

Wheat Sheet

May 2002

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www.californiawheat.org

President signs farm bill May 13, 2002

What does this mean for wheat farmers?

Loan Rates, Direct Payment Rates and Target Prices

Crop	\$/Unit	Loan Rates			Direct Rates		Target Prices		
		Current	2002 Farm Bill		2002 AMTA	2002 Farm Bill	1995	2002 Farm Bill	
			(2002-03)	(2004-07)				(2002-03)	(2004-07)
Wheat	Bu.	2.58	2.80	2.75	0.46	0.52	4.00	3.86	3.92
Corn	Bu.	1.89	1.98	1.95	0.26	0.28	2.75	2.60	2.63
Sorghum	Bu.	1.71	1.98	1.95	0.31	0.35	2.61	2.54	2.57
Barley	Bu.	1.65	1.88	1.85	0.19	0.24	2.36	2.21	2.24
Oats	Bu.	1.21	1.35	1.33	0.02	0.024	1.45	1.40	1.44
Up. Cotton	Lb.	0.5192	0.5200	0.5200	0.0554	0.0667	0.7290	0.7240	0.7240
Rice	Cwt.	6.50	6.50	6.50	2.05	2.35	10.71	10.50	10.50
Soybeans	Bu.	5.26	5.00	5.00	NONE	0.44	NONE	5.80	5.80
Minor Oilseeds	Lb.	0.093	0.096	0.093	NONE	0.0080	NONE	0.0980	0.1010

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Congressional Members call for relief from Mexico's trade ban on California wheat

Mike Kahoe, California Association of Wheat Growers

In a letter spearheaded by Representative Wally Herger (R-Chico) and Representative Bob Filner (D-Chula Vista), California Members of Congress this month called on USDA Secretary Ann Veneman and US Trade Representative Robert Zoellick to help end Mexico's ban on imports of California wheat.

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Commodity Program Title

3-Piece Safety Net

Marketing Loan Provisions: The new farm bill will continue the current marketing loan program at increased loan rates for all crops except soybeans. All production will be eligible for the marketing loan.

Direct Decoupled Payments: Amount of the direct, decoupled payment will be equal to the product of the payment rate, the payment acres, and the payment yield. A producer can elect to receive up to 50% of the direct payment beginning December 1 of the year prior to the year the crop is harvested, and the balance of the direct payment in October of the harvest year.

Counter-Cyclical Payments: Counter-cyclical payments will be made whenever the effective price for a covered commodity is less than the target price. The payment rate for counter-cyclical payments is equal to the difference between the target price and the effective price for the commodity. The payment amount for counter-cyclical payments is the product of the payment rate, the payment acres, and the payment yield. If market prices are above target prices (as they were in 1996), the producer will not receive a payment and there will be no government expenditures.

For counter-cyclical payments, a producer can receive up to 35% of the projected payment in October of the year the crop is harvested; an additional 35% beginning in February of the following year; and the balance after the end of the 12-month marketing year for the specific crop.

Base Update: Producers will be able to retain their current AMTA base acres and add oilseed acres in a limited manner, or to update base acres using 1998-2001 acres planted and prevented planted to all covered commodities.

Updated Payment Yield: Allows producers who choose to update base acreage to the average of 1998-2001 plantings, the option to update yields for counter-cyclical payments only. The producer may choose to update using 70% of the difference between current AMTA yields and a full yield update based on 1998-2001 yields on planted acreage **OR** 93.5% of

1998-2001 yields on planted acreage. Provides a "plug" of 75% of the county average yield for years in which the actual farm yield is less than the county average yield. The yield choice is applicable to all covered commodities on the farm.

Payment Limits: The new farm bill continues the limit on direct payments at \$40,000; adds a \$65,000 limit on the newly formed counter-cyclical payments; reduces limit on LDPs and MLGs from \$150,000 to \$75,000; contains a separate payment limitation for the peanut program; retains current rules on spouses, 3-entities, and active engagement; adopts a \$2.5 million adjusted gross income cap on eligibility for participation in farm programs; and retains the use of generic certificates in the loan program. The total dollar limitation is reduced from \$460,000 in current law to \$360,000 in the new farm bill.

New Commission: The new farm bill creates a new commission to study and make recommendations on farm program payment limitations and their impact on farm income, land values and agribusiness infrastructure.

Hard White Wheat Incentive: The farm bill designates \$20 million for USDA to encourage farmers to grow hard white wheat. The incentive program will begin in 2003 and expire after three years. Program details have yet to be determined.

Website: USDA created a new farm bill website: www.usda.gov/farmbill. It will include farm bill program details, questions and answers, program applications and sign-up forms, as well as other important materials from USDA agencies on farm bill implementation. ♦

Who represents Calif. Wheat Growers in Washington DC?

The farm bill, trade issues, Karnal bunt, environmental rules, agricultural chemicals – they all affect your bottom line. Who is watching out for the California wheat grower in the nation's capital? Actually, five organizations are working on your behalf.

1. California Wheat Commission, with help from its national affiliates, the Wheat Export Trade Education

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Representation, *continued from page 2*

Committee, and U.S. Wheat Associates.

2. California Association of Wheat Growers, with help from its national organization, the National Association of Wheat Growers.

Funding. The California Wheat Commission is funded through check-off dollars, and the California Association of Wheat Growers by membership dollars. These resources allow national memberships and broad-based representation. Growers are encouraged to contact these organizations and provide their input on critical issues. Addresses and contact information for these organizations are on the California Wheat Commission website www.californiawheat.org. ♦

Karnal bunt: the saga continues...

The California Wheat Commission will prepare comments on Karnal bunt restrictions and compensation. Growers are encouraged to send individual letters or contact the Commission with suggestions.

Comments Due: July 1, 2002

Karnal bunt; Restrictions on the Use of Grain Originating in a Regulated Area
Docket No. 01-118-1

Karnal Bunt Compensation
Docket No. 01-112-1

Send to:
Regulatory Analysis and Development, PPD, APHIS
Station 3C71, 4700 River Road, Unit 118
Riverdale, MD 20737-1238
Or e-mail: regulations@aphis.usda.gov

Mexico's trade ban on California wheat, *continued from page 1*

The letter summed up the Members' request as: "We are writing to urge you to . . . resolve the current practice of Mexico's misuse of phytosanitary measures to ban imports of California wheat into Mexico." Representatives Bill Thomas, Zoe Lofgren, Doug Ose, Lois Capps, Calvin Ooley, Duncan Hunter, and George Radanovich joined Reps. Herger and Filner in signing the letter.

Mexico's ban on California wheat stems from an outbreak of Karnal bunt disease in Southern California and elsewhere in the Southwest US in 1996. Mexico at that time placed a ban on all imports from the states of California, Arizona, and New Mexico but only 5 counties in Texas. During the last six years, USDA has reduced the Karnal bunt quarantine in California to a single location—the Palo Verde Valley—but has added areas of Texas that have had active outbreaks of this wheat disease. Mexico has not modified its 1996 trade restrictions, continuing to ban all California wheat but not applying these provisions to the newly infected areas in Texas.

As the letter notes: "...all imports of California wheat remain prohibited in Mexico, even though the outbreak was quickly contained and USDA has removed most of the original restrictions as areas have been declared Karnal bunt free. The current

"We are very grateful that our Representatives in Congress have offered to help on this trade ban," said California Association of Wheat Growers President Charles Darway. "USDA recognized Mexico's efforts to contain this disease in 1997, and now allows shipments from the Mexicali Valley just across our border into the US. We are simply seeking equitable treatment and Mexico's recognition of the USDA quarantine zones."

"Expanded trade is the answer to low wheat prices in this state," said California Wheat Commission President Mayo Ryan. "Secretary Veneman and Ambassador Zoellick laid a great foundation for fair trade with Mexico in their recent MOU on Food and Agricultural Trade. We really look to them to add this trade ban issue in their continuing discussions with their Mexican counterparts."

Mexico is now a major market for US wheat, amounting to 2.2 MMT annually. In 2001, California wheat growers produced over 1.1 million tons in 32 counties. ♦

Apply for USDA Commodity Loans or Loan Deficiency Payments before selling crop

USDA adjusted California's Loan Deficiency Payment for hard red winter wheat as of April 1. There are three ways that farmers may take advantage of the posted county price being below the established county FSA loan rate:

- Stop by the local FSA office before harvest and complete form CCC-709 for crops being sold or fed directly from the field.
- Put the crop in eligible storage on the farm or at a warehouse, maintain beneficial interest, and then request an LDP by completing form CCC-666 at the FSA office. Select the optimal day to take advantage of the posted county price.
- Put the crop under a regular nine-month non-recourse loan and repay the loan at the lower of (1) the posted county price or (2) principal plus interest on the date of repayment.

Check daily LDP rates on the Commission website:

www.californiawheat.org. ♦

Bringing genomics to the wheat fields: a USDA-funded project to advance molecular biology tools in traditional breeding

Jorge Dubcovsky, PhD. University of California, Davis

Wheat breeders face a complex task trying to release improved cultivars. To accelerate the traditional breeding process the USDA is funding a project led by UC Davis (\$3,250,000 for 4 years) to promote and develop a set of technologies known as marker-assisted selection. The rationale behind marker-assisted selection is that "molecular markers", usually DNA fragments of different size, located close to the valuable gene are used as landmarks to select for a particular chromosome segment. Molecular markers are easy to detect and can be tested in very young plants. A consortium of 12 laboratories and breeding centers across the US is the backbone of this project, which currently has 350 backcrossing programs aimed at improving the quality and disease resistance of bread and pasta wheats.

For more information, visit the project website at

<http://maswheat.ucdavis.edu/>. ♦

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