



# Texas Wheat Producers

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## Wheat Price a Major Concern for Texas Producers

Across the state producers are harvesting wheat and many have found a lack of demand for their product. With wheat prices falling and a widening basis (the difference between the local cash price and the futures price), many producers are left with few options to market their crop.

During recent weeks, producers have seen the cash value of their crop fall dramatically, sometimes to less than \$3.00 per bushel, due to a record-setting basis. This drop in price is a direct reflection of an overly abundant world supply, declining export demand, and the high price of U.S. wheat on the world market. All of these factors, combined with a lack of storage space in some areas, have contributed to the low prices producers are seeing at their local grain elevators.

Ken Davis, chairman of the Texas Wheat Producers Board, expressed concern for the financial future of wheat producers in the state.

“These producers have already put in all the resources needed to grow the crop and there is no way for them to recoup those expenses,” said Davis, a wheat producer of Grandview, Texas. “If producers are forced to sell grain at the current cash price, it will impact their bottom line significantly.”

Texas AgriLife Extension Economist Mark Welch blames the unprecedented market conditions on concerns of the global economy, level of demand and the increase in buying power of foreign currencies.

“The European market is seeing a significant price advantage right now,” said Welch. “Buyers want to see where

the bottom is. There is no incentive to buy right now.”

Although the United States has a reputation of providing high quality wheat to overseas buyers, concern over quality characteristics - specifically the protein content - of the current supply have also limited demand.

“Historically when Texas has higher than average yields, the protein levels in the crop have been lower,” said Davis. “Buyers are looking at early reports which show favorable yields and are concerned with the possibility of lower protein levels.”

According to Executive Vice President Rodney Mosier, the board has been working with partner organizations to speed up the protein testing of harvested grain in an attempt to calm wheat buyers’ concerns.

“The higher protein and overall quality of the Texas crop is the reason overseas buyers pay the premium to purchase U.S. wheat,” said Mosier. “Until we can ensure our customers a top-quality product they likely will not invest the extra capital to purchase the higher priced commodity.”

No matter the cause, wheat producers are faced with the tough decision of what to do next.

The Texas State Office of the Farm Service Agency (FSA) announced the establishment of a county by county Distress Loan Program. The program, designed to aid producers in regions where grain storage is limited, will be available to producers in eligible counties who haven’t sold their grain.

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## Crop Report

Combines are steadily moving across the state and more than 60 percent of harvest has been completed.

Yields in most areas were stated as above average and test weights have been relatively high.

On June 10, NASS estimated the Texas production would reach 122.5 million bushels and average 35 bushels per acre. This estimate is a dramatic increase from the 61.3 million bushel production in 2009 and is up 23 percent from 2008.

Current condition rating still show the majority of the crop in good to excellent condition with most of the remaining acres considered fair.

Storms across the Panhandle have slowed harvest progress in some areas, but hot, dry conditions are expected. Flooding and large hail caused crop damage in isolated areas in the northern Panhandle.

Harvested wheat is currently averaging 11.5 percent protein, but as combines move northward some expect to see those averages rise.

## Wheat Price Continued...

Currently the program is available in Concho, Fisher, Gaines, McCulloch, Mitchell, Nolan, Runnels, Taylor, Tom Green, Yoakum, Briscoe, Childress, Collingsworth, Cottle, Culberson, Delta, Dickens, Donley, El Paso, Gray, Hall, Howard, Hudspeth, Kent, King, Martin, Motley, and Wheeler Counties.

“Although the Distress Loan Program will not fit the needs of all producers, it is a very important first step in helping producers navigate through the unfortunate wheat market,” Mosier said.

Other options include:

### *Marketing Assistance Loan.*

Producers can obtain an FSA Marketing Assistance Loan on wheat that has been harvested and is stored in a warehouse or on the farm. Sign-up occurs at the local FSA office. Loan rates are dependent upon the county, and interest rates are set each month. The loan must be repaid in nine months, but the loan

can give producers an influx of cash to pay expenses.

### *On-farm storage.*

Consider storing wheat until market conditions improve.

### *Commercial storage.*

If on-farm storage is limited or non-existent, producers can store their 2010 wheat production in a grain elevator.

### *Look for premiums.*

Although most local elevators aren't able to test for protein, it is important to communicate with several locations to determine if protein premiums are available.

### *Loan Deficiency Payments.*

Producers can also request loan deficiency payments (LDP) in lieu of placing the wheat in FSA loans. Beneficial interest in the commodity must be retained at the time the LDP is requested.

## Producers Testify at Farm Bill Hearing

“We are not going to have any extra money. We may not even have as much money as we do now,” said House Agriculture Committee Chairman Collin Peterson, D-Minn, as he opened discussion during the first round of 2012 Farm Bill hearings.

Peterson wasn't the only one to express concern about the farm program budget during the hearing held in Lubbock, Texas, last month. Producer leaders from across the state gathered to testify before eight House Agriculture Committee members during a series of nationwide farm bill field hearings. The hearings allowed producers and commodity groups to provide valuable input concerning U.S. farm policy.

David Cleavinger, a wheat producer from Wildorado, Texas, provided testimony on behalf of the Texas Wheat Producers Association. Cleavinger discussed the importance of maintaining the budget baseline for the farm bill; the critical role crop insurance plays in the farm safety net; the industry's interest in continued



focus on conservation programs; and the importance of a robust trade agenda.

Cleavinger relayed the concerns of producers across the state regarding the farm program budget baseline. In the last decade the farm program budget was reduced during 2005 budget reconciliation and again in the 2008 farm bill and Cleavinger said further cuts could seriously affect the stability of the food production industry.

## Farm Bill Hearing Continued...

While discussing farm programs, Cleavinger addressed the growing complexity of program sign-up and eligibility, and expressed opposition to payment limitations which seemed to gather interest with the committee.

“As far as I am concerned, there shouldn’t be any payment limits,” Peterson said. “I am for any farm that makes economic sense and a safety net that follows production.”

In early April, a NAWG-commissioned survey revealed that several Texas producers still relied heavily on direct payments and producer testimony reinforced that message. According to Cleavinger, direct payments are constantly attacked by those who do not understand the agricultural industry but “the reliability of the program cannot be overlooked.” Several producers described the direct payment as essential to the lending process and a tool to ensure WTO compliance.

Despite testimony favoring the continuation of direct payments, producers on each panel were asked if they would be willing to forego the payments in favor of a more comprehensive crop insurance system which could be a foreshadowing of what’s to come.

All panel members explained the importance of the crop insurance program and expressed the need for higher coverage levels and enhanced flexibility. Cleavinger’s testimony revealed that in 2009, 76 percent of Texas wheat acres were covered by at least one form of federal crop insurance and stressed the importance of a fair and financially responsible Standard

Reinsurance Agreement to maintain the budget baseline.

Congressman Randy Neugebauer, R-Texas, also admitted that crop insurance should be a priority.

“What we hear time and time again from our producers is that the current crop insurance program is not working well for them,” Neugebauer said. “It doesn’t cover the risks that they are taking, it doesn’t give them adequate coverage, doesn’t give them very many choices.”

Aside from farm program policy, Cleavinger also addressed the importance of trade to the wheat industry. He cited pending free trade agreements with Colombia, Panama and South Korea, and a recent bill to ease trade restrictions with Cuba as key priorities.

“With large carryover stocks and optimum crop conditions across several wheat-growing regions, having viable international markets for our wheat is vital,” Cleavinger said. “It is now more important than ever to maintain and grow our markets and if we fail to do so, our competitors will capitalize on the opportunity.”

As 2012 Farm Bill discussions progress, the TWPA will provide valuable information to key decision-makers and work to ensure that U.S. farm policy represents the needs of Texas wheat producers. For more information on TWPA policy priorities or to provide input concerning farm policy as it relates to your operation, please contact our office by phone: 806-352-2191, or email: [info@texaswheat.org](mailto:info@texaswheat.org).

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