



Ranking Republican, Senate Agriculture and Rural Economic Development Committee

July 31, 2006

Dear Neighbors,

Like many other wheat farmers, I'm in the middle of harvest, that key time of year which determines the success of a crop. My crew and I have been harvesting wheat for more than a week, and things are looking good so far. I figure our harvest will be finished in less than two weeks. After it's completed, we'll see how wheat prices fare and whether this year's harvest will be lucrative or not.

Unfortunately, many fruit growers and other farmers in parts of Eastern Washington won't even get the opportunity to harvest their crop this year. As many of you know, severe storms pounded much of the region on July 4-6. There are reports that up to \$90 million in fruit was lost due to the storms. The upper Wenatchee Valley and the Lake Chelan area near Manson bore the brunt of the damage. The storm, which produced hail the size of ping-pong balls, ruined a large portion of what is considered to be the world's best pear crop. Manson apple growers lost up to 75 percent of their crop, and a significant portion of the cherry crop in the Manson area was damaged as well.

It could be a devastating loss for fruit growers who already face challenges posed by tough regulations, higher labor costs and a more competitive world market. Fruit growers aren't the only ones hurt by the storm. Fruit storage facilities will be negatively impacted since there will be less fruit to keep in cold storage.

Gov. Gregoire recently asked United States Secretary of Agriculture Mike Johanns to designate five Eastern Washington counties – Adams, Chelan, Douglas, Lincoln and Okanogan – as farm disaster areas, making farmers eligible for emergency low-interest loans. The declaration could provide emergency low-interest USDA Farm Service Agency loans to cover production and farm property losses to farmers in the five counties plus adjoining counties. Other Eastern Washington counties were impacted by the storms as well.

A spokesman with the state Department of Agriculture said if farmers living outside of the five would-be designated counties experienced crop damage from the early-July storms, they should contact their county Farm Service Agency representative as soon as possible. There is a 90-day window from when the damage occurred to when the state can request help from the feds, so that would mean the window closes in early October. Attached is a link to the directory of the county FSA representatives in Washington: <http://www.fsa.usda.gov/wa/countyoffices.htm>.

News clips and quips

As a farmer and as ranking Republican on the Senate Agriculture and Rural Economic Development Committee, I try to be well-informed on stories dealing with ag issues. Three articles in the July 28 issue of the Capital Press agriculture newspaper caught my eye.

News clip #1: Craig Smith, vice president for government affairs with the Northwest Food Processors Association told Capital Press reporter Peggy Steward that the food processing industry in the Washington Columbia Basin is threatened by delays in finding solutions to the Odessa Subarea water crisis, in which the Odessa aquifer is being depleted, with no immediate solution on hand.

Quip: As the article noted at the end, there is new support to complete the second half of the Columbia Basin Irrigation Project. The Legislature and governor this year approved a landmark proposal (E2SHB 2860) that provides water resource management in the Columbia River Basin. It seeks to make more water available in Eastern Washington by storing water in new reservoirs, and by making conservation and infrastructure improvements in existing facilities. In addition, the Legislature and governor OK'd my bill (ESSB 6151) that eases "use it or lose it" water relinquishment rules in the Odessa aquifer region. My proposal is seen as a short-term solution to the Odessa problem, while the Columbia Basin water management bill is viewed as a long-term fix. Even though the Legislature this year passed measures that impact the Odessa aquifer situation, the problem there is far from solved. Significant financial help from the federal government, as well as the state, is needed – and soon – to avoid the potential catastrophe that could hit this region in a few years. If the aquifer dries up and no alternative water source is established and in operation, it will be disastrous for farmers, businesses and residents in this arid area.

News clip #2: A Capital Press editorial said the U.S. Department of Agriculture's Economic Research Service recently reported that 9.9 percent of Americans' disposable income is spent on food, up from 9.7 percent in 2004. However, the editorial noted, it had dropped below 10 percent for the first time in U.S. history since 2000. The editorial later said, "Farmers are paid, on average, less than 20 percent for every dollar that people spend on food. In 1950, they received 41 cents; in 1980, they were still making 31 cents on average."

Quip: It is a real credit to farmers and others in the U.S. agriculture industry that prices have remained so low, allowing consumers to spend more of their money on other items. Food prices here are still a bargain compared to many other countries. Unfortunately, farmers are seeing a smaller share of the money made from food sales, while processors, wholesalers and retailers are getting larger shares. It's something to keep in mind when farmers have to absorb extra costs like higher fertilizer and diesel prices, and the annual hike in the state's tops-in-the-nation minimum wage.

News clip #3: Cougar Gold, WSU's famous white, sharp cheddar cheese, earned a gold medal at the 2006 World Cheese Awards in London this June.

Quip: Congratulations to the WSU students who manufacture Cougar Gold. Those of us who support Wazzu have known for years the high quality of Cougar Gold, so it's nice to see it recognized on a world stage.

Congress needs to agree on offshore drilling bill

As I noted in the July issue of the SRC Energy Update, there was encouraging news earlier this month when leaders in the U.S. Senate produced a compromise on offshore oil and natural gas drilling. The deal would limit new offshore development – outside the central and western Gulf of Mexico – to an area of the eastern Gulf known as Lease Area 181, and would protect waters within 125 miles of the Florida coast.

The next step is for the U.S. Senate to pass this proposal and then work out a compromise with the U.S. House of Representatives on this issue. The House last month passed a bill that would end, beyond 50 miles, the long-time drilling moratorium that has been in effect in virtually all water outside the central and western Gulf of Mexico, although the proposal would give states a way to maintain the drilling ban if they chose. The Senate plan, which could see Senate floor debate as early as this week, would keep the current ban intact and extend it by 10 years to 2022.

Republicans, according to Congressional Quarterly, are hopeful in overcoming a likely challenge by the Democrats to the measure. This area of the Gulf of Mexico has the potential to produce an

estimated 1.26 billion barrels of oil and 5.8 trillion cubic feet of natural gas, says Texas Republican John Cornyn. That is enough natural gas, he added, to heat and cool nearly six million homes for 15 years.

It's very important that the House and Senate reach a worthy compromise on offshore drilling soon. Natural gas is the key component of nitrogen fertilizer on which farmers depend. Fertilizer prices have risen dramatically, making the U.S. more dependent on foreign fertilizer. Higher fertilizer prices are yet another extra cost that farmers in Washington and elsewhere must endure.

DOE has online form for Odessa aquifer water relinquishment exception

As I mentioned earlier, the Legislature last session passed ESSB 6151, which I prime-sponsored. This new law aims to conserve water in the Odessa aquifer by allowing groundwater right holders in the Odessa Groundwater Subarea, as defined in Chapter 173-128A WAC, to leave part or all of their water in the aquifer without worrying about losing the unused portion of the water right under the "use it or lose it" water relinquishment law.

This new law is now in effect. The Department of Ecology has an Odessa Subarea Conservation Relinquishment Exception form available online. Below is a link to this form:
<http://www.ecy.wa.gov/biblio/ecy070222.html>

People interested in signing up for the water relinquishment program should contact Ecology's Eastern Regional Office in Spokane at 509-329-3400. Water Resources Program staff can answer questions and confirm whether someone's well is within the Odessa Subarea covered by the legislation.

Tax exemption for farm equipment, parts now in effect

On July 1, farmers could start taking advantage of the exemption from the sales and use tax on replacement parts for farm machinery and equipment, but only if they obtain a tax exemption certificate from the Department of Revenue. According to the Department of Revenue, 3,398 farmers have applied for the certificate as of last week, and DOE has issued 2,732 certificates. As many as 30,000 farmers may qualify. The certificates must be presented to retailers before a purchase to receive the sales tax exemption.

DOR is encouraging farmers to download certificate applications from <http://dor.wa.gov/content/home/TaxTopics/NewFarmExemptions.aspx> and submit them to the department for approval. Farmers who do not have Internet access can call toll-free at 1-800-647-7706 to obtain applications. The DOR Web site is <http://dor.wa.gov>.

I recently was asked by a farmer if the exemption covers irrigation circle parts. Such parts are indeed exempt from this tax. To qualify for the exemption, farmers must annually sell at least \$10,000 in agricultural products that they've grown, raised or produced.

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