



# California Association of Wheat Growers

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## Newsletter

October 8, 2010

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### Upcoming Events

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-October 22-25 - NAWG Fall Wheat Conference

-December 14 CAWG and CWC

### In This Issue

[Upcoming Events](#)

[CAWG and CWC Lend a Hand at Urban Wheat Field II](#)

[USDA Small Grains, Stocks Reports Show Wheat Numbers Up](#)

[California Passes Budget](#)

[General Budget Framework](#)

[Pension Reform](#)

[Agricultural Issues](#)

### CAWG and CWC Lend a Hand at Urban Wheat Field II

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The California Association of Wheat Growers and California Wheat Commission participated along with more than 60 growers and 19 state organizations in the Wheat Foods Council's Urban Wheat Field in Washington, D.C.

Jim Parsons (President of CAWG), Mike Bouris (CWC Commissioner), Janice Cooper (CWC Executive Director) and Nick Matteis (CAWG Executive Director) represented the California Wheat industry in guiding Congressional staff, Washington D.C. natives, and various curious passersby through a quarter acre of live wheat in pallets on Washington D.C.'s National Mall. The event was a huge success as the wheat industry came together to show the public and members of Congress the wheat chain from farm to fork at the second Urban

Wheat Field.

In addition to the quarter acre wheat field, the display included a full sized combine,



multiple demonstration flour mills, a mobile baking operation, baking demonstrations, nutritional and trade education displays. While the Wheat Foods Council sponsored the event, the National Association of Wheat Growers Washington D.C. staff and members, U.S. Wheat Associates, and various experts in the areas of milling, baking and nutrition were also integral to the organization and success of this event.

### **USDA Small Grains, Stocks Reports Show Wheat Numbers Up**

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USDA's Sept. 30 small grains report showed 2010 wheat production at 2.22 billion bushels in 2010, down 2% from the August forecast but up slightly from 2009. Grain area is 47.7 million acres, down 4% from last year. The U.S. yield is a record high 46.7 bu./acre, 2.3 bu. higher than last year and 1.8 bu. higher than the previous record set in 2008. The levels of production and changes from last year by type are: winter wheat, 1.49 billion bushels, down 3%; spring wheat, 627 million bushels, up 7%; Durum wheat, 111 million bushels, up 2%.

Oat production is estimated at a record low 81.9 million bushels, 6% below the August forecast and down 12% from last year. Yield is estimated at 64.6 bu./acre, down 1.7 bu.

from the last forecast and down 2.9 bu. from last year. Barley production is estimated at 182 million bushels, down 1% from the Aug. 1 forecast and 20% below 2009. Average yield per acre, 73.6 bu., is up 1.3 bu. from August and 0.6 bu. from last year and is the highest yield since estimates began in 1866.

USDA's Sept. 30 Grain Stocks Report, meanwhile, had all wheat stocks up 11%. All wheat stored in all positions on Sept. 1 totaled 2.46 billion bushels. On-farm stocks are estimated at 826 million bushels, down 1% from last September. Off-farm stocks, at 1.63 billion bushels, are up 19% from a year ago. The June-August 2010 indicated disappearance is 740 million bushels, up 12% from the same period a year earlier.

Durum wheat stocks in all positions on Sept. 1 totaled 106 million bushels, up 4% from a year ago. On-farm stocks, at 76.8 million bushels, are up 4% from the previous year. Off-farm stocks totaled 29.0 million bushels, up 5% from a year ago. The June-August indicated disappearance of 40.2 million bushels is up 24% from the same period a year earlier.

### **California Passes Budget - Record 100 Days Late**

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This morning, after an all night session, the California State Senate passed the final budget bill that was approved earlier in the morning by the State Assembly. The bill was immediately sent to the Governor and will likely be signed this afternoon or tomorrow morning. While the summary below illustrates a balanced budget, most observers believe that the budget will be immediately out of balance and still require some IOU's to be provided to businesses. This budget will likely require the new legislature and Governor to readdress the budget in January. The budget includes approximately \$7.4 billion in actual cuts and \$10 billion in other budget tricks such as increase in borrowing from special funds, reliance on unrealistic financial assistance from the federal government of \$5.4 billion and an increase in revenue assumptions. The budget also includes a constitutional amendment that will be voted upon in June 2012 creating yet another "rainy day fund."

Below are three summaries; the first, a general overview of the budget as it was compiled to address the approximately \$18 billion deficit. Second, is a synopsis of one the pension reform and finally, a short summary of some of the impact on agricultural business.

### **General Budget Framework**

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The budget package includes a combination of significant expenditure reductions, federal relief, additional revenues, and fund shifts. In addition to addressing the 2010-11 budget, the package includes many ongoing solutions and permanent reforms: (dollars in billions):

Starting Problem.....-\$17.9

|                                    |        |
|------------------------------------|--------|
| Expenditure Reductions.....        | 7.4    |
| Federal Funds.....                 | 5.4    |
| Additional Revenues .....          | 2.4    |
| Fund Shifts, Other Revenues.....   | 2.9    |
| Alternative Funding.....           | 0.5    |
| Baseline Workload Adjustments..... | -0.3   |
| Total Solutions.....               | \$18.3 |
| Final Reserve .....                | \$0.4  |

**Pension Reform**

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One of the Governor's main issues this year was to make progress in addressing public employee pensions and the state growing unfunded pension liability. The budget makes the following changes to state pensions for new state employees hired on or after November 10, 2010. These changes would impact state employees in bargaining units that do not currently have a Memorandum of Understanding (MOU) with the state, as well as employees of the California State University system, the judicial branch of government, and the Legislature. These changes do not apply to current employees.

Rolls Back SB 400 Pension Benefits. New state employees' retirement benefits would be returned to the pension benefit levels that existed prior to the adoption of SB 400 (Chapter 555, Statutes of 1999) as detailed in the chart below:

Retirement Category Current Retirement Proposed Formulas

Miscellaneous 2% at Age 55 (up to 2.5% at 63)

2% at Age 60 (up to 2.418% at 63)

Industrial 2% at Age 55 (up to 2.5% at age 63)

2% at Age 60 (up to 2.418% at age 63)

State Public Safety 2.5% at Age 55 2% at Age 55

Peace Officer and Firefighters, with the State, CSU, Legislature and Judicial branch

3% at Age 50 2.5% at Age 55

Ends Pension "Spiking." Requires three-year final compensation method of calculating benefit levels for new state employees who are not already under this calculation method.

Transparency. Requires additional analysis and oversight of CalPERS' actuarial assumptions.

### **Agricultural Issues**

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The California Department of Food and Agriculture and other entities that provide services for the agricultural community generally escaped significant budgetary impact.

CDFA funding was generally stable from current year. They will endure some unallocated cuts but this should be absorbable. There is a \$15 million "loan" to the general fund from the "agricultural fund" which is compiled from fees on licenses and regulated businesses.

Williamson Act - The Williamson Act was funded at \$10 million. This is a significant reduction from the statutory allocation of approximately \$40 million but a significant increase from current year which was funded at \$1,000.

Water Board Fees - a coalition of agricultural water interests were successful in getting a proposed \$13 million cost for additional enforcement and permitting authority allocated from the general fund rather than fees as was proposed by the Governor and earlier legislative budgets.

Elimination of all negative "trailer bill language" - in the final week of negotiations, several elements arose in the budget "trailer bills" that would have negatively impacted agriculture including additional delta water fees, additional regulations on pesticides and uses and additional environmental regulations. After much opposition by the agricultural community these provisions were removed from the final bills.