



California Association of Wheat Growers

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## Newsletter

January 28, 2010

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CAWG Attends NAWG/US Wheat Associates Winter Conference and Visits the "Hill" in Washington D.C.

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Last week the California Association of Wheat Growers attended the National Association of Wheat Growers winter conference in Washington D.C. Jim Parsons, (CAWG President), Larry Hunn (CAWG Board Member & US Wheat Associates Board Member), Doug Grupe (CAWG Board Member) and Nick Matteis (CAWG Executive Director) attended, as well as Janice Cooper (Executive Director California Wheat Commission) and Roy Motter (US Wheat Associates Board Member). During the conference CAWG members participated in discussions on industry issues such as: research; 2012 Farm Bill and the Federal Budget; trade and regulations. In addition to attending the conference, the team met with various Congressional offices carrying a message of support for increased trade, sound Farm Bill Policy and continued support for wheat research as being vital to a successful wheat industry.

### **USDA Tosses Out 'Options,' Fully Deregulates GE Alfalfa without Condition**

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Dodging the jibes of Capitol Hill and essentially recognizing there would be no middle ground for opponents and supporters of genetically enhanced (GE) alfalfa, USDA this week opted to fully deregulate Roundup Ready alfalfa. House Agriculture Committee Chair Frank Lucas (R, OK) praised

the USDA decision, saying extensive review of GE alfalfa has shown it to be safe, and that USDA is doing the right thing. The American Soybean Assn. (ASA) said it supports USDA's decision, saying the decision to fully deregulate without conditions, such as USDA-directed planting restrictions, shows the department is adhering to a science-based system of review and approval. The department had examined several options regarding the environmental impact of the GE crop, including a formal environmental impact statement, as well as involving every stakeholder to discuss options to get the GE alfalfa into fields. In addition to the deregulation move, USDA is reestablishing two advisory committees - the Advisory Committee on Biotechnology and the 21st Century, and the National Genetic Resources Advisory Committee. Other steps taken in the context of the deregulation decision include conducting research to ensure genetic integrity, production and preservation of alfalfa seed; refining and extending current models of gene flow in alfalfa; requesting proposals through the Small Business Innovation Research program to improve handling of forage seeds and detection of transgenes in alfalfa seed and hay, and providing voluntary, third party audits and verification of industry stewardship initiatives.

Wheat Prices Prompted By Dry Conditions

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**Larry Stalcup**

### **Corn & Soybean Digest**

Driving through major winter-wheat-producing areas finds many fields being blistered by blowing dirt as dreadful dry weather lingers over much of the region. And it's adding further fuel to higher prices already bumped by the recent grain supply-and-demand report.

"Dry conditions in major wheat growing areas are providing strength to the wheat market," says Mark Welch, Texas AgriLife Extension grain marketing economist. "July Kansas City Board of Trade (KCBT) wheat traded as high as \$9.23 and one half Friday and closed above \$9 for the second straight day."

In re-examining last week's USDA supply-and-demand numbers, Welch notes that U.S. ending stocks were reduced by 40 million bushels due to an expected increase in export demand. World grain stocks increased, as a revised estimate in beginning stocks, plus 0.75 million metric tons (mmt) offset a small decrease in production of 0.69 mmt and use declined 1.2 mmt.

"The corn, soybean and wheat futures markets responded to the USDA reports with higher prices that set new highs," says Melvin Brees, University of Missouri Food & Agriculture Policy Research Institute (FAPRI) agricultural economist. "Besides tight carryovers - domestic and foreign demand is strong - there have been foreign production concerns and increased U.S. acreage with large production is needed in 2011."

As measured by days-of-use on hand at the end of the marketing year, Welch says the current estimate is a 98-day supply, up from 97 in December. In the USDA Grain Stocks report, U.S. wheat supplies remain adequate. All wheat in all positions is above 2009-2010 and the five-year average. The current projection for ending stocks of 818 million bushels is below 2009-2010 but still above average.

Last week's Winter Wheat Seedings report showed a 3.6-million-acre increase in winter wheat sown last fall compared to 2010. Total winter wheat planted is estimated at 40.99 million acres, just below the 10-year average of 42.6 million. Kansas acres were up 400,000 and many soft wheat states showed increases, says Welch. Also, Missouri was up 380,000; Illinois, 410,000; Indiana, 180,000; Ohio, 150,000; and Michigan, 270,000. "If we lose yield or acres in the west to dry conditions, total wheat output will be offset somewhat by increased acreage of higher yielding soft wheat," says Welch.

He points out that ahead of the S&D numbers, speculative investors pulled back in their net long

positions. "Index funds were down about 48,000 contracts on the week and hedge funds were down about 11,000," he says. "The price index was down just over 12 points." Following last week's bullish S&D numbers, open interest in wheat, corn and soybean markets increased by over 200,000 contracts. "Hedge funds added to net long positions by over 50,000 contracts while index funds decreased net long holdings by about 17,000," says Welch. "The grain price index rose to 861, the highest level since 892 on July 15, 2008. On that day corn was trading at \$6.80, soybeans \$16.30, soft wheat at \$8.19 and KC wheat at \$8.53."

### **Lucas Wants CFTC to Submit Derivatives Rulemaking to OMB Review**

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Saying the Commodity Futures Trading Commission (CFTC) is creating "an irrational sequence of rule proposals," House Agriculture Committee Chair Frank Lucas (R, OK) has asked CFTC Chair Gary Gensler to voluntarily submit rulemakings based on the Wall Street deregulation package enacted last year to the Office of Management & Budget (OMB), even though the commission is an independent federal agency and exempt from a recent White House mandate on rule reviews. Lucas, and Rep. K. Michael Conaway (R, TX), chair of the panel's subcommittee on general farm commodities and risk management, said in a letter to Gensler this week they strongly recommend the reviews. Lucas warned when the financial re-regulation package was enacted it would lead to heavy rulemaking on non-Wall Street companies engaged in over-the-counter financial derivatives. Lucas and Conaway said the rulemakings mandated by the law and the way the CFTC is approaching the rulemakings do not allow meaningful public comment.

Vilsack Calls Record China Soybean Buy 'Strong Sign' of China Trust

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In the wake of the largest single daily soybean sale since USDA began issuing daily sales reports in 1977 - 2.74 million tons to China - Secretary of Agriculture Tom Vilsack said the sale should be taken as "another strong sign" that the Chinese view the U.S. as a reliable supplier of high-quality products. Vilsack said U.S. farm exports to China have grown nearly 10 fold over the last decade, from \$1.5 billion in FY2000 to \$15 billion this year.

### **EPA Remains at Center of Federal Regulatory Misbehavior**

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A draft outline circulating this week of the House Energy & Commerce Committee's priorities for the new Congress shows EPA to be squarely at the center of the committee review panel's intension to hold extensive oversight hearings into Administration environmental and energy policies and programs. Congressional Quarterly, which obtained the outline, said the committee intends to put the brakes on EPA's regulation of greenhouse gases, demanding a cost-benefit analysis of the rulemaking. The panel said it would also examine where waste exists in Obama energy stimulus packages.