



California Association of Wheat Growers

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## Newsletter

May 20, 2011

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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

### State Policy Updates:

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Ag Card Check Bill Heads to the Governor

The "Card Check" for agriculture bill, SB 104 (Steinberg) passed the Assembly floor Monday, May 16th on a vote of 51-26. The bill now heads to the Governor. Once delivered, he will have 12 days to act on the legislation. The main concern with the bill is the elimination of a secret ballot election. Upon presentation to the Ag Labor Relations Board of "cards" signed by a majority of the workers for one specific union, that union must be certified. Concern exists that elimination of the secret ballot will result in opportunities for external pressure from farm worker unions because

they will know who has "signed" a card and who has not. They will then be able to pressure workers - outside the sanctity of the private voting booth.

There is a broad coalition of ag and business groups opposing this legislation and running a targeted public information campaign consisting of op-ed pieces, advertisements and lobbying. Governor Brown has been briefed by ag advocates on the bill including the significant negative consequences to farmers and farm workers from this legislation. We strongly encourage all involved in agriculture including farmers, suppliers and processors to send a letter opposing SB 204 (Steinberg) to the Governor. Letters should be addressed to:

The Honorable Jerry Brown, Governor
State of California
State Capitol, 1st Floor
Sacramento, CA 95814

Letters can be faxed to (916) 445-4633

Governor Releases May Revise

On Monday May 16th, Governor Brown unveiled a revised state budget that reduces by nearly \$3 billion the amount of taxes needed to balance the budget. The increased revenues impact both the current year deficit and help by allowing budget forecasters to assume that next year the state can expect to see increased revenues of a similar amount - approximately \$3 billion. This reduces the expected deficit by \$6 billion. However, the Governor was quick to remind Californians there is still a large structural deficit of an estimated \$10 billion. Key budget revisions include:

- Increases funds for K-12 public schools by \$3 billion.
- Amends the Enterprise zone law restricting it to creation of "new jobs" only, includes a manufacturers investment tax credit, and requires larger multi state corporations to pay a "single sales factor."
- Cuts some Government Boards and agencies - eliminates 43 boards, commissions, task forces, offices and departments. As services are returned to the local level, the Departments of Mental Health and Alcohol and Drug Programs will be eliminated. The revised budget also proposes to merge the Healthy Families Program into the Medi-Cal program.
- Includes the savings from \$9 billion in cuts that were passed by the Legislature and enacted in March.

With the previous cuts, increase in revenues and other budget actions, the \$26 billion deficit has been reduced to \$9.6 billion. This remaining \$9.6 billion is composed of a carryover deficit from the current year of \$4.8 billion and an additional projected 2011-12 budget of \$4.8 billion.

Cereal Killer: Climate Change Stunts Growth of Global Crop Yields

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Scientific American: By David Biello May 5, 2011

A crop-yield analysis reveals that warming temperatures have already diminished the rate of production growth for major cereal crop harvests during the past three decades

The people of the world get 75 percent of their sustenance-either directly, or indirectly as meat-from four crops: maize (corn), wheat, rice and soybeans. The world's rising population-now predicted by the United Nations to reach 10.1 billion by century's end-has been fed thanks to rising yields of all four of these crops during the past century. Humanity's predilection for burning fossil fuels, however, is now contributing to the slowing of such rising yields, cutting harvests of wheat 5.5 percent and maize 3.8 percent from what they could have been since 1980, according to a new analysis of yields.

For full article click the following link: [Scientific American](#)

## Where Will Wheat Prices Go?

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Larry Stalcup - May 17, 2011

Corn and Soy Bean Digest

July Chicago wheat closed at \$7.27/bu. on Friday, the lowest price seen since mid-March. Kansas City July wheat ended the week at \$8.69, down from nearly \$9.50 just a few weeks ago. Volatility still rules, but there are worries that prices may not rebound as harvest approaches.

In the past, wheat, corn and other commodities have reacted to the volatile oil price market. Devo Capital Management, Pagosa Springs, CO, analyzes petroleum markets and says traders are trying to determine if early May's break in oil prices started a trend change or was just a correction in a bull market. "Normally when you have a break as significant as we saw, it would be accompanied by a drop in open interest," Devo says. "Last week we actually saw an increase in open interest. This is usually a sign that the bulls have not started throwing in the towel."

There have been projections that wheat prices could still swell toward \$10. But rainfall over some previously dry production areas and reports of China's intentions to raise its reserve requirements again have had a negative affect on commodity markets in general, say Kansas City Board of Trade (KCBT) analysts.

The U.S. dollar was trading higher and also pressuring Kansas City wheat futures. University of Illinois' *farmdoc* unit summarizes that global wheat production will return to normal following the Russian drought a year ago, which means fewer exports for the U.S. wheat producer. "However, U.S. wheat farmers are having production problems of their own with drought that has reduced yields in the central and southern wheat belts," *farmdoc* says. "U.S. production will be down, but there will be sufficient supplies to meet all domestic needs as well as provide some exports."

So it appears growers who make a crop should look at marketing when there are spikes in wheat prices. More rain will probably drown any rallies. More drought, will likely drive prices up. There

should be a few more good marketing opportunities on the table. But it's probably smart not to wait on \$10.

CFTC's Ag Advisory Committee Talks Convergence, Dodd-Frank

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Concerns about the effectiveness of markets for agricultural producers and new regulation under the Dodd-Frank law topped the agenda at the meeting of the Agriculture Advisory Committee for the Commodity Futures Trading Commission (CFTC) held this week in Washington.

Commissioner Michael Dunn, whose term on the CFTC will soon end, chaired the meeting, which brought together representatives from most major commodity and general farm organizations, including NAWG CEO Dana Peterson.

Much of the Committee's recent discussion has focused on problems with convergence between futures prices and cash prices, to the point that in some cases the futures market is not functioning effectively for farmers.

At this week's meeting, the group again discussed at length the side effects to farmers and others in the value chain of convergence problems and reviewed new variable storage rate (VSR) policies put into place by the Chicago Board of Trade (CBOT) and the Kansas City Board of Trade (KCBOT).

The CBOT VSR went into effect in July 2010, but commissioners said it is still too early to tell what impact the changes had because of large soft wheat supplies last year, which would affect convergence even in a normal year.

KCBOT's VSR policy goes into effect with this September's contracts, following what is expected to be a tight supply year for the hard wheat traded on that market, so commissioners and the ag community will be able to watch what effect the anticipated implementation of VSRs have on the market through the nearing harvest.

Commissioners also assured stakeholders CFTC will be monitoring the effectiveness of these contract changes over the next year or so in consultation with members of the Ag Advisory Committee.

Another major issue before the Committee was new regulations under the Dodd-Frank financial reform law. Concerns there have included position limits, and what exemptions will be available for those hedging in the marketplace, and the definition of swap dealers, including exceptions for those who have connections to end users that take possession of the physical commodity.

The stakeholders also got an update from commissioners about issues related to ongoing market volatility, planting progress and crop conditions, including an update on the impact to the agricultural industry of historic flooding along the Mississippi River.

Link: [Wheatworld](#)

## **White House Plays Worker Assistance Card on Free Trade Agreements**

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The White House said this week it will not formally submit Korean, Panama and Colombia free trade agreements to Congress unless trade adjustment assistance (TAA) to protect workers affected by trade deals is expanded and renewed.

Under "fast track" requirements on ratification of trade agreements, Congress has 90 days to act on the treaties once the Administration formally submits them to Capitol Hill.

The move is seen as a way for the Administration to leverage business support for the trade pacts and for the worker assistance in getting the TAA package renewed. TAA was renewed as part of the economic stimulus package enacted in 2009, but lapsed earlier this year. TAA carries protections for lost hours and wages, as well as expanded health benefits for workers due to increased imports. The GOP is split on the TAA package, while Democrats, including key members necessary for approval in the Senate want TAA as part of the trade agreement considerations.

The White House says reauthorizing the expanded package would cost about \$7.2 billion over 10 years. Sen. Mike Johanns (R, NE), during Senate floor remarks, called the White House move a "political game", adding "the Administration seems to be moving the goal posts, suggesting continued delay. They're trying to hold up these agreements to force us to make spending increases." He said U.S. trading partners will look elsewhere if this country continues to delay the trade agreements.

Stabenow, Dem Ag Committee Members Tell Obama: Let Us Cut Ag

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Senate Agriculture Committee Chair Debbie Stabenow (D, MI), joined by nine Democrats on the ag panel, sent a letter this week to President Obama opposing "imprudent cuts" in ag spending "at the expense of rural America and the 16 million jobs that come from agriculture."

Pledging agriculture will do its fair share to reduce spending and control deficits, the letter specifically cited "the extreme level of budget cuts to agriculture" - about \$48 billion so far, mainly from crop insurance and direct farm program payments - included in House Budget Committee Chair Paul Ryan's (R, WI) FY2012 budget resolution passed by the House.

Citing the committee's goal of "significant reforms" as it begins to write the 2012 Farm Bill, the letter hammered on agriculture "as an extraordinary high-risk undertaking," and points to the level of weather related damage done to production ag this year.

"Specific changes to Farm Bill programs should be left to the Senate Committee...with enough flexibility to ensure that our agriculture economy and rural America receive the necessary investments and tools to be successful," the letter said.

Other members of the Senate are wary of cutting too deeply into agriculture programs, warning increased risk and production costs will translate into higher food costs at the supermarket.

## **House Appropriations Committee's Subcommittee on Agriculture to Mark-up**

**its Spending Bill Next Tuesday: CAWG Members Support Needed!**

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The House Appropriations Committee's agriculture subcommittee is set to mark up its spending bill on Tuesday, May 24. Based on a schedule outlined by Committee Chairman Hal Rogers (R-Ky.), that bill will be marked up by the full Committee on May 31.

CAWG staff has contacted Congressional offices and joined with a coalition of 124 agricultural associations in seeking support for continued Research funding, Market Access Program funding, and Foreign Market Development funding set by the Obama Administration's 2012 budget.

CAWG members are encouraged to contact their Congress members and Subcommittee Members to express their support for these vital agricultural programs.