Red tart cherry producers vote on marketing order

Highly efficient harvesting machinery, excellent soils and an outstanding climate help propel the productivity of Michigan's red tart cherry industry. Generous harvests in recent years make it urgent that farmers approve a marketing order to manage cherry supplies and finance product promotion and research.

Seven-year farm program sign-up running smoothly

Collins points out, "We cannot accept these leases now, they must have a specific end date or state a crop-year they are good for." "In Huron County, we have about 40 percent on some type of lease or share arrangement, and about 60 percent on cash," states Porath. "If I only have one year agreement, I can only put in one year, the rest of the shares are not designated. The farm is still signed up for the seven-year program, it's just that they are going to have to give me a cash rent statement every year."

If you have an operator that's on one-third/two-thirds share, explains Porath, "Another thing is that leases for '97 are going to be entered into, especially if they want to advance payment in December," adds Collins. "Most farmers are voting for bringing in leases for '97 in the spring and haven't even negotiated their leases before then."

"To vote in favor of the marketing order. It is strongly supported by Farm Bureau," said Michigan Farm Bureau's Director of Commodity Activities and Research Ken Dye. "If the industry is going to overcome the challenges facing it, growers must have an opportunity to maintain long term supply and demand while meeting consumer preferences. The marketing order will be important tool for doing that," he said. The order would become effective only if approved either by two-thirds of the producers voting in the referendum, or by producers voting who produced at least two-thirds of the volume of tart cherries grown during a period set by the Secretary of Agriculture. In addition, processors of tart cherries who have liens or have more than 50 percent of the total value of cherries would have to vote in favor of the order.

"Hedge-to-arrive contracts" were a major focus of the debate, andcrop insurance is the only coverage in town, according to Randall "Butch" Sonnen, manager of the Red Tart Cherry Growers Association. In addition, processors of tart cherries who have liens or have more than 50 percent of the total value of cherries would have to vote in favor of the order.

"If approved, the order would allow growers to effectively manage the supply of fruit and develop innovative new cherry products, according to Randy Harmon, manager of the Red Tart Cherry Growers Division of the Michigan Agricultural Cooperative Marketing Association (MACMA)." "The order a
From the President

June highlights dairy industry progress

J une is National Dairy Month. What better excuse to talk about one of the many positive things going on in the state’s dairy industry? Michigan’s dairy industry continues to grow despite existing challenges. Once again, Michigan farm organizations have stepped up to take advantage of the favorable climate, the ability to grow large quantities of high-quality forage, access to the best scientific advice, and a strong desire to sell food grown in the state that helps increase in farmer pay prices.

We’ll still position ourselves to continue enhancing the dairy industry’s role in promoting the state’s agriculture and dairy industry in the future. Because of the progress being made on the Animal Health and Safety Committee, we know that there is more to do to improve the current situation. We look forward to the completion of our research work in the near future.

Direct payments in jeopardy?

The Michigan Republican Rep. Joe Skeen recently said he intended to look at the direct payment portion of the farm bill. Skeen, who chairs the House Appropriations Agriculture, Rural Development, Food and Drug Administration Subcommittee, noted that Congress would be hard-pressed to come up with money to fund mandatory farm bill programs, including conservation programs and direct contract payments, as well as discretionary programs. The Appropriations committee recently released budget numbers calling for a $30 million cut in agricultural spending in 1997.

“The任務 is not going to be easy,” Skeen said. “So, we’re going to look at it.”

Action on releasing grain reserves to alleviate feed prices

There is movement within Congress and USDA to allow the release of grain held in the disaster reserve by the CCC. Sen. Nancy Kassebaum (R-Kan.) and Rep. Richard A. Gephardt (D-Mo.) and Sen. Bill Roth (D-Del.) have introduced resolutions to allow the USDA to release this grain. The move is expected to help lower feed prices and reduce the potential for grain storage damage.

Pesticide report called into question

The Natural Resources Defense Council released a report claiming the use of pesticides in the U.S. has increased from around 1.1 billion pounds in 1995 to 1.2 billion pounds in 1995, and 1.23 billion pounds in 1996. The report says 70 percent of the pesticides used are in agricultural applications, and it calls for increased research on pesticide use and increased regulation of pesticide labeling.

Sheep referendum suspended

The Agriculture Department has suspended the Sheep and Wool Promotion, Research, Education and Information Act of 1994, which ended May 3. All actions arising from the program, including collection of checkoff funds, will be suspended. The suspension was in response to a request from livestock producers.

Crunch time for Delaney reform

According to the Bureau of National Affairs, the Delaney Amendment (BNA) the next four to six weeks “very crucial” for reform of pesticide regulations, particularly the reform of the Delaney clause and the Federal Insecticide, Fungicide and Rodenticide Act. The Delaney Amendment, however, is a frequently cited source of concern by the House Agriculture Committee. If the amendment is not adopted, the House will be faced with numerous, more drastic changes to the process for registration of minor-use chemicals.

Would the Clinton administration oppose the Delaney reform bill, but generally support it in an effort to get major changes into the administration’s farm bill priorities.

In the past, the Clinton administration has opposed the Delaney reform bill, but generally supported it in an effort to get major changes into the administration’s farm bill priorities.
STATE ISSUE
Post-production costs legislation introduced
H. B. 5394, sponsored by Rep. Tom Alley (R-West Branch), has been introduced to amend the Natural Resources and Environmental Protection Act by addressing the Post Production Cost (PPC) issue concerning private property owners. It would require that oil and gas companies shall not enter into an oil or gas lease as a lessee with the owner of private property within Michigan unless the following items are included in the lease agreement:

- A trust payment of interest earned on the principal amount of the oil, gas or related products extracted from the leased site.
- If any reductions in the royalties accruing to the landowner are allowed under the lease agreement due to PPC, a provision that the landowner shall receive a detailed and itemized list of potential post-production costs.
- If PPC are provided for and agreed to by both the oil or gas company and the landowner, the lease agreement shall contain the following provisions:
  - Definition of PPC.
  - Specific areas of items eligible for deductions.
  - A clear process to enable the landowner to receive a detailed and itemized list of potential post-production costs.
  - A maximum percentage of cost to be deducted.

A person who knowingly violates this section is guilty of a misdeed, punishable by imprisonment for not more than 1 year or a fine not less than $1,000 or more than $2,000, or both, and the costs of prosecution.

MFB Position: Farm Bureau supports HB 5394.
MFB Contact: Scott Everett, Ext. 2046.

STATE ISSUE
Testing of drivers operating motor vehicles used in agriculture
H.B. 3412 would amend existing law requiring the testing of drivers of motor vehicles used in agriculture. It would prohibit requiring the testing for use of alcohol or a controlled substance of any person who is not an owner of a motor vehicle that he or she is operating. This bill is designed to protect the agricultural community and farmers from unnecessary regulations that would increase their costs.

MFB Position: Farm Bureau opposes H.B. 3412.
MFB Contact: Al Almy, Ext. 2040.

NATIONAL ISSUE
Competitive Livestock Markets Act introduced
H.B. 5424 has been introduced to assist the cattle industry by providing a competitive structure for cattle markets and to improve the competitive structure of cattle markets.

MFB Position: Farm Bureau supports HB 5424.
MFB Contact: Al Almy, Ext. 2040.

NATIONAL ISSUE
Firefighting funding clears first hurdle
The House Agriculture Appropriations Subcommittee has approved $5.25 billion in funding to deal with wildfires, which is a significant increase over the 2001 level. The future of Michigan's apple industry. Firefighting is a bacterial disease that infects apple trees. The use of these findings has been a primary focus of research for firefighters, but resistant strains of the bacteria now exist, limiting control.

MFB Position: Farm Bureau, with assistance from MACO, led the effort to obtain the firefighting funds and will continue to work on the fiscal year 2003 Emergency Continue.
MFB Contact: Al Almy, Ext. 2040.
Private property rights an issue in Natural Rivers program proposal

F or Cecil Gronlund, environmentalism isn't a new fad—it's something he's done since his high school days 50 years ago. He has plowed more than his share of pine trees and beach grass to help hold down sandy soils by stopping wind erosion on the 300 acres he owns in rural Manistee County's Maple Grove Township. In total, Gronlund owns a mile of river frontage on the Bear Creek that cuts a swath through his property.

That's why the Department of Natural Resources' plan to designate the Manistee and Pine rivers, which encompass the Bear Creek, as a "Natural River" sets off a nerve with him, since the designation would establish mandatory set-back requirements and other preservation measures as opposed to allowing private property owners to voluntarily put the measures in place.

The Natural Rivers Act, established in 1970, requires the DNR to develop a management plan for designated rivers and tributaries outlining development standards and allowable uses to "help protect the natural values of the stream," according to Dan Pearson, a natural resources specialist in the DNR's Forest Management Division. He says the DNR is hoping to add the Manistee and Pine rivers waterways to its list of other designated river systems across the state— the first such effort since 1986.

If successful, over 500 miles of river mitigation affecting a total of 1,700 square miles in the watersheds of the Manistee and Pine rivers would be added to the Natural Rivers program, the biggest area ever affected by the program. By coincidence, the two rivers were selected from a list of 25 rivers on a proposed Natural Rivers list.

"We've been working on the Manistee since January of 1995 with a citizens advisory group put together a management plan for that system," Pearson said. "But (the management plan) will have use and development standards for both private and public land.

"The private land standards are typically in the form of a zoning ordinance," Pearson continued. "The local unit of government has the first shot to adopt the zoning ordinance to include these development standards. If they don't, then the law allows the state to write a state zoning rule, which amounts to a state zoning ordinance."

The potential loss of local control has many landowners up in arms—including Gronlund. "I have just gotten perturbed about something that my family struggled to clear and make a living off of and then all of a sudden the DNR can come in and just take over, making us lose local control," said Gronlund, who also serves on the Zoning Board of Appeals. "No one in this township can currently build within 45 feet of the river, and they already have a greenbelt requirement of 20 feet—I can live with that."

Based on local meetings and activities within several of the affected counties, many private landowners share his views. In a letter to Rep. Ken Sikkema (R-Grandville), the Manistee County Farm Bureau asked that a House subcommittee of the House Conservation, Environment and Great Lakes Committee consider the potential impact on private property rights issues, look into the Natural Rivers Act and its implications for "takings."

"Because of the way the act is written and the way the DNR interprets it, virtually every river in northern Michigan qualifies in some way for the program," the letter states. "While we believe it is extremely important to protect rivers, this law clearly takes private property as it affects both the use and the value."

Gronlund agrees, saying that since he's paying the taxes on the property, he feels the development and use of the property should be his call. "I would, in essence, have two miles of river frontage that would be affected by the 400-foot setback requirement, and the use of the property should be my call."

In response, when asked to comment on the Natural Rivers Act, Sikkema (R-Grandville), the Manistee County Farm Bureau members, said that they are "in good shape." This isn't a program designed to take away private property, he suggested. "We are setting aside a 400-foot setback on the river, which would make sure the property is developed potential."

Previous legislation, introduced by Sikkema and eventually signed by Gov. Engler, now requires the state's Attorney General to provide guidelines to state agencies on what they can and cannot do when it comes to regulating private property. State agencies must then consider these guidelines when making a decision on a permit.

"That's just the first step, however, that needs to be taken," Sikkema suggested. "During these recent hearings, we found that state agencies and state regulators often are too unaware of the constitutional protection that is given private property owners."

Sikkema thinks the bills will help educate state agencies and regulate the constitutional protection enjoyed by landowners and recent court decisions that have strengthened that protection. Rep. Bill Biehler (R-Hesperia) thinks one way farmers and other private property owners can defend their rights is by getting on local zoning boards. He said if the state disagrees with land use decisions made by local authorities, "at least they're dealing with a unit of government, which is a lot harder to find fault with than it is with an individual."

The Manistee County Farm Bureau, in their letter to Rep. Sikkema, agrees and suggests that if a taking does occur, the landowner should be reimbursed for the "value. This is a true test of where a law is for the public good. If the public deems the law to be important, they will be willing to pay for it."

There should be an equal distribution of costs across society, not just the landowners. When the perceived benefits of regulation are separated from the costs, there is no government accountability or public responsibility," the county Farm Bureau concluded.

Pearson contends, however, that the Natural Rivers program is not a taking of private property. Although zoning has been challenged in court several times with respect to the taking issues, he says the courts have determined that zoning is not a taking. A 1980 court decision supported DNR's position, when a group of citizens opposed to the Flat River's Natural River designation sued the department and lost when the courts decided the program did not constitute a taking.

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Managing nitrogen loss

E

escive rain throughout Southwest and
Central Michigan during the last few
weeks has raised concerns about the
amount of nitrogen that may have been lost due to
leaching and/or denitrification.

According to Dr. Maury Vitosh from MSU's
Crop and Soil Science Department, there is a
number of factors to consider when attempting to
estimate the amount of N lost.

When does the nitrogen fertilizer applied
and in what chemical form?

If the nitrogen was applied as
anhydrous
uranium
(urea-ammonium-nitrate) solution
the soil dries out, the ammonium
nitrogen will be
ble to prevent
overuse of
fertilizer. Bureaucrats
fertilizer may increase nitrate contamination of
groundwater.

The soil nitrate test measures only nitrate N. It
does not measure ammonium N or organic N. If
samples are taken in June, much of the ammonium
and some of the organic N will have been converted
to nitrate and will show up in the test.

N normally would look at the corn
which is probably to 10 inches tall," explained
Warncke, MSU Crop and Soil scientist. "Given
the soil test results and the condition we've had,
some farmers may want to go in and sample a little earlier,
particularly if the nitrogen had gone on earlier and
there are few ears or whether or not there's much
of the soil that will still be available.

According to Vitosh and Warncke, samples
are taken after the soil has warmed up usually contain
the greatest amount of nitrate N. The June
measure tests both residual nitrate N from the previous
and recent mineralization of N from ammonium
and organic matter. Samples taken just prior to
distinctive times can be used to the greatest
advantage in determining appropriate rate of E.

When sampling fields where ammonium N has
been leached in profundal, you will need to
double the number of subsample cores to
avoid problems with near surface N. Samples
are taken in June from fields where N has
been broad areas to plant caring can be used as a
guideline for adjusting irrigation amount or
system for planning next year's application. The
last soil test in June indicates more than 25 ppm,
in addition to N needed, and a soil test in excess of
40 ppm at this time indicates excess N.

What fields should be sampled?

According to Warncke, fields with
Managed fields and legume fields sampled in June
will likely contain the most nitrate. Other fields
that show most nitrogen will have no uncontamination of
soils (i.e., clay, lateritic clay and clays) that were
fertilized with N the previous year. Sandy soils,
even if they were sampled in the previous year, may
not show much N carryover.

How to take soil samples

Taking a sample is very similar to taking
regular field soil samples. Each sample to

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Nitrogen recommendations for corn

The nitrogen recommendation is based upon yield goal, soil tests, and other factors. The best way to determine the amount of
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Example: If the test shows 10 ppm of nitrate in the soil sample, the estimated N credit is 60.

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Nitrogen recommendations for corn

Soil Nitrogen
Nitrogen Credit
Yield Goal - ppm

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**Market Outlook**

by Dr. Jim Hilek, Department of Agricultural Economics, Michigan State University

**TNT**

The high price of old corn crop is probably in. But that doesn't mean there's not room for a rally. As of this writing, the July futures contract was $5.15, and we were at $4.75. While that leaves room for a good rally, we should probably consider clearing out remaining old crop if it approaches the previous high.

While corn will remain tight through the summer, $5.00 corn seems to indicate rationing. In local situations, we will probably continue to see positive old crop basis. When you decide to pull the trigger, check with your neighbors who also hauled.

The continuous increases in corn export expectations has probably ended, as evidenced by the cancellation of some old crop sales. However, at this time, it still appears we will reach USDA export projections for the 1995-96 corn crop. It will also be interesting to watch how much is cancelled vs. switched to new crop.

New corn crop, as priced by the December futures contract, had dropped over 20 cents from its high at the end of May. It would suggest that December futures of $5.50 means corn yields this fall will be about 5 bushels under trend. What new corn prices do over the next 90 days will be directly determined by what the corn market thinks the 1996 U.S. corn yield will be.

**WHEAT**

While some wheat yields are coming in a little better than expected in Texas, we are still going to have a poor wheat crop out of the Southwest. Wheat futures dropped sharply the last part of May as there were rains in the Southwest, spring wheat made good progress, and soft red winter wheat was a little contaminated. It appears that there is too much of a time to hold back on anymore forward pricing until prices have recovered a big chunk of the drop.

As of late May, wheat prices relative to corn prices said to feed more wheat. This means, however, wheat prices have backed up relative to corn, more wheat will get fed. This should put a floor under wheat prices through the summer. It appears a 1-2 million acres of soybeans were planted on trane-up wheat. If they continue to get rain, it may help feed prices this fall.

**SOYBEANS**

Well, did we get all of the soybeans planted? Did the Eastern Corn Belt plant a few extra acres of soy that weren't able to plant corn? Like wheat, the soybean yield potential has been cut due to late plantings, but that doesn't mean we will have a poor yield, just that we probably can't have a record yield. And again, we commonly have time for a few weather scares.

The South American soybean crop seems to be growing. This, along with export demand from the high prices, means the old crop has probably been seen. Watch for opportunities to purchase remaining old crop on weather rallies over the next 60 days.

**CATTEr**

In general, the production environment is conducive for raising cattle. Unless wheat prices go back up relative to corn, we should see a new crop of cattle this fall. This will help feed prices this fall.

**HOGS**

You know things were worse when June hog futures could only fall a few days and the price is still over $8.00. However, liquidation still seems to be underway that the high feed cost, and lower cattle continues to run above years ago. At these levels, deferred futures don't look enticing unless feed prices drop significantly.

Slaughter numbers continue to run under what the March Hogs and Pigs Report would indicate. If the lower slaughter numbers are due to the excessive heat last summer causing conception problems, then numbers should come back closer to last year very soon or already be there. The June Hogs and Pigs Report will be released June 28 at 5 p.m., watch for it.

Except for a brief period last month, waiting for the cash price has been the best price for most of the spring. However, if futures rally back toward their previous highs, pencil through the forward pricing opportunities putting on feed prices in the hundreds of contracts. If it facilitiates out to a good return, consider forward pricing some of your expected future production.

**EGGS**

In spite of the higher feed costs, U.S. production in broilers, turkeys and eggs is expected to increase, according to the USDA. The feed costs, however, are being reflected in rising wholesale prices for poultry. A projected $9 billion in broiler crop is expected to revitalize deepening supply shortages. USDA officials warn that another small harvest of feed grain in the fall would substantially hinder feed costs, changing the forecasts for poultry and egg production. Production of broilers in the first quarter of 1996 was 7 percent higher than a year ago.

In increase in poultry production expected

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**COMMODITY PRICE TRENDS**

<table>
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<th>Commodity</th>
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<tbody>
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<tr>
<td>Hog</td>
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**INCREASE IN POULTRY PRODUCTION EXPECTED**

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**DAIRY SITUATION**

by Larry G. Haggard

May 21, 1996, was a historic day in the United States. USDA's Commodity Credit Corporation (CCC) was totally out of surplus dairy product stocks. In other words, there are no more government surpluses on dairy products that were not committed to other prescribed uses. Much has been said about the fact that the FFA Act of 1996 eliminates the dairy price support program by the year 2000. The reality is that the dairy price support program is over now. Going forward, there are no guarantees that the new crop of butter will be able to support prices at historical levels.

**CATTLE**

Cow slaughter was up 16 percent in the first quarter compared to the previous year. In April it was up 43 percent. The year-to-year increases in beef cow slaughter continued into May. While holding drought, they will probably slow up some this summer, we expect to see increases in cow slaughter through at least the end of the year. The reason is very clear — very poor returns to the cow-calf producers this past year and not great prospects for next year.

Placements continue to run behind last year, and while that does mean less cattle are out there, it does mean this summer's cattle prices are not likely to drop as low as some previously expected. Prices will probably still be over $6.00, but that is enough to cover the costs of running cattle, and there is still a big demand for milk.

**EGGS**

by Henry Larzelere

Eggs in June over May showed the smallest increase, seasonal patterns, in recent years. These prices during July, August, and September will probably average in the upper 70s to low 80s.

The number of layers on farms on May 1 were slightly above (less than 1 percent) last year. Total egg and table egg production were about 1 percent above May 1995.

The higher than last year egg prices would likely lead to increases in egg yolk and chalk hatches. So far we have seen only small increases in the hatch of these eggs. The number of layers on farms on May 1 were slightly down from May 1, 1995.

The still great uncertainty about feed ingredient prices will continue to offset the likelihood of excessive increases in the number of layers and egg production.
**Weather Outlook**

by Dr. Jeff Andresen, agricultural meteorologist, Department of Geography, Michigan State University

A northwest jet stream configuration and a series of Canadian-origin air masses led to continued cooler than normal temperatures across the state, with mean monthly temperatures generally remaining 1-3 degrees F below normal.

While recent cool, dry weather has caused growing degree day accumulations to slip further below normal (approximately 1-2 weeks behind normal in most locations), it also allowed field work and planting to resume in many areas that had experienced lengthy delays due to earlier heavy rains and flooding, especially in central sections of the state.

Since the major upper air blocking feature that's led to the persistent cooler than normal temperatures in the past several weeks has dissipated, I would expect warmer, more seasonable temperatures during the next couple of weeks.

The National Weather Service 30-day outlook for June is for near equal odds of below-, near-, and above-normal precipitation and temperatures.

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**Michigan Weather Summary**

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**Dental costs don't have to scare you.**

Member Dental Insurance from Michigan Farm Bureau

Member dental insurance is the affordable way to assure that you and your family receive the dental care services you require — even when sudden and costly needs arise.

Measure the rates against your annual dental care bills and consider the advantage!

**Single:** $18.90 per month • **Two-person:** $33.60 • **Family:** $43.05

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**Food safety survey**

A recent survey showed consumers are following government recommendations for food handling and food safety. The survey, conducted by RRC Research Group, said nine out of 10 Americans say they follow the safe-handling instructions on the warning labels on packages of beef, pork and chicken.

The report also noted that 95 percent of those surveyed say reports of illnesses from contaminated meat, fish or poultry have led them to avoid certain foods. About one-fifth of those surveyed said their eating habits were affected by the recent Bovine Spongiform Encephalopathy scare in Britain and the use of BST in dairy cows.

The poll found that 95 percent of consumers scrub or rinse fruits and vegetables; 92 percent examine food packages closely; 52 percent say bacterial contamination is the most serious health concern; 16 percent say pesticides are the most serious food-related health concern; and 91 percent said they think the federal government is doing a good job of ensuring food safety, while 54 percent disagreed.

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**Where Belonging Makes a Difference.**
Produce and to better appreciate what they were designed and use of these tools and new restrictions imposed yield and revenue risk are expanding. The availability of downside revenue— the kind of those who sign up for FAIR to ease the transition boom of the 1970s. 

Grains and wheat will be driven to a much larger dramatically in the last decade—perhaps too dramatically in some regions. The correlation between individual farm yield and the market price. A lower price reflects the narrower scope of coverage. This product was pilot tested on a smaller scale but with more crops and in more states. Premium rates for IP in the absence of the pilot test, are specific to the individual farm. The core idea between both of these products is to insure gross revenue—price * yield—instead of insuring either price (dw) or futures contract equivalent, put option on futures contract, yield (MPCI/APH or GRP) named peril such as hail. “Trigger revenue,” the revenue below which an indemnity payment is made to the farmer for corn, is:

**Trigger Revenue (C%)** = 0.5 * Average New Crop Corn Price in February

Coverage choices are the same for MPCI/ APH. The procedures used to calculate APH yield for CRC are the same as for MPCI/APH. IP is the same except basic and optional units are not permitted. The average new crop corn price in February used in IP is 100 percent of the average price of the December futures contract on the Chicago Board of Trade during the month of December. Realized revenue calculation for corn is as follows:

Realized **yield** = Average Harvest Corn Price

where the average harvest price used in IP is 100 percent of the average price of December futures during the month of November. If “realized” is less than “trigger,” the producer receives the difference.

The CRC contract extends the concept of IP to better facilitate pre-harvest pricing. It pays the greater of trigger revenue and, if there is a yield loss, the greater of the preplanting/new-crop price (Feb. for corn) and harvest price (Nov. for corn). Thus, if the price goes up between planting and harvest, dollars are available to purchase commodity to meet contract shortfalls. These additional features make the product more expensive than IP—particularly in regions where there is a high correlation between individual farm yield and market price.

The Crop Insurance Reform Act of 1994 and FAIR legislation permits the introduction of other new concepts and challenge producers and the insurance industry to develop new and better concepts.

“Business interruption like” crop—revenue insurance and a variant of MPCI/GRP that permits an insurance company to combine the better features of both APH and IP as examples of new products that are permitted by the legislation. Some of the horticultural crops in Michigan that are illustrated to APH or NAP as currently configured, might be candidates for a business interruption type of insurance.

**Implications**

Tools such as pre-harvest pricing and options on futures, yield risk insurance, and revenue insurance should still carry the burden of managing “within year” price risk. The FAIR payment should be used primarily to manage “across year,” “multiple years of low prices in a row” price risk. The tools to manage yield, price and revenue risk are becoming more complex and require careful study before use. Some producers’ and elevators’ experiences in 1996 reinforce this fact. But these powerful tools that carry a larger burden of the risk management role in the coming years.

Summary of spreads for information for beef and pork

Choice beef retail prices increased while the hog farm-to-retail spread, resulting in a 5-cent increase in the farm in retail spread to $1.55 per retail pound. Retail pork prices decreased while the farm price of hogs increased from March to April 1996, resulting in a 4-cent decrease in the farm-to-retail spread to $1.28 per retail pound. Source: USDA Economic Research Service

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Business Strategies

**The Crop Insurance Reform Act of 1994 and FAIR**

**Roy Black, Professor, Department of Agricultural Economics, Michigan State University Extension**

Revenue risk management for crops under FAIR and the Crop Insurance Reform Act of 1994 will have a distinctly different flavor in the coming years. The USDA will no longer be in the supply control/stock management business and will be in the ad hoc disaster payment business.

Prices, production, and ending stocks of feed grains and wheat will be driven to a much larger extent by producer’s decisions. Producers will also take a larger responsibility for management of downside revenue risk. A declining “average deficiency payment equivalent” will be available to those who sign up for FAIR to ease the transition. Producers will also take a larger responsibility for management of downside revenue risk. A declining “average deficiency payment equivalent” will be available to those who sign up for FAIR to ease the transition. Producers will also take a larger responsibility for management of downside revenue risk. A declining “average deficiency payment equivalent” will be available to those who sign up for FAIR to ease the transition.

One of our biggest concerns is how the FAIR payment is utilized. If it goes primarily for green’s red, paint and to build up land prices today, then it is no longer available somehow to manage intermediate term downside revenue risk—the kind of financial stress that we saw in grain crop prices and oilseed prices softened coming out of the price boom of the 1970s.

**Producer’s Risk Management Toolkit**

The tools for managing “within year” price, yield and revenue risk are expanding. The availability of risk management tools, without directly using the Chicago Board of Trade, has increased dramatically in the last decade—perhaps too dramatically in one case of some tools. While there is stock-taking on the part of elevators and producers on the appropriate design and implementation of these tools and new restrictions imposed by CGIC, a rich array of tools will be available in the future. The challenge will be to use them wisely and to better appreciate what they were designed to accomplish.

The biggest development is a new tool in the “within year” risk management in the area of revenue insurance—a take-off of the Iowa Revenue Assurance concept initiated by Iowa farm groups in 1994-95. Two pilot programs were tested for selected spring crops in 1996. The program called CRC was developed by the private sector and offered for corn and soybeans in all counties in Iowa and Nebraska. Current discussions are spurred by the number of states where the CRC can be sold for 1997 crops and including wheat.

CRC is insurance—producers pay a premium just as they do for multiple peril or hail insurance—that is a hybrid of the revenue part of the Iowa Revenue Assurance concept and the replacement price option to the MPCI/Actual Production History Plan contract that has been offered by some companies in Michigan. The record requirements are the same for CRC as they are for MPCI/APH. There is a subsidy to producers on CRC, just as there is on MPCI, and reinsurance is available to crop insurance companies from FCIC/USDA. Over 25 percent of Iowa farmers with MPCI/APH coverage switched to CRC in 1996. The second pilot was for the revenue insurance component only, which did not permit basic and optional insurance units, and introduced new rating methods for producers who had a long series of good quality records. The product was called IP, for income protection, and was substantially less expensive than CRC—particularly in regions where there was a high correlation between individual farm yield and the market price.

A lower price reflects the narrower scope of coverage. This product was pilot tested on a smaller scale but with more crops and in more states. Premium rates for IP, in the absence of the pilot test, are specific to the individual farm. The core idea between both of these products is to insure gross revenue—price * yield—instead of insuring either price (dw) or futures contract equivalent, put option on futures contract, yield (MPCI/APH or GRP), named peril such as hail. “Trigger revenue,” the revenue below which an indemnity payment is made to the farmer for corn, is:

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Where Belonging Makes a Difference. 

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**MICHIGAN FARM NEWS**

June 15, 1996
June 15, 1996

As if our Magnum® engine series, overall the most powerful line of pickup engines on the planet, wasn’t enough incentive for Farm Bureau members, now there’s an extra $500 in the deal.

That’s $500 back on all 1996 5.9L Magnum V-8 Ram and Ram Club Cab pickups, $500 back on all 1996 Cummins diesel-powered Ram and Ram Club Cab pickups ... and $500 back on select mid-size 1996 Dakota pickups.

The offer includes all 1996 Ram Van and Ram Wagon models, too.

That’s on top of any other national Dodge cash back offer.* All you need to do is get a certificate from your state’s Farm Bureau validating that you’ve been a member for at least thirty days. Then stop by your Dodge dealer. Where you’ll discover it pays to be in the Farm Bureau.

*This cash back offer is valid for members of participating Farm Bureaus, expires 9/30/96, and may not be used in combination with any other Chrysler Corporation certificate program or certain other special programs. Ask for restrictions and details.

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Hedge-to-Arrive contracts are not the problem

HTAs' fall victim to historical old-crop prices combined with moderate new-crop contracts creating major losers.

Significant losses tied to the use of Hedge-to-Arrive (HTA) contracts are being reported across the Midwest, including Michigan, with total loss estimates ranging from $500 million to $1 billion. The Chicago Futures Trading Commission (CFTC) is estimating that 11 percent of the open interest in the July corn contract on the Chicago Board of Trade (CBOT) is entered into HTAs. HTAs are contracts for the sale of grain at a later date with a fixed price but an unspecified delivery date. These contracts, along with other marketing tools that are tied to the future market, are being looked upon with increased skepticism by producers and the CFTC, which is now investigating the use of HTAs, especially on contracts hedged on the July 1996 corn contract that were intended to be rolled into a future month or year.

The uncertainty surrounding HTAs comes at a time when producers need to start considering how to use marketing tools to manage price risk, says MFB Commodity Specialist Bob Boehm. "With the eventual demise of the farm program, producers need to maximize marketing opportunities and manage their risks, especially with regard to production management tools such as HTAs. Forward Contracts and Minimum Price Contracts to provide the security provided by the federal programs. HTAs have been offered by grain merchants throughout the corn belt since the early 1980s as a way to offset some of the market uncertainties. The recent slide in prices has raised questions about the viability of HTAs and how they are used to manage the underlying futures market. This article looks at the issues and examines the options available to producers.

The clock is running with the deadline quickly approaching for deciding how to settle HTAs. If the producers are to receive the prices they originally accepted last fall, there is a good chance that the market will be under a lot of pressure to settle by the end of September or, at the latest, by the end of November. The time frame is based on long-term contracts, which are often concluded during late October or early November. The forward market prices at that time are often higher than the futures prices, which are based on current crop production and inventory levels.

The attraction for the producer is that the elevator will provide an option to sell the grain at a later date rather than having to sell at the time of harvest or later. The producer has the option to sell the grain at the time of harvest or later, but the option is not binding, and the producer can change the option or sell the grain at a later date. The producer also has the option to sell the grain at a later date, but the option is not binding, and the producer can change the option or sell the grain at a later date. The producer also has the option to sell the grain at a later date, but the option is not binding, and the producer can change the option or sell the grain at a later date. The producer also has the option to sell the grain at a later date, but the option is not binding, and the producer can change the option or sell the grain at a later date.

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The paper on HTAs is divided into the following sections: "What is an HTA?", "How to settle HTAs", and "House panel attempts to modify planting rules."
Owners tout the merits of their greenhouse barns; MSU suggests being careful

Greenhouse livestock barns are said to cover around 12 square feet per square foot to construct than conventional barns, and for the most part, they can be erected more quickly.

The management of a greenhouse barn, however, must be as good as the management of a conventional barn, for better or worse, says Bill Bickert, Extension agricultural engineer at Michigan State University, says the required maintenance level must be higher because of the potential for wide variations in air temperature and humidity in 24 hours, especially in winter.

In fact, the design of a greenhouse barn has the rule of thumb that there should be no more than 10 degree difference between the inside and outside temperatures. The greenhouse is a passive solar collector. Unless adequate ventilation is provided, swings between daytime and nighttime temperatures could be as much as 50 degrees in winter.

The natural induction, Bickert says, is to restrict ventilation to the air that has been warmed by solar radiation. He warns that natural ventilation should not be restricted to trap solar heat.

"Because the air warmed by solar heating can absorb a large amount of moisture, air gains may not be a problem, at least during the day," Bickert says. "At night, however, the greenhouse loses heat to cold surrounding air and the sky. This cool air on the barn, low in its solar-heating capacity, may substantially and the concluding the relative humidity to escalate. The result is cold, damp air, and most likely, excessive condensation.

He adds that animal health and disease are influenced by air quality, which in turn is related to ventilation.

"Although the exact relationships between these factors are not fully understood, empirical observations and field trials suggest that the spread of pathogens between calves and the influence of air pollutants on pulmonary defense mechanisms are important, especially to respiratory health," Bickert says. "Ventilation reduces the concentrations of the pathogens and other air pollutants.

For the first four months of this year, sales totaled $31,560, up from $29,445 a year ago.

Loren and Formula 40 (2,4,5) are also registered for broadcast postemergence weed control in asparagus. Loren can be used safely anytime during the season to kill emerged broadleafs. Apply 1 pound active ingredient (1/2 pound product) per acre in each application. There is a one-day preharvest interval. Loren also provides some preemergence activity.

Formula 40 may be used during the harvest season but causes excessive curling of spears. It is most effective when used immediately after the last harvest. The herbicide is marketed as a 2-pound product per acre.

Broadleaf may be used as a crop spot treat up to 10 percent of a field. It kills most plants with which it comes in contact, including asparagus. It is most useful in the crop to kill dense stands of perennials that cannot be controlled with Stinger, Loren or Formula 40. This includes volunteer asparagus, wild gage and dandelion. Please note that other formulations of 2,4-D are not currently registered for use in asparagus.

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**Cottonseed supply expected to rise**

- **Dairy producers still may want to lock into current competitive prices.**

  - Cottonseed production is 1996 will reach 7.4 million tons, surpassing last year's output by 8 percent, according to recently released U.S. Department of Agriculture (USDA) statistics.

  - However, some experts believe that this figure may be an overstatement.

- **According to Tom Wedegaertner, associate director of cottonseed research and marketing at Cotton Incorporated, this latest USDA estimate is based on expected higher yields per acre, but cannot be guaranteed.**

  - "Cotton acreage is down and more normal yields are predicted," he says. "But we're concerned that cotton acreage may be even lower than what's reflected in the USDA projection."

- **Larry Johnson, director of merchandising for Cottonseed, Inc., LaCrosse, Wis., says that cotton growers may have switched more of their cotton acres to grain.**

  - "Some growers may have decided that grain is more profitable crop, even with lower input costs and easier cash flow," he explains.

- **Wedegaertner says that adverse weather conditions also could have a severe impact on the total cotton supply and prices.**

  - "Uneventful weather at harvest almost always has a negative effect on cottonseed yields somewhere in the Cotton Belt," Wedegaertner says.

  - "You just can't predict Mother Nature. Last year, the USDA expected a cotton crop of 15 million tons. But that estimate was high by 1.2 million tons," he says. "Cotton acreage was up 23 percent, but we produced the lowest yields in 10 years."

- **The same situation could occur this year, he warns.**

  - "Current adverse weather conditions in Texas may have a severe impact on the total cotton supply and prices."

  - "Texas is dry," he says. "If we don't see more rain soon, we may lose a million acres of cotton."

  - "Cottonseed has proved to be both cost-effectove and nutritionally effective for high-producing dairy cows. In most cases, it should be fed as a case of 5 to 8 pounds per cow per day. But, you need to talk to your nutritonal advisor for further information on cottonseed feeding."

  - "For more information on cottonseed, or to locate a cottonseed dealer near you, contact Tom Wedegaertner at (919) 510-6110."

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**Michigan's county fairs showcase 4-H youth and FFA livestock projects, building the public's faith in future generations of young people. Through the exhibition of their well-cared-for and groomed animals, kids learn firsthand what it takes to successfully raise prize-winning exhibits, increasing their responsibility and maturity levels.**

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**County fairs offer summertime fun and opportunity to tell the story of modern agriculture**

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<td>Oakland</td>
<td>July 29-Aug. 4</td>
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**Cover-All Shelters hosting June 22 open house**

- Cover-All Shelters has been a good deal of press in recent months about the advantages and low cost of Cover-All Shelters. Constructed of heavy, galvanized frame steel and wrapped with a premium cover, the units can be constructed in two days and are available in widths from 22 to 55 feet with no limit on length.

- The units are used in livestock operations for livestock housing, feed and round bale storage, as well as machinery storage on other operations, and wherever economical protection from the elements is needed, such as on construction sites.

- An open house, slated for June 22, from 10 a.m. to 4 p.m., at the Kayl Farm in Oceana County, will showcase the first unit erected in Michigan. Take U.S. 31 North from Muskegon, or South from Ludington and exit at Winston Road, (near Rothbury). Go one mile West to 64th, turn left and go one mile south to the next four-corner intersection. Look to the right for the Cover-All Shelter. For more information, call Jerry Joubert 800-713-9054.
null
EXPERIENCED Michigan agribusiness man with farm backgrounds. Knowledge and experience in all farm areas; restructure, straw voltage, bankruptcy, estate planning. EAST SIDE: Thomas J. Bud- zynski, 43777 Greasebeck Ave., Cleon, Michigan, 49036, 1-800-485-5353, WEST SIDE: Robert A. Staf- fenhorst, 40 West Sheldon, Frem- mont, Michigan, 49412. 1-800- 606-3747.

HORSE BLANKETS and ac- cessories cleaned, sanitized and repaired at wholesale gia- nts. Valet/master charge. Call 1-800-332-6958.

HUNTING LEASE WANTED: Ethical and responsible bow hunter wishes to lease hunt- ing rights to southern Michi- gan farm on your terms, refer- ences available. Call John, 1-313-299-0269.

WANTED: Farms and land throughout Michigan, agricul- tural and recreational. Large parcels preferred. We have bought Call Faust Real Estate Advisor, 1-517-383-8666.

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Farm safety — Load, move bales safely

Moving bales should be a safe, uneventful chore. But ignoring safety rules can make bale moving dangerous. It only takes a little effort to reduce the risk of injury or property damage when moving bales. Some simple considerations need to be kept in mind:

**Go slow**
Because of the increased weight and the changed center of gravity, slow speeds are the rule.

**Size matters**
Make sure your tractor is big enough to safely carry your load. If necessary, make an extra trip or two to avoid accidents.

**Spread out weight**
Use counter-balls on the front or rear of your tractor to evenly distribute weight and keep your tractor stable.

**Keep bales secured**
A loader bucket alone isn’t enough, as there’s no way to secure bales. Use a manufacturer-approved grapple fork, round bale attachment or some to stabilize bales.

**ROPS, cabs, aren’t enough**
Roll-over protective structures and cabs are not meant to protect you from falling bales. Don’t assume you’re protected by them.

**Broken early**
When loading bales on a rack or trailer, give yourself plenty of distance to come to a stop.

**Know the rules of the road**
Know the local laws and statutes concerning equipment on the road. Call your county sheriff’s office if you’re not sure about the rules.

**Stay low**
Keep your loader just a few feet off the ground when moving bales. The higher your loader is raised, the lower the stability of your tractor.

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**Michigan apple producers approve program amendments**

Michigan apple producers have approved the following changes for the Michigan Apple Advertising and Promotion Program, according to Dr. Gordon Guyer, Director of the Michigan Department of Agriculture (MDA).

Thirty-seven percent of respondents said no change has been noticed. Twenty-nine percent of the respondents said the opposite has occurred. Thirteen percent of respondents said no change has been noticed.

The referendum was held from April 15, 1996 through April 26, 1996. 302 ballots were cast. Twenty-seven were declared invalid because of incomplete data.

Of the remaining 275 ballots, on the question whether to increase the advertising assessment as described above, 159 producers voted yes (59 percent) representing 7,642,170 bushels of apples (64 percent) and 112 producers voted no (41 percent) representing 4,358,935 bushels of apples (36 percent). On the question whether to increase the research assessment as described above, 159 producers voted yes (58 percent) representing 7,508,007 bushels of apples (50 percent) and 112 producers voted no (42 percent) representing 4,628,877 bushels of apples (49 percent).

Not all producers submitting ballots voted on both questions.

The law requires that more than 50 percent of the voting producers, representing over 50 percent of the value of Michigan apples sold by those voting, must approve the referendum for passage.

Additional information about the referendum may be obtained by contacting MDA’s Market Development Division at (517) 372-1908.

**Survey says: regulatory climate not improving**

A poll recently conducted by Nation’s Business magazine reveals that a 1993 executive order calling for improvements by federal agencies in drawing up or enforcing rules has not had much effect on — or has worsened — the regulatory climate for businesses.

In its June 1996 issue, Nation’s Business reports that about two-thirds of the respondents to the survey said that despite President Clinton’s call for more cost-effective rules and more flexible methods of compliance, there has either been no change or the situation has worsened in how federal agencies handle rule making. Fewer than one-third of respondents to the poll said they think the regulatory climate has improved as a result of the order.

Even though the president’s order called for the guarantee that regulations impose the least possible burden on individuals, businesses, small communities and governments, and that the costs of cumulative regulation should be considered, 34 percent of the respondents said the opposite has occurred. Thirty-seven percent said no change has been noticed.

The president’s order also called for agencies to consider alternatives to direct regulation, including market-based, economic incentives aimed at achieving the desired results. Twenty-nine percent said the situation has worsened, with 45 percent seeing no change.