

HARNEY COUNTY HISTORY PROJECT

AV-Oral History #200 - Side A

Subject: Paul Friedrichsen

Place: Chamber of Commerce Luncheon - Burns, Oregon

Date: May 11, 1982

Interviewer:

PAUL FRIEDRICKSEN: ... I think before I do that, I might mention a little bit --- we all know that the economy isn't in the best condition nation wide, and especially here in Oregon. And I would say that agriculture is being affected quite severely at this time. And it's having a lot more implications, I think, than a lot of people realize. Basically what many of them have done when they're short of finances of course, is cut down on capital expenditures. And that has kind of a chain reaction effect, and they do not come in and buy a new Ford pickup and then debts ... are getting hurt and you could go to the equipment dealers and so on down the line. We are seeing ... taking place and ... taking place the last year, they're right on the verge of quite a high number of what we would call foreclosures, or for sales. If things don't pick up in the next year or year and a half we'll see considerable more of that activity. So I think that it's really quite serious, and agriculture is still the leading industry in the United State, if you're looking at the overall picture. And it could have quite an adverse effect on the economy of the country. So I think when we take a look at these things, and some of the things that are in the back of it, a lot of times we don't think that agriculture is that big a segment. But the chain reaction gets pretty severe as you go down the line. And generally when agriculture is in trouble this long, the whole country is in trouble from the economy standpoint.

I would like to just mention what the situation here is in the county from the

economic standpoint. At the present time there is a number of operations that, that I would say that are in the hurting class. We are seeing a liquidation and will continue to see a liquidation of the basic breeding herd which in the long run will have, you know, could have a serious impact, not --- I'm not saying so much here, but this trend is taking place nationwide, which it is, when that cow herd gets down, beef will either become very scarce or very expensive, or both. Now of course there are substitute meats that people are eating, but basically what some of them are doing to increase their cash flow situation is to liquidate their basic cowherd. And in the long run that could have quite an impact on the availability and supply of meat.

I've heard a few comments, some are talking about interest rates, and of course interest rates are at the present time, I guess you could call them devastating for agriculture. If you would look at the overall picture, I think the biggest devastating thing is that the price of the commodities that they have been producing have not been increasing at the same rate as everything else has been increasing. And I guess, if this has been taking place, then interest rates of 15% isn't near as devastating as it is when you're still getting the same price for your commodity or less than you were three or four years ago. So I guess everything is relative.

I've heard quite a few comments that really interest probably if it was projected on an inflationary rate, as other commodities were, that it probably isn't so far out of line as a lot of people think it is. But it is when you're looking at the price structure of, especially in the agriculture situation when you don't have the ability to hold your product and demand a higher increase for it, as they do for other commodities. So at the present situation it is quite serious and cost of credit and availability of credit is quite an impact. And we've seen this interest cost go up to where it is one of the major items in a ranch budget.

I'm going to show a couple of slides, about ten or so, about our land base, our

resources here in the county. Basically I think everybody has been here long enough to know that we are what we class as range livestock base agriculture community. There are some 6,500,000 acres in the county, which makes it the largest county in Oregon. And that's broken down, there's about four and three quarter million acres of federal land, a million and a half acres of private land, two hundred and twenty-six thousand acres of state lands, and ten thousand six hundred acres of county owned lands. So basically about 78% to 80% of the land resources in Harney County are held in public ownership.

I don't know whether the lights come off --- I'm going to work with the lights on here in a minute. As far as what's been taking place locally, of this land resources we're talking about, a big percentage of it is in sagebrush or sagebrush grass communities as we would call them, and productivity of many of these stands are relatively low. I guess we would look at an average of somewhere around 12 to 15 acres per cow per month, if you were looking at a grazing capacity of these lands. In the past few years, we've --- on the private sector, of course most of this is in public ownership, but there is probably a 1,000,000 acres or so of privately held rangeland. There's been approximately a 100,000 acres that have been treated by either by aerial application of a, of a chemical to kill the sagebrush and release the under story grass. Or by seeding to crested wheat grass or other improved pasture grass species. By doing this we generally increase the grazing capacity from two to five times which, which gives the private land owner, the rancher a lot more flexibility in his operations. We could see a land like this would have a varied capacity of some-where around 2 acres per animal unit month, where that other would be in the category of 12 to 15 acres per animal unit month. So that increases the productivity of the efficient use of this resource by quite a bit.

Water developments have both a beneficial aspect for livestock in distribution, and they also have beneficial effects for wildlife. So many of the ranch activities or range

resource improvement activities that are taking place in the county also have the beneficial aspect as far as any wildlife species. There are probably a few, maybe rodent species that might be adversely affected, but on the whole we're looking at big game or other animals, most wildlife species would be benefited by this, by the range improvement.

The other activity that is taking place in the county has been the increase in irrigated agriculture. We've seen in the past ten years or so approximately 3,000 acres a year being developed into pump irrigation. And you can see in this particular case the difference in the fence line on the one side is a new alfalfa seeding, the other side is native brush land. For a total, if you want to look at it in 1975, our gross income, and this is gross dollars, it is not in any way net dollars to the rancher, but the gross dollars produced in agriculture in Harney County was nine and a half million. In 1980, that figure had jumped to \$26,000,000. So we can see that these kind of developments, while many of these alfalfa producers are in as much economic problems as our livestock people are at the present time, they have generated a lot more total dollars off of the land than was being produced before. We have about a \$1,500,000 from cereal grains, about \$5,000,000 from alfalfa hay, or other hay resources, and about \$19,500,000 from our livestock industry. And that's, that's the figures as far as gross dollar figures produced in Harney County from agriculture.

In the past few years we have, like I said, we have increased the irrigated portion about 30,000 acres. And this has been the mark, the main increase of that \$6,500,000 as government means of 30,000 acres of irrigated alfalfa hay and cereal grains. The cost of developing on this land is running around \$500 to \$700 an acre, depending on the depth of wells, and how many you might have to dig. There are quite a few costs in there that can vary from one site to another. But that's about the gross dollars that are extended as

far as bringing this land out of this native brush to irrigated agriculture situation. This happens to be a field of barley in the Silver Creek area. I'm just showing you the contrast on the hill there, on that other one between an irrigated portion and a non-irrigated portion. This is some alfalfa hay that has just been recently cut. I'll run through these pictures pretty quick ... That's right after it was baled and that's ... on the right side alfalfa, on the other --- Basically those are the two main commodities that are being produced in the county and because of our climate situation that will probably hold true for a little while. Although we did have a few potatoes last year in the county. That's all I have for the slides.

I thought that there was a couple other things that are happening agriculturally that we might discuss. One of them has been the situation, the water situation in the county this year. At the present time, Malheur Lake marsh is about 76,000 acres, which is roughly 30,000 acres over what its normal high is. So we have quite a little impact on those places adjacent to Malheur Lake marsh, or Harney Lake, or Mud Lake that are being adversely affected by high water. In many cases, because of our turning out situation is, this is a pretty serious impact on some of the operators that are close by. And you might have heard, or seen the people from the Corp of Engineers and others that are looking at evaluating what may be done as far as helping to alleviate this. Currently, there is still a pretty good quantity of water to come down into Malheur Lake. There is quite a bit of siphoning into Harney Lake. We really don't know whether the water level is going to increase a great deal. A lot will depend on how that water comes off the hills. If we get a real warm spell the water could come at one time, the lake could jump up a little more. I talked with Joe yesterday, and as far as they know, records were begun in 1903, and this is the highest level ever recorded at Malheur Lake. So it's, you know, it doesn't happen very often that it gets this high. But it is right now; it's having an adverse impact on many

of those that are adjacent to the marsh.

I guess in closing, what I might say is, you know, what do we look at ahead as far as agriculture is concerned. You know, basically most people in production agriculture are optimists, or they wouldn't be there. And they're always hoping for the good year. And as we look at our world food situation, we have to feel that with population increases that, you know, agriculture will have to be good some time or another. But in the short haul right now, it does not look good as far as the commodities that we're producing in Harney County. Projections for livestock, increases in livestock prices are not optimistic. At least the information we're getting out of the university and from other economists, we're hoping for some increase, but it doesn't look like it's going to be as --- what we need to help a lot of these people out. There has been a decrease in consumption, basically of beef by the consumer. And this has been one of the things, we always try to balance the amount of beef that you have with consumption, and there for awhile the beef consumption was increasing per capita quite significantly. When the numbers got up there, and we've seen some changes in diet habits, the economy picks up, people change to cheaper types of food resources, and we see a decline in per capita consumption of beef. And this is also having an adverse impact. But basically it isn't too rosy a picture right now.

I think that as we look at agriculture as a whole, we really are blessed in this country with the production and the marketing system that we have. And my guess is that we take it for granted a lot of times, and don't realize what's happening in Poland and some of these other areas that they just wish they had a supply of food to choose from at any cost. But alone at roughly 16 cents out of every dollar that is earned is going for food, which is the lowest level in any industrial type of country or, other than such as these ones, these Arab countries where they might have a tremendous per capita because of oil

or something. But basically we spend less per dollar earned for food than anywhere in the world. And I personally feel that to turn some of this around the people are going to have to realize that they are not going to be able to get food at this bargain price anymore, or we will not have available. If we start losing producers, if we start losing acreages of production, if we start losing our basic cow herds, you're going to see that these things are not going to be available and the price is going to go up. And it might go up and not be available. These are the concerns that could happen, and most of us feel that it will never happen in the U.S. But I'm saying that unless things can turn around, it could very well happen in the U.S. And it just isn't automatically at the super market. Joe has to get that stuff from somewhere to stock those shelves. And when I think if you would go through the whole chain that the avail-ability, the quality, and quantity of food in this country cannot be matched anywhere in the world. And I just hope that we are able to maintain this type of system before we have some real adverse impacts on this industry.

I'd be glad to answer any questions that any of you might have.

MAN: I'd like to ask a question about the --- there seems to be a lot of problems with the agricultural wells that are drilled around the county here, there seems to be tremendous problems with sand --- and the sand walls caving in around the wells when you get down, get down there to a depth that they can pump eight, nine hundred thousand gallons ... contribution to do some irrigating with. What, apparently there is some new innovative ideas coming in on this, can you tell us what's happening here?

PAUL: Well basically there is no new innovative ideas, I don't think, as much as probably mainly the wells were not put in properly in the first place. Most wells that are gravel packed, where you have the sand pumping problems, you do not run into that caving in near as bad. The other thing is that, that there is a tendency maybe to over-pump, that

the capacity of that well might well be 900 gallons a minute, and they're trying to pump 1,100 out. When they're doing that they're crowding it pretty hard, and you start pumping more sand. So I would say that it's a combination of one, that the well went in right the first place, and two that they don't try to over-tax that particular ... that they're pumping out of it. And basically our water wells have not declined in the basin, but we've been in a series of about four pretty good years moisture-wise in Harney County. From '77, which was a drought year, up until 1978, '79, '80, '81, have been pretty good years for a moisture standpoint. But even in '77, where a lot of those wells that were, that were, you know, what I would say that they were designed and put in right, did not have a very adverse affect from the drought. So we do have a pretty favorable water table situation in the county at this time.

MAN: Paul, back to your statistics there, you say in '75 that the gross product in Harney County was nine and a half---

PAUL: \$9,500,000 was the number of dollars generated from agriculture in Harney County.

MAN: Okay. Then you said that last year that the livestock part of it was 19,000,000.

PAUL: Nineteen point five.

ARLIE OSTER: What accounts for that?

PAUL: Well ---

ARLIE: About ---

PAUL: Well a lot of it, a lot of it is increase in the price of the commodity. Those were 1980 figures that I was giving you. And see in '80, those cattle prices were around 80 some cents, 78 to 80 cents. Now what we will see this year is that gross figure is going to drop down considerably. And of course the cost figures are continuing to escalate, and this is where the bind has come in. Many of them have went in. In the earlier '70's, or mid

'70's and there were some second mortgages taken, and re-financing real estate, they have been trying to re-pay that, and now we're faced with another economic catastrophe as far as agriculture is concerned.

ARLIE: Some of these are, I guess are Oregon Cattlemen's Association as an example, has a committee now on energy.

PAUL: Uh huh.

ARLIE: And the fuel of this thing --- I haven't followed it that closely, but apparently it's a real concern about the cost of fuel to operate equipment. And that's ...

PAUL: Well of course the cost of fuel like this year probably has not increased. It is up again, you know, you can --- all these things are relative to --- if you're getting, what I would class as a fair market price for your commodity, then they could probably withstand some of these increases in fuel costs. If your other --- if the price of your commodity would go up with your other costs, then it would, it wouldn't be as near as adverse impact as we're looking at right now. I think one of the things that, that are staring, are staring us in the face, is the electrical energy cost projections that we see for the next three to five years. You know, we're looking at doubling or more of the electrical energy costs, and of course we're in a relatively low lift situation, but we're also in a low price, what we can raise. But it will affect all of agriculture. And many of our pump irrigation areas it's going to have quite an adverse impact, unless the price of the commodity goes up enough to cover that.

INTO LIIMATTA: ... there was some potatoes being raised, what was the initial subsistence?

PAUL: Very good. There was a 120 acres of potatoes out in the Dog, be kind of west of Dog Mountain on the north side of Harney Lake. They had an excellent yield for our area, I think at over 400 sacks. Of course you have to remember with potatoes that it is a very,

very volatile market. And a very, very high-income crop. So it's not one that the common person in Harney Valley can go in and either needs to have the market outlet, storage facilities, these sort of things. And people that grew those were from the Hermiston area.

They had storage in Hermiston lined up, they grew them for seed, they had a seed outlet, and was a little easier for them to get in than for, as an alternate crop for many of our producers.

INTO: Well the potentials are pretty ... Do we have enough frost --- have enough frost-free season here?

PAUL: In that area of course, you know, if you're, the climate will vary slightly from area to area, even in the basin here. And I would say the north end of Harney Lake and Dog Mountain area is

--- you might be looking at a couple degrees warmer than we are in the basin. And that couple of degrees would make a considerable amount of difference. And I can say that in many of our part of the county, we would be very marginal for potatoes. Although that area would, you know, does look like it might be favorable for potato production. At least for seed production anyway. Joe, do you have a question?

JOE (?): With this marsh situation that we have this year, would the Corp of Engineers have any suggestion of perhaps putting some dams in, maybe?

PAUL: Okay, the Corp, from my information, has opened up to re-evaluating all storage, you know, the previous storage capacity that has been in one study. Which of course the Silvies again would be looked at. Basically they are looking at it from a hydroelectric standpoint more than they are from a flood damage situation. I think that it will be opened up and re-evaluated from that standpoint. We're looking at, like I said, you know, once in eighty, a hundred, I don't know how many years situation, that we're looking at this elevated lake level. And we don't know that we are going into a dry cycle or that we might

continue with some more wet weather, then we would have some problems. I think that they are looking at basically some alternatives. One of them would be to, that I know that they are considering, and they are going to evaluate, would be to open the channel down in the south fork of the Malheur, and take off, you know, a certain amount of water off the top. The refuge has some deep concerns about altering the natural ups and down levels of Malheur Lake marsh. And I think there would be considerable considerations and discussions by --- between the Corp and Malheur Lake, or the Malheur Wildlife Refuge before anything like that was undertaken.

I guess the other thing, the other alternatives that we are looking at is the emergency beef situation for these people that are impacted by the high level of the lake. And that could, possibly that could come from the refuge allowing an increase in AUM's for the next couple years to offset some of the impact that the high level of the marsh would have. So there is lots of things that I think could be considered in the next month or so on how to lessen the impact for those that are affected by high level of the lake.

MAN: Well that in my opinion, you know, would be not only helping him perhaps in waterfowl areas, but also be recreational type of development.

PAUL: As far as dams are concerned.

MAN: Yes.

PAUL: Yeah, that's right. A dam on the Silvies ---

MAN: ... you know.

PAUL: --- a dam on the Silvies is, you know, the flora is quite ... they feel it is an excellent site for water storage, reservoirs, a flood control, and a number of other things. But, but there has been even local opposition. In the past it hasn't been a 100% supported by the community, and that's been one thing that's been a little drag on it, so to speak. So, I don't know if it would ever come to pass, or not. Dale might have some insight on that. I

do know that, at least the fellow that I talked to from the Corp, when we --- that was brought up, he said that the Corp is in the process now of re-evaluating all of their previously studied storage facilities that have ... mainly from hydro-electric energy situation.

MAN: Paul ---

PAUL: Yes.

MAN: --- you mentioned that some of these operations were getting close to being in trouble. Are you talking about the operations that were pretty soft to begin with, or some of the ones that maybe were all right ...

PAUL: Well of course there are some operations in the county that, you know, they might not --- that passed down through the family haven't any debt load on the land, so to speak. There are operations that I would class as pretty solid, that have been operating for some time that they still have a debt load on the surface to face, and yes, they would be classed as in trouble. And really pretty good operators; they're not necessarily because they are inefficient and poor operations. It's just that, that they've got lots of things crowding in on them now. And in this case though this is one of the reasons we are having some concerns in the state level. Some years, a few years back in '52 I guess, the lake was high, and you know, people could drive through. A bad year or two, it wouldn't be near as effective, or have near as much of an effect on our operation. Now this would be the thing that would break some of those outfits down there. And this is the concern that we have.

MAN: Can you tell me the kinds of cattle that have come up the past year --- 5 cents?

PAUL: Feeder cattle possibly, but we don't look for much above the mid, the mid 60's, maybe 67. Now of course projections have been shot down so bad the last few years that it hasn't even been funny. We, normally the cycle, the way the normal cycle would follow

that we should be in a pretty good price situation at this time, and we're not. And so we could be saying, well they are not going to come up, and they will. But all the indications are at this time that, that with interest rates the way they are, the feeder for instance, they purchase feeder cattle and put them in the feed lot and finish them, he just, he just can't pay too much of a price for them and come out on them. That's something that's going to be holding them down.

MAN: What do they figure now to break even, in cattle operation? I know that varies.

PAUL: Well that varies quite a bit, but we're looking at in the low 80's probably. Depend on what kind of, what kind of ... situation you want, you want that calf to pay for. If you want it to pay for all the land debt and all the operating and so on, you'd probably be in the upper 80's. If you're looking at just meeting the cash flow, or some of these operations that are 15 years old and meeting that land debt, then I would say that we are probably in the high 70's or low 80's to break even. And of course when you're looking at 60 to 65 cent, you talk about 65, to 67 that was probably steer calves, and you're looking at 55 to 57 for heifer calves, which means your averaging about 50 cents for these feeder cattle. And that's, boy that's a tough situation for a lot of people to be in. Yes.

MAN: Here's an idea, I don't know how popular it is, in our community. There's an idea of how economists might ... One of the major problems with our national economy as a whole is the fact that our government has refused to allow businesses of any size or structure to fail. And in doing so, and in refusing to allow them to fail has created a debt load onto the general public in the form of taxes. ... that it is devastating. What do you feel would be the impact if the government would step back and say --- say you're talking about some possibilities for some emergency program for those people who were devastated by the high waters from the Malheur swamp area. Take those for example, are some of these ranchers that are going to fail. What would be the impact on the nation

as a whole if they --- if they, and we're talking about agriculture, so we won't talk about the automobile dealer that shouldn't be allowed to fail, and stuff like that. (Laughter) I priced their credit, you know, ... but anyway, if some of these people were to be allowed to fail because of the natural ups and downs of the economy and the business that they are in, when the business comes back with the ones that weathered the storm would be in better condition and have themselves in a situation because of the --- now there is only 80% of the people that used to be in production, are now in production and they can survive in the business.

PAUL: Well we got two things to look at. One, we have had, I guess like any other business we have a number of them that have failed. The reason you don't notice it so much is that these places seldom change hands. The increase, or the inflated price of real estate, for instance, was, was the means to --- in necessity that they bailed out because of that. So there is plenty of them that have failed even under favorable price situations. I guess what we're looking at is what percent do you suggest that, that should be allowed to fail. And if we're looking at the percent that we're talking about here, it would be way abnormal, or abnormally above the average attrition rate in agriculture. I don't know, it was two-tenths of one percent or something like that, that had been going on farm loans. So we have had a number of these operations, that because of inefficiency and not being able to, you know, not being a good operator, they have gone down the road. I think what we're looking at now is, is maybe a lot of these people out of no fault of their own, or not because they are bad managers or whatever, that have got in, in the last five years are going to get their head taken off if it's --- continues. Because they are not in a position, an equity position to go back.

Real estate values are holding their own, or dropping. And in some cases they have --- in the Midwest, in some areas, of course they were pretty high, but they have

dropped as much as 20%. So you're seeing an erosion of equity. We're seeing some of our operators that have been in business for 20 years, 25 years, are seeing their equity situation go away. Now what they're going to do is maybe sell out to salvage what little they can. But what's happening is we're losing pretty good operators. And we're losing family type operations, and the only ones that are coming in and re-investing are, are outside investment type money resources that are not, they're principal --- principally not in there for the agriculture production department. So that is to me a dangerous situation to get into if we have a large scale, a large amount of that taking place. Because then you'll get agriculture out of the hands of the producer oriented agriculturalist and get it into an investment type situation. When that happens, right now it is not a very attractive investment situation for people to get into. And this is why we're seeing some decline in real estate values at this time. And then the people that are in are looking at their hold card and saying my whole life investment is in this ranch. And I see it, I see the thing is, that the rug is getting pulled out from under him, and that's kind of a scary situation for him. Any other questions?

MAN: Nothing intelligent!

PAUL: Okay. Well that's about all I have, I guess. It's been nice visiting with you at noon. A good lunch.

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