to be "job killers." Highlights of the analysis were given during the press briefing and included an OSHA final rule that will remove over 1.9 million hours of redundant reporting requirements, saving up to $40 million annually; OSHA will also propose a rule to harmonize U.S. hazard classifications and labels with those used by other countries for a $585 million savings; EPA will propose eliminating redundant requirements for many states to require air pollution vapor recovery systems due to existing automobile pollution control technologies; savings of $670 million, and the Departments of State and Commerce are developing a series of steps to eliminate unnecessary barriers to exports, including duplicative and unnecessary regulatory requirements.

House Ag Appropriations Subcommittee Makes Heavy Cuts to FY2012 Ag, FDA Budgets

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The agriculture/FDA subcommittee of the House Appropriations Committee this week made serious cuts to FY2012 discretionary spending, with FDA sustaining an 11.5% reduction. Overall, ag and FDA took a 13.4% cut from FY2011 levels, a 23% drop below President Obama's request, for an overall $2.6-billion reduction. No action was taken to reduce farm program payouts. And while the Commodity Futures Trading Commission (CFTC) had requested a $100-million increase to deal with a heavier workload dealing with regulation writing as a result of the Dodd-Frank Wall St. Reform Act, the subcommittee cut commission existing spending levels by $30 million. If mandatory spending is included, the bill actually saw a 3% increase. Rep. Jack Kingston (R, GA), chair of the subcommittee, said "tough choices are necessary to right the ship," and full committee chair Rep. Hal Rogers (R, KY) said the bill represents the committee's commitment to go line by line through the President's FY2012 budget recommendation to find savings. The bill appropriates about $125.5 billion, nearly 90% of which is mandatory spending for food stamps, women, infant children (WIC) nutrition programs and farm program payments. Rep. Rosa DeLauro (D, CT), the former chair of
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the subcommittee when Democrats controlled the House, was the most outraged at the bill. When it came to cuts in WIC, which took a 12.4% reduction, DeLauro said, "This breaks a 15-year bipartisan commitment to what we do about women, infants and children. It's just morally and unconscionably wrong that we're going to watch women and children go hungry." She also criticized the bill for "rolling back years of progress" on food safety by cutting FDA funding. The bill also carries language barring USDA from spending money to administer the Biomass Crop Assistance Program, the Rural Energy for America Program, the Rural Microentrepeneur Program, and the Federal Crop Insurance Act to provide a performance-based incentive premium discounts. Full committee ranking member Rep. Norm Dicks (D, WA) said the bill represents "a perfect example of Republican's commitment to short-sighted budgeting."

The USDA Grain: World Markets and Trade Report

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For the month of May the report indicates that prices could remain volatile, but overall are likely to remain in line with global stocks. A highlight of the report notes that Russia and Ukraine export restrictions will be lifted on June 30 which should return market share to those producers while affecting wheat prices. As related to the United States wheat industry: It is expected that the United States will lose market share in the Western Hemisphere as Canada regains market share in Central and South America.

Excerpt Below

This could be another year of volatile prices with tight exportable supplies of corn and wheat. In contrast, the rice world supplies are relatively abundant. Against the backdrop of low carry-in corn and wheat stocks, expectations of a large rebound in global exportable supplies now remain uncertain after delayed corn plantings in the United States, reduced U.S. winter wheat production, continued dryness in the EU, and wet conditions in Canada. Global corn production is forecast up 52 MMT over last year, with the United States expected to account for half of the gain. However, nearly all of the growth in global corn consumption is expected to come from foreign demand, in countries such as Brazil, China, and Mexico. For wheat, the year-to-year gain in production is a more modest 21 MMT, with more than three-quarters of the rebound coming from larger expected crops in Russia, Ukraine, and Kazakhstan. As a result, production and consumption are expected to be in balance, compared to last year's shortfall of 14 MMT. Corn and wheat ending stocks in the exporting countries are up slightly year-to-year, leaving little supply cushion in the event of adverse weather impacting crops. For corn, the exporting countries are: Argentina, Brazil, and the United States. For wheat the exporters include: Argentina, Australia, Canada, EU, United States, Kazakhstan, Russia, and Ukraine. For rice, record supplies and large ending stocks in the exporter countries (Thailand, Vietnam, India, Pakistan, and the United States) contrast with wheat and corn, where stocks are still tight.

A key price factor for the world wheat market is the level of stocks held by traditional exporters:

Australia, **Canada**, the **EU**, **Argentina** and the **United States**. Ending stocks are expected to tighten somewhat this year. The biggest drop is in the United States, but stocks are still abundant. Slight increases are expected in Australia and the EU, partly offsetting the decline. Although stock levels are expected to recover in Russia and Ukraine, restrictive government export policies will continue to impact prices.

Selected Importers

Global trade is relatively unchanged from last year. However, there are several offsetting changes. Import demand is lower in **North Africa** primarily due to larger crops in **Morocco** and **Egypt**. Similarly, **Mexican** imports are expected to decline due to improved production prospects. **EU** imports are higher because of expected availability of feed-quality wheat from Ukraine. Increases are also expected in several **Middle Eastern** countries, particularly **Iraq**, **Saudi Arabia**, and **Israel**. Imports are rising in I**ndonesia** due to expanding milling capacity. **Nigeria** is also raised due to higher expected milling capacity utilization.
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Selected Exporters

Black Sea Countries* Expected to Boost Market Share- U.S. /EU Drop

Current export restrictions in both **Ukraine** and **Russia** are expected to end June 30. Less restrictive export policies during 2011/12 are expected to facilitate exports. With the resumption of exports, their global market share is expected to double, while that of the **United States** and the **EU** is expected to drop. Last year, the **United States** made considerable gains in the Middle East and Egypt, a primary purchaser of Russian wheat. Bulgaria and Romania were able to export low-quality wheat used as bread flour in Bangladesh and in feed rations in Southeast Asia. However, it is expected that Ukraine will once

again provide low-quality wheat to these markets.

The United States Expected to Lose Market Share in the Western Hemisphere as Canada Rebounds

With a rebound forecast in both production and quality, **Canada** is expected to recover market share in the Western Hemisphere, particularly in Peru and Mexico, at the expense of the **United States**.

Full report: [Grain: World Markets and Trade Report]