MICHIGAN FARM NEWS

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MICHIGAN FARM BUREAU

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1996 Michigan farm income and economic outlook issue

Michigan soybean sales were up about $20 million in 1995 while receipts from corn were up about $80 million from 1994 levels. MSU ag economist Jake Ferris expects that 1996 gross receipts for crops will continue to increase while livestock receipts will be relatively stable. Rising costs, however, will likely offset the projected increase in gross income, he says.

U.S. economic outlook

by Lester V. Manderscheid

The U.S. economy has continued to expand during 1995 and has completed the second longest expansion period since World War II. Further economic growth is expected during 1996. While a few analysts see a recession in 1996, the average forecast is for a slow first half and slightly higher growth in the second half. An annual growth of about 2 percent after inflation is the most common expectation.

My forecast had been a little higher until the recent bad weather in the East and the prolonged budget debate in Washington reduced. The average forecast now is reasonable. Growth at this rate is consistent with an increase in the Consumer Price Index of between 2.5 and 3 percent. Unemployment will remain near current levels.

A major uncertainty is rate of economic growth in the other industrialized countries of the world. They experienced a rapid increase in industrial production in 1994 before slowing in 1995. Indeed, industrial production fell on the average in Canada, Japan, the U.K. and Germany during the second and third quarters of 1995. If stagnation continues, it will be difficult for the U.S. economy to grow at a near 2 percent rate. If, on the other hand, the major industrial countries returned to a 1994 rate of growth, the U.S. economy could grow at a 2.5 to 3.0 percent rate as exports expand.

Agricultural credit

by Myron (Mike) Kelsey and Steven Hanson

The last few years have seen major fluctuations in interest rates with a gradual 3-year decline from 1990 through 1993, and a dramatic increase in 1994, as the Federal Reserve attempted to slow down the economy into a "soft landing." Apparently, they were successful — the discount and prime rates stabilized in 1995 and started a gradual decline late in the year. The expectation is for the Federal Reserve to continue to decrease rates by ¼ to ½ percent early in 1996 and, depending on the trend in economic growth, perhaps more later in the year.

Overall, loan demand in Michigan was essentially unchanged from a year earlier. A Federal Reserve Bank of Chicago survey of agricultural bankers found the average loan-to-deposit ratio in the Seventh District had increased to 67.3 percent, the highest level since 1979. Despite recent declines, interest rates for farm loans remained above previous year levels. In Michigan, the real estate loan rate averaged 9.73 percent, while the average operating loan rate was 10.69 percent. The Michigan rates were the highest among all states in the Seventh District.

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Farm bill debate and confusion continue

Feb. 15 deadline proposed for enacting 1949 farm bill

The only thing certain at this point in Washington regarding the outcome of the budget and farm bill debate is the growing pressure for a resolution. Producers in the southern U.S. have the biggest concerns, with planting already underway in many areas of the extreme south.

At the recent American Farm Bureau annual meeting, USDA Secretary Dan Glickman said that Congress will need to deal with agriculture separately if the budget talks remain at an impasse. He said that a one-year extension of the current farm program or enactment of a new farm bill would be preferable to operating under the 1949 permanent farm law, which he called "dysfunctional for the modern world."

Glickman did say, however, that time is quickly running out and that he would be forced to implement the 1949 law as of Feb. 15 to give producers something to work with for the upcoming planting season. If that were to happen, the loan rates would be set at $5.50 for corn and $7.82 for wheat, effectively shutting down U.S. exports.

Delegates to the American Farm Bureau Federation's annual meeting endorsed the Freedom to Farm farm bill proposal and voted against extension of the current farm program. Delegates also asked that tax and regulatory reform relief be included as part of the trade-off for less government in agriculture.

Under Freedom to Farm, annual crop set-aside acres would be eliminated and farmers would be allowed to plant the commodity of their choice. Producers would also receive a guaranteed annual "transition" payment that would decline gradually over a seven-year period.

Delegates also endorsed a letter to President Bill Clinton and Congress urging immediate action on the farm bill, calling the options of extending the current farm bill or reversion to the 1949 act disastrous.

Meanwhile, the *Des Moines Register* reported recently that "eyeballs were rolling" in USDA when top USDA managers sat down to discuss operating under the 1949 farm bill. USDA officials are reportedly not happy about implementing the act nor are they clear on what is required. Although the 1949 law provides high price supports based on "parity levels," it's not clear whether those loan rates would apply just to producers who were raising the crop in the 1950s or all producers currently raising the crop.

USDA officials are also reportedly worried about owning lots of grain, since farmers would likely default on their price-support loans which would be set at $7.82 per bushel for wheat and $5.50 for corn. The 1949 law set loan rates as a percent of parity, which is based on price relationships in the period from 1910 to 1914.

COVER STORY

by John N. "Jake" Ferris

Gross cash farm income in Michigan increased to about $3.8-3.9 billion in calendar year 1995. This was about $200 million, or 6 percent, over the gross in calendar year 1994 (Table 1). The crop sector contributed mainly to this increase. Receipts from corn were up about $80 million from 1994, including increased sales from the large 1993 crop made in 1994 and higher prices on the 1995 crop. Wheat grossed about $50 million over 1994 from both a larger crop and higher prices. Soybean sales were up about $20 million. A large apple crop, in combination with higher prices, more than offset a sharp drop in receipts from tart cherries.

Gross income from livestock in 1995 was very close to the 1994 level. Increased marketings of milk about offset a small decline in price. Lower prices reduced receipts from cattle and calves. Higher hog prices helped to maintain receipts from that enterprise, as was also true for eggs.

Government payments to farmers were somewhat higher in 1995, attributable to 1994 disaster payments made in 1995. Advanced deficiency payments made on 1995 wheat and corn crops will have to be returned to the government, however.

Cash expenses also increased in 1995, particularly on fertilizer and, late in the year, on feed. Total cash expenditures were estimated to be just over $3 billion. This left net cash income at about $821 million, which was $122 million, or about 17 percent, over 1994. The $821 million would be about average for net cash farm income in the 1990s (Table 1). Because of general inflation, however, the purchasing power, while above 1994, would be below the average for 1990-94.

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SPECIAL ECONOMIC OUTLOOK ISSUE OF THE MICHIGAN FARM NEWS

News in Brief

From the President

Budget bill important to agriculture

I want to begin by saying thanks to all of you for the support you have given me during my recent recovery from open heart surgery. Your prayers, cards, well wishes and phone calls have been an important part of my recovery process. Everything seems to be going very well, and the healing process appears to be proceeding on schedule, which is more than I can say for the federal budget negotiations.

As this goes to press, it's possible that Congress and the president will have reached a budget agreement. But it's also likely that the standoff will continue for some weeks. However long it takes to work out a compromise, the fact that most Americans now consider a balanced federal budget a realistic goal indicates that substantial progress has been made in the way we look at government spending.

Nevertheless, the ultimate question behind the budget fight goes beyond haggling over amounts of expenditures. The real tussle concerns the direction of public policy on the size and cost of government. Will government continue to grow and claim an increasing share of the private sector? Or will the role of government begin to shrink, permitting agriculture and the rest of the private sector to grow and prosper?

Farm Bureau has stood clearly (and for a while, alone) in favor of spending restraints and cutbacks as a way of downsizing government and unleashing the latent productivity of our economy. A growing, vigorous private sector will do more for agricultural prosperity than any government farm program.

Not that the farm bill is moot. On the contrary, one of the biggest reasons our Michigan congressional representatives should support passage of the budget reconciliation package, which was vetoed by President Clinton, is because of how it links new farm program provisions with significant tax and regulatory reform. The measure replaces the current farm program system with a new plan that gives farmers more planting flexibility and guaranteed, but declining, payments for seven years. At the same time, it provides offsetting estate tax and capital gains tax reform and health care tax deductions for farmers and other self-employed people. Farm Bureau backs the changes in the farm program only if they are balanced with the tax relief provided for in the budget reconciliation plan. Congress must hang tough in moving the entire package.

As you talk to your friends and neighbors this winter about the benefits of belonging to Farm Bureau, be sure to highlight your organization's important role in helping to begin balancing the federal budget. Many times, Farm Bureau has been a lone voice for common sense, not just on government spending, but also on a variety of other issues like private property rights protection and endangered species act reform. The fact that the rest of the political system is now catching up with Farm Bureau is a tribute to our consistent, grassroots, farmer-based policies and a good reason for every Michigan farmer to be a part of our efforts in the future.

Jack Laurie

Jack Laurie, President
Michigan Farm Bureau

MFB hosting "Ag in the Classroom" workshops

If you've ever had an interest in teaching young people about agriculture, but were hesitant because you didn't know where to start, then make sure you attend one of the MFB Ag in the Classroom workshops! According to MFB Promotion and Education Department Chairperson Julie Chamberlain, the workshops will feature hands-on activities and demonstrations that participants can take back to their local schools.

Each workshops will feature two to four successful teaching activities unique to the workshop area including:

- Teaching student about career opportunities in agriculture
- Creating "Ag-Citing" experiences
- Teaching the teachers
- Conducting Rural Education Day for school districts
- Tapping into school latch-key programs
- Adopting classrooms for year-long agricultural experiences

The $20 registration fee includes refreshments, lunch, lessons and materials. Reservations are required at least 15 days in advance of the event for planning purposes. Each program starts at 9:30 a.m. and will conclude by 3 p.m. Reservation can be made by completing the reservation form below.

Agriculture in the Classroom Workshop Reservation Form

Name ______________________________

Address ______________________________

Phone ______________ County ______________

I wish to attend the following Agriculture in the Classroom workshop: (Please check one location. Use a copy of this reservation form if you wish to enroll in more than one workshop.)

☐ Saturday, February 17, Kalamazoo, Airport Holiday Inn
☐ Friday, February 23, Frankenmuth, Bavarian Inn Lodge
☐ Saturday, March 16, Big Rapids, Holiday Inn and Conference Center

Total number of people attending: ____ × $20 per person = $________

For more information call 800-292-2680, ext. 3213.

Please make checks payable to *Michigan Farm Bureau* and return with reservation form at least 15 days prior to the workshop date to:
**Michigan Farm Bureau, Promotion and Education Department,
P.O. Box 30960, Lansing, MI 48909-8460**

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"Ethanol car" available to public

The first mass-produced alternative fuel car that can be powered largely by ethanol will roll off a Ford assembly line this week, says the National Corn Growers Association (NCGA).

The "flexible fuel" Taurus can run on three types of fuel: straight gasoline, traditional 10 percent ethanol, or the new E-85 fuel comprised of 85 percent ethanol.

The NCGA, says Ford, will be able to make up to 6,000 of these new Taurus models and offer them for sale to the public at the same price as a regular Taurus.

Currently, there are 13 gas pumps dispensing E-85 in the country, up from none a year ago. "We want at least 40 up and running in the next six to nine months," says Phil Lampert, project coordinator for the National Vehicle Coalition.

The NCGA is urging farmers and other consumers to consider buying a flexible-fuel Ford. The group also plans to lobby federal, state and local governments, as well as companies — especially agribusinesses — to buy flexible-fuel cars for their vehicle fleets.

Researchers testing new poultry vaccine

Government researchers are experimenting and testing two new vaccines to protect poultry against the Newcastle virus, which some experts have said could be the biggest threat ever to domestic broiler and egg industries.

The two new vaccines, one that is injected into an unhatched egg and the other that is given to hatched birds, would be more effective and allow producers more timing flexibility for vaccination, according to the researchers.

The highly contagious Newcastle virus attacks chickens, turkeys, parrots, cormorants, ostriches, and other wild and pet birds. In 1971, a strain of Newcastle spread in Southern California, resulting in a $56 million, 11 million bird loss.

The vaccines' makers are working with vaccine makers in Maine and France to produce the new antigens. The vaccines were developed at the Southeast Poultry Disease Research Laboratory in Athens, Ga.

USDA to investigate Canadian potato pricing

The Agriculture Department announced it will investigate the pricing policies of New Brunswick and Prince Edward Island (PEI) potato farmers, according to Gus Schumacher, administrator of USDA's Foreign Agricultural Service.

The agency decided to review the situation after officials met with potato producers in Aroostook County, in northern Maine. The farmers said Canadian producers are "dumping" potatoes into the U.S., pushing the price of potatoes below the cost of production.

The PEI Potato Board dismissed the charges, claiming potatoes are cheaper in Canada than in the United States.

California farmers push for methyl bromide extension

California farmers are pushing Gov. Pete Wilson (R) to hold a special session of the state Legislature early this year to prevent a threatened March 30 ban on the use of methyl bromide.

The Birth Defects Prevention Act of 1984 provided chemical manufacturers until 1991 to complete health studies of the fumigant. That year, a five-year extension was given to the industry to complete the studies. However, chemical companies recently informed the state that they need at least two more years to complete the studies.

Jim Wells, director of the state's Department of Pesticide Regulation, said his department and other regulators should be blamed for the delays. State and federal regulatory agencies argued for years to determine which animal tests would be best for the study, he said. When an agreement was finally reached, there wasn't enough time to perform the study.

Farmers claim that the ban will cost California agriculture approximately $258 million. It would also cause the state's ports, trucking companies and other businesses involved in exports to lose millions in revenue. At present there is no available alternative to methyl bromide.

USDA releases meat safety regulations

The Agriculture Department released four meat safety regulations to revamp and simplify the inspection process. The four rules consist of an advance notice outlining the overall reform plans, a final rule on product labeling, a proposal for use of the term "low-fat" and a plan to end duplication of Food and Drug Administration rules.

The agency also said it will release three other rules in 1996, including new performance standards for some meat and poultry products, termination of prior approval of slaughter house blueprints and an advance notice on composition of meat products.

In addition, USDA is still in the process of developing new regulations that will radically reform meat and poultry safety inspections. These new rules are slated for release early this year.

FACT OF THE DAY

Did you know that a recent nationwide consumer survey found that farmers and labels are America's most trusted sources of information about foods? In fact, the breakdown for most credible information sources, according to the survey results, is the following:

Source: Purina Mills, Inc., 1995 American Food Consumer Survey)

$2 "grain buster" idea wins Farmer Idea Exchange

Leonard Maschino's practical invention to unclog grain and feed bin augers is a great farm safety idea — so great that the American Farm Bureau Federation chose Maschino's "grain buster" as the first place winner in the Farmer Idea Exchange at the 77th AFBF annual meeting.

"I made the grain buster for safety and labor savings," said Maschino, a grain producer from North Vernon, Ind. "It's simple, easily installed in 10 to 15 minutes and costs only $2. More importantly, I avoid injury. To my knowledge, there's nothing else on the market that performs the same task, other than me getting in the bin with a pole."

The grain buster is safe because it eliminates the need to enter a bin to unstop grain augers. "It's always dangerous when grain or feed are present," Maschino said. "Each year, between 25 and 35 people die of suffocation in grain bins. It takes only eight seconds to become submerged in flowing grain. I also don't run the risk of an auger injury.

"If I can save one life with the idea, then it's been worth everything," Maschino emphasized.

The grain buster consists of two half-inch bolts about five inches long and two nuts. "Simply weld the nuts to the slide gate or drill two half-inch holes and attach the bolts," Maschino said.

The bolts sticking up will dislodge any foreign material that builds up over the auger by simply opening and closing the slide gate, he noted. The unit will work on any bin with a slide gate.

"Since I installed the grain buster on my farm, I not once had to enter a bin to dislodge grain above the auger," Maschino said. "My time is money and I no longer waste hours in a bin with a pole. The grain buster dramatically reduces the risk of inhaling grain dust."

For winning first place in the Farmer Idea Exchange, Leonard and his wife, Tina, receive one year's free use of a Ford GENESIS tractor. This is the eighth year of the Farmer Idea Exchange program.

Capitol Corner

For more information on legislative topics in the Michigan Farm News, call 800-292-2680.

NATIONAL ISSUE

Details of the 1995 amendments to the Perishable Agricultural Commodities Act (PACA)

President Clinton signed a bill amending the PACA, significantly changing PACA's operation. Farmers who rely on PACA to enforce fair trading practices need to be aware of the changes.

It's important to note what hasn't changed. First, PACA continues to require traders to comply with the terms of their contracts. Sellers must ship the quantity and quality specified in a contract. Buyers must accept shipments that meet the contract guidelines and pay promptly after acceptance.

Second, unlike other regulatory programs, license fees from PACA beneficiaries finance the entire administration of the act. Congress provides no appropriations.

Third, fruits and vegetables are highly perishable and are often sold and consumed at the retail level before farmers are even paid. The new PACA continues to allow farmers, brokers and other traders to market highly perishable commodities while protecting their rights in the event that a contract dispute occurs. It does this simply, without imposing regulatory burdens.

Finally, dispute resolution without PACA means court action. Without PACA, growers will need to go to court to get paid. The alternative to PACA is expensive litigation that farmers cannot afford. PACA keeps farmers out of court.

Key provisions of the new law

1. License fees

Traders are still exempt if they purchase less than $230,000 of produce in a calendar year, unless they purchase jobbing quantities from someone else. License fees are set at $550 plus $200 for each branch operated by the primary licensee in excess of nine such facilities, with a cap of $4,000. License fees are set for three years. After that they can be increased without congressional approval. Retailers' license fees are phased out over the next three years.

2. Slow pay

USDA now has the authority to assess civil penalties, not to exceed $2,000 for each violation or each day the violation continues. Under the old law, the only action USDA could take against slow pay/no pay was either license suspension or revocation. As a result, slow pay was rarely, if ever, enforced because of the severity of the sanction. Now, USDA has the ability to penalize slow pay/no pay with fines, although it is not yet clear the process they will use to determine slow pay violations.

3. Trust provisions

For licensees, trust benefits are preserved merely by including a trust rights statement on the invoice. There is no need to prepare and send trust notices to USDA and the buyer. For non-licensees, a trust notice must still be prepared and sent to the buyer in the time frames required under the old law. However, non-licensees do not need to send a trust notice to USDA anymore.

4. Rebates

The new PACA also adds a subsection defining sufficient disclosure of collateral fees and expenses (rebates). The use of collateral fees and expenses is one reason why retailers/wholesalers sought repeal of PACA. Sysco Corporation was fined $1.5 million dollars by USDA late last year for failure to disclose the use of collateral fees and expenses. USDA considers failure to disclose their use as an unfair trade practice. The law now defines what constitutes sufficient disclosure and USDA will probably require disclosure of rebates on invoices. Collateral fees and expenses can be many things, but most commonly are rebates and/or promotional allowances. For example, if a supplier has a contract with a hospital to deliver weekly shipments of fruits and vegetables for cost plus 7 percent, sufficient disclosure means that promotional or volume discounts must be listed on the face of the weekly invoice – an unfair trade practice as defined by USDA if it is not.

5. Unfair trade practices

It is now illegal for producers to misrepresent the character, kind, grade, quality, quantity, size, pack, weight, condition, degree of maturity, or state, country or region of origin of any perishable commodity. It is also illegal for producers to remove signs on containers if that sign contained a statement signifying that the container complied with federal or state law as to grade or quality. Finally, it is now illegal for producers to substitute in the contents of a load after it has been officially inspected.

6. Misbranding

The new law limits misbranding liability solely to those who could have knowledge of a misbranding and the ability to correct it.

7. Investigations

USDA investigations begin only after it receives a written complaint. USDA must then notify the company of the nature of the investigation and must keep the identity of the person or company filing the complaint confidential. This is important because filing a complaint often terminates important business relationships. Filing fees of $60 and $300 for informal and formal complaints, respectively, become a permanent part of the law.

What is missing?

1. The bill does not address first lien treatment in bankruptcy cases for growers who have filed valid trust notices. A recent court case clouds a grower's right to trust assets of a buyer should that buyer file for bankruptcy.
2. The bill does not extend protection to transactions involving Puerto Rico and other U.S. territories.
3. The bill does not extend protection to cut flowers. AFBF board action supports the inclusion of cut flowers under PACA protection.

While the bill misses some key points, it does address several Farm Bureau concerns. First is the ability to enforce slow pay/no pay.

Second is the preservation of the trust without having to file a trust notice. While non-licensees must still file, it does remove a significant burden for licensed growers, who now only need to include a trust statement on their invoices. Finally, the new law ends a contentious, year-long debate over whether we need a seller protection law at all. While additional fine-tuning is needed, the new PACA represents improvements for growers of perishable commodities.

AFBF urges action to stop flood of Mexican produce

The American Farm Bureau Federation is urging prompt use of NAFTA trade provisions to stem a surge of vegetable imports from Mexico that has sent produce prices plummeting and threatens to devastate Florida vegetable farmers.

In a letter to Agriculture Secretary Dan Glickman, the AFBF requested that snap-back provisions dealing with the level of imports be implemented properly and quickly. Those provisions, part of the North American Free Trade Agreement (NAFTA), are designed to slow imports and protect domestic producers from dumping of foreign produce on U.S. markets.

"We urge you to take immediate action to utilize all import surge mechanisms allowed by NAFTA and to begin a review of the value and volume of Mexican produce imports on Florida producers," wrote AFBF President Dean Kleckner in his letter to Glickman.

"Dramatic changes are taking place in the volume of Mexican produce being shipped to the U.S. during recent weeks," Kleckner added. Prices for many winter crops in Florida have been driven well below the cost of production, as Mexican produce crosses the U.S. border at rates 30 percent above last year. Florida producers have legitimate concerns about Mexican imports and the performance of NAFTA safeguards designed to deal with such a situation.

"The current threat to Florida agriculture from surges in Mexican imports needs to be dealt with in a serious and straight-forward manner," Kleckner added. He urged Glickman to respond to the import surges with timely application of NAFTA provisions, to develop improved reporting on the price and volume of Mexican imports, and to consider emergency purchases of commodities such as squash, tomatoes, cucumbers, peppers and eggplants by the USDA to help shore-up prices.

Carl B. Loop Jr., AFBF vice president and president of the Florida Farm Bureau, has also been urging the government to act to protect Florida farmers from the influx of Mexican fruits and vegetables. He contacted state and federal officials requesting intervention on behalf of Florida vegetable producers to stop the dumping of Mexican produce.

"We're talking about tomatoes, cucumbers, peppers, squash, sweet corn, things like that," Loop said. "Looking at what's coming in, we're seeing two, three, four, even as high as a 600 percent increase over what was imported last year, which is a real surge."

Florida farmers recently dumped truckloads of eggplants, squash and other vegetables on the ground to protest dumping of Mexican produce on U.S. markets. Farmers also met with Glickman and U.S. Sen. Bob Graham in Orlando to discuss ways of fighting the import surges that have hurt Florida's $1 billion fresh-vegetable industry.

To date, Florida's winter growing season has not been considered a separate industry and has been precluded from obtaining relief under trade laws designed to assist domestic industries harmed by freer trade. Graham introduced legislation requiring the U.S. International Trade Commission to use seasonality as a factor in determining when an industry needs trade relief.

NATIONAL ISSUES

Priority issues scoreboard

The following is a look at how key Farm Bureau issues are moving in Congress.

Balanced budget amendment — H.J. Res. 1 passed by House in late January; defeated by Senate in March. Another vote expected this year.

Line-item veto — House passed H.R. 2 in early February. S. 4 passed by Senate in late March. Conference committee consideration still pending.

Capital gains — Congress passed H.R. 2491, the Balanced Budget Act of 1995, in November, which includes a capital gains tax exemption increase. Bill still being negotiated by Congress and the White House.

Estate taxes — H.R. 2491 includes an increase in the estate tax exemption and targeted relief for family businesses. Bill still being negotiated by Congress and White House.

Risk assessment/cost-benefit analysis — S. 343, the Comprehensive Regulatory Reform Act of 1995, failed to pass Senate after three cloture votes. In March, the House passed two companion bills: H.R. 1022 and H.R. 926.

Delaney clause — H.R. 1627, which includes reform of Delaney, favorably reported out of the House Agriculture Committee; action still pending in the House Commerce Committee. A companion bill, S. 1166, introduced in Senate; action pending.

Clean water — House passed H.R. 961, Clean Water Act reauthorization legislation, in early May. Markup of S. 851, which specifically targets the Section 404 wetlands program, is expected in a Senate subcommittee.

Private property — House passed H.R. 925 in March. Senate floor action on S. 605 expected.

Health insurance — H.R. 831, which increased the deduction to 30 percent, signed into law by President Clinton in mid-April (P.L. 104-7). H.R. 2491 – which would increase the deduction to 50 percent – still being negotiated by Congress and the White House.

STATE ISSUE

Funding for roads and bridges

The proposal unveiled by the bipartisan Working Group on Transportation Funding and Reform would eliminate the 6 percent sales tax on motor fuel and convert it to a 6-cent-per-gallon tax earmarked for transportation. In addition, the motor fuel tax would be boosted by 4.5 cents a gallon and the diesel fuel discount would be eliminated.

In addition to increasing taxes, the transportation plan proposes a number of reforms aimed at making sure transportation dollars are spent efficiently.

MFB position: Michigan Farm Bureau supports this proposal, which would increase the amount of money available for road and bridge maintenance and construction.

MFB contact: Tim Goodrich, ext. 2048.

1995 Michigan farm income and economic outlook

Continued from front page

The outlook for 1996 is similar to that for 1995. Gross receipts from crops will likely continue to increase and receipts from livestock will be relatively stable. Rising costs, however, will likely offset the projected increase in gross income. Government payments remain a question mark.

Sales of 1995 crops in 1996 should be noticeably higher than sales of 1994 crops in 1995. This will be particularly the case with corn, wheat, soybeans, potatoes and apples. With no set-aside on corn, 1996 acreage will likely increase and, with average weather, a larger crop would be expected.

Corn prices are likely to continue strong on the 1996 crop, and above the $2.75 per bushel target price that has been established in the farm program in recent years. Returns from 1996 wheat and soybean crops should also be well above average. Odds would favor gross receipts from 1996 crops of dry beans, sugar beets and potatoes to be above the returns from the 1995 crops. This would also be true with tart cherries, although the gross from the 1996 apple crop may not match the income from the 1995 crop.

Prices and production of milk, cattle, hogs and eggs in Michigan are not likely to change enough to generate much different receipts from these commodities in 1996 compared with 1995. Higher feed costs are likely to reduce net returns from these enterprises.

At this writing, the farm program for 1996 crops had not been determined. If the 1990 program is extended to 1996 crops, deficiency payments would likely be nil, assuming U.S. average price received for wheat is above $4 per bushel and on corn above $2.75. While there would be no set-asides, farmers in the programs would be required to stay within their base acreages (for benefits other than deficiency payments).

In the past, participation rates have been relatively high with 65-70 percent of the base acreage in wheat in the program in Michigan and 75-80 percent of the corn base on participating farms. Of course, with the recent market price levels on corn and wheat, participation rates under continuation of the 1990 Farm Program would be expected to decline.

Michigan farmers received about $6 million in advance deficiency payments on their 1995 wheat crop and $32 million on their 1995 corn crop. These amounts will have to be repaid to the government, but Secretary of Agriculture Dan Glickman has proposed a 3-year time frame for these repayments. The projected government payments in Table 1 for 1996 reflects one-third of farmers' obligation for the total refund.

Payment to farmers under the Conservation Reserve Program will continue at about $18 million in 1996. No disaster payments are programmed and other program costs will be minor.

The major question remaining is how a new farm program, such as "Freedom to Farm" or "Agricultural Market Transition" might affect Michigan farm income. Deficiency payments to Michigan farmers under the Feed Grain and Wheat Programs have averaged about $110 million on 1990-94 crops. Under the Agricultural Market Transition Program, the first year might involve direct payments just under $100 million (without including refunds to the government on 1995 advance payments). Other possible effects on farm income would be the increased flexibility in plantings, which would be difficult to measure at this time.

Without a new farm program, gross cash farm income in Michigan is projected to be near $4 billion in 1996, with cash expenses between $3.1-3.2 billion. The result is net cash farm income near $815 million, about the same as in 1995. This could be enhanced by as much as $90-100 million under proposed new farm legislation being debated as this article is being written.

Table 1 — Cash farm income in Michigan, 1990-96 (Million $)

	Year						
	1990	1991	1992	1993	1994	1995*	1996*
Gross cash income							
Farm marketings							
Crops	1,745	1,936	1,887	1,960	2,009	2,210	2,449
Livestock	1,417	1,288	1,310	1,368	1,410	1,398	1,394
Government payments	169	124	142	241	102	118	8**
Farm-related income	130	137	108	124	119	125	130
Total	3,460	3,484	3,447	3,693	3,640	3,851	3,981
Cash expenses	2,532	2,663	2,638	2,817	2,941	3,030	3,166
Net cash income							
Actual	$928	821	809	876	699	821	815
1995	$1,083	919	879	924	719	821	790

*Estimated for 1995 and forecast for 1996.

**Assumes repayment of one-third of the deficiency payments made on 1995 wheat and corn crops and a continuation of the 1990 Farm Program.

Source: Michigan Agricultural Statistics Service, Michigan Department of Agriculture, and Economic Research Service, USDA, for 1990-94.

Michigan fruit industry outlook

by Donald Ricks

Apples

Michigan's 1995 apple crop was the largest ever, with overall quality of the crop rated outstanding, due to favorable weather, the impact of modern technologies and management practices. Demand and market prices have been strong as well for the 1995 crop for both fresh and processing, providing the Michigan apple industry an unusually favorable combination of very large production, high quality and strong prices all in the same year.

The recently published *1995 Michigan Fruit Orchard Survey* shows stable apple acreage in the state. Nevertheless, Michigan's apple production is expected to continue to trend upward (along with annual fluctuations) as yields per acre continue an increasing trend related to the modern orchard planting systems and other improved technologies.

Along with an increasing supply trend, demand for Michigan apples has been expanding for both fresh and processing markets. Demand for fresh Michigan apples has been aided by high performance on quality as Michigan growers, packers and shippers continue to modernize and gear up to effectively provide the high quality demanded in the market.

This involves modernization of packing houses and orchards, as well as overall commitment to quality by all industry segments. Future demand for fresh Michigan apples in the competitive U.S. and world markets will depend, in part, upon how well the Michigan industry continues to progress and perform on a number of quality aspects to competitively serve customer needs.

Demand for processing apples in Michigan has been trending upward in recent years as well. The growth in processing volume has been especially noteworthy for canning apples, which are primarily processed into applesauce. The trends for increasing demand for Michigan apples for processing are expected to continue in the future.

Michigan's acreage of apple varieties, as reported in the 1995 orchard survey, are shown in Table 1. Red Delicious remains, by far, the top variety, followed by Jonathan, Golden Delicious, Rome, McIntosh and Ida Red. The varieties that had the largest increases in acreage since the previous orchard survey include Empire, Jonagold, Golden Delicious, Gala and Fuji.

Tart Cherries

Economic conditions in the tart cherry industry were extremely challenging in 1995. The industry produced one of the largest crops in history with substantial surpluses of on-tree supplies. Consequently, market prices have been very low.

Although Michigan's tart cherry acreage decreased slightly (down 6 percent) from the previous orchard survey, production capacity remains high as demonstrated by the large crop in 1995. This is related to the fact that the bulge of plantings which were made during the late 1970s and early 1980s are now mostly at highly productive ages. In addition, other modern technologies have tended to increase average yields per acre.

Future price and net returns to cherry growers will depend upon the industry's success in achieving a combination of several industry goals. These include expanding demand (both in the U.S. and in export markets), new uses of cherries, a supply-demand balance, stable supplies from year-to-year, quality improvement and effective pricing arrangements.

Sweet Cherries

The 1995 orchard survey shows that sweet cherry acreage decreased slightly (by 6 percent) from the previous orchard survey in 1991. The three top sweet cherry varieties in Michigan are now Gold, with 2,050 acres; Emperor Francis, with 1,540 acres; and Napolean, with 1,450 acres.

Plums and Pears

Plum acreage in Michigan has declined to low levels, with a decrease of 27 percent since the 1991 orchard survey. Michigan's plum acreage, according to the latest 1995 survey, is now less than 50 percent of the amount that existed in 1986.

Pear acreage also declined somewhat according to the 1995 survey. Michigan's pear acreage has decreased by 15 percent since 1991. There are now 1,100 acres of pears in Michigan and only 32 growers who have 10 acres of pears or more.

The Michigan Fruit Industry

Michigan tree fruit acreage is increasingly concentrated in apples, since apple acreage is stable — with expanding production — while acreage of other tree fruits have declined gradually. On the other hand, with larger yields per acre, less acres are needed to produce a similar level of production.

Blueberries are an increasingly important fruit crop in Michigan, with significant growth in acreage, while grapes have experienced gradual recent growth in acreage that is up 6 percent since 1986.

Table 1 — Apple Varieties
Michigan Fruit Survey — 1995

	Acres
1. Red Delicious	14,100
2. Jonathan	8,150
3. Golden Delicious	6,090
4. Rome	5,130
5. McIntosh	4,680
6. Ida Red	4,630
7. Spy	3,610
8. Empire	3,330
9. Gala	990
10. Winesap	900
11. Jonagold	820
12. Mutsu	650
13. Greening	640
14. Cortland	520
15. Spartan	430
16. Fuji	330
17. Jonamac	270

Michigan sugar outlook

by John N. "Jake" Ferris

Sugar beet acreage continued to expand in Michigan in 1995, with 190,000 acres harvested. Yields were below average, however, as a new problem emerged — root aphids. This insect not only affected the volume, but reduced the sugar content as well. Total sugar beet production was about the same as in 1994 at 3,040 thousand tons, but the sugar output could be down as much as 10 percent.

Partially offsetting lower sugar production will be stronger prices. Midwest beet sugar prices increased from about 25 cents per pound in August (about the same as the year before) to over 29 cents in December, about 1.4 cents above December 1994.

The market strength can be traced to deterioration of crop conditions not only in Michigan, but in other parts of the country as well. U.S. sugar beet production is expected to be down 10 percent from 1994. With a slight drop in cane sugar production, total sugar output is estimated to be down 5.5 percent from 1994.

Reacting to the tightening supply-demand situation, the Secretary of Agriculture increased the 1995-96 tariff-rate-quota (TRQ) for raw cane sugar by 331,000 short tons (about 25 percent). Even with this increase, the projected supply of 11 million tons and total use of 9.8 million tons will result in ending stocks of 1.2 million tons, 12.1 percent of use. This compares with 12.5 percent at the end of 1994-95. The USDA will continue to monitor import requirements and adjust the TRQ accordingly.

Sugarbeet acreage in Michigan in 1996 will be about the same as in 1995, or a little larger. With normal weather and a reduction in insect problems, the 1996 crop and beet sugar output should be well above 1995 levels. The stronger market price on sugar projected into 1996 and higher sugar content should result in higher sugarbeet prices on the 1996 crop.

Dietary guidelines available

The Agriculture Department, in conjunction with the Health and Human Services Department, released the fourth edition of the nutritional guide, *Nutrition and Your Health: Dietary Guidelines for Americans.* The publication is used by dietitians, nutritionists and other health professionals, as well as the government, to set school lunch guidelines.

Although the report closely follows previous recommendations for lowering consumption of fat, saturated fat, sodium and sugar, it includes new recommendations relating to exercise, vegetarian diets and alcohol consumption. Also underscored by the report is the importance of a diet rich in fruits, vegetables and grain products and a varied diet that includes foods from each of the five food groups, including meat, fish, dairy, eggs and poultry products.

The new edition stresses the importance of exercise, claiming that Americans should exercise moderately for 30 minutes almost every day. A diet high in grain products and produce, but low in fat and cholesterol is encouraged. "Moderate" intake of sodium, salt and sugar also is urged.

To order a single copy of the guidelines, send your name, address and 50 cents to the Consumer Information Center, Department 378-C, Pueblo, CO 81009. The publication is also available on the home page of the USDA's Center for Nutrition Policy and Promotion at http://www.usda/usda/fcs/cnpp or at the HHS home page at http://www.os.dhhs.gov.

Tractor sales rising slowly

Total shipments of farm-type wheel tractors in the U.S. increased in November to 7,911 units, compared with 7,809 in November 1994, says the Equipment Manufacturers Institute, a trade group.

Year-to-date tractor shipments total 99,700 units, up 2.1 percent from a year ago, says the Chicago-based institute.

Farm management implications for crop producers

by Ralph E. Hepp

Michigan crop producers start 1996 with large inventories of commodities on hand at relatively high prices. The record yields of corn and soybeans, and respectable outputs of other cash crops, along with excellent crop prices at the end of the year, resulted in good earnings and enhanced cash positions for crop operations. The higher level of working capital, current assets less current liabilities, and stronger financial positions at the beginning of the year, provide opportunities for making capital purchases and advance payments on debts.

The improved net returns per acre in 1995 should continue into the current year because the liquidation of inventory of carryover stocks provides an excellent cash flow base for the first part of the year. With normal yields in 1996 and continuation of improved prices over previous years, the businesses should end the year with higher gross returns per acre than 1995. Increased prices of many production inputs will put a damper on net returns, but ample supplies of inputs and good buying practices should cushion the impact on residual returns and net farm income in 1996 should be very good.

Top managers will use the favorable financial situation to strengthen the balance sheet, by reducing debts or enlarging the asset position, so the operation achieves greater scales of economies and efficiencies in future years. They will revise their strategies in marketing, finance and operations to deal with the current income opportunities, while at the same time recognizing the potential risks of lower outputs and prices, which could depress returns.

We all know that the down years will follow the good years, so top managers will strengthen the firm's financial position, allow for increased financial reserves and assume only those risks that can be managed.

Now is a good time to review the strategies, mission and objectives for the business, and bring quality management decision-making rules and guidelines into capital replacement decisions. The increased variability of net returns, due to the risk and uncertainty of market and weather conditions, will demand better financial management tools and techniques in the management of crop farms.

Continue to follow best management practices in applying production inputs, negotiating land rental agreements and finding the best prices for crop supplies. Crop farming is a competitive business and managers cannot relax their strategy of maintaining a low-cost operation if they want to obtain respectable profits from the operation.

Evaluate the crop rotation, given the shift in returns from various crops, but the current favorable situation for some commodities may not hold in the long-run. Therefore, don't destroy long-standing production and marketing relationships that have been established over the years just to capitalize on a short-term change in market conditions.

MSU's Agriculture and Natural Resources Week runs March 2-9

From growing chestnuts commercially to an introductory short course on wildlife toxicology — that's the range of topics planned for Agriculture and Natural Resources (ANR) Week, March 2-9 at Michigan State University.

"Approximately 80 educational programs, meetings and other activities will take place during the eight-day event," says Sandi Bauer, ANR Week program coordinator.

Programs on the environment will include sessions on wildlife, forests, wetlands and similar topics for grade school and high school teachers; workshops on fisheries education, waterfowl management, pheasant and wild turkey habitat, and stream, inland lake and fisheries management; and a day-long session on forest investment.

Outdoors-oriented programs will deal with non-game wildlife management, turkey hunting, foraging in the forest for food, growing historic apples, and growing and selling herbs.

Agricultural programs will include a national symposium on alfalfa production, and sessions on animal manure management, community and organic food production, beekeeping for novice and experienced beekeepers, and dairy goat management. There will also be a program on sustainable field crop production, and sessions for horse owners and for people interested in starting a small poultry flock or rearing champion rabbits.

Other offerings include a day-long program on human nutrition, a workshop on bed-and-breakfast operations, the 1996 outlook for Michigan recreation and tourism industries, a conference on home-based businesses, and the annual meeting of the Michigan Barn Preservation Network.

The MSU President's Luncheon, which honors three Distinguished Service to Agriculture awardees each year, will take place Thursday of ANR Week. The recipients will be Don Fedewa, Michigan Agricultural Statistics Service; Ron Stebbins, Michigan Agribusiness Association; and Jack Knirk, of Quincy. Tickets are $15 each and can be ordered by calling (517) 355-6580.

Details of ANR Week are in a free guidebook available from the MSU Extension county office. Free copies can also be obtained from the MSU Bulletin Office, 10B Agriculture Hall, MSU, East Lansing, MI 48824-1039.

Market Outlook

Jim Hilker, Department of Agricultural Economics, Michigan State University

CORN

It is already clear 1996 will produce some high corn prices. It is also likely to provide some volatile corn prices. And, if we have a good growing season, it may well produce some much lower corn prices before the year is out. We just came out of a year where we had plenty of corn, but we also had very strong demand. Despite a small 1995 corn crop, due to the 7.5 percent set-aside and the relatively poor yield, as shown in Table 1, the demand for corn shows little signs of letting up. Thus, we are building up to a very tight stock situation unless something gives — and eventually something will.

The best way to look at the 1996 outlook for corn is to study the Supply/Demand projections for the 1995-96 and the 1996-97 crop years. The 1995-96 projections, shown in Table 1, are from the USDA and incorporate the final crop production numbers, the latest quarterly stocks report, export sales to date and animal number projections in an effort to forecast total use versus supply. The 1996-97 projections are my analysis of the likely situation come this fall.

The projected ending stocks of 507 million bushels for the 1995-96 crop year would be tighter than we have ever seen and is an indication we have not yet reached a price which will ration supply. In order to meet this very tight ending stocks figure, the USDA had to cut projected feed use by over 900 million bushels, or 17 percent. The problem with that is animal numbers appear to be as large or larger than last year. And, while feeding rates can go down, it is hard to see how they will be lower than 1988-89, especially with first quarter feeding rates moderately strong.

The USDA cut food, seed, and industrial use for the first time in years, and that means less ethanol use. The other puzzle is the extremely high export shipments and sales to date, both ahead of a year ago. Are importers hoarding it just in case we have another poor growing year, or has the economic growth in the Pacific Rim increased demand to the point they will buy as much as last year at much higher prices?

Even after a good year, China continues to import corn versus the export role they played just a couple of years ago. Exports may drop like a rock at the first sign of a good growing year, but by then we will have already exported a good chunk.

The bottom line for 1995-96 is that it does not yet appear prices have gone high enough to ration demand; but they will, and then it will be downhill from there unless we have poor growing conditions — thus, the high likelihood of volatile prices. Michigan's 1995 average corn yield of 115 bushels per acre, only 2 lower than the 1994 record, bodes well for Michigan corn farmers. Nothing like decent yields and good prices.

The 1996-97 corn marketing year, as shown in Table 1, is assuming all of the 7.5 percent set-aside, plus a couple more million acres coming back into corn production, along with a trend yield. The use numbers show a rebound that would come from lower prices. At first glance, the feed use number may appear low, but it assumes some cutback in livestock due to high prices the year before. This middle-of-the-road estimate brings prices down sharply from both today's levels and what can be forward priced today. While it would not take a disastrous yield to keep prices up, a 138.6 bushel per acre yield like 1994 could send prices reeling back towards $2.00.

Seasonal Commodity Price Trends

Corn	↔ ↑
Soybeans	↔ ↑
Wheat	↔ ↑
Hogs	↔ ↑
Cattle	↔ ↑

Index: ↔ = stable prices; ↑ = higher prices; ↓ = lower prices; TP = topping; BT = bottoming; ? = unsure

WHEAT

Halfway through the 1995-96 wheat marketing year, prices continue to be strong, due to a combination of a relatively poor 1995 wheat crop and good demand. Also, there is the likelihood that wheat prices will be strong in a historical sense through the rest of 1996, but probably not at the recent high levels. Wheat prices tend to peak in the December-February period.

As shown in the Supply/Demand Balance Sheet for Wheat (Table 2), the 1995 crop was smaller than 1994 and all of the use categories are up, other than feed, despite higher prices. This leads to a low ending stocks number and the high average price shown. Exports have been particularly strong.

The *Winter Wheat Planting Report*, released by the USDA, showed winter wheat plantings for the 1996 crop up 3 million acres, or 7 percent, which accounts for the increased acres planted in my 1996-97 projections. Michigan seeded 700,000 acres to wheat, up 11 percent. And, while dryness in the Southwest has probably hurt yield potential, it is too early to project much below a trend yield. However, the considerably larger 1996 production forecast is offset somewhat by several factors. Beginning stocks will be down and summer feed use will likely be up, despite strong wheat prices, due to the likelihood of even stronger corn prices. Exports will probably be in the same range as the last couple of years.

This means low ending stocks for a second year in a row. While the stocks-to-use ratio will be up a bit from this year, it should still keep prices near or above $4.00. However, as with corn, when stocks are this tight, prices could be volatile.

SOYBEANS

The 1995 soybean yield was the third highest on record and the market is acting like we have a short crop — compared to 1994, we do. Once again, demand is playing a big role in the price picture. Supply is down nearly 9 percent, but use is projected to be down only 4 percent, comparing the 1994-95 and 1995-96 crop years. This is showing up in prices being up 25-30 percent. Michigan averaged 40 bushels per acre — a record.

Table 3, the Soybean Supply/Demand Balance Sheet, pretty much tells the story. Crush remains strong due to oil demand and animal numbers. Exports are projected to run just below last year, despite higher prices and a good South American crop last spring.

The projected ending stocks figure is very low and it is not clear if soybean prices have gone high enough to ration demand, but the recent highs probably approached the needed level, given a normal crop in 1996. The fact that we still have to go through two weather scenarios, South America and the U.S., before this marketing year ends, brings to mind a word we have seen before — volatile.

Looking at a reasonable projection for the 1996-97 soybean marketing year (as shown in Table 3), you can see things are likely to stay interesting. Even with excellent soybean prices, it's hard to see soy acres going up much with the strong corn prices; but double-cropping should raise it some. However, the expected larger production will be offset almost completely by lower beginning stocks. Use shouldn't vary much, which leads to strong, but not *as* strong, prices again next year.

As we look at our pricing opportunities this winter for the 1996 crop, we need to consider the possibility of a 1994 yield and prices dropping back into the mid $5.00 range, as well as a several bushel below trend yield that could keep prices over $7.00.

CATTLE

Beef production in 1995 was up 3 percent from 1994 and is expected to increase another 3 percent in 1996. First quarter production is expected to be up 4 percent, second quarter up 2 percent, and the last two quarters up 3 percent. As we look into 1997, it will likely be up another 2-3 percent, given the 1995 calf crop and the expected 1996 calf crop.

The brightest picture in the beef sector is exports. While it is only 7-8 percent of production at present, it is growing rapidly and is expected to continue in a growth pattern. Beef exports were up over 15 percent from 1994 to 1995 and are expected to grow another 15 percent in 1996.

For the first time in my memory, exports in 1996 are projected to be larger than imports, and this trend should continue into the future. Imports are expected to stay about the same after decreasing 13 percent from 1994. Two primary reasons for this surge in exports are the new trade agreements which put us on a more level playing field and economic growth in the Pacific Rim.

Consumption per person is expected to be 67.6 pounds in 1996, up a half-pound from 1995. Poultry consumption is expected to be up 4 pounds per capita, with 3.5 pounds from broilers. Total meat consumption in 1996 is expected to be up 5 pounds per person at a whopping 216.6 pounds.

Choice steer prices are projected to be down $1-3 per cwt. in 1996, with higher production and competition from other meats. Thank goodness for strong exports and a decent economy. First quarter prices are expected to be in the $65-68 range, gradually increasing for most of the period. Second quarter prices are projected to fall in the $68-64 range, but gradually decrease by the end of the period. Third quarter prices will likely be in the low $60s and may even fall under $60 for a period. The last quarter should see some rebound in prices, but will be hard pressed to go over $65.

Feeder prices will remain in the pits through the year, due to the high feed prices and a larger calf crop next fall. Projected lower feed prices will not help the situation. Hopefully, lower feed prices by fall will help some, but it will not likely get us back to profitable calf prices. The Cattle Inventory Report to be released Feb. 2 should help determine when this ship will start turning around.

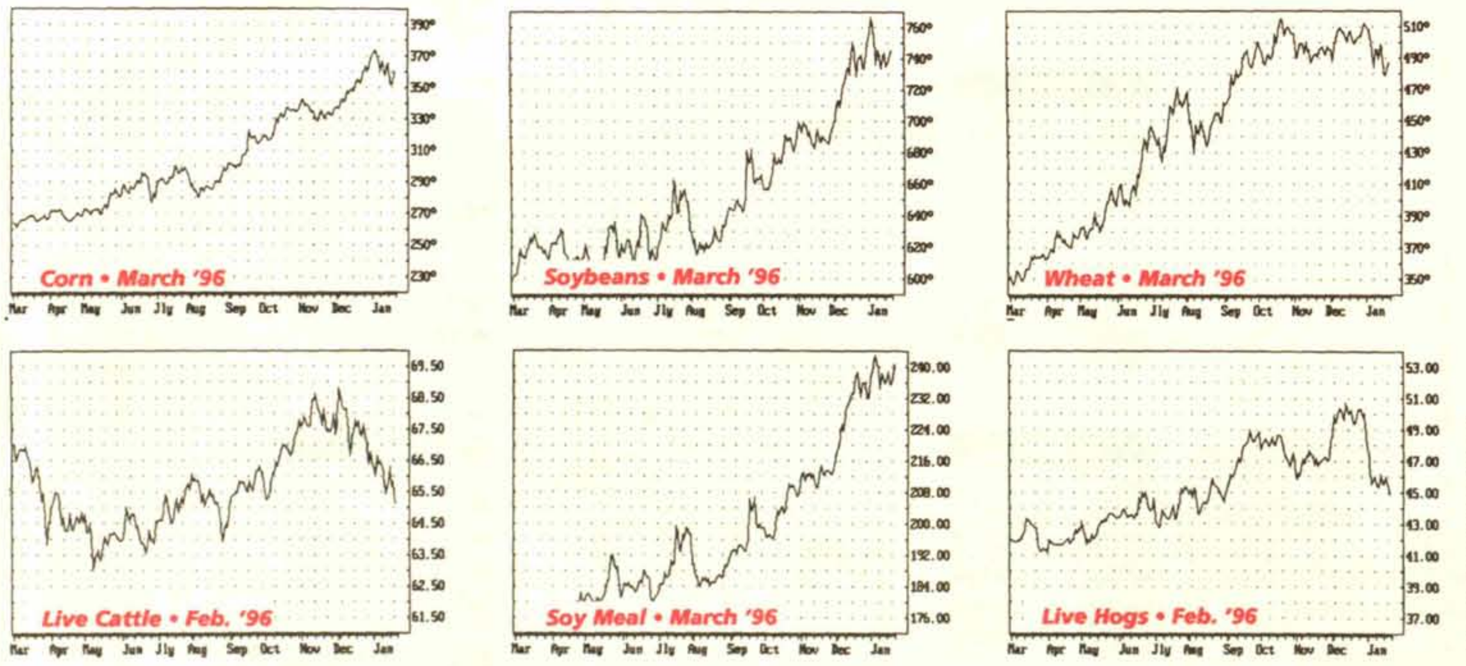
HOGS

Where the hog sector is going is clear in the long-term — production units will continue to get bigger. However, it is not clear over the next year how that will happen. There is some consensus over the first 2 quarters about pork production, but the projected ranges in the last two quarters vary widely. Per capita consumption will increase slightly.

The USDA is projecting first quarter production down 2 percent and the second quarter up 1 percent, which fits in with the last *Hogs and Pigs Report*. However, in the last 2 quarters, the USDA is projecting production will be up 6-7 percent. This is higher than the farrowing intentions numbers would indicate, even after continuing the trend in pigs per litter. My analysis would suggest 2-4 percent larger numbers. It all depends on how fast smaller producers drop out relative to how fast larger units grow.

Continued on page 7

COMMODITY PRICE TRENDS



Source: Knight Ridder Financial

COMMODITY SUPPLY/DEMAND BALANCE SHEETS

Table 1 — Corn

(Million acres)	Projected 1994-1995	Projected 1995-1996	Hilker's Proj. 1996-1997
Acres set-aside/diverted	2.4	6.2	
Acres planted	79.2	71.2	80
Acres harvested	72.9	65.0	74
Bu./harvested acre	138.6	113.5	126
Stocks (million bushels)			
Beginning stocks	850	1,558	507
Production	10,103	7,374	9,324
Imports	10	10	9
Total supply	10,963	8,942	9,840
Use:			
Feed and residual	5,535	4,600	4,800
Food/seed & Ind. uses	1,693	1,685	1,750
Total domestic	7,228	6,285	6,550
Exports	2,177	2,150	2,200
Total use	9,405	8,435	8,750
Ending stocks	1,558	507	1,090
Ending stocks, % of use	16.6	6.0	12.5
Regular loan rate	$1.89	$1.89	
U.S. season average			
Farm price, $/bu.	$2.26	$3.20	$2.45

Table 2 — Wheat

(Million acres)	Projected 1994-1995	Projected 1995-1996	Hilker's Proj. 1996-1997
Acres set-aside & diverted	5.2	5.2	
Acres planted	70.3	69.2	73
Acres harvested	61.8	61.0	64
Bu./harvested acre	37.6	35.8	38
Stocks (million bushels)			
Beginning stocks	568	507	86
Production	2,321	2,186	2,432
Imports	92	84	82
Total supply	2,981	2,777	2,900
Use:			
Food	852	860	870
Seed	89	106	100
Feed	345	200	300
Total domestic	1,286	1,166	1,270
Exports	1,188	1,225	1,200
Total use	2,474	2,391	2,470
Ending stocks	507	386	430
Ending stocks, % of use	20.5	16.1	17.4
Regular loan rate	$2.58	$2.58	
U.S. season average			
Farm price, $/bu.	$3.45	$4.40	$3.95

Table 3 — Soybeans

(Million acres)	Projected 1994-1995	Projected 1995-1996	Hilker's Proj. 1996-1997
Acres planted	61.7	62.6	64
Acres harvested	60.9	61.6	63.2
Bu./harvested acre	41.4	34.9	36.7
Stocks (million bushels)			
Beginning stocks	209	335	190
Production	2,517	2,152	2,320
Imports	5	5	5
Total supply	2,731	2,492	2,515
Use:			
Crushings	1,405	1,390	1,380
Exports	838	800	810
Seed, feed & residuals	153	112	100
Total use	2,396	2302	2,290
Ending stocks	335	190	225
Ending stocks, % of use	14.0	8.3	9.8
Regular loan rate	$4.92	$4.92	
U.S. season average			
Farm price, $/bu.	$5.48	$7.05	$6.45

Source: USDA and Jim Hilker.

Weed Strategies

by James J. Kells, Department of Crop and Soil Sciences, Michigan State University

Perennial weed management

Perennial weeds present unique challenges to farmers. Control of these weeds must be approached differently than for annual weed species due to their vegetative reproduction characteristics. Understanding these characteristics is the first step in developing a successful control strategy.

Perennial Weeds: Biology

Perennial plants live for three or more years and can be divided into two general groups: (1) herbaceous perennials (plants that die back to the ground each winter) and (2) woody perennials (plants with woody stems that live from year to year). Woody perennial weeds include such plants as brambles, brush and trees. Herbaceous perennial weeds are much more common in field crops.

Perennial Weeds: Management

There are three general methods of weed management: (1) cultural, (2) mechanical, and (3) chemical. A successful strategy for controlling most perennial weeds involves utilization of all three methods.

Cultural. The primary cultural practice important to perennial weed management is crop rotation. Herbicide options vary among crops; therefore, any specific weed will often be easier to control in one crop than another. For example, wirestem muhly is easier to control in soybeans, while field bindweed is easier to control in corn. Of course, as new herbicides are registered, the preferred crop for control of a specific weed species may change. This will be especially true when Roundup-Ready soybeans are widely available.

The most important crop in a rotation for perennial weed control is winter wheat. With most perennial weeds, fall herbicide application is the single most effective chemical treatment. Winter wheat provides the ideal environment for fall herbicide applications. The perennial weeds will be cut off during wheat harvest and will then have ample time to regrow to a suitable size for treatment before they begin to senesce (turn yellow) or are damaged by frost. Some perennial weeds, including quackgrass, Canadian thistle and dandelion, can tolerate light frosts and, therefore, can often be treated after the first frost. If perennial weed patches are left unharvested, they should be mowed shortly after wheat harvest.

Mechanical. Tillage has a major impact on perennial weeds. Depending on the situation, tillage may either increase or decrease perennial weed infestations. Tillage may increase infestations by moving perennial weeds to new areas of the field (especially creeping perennials) or by breaking the dormancy of underground buds, resulting in new shoot growth.

Frequent tillage generally reduces perennial weed infestations. Perennial weeds vary greatly in their response to tillage. Woody perennials and simple perennials cannot tolerate tillage and, therefore, are generally not a problem in tilled sites. In contrast, bulbous, tuberous, and creeping perennials are much more tolerant of tillage and many can survive even in frequently tilled sites. It is very difficult (often impossible) to eliminate these weeds with tillage alone.

Chemical. Translocated herbicides (both selective and non-selective) are valuable tools for weed control. The most effective herbicides vary among perennial weeds. Herbicides such as Roundup, Banvel, and 2,4-D applied in the fall are useful in controlling several broadleaved perennial weed species. To be effective, treatments must be made to actively growing, healthy, perennial weeds that are not under stress. Although perennial weeds are generally favored by no-tillage, herbicide effectiveness is often greater in no-tillage since the underground plant parts are undisturbed. Recent research in Michigan has shown greater regrowth of hemp dogbane following herbicide application in chisel-plowed sites than in no-tilled sites. With fall applications, it is especially important that the field is not tilled in midsummer or fall prior to herbicide application.

The IPM fact sheets that describe the biology and control strategies for 14 perennial weeds were updated for 1996. These single-page fact sheets describe the biology of the weed on the front side and its control in soybeans, corn, small grains, and spot or between-crop treatments on the back. These fact sheets are available at all county MSU Extension offices.

MARKET OUTLOOK

Continued from page 6

Pointing this out is not an effort to put down the USDA second half projections, but rather an effort to show there is downside risk in second half prices relative to what futures are offering today. In the first quarter, prices should remain in the $41-44 range before dropping back some for most of the second quarter with the USDA suggesting prices could dip under $40. The summer quarter is where the questions start. The futures have offered as high as $53 and are still over $50. My analysis would suggest prices in the mid- to high $40s, and the USDA pegs prices in the $38-42 range. Fourth quarter forecasts range from under $40 to the mid-$40s with me coming in the middle of that range.

Although pork exports are only 4-5 percent of total pork production, it is rapidly becoming more important and will continue to do so. European production is expected to stagnate and perhaps decrease and Pacific Rim demand is expected to continue growing rapidly. Again, two primary reasons are the trade agreements giving more access and the growing economies.

Pork exports surpassed imports for the first time in many, many years in 1995 and is expected to stay that way in the future. Imports are expected to stay level in 1996 with 1995 after decreasing 12 percent from 1994. Exports increased 48 percent in 1995 and are expected to increase another 15 percent this year.

EGGS

by Henry Larzelere

Egg prices during 1995 averaged about 73 cents a dozen in New York at wholesale for Grade A large white eggs in cartons, about 6 cents a dozen above the 1994 average.

Feed ingredient costs in the first 6 months of 1995 averaged nearly 3 cents per dozen below the first half of 1994. In contrast, these costs during the last half of 1995 averaged about 6 cents a dozen above the last 6 months of 1994. Feed costs in 1996 will probably continue above comparable months in 1995 until the new crops in 1996 are well-known.

Egg prices in the first 3 quarters of 1996 will likely average about the same as in 1995. However, in the first quarter, egg prices are expected to be nearly 10 cents a dozen above the first 3 months of 1995, with the second and third quarter of 1996 below those periods in 1995.

The number of hens and pullets on farms on Dec. 1, 1995 (the latest figure available at this writing) was about the same as the comparable date in 1994.

The egg-type chick hatch in the major hatch season of March, April and May could be up 5 to 10 percent from the comparable months in 1995. This probably means egg production in 1996 will be up 1 or 2 percent from 1995.

BROILERS

Broiler prices, based on the wholesale 12-city average, were a little over 56 cents a pound during 1995, compared to prices in 1994 which were slightly under 56 cents a pound. Production in 1995 was about 5 percent over 1994. In 1996, production is projected during the first 9 months to be up about 6 percent from the comparable period in 1995. If this increase in production continues through the full year of 1996, prices will probably average between 55 and 56 cents for the year.

TURKEYS

Turkey production is expected to increase 4 percent in 1996 over 1995, continuing the 1995 production trend, which was nearly 5 percent above 1994, with prices (Midwest hens, ready-to-cook, frozen, Grade A) in the major marketing season of 1995 4 percent above 1994.

Carryover on Jan. 1, 1996 was 4 percent, or 25 million pounds, above a year earlier. The net result was that consumption or disappearance of turkey in 1995 was almost 2 percent above 1994, but at higher prices. These figures would suggest that the major marketing season in 1996 would see hen prices the same to slightly higher, averaging almost 77 cents during October-November-December 1996.

Weather Outlook

Record warmth in the Midwest is short-lived

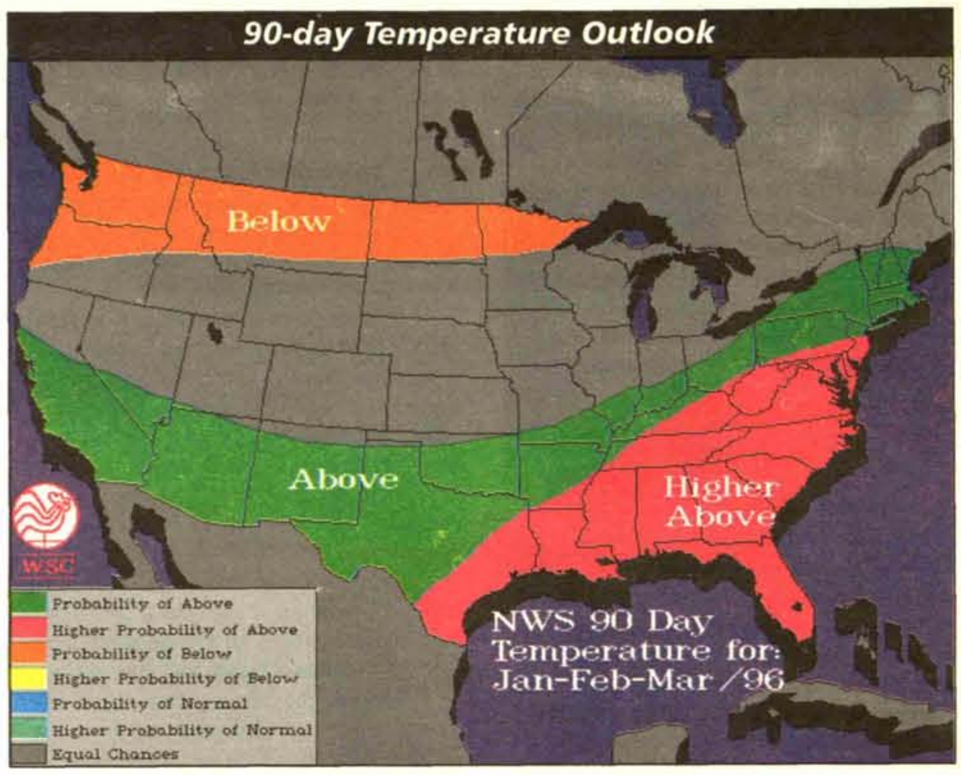
Colder and drier than normal weather continued through mid-January across much of the state, with mean temperatures for the past 30 days generally ranging from 1-4 degrees below normal. By mid-January, however, jet stream steering currents in the upper atmosphere had switched to a southwest to northeast configuration across the Midwest. This pattern change allowed milder air and moisture back into the state, resulting in an extensive January thaw, widespread rainfall (snow in sections of the Upper Peninsula), and even a few thunderstorms across much of the Lower Peninsula.

The official National Weather Service outlook for the upcoming weeks continues to be vague, calling for equal chances of below-, near-, and above-normal temperatures and precipitation. I expect the current upper air pattern to continue for at least the next few weeks, which would result in a much more variable weather pattern than that of early late December and early January, with large temperature swings over the next 30-day period probably averaging out near or slightly above normal. There will also be more frequent chances for precipitation, with totals near or even above normal.

Michigan Weather Summary

12/16/95 to 1/15/96	Temperature Observed mean	Temperature Dev. from normal	Precipitation Actual (inch)	Precipitation Normal (inch)
Houghton	18.7	1.5	0.78	1.96
Marquette	16.3	3.2	1.80	1.96
Escanaba	27.6	-1.8	0.28	1.83
Sault Ste. Marie	12.8	-3.3	0.64	1.83
Lake City	16.8	-3.9	0.47	1.89
Pellston	15.0	-4.0	0.69	1.89
Traverse City	21.6	-2.2	3.37	1.89
Alpena	16.8	-4.4	0.45	1.74
Houghton Lake	17.9	-2.8	0.55	1.74
Muskegon	22.9	-2.8	0.49	2.21
Vestaburg	18.0	-6.1	0.28	1.73
Bad Axe	19.2	-5.0	0.34	1.59
Saginaw	20.1	-3.9	0.59	1.59
Grand Rapids	22.0	-0.9	0.49	2.41
South Bend	24.9	-0.5	1.18	2.41
Coldwater	21.1	-4.2	0.37	1.74
Lansing	20.4	-3.2	0.48	1.74
Detroit	22.6	-1.7	0.48	1.87
Flint	20.4	-3.7	0.43	1.87
Toledo	22.4	-3.6	0.40	1.87

Observed totals are accumulated from April 1.
Normals are based on district averages.



Agricultural credit

Continued from front page

The expectation for farm borrowers in 1996 is steady to declining interest rates for farm loans from Farm Credit and commercial banks. Commercial farm banks and the four Farm Credit Service centers in Michigan have money to lend. All lenders are evaluating loans very carefully. Since credit quality is a major concern of their regulating agencies, they are reluctant to add any marginal loans to their portfolio. This means borrowers must do a good job of selling themselves and their repayment potential to the lender. The Farm Credit Service centers continue to be aggressive in seeking out good farm loans.

1996 outlook for production inputs

by Chris Peterson

Fertilizer

Just as in 1995, the greatest concerns about production inputs for 1996 arise in the outlook for fertilizer supplies. Nitrogen will continue to be in tight supply, although some forward-thinking input suppliers have adequate stocks on hand after last year's problems. Nitrogen prices will again be quite high.

The tight supply situation appears to be created by several forces. First, international demand for nitrogen is extremely high leading to high exports. Second, domestic industrial demand remains high. Unlike last year, there may even be concerns about phosphate supplies and prices given exceptionally strong international demand, especially from China. Potash supplies are good while prices will likely trend upward due to strong demand.

Unlike last year, when a 7.5 percent corn ARP helped moderate demand, fertilizer demand will likely be quite strong this year, putting even more upward pressure on price. The zero ARP and very strong commodity prices will increase acreage planted and, consequently, fertilizer demand. Expectations for higher commodity prices for the next several years will probably keep input demand high and prices rising over the longer run.

Chemicals

Chemical demand and prices will be affected by some of the same factors affecting fertilizer. Supplies will be adequate to good for most applications. Demand for chemicals should be strong given the zero corn ARP and the planting incentive of strong commodity prices.

With most supplies good and strong competition among suppliers, chemical prices are expected to be up only slightly from last year, even with the stronger demand. One exception to this price prediction may be for chemicals used on sugar beets where prices may be sharply higher.

Longer-term forces are also at work in the chemical sector. Continued downward pressure on demand will come from environmental regulations as more lower-use cultivation practices continue to increase. Pesticide manufacturers' costs will continue to increase due to increased R&D costs and increased re-registration costs for older products. Many manufacturers continue expensive biotechnology research. These forces will put upward pressure on prices.

Seeds

Generally, even with demand likely to be quite strong, corn and soybean seed supplies should be good with prices up only slightly. For those interested in the newly developed biotech seeds, such as corn with the Bt gene or Roundup-Ready soybeans, supplies are largely spoken for already, making availability limited for 1996. The impact of these new biotech arrivals on seed markets will be one of

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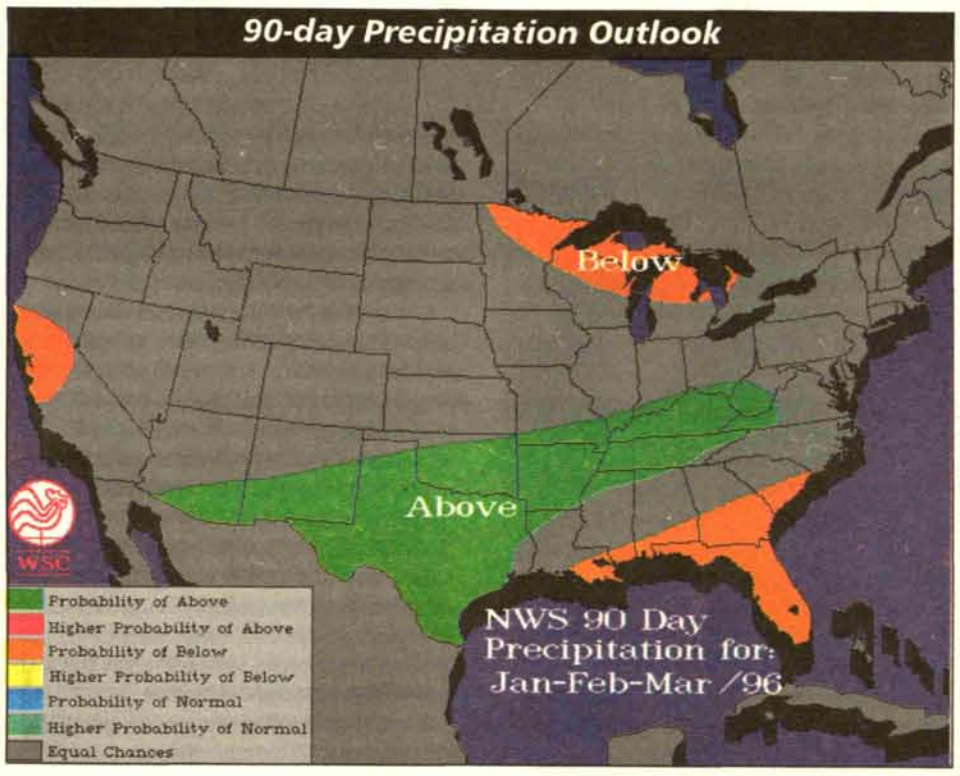

1996 outlook for production inputs

Continued from page 8

the very critical market trends to watch over the next several years.

Even though last year was not a particularly good year nationally for dry edible bean seed production, supplies of such seed should be adequate this year. This will be especially true given a likely decline in dry edible bean planting as producers switch to corn or soybeans with their comparative higher commodity prices.

Energy

Nationally and locally, fuel supplies should be good this year. Prices have been up sharply from last year at this time and will likely remain close to current levels. Some downward price movement may be signalled by the recent declines in petroleum futures prices, but it is too early to tell if this is a longer-run phenomenon.

Equipment

Continuing strength in farm incomes and expectations for strong commodity prices should translate into healthy demand for farm capital expenditures. The modest retreat in interest rates from last year should further reinforce this trend. Equipment supplies should be adequate while prices are likely to be up slightly with the cost of inflation.

In the longer term, one of the more interesting trends to watch will be the combined impact of:

- changing tillage practices,
- the ever increasing use of custom application services, and
- demands for reduced environmental impact from chemicals and fertilizers on the mix of equipment purchased by farmers and by dealers expanding rapidly into custom appliance.

"Smart" application equipment and site-specific practices will make significant changes in the quantity and type of equipment demanded by producers.

MFB young farmers do well in national competition

Dave Duyck, a potato farmer from Essexville, was one of four young farmers who made it to the finals of the American Farm Bureau Federation's National Young Farmer Discussion Meet, held during the AFBF annual meeting in Reno, Nev. This is the second year in a row that Michigan has had a national finalist. As one of three national runners-up, Duyck receives a $6,000 U.S. Savings Bond, donated by Cummins Engine Company Inc.

Andrew and Miriam Barbott of Stevensville were one of four national runners-up in the Outstanding Young Farmer Contest. They'll receive the use of a Case IH tractor, donated by Case Corp., for 250 hours or until Nov. 30, 1996.

Stock levels, world growth to dominate 1996 trade outlook

by David Schweikhardt

1996 Trade Outlook

U.S. agricultural exports are expected to reach $58 billion in 1996, an increase of $3.5 billion above 1995 (Figure 1). Exports in every major category of products are expected to increase in 1996. Relatively low levels of world grain stocks, combined with continued growth in world incomes, are expected to provide continued strong export demand.

Grain exports are expected to increase by $1.5 million in 1996, with both wheat and corn exports above 1995 levels. Exports of livestock products are expected to increase by $1.0 billion in 1996 to reach $8.8 billion. Higher volumes of red meat and poultry exports will be responsible for most of this growth.

Dairy exports, projected at $900 million, are expected to remain largely unchanged in 1996. U.S. exports of horticultural products are expected to reach $10.3 billion in 1996, breaking the record level of exports set in 1995 by $1.2 billion.

U.S. agricultural imports are expected to reach $29 billion in 1996, about $500 million less than in 1995. Imports of horticultural products are expected to increase by $200 million. Imports of animal products are expected to decline by $500 million, while grain imports remain unchanged.

Asia and Latin America will remain the fastest growing markets for U.S. agricultural exports. Exports to Asia are projected to increase by $2.2 billion in 1996, with most of this growth occurring in Japan, China, Taiwan and South Korea. Japan remains the largest customer for U.S. agricultural exports, purchasing a projected $11.3 billion from the U.S. in 1996.

Canada will continue as the second largest customer at $6.1 billion, and South Korea is expected to replace Mexico as the U.S.'s third largest export market at $4.4 billion. Mexico's purchases of U.S. food products fell by $400 million in 1995 following the devaluation of the Mexican peso in late 1994.

Exports to Mexico are expected to increase by $100 million in 1996, reaching $3.8 billion. This level of exports would be $200 million higher than 1993, the last year before the implementation

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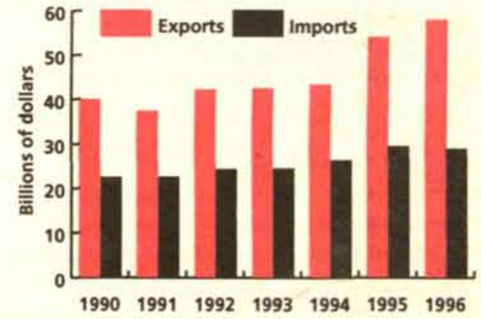
U.S. Agricultural Trade, 1990-1995

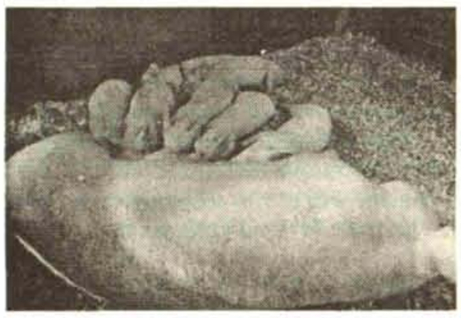


Management implications for livestock producers

by Gerry Schwab and Laura Martin

The prices of many agricultural commodities in early 1996 are creating consternation and opportunities that some of us have not experienced for many a year. Corn and soybean prices are currently in an atmosphere where the question may be "why feed it when I can sell it?"

The Swine Sector



High corn and soybean prices that translate into high feed costs are challenging the ability of hog producers to make a profit. The 1995 December USDA *Hogs & Pigs Report* indicated that hog numbers continued to increase while the number of individual hog producers declined by approximately 12 percent, or 25,000 farms.

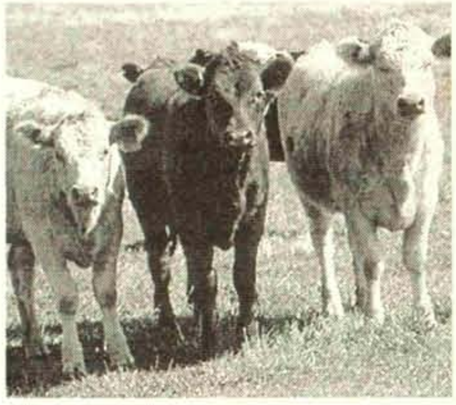
How can it be that some hog producers find it difficult, if not impossible, to earn a living from hogs while others are expanding? Some of the difference may be alliances and networks that create opportunities — opportunities to obtain financing, to reduce investment costs, to produce a more uniform and lean hog, and opportunities to create marketing channels that streamline the transactions from farm to consumer.

The potential of these arrangements should not exclude anyone who wants to achieve success. While smaller farms may currently be struggling to compete with larger operations, the same opportunities available to large farms may also be reached by smaller farms who can capture economies of scale by networking and forming alliances with other farmers. Each one of us needs to evaluate the long-run potential of the swine industry in general, and our own situation in particular.

For those farms with management flexibility to alter hog numbers or the need to depopulate in order to improve genetics, health, etc., this may be the time to evaluate that short-run decision to reduce hog numbers and sell more corn. Determine the returns from selling corn (soon) versus the potential from feeding it.

Given that the 1996 summer futures hog contracts are in the $50 plus neighborhood, what kind of a return does this provide to your farm resources in comparison to selling corn? You need to have your own farm records for these decisions! Do not rely solely on published break-even figures that may or may not be reflective of your own unique farm operation.

The Beef Sector



Beef cow-calf producers have been run through a set of calf prices that only bad dreams can emulate — going from an $85 per cwt. fall steer calf price in 1993, to $75 per cwt. in 1994, and on down to the $65 per cwt. neighborhood in 1995. Cow-calf producers have indeed experienced a hardship. Still, total beef production has increased continuously since its cyclical low in 1990.

For those who have doubts about the fundamentals of supply and demand, the cow-calf cycle provides evidence of what happens when quantity supplied increases faster than quantity demanded.

Low-cost, low-debt and highly efficient cow-calf producers will best be able to survive the current prices.

An average calf price of $60 per cwt. on a heifer-steer mix with a 90 percent calving rate will produce approximately $300 gross income per cow per year. It is doubtful that many, if any, cow-calf producers can prosper under the current price scenario. Retained ownership is a possibility, but what is the probability of profit-making?

The cattle feeding sectors must also contend with high feed costs and finished cattle prices that have been and look to remain in the $65 per cwt. neighborhood. The important decision of whether to feed cattle may have been made during fall harvest when corn silage was being made. By determining costs of gain for alternative feeding regimes, break-even sale and purchase prices for cattle can be determined. For most feeding scenarios that look at different in and out weights, steers vs. heifers and long vs. short feeding periods, the break-even purchase cost for the cattle currently results in less than a $60 per cwt. feeder calf price. This is not good news for the cow-calf producer.

Michigan State University (MSU) and MSU Extension (MSU-E) are concerned about the financial well-being of the state's livestock producers and associated industries. As championed by the MSU-E district farm management agents and various area of expertise (AoE) livestock agents, we have made a commitment to help producers by offering a financial analysis of your own farm business.

If you would like to participate in this challenging effort, please contact either one of the Extension resource people in your local area or one of these authors in the Agricultural Economics Department, at 517-355-2153.

Livestock grazing conference in Battle Creek may help cattle producers survive

Producers who are worried about weathering the current slide of the beef cattle market might pick up some survival tips at the Great Lakes Grazing Conference.

The conference will take place Feb. 19-20 at the Stouffer Renaissance Hotel in Battle Creek.

Grazing experts, agronomists and livestock producers will focus on fine-tuning pasture and grazing animal management. Featured speakers will come from universities, farm operations and industry in Ohio, Florida, Michigan, Indiana, Missouri and Iowa.

The major cost in producing cattle is forage, says Ben Bartlett, Michigan State University Extension dairy and livestock agent. To cut those costs, he recommends keeping cattle on pasture as long as possible.

"If a producer would reduce hay needs by 60 days, it would equate to 10 cents a pound when cattle go to market," Bartlett says. "Sixty days more pasture and less hay feeding is one of the lowest risk, highest benefit things that a producer can do to stay competitive."

The conference program will provide a number of other strategies for weathering poor market returns.

The program will run from 8 a.m. through 7 p.m. the first day and from 8 a.m. to noon the second day.

The conference cost is $40 for the first person and $25 for the second person from an operation if registration is made before Feb. 3. After that date, the cost will be $50 for the first person and $35 for the second person. Lodging at the hotel will be $69 if reservations are made by Jan. 27. (Ask for the grazing conference rate.)

Among the program topics the first day will be farm and forage management, watering systems, animal stress, fencing, the importance of shade for livestock and the importance of pasture fertility. Farmer panels will focus on grazing troubleshooting and on the future of grazing livestock.

The program the second day will have special break-out sessions for dairy, beef and sheep producers. Among the topics will be year-round grazing, seasonal dairying, the effect of grazing on animal health and maintaining optimum animal production with grazing.

Conference details can be obtained from Bartlett by calling him at 906-439-5880 or from Bill Bivens, MSU Extension agriculture agent in Jackson County at 517-788-4292.

Dairy outlook — Expect tighter margins in 1996

by Sherrill B. Nott & Larry G. Hamm

The U.S. dairy industry will encounter a significant cost squeeze in 1996. Feed price increases since the middle of last year have forced the industry to adjust to tightening market conditions. Profit levels will be helped for those with access to quality feed by higher milk prices. Overall, however, profit margins will be tight, spurring producers to invest more in enterprise data and financial management training.

Markets are strong entering 1996

The dairy markets changed dramatically during 1995. Weak early year prices gave way to end of the year strength as robust dairy product demand collided with supply problems caused by weather problems in the major dairy production areas. The all-milk price (the gross producer price before deductions) for Michigan was around $12.95 per cwt.

Commercial disappearance of dairy products increased 3.0 percent for the year, while milk production increased only around 1.8 percent. For all extensive purposes, there were no government surplus purchases of dairy products and the government held no uncommitted inventories of butter or cheese. Government inventories of nonfat dry milk were one-half of 1994 levels and a tiny fraction of what they have run in past years. Total U.S. cheese inventories are holding at normal trade levels whereas total U.S. butter stocks are at their lowest point in decades.

The U.S. dairy industry is entering 1996 with the cupboards bare. As a result, the Basic Formula Price (BFP) is close to its highest level in 3 years. Severe feed price escalation, combined with residual production problems due to the summer heat, will hold milk prices above year ago levels throughout the first half of 1996.

The price outlook for the second half of 1996 is somewhat cloudy because supply impacts of the feed cost squeeze are harder to predict. This is the first feed supply and price crisis that many of the new large herd expansions in the West and Southwest have experienced. For all of 1996, the average BFP will be in the range of $11.80 to $12.00. If the Michigan over-order pricing structure can survive another year of intensive external competition and internal scrutiny, the Michigan average all-milk price will average between $13.00 and $13.30 per cwt.

Escalating feed costs boost production costs

The cost of producing a cwt. of milk averaged $12.59 on specialized dairy farms in 1994 that kept financial records on Telfarm. In 1995, the cost probably increased slightly. The 1994 cost was 4 percent higher than in 1993.

Feed cost is usually about half of total milk production costs. The average feed cost per cow was $1,532 per cow on these farms in 1994, up from $1,452 in 1993, an increase of about 5.5 percent. Milk sold per cow was up about 3.7 percent. This extra milk explained some, but not all, of the increased feed cost per cow. Prices also increased. Although feed prices seemed lower in the first half of 1995, they increased rapidly in the final quarter of the year.

By Dec. 1995, corn prices were running 57 percent higher than in Dec. 1994. Soybean oil meal prices in Dec. 1995 were about 42 percent higher. It is expected that these higher feed prices will continue well into the summer of 1996. If more typical weather patterns prevail during the growing season of 1996, feed prices should come back down in the second half of the year. However, the higher feed prices early in the year are expected to cause net incomes to be lower in 1996 than they were in 1995.

Nationally, the USDA expects milk income over concentrate costs will fall 2-4 percent in 1996, compared to 1995. There will be interest in alternative feeds and more carefully balanced rations fed to the dairy herd. With lower prices for beef cows continuing, aggressive culling does not appear as profitable. Feed inventory management will be a high priority use for management time.

Index numbers of prices paid for farm production items other than feed increased only about 2 percent during 1995. If inflation continues to remain relatively dormant, dairy costs other than feed should remain about the same per unit. However, wages paid, machinery repairs and new equipment prices usually increase at double to triple the rate of other cost components. The impact may be partially offset by constant to slightly lower interest rates.

The need to track the impact of ever higher production costs is causing an increasing number of dairy farmers to practice enterprise analysis — another name for cost accounting. During 1996, many will discover the microcomputer accounting systems they have been using already have the internal power to do cost accounting. The result will be better decision making on an increasing number of Michigan dairy farmers.

Policy uncertainty continues

Unfortunately, better decision making on Michigan farms does not transfer to Washington, D.C. Because of the Washington budget gridlock, the dairy industry is operating under the past dairy policy. Because of the low CCC stocks, the Secretary of Agriculture was required to raise the dairy price support from $10.10 to $10.35. This raised the support price for nonfat dry milk and that will likely result in government purchases later this year.

The GATT limits take hold in 1996 and the allowable Dairy Export Incentive Program (DEIP) sales have been cut, putting further pressure on butter and powder markets. The old, but still current dairy policy maintains the budget deficit assessments on milk producers. The current assessment of $0.10 per cwt. will end on May 1 when the assessment will be increased to pay for refunds to producers who did not have higher 1995 production than they did in 1994.

Because of the severe weather problems in many locations in 1995, the May 1996 assessment may go to $0.20 per cwt. Only a new Dairy Bill will stop this increase. Because the controversy about the Federal Milk Marketing Orders (FMMO) has been so severe, whatever policy solution eventually arises will include a major review and overhaul of the FMMOs.

While having no policy is causing uncertainty, whatever policy plan arises will also generate significant adjustments. The outcome of the policy process will have significant impacts on future dairy outlook columns.

MSU site-specific management conference in Lansing, Feb. 28

To what extent electronic technology can profitably enhance crop production will be the topic of a conference Feb. 28 in Lansing on site-specific field management.

The program will focus on such topics as site-specific weed and nutrient management, yield mapping, the economics of precision farming, and the use of geographical information systems in site-specific farming.

On the program will be Tim Taylor, of Waterloo, N.Y., and Doug Harford, Mason, Ill., who will talk about their experiences with site-specific production on their farms.

The program will run from 9 a.m. to 5 p.m. at the Holiday Inn West next to Michigan Farm Bureau), 7501 W. Saginaw.

Registration will be $50 per person, if paid by Feb. 15. After that date, the cost will be $60 per person. The cost covers the noon meal, refreshments and handouts.

Checks should be made payable to Michigan State University and sent to Jerri Wardwell, A584 Plant and Soil Sciences Building, MSU, East Lansing, MI 48824-1325.

For more information about the conference, contact Darryl Warncke at MSU by calling 517-355-0210.

White mold conference seeks solutions to soybean disease

A "first-ever" meeting of sorts was held at Michigan State University recently that brought university and private company researchers, plant breeders and plant pathologists together to discuss and compare notes on the latest threat to soybean production — white mold. The two-day conference drew public and private researchers from eight states and Canada.

Long considered a nuisance to localized areas in northern portions of the country, white mold is starting to take its toll on the Midwest corn belt areas of Iowa, Illinois, and Indiana, according to MSU Crop and Soil Sciences assistant professor Brian Diers. Diers has been active in researching plant data and genetics to develop a white mold-resistant soybean plant.

Locally, Diers says white mold is becoming quite prevalent in the Thumb and Saginaw areas of the state, as well as, more recently, the southeastern and southwestern portions of Michigan. The disease symptoms usually appear on the plants in August as little cotton balls on the stems and leaves of infected plants. In severe infestations, the plant will actually die off.

The disease can be spread through soils contaminated with white mold sclerotia being carried into an uninfected field via tillage implements, tires, etc., or by the wind carrying white mold spores released from apothesia that germinate from the sclerotia.

Sclerotia, which fall off of infected plants, are the over-wintering bodies for the disease and can stay in the soil for several years. Diers says that wet, cool conditions are ideal for the germination of the sclerotia and the proliferation of white mold. That has many researchers recommending that producers look for varieties that tend to have lower canopy height, earlier maturity and good lodging resistance.

"Anything that producers can do to keep the canopy dry will help reduce the amount of disease," Diers explained. "If we can grow a bean that's resistant to lodging and early maturing, it's not going to have as much canopy and the wind can dry it out more readily, compared to a bushy bean that really closes up the rows."

Crop rotation recommendations drew mixed comments from researchers giving presentations at the conference. Although crop rotation is considered a logical first step in combatting white mold, the disease can still reappear in the first year of soybean or dry bean production via spores carried by wind into the field. The impact of small grain production, especially oats, is being studied in many research projects.

"We know that crop rotation can be important to reduce the amount of white mold inoculum. However, you could be out of soybeans for eight years — go back to soybeans — and under the right conditions, get the disease again," Diers cautioned.

The discussion regarding tillage methods drew an even more mixed bag of comments. Several studies were presented that showed no-till reduced the incidence of white mold. After fighting white mold for over 25 years, a majority of the Brazilian soybean acreage is now planted no-till, in a double cropping rotation with wheat, with white mold now considered virtually non-existent.

Tillage studies in Wisconsin and Iowa, on the other hand, have shown just the reverse, making it obvious that more research is needed before a definitive tillage recommendation can be made, says Diers. "The jury is still out on the whole tillage issue — there's really not a clear answer on that whole aspect," he said.

According to Keith Reinholt, executive director for the Michigan Soybean Promotion Committee (MSPC), which co-sponsored the two-day white mold conference, the contradictory research findings make it clear that this meeting was a necessity. He hopes that while researchers look for long-term solutions, they also consider short-term strategies that will preserve soybean acreage and production.

"The worst thing that can happen for us is to have a grower say, 'I can't plant soybeans in that field next year because I've got white mold,'" Reinholt said. "So the immediate goal is to get producers through the next three or four years and also come up with long-term solutions that will be available to producers by the year 2000."

Reinholt says that white mold research in Michigan has received the single largest investment from MSPC, with over $40,000 committed to university research on induced resistance, management practices and resistant variety development in 1995. "We're a producer group, and if someone can come up with solutions to white mold, then we need to make sure that those solutions get back to the grower, while making sure that the public and private sectors are talking to each other."

With any luck at all, the solution may come from a major research project being spearheaded by Diers that's looking at exotic soybean varieties from around the world. "We're screening thousands of those varieties right now to identify new sources of resistance. Our studies have shown that some varieties get less white mold than others, so there must be some sort of partial resistance out there," Diers concluded.

Stock levels, world growth to dominate 1996 trade outlook

Continued from page 9

of the North American Free Trade Agreement. U.S. imports from Mexico are expected to remain steady at $3.7 billion in 1996, following an increase of $900 million in 1995. This level of imports would be $1 billion higher than in 1993.

Trade Policy Outlook

With the implementation of the GATT agreement in its first year and the implementation of the North American Free Trade Agreement entering its third year, most trade policy issues will focus on individual commodities rather than negotiation of trade additional agreements.

Despite support from Canada and Mexico for expanding NAFTA to include Chile and other countries, Congress has not provided authority for President Clinton to negotiate the expansion of NAFTA.

Given the continuing concern about the impact of the 1994 devaluation of the Mexican peso on U.S.-Mexico trade, there appears little prospect that a decision to expand NAFTA will be negotiated before 1997. Trade disputes may continue for a number of commodities, including tomatoes (between the U.S. and Mexico), wheat and potatoes (between the U.S. and Canada). The resolution of these disputes, some of the first to arise under NAFTA, may provide an indication of how future trade disputes will be resolved.

Garst brand name makes a comeback

As part of its continuing campaign to increase market share and capitalize on recent research and development inventions, ICI Seeds plans to bring back a brand name known for decades throughout the seed corn industry.

Garst has been one of the instantly recognizable names in U.S. agriculture. For this reason, ICI seeds recently announced a plan to employees to begin marketing some of its products under the Garst brand name.

"As I travel around and talk to customers, the thing that stands out to me is the Garst brand name is so well-known and respected. This and our high-quality corn, soybean, alfalfa, sorghum and, most recently, hybrid canola products, will be a winning combination," says Col Seccombe, president of ICI Seeds.

Over the next two years, ICI Seeds will introduce the Garst brand with a look that will reflect the high-tech, progressive nature of the company.

"By the middle of 1996, we will be able to show you more details. At that time, we look forward to sharing these with you," says Seccombe.

New program offers risk tool

CBOT Expert Says Buyer Beware

Producers facing a more market-driven agriculture may benefit from use of new risk management tools. But a representative of the Chicago Board of Trade (CBOT) warned farmers looking to generate additional revenue through a new yield-based contract that you must do your homework.

During the American Farm Bureau Federation meeting commodity/marketing sessions, CBOT product manager Patricia Pembroke outlined the potential merits of the board's corn crop yield insurance futures and options contracts — a program launched on a pilot basis last June in Iowa. As a result of the project's success, some 5,600 contracts were traded over a four-month period, not a barn burner, according to Pembroke, but impressive for a new contract. The board is expected to offer similar Illinois, Indiana, Nebraska, Ohio and U.S. yield contracts.

Futures contract users may lock in a crop yield for a growing season, months before harvest, as a temporary substitute for expected yield. Producers, elevators and others can sell crop yield futures contracts as protection against below-normal yields. Individuals also may buy options as a yield protection strategy.

Pembroke stressed that price no longer follows yield, as it did during the 1970s. She noted that in recent low-yield years, such as 1988 and 1993, prices no longer are spiking at the $3 level.

The devastation that resulted from Mississippi River flooding and Southeastern drought in 1993 demonstrate the need for a viable hedging mechanism, she said, and the budget environment in Washington, the elimination of ad hoc disaster assistance and ongoing global trade developments provide additional impetus toward risk management alternatives.

Pembroke emphasized while yield contracts, based on Agriculture Department state yield estimates, are producer-driven and suggested that farmers could offset shortfalls in cash grain sales through their use, producers hoping to enhance their revenues through the market must do their homework, as well as some comparison shopping.

Ideally, she said, producer candidates for yield contract use are those whose average individual, county and state yields are closely correlated.

If your local farm tracks pretty closely with the county yield, then there is a possibility that you can use this contract, Pembroke told Farm Bureau members. "However, you have to know what your yield basis is," she cautioned. "I would not suggest that you use it directly until you know what your yield basis is, how closely your five-year yield average tracks with your county and, then, how your county tracks with your state."

The CBOT will offer September, October and November 1996 and January and September 1997 futures and options contracts. Trading ends on the last business day of the month prior to USDA's corn production estimate reports; cash settlements will be made on the day reports are released.

Pembroke noted diverse participation in the Iowa pilot project by producers, elevators and large commercial grain companies. She anticipates involvement by European interests in the forthcoming U.S. yield contract.

"While I'd like to say there is a perfect fit between CBOT crop yield and price contracts," Pembroke admitted that additional protections against reduced yields are needed not only by farmers, but by elevators that count on grain volume and farm lenders seeking secure loan portfolios.

"Progressive insurance companies are working with large commercial grain companies to develop crop revenue guarantee contracts to offer producers," she said.

Congress is exploring further options for using the market as a farmer risk management tool — possibly putting forth proposals during the Farm Bill 2 debate this spring. An aide to House Agriculture Risk Management Subcommittee Chairman Tom Ewing (R-Ill.) said committee members are receptive to helping producers get involved in managing their own risk through futures and options programs.

AFBF commodity specialist Terry Francl cited the farm organization's support for such programs, and suggested study of a Canadian program that has allowed producers during good years to deposit a portion of their income in a common fund for withdrawal in poor years.

"We hope to be part of the legislation coming down the pike," Francl said. "There will be a number of different concepts proposed. Some of those, such as futures and options, relate to a specific commodity. Some of them, such as the (Canadian) program, relate to overall income. And there are various things in the crop insurance program that we're looking at, too."

Michigan Farm News Classified

01 Farm Machinery

1440 IH COMBINE, 3800. 15½' grain head, 843 corn head. **completely** reconditioned, maintenance records, Baxter rotor. One owner, always housed. St. Louis, Michigan. Call 1-517-681-4251.

1938 ALLIS CHALMERS Model-60 combine. 5' cut, original paint, owners manual. $1000 or best offer. Call 517-726-1322 or 517-676-5827.

1978 MF 1085D, CAH, multi-power, power adjust rear wheels, 75% rubber, 3-point, 2 remotes, housed. Excellent condition! 3200 hours, $8000. Deerfield, 1-517-447-3361.

1993 FORD 9030 Bi-directions tractor with loader. 235 hours, $42,000. Also, fair 848 snow blower, $5200. Call 1-616-399-7884.

4310A BEET HARVESTOR for sale. 4-row, field ready. Excellent condition! Rebuilt in 1995. $10,500. Four ton wooden fertilizer box with auger on 1952 IH stake truck. $1,000. Jim, 1-517-673-3211 after 4pm.

CASE IH: Model 4800, 30' field cultiator with heavy 5 bar spike. Used two seasons. Like new! Need bigger one. Call 1-517-879-2903.

FORD 5610 TRACTOR, less than 500 hours, purchased in 1991. $15,000/offer. 1-616-676-1393.

FORD, NEW HOLLAND tractors and equipment from **Symon's** in Gaines. For 43 years, your best deal for the long run!
Symon's Tractor
Gaines, 1-517-271-8445

NEW IDEA 41' bale elevator for sale with 2hp electric motors, with grain hoppers and grain chute. 1-517-831-4355

GRAIN SEED BINS: All sizes, $100, up. Brower mixer, $800. Elevator legs, $400, up. Other seed processing equipment. Stanton, 517-831-8317, 517-831-5589.

01 Farm Machinery

HESSTON TUB GRINDER for sale. Like new! $5,200. Gehl flail chopper, 6' cut. Good condition! $750. Call 1-810-657-9087.

INTERNATIONAL corn planter. John Deere offset disk, 12'. Van Dale gutter cleaner, 222' chain . Patz gutter cleaner, 270' chain. Call 616-734-2532.

JOHN DEERE 7200 Vac 12-row front fold planter. Liquid fertilizer, inset hoppers, 250 monitor. Row cleaners, flat fold markers, 6 diff. set plates. Excellent. 1-517-879-2903.

JOHN DEERE 7200, 4-row no-till corn planter, plateless, finger pickup, monitor, less than 2,000 acres. Excellent condition! Lilliston 13 hole no-till drill, 2,000 acres. Excellent condition! Call 1-517-734-4000 for information.

KINZE FOUR R0W, double frame, three Coulter Rawson (new coulters), dry fertilizer, plastic cross auger, monitor, planter mounted liquid 28 tank, John Blue pump, trash wheels, planted 1300 acres. Excellent condition. $8500. 1-517-654-2531 1-517-654-2425.

MF 1135 TRACTOR, cab and duals, $8750. MF, 9' snow-plow, $750. Oliver 5 bottom hydraulic reset plow, $500. Mohawk 10 tooth chisel plow, $1200. Dunham Lehr mulcher, $1750. Buy whole setup, $12,000. 1-517-834-2576.

ORTHMAN CULTIVATOR: 8 row, 30", folding. Like new! $9000. 1-517-832-2034.

PLATFORM SCALES: 7'x10', 40,000 pounds, digital read out and hand held remote. Also can be hooked to a printer. Excellent condition! 1952 John Deere combine. Heath bean puller, 6-row. 517-693-6695.

01 Farm Machinery

RETIRING FROM FARM: Tools, 8 tractors, 90hp or less, tillage, harvesting, planting. Heavy duty steam cleaner, 2 water preasure cleaners and many 3-point tools. Call between 6pm-8pm, 1-313-279-1762.

02 Livestock Equipment

CONVEYER for sale. Single chain, 50'. New motor! Starline shuttle feeder, #85. Starline 20' silo unloader for parts. Two self-unloading forage wagons. 1-517-642-8414.

FOR SALE: Semen tank; 75 straws Melwood, Kemper, Rex, Secret; DeLaval milker with electronci pulsators, glass line, large claws, Surge cube cooler, 500 gallon Craft bulk tank; Cablevey for double four parlor. 1-517-639-4739. Leave message.

MANURE SPREADERS: New and used, Balzer, Better-Bilt parts. UPS daily. Also grain dryers and handling equipment.
Hamilton Distributing Co.
1-800-248-8070

03 Farm Commodities

AGRIPRO CORN YIELDS = - Above P3751 - $38-$83/80K. Five soy varieties yields = - Above S19-90. Zoopore alfalfas blends and cut and graze, $100-$180. Sorgo-Sudans, $14-$18. Millet. 1-517-386-7076.

ALFALFA HAY, all cuttings, square bales, no rain, large quantities at discount. Straw, wheat, clean square bales. Call evenings or leave message. 1-517-496-3527, 1-517-496-3536.

FIRST, SECOND and third cutting alfalfa hay for sale. Delivery available! Call 1-517-864-3402.

03 Farm Commodities

BAYSIDE SEED CORN: Topped MSU County Extension Plot in Isabella and others, for about $50 per bag. Check your local trails or call,
B&M SEED
1-517-463-2846

FIRST CUTTING and second cutting hay, square bales. Shelled corn and 570 New Holland square baler. Brand new, $10,500. Call 1-517-766-2446.

GIANT SQUARE BALES of hay and straw and small square straw bales. Delivery available!
Edward Kalis
Winn, 1-517-866-2540

GOOD QUALITY ALFALFA Hay. Second and third cutting. Also, have wheat straw. Delivery available! **Fisk Farms,** 1-616-984-5183.

LARGE ROUND BALES straw for sale. Stored inside! $10 each. Four row New Coulters no till Chalmers planter. $1000. Will trade for ripper. 1-517-386-7076.

MICHIGAN CERTIFIED SEED: Newdak, Porter, Prairie oats. Bowers barley. Felix, Conrad, Century 854, Vinton 81 soy beans. Chinook light reds. Also Dairy Brand and Crystal alfalfa.
B&M SEED
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QUALITY ALFALFA and mixed hay. Almont Michigan.
Ferguson Farms
1-810-395-7512

STRAW FOR SALE: 2000 bales of clean wheat straw. Call 1-517-684-3575. Evenings best time.

04 Seeds

FOR SALE: AuSable Seed Oats. Purity, test weight, and germination tested.
Call **Duane Basel** at 1-517-734-3694.

05 Livestock

ANGUS BEEF: Bulls, heifers and cows with calves. Performance tested, semen tested. Free Delivery! Call anytime,
SHAGBARK FARMS
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05 Livestock

FOR CURRENT LIST of available Angus Cattle, write: Secretary, West Michigan Angus Breeders 585 36th Street SW, Grand Rapids, MI 49509.

LLAMAS ARE GREAT, and now they're affordable! These docile, intelligent animals make wonderful pets for hiking, packing, picnicking, pulling carts, or to just plain enjoy. Their wool is valuable and they also make outstanding guard animals. Call for a visit today! 1-616-677-3309. Ron and Nancy Laferriere.
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Michigan Farm News Classified

05 Livestock

LLAMAS: North American Sitting Bull and Essex bloodlines. Pet males and weanling females. Reasonable prices! Call for more information and visit, 1-517-645-2719.
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Redbird Farms
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ROCKY MOUNTAIN ELK: "Livestock of the Future". TB accredited herd. Animals of all ages! Traverse City, Michigan.
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1-616-946-5922

TEXAS LONGHORNS: Quality registered breeding stock available. Call 1-616-676-1462, days or weekends. Ada, Michigan.

TOP QUALITY FALLOW DEER: All ages, sexes and colors. **Dana Hill Ranch,** 1-517-642-5396.

07 Dogs and Puppies

BORDER COLLIE PUPPIES for sale. Traditional and tricolored, ABCA registered. Both parents on site. Bred for work or trail. Excellent eye! Call 1-517-379-3918, Lachine.

BORDIE COLLIE pups. Registered parents work cattle and sheep. Ready for Christmas.
Call 1-517-592-4064.

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08 Ponies/Horses

WANTED: Little pony mare about two or four years old. Reasonable! Pinto, have baby in July, ten years old, with papers, can ride, $4000, OBO. Bred brown goat, two years old, $200, OBO. 1-517-626-2582.

REGISTERED TENNESSEE Walking Horses for sale. 1-517-426-7686.

09 Help Wanted

OPPORTUNITY
Position open for a hands-on working farmer (preferably with family) to manage and farm 691 acres of **Productive, quality farmland and forest** in Redmond Township, Good Hart, Michigan. Approximately 400 farmland acres owned and leased, 200 acres under irrigation. New farm machinery and equipment, plus new 43,000 square-foot hay storage barn, handling facilities, equipment storage barns and repair shop.
Must be experienced and knowledgeable in running a fine horse hay (alfalfa-brome) farm. Someone who knows the earth, preparation, fertilization, seed, growing, cutting, baling, storing and marketing of fine horse hay for discriminating buyers.
Must be willing and capable of providing:

Daily management of general business activities including contract and hourly employees and services.
Clear, accurate recordkeeping and accountability.
Daily accounting - payables/receivables - cash flow records - material receiving and shipping records, general purchases.
Provide monthly statement of above to management (General Manager), general bookkeeping offsite.
Work from mutually-agreed budget.
Advise and counsel management in the best interests and welfare of the operation, including capital equipment, buildings, maintenance, operations, crops, and land development and improvement.
Coordination of crop marketing, with knowledgeable hay brokers, or direct.
Take orders-follow orders-give orders.
Leadership.
Interface and communicate at all times with everyone involved inside/outside the operation.
Good character - honest, trustworthy, loyal, with integrity, ethics and compassion.
Caring for people, equipment, land and nature.
Must recognize and accept responsibility to provide and maintain a proficient level of current and advancing technology pertaining to farm and its requirements.

Owner provides:
Health benefits - major medical.
Workman's compensation, liability and life insurance (to be discussed).
Bonus plan based on performance, profit and contribution.
Annual compensation contract paid monthly, long-term employment desirable, based upon successful performance.
Housing on farm negotiable in the compensation package.
All necessary equipment to run and maintain the operation added as recommended and mutually agreed upon by farm manager and management.
Would consider contracting any services in the farm's best interests.
Should you be selected for consideration, an interview with you and later your family and a visit to the farm would be arranged.
All responses will be acknowledged.
Owner's achievement goal:

An excellent profitable farm operation.
A happy place to live, work, and raise a family.
Send personal resume and references including your thoughts and suggestions if the opportunity were yours to: Marlene Savine, 100 West Long Lake Road, Bloomfield Hills, Michigan 48304.

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10 Work Wanted

POSITION WANTED Experienced farm manager looking for a position in management or a related position. Experienced in sales, in growing all types of vegetables. 1-517-561-2333.

11 Agricultural Services

EXPERIENCED Michigan agribusiness attorneys with farm backgrounds. Knowledge and experience in all farm areas; restructure, stray voltage, bankruptcy, estate planning. EAST SIDE: Thomas J. Budzynski, 43777 Groesbeck Hwy., Mt. Clemens, MI 48036, 810-463-5253; WEST SIDE: Robert A. Stariha, 40 W. Sheridan, Fremont, MI 49412, 616-924-3760.

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1-616-396-8102, Fax

12 Business Services

TOM'S OVERHEAD DOOR Sales and Service, Inc. Commercial and residential. Doors and openers. Call 1-517-681-2185 or 1-800-783-8752

Universal Farm Account Book & Income Tax Record A handy means for keeping complete records of your income and expenses. U.F.A.B., 2472 North Harbor, P-1, Bay City, MI 48706. 1-517-667-4937.

13 Business Opportunities

RAISE HERBS, live healthier and wealthier. Huge market! Growers needed. Free information. Send L.S.A.S.E. to Herbs, Dept. E, 1910 Choctimar, Fort Wayne, IN 46808

14 Real Estate

TRAVERSE CITY: If you wish to buy or sell farm or recreational property in northwest Michigan, we can help. Call Ron McGregor, **Northern Michigan Land Brokers,** 1-616-929-1515, 1-616-943-7709.

15 Real Estate Wanted

157 ACRE FARM in southwestern Lenawee County. 101 acres tillable, 40 wooded, custom built ranch. $295,000. May be split.
Faust Real Estate
1-517-263-8666

WANTED: Farms and land throughout Michigan, agricultural and recreational. Large parcels preferred. We have buyers!
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20 TO 80 ACRES of mixed wooded hunting land. Year round, road **accessible.** North of M-46. No swamp land or long narrow strips. Offering cash. Call 1-810-727-1060 evenings.

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Saddle up and experience the uniquely American sport of rodeo. See bull riding, calf roping, steer wrestling, bronc riding and more. Learn about Native American culture and see historic reenactments at the Calgary Stampede or Cheyenne Frontier Days.

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17 Auctions

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18 Antiques/Collectibles

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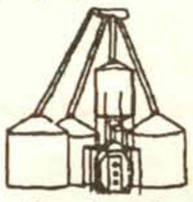

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19 General

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19 General

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20 Wanted to Buy

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WANTED: 2"-8" used aluminum irrigation tubing. Buy, Sell or Trade! Call
Rain Control
1-800-536-7246

WANTED: Old motorcyles, snowmobile and off road vehicles. 1965 and older. Call JD, **1-517-676-0583.**

WANTED: Old gas pumps and globes, old oil bottles, old porcelain signs, any old gas station items. Call 1-616-984-5183 anytime.

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R. H. Rehkopf
Big Rapids, Michigan
1-800-725-7861

Wanted, Standing Timber: Buyers of timber of all types. Cash in advance! 1-517-875-4565, ask for Tim.
Maple Rapids Lumber Mill, Inc.
St. Johns, MI

Michigan Farm News Classified

21 Special Events

9TH ANNUAL EASTERN MICHIGAN FARM TOY AND CRAFT SHOW, February 18, 9am-3pm. Imlay City Middle School, Imlay City, Michigan. Call 810-724-8010 days or 810-724-1186.

25 Building Supplies

HUDSON CONSTRUCTION SERVICES
All types of agricultural, commercial, residential construction. Steel, bricks or sticks. Licensed and insured with certified engineers. Call 1-616-785-9704.

27 Announcements

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BAYSIDE 1796 Yielded 216 Bu. Per Acre
Winner in Tuscola County Corn Trials

This great new 96 day hybrid can be bought during February for $49.00 per 80,000 kernel bag. BAYSIDE 1796 had the highest actual yield in the Sanilac Co. trials with 169.77 bu. per acre. In Isabella Co. BAYSIDE 1796 was the winner with a yield of 157 bu. per acre, 8 bu. better than the #2 hybrid. In Michigan State University testing of corn in 6 different counties against Pioneer's excellent 3751 and 3769, BAYSIDE 1796 yielded more than each Pioneer hybrid every single time, averaging 13.45 bu. more than Pioneer 3769 and 7.35 bu. more than Pioneer 3751.
We would appreciate your business.

Call 517-659-3115 or 517-659-2440.
BAYSIDE SEEDS
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5. Livestock	14. Real Estate	24. Investors Wanted.
6. Poultry	15. Real Estate Wanted	25. Buildings
7. Dogs and Puppies	16. Estate Sales	26. Lawn And Garden
8. Ponies/Horses	17. Auctions	27. Announcements
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Service, service, service
And service doesn't stop after the sale when you have BCBS coverage through Farm Bureau. Our 69 county offices and over 400 agents are located across the entire state so you get hometown service no matter where you live.

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MICHIGAN FARM BUREAU
Blue Cross Blue Shield of Michigan

Yes, please send me more information about Farm Bureau-sponsored Blue Cross Blue Shield health insurance.

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MFN 13096

MAIL TO: Michigan Farm Bureau, P.O. Box 30960, Lansing, MI 48909-8460

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Land values to show gradual increase

Steve Hanson and Ralph Hepp

Land values in Michigan showed steady gains from 1990 to 1994, but have leveled-off during 1995. A study conducted by Michigan State University last spring found that "above average" corn-soybean-hay land in the southern part of the lower peninsula was worth an average of $1,064 per acre, while below average land was worth $732 per acre. Sugar beet and irrigated land had average values of $1,526 and $1,348 per acre, respectively.

The survey found that land values had increased between 3 and 6 percent during 1994. However, the expected increase during 1995 was only around 2 percent per acre. Consistent with these expectations, a recent survey by the Federal Reserve Bank of Chicago found that September values for "good" farmland in southeast Michigan were only 1 percent above the values in the previous year.

Michigan crop producers entered 1995 with large inventories, but depressed prices for many commodities. Livestock and dairy producers started the year with uncertain profit potential, and growers held back on making land purchases. In addition, the interest rates on new real estate loans approached 10 percent during 1995, close to 1 percent above the rate a year earlier and nearly 2 percent above the rate in 1993.

Excellent crop yields in Michigan in 1995, accompanied by lower outputs in the U.S., resulted in higher commodity prices at the end of the year which allowed the crop sector to contribute significantly higher net returns than expected. Gross income from livestock in 1995 was very close to the 1994 level in Michigan. As a result, the financial position of most of Michigan producers is much better than anticipated, meaning that producers are entering 1996 in a stronger financial position than the previous year.

Changes in the property tax laws during 1994 appears to have had only marginal impacts on land prices. One factor dampening the impact of the tax reduction is that land enrolled in the PA 116 program has not benefited from the lower property tax because the land owners were already paying a comparable tax rate after receiving the PA 116 refund. However, the lower property taxes appear to have caused an increase in interest in farmland by at least some nonfarm investors, as evidenced by the reported purchase of a significant amount of Michigan farmland by a large insurance company shortly after the change in the property tax law was instituted.

Purchase of agricultural land for residential and/or recreation land use continues to be significant in many areas and is exerting upward pressure on land prices in these areas. This has been a common theme for years now and appears likely to intensify in the future. Development pressures will continue to extend further into rural areas along the urban fringe and in recreational areas and will push land values in these areas above their agricultural-use value.

Expect farmland prices to show a modest increase during the year. Higher grain prices and large inventories will be liquidated at favorable terms this spring which will provide good cash positions for purchasing production inputs. With normal yields in 1996, crop producers should show excellent returns. Although higher feed prices are dampening the outlook for livestock and dairy producers this year, they should show increased marketings to offset higher feed costs and other costs.

Interest rates should decline slightly, if the Federal Reserve lowers the discount rate as expected early this year. These factors, plus the overall positive attitudes of farm operators, should lead toward more land transactions and higher prices in 1996.

The overall inconsistency of returns for some commodities and a good memory of times when land prices advanced too fast should keep farm buyers conservative. If present export demand for corn and soybeans declines, or yields in agriculture return to previous levels, commodity prices may erode somewhat. This, combined with reduced support from government programs, may cause land buyers to hold greater financial reserves, and use larger down payments, than in previous up cycles in agriculture. These factors could dampen the demand for land and put a lid on prices.

Overall, expect strong returns from farmland, as well as alternative investment opportunities, to cause increased activity in the land market and prices to increase at the level of inflation in the general economy, probably showing a 2-3 percent increase during the year.

Higher fertilizer prices for 1996?

Don't bite too quickly on the hint of higher fertilizer prices in '96

Unless you have the proper sheltered storage, it probably will not pay to buy fertilizer this fall hoping to beat any price run-ups next spring.

Maurice Vitosh, Michigan State University Extension agronomist, says, the hint of notably higher fertilizer prices this time of year are not unusual and that price hikes are usually not out of line with other years.

"What I find by looking at corn and nitrogen prices is that we are seeing about the same corn-nitrogen price ratio we had 15 to 20 years ago," Vitosh says. "There may be some price increase but I don't think it will be much greater than we have seen in previous years. Unless there is some tax incentive and considering the interest that will accrue by placing an order now, I don't see much advantage to buying now."

He also says, that "storing" fertilizer in the ground is pretty much a losing proposition because of the potential for nutrients leaching into groundwater and run-off into surface water.

Vitosh says, that growers might better focus on doing a good job of tailoring their fertilizer applications according to soil tests and, in particular, soil nitrate testing prior to sidedressing corn.

He adds that research presented at a recent agronomy meeting in Missouri bears out the value and accuracy of the testing.

"The results presented show that the sidedress test is working very well from Pennsylvania to Wisconsin to Nebraska," Vitosh says. "A soil nitrate test of 25 parts per million nitrate nitrogen at sidedress means that little if any nitrogen is needed. We give a ppm rating credit toward 15 pounds of nitrogen per acre and normally, that is enough for any good crop except maybe under irrigated conditions.

He also says that more likely growers could also take additional fertilizer credits for the use of legumes and for any manure that has been applied to cropland prior to planting.

"Spring is a good time to do the testing because you'll get pretty accurate information on how much and what type of fertilizer the crop needs and that can be quite helpful in managing fertilizer costs," Vitosh says.

He advises growers to stay in touch with their fertilizer dealer about any price changes and if prices are significantly higher in the spring, consider reducing corn acreage and increasing soybean acreage or some other crop to trim nitrogen costs.

Overall, he says, growers might be better off using regular soil tests to tailor crop fertility inputs rather than trying to beat a hinted price hike and save a few dollars.