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Tri State Seed Co. LLC Newsletter December 2017

Observations

I learned a lot at the recent Tri State Wheat Growers Convention. One thing I learned was just how good we as producers have it when it comes to merchandising our grain. I was listening to Justin Gilpin, the Executive director of the Kansas Wheat Commission, speak at a breakout session along with Mike Miller of the Washington Grain Commission. Justin was explaining how grain was marketed in the Midwest and I was flabbergasted. When a grower sells his wheat, the merchandisers give him a station average grade in many cases. This means his grade from the elevator has a standard deduction for dockage, no premium or discount for protein, and they would never even think about falling numbers testing! They do usually grade for test weight, damaged kernels and visible sprout and fusarium head blight or scab. Consequently the poor grower has no incentive for cleaning up the dockage in his sample or fertilizing for protein. The growers are paid on the station average of the grain received for the year. Part of the reasoning behind this I believe is the lack of segregation and the volume of grain received at harvest. At least that is what the elevators' operators will tell you.

The truth is there is a completely different set of grade specifications used by the elevator companies when they merchandise the grain to the end user. In many cases this is a domestic miller or an exporter with a very different set of parameters for buying wheat. They have a protein scale and a dockage scale and in some cases a Dark, Hard and Vitreous scale and other specs that the elevator can capitalize on with minor segregations. The grower sees none of this. The larger elevators and their merchandisers reap the benefits of protein premiums, test weight and low dockage wheat because the mills and exporters are basically captive to this system. Justin showed us cases where the grower would take a \$2.00 per bushel beating on his price because of the system. This has been going on for some time. In 1987 and 88, I served on the Federal Grain Inspection Advisory Board as a producer member representing the WAWG. This was practiced then, only the system was abused even worse, many discounts for dockage on the Mississippi were 2%, and that was the standard practice. My point here is not to chastise the way grain is marketed in the Midwest, but to assure you we have a much more equitable system of grading and settlements in the PNW. I know one thing for certain, if I were raising wheat in Kansas, I would be building grain storage as fast as my little hands could put nuts on bolts. At least you would preserve the grain's identity so you would have some ability to negotiate your pricing directly with a mill.

CRP Planning for 2018

Some of you called us with your CRP grass needs early this year. That was a good decision. We were able to save you \$20.00 per acre in some cases. The native grass supplies became very tight this year when the large institutional buyers came into the market early and bought up many of the good lots. Consequently the lots they didn't want due to any one of a number of factors were what we had left to pick from late this season. The very best time to call us and lock in a price for your needs is April and May, just before the new crop grass is harvested. Supplies are good and the price is low. When the state and federal agencies start to buy grass they can run the price up quickly. I give thanks for a good relationship with our supplier. They were able to keep us competitive late into the season.

We can do something that not many of our competitors can when buying grass, we can and will guarantee your pricing for a 24 month period if you book your needs early. This works just like a hedge, except we do it internally. This way you always get the lowest pricing for the season, if you book it early. Ask Jason Thomas in Coulee City, we actually lowered his contracted grass price \$2.00 per acre because he was smart enough to book a whole year in advance. Don't make the mistake of waiting.

National Yield Initiative

The Tri State Wheat Commissions also met at the Wheat Convention last week in Spokane. The one issue we were unanimous on was our endorsement of the National Wheat Foundation's contest for the highest yielding wheat in each participating state. The contest is a good idea in the fact that it encourages growers to use the latest genetics and the best management practices associated with obtaining maximum yields, right!? Wrong! The single thing the organizers left out of the contest was any mention of an end use parameter for quality. Instead, they used a FGIS grade of number 2 or better as the sole qualifier. Come on guys!! Our customers, both domestic and export based, have the reasonable expectation of receiving wheat that meets at least a minimum standard of functional quality. We don't exactly know what that minimum standard looks like, but it shouldn't take too long to figure out. All the breeders releasing varieties in the West attend the Pacific Northwest Wheat

Quality Council meetings annually to examine the functional quality performance of their newest releases. The Council is composed of cereal chemists, domestic millers and other end users, who for many years now have published the minimum standard for new releases for everyone to see. The same thing happens in the East. It should not be hard to summarize some of the more predictive indicators of end use quality for this contest. Without a minimum quality standard for this yield contest, the message to the grower is dangerously counterintuitive. Yield, yield, yield, and YIELD, is not the answer to increase prices nationwide. I can enter the contest with a European HRW that yields 200 bushels per acre, with the end use quality of a brick, and win. What does this prove? You get my point!

Moisture Conservation in Dryland Wheat Systems

We have a dryland research unit in Lind Washington, and they do dryland research right!? So why are they not studying dryland systems that include direct seeding. Listen to the following narrative, please.

This summer needed to find another field of Crescent wheat mucho pronto. So we did our research and found one. While I was investigating the field, in person, looking for all the normal things that cause us concern, I learned something that really impressed me and impressing me is not an easy thing to do at age 67. Here is what I found. We walked across the road and were standing in a field harvested in 2016 with a stripper header. The straw was about 35" tall. The grower lit a cigarette and dropped it in the field. He said he wanted me to watch! Watch the smoke! I did. The smoke went straight up the straw 35 inches, and then drifted away with the wind, which was about 5 MPH out of the SW. The grower said, "What did you see?" What I saw hit me right in the face, I couldn't believe it. The evapotranspiration rate at the level of the soil was obviously nil. The grower told me to grab some dirt and check the moisture, so I did. Again, couldn't believe my eyes. It was very moist, actually wet within an inch of the surface, perfect for seeding. This took place about August 1st. The grower commented that he thought he had the moisture conservation thing figured out, but his normal drill was not going to clear the residue. My opinion is he figured out the hardest part, the drill will come along. Short message, I was truly impressed. Not a bit afraid to admit it. We are very close to having the issue of direct seeding into undisturbed soil in the less than 12" rainfall area figured out. I used this example to illustrate just how much excellent on farm research is happening. I admire creative people breaking new ground, pun intended. We are all getting pretty good at the whole tillage thing, and it is really hard to change when you have been successful for so long. It becomes conventional wisdom.

Inventory Reduction Sale

You know how you accumulate stuff around the shop? Well we have the same issue, people order stuff and don't take it, we order too much..... You get the vision—here you go, if anything strikes your fancy; give us a call.

1. Forage Complete Alfalfa 60-10, fall dormancy 6, winter hardiness 2.5, one year old with great germ, non-detect. \$3.10/lb.
2. DeKalb 43-13 coated alfalfa, 4000 lbs. two years old with good germ, make offer.
3. PGI 427 Salt tolerant alfalfa, 4000 lbs.
4. Trifecta 6 Alfalfa – fall dormancy 6 winter hardiness 2. Not GMO free.
5. WL343HQ – good supply, call for pricing.
6. WL377HQ – this is the brand new hot rod alfalfa from WL – we have 3500 lbs. non-detect and can get more.
7. Haybet beardless barley -1150 lbs. old inventory small bags.
8. Everleaf 126 Oats – great supply
9. Bolt Spring Triticale – 27,500 lbs. California forage type. Will deal on this.
10. Teff Grass – one tote at 1650 lbs. food grade Teff, last of the lot, \$1.50/lb.
11. Everleaf 126 and Flex Pea blend – 300 lbs.
12. Crusader Diploid Italian Rye Grass – good supply, this is a two year grass, (diploid), plant in spring, graze all year, sets seed the following summer.
13. Elk habitat grass and forb blend, approx. 30 acres. Make offer.

Alfalfa Hay May Set New Export Record

Capital Press 11-21 says the hay exports this year may exceed 5 million Metric Tons at a value of \$1.4 billion. Japan is still the largest importer, followed by China/Hong Kong, then South Korea in third position followed by United Arab Emirates. Saudi Arabia was fifth up 257.3 percent over 2016. What does this mean? It means it's been a long road back to profitability, but as supply tightens we should see a nominal increase in price. In 2014 when the dock strike put the export markets in the dumpster, the road to recovery has been arduous. But exports have risen 56% in the first six months of each year since then. These numbers are from Daniel Putnum at UC Davis Extension alfalfa forage specialist.

So, are we ready to play the quality game? Tri State Seed Co has a great supply of non-detect seed poised and ready for you.

We have both fall dormancy four and fall dormancy five alfalfa's developed specifically for the Columbia Basin. We have primarily repeat business which tells me the alfalfa is doing the job in the commercial market. If you want to spring plant alfalfa, give us a call and we will send you a tech sheet.

The Importance of Soil Organic Matter

The reason we bring this next piece to your attention is simple. Everything we do revolves around the percent of organic matter in the soil. Water holding capacity, nutrient availability, soil aggregation etc... If you take care of the soil... the soil will take care of your crop.

Soil organic matter:

1. Helps build stable aggregates, thus improving soil structure and tilth.
2. Improves aeration and water penetration.
3. Improves moisture-holding capacity.
4. Provides an abundance of negatively charged colloidal particles (humus) capable of holding and exchanging nutritive cations.
5. Acts as a buffering agent by decreasing the tendency for an abrupt pH change in the soil when acid—or alkaline -forming substances are added.
6. Affects the formation of metal-organic complexes, thus stabilizing soil micronutrients that otherwise might not be available.
7. Provide a source of many plant nutrients.

It is important to recognize that the major plant nutrients may not exist in soil organic matter in sufficient quantity to sustain maximum crop growth. Soil organic matter usually contains 5 or 6 percent nitrogen and lesser amounts of phosphorus. These nutrients must be mineralized to lesser form during decomposition before they become available. There is some evidence that small quantities of organic compounds can be absorbed directly by plants without mineralization. The contribution is small however, in the overall nutrition of crops.

Organic matter is the source of energy for soil organisms as they multiply and carry on their life processes. Ammonia produced during mineralization may be nitrified to NO₃ (nitrate) by nitrifying bacteria.

Soil microbes require nutrient elements just as do plants. In the process of breaking down an abundant supply of organic matter, a rapidly growing population of microbes will rob the soil of available nitrogen. This may temporarily reduce plant growth if the soil supply of nitrogen is not sufficient to take care of the needs of both the microbes and growing plants. By adding nitrogen fertilizer, both the growing crop and soil organisms can have a plentiful supply to meet their needs. The recycling of nitrogen from crop residues to soil to growing plants is a part of the soil nitrogen cycle.

Nutritional Value

Food grown "organically" has no more nutrition value than food grown with chemical fertilizers, according to a report of the Institute of Food Technologists. Plants use the nutrients in the soil for their own growth and maturation, and it makes no difference from which source these nutrients come.

Everything a plant uses, and everything thus passed on to those who eat the plant or its fruit, is broken down into molecules; this process takes place equally well whatever the source of the nutrients.

The IFT summary reported that "the term 'organic' has taken on a new connotation referring to food from soil that has been treated only with animal manure and composted materials," in contrast to the dictionary which implies that all food is organic because it is the product of living organisms, plant or animal.

The report also discussed the recycling of municipal wastes to solve the problems of waste disposal and nutritional deficiencies.

According to one authority, Harvard nutritionist Jean Mayer, the so called "organic" foods may escape pollution by chemicals, but they tend to become the most biologically polluted of all foods.

"Organic fertilizers of animal or human origin are obviously the most likely to contain gastrointestinal parasites." Mayer said.

The People That Are Buying Our Wheat Are Not the People that Purchased Your Father's Wheat!

Washington Grain Commission chairman Mike Miller made a very interesting presentation at the Tri State Wheat Growers Convention. I am abbreviating the content here. Mike is also incoming president of US Wheat Associates, our overseas technical affiliate that is responsible for positioning our wheat in overseas markets. Mike reminded us of the demographic shift in our market over the last 25 years. In 1985-90 the exports of all US wheat looked like this: Mid-East/N. Africa = 30%. East and Southeast Asia = 25%. China was responsible for 13%, Latin America 14%, the Indian Sub. Continent 8%, Sub. Saharan Africa



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= 5%, and Europe imported 6% of the total.

Compare those numbers to the current situation: Asia is responsible for 43%, Latin America also 43%, and the combined total of Europe, Mid East, and Africa is at 14%.

This quantum shift in trade partners has been beneficial in some ways but also puts the US producer at terrible risk. What risk you say? Think about our change in administration, the potential re-negotiation of the NAFTA treaty, the Trans Pacific Partnership etc. Uncertainty makes our customers nervous, more than nervous. Mexico is currently buying more of their wheat now from Argentina. US Wheat Associates is currently engaged in positioning our wheat as a food ingredient rather than a “cheapest wheat commodity,” which is smart because of the shift in marketing demand. Countries with population demographics containing a large segment of their workforce that are younger, having families, and building their careers are demanding more products containing wheat of higher quality. That is where we need to be. That is where we must be. We are fortunate in the PNW to have our entire system from breeding to our segregation focused on maintaining the highest quality grain in the world. I sincerely hope the Midwest reorient their thinking to accommodate this changing demographic. If they don't, I hope they build more feedlots. Right now, most of our customers want nothing to do with wheat of marginal functional quality.

We are going to give you two phone numbers to call, don't be bashful about this... just remember your union buddies on the coast have telephones also. If you think you can't make a difference... your wrong!

The National Congressional switchboard number is 202-224-3121.

The White House switchboard is 202-456-1111.

Identify yourself, speak slowly, and please consider supporting the re-negotiation of the NAFTA and staying involved in the TPP. Literally our collective future may depend on your call.

Blessings to you all during this Thanksgiving Season!
Dana Herron Craig Teel Grady Gfeller Margaret Krug Nathan Robbert
Our office number is 509-234-2500.