



Washington Association of Wheat Growers

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June 4, 2020

Dear Secretary Perdue,

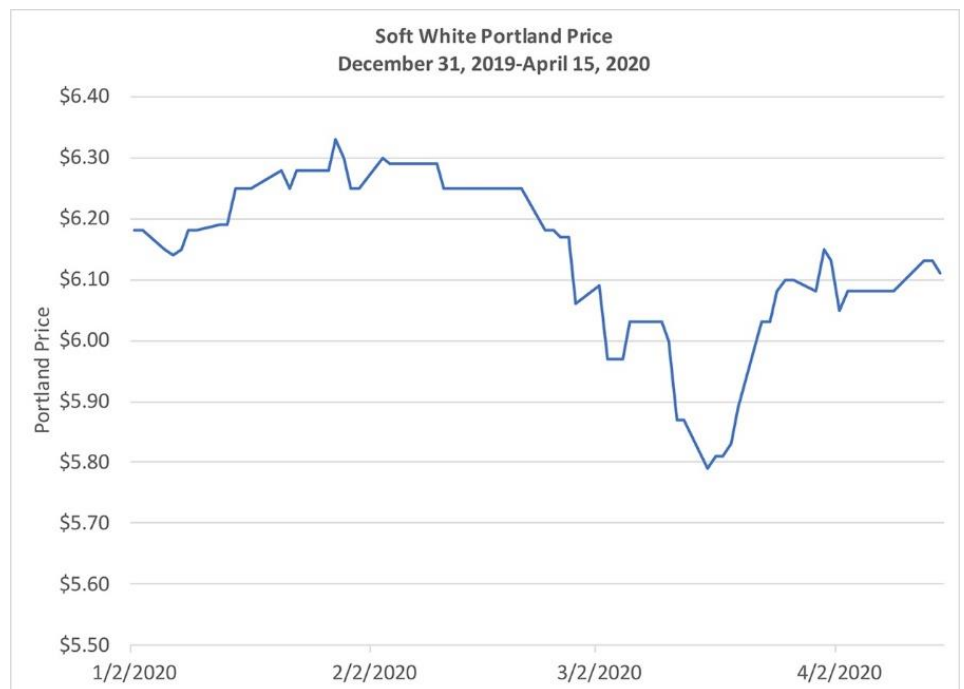
The Washington Association of Wheat Growers and its grower members wish to express their thanks to the U.S. Department of Agriculture (USDA) for the agency's efforts in trying to repair the damage COVID-19 has caused to the nation's agricultural industry.

As wheat farmers across Eastern Washington begin making preparations for harvesting their 2020 crop, many of them are still struggling. The wheat industry has endured several years of prices so low they barely cover inputs, overseas markets have eroded thanks to retaliatory tariffs and general trade uncertainty.

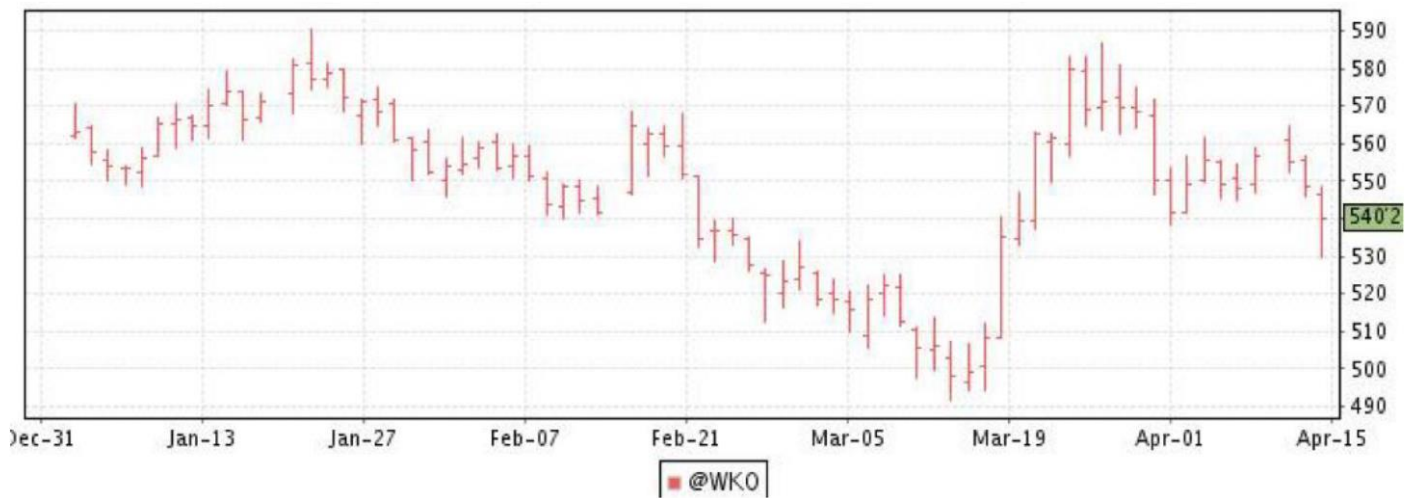
Approximately 85 percent of the crop grown here is shipped to overseas markets, making our farmers particularly vulnerable in times of market instability. That is one reason we were so disappointed to learn that the majority of our growers would be ineligible for the Coronavirus Food Assistance Program (CFAP).

About 80 percent of the wheat grown in Eastern Washington is soft white wheat. That class of wheat, along with two other classes (soft red winter and hard red winter), was deemed ineligible for CFAP based on the program's requirements. Never before has a farm program made an eligibility distinction based on the class of wheat. It is our contention that all classes of wheat suffered severe price drops during the first quarter of 2020, therefore all classes of wheat should be eligible for CFAP.

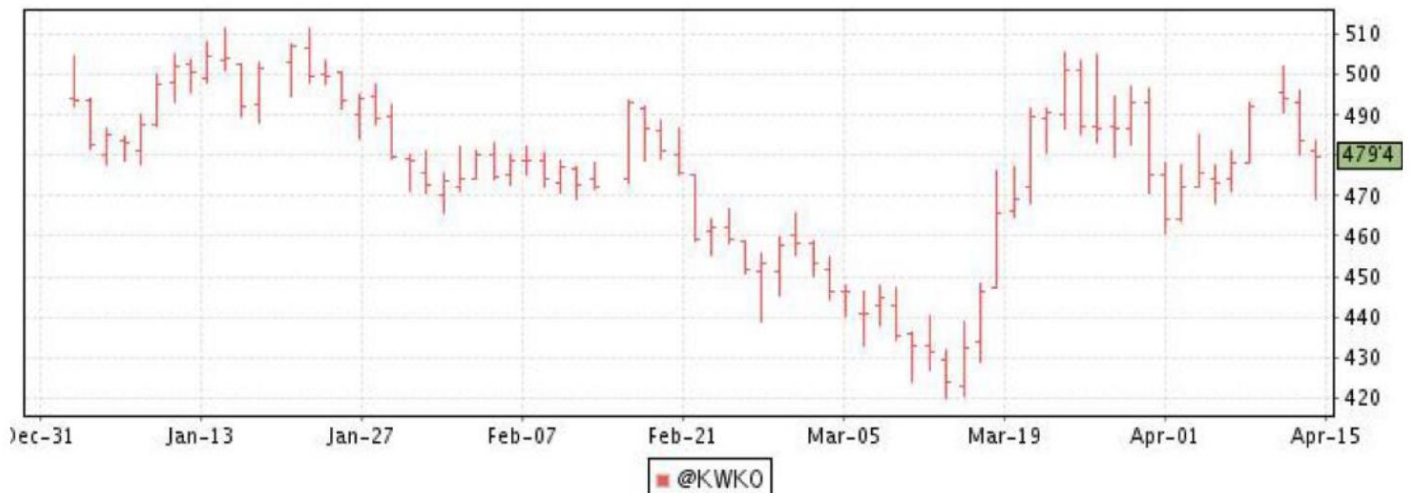
When considering eligibility for CFAP, USDA compared pricing during two, five-day time periods between January and April of 2020. The decline for soft white wheat, calculated this way, was 2.4 percent, which is below USDA's 5 percent benchmark. However, as demonstrated in the chart to the right, the soft white Portland price from January to April actually swung more than 8.5 percent from its highest price of \$6.33 on Jan. 28 to its lowest point on March 16 of \$5.79. That swing is more than 3 percent higher than USDA's benchmark during a critical marketing time for wheat producers. The price loss experienced by producers who sold wheat during that period is not accurately reflected in the formula used by USDA.



Soft red winter and hard red winter futures contracts both saw drops of more than 10 percent during this time frame. The May futures contract for Soft Red Winter wheat on the Chicago Board of Trade ranged from a high of \$5.77 a bushel in January to a low of \$4.98 per bushel in March.



The Hard Red Winter wheat May futures contract on the Kansas City Board of Trade ranged from \$5.07 per bushel in January to \$4.23 per bushel in March.



Ironically, wheat futures prices rebounded temporarily in April due to a consumer run on flour and bread. Unfortunately, that rebound did not translate into higher prices received on the farm. That double whammy means growers of soft white, soft red winter and hard red winter wheat not only missed out on improved prices reflective of market demand, but the higher futures prices in April pushed those classes of wheat below USDA's benchmark for CFAP eligibility. We feel the price chart above more than adequately demonstrates the market fluctuation our growers have endured during the pandemic.

Another issue we would like to see addressed that is specific to soft white wheat is that USDA has not revealed what price series they used, only that cash prices would be used for commodities for which there isn't a futures market.

We have heard that because depressed wheat prices existed before the rise of COVID-19, the wheat industry overall is less qualified for pandemic relief. We look at our members, many of whom are struggling, and we don't believe that is true. Every farmer, regardless of the crop they are growing, has been negatively impacted in ways that will be felt for months, if not years.

We are respectfully requesting that USDA consider overall price volatility during the entire January-to-April time frame for CFAP eligibility in order to account for the price drops all classes of wheat experienced in the 2019 crop year. We also urge you to consider providing assistance to growers of all wheat classes for the upcoming 2020 crop year. That harvest will begin in the next weeks and is being marketed in continued depressed conditions due to impacts from COVID-19 and retaliatory tariffs. Thank you for considering additional options for providing assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Poe", is centered on a light gray rectangular background.

Ryan Poe
President