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## **Wheat Price a Major Concern for Texas Producers**

AMARILLO, Texas, June 8, 2010— 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.

Over the past seven days, producers have seen the cash value of their crop fall dramatically, often to less than \$3.00 per bushel, due to a record-setting basis. This drop in price is a direct reflection of declining export demand, overly abundant world supply 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, contribute to the low prices and lack of demand 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 yesterday 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.

"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.

The distress loan program will cover ground or any unapproved on-farm storage for 75 percent of the estimated quantity. Rates will be based on current county loan rates. The 90 day distress loan must be repaid, including interest, but will provide producers additional options when grain storage is severely limited.

Wheat loans are also available through FSA which cover 100 percent of the eligible quantity if the crop is stored in state or federally approved facilities or approved farm storage. The loan term is for nine months using the county loan rates where the commodity is stored. Market gain repayments will be in effect.

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

Producers are encouraged to contact their county FSA office for additional information.

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