

## BILL TO INCREASE PRODUCER INVESTMENT IN WHEAT SIGNED BY GOVERNOR

The Kansas Association of Wheat Growers solicited the 2008 Kansas Legislature for an increase in the wheat assessment authority from 10 mills per bushel to 20 mills per bushel. House Bill No. 2897 was passed by the Kansas House of Representatives, the Kansas Senate and has been signed by Governor Kathleen Sebelius.

This legislation gives authority to the Kansas Wheat Commission to collect up to two pennies per bushel. This does not raise the actual assessment to two pennies. Since the legislative authority has been approved, Kansas wheat producers will have opportunities for input into the assessment rate collected before any decision is made by the Commission to collect a higher amount. The last time the wheat assessment authority was changed in statute was 1982. At this time, the authority was raised from 3 to 10 mills. It has been 26 years since the assessment authority was changed.

Kansas Wheat has developed a long-term strategic plan to help Kansas wheat producers meet the challenges of the future. Kansas Wheat is the cooperative agreement between the Kansas Wheat Commission and the Kansas Association of Wheat Growers who have joined together to be leaders in the adoption of profitable innovations for wheat. Through several below average harvests and decreasing wheat acres, the Kansas Wheat Commissioners have done their best to maintain essential investments. Even with dramatic cuts in expenditures, reserves have been depleted.

Maintaining essential investments is important, but to enhance the competitiveness of wheat by facilitating the development and adoption of innovation for wheat producers, additional investment is needed.

## AG SECRETARY CONFIRMS COMMITMENT TO OPEN MARKET

U.S. Department of Agriculture Secretary Ed Schafer has personally confirmed the department's commitment to keeping the U.S. wheat market open to all buyers. Sec. Schafer responded on April 7, 2008, to a letter from USW President Alan Tracy and National Association of Wheat Growers (NAWG) CEO Daren Coppock urging USDA to resist calls for restrictions on wheat exports.

Tracy and Coppock suggested that "the Department and U.S. wheat producers have invested...to develop overseas markets...As a result (U.S. wheat), has earned a valuable reputation as the world's most reliable supplier. Responding to a short-term supply crunch by restricting exports would be ill-advised...and would undermine the reputation of our industry."

Sec. Schafer agreed, saying: "Please be assured that curtailing exports is a not a viable response to tight domestic markets. We believe that markets function best without government interference, especially during these volatile times. Shutting down exports would override normal market signals, creating greater market uncertainty." He noted that curtailing exports would "jeopardize the acreage expansion that we expect to occur this spring."

The Secretary said there is ample evidence that market incentives are very effective at generating supply increases, citing the record response to increased biofuel demand by U.S. corn producers. He also said early, penalty-free release of Conservation Reserve Program (CRP) acres will not be offered in 2008—largely because USDA does not believe early release will have a significant impact on planted acreage and because of the proven, vital environmental benefits of the program.

"We are very pleased with the Secretary's response," Tracy said. "It is important that U.S. wheat producers and their customers understand that the U.S. government and the U.S. grain industry are in the business of promoting exports, not impeding them. The U. S. is by far the most open and reliable grain supplier in the world."

## WHEAT GROWERS SPEAK OUT ABOUT MARKET VOLATILITY

The National Association of Wheat Growers (NAWG) provided the wheat producer perspective about how commodity futures markets are functioning to the Commodity Markets Council and Commodity Futures Trading Commission in April 2008. NAWG 2nd Vice President Jerry McReynolds, a Woodston, Kan. wheat producer and former president of the Kansas Association of Wheat Growers, and Bing Von Bergen, a wheat producer from Moccasin, Montana, participated.

The two wheat growers highlighted the effect of volatile market conditions on wheat producers and discussed possible solutions to the situation.

"NAWG recommends the following for consideration by the Commodity Futures Trading Commission, the Commodity Markets Council and the exchanges:"

1. "Subject index funds to the same position limits applied to speculators and revisit the recent decision to expand speculative position limits. The market needs access to speculators, but they should not be allowed to manipulate the market. The primary function of the market as a risk management tool for legitimate hedgers must be restored. Applying limits to speculators and including index funds in that category should allow the fundamentals to reassert a dominant role, enabling the markets to clear without excessive volatility. In order to avoid creating immediate downward pressure on prices, imposition of the limits may need to be delayed for an appropriate length of time."
2. "Revisit limits on daily trading ranges to see if adjustments can be made to reduce volatility while still allowing the markets to clear. The exchanges may want to adopt uniform maximum trading ranges or use the "collars" common in financial markets as ways to manage trading range flexibility. We're not entirely sure what the right answer is to this question but we think it deserves another look."
3. "Re-establish Toledo as a delivery point for Chicago and consider other ways to increase delivery opportunities against the contracts on all the exchanges. The threat of actual delivery will provide a much-needed dose of fundamental reality to speculators (including index funds)."
4. "Consider the recommendations of the National Grain and Feed Association to improve market convergence. These recommendations include, among others, adjusting load-out and storage rates at delivery elevators to more closely match market rates."
5. "NAWG does not support the recent proposal by the Treasury Department to merge the Securities Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC). Commodity and capital markets serve different purposes, with the most important function of commodity markets being to transfer risk. The Treasury proposal identifies several changes that need to be made to SEC before a merger would take place, and perhaps SEC should implement those changes – but we see no justification for merging the two agencies in this volatile trading environment."

"Futures markets are very important to wheat producers and other stakeholders in the wheat industry. We believe these steps will help restore the basic function of risk management to the markets and improve their performance."

