

The Hard White Wheat Incentive Program in the 2002 Farm Bill

Mykel Taylor¹

Proponents of hard white wheat (HWW) have focused on improved milling and baking qualities and other characteristics that appeal to domestic and foreign wheat buyers. Although not a new class of wheat to growers in Australia and Turkey, the United States has had very little HWW production until the last decade. As a result, the recent passage of a new farm bill that includes a program specific to HWW has spurred discussion. The objective of this publication is to describe the new Hard White Wheat Incentive Program in the 2002 Farm Bill.

The advantages of HWW to millers and consumers include higher extraction rates and a sweeter taste in whole-wheat products. The drawbacks to HWW have come on the production side. Growers face issues such as competitive yields, growing conditions that cause pre-harvest sprouting, and the extra time and effort of maintaining an identity preserved commodity. Even with the advantages to millers and consumers, many producers have not been convinced the premiums for growing HWW are enough to cover the cost of segregation and certified seed (see *MF 2498 Economic Issues with Certified and Bin-Run Wheat Seed*²). All these issues have contributed to the problems facing an emerging market: The demand would exist if the supply were constant and stable. The supply will emerge if the demand is strong enough to encourage it. The question remaining is how to jump-start the process.

Research and Development

Some of the issues that have deterred significant levels of production are being resolved. Researchers at Kansas State University first began developing varieties of HWW in 1982. Since that time, four varieties (Heyne, Betty, Trego, and Lakin) have been made available by general release

from K-State. Other varieties were made available to the American White Wheat Producers Association a decade earlier. Trego, released in 1999, has performed very well over the past several years in K-State performance trials. Trials conducted in the western portion of the state show Trego leading both hard white and hard red varieties in yield performance. The occurrence of pre-harvest sprouting is also greatly reduced in the drier climate of western Kansas, making the variety very well suited to that area.

By dedicating significant resources to the development of HWW varieties, researchers are releasing high quality varieties for both the producer and the miller. In *MF 2499 Economic Issues with Milling Hard White Wheat*³, the quality attributes of different HWW varieties with regard to flour extraction are discussed. The results of a three-year trial by the Wheat Marketing Center in Portland, Oregon indicate milling extraction rates for several HWW varieties are higher than for hard red varieties. Part of this performance advantage is due to higher test weights of the HWW varieties. The cost savings that higher extraction rates provide to millers has resulted in economic incentives for varieties with consistently higher extraction rates.

Marketing

The promise of expanded foreign markets and better milling and baking qualities of HWW has resulted in several contracting programs in various states including Colorado, Idaho, Kansas, Montana, Nebraska, and Oklahoma. Some programs are aimed at reaching a critical mass of production to begin trading with foreign buyers. Other programs are designed to provide a secure supply of wheat for specific wheat-based products. In either case, premiums have been an integral part of the

contract. Although premiums vary greatly, the base premium is typically \$0.10 per bushel.

Contract requirements also vary. Most contracts require certified seed to be planted. Some companies require the use of their own genetics by requiring specific varieties to be planted. In most cases, the varieties have unique characteristics that make the wheat well suited to a particular end product. Other requirements include selling all the grain back to the contracting company and no replanting of seed. This is usually intended to protect the genetic purity of the HWW crop.

Hard White Wheat Incentive Program

Despite the efforts of researchers, contracting programs, and other proponents of HWW, plantings in Kansas have not grown significantly in the past several years. Estimates of plantings for 2002 are expected to be flat compared to 2001 acreages. In an attempt to expand both the market and production of HWW, a government program was added to the Farm Security and Rural Investment Act of 2002. In this program, money was set aside to provide incentive payments to producers of HWW. The goals of the program are to boost acreage of HWW through monetary incentives, while accounting for quality and market development.

The HWW incentive program has available \$20 million for the three consecutive crop years 2003, 2004, and 2005. Enrollment in the program is capped at 2 million acres. The program will pay producers \$0.20 per

bushel for grain meeting the quality standards. Producers will also receive an additional \$2 per acre if certified seed is used. This additional payment only occurs during the producer's first year of participation in the program. The yield cap is 60 bushels per acre and producers must certify their HWW acres with the county FSA office.⁴

The requirements of the program can be categorized into two areas: quality and market demand. The HWW produced must be graded #2, or better, to qualify for the incentive payment. Protein will not be a determining factor of quality for this program. To account for market demand, the producer must "demonstrate...that buyers and end-users are available for the wheat to be covered by the incentive payment." An elevator settlement sheet meets this requirement. The sheet can be taken to the county FSA office to receive the incentive payment. The settlement sheet must indicate how the wheat graded and the variety of wheat must be declared to the purchaser at the time of delivery.

The remaining provisions of the program indicate both domestic and export production will qualify for the incentive payment. HWW grown under contract, as well as for open production, also qualifies if the quality standards are met. The program will not attempt to modify existing markets. That is, local markets determine where the production of HWW will occur. Other details of the provisions will be available upon final announcement of the program by the Secretary of Agriculture.

¹ Extension Assistant, Department of Agricultural Economics, Kansas State University, Manhattan, KS, August 13, 2002. Written for 2002 Risk and Profit Conference held at Manhattan, Kansas, August 15-16, 2002.

² Boland, M., K. Dhuyvetter, and M. Howe. *Economic Issues with Certified and Farmer-Saved Wheat Seed*. MF 2498, Kansas State University, July 2001 <http://www.oznet.ksu.edu/library/agec2/mf2498.pdf>

³ Boland, M., and K. Dhuyvetter. *Economic Issues with Milling White Wheat*. MF 2499, Kansas State University, May 2002. <http://www.oznet.ksu.edu/library/agec2/mf2499.pdf>

⁴ A spreadsheet for analyzing the costs and benefits of certified seed costs can be found at <http://www.agecon.ksu.edu/kdhuyvetter/>