AFBF Convention Delegates Oppose Tax Increases

Delegates to the American Farm Bureau Federation’s 74th annual meeting in Anaheim, Calif., approved policies calling for growth-oriented economic measures that reject tax increases, the adoption of the North American Free Trade Agreement with “transitional safeguards” for sensitive agricultural commodities, and protection for private property rights in the enforcement of environmental laws.

Assuming that the nation’s economy is their overriding concern, the farmer delegates approved recommendations to be sent to President Clinton. "The delegates had a long discussion about the growing federal deficit and national debt, and debated at some length whether tax increases should be used to reduce the deficit," said Al Almy, director of public affairs for Michigan Farm Bureau.

When the debate ended, the delegates adopted a very clear policy that calls for a balanced federal budget achieved through spending restraints and spending cutbacks. They opposed all tax increases, and reaffirmed this as a top priority for Farm Bureau in the coming year (see related remarks in "president’s column").

Almy said that Farm Bureau’s policy stand against tax increases will be very important in the 1993 budget debate. "We believe there will be many efforts by members of Congress, some members of the new administration and by outside private interest groups, who will be opposed to any cutbacks or restraint on federal spending," he said. "They will suggest tax increases as a way of reducing the deficit and national debt. I think one of the real concerns of the delegates that led them to oppose tax increases is the fact that Congress and the federal government have a very dismal record when it comes to using tax increases to actually reduce the deficit and national debt. Instead, the increased revenue from previous tax increases has been used to finance new programs and more spending."

The Farm Bureau policies also include reinstatement of capital gains treatment and the investment tax credit, which Clinton has called for, a line-item veto for the president; and a constitutional amendment requiring a balanced federal budget.

Turning to international trade, the delegates endorsed NAFTA as signed by President Bush. They said the implementing legislation that Congress will begin writing soon should include temporary safeguards for commodities that will be hurt by imports from Mexico. AFBF President Dean Kleckner said the delegates expressed "overwhelming" support for NAFTA and "strong" support for the ongoing world trade negotiations.

In several policy statements, the delegates expressed their concern that private property rights are being underappreciated or underprivileged. Representations from Michigan Farm Bureau, the Soil Conservation Service, Agricultural Stabilization and Conservation Service and Michigan Department of Agriculture will also be available to answer questions during the program. A cassette copy of the broadcast will be sent to all local county MSU Extension offices and to Michigan Farm Bureau’s 69 county Farm Bureau offices by Feb. 9.

General information on Michigan Farm Bureau is available to farmers and the public. Staff members will answer phone calls from farmers during the broadcast. A new administration brings uncertainty concerning economic policy. Investments in equipment may be postponed until there is a clear signal on legislation concerning investment tax credit. However, consumer spending increased in December, indicating a rebound in consumer confidence in the future of the economy.

Overall Economic Outlook for 1993

Lester V. Manderscheid, MSU Ag. Econ. Dept.

Officially, the 1990-91 recession ended in the spring of 1991. Economic recovery has been very slow, much slower than is typical of recovery periods. The University of Michigan survey of consumer attitudes found confidence in economic policy at an all-time low in mid-1992.

A new administration brings uncertainty concerning economic policy. Investments in equipment and improve productivity. However, Michigan’s unemployment will continue to experience the impact of plant closings in the auto industry. The good news is that the average age of automobiles and tractors in the U.S. is eight years compared to six years in about 1970. Some 20 percent of the fleet is over 12 years of age. Increased auto sales could help blunt the effect of plant closings.

Michigan will continue to experience the impact of plant closings in the auto industry. The good news is that the average age of automobiles and tractors in the U.S. is eight years compared to six years in about 1970. Some 20 percent of the fleet is over 12 years of age. Increased auto sales could help blunt the effect of plant closings.

In this issue...

MSU Ag. Econ. Outlook

Fruits page 4

Hogs & Cattle page 5

Eggs & Poultry page 5

Weed & Feedgrains page 6

Farm Land Values page 8

Management Tips page 9

Production Inputs page 9

Income Prospects page 10

Ag Credit Availability page 11

Sugar Outlook page 11

Policy/Trade Issues page 12

Dairy Price Prospects page 16

Special thanks to MSU’s Ag. Econ. Department staff and coordinator Jim Hilker

AFBF Annual continued on page 3

MSU Extension Special Radio Broadcast Feb. 6 to Focus on Michigan’s Corn Problem and Alternatives

Coping with Michigan’s corn problem will be the focus of a special broadcast at 8 a.m. (EDT) Wednesday, Feb. 6, on 12 Michigan radio stations.

The program will be heard live on the following stations:

WTCV (97.7 FM) Sandusky

WXKO (1360 AM) Caro

WMIL (1540 AM) St. Louis

WJIM (1240 AM) Lansing

WBCR (1220 AM) Hastings

WPZA (1050 AM) Am Arbor

WDOW (1140 AM) Dowagiac

WLKM (1510 AM) Three Rivers

WTVB (1590 AM) Coldwater

WCSR (1340 AM) Hillsdale

WARJ (1490 AM) Adrian

WLEW (1340 AM) in Bad Axe will tape delay the program by one hour. That broadcast will be from 9 a.m. to 10 a.m.

The broadcast, to be moderated by the Michigan Farm Radio Network, is being paid for by the Michigan State University Cooperative Extension Service.

Originating from MSU’s Agriculture Hall, the program is intended to answer questions farmers have about harvesting, marketing, handling and feeding corn. Farmers can call in during the show to pose questions to a panel of resource people.

Michigan Corn Information Exchange — Page 15

Michigan Farm News Classifieds — Page 14
Michigan Farm Bureau had asked USDA to allow grade standards to be included in the quality corn could qualify for assistance. What follows is the response from USDA.

USD A Responds to MFB Corn Disaster Request

USD A Responds to MFB Corn Disaster Request

In Brief...

Michigan Farm News
January 30, 1993

Holding Back the Tax Increase Tidal Wave

The nearly 150 Michigan Farm Bureau members at the American Farm Bureau Federal annual meeting Jan. 10-14 in Anaheim searched in vain for sunshine during one of the rainiest weeks in southern California history. There's no doubt that the downpour was welcomed by California agriculture, which has suffered through several years of severe drought. But the rain fell so fast and furious that much of it went to waste. The saturated ground could not soak up all the water and the reservoirs were filled to overflowing so, unfortunately, a good portion of the moisture drained away into the ocean.

Just as California farmers have been waiting and hoping for rain, various special interest groups around the nation have been anticipating a downpour of government spending from the new Clinton administration. Farmers, to their credit, make productive use of rainfall. But special interests, I hear, are looking forward to soaking Uncle Sam for their pet projects with much benefit to the rest of us.

The issue of government spending and taxation generated a very spirited debate during the AFBF resolutions session. For several years, AF BF policy has consistently called for cuts in spending, rather than an increase in taxes, as a way to bring the federal deficit under control. But this year's proposed AF BF policy, in the views of our Michigan delegates, would have watered down this "no new taxes" philosophy. So our farmers argued vigorously in support of the Michigan Farm Bureau national policy recommendation, approved at our state annual meeting, that calls for a continuation of AF BF's traditional opposition to tax increases.

I'm proud to report that the efforts of your Michigan delegations were successful, and 1993 AF BF policy stands firmly against tax hikes. This policy will be critically important as we begin the new Clinton administration. Already, there has been widespread publicity about the projected size of the federal deficit. Administration spokespersons have been widely quoted about the need for a gasoline tax, a consumption tax or some other kind of revenue enhancement as the only "realistic" way to reduce the deficit.

But, in fact, as Farm Bureau has pointed out time and again, the reason we have a deficit is not too little revenue — it's too much spending! Over the past decade, federal tax receipts as a percentage of Gross Domestic Product have remained stable, while federal expenditures have soared.

The tax hikes signed into law in 1990 by President Bush did not cut the deficit, and tax hikes being proposed for President Clinton's term of office won't cut the deficit either. There's no doubt that the deficit must be brought under control. But the solution lies in controlling spending and promoting economic growth, not burdening us with more taxes.

Farmers need to take the time to remind the new Clinton administration and Congress that raising taxes to send more money to our nation's capital will simply be a repeat of what has already been proven to be ineffective at reducing our deficit and balancing the budget.

Jack Laurie, President
Michigan Farm Bureau

Is This Your Last Issue of the Michigan Farm News?

It could be if your Michigan Farm Bureau membership dues have not yet been renewed. According to MFB Member Services Department Manager, Doug Fleming, just over 6,000, out of 45,450 regular (farm) members, had not renewed their dues as of presstime. Effective Feb. 15, all unpaid members will no longer receive the Michigan Farm News until their membership dues are current. Fleming reported that nearly 38,400 regular members and another 47,000 associate members had renewed their dues thus far. A total of 9,525 new members have been written thus far, putting MFB's membership at 76.5 percent of goal (total membership), and at 85.34 percent of target (farmer membership). Be sure to watch your mail for a membership renewal notice if your dues haven't been paid, and check your member service ads in this issue to make sure you're getting the full benefit of your Farm Bureau membership.

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In Brief...

USDA Responds to MFB Corn Disaster Request

Michigan Farm Bureau had asked USDA to allow grade standards to be included in the eligibility requirements used to determine Michigan corn producers for disaster assistance. MFB had stated in a letter to USDA that if grade standards were used to determine eligibility, producers who are suffering devastating crop loss and of extremely poor quality corn could qualify for assistance. What follows is the response from USDA.

Mr. Laurie:

Many thanks for your letter regarding administration of the disaster provisions of the Food, Agriculture, Conservation, and Trade Act as amended. Section 204 of the 1990 Act provides disaster payments to farmers suffering losses resulting from the quality of their crop. In 1990, the effect of this provision was such that the crop price reduction provision of the Act was not available to many producers. USDA was unable to consider the intent of Congress with regard to the provision in 1990, as a result of the fact that USDA had not previously administered the program. This situation was remedied by the 1990 Act which defined "disaster" to mean that the crop quality reduction payments provision in section 2045 was not available to many producers as a result of a lack of specific eligibility criteria.

Producers are eligible for assistance in accordance with the 1990 Act with respect to crops that have been planted on or before Jan. 15, 1993. If a producer has planted to a crop other than the crop for which acreage base has been established. However, producers who plant a second crop on optional flexible acres, or on optional flexible acres may receive price support. The Secretary is required to prohibit the planting of soybeans on optional flexible acres if the crop price is below the 100 percent of the 1990 loan rate. On Nov. 16 the national average price support loan level of $5.02 per bushel was announced for the 1993 crop of soybeans. Since the price of soybeans is projected to be greater than $5.17 per bushel (105 percent of the price support loan rate), soybeans may be planted on optional flexible acres, Madigan said.

Michigan December Farm Prices Higher

The Index of Price Received by Farmers in Michigan for all products, as of Dec. 15, was 131 percent of its base, according to Michigan Farm News. The December index is 1 percent over the November index of 130, and 6 percent over December 1991's level of 124.

The price index for all crops in Michigan rose 2 percent from its November level. Feed grains led the increase with hay prices rising 6 percent from last month. Potatoes, soybeans, and winter wheat prices all rose 1 percent while corn prices fell 1 percent from November. Dry beans and sugar beet prices were virtually unchanged.

The livestock products index fell 1 percent from November. The decline was led by egg and milk prices, which dropped 6 and 2 percent respectively. Meat animals partially offset the decline for hogs, which rose 1 percent and 5 percent from last month. Calves rose 10 percent, while hogs rose 5 percent from a month ago.

Michigan Wheat Seedings Down

Fall seedings of winter wheat in Michigan for harvest in 1993 were estimated at 660,000 acres, according to the Federal/State Michigan Agricultural Statistics Service. This is down 8 percent from the previous year, but 5 percent above two years ago. The combination of a cool summer that delayed maturation, and a wet fall that hampered many crops, prevented some acres of winter wheat from being planted.

About two thirds of the Michigan wheat acreage was planted by mid-October. Condition of the wheat crop as it headed into the winter season was about 55 percent good to excellent. Early planted wheat was in better condition than late planted wheat. Acreages seeded stood 800,000 acres, down 17 percent from last year. This is the lowest seeded acreage since records of planted acres began in 1931. Nationally, fall seeded acreage for the 1993 winter wheat is estimated at 31.5 million acres, up 1 percent from 1992.
AFBF Annual Meeting Highlights Continued...

MFB Young Farmers were represented well at the annual by James Wagner of Cass County, who competed in the Distinguished Young Farmer competition. Below, Robert Sollman (left) of Eaton County also represented Michigan well in the first three rounds of the Young Farmer Discussion Meet Contest.

AFBF President Dean Kleckner said, in a post-convention news conference, "With a new administration and a Congress that is one-quarter new, we have the opportunity to present our ideas on economic policy," Kleckner also stressed the delegates' sense that they are facing "regulatory overkill." President-elect Clinton, he said, "must address the issue of over-regulation. If not, his plan for a growing economy will fall in shambles."

Delegates also called for the elimination of federal agricultural disaster programs in favor of federal or private crop insurance programs. They said crop disaster programs and crop insurance should be combined into a single program and designed to encourage widespread participation.

In other actions, the delegates voted to:

- Oppose additional delays in revisions to the wetlands manual and support the exemption of prior-converted cropland and any land that has been cropped from wetlands provisions of the Clean Water Act.
- Oppose the imposition of new gas or carbon taxes or the use of gas tax revenues for other programs.
- Support environmental regulations based on scientific data with a requirement that scientific studies undergo replication and peer review.
- Support immediate legislative solutions to ensure the availability of minor-use pesticide.
- Support efforts to improve the present health care system based on minimal government intervention, tort reform dealing with medical malpractice law suits and pursuit of innovations in medical care, such as individual medical savings accounts.
- Oppose the introduction of wildlife that prey on livestock.
- Support strong intellectual property provisions under the Plant Variety Protection Act to allow farm producers to retain seed for their own personal use.
- Support humane treatment of animals while opposing the elevation of animals to the same status as people.
- Support production and use of agricultural-based fuels such as ethanol, biomass fuels and bio-diesel.
- Support exemptions from commercial drivers' license requirements for farmers who transport pesticides and fertilizers on farm vehicles.

In addition to setting the organization's policy for the year, delegates re-elected MFB President Jack Laurie to the AFBF Board of Directors.

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Ray Rawson, farmer and innovator, will be discussing Zone Tillage and how it works on his farm operation and many others across the nation. Rawson and his family have spent the last 28 years perfecting this system and will share their experiences in developing this total management practice. Rawson's own family farm operation covers more than 5,500 acres of corn, soybeans and wheat where he has been able to achieve yields twice that of the county average using the Zone-Till system.

The all-new Rawson Zone-Till Cart, Rawson Coulters and other innovative products will be on display at booths WW 5066 & WW 5055. If you're investigating the switch to no-till or ridge-till, you'll see the Zone-Till makes sense, without the yield reduction associated with other forms of reduced tillage.

If you miss this presentation at the National Farm Machinery Show, Ray will also be discussing this system at the following farm shows:

- February 21-23 National Corn Grower's Association, San Antonio, TX
- March 9 &10 Triumph of Agriculture, Omaha, NE

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Milder than normal conditions persisted over nearly all of Michigan during the past 30 days, with departures from normal ranging as high as 7-9 degrees F above the 30-year normals in the southern section. An active southern branch of the jetstream brought several weather systems into the state (the same mechanism responsible for all the precipitation in the southwestern U.S.), resulting in above normal precipitation amounts, especially in southern sections of the Lower Peninsula, where rain and snow totaled in excess of 200 percent of normal for the period.

While keeping or bringing soil moisture levels at or near field capacity, the precipitation, some of which fell in the form of heavy snow, caused further corn harvest delays and likely induced lodging in some areas.

The latest National Weather Service 30-day outlook calls for little change in the general weather pattern that has persisted in the Great Lakes region for the past several weeks. The outlook for mid-January through mid-February calls for above normal temperatures statewide, with near normal precipitation in the north and above normal amounts in the south.

In the contrast, the 90-day National Weather Service outlook calls for drier than normal conditions statewide for the January through March period, with temperatures expected to average above normal in the western half of the Upper Peninsula and near normal elsewhere.

### Michigan Fruit Outlook – Expansion Underway

**Apples**

After an average-size crop in 1991 of 22.1 million bushels, which was accompanied by higher prices, Michigan's 1992 apple crop was large despite a substantial apple crop reducing freeze in late May. Industry estimates of 1992 crop may be as large as 24 million bushels. The largest Michigan crop in recent years has been 25.26 million bushels.

Preliminary data from the 1991 Michigan orchard survey indicate that the state's total apple acreage is down slightly at 59,000 acres from 61.7,900 acres in 1990. Apple tree numbers, acres of bearing age and yields per acre are all trending upward, however. Many in the industry estimate that Michigan could soon produce as many as 30 million bushels in a year with a favorable weather, and might well have produced that figure in 1992 if the late May freeze had not occurred.

With the prospects for larger crops in future years, the apple industry will need to gear up to handle and market the expected larger production. Further market expansion for fresh and processed apples as well as more bin-boxes and additional storage capacity will likely be needed.

**Tart Cherries**

The nation's 1992 tart cherry crop, which is heavily influenced by Michigan's production, turned out to be large. With larger supplies in 1992, market prices dropped considerably from new peak opening prices. The low prices in 1992 were in no way different from 1991 prices which were the highest since 1983.

Conditions in the tart cherry industry during 1991-92 illustrate several industry needs.

- **Strong cherry demand expansion** for both domestic and export markets.
- Some type of supply management capability so that the industry can avoid severe shortages, which curtail the building of long-run markets with cherry customers; substantial surpluses in the large-crop years; and overplantings that can result in excessive production.
- Effective industry structure and pricing arrangements for realistic prices with supply and demand conditions.

### Blueberries

Blueberry industry acreage, production and market supplies have demonstrated a strong upward trend for more than a decade. The successful blueberry demand growth performance has occurred for both processed and fresh markets and has included export expansion and domestic market growth.

In future years, blueberry acreage and production are expected to increase, including further expansion in Michigan, in the U.S. as a whole, and in Canada. Total blueberry production may increase to as much as 340 million pounds by the end of the century in comparison to an average of 251 million pounds produced during recent years.

Blueberry markets are expected to continue to grow in future years. This is expected to include growth in fresh and processed markets and in further expansion of exports. With the projected substantial expansion in supplies, the overall expansion in blueberry markets may, however, involve some downward pressure on prices.

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**FARM NETWORK**

Since its beginning in 1971, Michigan Farm Radio Network's only objective is to serve agriculture. Michigan Farm Radio Network provides the latest in market analysis, weather and news to Farm Bureau members daily on the following stations:

<table>
<thead>
<tr>
<th>Station</th>
<th>City</th>
<th>Frequency</th>
<th>Morning Farm</th>
<th>Noon Farm</th>
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<td>Traverse City</td>
<td>580</td>
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<td>12:40 pm</td>
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* Station signs on at different times during the day.
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* Station airs various farm reports between 12:00 and 1:00 pm.

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- 380 West Michigan Street Kalamazoo, MI 49007
- 210 West Michigan Street South Bend, IN 46601
- 210 58th Street Saginaw, MI 48638
- 1260 West Michigan Street Muskegon, MI 49442

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**1993 Outlook for Hogs Less Than Ideal**
Jim Hilker, MSU Ag. Econ Dept.

The outlook through 1994 does not look very rosy for hog farmers due to an expected greater supply of pork, which is coming at the same time as expected increases in beef and poultry production.

However, if the demand stays strong, we could do better than the production figures would indicate. The best information we have to forecast pork production through 1994 is the December Hogs and Pigs Report we discussed in the last issue. The low corn prices are likely to keep the slaughter weights in the same range as last year to slightly higher.

In order to project winter quarter production, we will consider summer farrowing and hog weights between 66-179 pounds. December 1, 1992. Summer farrowings were up 2 percent and, due to large numbers of market hogs, were up 3-4 percent in the relevant weight classes. However, weekly slaughter up through the middle of January has been up 9-3 percent and we appear to be current based on slaughter weights. Therefore, first quarter production is expected to be up 1-3 percent.

Second quarter production is likely to follow fall farrowings and pigs under 60 pounds last Dec. 1. Fall farrowings were up 8 cents higher than the 65.4 cent average received in 1992.

Hog prices in the first quarter are expected to be 53-54 cents lower. Prices in the second quarter are expected to rise during spring and early summer and fall, I would expect a drop-off towards the end of the first quarter through early fall. Steer prices in the second quarter are expected to fall back into the mid-$70 range.

Steer prices are projected to be in the lower half of the $70 range the second half of the year. Demand has been stronger than expected over the last six months; I suspect the economic recovery will have to continue for the strong demand to continue.

Feeder prices are expected to follow the same pattern with perhaps a little stronger summer and fall farrowings and pigs under 60 pounds.

 Turkey producers are expected to increase turkey meat output in 1993 by around 2 percent and wholesale prices (8-16 pound young, frozen breast, Eastern Region) are expected to average 1 to 2 cents per pound above the 59.9 cents realized during 1992.

Production was up almost 5 percent in 1992, but storage holdings have been burdensome with negative net returns for many producers and the industry is in a retracing phase. Per capita turkey consumption (retail-weight basis) during 1993 is projected at 69 pounds compared to 67 and 63.9 pounds in 1992 and 1991, respectively.

Per capita egg consumption during 1993 is projected to be 232 eggs compared to 235 eggs and 233 eggs in 1992 and 1991, respectively.

3 percent and pigs under 60 pounds were listed as up 5 percent. Again, farrowing conditions were good and pigs saved per litter was high. Production is projected to be up 2-4 percent. As you can see, I am somewhat skeptical of the high numbers.

Third and fourth quarter production can be approximately projected by winter and spring farrowing intentions and breeding herd size. The breeding herd was up 2 percent this past Dec. 1 compared to the previous Dec. 1, according to the report. This number seems a little high according to those who watch gift retention. Producers reported they will favor 3 percent more this December-February period than last and will favor 1 percent more in the March-May period in 1993 compared to 1992. These numbers would indicate slaughter numbers will be up 1-3 percent over the last two quarters of the 1994.

As a general rule of thumb, prices will move in the opposite direction of the change in production by twice the amount. For example, if production increases 1 percent, we would expect prices to decrease by 2 percent, all other factors constant. The following projections are a combination of this rule, adjusted for other factors such as income and competition from other meats.

Hog prices in the first quarter are expected to be $38-$42 per cwt. Prices in the second quarter are expected to run counter-cyclical and increase to the $42-$45 per cwt. range. Third quarter prices are expected to average $43-$47 per cwt. Fourth quarter hog prices are estimated at $39-$43 per cwt.

**1993 Cattle Prices Relatively Strong**
Jim Hilker, MSU Ag. Econ Dept.

The cattle price outlook for 1993 looks relatively strong through most of the first quarter. But given the placement numbers last summer and fall, I would expect a drop-off towards the end of the first quarter through early fall. Steer prices in the second quarter are expected to fall back into the mid-$70 range.

Steer prices are projected to be in the lower half of the $70 range the second half of the year. Demand has been stronger than expected over the last six months; I suspect the economic recovery will have to continue for the strong demand to continue.

Feeder prices are expected to follow the same pattern with perhaps a little stronger summer and fall farrowings and pigs under 60 pounds.

**Performance-driven research and quality seed go hand-in-hand.**
The "final" USDA Production Report for the 1992 corn crop listed the average U.S. corn yield at 131.4 bushels per acre. This is 2.1 bushels higher than the November estimate and 11.6 bushels higher than the previous five-year average. This increase is attributed to parts of the Clean Air Act taking place over the next several years.

Feed use is expected to be at record levels in 1992-93 following record levels in 1991-92. Feed use is determined by primarily two items - the number of grain consuming animal units (GCAU) and the price of grain. GCAU's of at least 2.5 percent and a decrease in corn prices of 10 to 20 percent, both relative to 1991-92.

Feed, seed and industrial use is expected to grow about 4 percent in 1992-93, following a 3 percent gain last year. About half of the gain is due to an increase in corn used to produce fuel alcohol. This increase is mainly attributed to parts of the Clean Air Act that went into effect Nov. 1, 1992. Significant year-to-year increases are expected to continue as implementation of the act takes place over the next several years.

As shown in Table 1, exports are expected to grow in 1992-93. Growth is mostly due to other countries exporting less and lower U.S. prices. In fact, world coarse grain trade is expected to drop 6 percent, mostly due to a sharp decline in former Soviet Union imports.

Wheat

The biggest factor in the 1993 wheat outlook is the yield for the 1993 wheat crop. With wheat being a storable crop, what we expect to harvest this spring and summer will be the biggest variable in this winter's prices. And, of course, that will be determined by the weather. Also, production will be the determining factor in determining the price for the 1993-94 marketing year which begins June 1.

On Jan. 12 the USDA released its estimate of winter wheat plantings. There were 51.5 million acres of winter wheat planted. This is only 4 million more than last year despite set-aside being lowered from 5 percent to zero. It was about 2 million acres lower than trade expectations. Michigan's planted winter wheat acreage for 1993 is 600,000 acres, down from last year's 650,000 acres.

Soybeans

Speaking of records, soybeans did not want to be completely obsolete. The U.S. average yield for 1992 was 37.6 bushels per acre, 3.3 bushels higher than the record 1991 yield. Total production was put at 2.2 billion bushels, only slightly below the 1979 record level of 2.26 billion bushels. But the 1992 crop was produced on only 58.1 million acres versus 70.3 million acres in 1979. Michigan's 1992 soybean yield was put at 33 bushels per acre versus 38 bushels in 1991 and a 35.4 bushel per acre five-year average.

Table 1

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Source: USDA & Hilker

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Source: USDA & Hilker

Table 3

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Source: USDA & Hilker

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Soybeans

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Total supply is up for the 1992-93 soybean marketing year due to the increased production, despite beginning stocks being down. Redirected crushing and feed use are up slightly. But the main item holding soybean prices from being very high was the small increase in winter wheat plantings and the likely small increase in spring wheat plantings. 1993 total plantings are not likely to increase much. Yield is expected to be about the same in 1993, although winter wheat yields are likely to be higher and spring wheat yields are likely to be lower than last year's record yields. This puts 1993 production just slightly higher than 1992. And, with slightly higher carry-in and slightly higher production, you have slightly higher supplies.

As shown in Table 2, use levels are not expected to change much either, other than feed use. With relatively high wheat prices and low corn prices expected this summer, feed use is likely to be on the low side of historical use levels. This all adds up to expected 1993-94 ending stocks being up about 65-70 million bushels, 15 percent, and prices being strong, but still over the $3.00 level. A lot can happen between now and then, but this is a level to look for as we make your forward pricing decisions.

See "Soybean Outlook"... Page 7
A business records system needs to be designed to deliver both tax accounting and management information. Tax accounting information is needed to file legally required reports and returns. Management information is used in the control and planning functions of the business operation. Information for these two purposes overlap and can come up with what looks like conflicting results.

A quality records system will provide for these functions for tax accounting and farm management information including:

- Income tax return preparation
- Labor reports to the Michigan Employment Security Commission
- W-2 form preparation
- Workers Compensation records and reports
- Any other legally required reports
- Accrual income statement, net worth statement and cash flow statement
- Enterprise reports for cost of production information, bonuses and special accounting needs
- Labor management records
- Projected budget compared to an operating statement
- Information for the lender and debt management
- Production records on each business enterprise
- Purchase, sales and inventory control information
- Comparison with business and family goals and industry standards
- Other information needed in the day-to-day business management

Business management requires records. Whether the above functions are formally produced in a system or not, the needs exist and differ in importance with the type of business. The business manager must weigh the cost and effort of accumulating and processing data with the probable benefits when designing a records system. Even not keeping records is a choice of a records system in which managers must rely on memory and assorted slips of paper, and then make important decisions without reliable information.

Most business managers choose to comply with the Internal Revenue Service and provide a record of their income and expenses. The alternative is jail and penalties under the Willful Failure to File laws. This would be too high of a cost to pay in most people's estimation, so they comply with IRS and produce the tax return.

For the business manager, it is his responsibility to design the record keeping system that delivers needed information for the business at an affordable cost. Many times income tax filing is considered the most important goal of the record system.

This is not the most important need in business management, as many farmers found out during 1980s with the dropping commodity and asset values and increasing operating costs. The business manager must also answer these questions: What information do I need to manage my business? When do I need it? In what form? And where do I get it?

Aiding in the success and survival of the business and increasing the importance of the records system. If the business does not survive difficult times, there will not be any need to keep records for income tax purposes.

Take a look at your record system. Will it communicate the true accrual profit generated by the business? Are you making enough profit to meet all of your business and family goals or are you living off depreciation from previous capital purchases?

Are you holding enough liquid funds, or working capital, to meet the business commitments? Will your lender be confident that you understand your business financial matters and can manage the money that is being loaned to you?

It is very easy for a business to become over extended in today's environment, especially when making long term purchases and commitments related to expansion and financed by large amounts of debt. Monitoring your business health is vitally important when debt is used to finance the acquisition of assets used in the business. Agricultural lending has been central to the dramatic growth in agriculture. Loan losses and remained very low, when compared to non-agriculture loans, until recent years when plunging asset values forced agriculture lenders to absorb large losses and pay many farmers out of agriculture.

Property use of a coordinated set of financial statements, including an accrual income statement, a net worth statement and a reconciled cash flow statement to the checkbook balance, can be used to monitor the health of a business. Many lenders have staggered the net worth statement dates when processing loans to spread out their work load, but often these dates are not correlated with the Internal Revenue Service for the income statement. The result is chaos in the analysis process when the income and cash flow statements are not correlated with net worth.

Historically, lenders and farmers have relied heavily on physical observation and let large errors through the cracks of the loan processing procedure and the profit appraisal of the operation. Operations are growing beyond the point where seat-of-the-pants observations alone will give correct answers and often rather the farmer, nor the lender will recognize it until serious problems arise.

One quality program that will provide adequate accounting and management records is the Telfarm program offered by Michigan State University through the Extension Service. Telfarm is a flexible and simple, yet very complete accounting system. This computer records program is designed to take a minimal amount of information about your farm business and produce accurate and valuable accounting statements, tax schedules and management reports.

Telfarm also has two optional software programs. MicroTel Accounting and MicroTel Payroll, developed as an addition to the Telfarm records program. The accounting software can generate:

- Detailed "on-farm" operating statements
- Cash reconciliation statements
- Printed checks
- Enterprise cost accounting reports
- Transaction listings sorted by any choice of vendor, account, date, enterprise and eleven other criteria
- Asset and liability histories
- Easy transaction correction

The payroll software is for farmers who want the ease and accuracy that only a computer-generated payroll program can provide. The payroll program can generate:

- Payroll checks that are calculated and printed to meet all labor department regulations
- Optional payroll deductions
- Automatic withholding calculations
- Worker compensation divisions
- Hourly, salaried, and piece-rate payroll or any combinations
- W-2 forms preparation or magnetic media
- Payroll summary reports on employee information, enterprise costs, and piece rate amounts

The Telfarm program traces its roots to the MSU farm records program that started in 1928. Since then, the Telfarm records program has changed as farmers' needs have changed and is committed to providing for the farmers' needs in the future. For more information, contact your local Cooperative Extension Service office.

Soybean Outlook Continued...

low dispose huge production is the strong exports. Soybean exports are projected to be up nearly 9 percent as can be seen in the USDA projection for 1992-93 shown in Table 3.

Ending stocks are expected to be 355 million bushels, or 16.7 percent of use. This points to an annual average weighted price of about $5.40 per bushel. If you are holding soybeans when prices are much above this, like now, you should either consider selling a larger percentage of them or have a "good" reason why not to, not just "I want prices to go higher."

Also, the basis has narrowed a lot since harvest, and it is unlikely that the basis will narrow much further when prices are much above this, like now, you should either consider selling a large portion of your soybeans, or have a "good" reason why not to, not just "I want prices to go higher."

In Table 3, stock levels are likely to drop in the next marketing year which should and is helping prices. I expect the annual average price for 1993-94 will be in the $5.60 range, although we could see more beans on corn flex acres if the relative prices of corn and soy coils much more towards soy. Keep an eye on forward pricing opportunities for your 1993 soybean crop.

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Michigan Farm News
January 30, 1993
Preparedness is Your Responsibility

Because farm families often live far from medical, police, fire, and rescue services, they must take special care to prevent potentially disastrous accidents and fires—and they must also learn to deal effectively with emergencies until help arrives.

Here are steps you can take to protect your family and workers:

- Prepare an emergency plan that involves everyone who lives and works on your farm. Be sure everyone knows how to follow it.
- Use a good first-aid manual. Take a first-aid course and a CPR class.
- Have a well-stocked medicine chest. Check it periodically to remove old outdated materials and leftover prescription medicines.
- Keep first-aid kits in your shop and barn, on your tractor and combine, and in your truck.
- Post emergency numbers on or near all phones—doctor, emergency medical service, fire and police, poison control center, and reliable neighbors who would be willing and able to help. Have exact directions to your place posted and ready to read to help emergency personnel get there as quickly as possible. Be sure your house number is clearly visible from the road.
- If a family member or worker has a health problem, be sure you and others on the farm know what to do if that person becomes ill.
- Know what to do if you are the first on the scene of an accident. Everyone should know how to shut off an engine and electrical power.
- Have operating smoke detectors. Develop and rehearse a home fire escape plan, including ways to evacuate those who cannot get out on their own. Make sure children know what they should do.
- Install fire extinguishers in your home and outbuildings, and learn how to use them. Have water available for firefighters to use.
- Pay attention to weather forecasts and be ready to respond accordingly. Take appropriate refuge if a tornado threatens or flooding is likely.

From Farm Bureau Insurance

Michigan Land Values Struggle

Steven D. Hanson and Ralph E. Hepp
MSU Ag. Econ. Dept.

Land prices in Michigan continued their gradual upward trend through the first part of 1992. USDA estimates show aggregate values of farmland and service buildings in Michigan averaged $1,105 per acre in January 1992, up about 1 percent from the previous year's value. During the same period, the Federal Reserve Bank of Chicago showed a 2 percent increase in Michigan land values. Likewise, a Michigan State University survey conducted last spring found high quality corn-soybean-hay (C-SB-H) land averaged $894 per acre, up 2.5 percent from the previous year, while low quality C-SB-H land averaged $662 per acre, up 1.6 percent from the previous year. Sugarbeet and irrigated land averaged $1,441 and $1,070, respectively, with sugarbeet land increasing 3 percent and irrigated land increasing 3.4 percent from the previous year.

Since the first quarter of 1992, land value surveys conducted by the Federal Reserve Bank of Chicago found that Michigan land values fell 1 percent during second quarter and 2 percent during the third quarter of 1992. This decline in land values can be attributed to a number of factors.

A record U.S. corn harvest and the largest soybean crop in 10 years caused downward pressure on crop prices while, at the same time, Michigan farmers were facing both a cool, wet summer and problems harvesting low quality field crops. Even when the corn crop is harvested, low test weights, high drying costs and quality discounts are causing losses for Michigan corn producers.

In addition, projected increases in production weaken the outlook for livestock prices next year. To make matters worse, the weak domestic market is expected to receive little help on the export front in the near future. The struggling state economy has also reduced the nonfarm demand for land near urban areas.

A major factor that should be supporting land prices is the low current returns available to investors on alternative investments and the relatively low cost of mortgage funds available to finance land purchases. Record common stock prices have lowered the current return on stocks to below that available from land investments.

In addition, the low rates of return available from bank savings accounts and money market accounts make the current return from farmland look attractive to investors. Land investors who plan to mortgage a large portion of the investment should be cautious from a cash flow standpoint because the current return to farmland based on rental rates (6-8 percent) is still below the cost of mortgage funds (around 9 percent).

In the short-run, look for relatively few land transactions and land prices to drop slightly during the first half of the year. Cash flow problems for cash crop operations will decrease the demand for farmland through the spring.

If weather and crop conditions improve through planting and into the fall, land prices may stabilize and perhaps increase slightly in current dollars. Even stable prices will result in a decrease in the real value of land after accounting for inflation in other areas of the economy.

In the longer-run, the big unknown is what to expect on the international scene. Increased export demand for agricultural products would help improve farm incomes and indirectly support land prices. However, weaker export demand or increased competition in the export market (a likely event) will hurt farm incomes, thereby resulting in a negative effect on land prices.
The gradual improvement in financial position of crop businesses during the last few years has hit the skids, again. The cool, wet summer and the resulting poor quality of field crops is causing serious cash flow problems for many operators. The extent of the financial difficulties depends on the amount of losses from 1992, the level of debts, availability of credit reserves and the amount of government assistance. Many operations will be unable to completely repay the 1992 operating credit, and will need larger amounts of operating credit this year because spring crop inventory sales will be down.

The first activity is to check the financial position of the business. How serious is the cash flow problem? This starts with summarizing the 1992 records into financial reports—a balance sheet, income statement and cash flow statement. Next, develop a projected cash flow for 1993, using average yields and prices. Revise the plans based on the projected cash flow constraints and flexibility to make capital improvements if the business has cash reserves.

Compare the interest rates. The interest rate on the MemberLine VISA and Gold MasterCard is just 15.9% A.P.R. — one of the lowest interest rates available. In addition, you pay no interest on new credit card purchases when your full balance is paid by the due date.

Compare the fees. The MemberLine VISA has no annual fees, no membership fees and no application fee. The annual fee for the Gold MasterCard is $20 — far lower than the fee charged for most gold cards. For added savings, the $20 fee is rebated every year that you make $3,000 or more in net purchases.

Compare the premiums. Both the MemberLine VISA and the Gold MasterCard offer a wide array of complimentary features and options for your protection and peace of mind. And when you carry a Gold MasterCard, you'll enjoy the added advantages of a higher credit line, executive travel privileges, emergency road assistance, purchase protection insurance and a warranty extension program — valuable "extras" you and your family can depend on.

Meet with creditors to arrange for the operating credit needs for next year and a plan to repay any loan delinquencies from 1992. Meet with lenders as soon as possible, so financial plans can be finalized and inputs purchased for 1993.

Continue to follow best management practices in applying production inputs, negotiating land rental agreements and finding the best prices for crop supplies. Apply production inputs that are required for maximum profits, but don't over-apply them.

Monitor the cash flow during the year and proceed cautiously with new investments until more information is known about next year's crop yields and prices, and the ability of the business to make down payments and service debts on new machinery or land.

Residual returns and cash flows will be constrained on most crop farms. Evaluate all alternative farm enterprises and non-farm uses for family resources during the next few years so cash flows can be enhanced. Non-farm employment for some of the family members may be the best option for many crop producers.
Michigan Farm News

January 30, 1993

10 Michigan Farm Income — Good News/Bad News

Jake Ferris, MSU Ag. Econ. Dept.

Based on recent estimates of the Michigan Agricultural Statistics Service (MASS) and the U.S. Department of Agriculture, Michigan farmers grossed $3,425 million in 1991, of which $1,793 million were from crops and $1,288 million from livestock and livestock products (see Table 1). "Cash Income in Michigan". Government payments amounted to $124 million and other farm related income $221 million. Deducting cash expenses (estimated at $2,300 million) from the gross left $1,125 million as net cash farm income. Net cash income does not include capital consumption (depreciation) nor inventory change.

1992 in Review

Official estimates on 1992 income will not be available until December of 1993. Using existing MASS and USDA data on crop and livestock production and prices for 1992, preliminary estimates were generated on gross income from farm marketings for calendar year 1992. Crop sales represent marketings from both 1991 and 1992 harvests. Receipts from wheat were substantially higher in 1992 than in 1991 because of the larger crop and stable prices. Higher prices on hay may have offset a smaller resulting in increased receipts in 1992. Sug- arbeet receipts were off, attributed to lower prices and the small 1991 crop. Receipts from most other crops in 1992 were about the same as in 1991. Almost full assessment of a drop in corn sales from the 1992 crop has not been completed.

Increased gross from livestock in 1992 can be attributed to both increased production and higher prices on milk. Receipts to Michigan dairy producers increased about $75 million in 1992 over 1991. This more than offset declines in sales of cattle and calves, hogs and eggs.

Receipts from turkeys continued upward. Disaster payments offset lower deficiency payments to raise government payments modestly. Slightly higher costs were registered leaving net cash farm income at about $1,167 million, 3 to 4 percent higher than in 1991.

Table 1

<table>
<thead>
<tr>
<th>Table 1: Cash Farm Income in Michigan, 1987-93 (Million $)</th>
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<tr>
<td>Farm Marketings</td>
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<tr>
<td>Gross Cash Income</td>
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<tr>
<td>Crops</td>
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<tr>
<td>Livestock</td>
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<tr>
<td>Government Payments</td>
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<tr>
<td>Other Farm Income</td>
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<td>Total</td>
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Cash Expenses

| 2063 | 2080 | 2168 | 2232 | 2300 | 2321 | 2418 |

Net Cash Income

| 2063 | 2080 | 2168 | 2232 | 2300 | 2321 | 2418 |


Full impact of 1992 fall corn harvest problems were not fully measured or known.

1993 — A Look Ahead

Mixed trends will shape the outlook for cash receipts in 1993. Receipts from corn will be down noticeably because of both a smaller crop, harvesting problems and lower prices. A large 1992 sugarcrop will add to receipts. A small 1992 dry bean crop is being offset by higher prices which, in combination with the anticipated 1993 crop, should raise total receipts in calendar year 1993. Receipts from hay should in- crease for the same reason. Little change is projected in gross returns from wheat and soybeans in 1993.

Livestock sales should follow the trends of 1992. Stable prices and some further expansion in production should elevate total receipts from milk in 1993. Increased pro- duction and stable to higher prices should also boost the gross from turkeys. On the other hand, some further erosion in receipts from cattle and calves, hogs and eggs is projected.

Low corn prices on the crop will result in higher final deficiency payments (made in 1993) than on the 1991 crop. Some increase in CRP and disaster pay- ments are anticipated in 1993, bringing total government payments up to about $175 million.

Cash expenses will rise because of increased purchases of feed grain by dairy and livestock producers who suffered shortages in their own production from the 1992 crop.

Also short-term interest rates will be higher and fertilizer and pesticides will carry higher price tags. Net cash farm income for 1993 is projected at $1,179 million, only slightly above 1992. In real terms (inflation removed), net cash farm income will be somewhat lower than in 1992 and recent years prior to 1992.

The estimates for 1992 and forecasts for 1993 do not fully account for the lack of maturity and delayed harvest on the 1992 corn crop. The USDA yield assumption of 165 bushels per acre was employed in these income figures.

Final yield estimates could be considerably less. To provide some guidelines on the possible impact of such revisions, the following calculations were made. If the average yield turns out to be 20 bushels less than indicated and average price per bushel of 10 cents per bushel is experienced, gross and net cash income for 1993 would be about $4 million less than is projected and for 1993 about $65 million less.

Losses may not amount to this much but the possibilities suggest allowances should be made in any forecast of Michigan cash farm income.
**Agricultural Credit Available for Well Qualified Borrowers**

Mike Kelsey, MSU Ag. Econ Dept.

Short-term interest rates are at their lowest levels since the early 1960s. Rates paid by farmers on operating and term loans have dropped dramatically. However, longer-term rates have not dropped by a corresponding amount.

This spread between short-term and longer-term rates is usually reported as the difference between the 30-year U.S. Treasury bond and the 3-month U.S. T-Bill. Currently this difference is unusually high. Short-term rates can be "managed" to a degree by the Federal Reserve and its position during the past 1-1/2 years has been to reduce rates to attempt to encourage borrowing and stimulate economic expansion.

Long-term rates, however, are more of an expression of market forces between borrowers and investors. This would seem to indicate that as the spread narrows, it will primarily be a result of an increase in short-term rates rather than a major decrease in long-term rates.

The "yield curve" is a chart showing the interest rate on the vertical axis and the length of maturity on the horizontal axis. A "steep yield curve" indicates a low rate for short maturities of debt with rapid increases in rates over the one to 10-year period.

The steepness of the yield curve offers a strong incentive for borrowers to finance with short-term variable rate loans. How-

Sugar Outlook

Jake Ferris, MSU Ag. Econ. Dept.

A key indicator of world sugar market conditions is the stock level as a proportion of consumption. In the past couple of years, total production has exceeded consumption, resulting in stock accumulation.

At the beginning of the 1992-93 crop year, that ratio was about 22 percent, compared with 18 percent at the beginning of the 1990 crop year. As a result, world sugar prices averaged 9.23 cents per pound in 1991-92, compared with about 14 cents in 1989-90.

For the 1992-93 crop year, global production is likely to exceed consumption again, but the difference should be small. World prices are projected to average slightly higher than in 1991-92.

A record U.S. sugar crop of 7.60 million short tons is estimated by the USDA for fiscal 1993— in spite of the two hurricanes which affected crops in Florida and Hawaii. U.S. beet sugar production is forecast at a near record of 4.20 million tons, raw value. Sugar consumption continues to expand with 1992-93 levels anticipated by the USDA to increase 1.5 percent over the previous year.

In spite of a record domestic output, stock levels are projected to decline in 1992-93. This is due to lower beginning stocks, a reduction in imports and expanding utilization. The USDA projects a stock-to-use ratio of 13.5 percent by the end of the 1992-93 crop year, compared with ending stocks of 14.2 and 16.0 percent in the previous two crop years, respectively.

U.S. wholesale refined beet sugar prices (Midwest) eased into November to 24.13 cents per pound and remained at the level through December. These prices are slightly below a year ago when these prices averaged 24.55 cents per pound. This weakening reflects the large sugar beet crop. With total sugar supplies relative to utilization not particularly heavy, relatively stable sugar prices appear likely for 1993.

Detroit Trade Issues — Their Impact to Agriculture Policy

David Schweikhardt, MSU Ag Econ. Dept.

The next farm bill won’t be written until 1994, but many issues affecting farmers will be debated in 1993. Commodity programs, trade policies and environmental policies will all be in the headlines in 1993.

1993 Farm Programs Provisions

Most provisions for the 1993 commodity programs have been announced by USDA (Table 1). Target prices remain in effect for 1993, with 15 percent of each base being eligible as Optional Flex Acreage.

1993 Trade Outlook

U.S. agricultural exports are expected to remain strong in 1993, with a total export value of $4.15 billion dollars (Figure 1). This level of exports would be $800 million less than in 1992, but greater than any other year except 1991. 1993 will be a year of transition. The U.S. will phase out its tariffs on dairy products and most vegetable and fruit products. The U.S. believes the EC has violated the agreement.

Ann Briggs .......... Territory Manager
Williamston ......... 517-349-6699
Ann Arbor .......... A & K Seeds
Brown City .......... Robert Howard
Capac ................ Blumberg Farms
Caswell ................ Crossewell Milling Co.
Dexter ................ Dexter Mill
Leslie .............. Dale Switzer
Marlette .......... Dale R. Wood
Milan ................ Stanbrough Bros.
Monroe ............... Clyde Oiler
North Adams, B. Black’s Equip.
Oxoms .................. Cook Farms
Osseo ................. Schmidt Farms
Pomona ................. Lauren Millidge
Reading ................ Reading Feed & Grain
Saline ................ Tom Hammond
Saline ................... L & D Pinkenhauser
Stockbridge ..... Neal Conaway
Tecumseh ............ Steven Bishop
Williamston ..... John Hogans
Bob Morse .......... Territory Manager
Kalamazoo .......... 517-375-5495
Aihon .............. Charles Foster
Ceresco .......... William Denham
Coldwater ...... Edward Sue
Easter ......... Fuller Farms
Fenton ................. Greg Piper
Genoa .................. Schuette Farms
Hastings ............. Crest Hill Dairy
Hollan .......... Don Boesen
Holt .................. Bob Bean
Homer ........... Dwight Buell
The U.S. exported $2.5 billion of agricultural products to Mexico in 1990 and imported $2.6 billion of products from Mexico. If NAFTA is approved, Mexico would remove all tariffs on approximately $1.5 billion of U.S. agricultural exports in 1994.

While the NAFTA negotiations are completed and an agreement has been reached, negotiations on the General Agreement on Tariffs and Trade (GATT) are not yet complete. These negotiations did appear to make a breakthrough in November, when negotiators for the U.S. and the E.C. agreed to limit export subsidies and price supports.

The elements of this agreement included:

- A 15 percent reduction in E.C. olive acreage
- A 21 percent reduction in the volume of subsidized exports over a 6-year period by both countries;

Continued on page 13, see "Trade and Policy Issues"
Most reasonable people can agree on the desirability of protecting beautiful creatures like bald eagles, loggerhead turtles, Florida panther or grizzly bears (as long as they’re not eating your sheep or deer). But many are unwilling to pay tax dollars for the privilege of seeing these creatures survive in their natural habitat.

But what is the value in saving the Snake River salmon? The Florida Scrub Jay? The Spotted Owl? Or, endangered species here in Michigan like the American Burying Beetle, Mitchell’s Satyr (a butterfly) and Fischer’s Thistle? Is it worth spending scarce tax dollars on protecting an insect so one can’t even see it? An economic activity in order to save every animal and insect species threatened with extinction?

The problem is that the Endangered Species Act, passed by Congress in 1973, is absolute and rigid in protecting species listed as endangered or threatened. The law, even if it is being considered as the “fast track” approval process that expires on June 1. If an agreement cannot be reached by March 1, President Clinton may ask for an extension of the fast-track authority to give his administration enough time to finish the negotiations.

Environmental Policy Outlook

Congress may also write major environmental legislation in 1993 by reauthorizing the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), and the Clean Water Act. FIFRA regulates the safety and labeling of many agricultural chemicals, and changes in this legislation could affect the availability of some chemicals. The Clean Water Act regulates pollution levels in public water sources. Congress may consider changes to place tighter controls on chemicals or animal runoffs from agriculture.

Miscellaneous Policy Issues

These policy issues may also be addressed in 1993:

Deficit reduction: If an effort is made to reduce the federal budget deficit, all forms of agriculture spending—price support programs, research, extension and others—could be on the defensive.

Wealth definition: The debate over the definition of wetlands is likely to continue. If the agencies involved cannot resolve the issue, Congress may be forced to decide the matter.

USDA reorganization: Proposals to restructure the Department of Agriculture are still being considered. The enactment of any such proposal will affect current organization of USDA and its field offices.

Summary

While farmers may not feel the impact of these policy decisions in 1993, many decisions could be made this year that will affect agriculture in coming years. The diversity and complexity of these issues require that farmers remain aware of many more issues than in the past.

But it strains credibility to claim that all the 700 plant and animal species currently listed for protection under the act, and the 3,500 more species waiting to be considered for listing, are as valuable as the Pacific salmon or grizzly bears. But current law permits no determination of relative value. All species are deemed equally worthy of protection.

Furthermore, even if you are genuinely concerned with protecting and recovering rare, threatened and endangered species, the trust of the Endangered Species Act is being misused, according to Robert J. Smith, director of environmental studies for the Cato Institute. "The act is characterized by negative incentives instead of providing positive ones for protecting endangered species," he said. "Indeed, the negative incentives are especially destructive."

"The jeopardy section and the taking section of the act are a warning to any government land manager or private landowner that the presence of an endangered species on his lands—or even the existence of habitat that might be used by a listed species—will likely result in a change in how he can use the land or in a regulatory taking of those lands."

Smith said no one has any incentive to make his land attractive for endangered species. 'The perverse incentive structure of the act accelerates destruction of the very habitat the act was designed to protect. For example, spotted owl habitat is being cut at an accelerated rate on public and private lands by managers or owners of trees who face the prospect of not ever being able to harvest those trees and not receiving any compensation for the closing taking. There is nothing in the act to promote or encourage the protection of more wildlife habitat; not a word encourages landowners to increase the population size of any threatened or endangered species," said Smith.

Farm Bureau believes an appropriate balance must be struck between the needs of a species and the needs of people. This balance must begin with respect for private property, should that person be compensated for the property's reduced market value or for the economic activity in order to save every animal and insect species threatened with extinction. In view of this, Farm Bureau believes an appropriate balance must be struck between the needs of a species and the needs of people. This balance must begin with respect for private property, should that person be compensated for the property's reduced market value or for the economic activity in order to save every animal and insect species threatened with extinction.

February Discussion Topic - "Endangered Species"

I. What changes would you make to the Endangered Species Act?

2. How much should human and economic considerations enter into endangered species protection?

3. If an endangered species listing causes a person to lose his or her job or the use of property, should that person be compensated for the loss?

4. Who should be responsible for protecting endangered and threatened species?

5. To what extent should private property rights be considered in endangered species protection?

6. Should farmers be able to protect their crops/livestock from predators listed under the Endangered Species Act?
Corn Seller's Exchange Free Listing Coupon

Name: 
City: 
Phone: 
Quantity (in bushels):

Fill out this coupon and mail it directly to: MSU Outreach Communications c/o MCIE, Room 321 Ag Hall East Lansing, MI 48824-1039

You can also phone your listing in by calling: Michigan Farm News, 1-800-959-3129

Michigan State Univ., (517) 336-1555

Be prepared to provide the same information as requested above when calling. No additional information will be provided over the phone.

Jeff Knoeblauch, Blissfield, Lenawee County. Est. 50,000 bu. (dry corn) and 6,000 bu. (other). Trucking available.

David Gross, Midland, Midland County. Est. 4,000 bu. Call 517-472-3245. Trucking available.

M. Marshall, Richfield, Hillsdale County. Est. 80,000 bu. Call 517-472-3152. Trucking available.

Tom Todd, Crosswell, Sanilac County. Est. 6,000 bu. dry and 3,000 bu. dry and feed. Call 517-658-3939.

Pete Ratajczak, Munger, Bay County. Est. 6,000 bu. dry grain. Call 516-366-3599.

Robert Boettger, St. Johns, Clinton County. Est. 5,000 bu. Call 517-254-4119. Trucking available.

Tom Zywicki, Brown City, Sanilac County. Est. 60,000+ bu. Call 517-658-7078.

-- TRUCKING --

Trucking Services (hopper trailers and grain trucks) and accepts trucking volume.rick Farmer, Charlevoix County. Call anytime at 517-485-7140.

Dean Linderman, Dexter, Washtenaw County. Est. 100 acres. Call 517-406-1004.

Larry Weyer, St. Louis, Isabella County. Est. 15,000 bu. Call 517-396-4627 or 517-396-7206.

Dave Uloth, Golden Valley Farms, Hillsdale County. Est. 50,000 bu. Truck capacity: 900 bu.

Terry Wright, Lake City, Missaukee County. Call 618-859-4967 other during a.m. or late p.m. Truck capacity: 22 ton.

Rocky Wright, Gaylord, Otsego County. Call 989-207-1021 either during a.m. or late p.m. Truck capacity: 35 ton.

Larry Cline, St. Louis, Gratiot County. Call 517-981-5305 anytime.

Norm Milhous, Jones, Cass County. Call 517-344-5606 or 640-5156.


Jeff Knoeblauch, Blissfield, Lenawee County. Est. 50,000 bu. (dry corn) and 6,000 bu. (other). Trucking available.

David Gross, Midland, Midland County. Est. 4,000 bu. Call 517-472-3245. Trucking available.

John Schaeffer, Washtenaw Cty, Est. 4,000 bu. Call 517-668-7421. Trucking available.

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Tom Todd, Crosswell, Sanilac County. Est. 6,000 bu. dry and 3,000 bu. dry and feed. Call 517-658-3939.

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Dairy Market Situation and Outlook – Efficiency Critical

Larry Hamm and Sherrill Nott, MSU Ag. Econ. Dept.

The 1993 outlook points to a modest cost-price squeeze on dairy producers. After several years of stable or declining production costs, input prices could increase 2.5-3 percent in 1993. Milk prices are expected to drop about 3 percent in 1993. The resulting cost-price squeeze will demand greater productivity and management skill.

Production and Consumption Increases Will Be Modest

Milk production for 1993 will likely increase only 1-2 percent over the cool weather induced production increase this year. Cow numbers will continue to decline to about 9.8 million head. Production per cow is likely to increase around 2 percent, but will be constrained by feed quality problems early in this year. Total production will likely reach around 132.5 billion pounds.

Consumption will continue to increase. The estimated commercial disappearance for 1993 will be around 143.9 billion pounds, up about 1.5 percent. Most of the increase will result from increased cheese consumption associated with modest economic growth. There will be some enhanced powdered milk demand caused by active use of the Dairy Export Incentive Program (DEIP). After taking into account stock level changes, imports, farm milk use, etc., CCC surplus purchases will be below the price support assessment trigger level.

Price Possibly 35 to 45 Cents Lower

For all of 1992 the Minnesota-Wisconsin price averaged $11.87 per cwt (3.5 percent). After dropping to around $10.40 to $10.60 in March, the M-W will rebound to the $12.40 to $12.65 in the fall. For the year, the M-W will average around $11.40 to $11.60. Michigan milk prices at the farm will be helped by the reformulated super-pool. The all-milk price (3.5 percent test) for Michigan producers will likely run between $12.45 and $12.85 for the year. This will be around 40 cents lower than last year's average price. While not good news, 1993 price levels will be above support levels which would prevail under rapidly expanding production conditions. The modest 3 percent decline in milk prices will be compounded by rising production costs.

Dairy Farm Expenses to Increase

The USDA's composite price index for all production items, interest, taxes and wage rates remained unchanged during 1992. The rate of growth of input prices could increase 2 to 3 percent in 1993. The resulting cost-price squeeze would affect milk checks and others which will affect those refinanced or negotiated lower rates at loan renewal time.

Interest rates dropped during 1991 and 1992. Managers with variable interest rate loans gained, as did those who refinanced or negotiated lower rates at loan renewal time. Interest rates may go back up in 1993.

Management time will be needed in those counties designated as disaster areas. Low interest rate loans might become available if time is spent to document the need. Such loans usually have special low interest rates.

However, the price index for crop chemicals has been increasing at an annual rate of nearly 7 percent the last two years. This upward trend continues, farmers will be searching for alternatives.

Wage rate increases ran about 6 percent annually in the past two years, despite the recession and high unemployment. Dairy farmers will likely see it increase another 5 percent in 1993. One way to offset high labor is to substitute machinery. But in 1992, the price indexes for autos and trucks, for tractors, and for other equipment increased about 3 percent. These costs are likely to continue their upward trend in 1993, thereby diluting any gains from reduced labor.

Michigan dairy farmers in 1991 achieved lower costs per hundredweight of milk than they did in 1990. They probably did as well or better in 1992. But in 1993, managers may see their unit costs go back up a bit before they deal with feed quality and quantity problems the first part of the year.

Policy Issues Continue

There are several policy decisions which will affect milk checks and others which will get a lot of press coverage, but will not likely impact producers this year.

The coming debates on environmental regulation and health care reform have great potential to impact dairy, but will probably not hit in 1993. Surplus assessments are not in the cards for 1993. Because milk production increased in 1992 over 1991, the number of producers eligible for 'deficit assessment' refunds for holding their production down in 1992 will be lower. The May 17th 'deficiency assessment' increase from the 11.25 cents per cwt. in effect now will go only to around 15 cents. This is slightly lower than the 13.65 cents in 1992.

The USDA will hold hearings on commodity pricing on Federal Order No. 40 in February. Any implementation of multiple component and somatic cell count pricing in the Federal Order will likely wait until 1994.

Final decision by the USDA on the national Federal Order hearings and Class IIIa pricing for Michigan may be made in full impact of those decisions will not be felt until 1993. Expect the butterfat differential to go down again. For the first part of 1993, a "point" of butterfat will be worth only around 6 cents. If the USDA does put in another "butterfat" grade "price" change this spring, the butterfat differential can fall to 5 cents a point.

Finally, the policy environment won't support an increase in the dairy price support this year.

Summary

The year of 1993 will again challenge Michigan dairy producers. Future dairy activity to safeguard the industry income and markets will increasingly come from industry self-help programs. The Michigan industry-wide success on building a new and expanded super-pool for 1993 can serve as a model for future industry initiatives to develop a prosperous dairy industry in Michigan.