

MICHIGAN FARM NEWS



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Clinton Tax Plan Shows a "Deficit of Common Sense"

President Clinton's proposed energy tax will place an "unfair, substantial burden" on agriculture and Michigan consumers, both in direct and indirect costs, according to MFB President, Jack Laurie.

"Farm Bureau estimates that once the energy tax is fully phased-in by fiscal 1996, 7.5 cents would be added to the cost of each gallon of gasoline, 8.3 cents to diesel and 2.3 cents to propane (LP)," Laurie said. "Michigan farmers are heavy users of fuel for transportation and field work. And they depend on propane for drying corn, especially in a year like this when the crop was extremely wet. An added energy tax will simply make it that much tougher for farmers to make a profit, especially when you factor in the additional costs the tax will add to farm inputs like fertilizers and agricultural chemicals," he said.

The typical mid-western corn farmer will pay approximately \$1,600 per year in additional energy taxes (\$800 direct plus \$800 indirect) under the proposed Clinton energy tax plan, according to AFBF Senior Economist, Terry Francl.

"The cost of the energy tax for individual farms will vary greatly depending upon the size of the operation, the type of commodities produced and the weather impact," Francl said. "Consequently, the total cost of the energy tax proposed by President Clinton may range from a few hundred dollars per farm to several thousand dollars per farm. Nationally, farmers will pay an additional \$1 billion for energy, equivalent to about two percent of net farm income."

Laurie said farmers are also skeptical about Clinton's plan to attack the deficit with higher personal and corporate taxes. "Clinton's plan shows a deficit of common sense. Even though these higher taxes would not directly impact many Michigan farmers, it's clear from the results of the 1990 budget agreement that increased taxes depress economic activity. A poorly-performing economy means decreased demand for agricultural products and economic hardship for rural people," Laurie said.

Farm Bureau believes that the federal deficit should be attacked through spending restraints and cutbacks, not through tax increases, according to Laurie.

"Our policy has been consistent. We support the goal of a freeze in total federal spending, including entitlement programs, at the previous year's level with the exception of interest payments on the national debt and natural disasters," Laurie said. "All departments should be examined for cuts in spending. We support a constitutional amendment to restrict the spending authority of the federal government to no more than 19 percent of the gross national product, and a constitutional amendment to require the federal government to operate on a balanced budget each year. We support legislative or constitutional changes to give the president line-item veto power and write-down authority in appropriations bills with a simple majority override provision."

"Government economic policies should be designed to encourage economic stability, increased productivity and a high level of economic prosperity," Laurie said. "We can't tax our way out of the deficit."

"International Trade and Michigan Agriculture" Topic of MSU Workshop

MFB President Jack Laurie and former U.S. Secretary of Agriculture and Trade Representative, Clayton Yuetter, are keynote speakers scheduled to address participants in an MSU Agricultural Economics Department workshop on "International Trade and Michigan Agriculture," on Thurs., March 4, starting at 9:30 a.m.

The workshop, part of the 1993 ANR Week Program activities, will take an in-depth look at Michigan agriculture's potential in world trade, and the expected impact of a successful conclusion of GATT and North American Free Trade Agreements to Michigan farmers.

Former USDA Secretary and U.S. Trade Representative, Clayton Yuetter, will speak at the March 4 trade meeting.



The workshop will also feature experts speaking on: Opportunities for Export; Assistance in Global Exports; and What You Need to Know. For more program information and registration, which is free, contact John Ferris, MSU Agricultural Economics Department, at (517) 355-0144.

"Outstanding Young Farmer" an Understatement!

The title of Michigan Farm Bureau's "Outstanding Young Farmer" for 1992, to James B. Wagner of Marcellus, Cass County, was just the latest of many accomplishments for this young farmer.

With a "can-do" attitude and initiative, Wagner along with his wife, Michelle, and daughter, Alysia, owns and operates an 80-acre farrow to finish hog operation. Wagner started from scratch at the age of 13 years, through Farmers Home Administration's youth program. He came from a non-ag family background, but developed the interest when he was young by working for area farmers.

"I developed an interest in agriculture from the time I was just a toddler practically, and I just grew from there and worked for other farmers," Wagner said. "That was how I gained knowledge."

Wagner's operation consists of 350 sows and handles nearly 5,000 hogs per year. Wagner must work closely with the Soil Conservation Service to handle manure disposal and runoff. Currently, the farm uses strips and lagoons for runoff. Wagner has signed up 300 acres of land through the SCS for spreading manure, and is looking into possible composting options.

All the feed for his operation is purchased. Wagner said that it would take 600-700 acres of land to grow enough corn to supply his needs, and that much land simply isn't available.

Wagner does his purchasing from area growers and doesn't use a broker. "I'm concerned about quality, and I won't just buy through a broker and not know where the corn originated from," he said.

In the future, Wagner hopes to be able to diversify and keep up with the changes in the industry. "We're trying to change right now and conform more to the way the hog industry is going," he said.

Wagner sees vertical integration in the packing industry, animal welfare and the environment all as key concerns for the future because they are issues largely out of his hands.

The Wagners are active players in the promotion of their product. Wagner serves on both the Michigan Pork Producers

Board and the Cass County Soil Conservation District.

Wagner's wife, Michelle, runs the Cass County Pork Producers Restaurant at the Cass County Fair. The restaurant is completely staffed by volunteers, and sends its profits to assist with 4-H projects and build 4-H facilities.

Wagner joined Farm Bureau in 1986, and was the state semi-finalist as well as Cass County winner in the Discussion Meet. Wagner is also a member of the county Young Farmer Committee.

Below, Wagner is pictured with a new CASE-IH 5250 that he'll be able to use for 100 hours on his hog operation as part of his Outstanding Young Farmer Award.



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In Brief...

Seed Quality Workshop to be Conducted by MCIA

People who deal with seed or produce it can upgrade their skills at a seed quality preservation workshop sponsored by the Michigan Crop Improvement Association (MCIA). "This workshop is intended to improve the knowledge of people who are involved in Michigan's seed business," says Dennis Greenman, MCIA manager.

The program, intended for certified seed growers, elevator managers and seeds salespeople, will run from 9 a.m. to around 3 p.m. March 22 at the Harley Hotel in Lansing. The morning program will focus on producing and conditioning high quality seed, seed law changes, seed air screens cleaners, using seed gravity tables, seed handling and seed plant layout. The afternoon program will consist of seed cleaning demonstrations in a seed conditioning plant and seed vigor testing demonstrations at the MCIA laboratory.

The cost will be \$25 if registration is made by March 15 or \$30 at the door. Registration includes the cost of educational materials and lunch. **To register, send checks made payable to MCIA to Michigan Crop Improvement Association, Box 21008, Lansing, MI 48909, or call MCIA at (517) 355-7438. Registration can also be made by fax. The fax number is (517) 355-4554.**

Farm Labor Workshops March 23 and 24

Michigan farmers can attend one of four national agricultural labor seminars being sponsored by the American Farm Bureau and the National Council of Agricultural Employers (NCAE) on March 23 and 24 in Grand Rapids at the Amway Grand Plaza Hotel, according to MFB Labor Specialist Howard Kelly.

According to Kelly, the seminar is arranged so that farmers can elect to attend either one or two workshops. The first workshop, "Employment Documentation and Anti-discrimination Provisions of the Immigration and Reform and Control Act," will cover the correct procedures for using I-9 forms. The workshop starts at 12 noon and runs until 5 p.m. Lunch and the program for this workshop are free of charge. To register, call the NCAE (202) 728-0300.

The workshop scheduled on the second day, "Basic Agricultural Labor Law for Employers," will present an indepth review of the farm employers' compliance responsibilities under a number of federal laws. The workshop will be presented by two nationally recognized labor experts, Monte B. Lake and Dr. James S. Holt. These two presenters are associated with McGuiness & Williams in Washington, D.C., a national management labor law firm.

The March 24 workshop starts at 8:30 a.m. and concludes at 1:30 p.m. This program does require a \$30 registration fee and covers the cost of all materials and lunch. **To register for this workshop, call McGuiness & Williams at (202) 789-8600. For hotel registration information, if needed, call the Amway Grand Plaza Hotel in Grand Rapids at (616) 774-2000.**

Beef Industry Withstands Tainted Meat News

Negative implications of recent news of the tainted meat linked to Jack-in-the-Box restaurants in the northwest have been noted by the industry, but meat industry spokespeople say consumer concerns generated by the tragedy have not shown up in overall meat sales, according to a *Knight-Ridder News* report.

Consumers devour about 5 billion pounds of hamburger, worth about \$5.7 billion, making it a key portion of the U.S. cattle market, said Augie Ring, analyst with A.R. Ring and Associates. The largest price effects of the hamburger incident were seen in the 90-percent lean beef trimmings, a key portion of the blend used in hamburgers for the fast-food industry. Those prices underwent a short-term collapse but have started to rebound. Industry spokespeople say they think consumers quickly realized it was not a meat-safety issue, but a food-handling one.

Some spokespeople said the price of hamburger meat had been volatile in the past few weeks, even before the tainted meat incident, making it difficult to attribute the entire effect on price to the food safety scare. "I get the feeling the public will soon put this behind because we have a safer meat supply than we've ever had, as packers are doing extensive testing," said Kevin Lafleur, executive vice president of sales and beef processing with Monfort of Colorado, a major beef supplier.

Espy Wants More Meat Inspectors

In the wake of a food-poisoning and meat contamination problem in the northwest, Ag Secretary Mike Espy is asking for more meat inspectors and plans to make that recommendation to a Senate subcommittee hearing.

Meat industry spokesmen from the American Meat Institute and the National Cattlemen's Association say opportunists are turning the incident into a debate on meat inspection when the focus should remain on improper handling and food preparation. Meanwhile, Foodmaker, Inc., the firm that operates Jack-in-the-Box restaurants, said it is suing its meat suppliers for recovery of damages sustained by the firm in the poisonings.

Michigan Cattle Numbers Continue to Increase

The Jan. 1, 1993, Michigan cattle herd totaled 1,225,000 head, up 2 percent from a year ago, according to the Michigan Agricultural Statistics Service. The Jan. 1 milk cow inventory, 340,000 head, was up 2,000 head from 1992. Milk cow replacement heifers, at 163,000, were up 4,000 head. Beef cows at 115,000 head, were up 8 percent. Beef replacement heifers increased to 31,000 head, up 3 percent. The 1992 calf crop was 420,000 head, 40,000 more than the previous year.

Cattle on full feed for slaughter totaled 220,000 head, up 5 percent from a year ago. Steer numbers, at 257,000 head, increased 2 percent and other heifers, at 43,000 head, decreased 4 percent. Calves on hand at 257,000 head, were up 2 percent from last year. Michigan has 20,000 operations with cattle, the same as last year.

Nationally, all cattle and calves totaled 100.9 million head, up 1 percent from the revised 99.6 million head on Jan. 1, 1992. Beef cows, at 34 million, were up 1 percent from a year ago. Milk cows, at 9.84 million head, were down 1 percent from 1992. Beef replacement heifers, 6.18 million, were up 7 percent from last year. The 1992 calf crop, 39.3 million, was also up 1 percent from 1991.

Michigan Farm Prices Unchanged in January

The Index of Prices Received by farmers in Michigan for all products as of Jan. 15 was 131 percent of its 1977 base, according to the Michigan Agricultural Statistics Service. The January index is unchanged from December's index of 131 and seven percent higher than January 1992's index of 122.

The price index for all crops in Michigan was unchanged from its December level. Oats and winter wheat prices were up eight and seven percent, while hay, dry beans and corn fell six, four, and one percent, respectively, last month.

The livestock index also remained unchanged from last month. Calves and slaughter cows were up four percent and three percent, respectively. Hogs and steers/heifers offset the increases by dropping one percent from a month ago. Eggs fell two percent and milk fell one percent from December.

Nationally, the All Farm Products Index of Prices received in January was 138 percent of its 1977 base, nearly one percent above December's level. Price gains from December for cattle, celery, wheat, and calves more than offset price declines for strawberries, lettuce, grapefruit, and milk.

The Index of Prices Paid by Farmers for Commodities and Services, Interest, Taxes and Farm Wage Rates for January was 193 percent of its 1977 average. The index was up 0.5 percent from Oct. 1992 and up 1.6 percent above Jan. 1992. Since last surveyed in October, prices were significantly higher for feeder livestock with lower fuel prices moderating increases from other items in the current survey.

Scholarship Winners Announced

The MFB Promotion & Education and Young Farmers Scholarship Committee has selected two students to receive this year's Michigan Farm Bureau Scholarships. The scholarships are supported by the Marge Karker Scholarship, Young Farmer Trust Fund, and MFB.

Selected were Carl J. Bragg, of West Branch, a sophomore at MSU in the College of Veterinary Medicine; and Michael Leach, of Saginaw, sophomore enrolled in Agribusiness at MSU, with plans for a degree in Agricultural Communications. Bragg was awarded the \$3,000 scholarship, while Leach received the \$1,500 scholarship. Under this program, a \$1,500 scholarship will be awarded each year to a two-year MSU ag student, and \$3,000 scholarship to a four-year MSU ag student.

Bragg is the son of Leonard and Helen Bragg, beef farmers who have been members of Ogemaw County Farm Bureau for 20 years. Leach is the son of Ralph and Shirley Leach, cash crop farmers and members of the Saginaw County Farm Bureau for 26 years. Both Bragg and Leach will be honored at the Agriculture and Natural Resources Banquet at Michigan State University.

Camp Going to House Ways and Means Committee

Dave Camp has been selected by House Republican leaders to serve on the House Ways and Means Committee. The committee considers all legislation which comes before Congress on tax, trade, and health care policy, as well as a number of other issues.

"The Ways and Means Committee will be the center of discussion on the economy, tax, trade, and health care policy," said Camp. "Citizens have put these challenges on the front burner; it's now up to Congress and the president to act so the American people don't get burned. These are all issues that will be especially important to Michigan farm families who have critical concerns which come before the Ways and Means Committee."

Michigan agriculture leaders applauded Camp's selection for the Ways and Means Committee. "Dave Camp is, and will continue to be, a voice in Washington for Michigan agriculture," said Jack Laurie, president of the Michigan Farm Bureau. "His work on the House Ways and Means Committee will be vitally important to farmers all across Michigan." Camp's appointment to the Ways and Means Committee is effective immediately. He is the only Michigan Republican member of Congress to serve on the committee.

PETA's Tax Status Questioned

Uncharitable acts could be the downfall of PETA (People for Ethical Treatment of Animals) if they cause the group to lose its tax-exempt status. Peta has been linked to several unlawful attacks on animal facilities and individuals in the past. The animal activist group now is also suspected of financial improprieties.

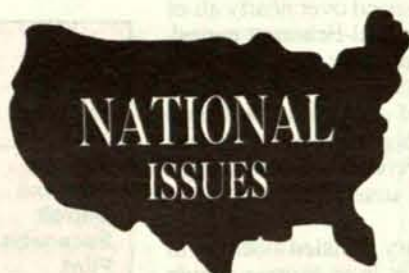
PETA executives have recently been under investigation for corrupt practices and lavish pay and prerequisites, but now the organization also is raising the curiosity of the Internal Revenue Service. Its financial reporting for fiscal 1991 came under suspicion of using inflated figures for program expenses to remain qualified under the rule that such organizations must use at least 60 percent of their funds on programs rather than fund raising and solicitation.

A Washington-based watchdog group now says PETA may use less than half of its funds for direct program activity with close to 60 percent devoted to fund raising efforts.

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CAPITOL CORNER


Private Property Rights

MFB Position: Strongly supports S.177 and H.R. 561. If a taking results from a federal action, the agency would be required to consider alternatives that would have less impact on private property.

MFB Contact: Al Almy, Ext. 2040

Senate Bill 177 and H.R. 561, sponsored by Sen. Bob Dole (R-Kan.) and Rep. Gary Condit (D-Cal.), are identical bills aimed at protecting private property rights. Regulatory takings of private property by federal agencies is a growing concern to property owners and Congress. It's estimated that farmers could lose 25 to 50 percent of their land equity as a result of takings of private property. Also, the U.S. government currently faces more than \$1 billion in outstanding takings claims and in 1990 several of the largest takings judgments in history were handed down by courts.

The legislation would put into law a 1988 executive order requiring federal agencies to thoroughly investigate whether or not federal regulations would result in the taking of private property. Compensation to landowners is not required under the executive order or the proposed legislation but could be awarded by a court.

Health Insurance Deduction For Self-Employed

MFB Position: Supports a permanent deduction of health insurance premiums paid by self-employed persons.

MFB Contact: Al Almy, Ext. 2040

House Resolution 162, sponsored by Fred Grandy (R-Iowa) and Bill Brewster (D-Okla.), is pending in the House Ways and Means Committee. It would allow farmers and other self-employed persons to deduct 100 percent of their health insurance premium costs when filing federal income tax returns. The deduction would be permanent.

Self-employed persons were eligible to deduct 25 percent of their health insurance premiums until the deduction expired June 1, 1992.

1992 Corn Crop Disaster Assistance

MFB Position: Supports the legislative efforts outlined.

MFB Contact: Al Almy, Ext. 2040

The problems faced by many Michigan corn producers as a result of high moisture levels in the 1992 corn crop have resulted in several legislative or regulatory proposals.

Congressman Dave Camp and Sen. Don Riegle have introduced legislation to amend the 1990 Farm Bill to require that crop quality, in addition to quantity, be used as a criteria for USDA disaster assistance. USDA earlier refused to use existing discretionary authority to consider the quality factor when providing disaster assistance.

Congressman Dave Camp has also introduced legislation to provide producers with reduced loan rates, an extended period to repay the loan, and allow in-kind repayment of the loan in the form of future crops.

The legislation would establish a recourse loan on high moisture corn. The loan rate would be the same level as the county adjusted non-recourse loan for #3 corn, but allow a reduction in the loan equal to the average estimated cost of drying in the county.

The loan would be repaid over three to five years with the grower paying the CCC rate of interest on the unpaid balance during the life of the loan. Producers could make repayment installments in cash or by using future crops as an in-kind credit against all or part of a year's required installment. The value of the commodity used as in-kind repayment would be equal to the county posted price for the grade tendered to CCC for payment credit.

Fertilizer and Pesticide Tax

MFB Position: Strongly opposes the proposed tax on fertilizer and pesticides.

MFB Contact: Al Almy, Ext. 2040

Congressman Gerry Studds (D-Mass.) has proposed legislation to establish a National Clean Water Investment Corporation to fund municipal sewage plant construction and other clean water projects. The money would be raised by collecting \$3 billion in polluter pay taxes of which \$1 billion would be from taxes associated with the use of agricultural chemicals and fertilizers.

The \$1 billion would be obtained by a 47 cents per pound tax on active ingredients in pesticides and a 1.7 cents per pound nutrient tax on nitrogen and phosphate fertilizers. The proposal would result in a tax of \$26.88 per ton of anhydrous ammonia, \$15.64 per ton of urea, \$10.88 per ton of 32 percent nitrogen, \$21.76 per ton of diammonium phosphate, and \$6.80 per ton of 10-10-10 fertilizer.

Highly Perishable Commodity Frost Weight Exemption

MFB Position: MFB opposes H.B. 4121 because it addresses only milk and does not provide for county road commissions authority.

MFB Contact: Darcy Cypher, Ext. 2048

House Bill 4121, introduced by Rep. John Gernaat (R-McBain) Feb. 2, exempts milk haulers from frost weight restrictions. The bill states that a vehicle used for the transportation of milk from the producer to the dealer or processor is exempt from the requirements of seasonal weight restrictions.

Michigan Farm Bureau's policy on highways supports a frost weight exemption for highly perishable commodities and supports granting county road commissions the authority to suspend frost weight exemptions.

No-Fault Automobile Insurance Reform

MFB Position: MFB policy supports reforms which will assist in controlling the rising cost of auto insurance. MFB is analyzing the bill and has not taken a position.

MFB Contact: Darcy Cypher, Ext. 2048

Reps. Mike Griffin (D-Jackson) and Bill Martin (R-Battle Creek) are sponsors of H.B. 4156 to reform Michigan's No-Fault auto insurance law. The proposal is expected to cut auto insurance rates an average of 16 percent by enacting reforms which:

- Allow consumers to select PIP medical coverage limits from \$1 million up to \$5 million. Present law requires that consumers purchase unlimited PIP medical coverage;
- Prohibit lawsuits by motorists 50 percent or more at fault and limit non-economic lawsuits;
- Control medical and rehabilitation costs;
- Reduce subsidies to high-risk parts of the state by lower risk communities;
- Allow discounts for airbags, seat belt, anti-theft devices and long-time customers.

Fluid Milk Act of 1965

MFB Position: Supports.

MFB Contact: Ronald Nelson, Ext. 2043

Sen. George McManus (R-Traverse City) is sponsoring S.B. 75 to adopt the 1989 Pasteurized Milk Ordinance (PMO) which is revised from the 1978 version Michigan had previously operated under. In addition, the bill would:

- Increase the license fee for milk haulers from \$10 to \$20;
- Reduce the temperature for Grade A milk on farms from 50 to 45 degrees;
- Strengthen and clarify the financial requirements for buyers of milk to ensure payment and increase the penalty for drug residue in raw milk.

General Property Tax Act

MFB Position: Farm Bureau could support this proposal if additional revenues were identified, such as an increase in sales tax, to off-set the reduction in property tax to fund schools.

MFB Contact: Ronald Nelson, Ext. 2043

Sen. Doug Carl (R-Utica) is sponsoring S.B. 146 (S-1), which would, in effect, extend the freeze on property tax for one more year and reduce the ratio for school operating purposes as follows: 1993 - 45 percent; 1994 - 42 1/2 percent; and 1995 - 40 percent.

Starting in 1996, the ratio would be reduced further in proportion to the increase in statewide SEV which exceeds the rate of inflation. This annual calculation would then result in lowering the 40 percent to some lower ratio.

The Senate further amended the Substitute Bill by adding language mandating that the lost revenue for property tax would be made up from the state general fund.

Initial evaluation indicates that the savings in property tax would be approximately \$350 million in 1993, and raised to over \$1.2 billion in 1996. Currently the state budget is approximately \$400 million short, but executive order cuts are expected to balance the budget. The \$1.2 billion would equate to approximately a 10 percent impact on the state budget which would result in very deep cuts in existing programs unless other sources of revenue, such as income or sales tax, were increased to off-set the lost revenue.

Medical Malpractice

MFB Position: MFB supports both bills and encourages their adoption. This is tort reform that Farm Bureau members through their policies have been urging for years. Let the legislators know you support their bipartisan efforts to enact meaningful reform.

MFB Contact: Howard Kelly, Ext. 2044

Sen. Dan DeGrow (R-Port Huron) and Rep. Michael Griffin (D-Jackson) are sponsoring S.B. 270 and H.B. 4067 to reform medical malpractice in Michigan. The Senate Judiciary Committee held two long hearings on S.B. 270 and is expected to report the bill out of the committee soon. A vote on the Senate floor could occur at any time.

- The bills would:
- Limit contingency fees in medical liability cases;
 - Remove exceptions to the cap on non-economic damages and limit the \$250,000 cap to each incident;
 - Define expert witness;
 - Require plaintiffs to notify defendants of the suit and its legal basis 180 days before filing;
 - Allow countersuits by prevailing defendants.

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Weather

30-Day Forecast - Colder and Wetter Than Normal

Milder and drier than normal weather persisted over nearly all of Michigan during the mid-January through mid-February period. Average temperatures ranged from 3 to as many as 9 degrees F above normal. Highest departures from normal were in northern sections of the state. With the exception of sections of the Upper Peninsula and far southeastern Lower Michigan, precipitation was generally less than 50 percent of normal. February is climatologically the driest month in most areas of the state.

The cold, unsettled weather of mid-February signaled a change in the jet stream pattern that may persist for at least another couple of weeks. With northwesterly flow aloft expected to allow periodic shots of cold, arctic-origin air into the midwest, the latest National Weather Service 30-day outlook for mid-February through mid-March calls for below normal temperatures over most of the state. Precipitation for the same period is expected to average above normal due to the anticipation of an active southern branch of the jetstream and the associated low pressure systems and Gulf moisture it may bring.

In contrast, the 90-day February through April extended outlook is still calling for milder and drier than normal conditions on the average. As was noted earlier, warmer and drier than normal weather in the late winter could cause overwintering crops to come out of dormancy earlier than normal, leaving them vulnerable to subsequent cold temperatures should they occur.

1/15/93 to 1/15/93	Temperature		Precipitation	
	Observed Mean	Dev. From Normal	Actual (inch.)	Normal (inch.)
Alpena	23.4	+ 5.6	0.59	1.61
Bad Axe	23.5	+ 2.3	0.51	1.44
Detroit	28.9	+ 5.8	1.65	1.64
Escanaba	22.1	+ 6.0	0.91	1.77
Flint	26.2	+ 4.9	1.17	1.64
Grand Rapids	27.0	+ 5.0	0.87	2.14
Houghton	21.0	+ 7.6	2.00	1.85
Houghton Lake	22.6	+ 4.9	0.80	1.61
Jackson	26.8	+ 3.6	0.72	1.63
Lansing	26.5	+ 5.1	0.77	1.63
Marquette	20.9	+ 9.1	1.76	1.85
Muskegon	27.7	+ 5.1	1.01	2.19
Pellston	22.0	+ 7.3	1.98	1.77
Saginaw	25.5	+ 4.1	0.85	1.44
Sault Ste. Marie	18.3	+ 4.9	1.77	1.77
South Bend	30.6	+ 7.0	0.84	2.14
Traverse City	25.0	+ 4.8	1.01	1.77
Vestaburg	25.0	+ 3.8	1.13	1.57

Normals are based on district averages.
Jeff Andresen, Ag Meteorologist, MSU

MSU Crop Advisory Team Experts Preparing to Monitor Michigan Crop Conditions

Crop experts at Michigan State University will soon begin their weekly analysis of the state's growing conditions.

Four groups, known as Crop Advisory Teams (CATs), focus on landscape, Christmas tree, field crop, vegetable and fruit production management. Each group of campus experts gets together weekly with MSU Cooperative Extension Service agricultural agents via a telephone call.

During each session, field agents report on the status of crop conditions in their regions and request advice from agronomy re-

searchers and Extension specialists on campus.

The campus CAT is drawn from departments such as Entomology, Botany and Plant Pathology, Crop and Soil Sciences, Horticulture, Forestry, Animal Science, Fisheries and Wildlife, and the agricultural weather office.

The weekly landscape, field crop and fruit CAT sessions will begin in early April; the vegetable CAT calls will start in early May.

The content of each telephone conference call will be printed in CAT Alerts, a digest of the sessions. Each CAT Alert is mailed to subscribers within 24 hours of the conference call. It provides growers with predictive information about managing diseases and pests, crop fertility requirements,

the weather outlook and changes in pesticide regulations.

The subscription cost for each of the four CAT Alerts is \$25. Each Alert will be published weekly until pest activity declines in the fall and then will be issued bi-weekly.

People interested in CAT Alerts should specify which edition they wish to receive and send a check, made payable to Michigan State University to CAT Alerts, 11 Agriculture Hall, MSU, East Lansing, MI 48824-1039. Be sure to include the address to which each CAT Alert should be sent.

More information about the publication and the activities of the advisory teams can be obtained by calling (517) 355-0117 at MSU.

Michigan and Major Commodity Area Extended Weather Outlook

T - Temp.	2/26.....3/15	2/26.....4/30
Michigan	B.....A	A.....B
W. Corn Belt	B.....A	A.....N
E. Corn Belt	B.....A	N/A.....N
Wint. Wheat Belt	B.....N	N/B.....N/A
Spr. Wheat Belt	B.....A	A.....N/B
Pac. NW Wheat	B.....A	A.....B
Delta	B/N.....N	N/B.....N
Southeast	N.....N	N/B.....N
San Joaquin	N.....A	A.....N

A-Above Average, B-Below Average, N-Normal, MA-Much Above, MB-Much Below, NP-No Precip. Source: National Weather Office



Serving Michigan Farm Families is Our Only Business

Since its beginning in 1971, Michigan Farm Radio Network's only objective has been to serve Michigan's farm families. This dedication to serve agriculture is shared by 29 local radio stations in Michigan. Through these stations, Michigan Farm Radio Network provides the latest in market analysis, weather and news to Farm Bureau members daily on the following stations:

Station	City	Frequency	Morning Farm	Noon Farm
WABJ	Adrian	1490	5:45 am	12:15 pm
WATZ	Alpena	1450	5:30 am	12:15 pm
WPZA	Ann Arbor	1050	6:15 am	12:05 pm
WLEW	Bad Axe	1340	6:30 am	12:50 pm
WHFB	Benton Harbor	1060	*	12:30 pm
WKYO	Caro	1360	6:15 am	12:45 pm
WTVB	Coldwater	1590	5:45 am	***
WDOW	Dowagiac	1440	6:15 am	12:15 pm
WACY	Fenton	1160	6:15 am	12:15 pm
WGHN	Grand Haven	1370/92.1	5:45 am	12:15 pm
WPLB	Greenville	1380	6:15 am	12:45 pm
WBCH	Hastings	1220	6:15 am	12:30 pm
WCSR	Hillsdale	1340	6:45 am	12:45 pm
WHTC	Holland	1450		12:15 pm
WKZO	Kalamazoo	590	**	12:15 pm
WJIM	Lansing	1250	5:05 am	12:15 pm
WWGZ	Lapeer	1530	*	12:15 pm
WNBY	Newberry	92.5		12:15 pm
WOAP	Owosso	1080	6:15 am	12:30 pm
WHAK	Rogers City	960	7:10 am	12:15 pm
WSJ	St. Johns	1580	6:15 am	12:15 pm
WMLM	St. Louis	1540	6:06 am	12:20 pm
WSGW	Saginaw	790	5:55 am	12:15 pm
WMIC	Sandusky	660	6:15 am	12:45 pm
WKZC	Scottville	95.9	5:45 am	12:30 pm
WCSY	South Haven	940		12:15 pm
WKJC	Tawas City	104.7		12:45 pm
WLKM	Three Rivers	1510/95.9	6:15 am	12:15 pm
WTCM	Traverse City	580	5:55 am	12:40 pm

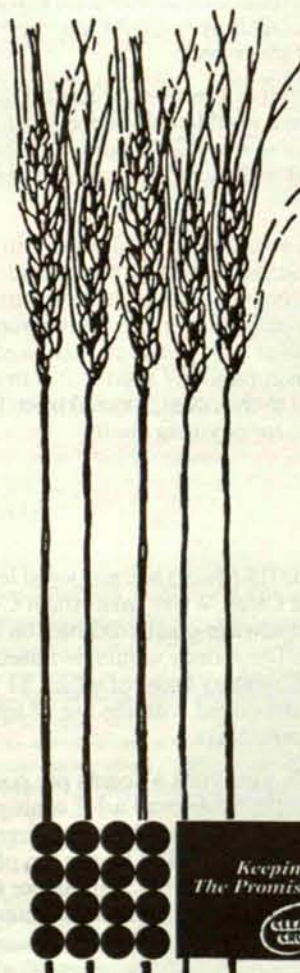
* Station signs on at different times during the year. Morning farm times change with sign-on times.

** Station airs various farm reports between 5:50 and 6:20 pm.

*** Station airs various farm reports between 12:00 and 1:00 pm.

Some stations carry additional market reports throughout the market day.

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Michigan Ag Leaders to be Recognized at MSU's ANR Week

5

Prominent leaders in agriculture and natural resources will receive Distinguished Service to Agriculture Awards March 4 at Michigan State University during the President's Luncheon.

The recipients include Homer Hilner, of Okemos, Donald Keinath of Caro, and Delton Parks of Grand Rapids.

Sierra Club Labels Farmers "Anti-Environment" Over Private Property Rights Debate

The Sierra Club continues to blatantly misrepresent the American Farm Bureau Federation's environmental positions in an effort to further its fund raising goals, the farm organization has charged. "The Sierra Club has found it necessary to attack farmers to justify its existence," said Dean Kleckner, AFBF president. "We have been targeted as the 'enemy' because we support efforts to pass state and national private property rights legislation."

The farm leader cited charges contained in a Sierra Club fund raising letter which accuses Farm Bureau and other groups of conducting a "massive and brutally destructive anti-environmental onslaught." The Sierra Club document cites Farm Bureau as a "major backer of the anti-environment movement (which) is supporting a wetlands destruction bill deceptively named the Private Property Rights Act."

"The Sierra Club has accused us of 'cynically trading on our nation's traditional beliefs.' If protecting our property rights is 'anti-environment,' then we are in the company of our founding fathers," Kleckner charged. "The nation's farmers and ranchers not only produce food as a business, but they provide food and habitat for the vast majority of America's wildlife."

"Seventy-five percent of the nation's wetlands are on private lands on which farmers pay mortgages and taxes. We plant trees, create ponds and buffer strips for wildlife. We are working continually to improve conservation practices on our land. I don't see anything particularly villainous in those activities. If anything, the Sierra Club should applaud farmers' efforts, not attack them," Kleckner said.

The farm leader said the latest incident is part of a systematic attack on agriculture. He also cited remarks attributed to National Wildlife Federation President Jay Hair in which he accused farmers of destroying the environment.

"In recent years, we have added millions of acres of land to the Conservation Reserve Program," he said. "The idled acres have resulted in vastly increased numbers of wildlife. Many of these species prey on duck nests, yet agriculture is blamed for the decline in duck numbers due to farming practices on wetlands. They are conveniently using the loss in duck numbers to fuel the wetlands debate," he said.

According to Kleckner, the latest attack on private property rights legislation is an attempt by some in the environmental community to make private land public without compensating landowners for the taking.

"The private property rights legislation, the source of the latest Sierra Club charge, simply states that regulatory actions must take landowner rights into account as guaranteed in the constitution by stating, if a 'taking' occurs, the landowner is entitled to compensation," he said. The farm leader urged the Sierra Club to base future fund raising appeals on its own accomplishments, not groundless attacks on others.

Hilner has been the Michigan state conservationist for the U.S. Department of Agriculture Soil Conservation Service since 1981. He will be cited for achieving broad cooperation between federal, state and local agencies and educational institutions on soil and water quality conservation throughout the state. He is an advisor to many national and state organizations, including the Soil and Water Conservation Society of America, Michigan United Conservation Clubs, the Groundwater Education in Michigan Council, the MSU Crop and Soil Sciences Council, and the External Review Committee of the MSU Institute for Water Research.

Keinath manages a 520-acre farm that produces sugar beets and certified barley, wheat and navy bean seed. He is recognized as a national proponent of sugar beet utilization and a state spokesperson for certified seed production. He has served Michigan's sugar beet industry for more than 24 years and is currently president of the Great Lakes Sugar Beet Growers Association. He has also served Michigan's dry edible bean industry for many years and has represented the Michigan Bean Commission in Europe.

Homer Hilner



He has held many advisory positions in MSU Extension and MFB.

Under Park's leadership, Country Fresh, Inc., of Grand Rapids, grew from a single plant to one of the nation's largest dairy operations. He is a director of the Golden Cheese Co., Corona, Calif., and Perry's Ice Cream Co., Akron, Ohio. He has held many positions in the dairy food industry and is currently chairperson of the International Dairy Foods Association and the Milk In-

Donald Keinath



Delton Parks

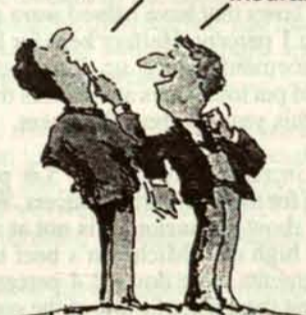


dustry Foundation. He is also a past president of the MSU ANR Alumni Association and is president of the G. Malcolm Trout Council.

The award winners will receive engraved plaques in recognition of their contributions to agriculture and natural resources. A photograph and a citation outlining each recipient's contribution will be on permanent display in Agriculture Hall at MSU.

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6

CORN

Although it continues to be hard to get any money out of the corn market, those who participated in the 1992 corn program should start seeing some money from the government soon. It appears the five-month average corn price will be about \$2.01-2.03 per bushel. This would indicate a total deficiency payment for this year's corn crop of \$0.72-0.74. After subtracting out the \$0.24 advance payment, the March payment should be \$0.47-0.49 per bushel.

On top of that, sign-up for the 1993 farm program starts March 1. The USDA's estimated deficiency payment for 1993 corn will be \$0.72 per bushel. You can request 50 percent of the estimated rate at sign-up, which comes out to be \$0.36 per bushel. The \$0.72 is also the minimum guaranteed amount for 0/92 participants.

The answer as to whether or not to participate in the 1993 corn program is very straight-forward, YES. Although set-aside, i.e., the cost for the 1993 program, has increased from 5 percent to 10 percent, the return from participating will far outweigh the costs. For a typical Michigan farm, the break-even price is around \$2.60. In other words, in order to be better off out of the program than in, the price of 1993-94 corn would have to be higher than \$2.60.

The USDA released its latest supply/demand estimates for 1992-93 on Feb. 10 and are shown in Table 1. My estimates for 1993-94 are also shown. While demand expectations continue to be strong, supply is

WHEAT

The answer to participating in the 1993 wheat program is the same as for corn, YES. While the risk may not be as high as for corn, the cost is zero set-aside. The estimated deficiency payment for participants in the 1993-94 wheat program is \$1.05 per bushel making the 50 percent advance deficiency payment \$0.525.

While you should check with your local ASCS office for specific details, your local county Extension offices should have a paper with an explanation of the wheat and corn programs and worksheets to help you

Market Outlook...

Seasonal Commodity Price Trends

Wheat	↔ ↓
Corn	BT
Soybeans	↔
Hogs	↔
Cattle	↔ ↓

Index: ↑ = Higher Prices; ↓ = Lower Prices; TP= Topping; BT= Bottoming; ? = Unsure

still overwhelming the market. Given the cattle/corn and the hog/corn price ratios, feed demand is very likely to meet projections and perhaps exceed them. Corn exports continue strong. However, expected ending stocks, as shown, will still be close to 27 percent of use.

Strategy: The corn market should be bottoming out for this year. While fundamentals do not paint a rosy picture for an increase in the futures market, there is room for cash price increases in the form of basis tightening. The problem with that is it will likely only pay with on-farm storage and, given the condition of this year's crop, that can be quite risky.

make your decision. Most offices will also have access to a computer disk designed as a decision aid for both corn and wheat.

Strategy: The highs in the wheat market have passed unless we have weather problems this spring. As shown in Table 2, while the supply demand situation for wheat is not poor like with corn, it is sufficient and carryover is expected to grow this next year. However, at this time, there is probably not a lot of downside price risk on 1993 wheat. At this point, just keep a lookout for a rally in July futures.

Dr. Jim Hilker, Dept. of Agricultural Economics, MSU

SOYBEANS

At this point, it is hard to find any positive news about the soybean market other than exports continue to be strong. Supplies are plentiful, the South American crop looks good, and technically the market was in a downtrend as of mid-February. The USDA made no changes in their supply/demand projections for 1992-93, which is shown in Table 3, despite the strong exports.

HOGS

A combination of fewer hogs coming to market than expected and continued strong demand have kept hog prices higher than expected. Production is expected to run about 2 percent over year ago levels, according to a survey out of Missouri that looks at 10 large hog states. And economic indicators suggest that incomes should start to improve. This would indicate that hog prices will stay in their present range through spring.

CATTLE

On Feb. 5, the USDA released the annual Jan. 1, 1993, Cattle Inventory Report. It showed total cattle and calves up 1.3 percent which, while lower than expected, was the largest increase we have seen in quite a while. However, the year-to-year increase came after the 1992 inventory was revised downwards by half a million head.

Beef cows that have calved were shown to be up 1 percent. Heifers kept for beef cow replacements were up 7 percent. This would put total cows and heifers that might calf this year up about 2 percent.

The increases are due to 5-6 profitable years for the cow-calf producers. While this does show expansion, it is not at a historically high rate. Michigan's beef heifer replacements were down 1.4 percent, going against the grain of most of the country.

FARM BUSINESS OUTLOOK

Strategy: Watch for rallies to price remaining cash soybeans. The basis remains strong enough that holding cash beans is not the way to go even if you are bullish. Consider basis contracts, minimum price contracts, or selling cash and buying a call if you want to stay long in the market.

Strategy: Futures prices are on the high side of what fundamentals would suggest as of mid-February. For those who cannot afford downside risk, they may consider locking in a price on some of their future production through the rest of the year. At this point, keep very current. Part of the lower than expected production may just be a hold-up due to weather conditions.

The 1992 calf crop was listed as up 1 percent. Steers over 500 pounds were up 1 percent and those under 500 were down 1 percent.

Other heifers were up 6 percent. These numbers indicate feeder supplies will be relatively tight through summer, especially with the strong demand for feeders due to low corn prices.

Strategy: While slaughter still runs below expectations, slaughter weights show feedlots are current. While it appears that prices in the high \$70s will last through March, keep very current. It is very likely that production will increase as we approach April. Especially if the mid-February rally has hung on until you receive this issue, consider some forward pricing to limit downside risk.

Table 1
Supply/Demand
Balance Sheet For
CORN

	USDA Proj.	Hilker Proj.	
	1991-92	92-93	93-94
Corn Acreage (Million Acres)			
Acres Set-Aside and Diverted	4.7	3.5	7.0
Acres Planted	76.0	79.3	75.8
Acres Harvested	68.8	72.2	68.7
Bu./A. Harvested	108.6	131.4	121.0
Stocks (Million Bushels)			
Beg. Stocks	1521	1100	2237
Production	7474	9479	8313
Imports	20	3	5
Total Supply	9016	10,582	10,555
Use:			
Feed	4897	5200	5200
Food/Seed	1434	1495	1535
Total Domestic	6331	6695	6735
Exports	1584	1650	1700
Total Use	7915	8345	8435
Ending Stocks	1100	2237	2120
Ending Stocks Percent of Use	13.9%	26.8%	25.1%
Regular Loan Rate	\$1.62	\$1.72	\$1.72
U.S. Season Average			
Farm Price, \$/Bu.	\$2.37	\$2.05	\$2.15

Source: USDA & Hilker

Table 2
Supply/Demand
Balance Sheet For
WHEAT

	USDA Proj.	Hilker Proj.	
	1991-92	92-93	93-94
Wheat Acreage (Million Acres)			
Acres Set-Aside and Diverted	10.0	3.5	0.0
Acres Planted	69.9	72.3	74.0
Acres Harvested	58.1	63.1	64.0
Bu./A. Harvested	34.1	39.0	39.0
Stocks (Million Bushels)			
Beg. Stocks	866	472	506
Production	1981	2459	2496
Imports	38	65	48
Total Supply	2885	2996	3050
Use:			
Food	785	830	850
Seed	94	95	100
Feed	259	225	175
Total Domestic	1137	1140	1125
Exports	1275	1350	1350
Total Use	2413	2490	2475
Ending Stocks	472	506	575
Ending Stocks Percent of Use	19.6%	20.3%	23.2%
Regular Loan Rate	\$2.04	\$2.21	\$2.45
U.S. Season Average			
Farm Price, \$/Bu.	\$3.00	\$3.30	\$3.10

Source: USDA & Hilker

Table 3
Supply/Demand
Balance Sheet For
SOYBEANS

	USDA Proj.	Hilker Proj.	
	1991-92	92-93	93-94
Soybean Acreage (Million Acres)			
Acres Planted	59.1	59.1	59.1
Acres Harvested	58.0	58.1	58.1
Bu./Harvested Acre	34.3	37.6	35.0
Stocks (Million Bushels)			
Beg. Stocks	329	278	355
Production	1987	2197	2033
Imports	3	2	2
Total Supply	2319	2477	2390
Use:			
Crushings	1254	1265	1250
Exports	685	745	720
Seed, Feed and Residuals	102	112	100
Total Use	2040	2122	2070
Ending Stocks	278	355	320
Ending Stocks Percent of Use	13.6%	16.7%	15.5%
Regular Loan Rate	\$5.02	\$5.02	5.02
U.S. Season Average			
Farm Price, \$/Bu.	\$5.60	\$5.45	\$5.50

Source: USDA & Hilker

7 Should You Incorporate the Farm Business?

Ralph E. Hepp
Department of Ag Economics
Michigan State University

Traditionally, the family farm has existed with one person owning the farm business and he and his family supplying the capital, labor, and management.

As the farm grows it needs to attract equity capital, obtain more management talent, and secure a dependable labor force. From a more long-term viewpoint, there is the problem of continuity between generations and of transferring the larger business as a growing concern to the next generation without taxes taking too big a bite.

The legal structure of the farm – the way it is organized – has many effects on the

ownership and success of the business in handling these problems satisfactorily.

Because of the pressures of modern agriculture, more and more farmers are beginning to examine partnerships and corporations as possible ways of organizing their businesses to make it easier to reach both short and long-term goals.

Some individuals and groups have protested vigorously this trend, claiming the end of the family farm would result. The truth is actually quite the opposite. The way the family farm business is organized is just another business tool. The form of a business does not transform the ideas, goals, and aspirations of a family in and of itself. It is simply a tool to be used in estate planning, each form of organization with its own advantages and disadvantages.

Each of the three forms of organizing a farm business – proprietorship, partnership or corporation – are obviously very complex and impossible to cover in one article. However, the article will point out some of the most relevant characteristics of a corporation which, in turn, can help business owners decide whether they should incorporate the operation. The decision can be made with professional help from your attorney and accountant.

FARM BUSINESS OUTLOOK

Ownership and Management of Farm Corporations

A corporation has a measure of flexibility in the transfer of ownership not available in other forms of business associations. Stockholders may sell or transfer their ownership shares in the corporation without altering the business.

For example, if a large block of corporate stock is transferred, it could change the management control of the corporation. But such a transfer would not affect in any way the assets within the corporation; only the stock ownership of the corporation would be affected.

Thus, the corporation could continue to operate as a separate legal entity without interruption. This is in direct contrast to a partnership where the partnership is usually dissolved whenever a partner ceases to be associated with the business.

Another unique characteristic of the corporate form is the way in which it is owned and managed. The owners are called shareholders because they hold shares of interests in the corporation. Corporations issue these ownership shares in the form of stock. There are several types or forms of stock with the most widely used being common stock.

At the time of incorporation, stock is received in exchange for the assets which are transferred to the corporation. Thus, shares of stock represent the specific amount of interest each owner holds in the corporate assets. However, these shares of stock do not represent an interest in individual assets. The corporation owns the assets and shareholders do not have a right to any specific assets owned by the corporation.

Decision-making powers in a corporation are allocated to the stockholders, the directors, and the officers. The owners of stock vote individually or combine in numerous ways to elect a board of directors who manage the corporation for the stockholders.

The board of directors organizes itself by electing officers who determine policy and procedures to follow in the corporation. The

board, in turn, hires the manager and other employees to help operate the corporation.

There could theoretically be five groups of people involved in a corporation:

- 1) the Incorporators,
- 2) the Shareholders,
- 3) Board of Directors,
- 4) Manager,
- 5) Salaried Employees and Hourly Wage Earners.

In large, publicly-held corporations, the above groups are separate and distinct from one another. Thus, there is a separation of ownership and management. Practical control of the corporation is removed from the owners by the board of directors. This separation of ownership and management could be another unique characteristic of the corporate form.

In most closely-held family corporations, the same individuals hold membership in each of the groups. Frequently an individual will wear four hats, that of a stockholder, director, manager and employee.

Under these circumstances, ownership and management may be merged in the same people. However, if a stockholder is also a director or an officer or both and he handles corporate business, he is technically acting as a manager and not as an owner.

Stockholders generally lack any right to establish management policy by direct action. They can only influence management of the corporation indirectly through their election of the directors. The separation of ownership and management exists legally in a corporation, even though an owner is also a manager.

It's important to know the separate functions of each group as the law judges the authority and obligations of such an individual according to the specific capacity within which he or she is operating.

Legal Structures of Farm Corporations

Most farm corporations are closely-held family businesses owned by a small number of shareholders. Usually they are family operations that have been incorporated by the owners to enjoy the benefits of corporate organization.

There is no established public market for shares in a closely-held corporation and the bylaws usually have restrictions on the sales of stock to individuals outside the family.

The corporate form of business associations has several fundamental characteristics which distinguish it from sole proprietorships and partnerships. A corporation is a distinct legal entity, separate and apart from the individuals who own it (shareholders), manage it, and work for it.

A corporation is essentially an artificial legal person created according to state law. It has many of the rights of an individual. A corporation can own and transfer real and personal property, sue and be sued, contract to buy and sell – all in its own name.

A corporation is recognized under state law when the formal requirements are met for starting a corporation. The articles of incorporation are the basic character or governing instrument of a corporation and are filed with the state of Michigan. It contains the powers and limitations of the corporation and its shareholders.

The document includes the name and address of the corporation and the shareholders, the purposes for which the corporation is organized, information

about the shares of stock and the duration of the corporation.

In addition to the articles of incorporation, corporate bylaws are enacted by the shareholders or directors to regulate the everyday affairs of the corporation. The document is similar to and has the same purpose as the partnership agreement for a partnership. The bylaws are not filed with the state like the articles of incorporation.

Included in most corporate bylaws are the time and place of shareholders' and directors' meetings, quorum requirements for shareholders' and directors' meetings, a listing of officers' and managers' duties as well as special limitations on their authority in such matters as borrowing money and entering into contracts, the corporation's tax year, and stock transfer restrictions and agreements.

The characteristic of limited liability for the shareholders is an advantage of the corporate structure. Corporate legal obligations arising either from tort liability (such as negligence) or contractual commitments may be satisfied only out of corporate assets, not out of shareholder's individual assets, unless the shareholder signs personally to guarantee the obligations of the corporation.

Thus, the liability of shareholders is limited to the amount of money they have paid or promised to pay into the corporation.

Perpetual Life Characteristic of Corporations

Another distinguishing characteristic of the corporate form is that it can have perpetual life. In other words, a corporation could conceivably go on forever – it is not dissolved upon the death of its owners as are the sole proprietorship and partnership. Upon the death of a shareholder in a corporation, only the corporate stock owned by the decedent is subject to probate – not the corporate assets. Since title of land and other personal property owned by the corporation are not affected by the death of a shareholder, the operation of the business may continue without interruption if ownership and management succession have been planned.

This continuity of existence of a corporation results in an estate planning advantage over sole proprietorships and partnerships. All corporations do not necessarily have to continue forever. The shareholders could fix its life for a certain period of years by stating such in the articles of incorporation.

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8

Federal Income Taxes and Farm Corporations

The two types of corporations are regular corporations (also referred to as Subchapter "C" corporations) and tax-option corporations (also referred to as Subchapter "S" corporations). Both types are separate legal entities. Their difference lies in the method of federal income tax payment.

A corporation taxed under the regular method of income taxation is considered a separate taxable entity – it becomes a legal, tax-paying "person" itself. It pays its own income taxes at tax rates established for a corporation.

Amounts paid by the corporation as salaries, wages, rents, and interest are deductible by the corporation as expenses when figuring taxable income. Every person – stockholder or not – who works for the corporation becomes an employee. Being an employee, they must pay personal income taxes on their wages – just as all employees are required to do.

Stockholders must also pay personal income tax on any other income received from the corporation such as rental pay-

ments or interest received on corporate debentures.

A disadvantage of Subchapter "C" corporations is that double taxation is possible. It occurs when corporations pay dividends to their shareholders since dividends are distributed from the corporation's after-tax income and are not a deductible corporate operating expense. Shareholders must include dividends in their taxable income. Shareholders are in effect paying taxes a second time on the same profits.

Most closely-held corporations avoid paying dividends because of the double taxation. Many corporations strive to pay out excess cash flows to the owners as salaries, bonuses, rents, interest on debentures, or wages, thus avoiding double taxation.

If a corporation elects to be taxed under the special tax option or Subchapter "S" method, it is normally not a taxpayer. That is, the corporation itself is not taxed on any income. The income of the corporation "flows through" to the shareholders and each shareholder includes a prorated share

of the corporation's earnings on personal income tax returns. All income is taxed the year it is earned whether or not it is retained or distributed. Subchapter "S" rules are similar to partnership rules in that an information return is filed annually on behalf of the corporation.

Thus, corporate earnings in a Subchapter "S" corporation are only taxed once – to the shareholder. This avoids the double taxation possibility present with Subchapter "C" corporations. However, only certain types of small business corporations may elect to use the Subchapter "S" option. Several requirements must be met initially and on a continuing basis to be eligible.

1. The corporation can have no more than 35 shareholders.
2. Generally, only individuals, or trusts and estates of individuals, may be shareholders. Partnerships and corporations cannot be shareholders.
3. The corporation must be a domestic corporation (organized under the laws of one of the states or territories of the United States or under federal law) with no non-resident alien shareholders.

4. The corporation may have only one class of stock outstanding.

5. If more than 25 percent of a corporation's gross receipts are "passive investment income," and the corporation has accumulated earnings from years as a regular corporation, the corporation will be taxed at the highest corporate rate on "excessive passive income" (more than 25 percent) and will lose its "S" status if these conditions exist for three years.

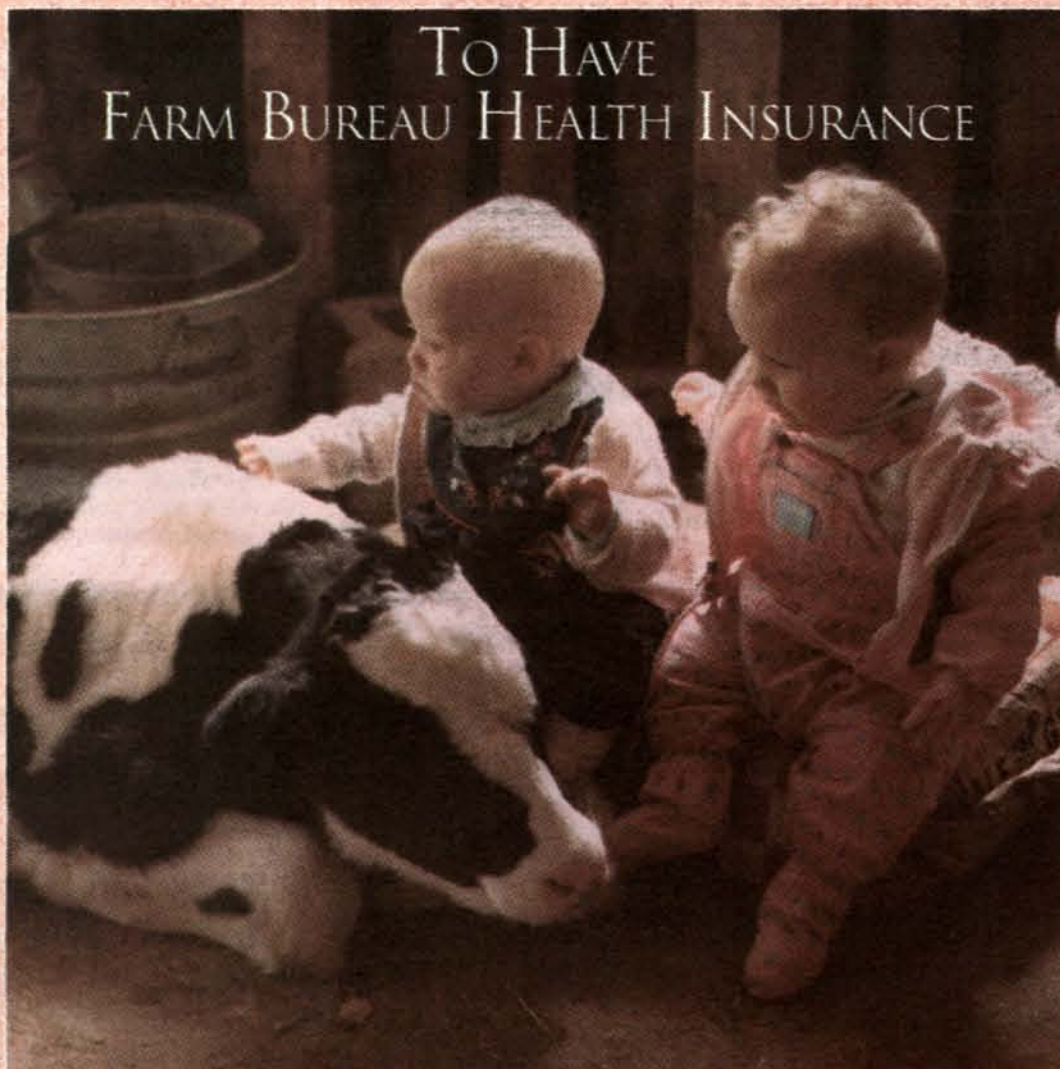
Passive investment income is rents, dividends, interest, etc. Material participation in the management of the investment converts the passive investment income to earned income.

6. All of the shareholders of the corporation must consent to the election.

A Subchapter "S" corporation does not lose its other corporate characteristics. It is a corporation for every other purpose. It hires employees and pays salaries and bonuses in the usual fashion and may declare dividends (without the dividend exclusion) to shareholders. Limited liability, transferring shares of stock, employee fringe benefits, and stock purchase agreements, are similar.

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How a Farm Corporation Is Financed

There are two basic sources for financing a corporation: 1) the issuance and sale of bonds, debentures, notes, etc., called debt financing, and 2) the issuance of stock called equity financing.

A bond is a written promise by the corporation to pay a stated sum of money at a specific date accompanied by a stated interest rate. Bonds are normally secured by a lien or a mortgage.

A bond holder is a secured creditor of the corporation. Some bonds are designed so that it is possible to convert them into shares of stock of the corporation. A debenture is a debt instrument similar to a bond except that it is unsecured.

The ability to issue various classes of stock and debt instruments provides a corporation greater flexibility in arranging the capital structure than possible with a sole proprietorship or partnership.

Through the use of debt instruments, in addition to stock, investments can be made in corporations without changing the control of stock ownership. Corporations can also borrow money, just as a sole proprietorship or partnership would.

Choosing the Right Business Structure for Your Operation

No two farm businesses are exactly alike or have identical requirements. Even where the type of farm and locality are the same, the likes and dislikes, motives, objectives, personalities, and methods of the individuals involved will be different.

The decision as to which form of business organization should be chosen for a new operation, or to reflect changes in an established farm, is one of the most important a farmer must make.

Certain basic things should be taken into consideration: (1) the amount of credit and capital required, (2) any possible need to limit liability, (3) the structuring of management and control of the farm business, (4) the expense of organization, (5) ease of transfer of ownership interest, (6) whether continuity of the business between generations is an issue, and (7) tax considerations.

9

Understanding Michigan's Pseudorabies Eradication Act

The Pseudorabies and Swine Brucellosis Control and Eradication Act of 1992 clears the way for Michigan to accomplish eradication of the pseudorabies virus. It defines the role of the pork producer, the Michigan Department of Agriculture, livestock brokers, markets and slaughter plants. Successful eradication, however, hinges largely on the swine producers' active participation, according to MFB Livestock Specialist Kevin Kirk.

"Under provisions of the new act, owner-expense testing of herds for herd status will determine which herds are infected and which are not," said Kirk. "All herds, including feedlots and farrow to finish producers, will have to test for at least monitored status on an annual basis."

Those herds that have already established a herd status will not be required to test again until the present herd status expiration date. A significant change, however, is that all feeder pig monitored herds will be required to test yearly rather than every three years as had been the case in the past, explained Kirk.

Owner-expense testing should make it possible to apply for split-state status to include most of the Lower Peninsula, with the exception of the Cass/Allegan county corridor, as low prevalence and eligible for Stage III status.

With the passage of this act, the Upper Peninsula has already achieved Stage III status due to a coordinated effort in 1991 to test all swine herds located in this area. The results of those tests showed no evidence of pseudorabies infection.

According to Kirk, a portion of the money spent by producers to accomplish testing will be placed in a fund and used for future program activities. Annual owner-expense testing will continue until the area or region in which the herd is located is given Stage III status.

Infected herds will be quarantined and swine movement limited to slaughter markets only, unless a provision in the herd cleanup plan allows movement of feeder pigs to approved quarantined feedlots. All herds that are infected will be required to enter a Pseudorabies Herd Agreement, containing a herd clean-up plan.

Cleanup plans are to be formulated with a projected successful end date of not more than 36 months. Vaccination will be a valuable tool in the clean up of infected herds and in limiting spread of the disease.

Pseudorabies vaccine use and sales will be controlled through a section in the act that requires a herd owner to be in possession of a card issued by MDA which identifies the type of vaccine to be used in the herd, according to Kirk.

"Only one type of vaccine may be used without danger of causing an immune response in the vaccinated animal, which is indistinguishable from the antibody response caused by an infection with a field strain virus," cautioned Kirk. "Testing vaccinated herds that have two different types of vaccine would indicate positive test results and such herds would then have to be placed under quarantine."

According to MDA, an attempt will be made to plan meetings in all regions of the state to acquaint producers with the new law. Producer support thus far, says MDA, has resulted in the act that provides the necessary framework for making Michigan a pseudorabies-free state by the year 1999.

Be on Guard Against Hydraulic Hazards on Your Farm

Hydraulics have made controlling farm equipment much easier and more precise — but must be handled with care to avoid injury. Here are safety tips:

Keep hydraulic fluid at specified levels.

Relieve pressure before disconnecting hydraulic lines. Lower equipment to the ground, turn off the engine, and move hydraulic controls back and forth a couple of times. Make sure lines are secure before applying pressure.

When checking a hydraulic line for a leak, use a piece of cardboard or paper rather than your hand. Pinhole leaks can inject fluid into the skin — and if that happens, you'll need immediate medical attention.

Replace defective lines, fittings, and seals.

Never rely on hydraulic cylinders to hold up any component. They are designed for lifting and can fail or allow the component to drift or even

Never rely on hydraulic cylinders to hold up any component. They are designed for lifting and can fail without warning!

fall down without warning. Use support stands — and

never get under a hydraulically operated component unless it is securely supported.

If a hydraulically operated component won't go up, stop and seek the cause. Perhaps you're trying to lift too big a load, or you may be snagged on something. Back off and try again. Don't attempt to lift loads above rated capacity.

When moving a combine on roads or to worksites, carry the header in

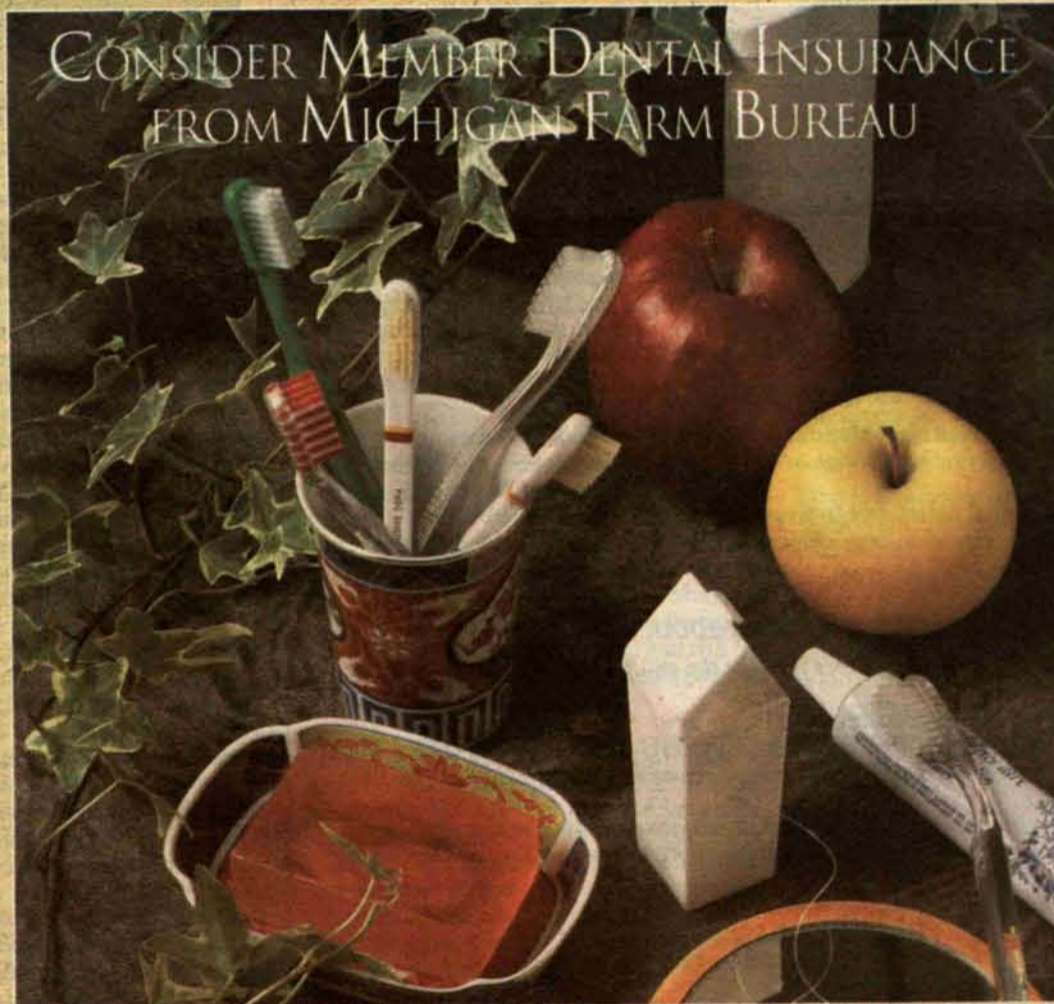


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transport position. Always lock the header in the up position before servicing, lubricating, or performing other activities near or underneath.

When connecting hydraulic couplings between a tractor and implement, make sure they are in the proper order. If lines are reversed, control motion would cause a response opposite to what you expect. Correct reversed lines immediately.

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10

Reducing the Risk of Groundwater Contamination by Improving Livestock Yard Management

Besides addressing the potential of livestock yards to pollute groundwater, other good reasons for improving management practices include improved herd health, ease of maintenance and quality milk or meat production.

A manure management system is a coordinated combination of management and structural practices to facilitate utilization of manure and related agricultural wastes in a manner that prevents or minimizes environmental impacts and maintains the economic viability of the farm. It is not enough to install manure management practices in accordance with the best available technology. Every component of a manure management system must be managed properly to ensure that the intended economic and environmental benefits of the total system are achieved.

Distance from wells

Wells should be located in an elevated area upslope of the livestock yard, so that runoff from the livestock yard will not drain into the vicinity of the well. The Michigan well code requires a minimum separation of 50 feet between existing livestock yard and new wells except for grade at dairy operations where the minimum distance is 75 feet. Minimum separation distances regulate new well installations, as well as the distance from existing wells to new sources of contamination. Existing wells are required by law only to meet separation requirements in effect at the time of well construction.

Site characteristics

Soil characteristics are an important con-

sideration in citing a livestock yard. These include soil texture, soil depth, depth to bedrock, permeability and drainage class. The best site has a deep, well-drained silt loam to clay loam soil with slow permeability. A very poor site has shallow soil, or a high water table, or a very sandy and gravelly soil with excessive drainage and rapid permeability.

Clean water diversion

One way of reducing water pollution from livestock yards is to reduce the amount of clean water entering the yard. Some example measures are listed below. In all cases, recommended structures need to be maintained.

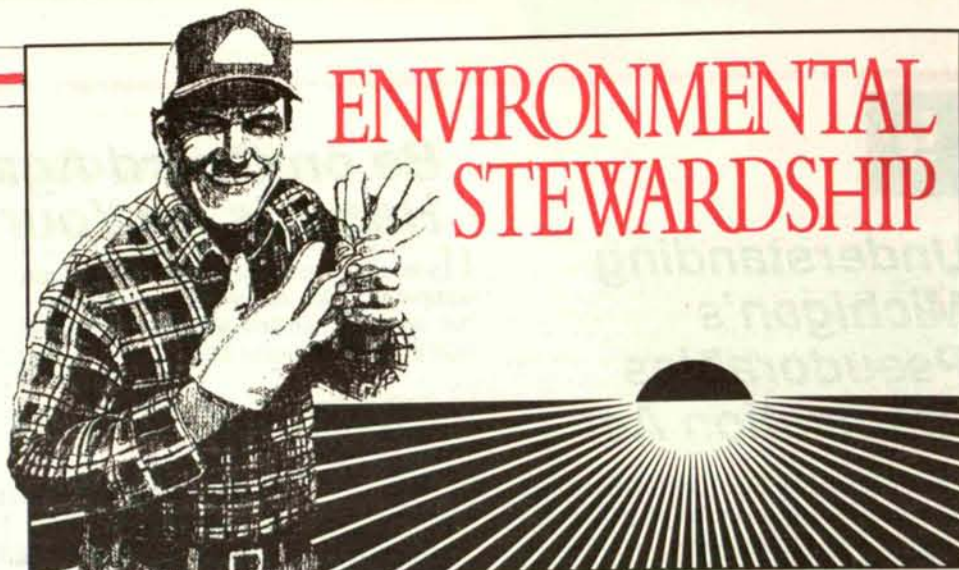
- Roof gutters, waterways, and concrete channels may be used to direct roof runoff away from livestock yards.

- Diversions and waterways can be constructed across the slope upgrade from a livestock yard to prevent clean off-site runoff from entering the yard.

- In some areas, if a diversion is not practical, a catch basin with an underground outlet could be installed above the livestock yard that routes the "clean" water around the livestock yard.

Runoff control systems

A livestock yard without a runoff control system typically has an earthen surface compacted by animal traffic. This surface is not shaped for water drainage, so it is usually dry in some places and muddy in others. Manure typically accumulates on



the surface, and decaying manure is mixed into the soil by animal traffic.

Water running off concrete pads located near barn doors and clean water from roofs and upslope areas can flush manure from the yard and create mudholes.

Such a yard is difficult to manage, and the absence of runoff controls may lead to water quality and herd health problems. Contaminated runoff from an active feedlot that accumulates in areas adjacent to the lot may flow through the soil and threaten groundwater quality. This risk is particularly high on sites with high infiltration rates and rapid permeability, such as sandy or gravelly soils and soils that are shallow to bedrock.

Runoff control systems can remedy such problem situations. These systems collect livestock yard runoff, settle out manure solids, and direct the remaining water to grass filter strip, a vegetated filter area away from streams, ditches, waterways and areas of permeable soils and fractured bedrock. Another option is to collect and store runoff for later land application.

Manure storage and waste utilization

One of the best uses of animal manure is as a fertilizer for crop production. Depending on the species of animal, 70-80 percent of the nitrogen (N), 60-85 percent of the phosphorus (P), and 80-90 percent of the potassium (K) fed to animals as feed is excreted in the manure and potentially available for recycling to soils.

Applying at a rate to supply the nutrient needs of crops reduces water quality concerns for potential contamination of surface waters (i.e. lakes and streams) and groundwater.

Soil Fertility Testing

All fields should be sampled at least every three years, and the soils tested to determine where manure nutrients can best be utilized.

One goal of a well-managed land application program is to utilize soil testing and fertilizer recommendations as a guide for applying manures. Utilizing these guides will result in appropriate use of manure nutrients which can be supplemented with commercial fertilizers for supplying crop nutrient needs.

Fertilizer Recommendations

Use fertilizer recommendations, based on MSU-CES Bulletin E-550, to determine the total nutrient needs for crops to be grown on each field that could have manure applied.

Fertilizer recommendations made by MSU-CES are based on the soil fertility test, soil texture, crop to be grown, a realistic yield goal (average for past 3-5 years), and past crop management. Fertilizer recommendations can then be utilized by the livestock producer to help identify which fields manure nutrients will have the greatest value in reducing the amounts of commercial fertilizers needed, thereby returning the greatest economic benefit.

Manure Analysis

To determine the nutrient content of manure, analyze it for percent dry matter (solids), ammonium N (NH₄-N), and total N, P, and K.

Several factors which will determine the nutrient content of manures prior to land application are:

- (a) type of animal species;
- (b) composition of the feed ration;
- (c) amount of feed, bedding, and/or water added to manure;
- (d) method of manure collection and storage, and;
- (e) climate.

The best way to determine the nutrient content of manure and provide farm-specific information is to obtain a representative sample(s) of that manure and then have a laboratory analyze the sample(s).

Manure Nutrient Loadings

The agronomic rate of N for crops (MSU-CES Bull. E-550) should not be exceeded by the amount of available N in manure or manure plus fertilizer N added. The available N per ton or per 1,000 gallons of manure should be determined by using a manure analysis and the appropriate mineralization factors (see MSU-CES Bull. WQ12) for organic N releases during the first growing season following application and the three succeeding growing seasons.

When the soil test level for P reaches 150 lb./ac. (Bray P1), manure applications should be reduced to a rate where manure P added does not exceed the P removed by the harvested crop.

Contacts and References

Who to call about...

Design assistance and technical standards for runoff control systems:
Your county Soil Conservation Service or Cooperative Extension Service office.

Financial and technical assistance in livestock yard management:
Your county Soil Conservation Service or Agricultural Stabilization and Conservation Service (ASCS) office.

What to read about...

Publications are available from sources listed at the end of the reference section.

Health effects of nitrate in groundwater

- * Nutrient Management to Protect Water Quality. MSU - Extension, WQ25.
- * Livestock Manure Management for Crop Production and Water Quality. MSU - Extension, WQ12.
- * Nitrate - A Drinking Water Concern. MSU Institute of Water Research.
- * Private Well Water Testing. MSU, Center for Environmental Toxicology.

Management of livestock yards

- * Livestock Waste Facilities Handbook. Midwest Plan Service - 18.
- * Generally Accepted Practices for Manure Management and Utilization. (Right to Farm Act) from MDA or CES.
- * Managing Animal Manure as a Source of Plant Nutrients. National Corn Handbook - 12.

Design criteria and general information

- Beef Housing and Equipment Handbook. Midwest Plan Service - 6.
- Sheep Housing and Equipment Handbook. Midwest Plan Service - 3.
- Swine Housing and Equipment Handbook. Midwest Plan Service - 8.
- Dairy Housing and Equipment Handbook. Midwest Plan Service - 7.

Fertilizer Recommendations for Vegetable and Field Crops in Michigan.
MSU - Extension - 550.

Publications available from...

1. Your county Extension office or directly from the Bulletin office, Room 10B Agriculture Hall, MSU, East Lansing, MI 48824-1309, (517) 355-0240. There may be charges for publications, postage and sales tax.
2. Your county Extension office or Midwest Plan Service secretary, Agricultural Engineering Department, 217 A.W. Farrall Hall, Michigan State University, East Lansing, MI 48824-1323, (517) 353-3297.
3. The Institute of Water Research, 334 Natural Resources Bldg., Michigan State University, East Lansing, MI 48824-1222.
4. Center of Environmental Toxicology, C-231 Holden Hall, Michigan State University, East Lansing, MI 48824, (517) 353-6469.

Assessing the Risk of Groundwater Contamination from Livestock Yards

Worksheet

Livestock Yards Management: Assessing Drinking Water Contamination Risk

1. Use a pencil. You may want to make changes.
2. For each category listed on the left that is appropriate to your farmstead, read across to the right and circle the statement that best describes conditions on your farmstead. (Skip and leave blank any categories that don't apply to your farmstead.)
3. Then look above the description you circled to find your "rank number" (4, 3, 2 or 1) and enter that number in the blank under "your rank."
4. Directions on overall scoring appear at the end of the worksheet.
5. Allow about 15-30 minutes to complete the worksheet and figure out your risk ranking for livestock yards management.

	LOW RISK (rank 4)	LOW-MOD RISK (rank 3)	MOD-HIGH RISK (rank 2)	HIGH RISK (rank 1)	YOUR RANK
LOCATION					
Location of livestock yard in relation to wells.	Active livestock yard on fine-textured soil 100 feet or more downslope from well. Runoff channel 250 feet or more from well. Paved yard 50 feet or more downslope.	Active livestock yard on medium to fine-textured soil. 50 feet or more downslope from well. Runoff channel 100 feet or more downslope from well.	Inactive livestock yard on medium to coarse-textured soil. 50 feet or more downslope from well. Runoff channel 50 to 100 feet from well.	Inactive livestock yard on medium to coarse-textured soil. Upslope from well. Runoff channel on medium to coarse-textured soil less than 100 feet from well.	
Site Characteristics	All runoff directed to a settling basin and well sealed runoff storage. Well maintained.	Earthen yard with all areas receiving hoof traffic; with runoff control curbs, gutters, settling basin and grass filter strip. Well maintained.	Earthen yard with all areas receiving frequent hoof traffic; with no runoff control measures in place.	Earthen yard with low areas of coarse-textured soils and receiving limited hoof traffic. Yards with intermittent use and are on coarse-textured soils. No runoff control measures in place.	
Runoff Control System	All runoff directed to a settling basin and sealed runoff storage. 300 feet or more downslope from well.	All runoff directed to a settling basin and grassed infiltration strip where vegetation is routinely harvested. Well 50 feet upslope from yard or runoff waterways.	All roof water diverted. No runoff control system in place. Yards scraped weekly. Well downslope from lot or runoff infiltration area, or well is upslope greater than 250 feet.	Roof water and surface water runoff runs through yard and no runoff control system in place. Yards rarely scraped. Well downslope from lot or runoff infiltration area.	
					TOTAL <input type="text"/>

Why should I be concerned?

Livestock yards, such as barnyards, holding areas and feedlots, are areas of concentrated livestock wastes. They can be a source of nitrate bacteria contamination of groundwater. This is especially true if there is no system to divert clean water flow from the livestock yard, or collect polluted runoff from the yard.

The potential for livestock yards to affect groundwater is greatest if the yard is located over coarse-textured permeable soils, if the water table is at or near the surface, if bedrock is within a few feet of the surface, or when polluted runoff is discharged to permeable soils and bedrock.

Nitrate levels in drinking water above federal and state drinking water standards of 10 milligrams per liter (mg./l.; equivalent to parts per million for water measure) nitrate-nitrogen can pose health problems for infants under 6 months of age, including the condition known as methemoglobinemia (blue baby syndrome). Nitrate can also affect adults, but the evidence is much less certain.

Young livestock are also susceptible to health problems from high nitrate-nitrogen levels. Levels of 20-40 mg./l. in the water supply may prove harmful, especially in combination with high levels (1,000 ppm) of nitrate-nitrogen from feed sources.

Fecal bacteria in livestock waste can contaminate groundwater if waste seeps into nearby wells, causing such infectious diseases as dysentery, typhoid and hepatitis. Organic materials, which may lend an undesirable taste and odor to drinking water, are not known to be dangerous to health, but their presence does suggest that other contaminants are flowing directly into groundwater.

How do I complete the worksheet?

Follow the directions at the top of the chart on the next page. It should take you about 15-30 minutes to complete this worksheet and figure out your ranking.

What do I do with these rankings?

Step 1: Begin determining your overall livestock yard management risk ranking. Total the ranking for the categories that apply and divide by the number of categories ranked.

This ranking gives you an idea of how your livestock yard management practices as a whole might be affecting your drinking water. This ranking should serve as a very general guide, not a precise diagnosis. Because it represents an averaging of many individual rankings, it can mask any individual rankings (such as 1s' or 2s') that should be of concern.

Step 2: Look over your rankings for individual activities:

***Low risk** practices (4s'): ideal; should be your goal despite cost and effort.

* **Low-to-moderate-risk** practices (3s'): provide reasonable groundwater protection.

***Moderate-to-high-risk** practices (2s): inadequate protection in many circumstances.

* **High-risk** practices (1s): inadequate; pose a high risk of polluting your ground water.

Regardless of your overall risk ranking, any individual rankings of "1" require immediate attention. Some concerns you can take care of right away; others could be major – or costly – projects requiring planning and prioritizing before you take action.

FARM-A-SYST

The Farmstead Assessment System in Michigan is a multiagency cooperative effort to increase awareness and encourage correction of potential water quality problems around the farmstead. The materials are based on similar materials developed in Wisconsin and Minnesota with assistance from the United States Environmental Protection Agency, Region V.

"Reducing the Risk of Groundwater Contamination by Improving Livestock Yard Management" ... Continued

If the Bray P1 test reaches 300 lb./ac. or higher, manure applications should be discontinued until nutrient harvest by crops reduces P test levels to less than 300 lb./ac. To protect surface water quality against discharges of P, adequate soil and water conservation practices should be used to control runoff and erosion from fields where manure is applied.

Excessive manure applications to soils can cause P to accumulate in the upper soil profile and increase the risk of contaminating surface waters with P where runoff/erosion occurs. It can also result in excess nitrate-N (NO₃-N) not being used by plants or the soil biology and increase the risk of NO₃-N being leached down through the soil and into groundwater.

It can also create nutrient imbalances in soils which may cause poor plant growth or animal nutrition disorders for grazing livestock. The greatest water quality concern (where soil erosion and runoff are controlled) from excessive manure loadings is NO₃-N losses to groundwater. Therefore, the agronomic fertilizer N recommendations should never be exceeded.

The availability of nutrients in manure for plant uptake will not be the same as highly soluble, fertilizer nutrients. Therefore, total manure nutrients cannot be substituted for those in fertilizers on a pound-for-pound basis. A portion of the nutrients, particularly N, are present in manure organic matter which must be decomposed before mineral (inorganic) forms of the nutrient are available for plant uptake. Manure nutrients usually cannot be applied as uniformly as those in fertilizers.

Method of Manure Application

Manure should be uniformly applied to soils. Spreaders should be calibrated so the amount of manure applied per acre (gal./ac. or tons/ac.) is known, and manure nutrients can be effectively managed.

Manures should not be applied to soils within 150 ft. of surface waters or to areas subject to flooding unless:

- (a) manures are injected or surface-applied with immediate incorporation (i.e. within 48 hours after application) and;
- (b) conservation practices are used to protect against runoff and erosion losses to surface waters.

As land slopes increase, the risk of runoff and erosion losses to drainage ways, and eventually surface waters, also increases. Soil and water conservation practices should be used to control and minimize the risk of non-point source pollution to surface waters, particularly where manures are applied. Injection or surface application of manure with immediate incorporation should generally be used when the land slope is greater than 6 percent.

For cropland with slopes greater than 15 percent, or pasture, hay or meadow crops with slopes greater than 20 percent, manure will be immediately incorporated or injected on the contour; and split applications of no more than 50 percent of the total annual application rate should be made at any one time.

Timing of Manure Application

Where application of manure is necessary in the fall rather than spring or summer, using as many of the following practices as possible will help minimize potential loss of NO₃-N by leaching: (a) apply to medium or fine rather than coarse textured soils; (b) delay applications until soil temperatures fall below 50 degrees F; and/or (c) establish cover crops before or after application to help remove NO₃-N by plant uptake.

Application of manure to frozen or snow-covered soils should be avoided, but where necessary, (a) solid manures should only be applied to areas where slopes are 6 percent or less and (b) liquid manures should only be applied to soils where slopes are 3 percent or less. In either situation, provisions must be made to control runoff and erosion with soil and water conservation practices such as vegetative buffer strips between surface waters and manure treated soils.

Ideally, manure (or fertilizer) nutrients should be applied as close as possible to, or during, periods of maximum crop nutrient uptake to minimize loss from the soil-plant system. Therefore, spring or early summer application is best for conserving nutrients, whereas fall application generally results in greater nutrient loss, particularly for NO₃-N on coarse soils (i.e. sands, loamy sands, sandy loams).

Winter application of manure is the least desirable from a nutrient utilization and pollution point of view. Frozen soils and snow

cover will limit nutrient movement into the soil and greatly increase the risk of manure being lost to surface waters by runoff and erosion during thaws or early spring rains. When winter application is necessary, appropriately-sized buffer strips should be established between surface waters and frozen soils treated with manure to minimize any runoff and erosion of manure from reaching surface waters.

Management of Manure Applications

Keeping records of manure analyses, soil test reports, and rates of manure application for individual fields will assist the livestock producer to identify the land areas needed for effectively utilizing the manure nutrients produced. Good recordkeeping demonstrates good management and will be beneficial if the producer's management practices are challenged.

Several tables in MWPS-18 can help in making preliminary estimates of manure production for different types of livestock and of the average nutrient content of those manures. This information can be used to compare the quantity of available manure nutrients against the nutrient needs (or fertilizer requirements) of crops to be grown in the livestock operation.

If the quantity of manure nutrients being generated greatly exceeds the annual crop nutrient needs, then alternative methods for manure utilization should be identified. For example, cooperative agreements with neighboring landowners to provide additional land areas to properly utilize all of the manure nutrients may be necessary.

Good recordkeeping is the "back bone" of a good management plan. Past manure analysis results will be good predictors of the nutrient content in manures being applied today. Records of past manure application rates for individual fields will be helpful for estimating the amount of residual N that will be available for crops to use this coming growing season.

Changes in the P test levels of soils with time due to manure P additions can be determined from good records, and that information can be helpful in anticipating where manure rates may need to be reduced and when additional land areas may be needed.

SCS Conservation Farmer Award Goes to Frank Brown

Frank Brown of Barry County was recently awarded the Michigan Association of Conservation Districts' Conservation Farm award, given annually to a farmer with an outstanding conservation program. The award was presented by the association's president, Joshua Wunsch, at the recent annual meeting.

Brown and his wife Alice own and operate 498 acres, raising corn, soybeans, wheat and alfalfa. Nearly 200 of those acres are currently enrolled in the Conservation Reserve Program (CRP).

Brown's conservation program consists of no-till conservation tillage, grassed waterways, cover crops, tree planting and forest management, wildlife management, a farm pond, and fertilizer and nutrient management.

"I really believe in conserving soil and wildlife habitats," Brown said. "It all comes down to leaving the land the way you found it."

Brown started to grass his land depressions or waterways to try to keep the soil in place. "These grass strips act as filters and slow up the speed of water," he said. "In turn, they prevent ruts and washouts from happening."

Brown also does his part in reforestation, planting Norway spruce, white pine and walnut trees.

"In this area where the ground is highly erodible, it's (reforestation) enforced," he added. "A lot of farmers in the area are reforesting or planting trees for wind breaks."

Over the past three years, Brown has converted nearly all of his acres to no-till. "Around here, no-till has really grown. It takes a lot more management than conven-

tional tillage, but it saves on the soil and on the amount of chemicals," he said.

Brown also believes in the use of cover crops as added protection to the soil. On corn fields, the stubble is left until spring planting. On the rest of his land, rye and wheat are planted as cover crops.

Brown has a love for wildlife. His farm pond is kept stocked with bluegills and trout, and his CRP acres are a new home for pheasants and birds. Both are favorite spots for area hunters.

"We're blessed with many wildlife," he said. "Since we put those acres into CRP, the pheasants and birds have really come back."

Brown was nominated for the award by the Barry County SCS. All state nominees are judged by representatives from the Michigan Department of Agriculture and the Michigan Association of Soil Conservation Districts. A winner is selected based on conservation techniques, environmental education, comprehensive conservation systems and individual initiative.



Above, Barry County farmer Frank Brown (left), and his wife Alice accept their award during the Michigan Association of Conservation District's annual meeting from association president Joshua Wunsch.

Michigan Sheep Inventory Increases

All sheep and lamb inventory in Michigan on Jan. 1, 1993, was estimated at 108,000 head, up 5 percent from a year ago, according to the Michigan Agricultural Statistics Service.

The stock sheep inventory at 80,000 head, was up 4 percent from last year. Sheep and lambs on feed totaled 28,000 head, up 2,000 from a year earlier. The 1992 Michigan lamb crop was 78,000 head, unchanged from last year. The Michigan sheep inventory was valued at \$8.21 million, up 3 percent from 1992.

The Angora goat inventory in Michigan on Jan. 1 was 7,000 head, down 1,000 from a year earlier. Total value was \$420,000 and the value per head was \$60.

The U.S. Jan. 1 sheep and lamb inventory was 10.2 million head, down 5 percent from a year earlier, and only slightly above the record low of 10.1 million head set in 1986. The stock sheep inventory decreased to 8.3 million head, was down 7 percent from 8.92 million last year. This was the lowest level ever recorded.

Ewes one year old and older, at 6.57 million head, were down 7 percent. This compares with the previous record low of 6.96 million head set in 1986. Ewe lamb inventory totaled 1.1 million head, down 5 percent from a year earlier.

The 1992 lamb crop of 7.25 million head was down 5 percent from 1991. This compares with the lowest level of 7.21 million head set in 1988. The national lambing rate was 102 per 100 ewes one year old and older on hand Jan. 1, 1992, compared with 103 in 1991. The number of operations with sheep during 1992 totaled 101,040, down 4 percent from 1991 and is also a record low.

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Should You Have Crop Insurance in 1993?

Written by: Rain and Hail Insurance Service, Inc. and Jim Gallagher, Manager, CSAC Agency

1992 was a frustrating year for many of Michigan's crop farmers. Many corn growers who produced good crops sold them at harvest time for about \$2 per bushel or less. Others saw good looking, but late crop(s) get hit by frost long before it was mature. Many growers who insured their crops with Multiple Peril Crop Insurance (MPCI) found that it helped them to either pay off the 1992 operating loan or get a better market price for their crop(s)!

MPCI provides most growers of major crops the opportunity to choose yield guarantees of 75, 65, 50 or 35 percent of their own proven yields for their farms. This protection provides yield, quality, and some price protection for most causes of loss beyond the producer's control. Furthermore, the government pays about 50 percent of the cost of such coverage.

If you've been waiting to sell the majority of your crop production until after you can pretty well predict the yield, you've missed the good pricing opportunities. Using corn as our example, let's take a closer look.

In 1992, corn prices of \$2.60 or more per bushel were available most of the first six months of the year (Figure 1). Higher prices in the spring is what occurs most years. In 11 of the 15 years, 1976-1990, futures prices in May averaged over 30 cents per bushel higher than the October prices for December corn (the 30 cent increase could approximately double the

profit margin for many producers). quality from insurable perils, the gross income may be the amount of the insurance liability, (i.e., proven yield from the farm x level of coverage selected x indemnity price election x crop share x acres assume 100 bushels normal yield x 75 percent coverage x \$2.30 indemnity price = \$172.50 x 100 acres = \$17,250) (assuming a 100 percent crop ownership share).

If some production is produced, the insurance indemnity is reduced (i.e. if a 30 bushel average yield per acre is realized, x 100 acres x \$2.30/bu., the indemnity would be reduced by \$6,900). If low quality occurs, (i.e. test weight of less than 49 pounds/bushel, more than 10 percent kernel damage or more than 40 percent moisture) the bushels to count against the guarantee are almost always multiplied by a ratio of the value of the low quality crop divided by the market value for quality grain.

MPCI coverage for 1993 will generally be accepted as operating loan collateral by most ag lenders. Whether you decide to use crop insurance to improve crop marketing, for cash flow protection, loan collateral, or a combination of the three, you may find it an important part of your 1993 farm business coverage plan. For coverage details, contact a Farm Bureau agent before the April 15 application deadline.

Contact One of These Farm Bureau Insurance Agents for Your 1993 Crop Insurance Needs

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CORN FUTURES

December 1992



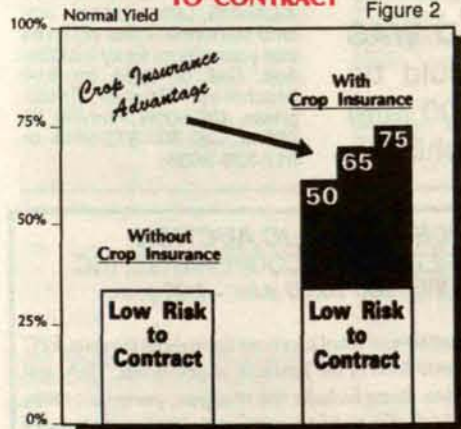
Figure 1

profit margin for many producers).

MPCI can help many producers to forward price more of their crops at higher prices with reduced risk! University marketing specialists commonly suggest that growers forward price up to 1/4 or 1/3 of their crop when profitable pricing opportunities occur. These same marketing specialists generally agree that most growers with MPCI could forward price up to their MPCI guarantee at less risk than the 1/4 to 1/3 of their crop that would normally be

AMOUNT OF PRODUCTION TO CONTRACT

Figure 2



Example for Illustration Purposes

Source: KSU

recommended without MPCI (Figure 2).

Let's think of the difference between these two scenarios (with and without MPCI) as the "crop insurance advantage" that in 1992 could have amounted to about \$50 more income per acre (Figure 3).

That's a pretty good return from MPCI in good years...and it typically costs only about 8-12 cents per bushel guaranteed for many Michigan corn growers. If a crop loss occurs, the MPCI indemnity is added into the crop ledger as a receipt. If growers are hesitant to use futures markets or cash contracts, MPCI and price options work very well together (MPCI provides yield protection, options provide price protection).

In summary, crop insurance can help improve crop marketing by:

1. Providing an amount of guaranteed production to consider forward pricing.
2. Providing some down-side risk protection, and
3. Providing the confidence and courage to be more aggressive in marketing crops at opportunity prices.

Growers protected by MPCI have good down-side cash flow protection equal to the amount of the liability. If a grower has zero receipts due to a zero yield, or extremely low

CORN ILLUSTRATION

Figure 3

Assumptions:	Your Farm
120 bu.....	Yield/A.....
\$2.60 /bu.....	Contract Price.....\$
\$2.00 /bu.....	Cash Price.....\$
75 %.....	Crop Insurance Coverage.....%
Example:	Your Farm
120 bu/A.....	Pricing Yield..... bu/A.
x 42 %.....	Contracting Advantage..... %
75% of crop (Max amount to forward price with 75% MPCI)	
- 33% of crop (Max amount to forward price without MPCI)	
= 42% of crop (Crop insurance advantage in forward crop pricing)	
= 50.4 bu/A.....	Crop Insurance Benefit..... bu/A.
	Price Advantage
x \$.60 /bu.....	(\$2.60 vs \$2.00/bu.)..... \$ /bu.
= \$30.24.....	Reward/A..... \$
x 100.....	Acres.....
= \$3,024.....	Your Potential Advantage with MPCI..... \$

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12
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FARMERS PETROLEUM COOPERATIVE, INC.
MARCH 27, 1993 10:00 a.m. - 4:00 p.m.

Having sold or closed several retail locations throughout the state, FPC will be auctioning assets used in the business of petroleum, TBA, and farm supply distribution. Items include: tire changers, pneumatic tools, office equipment, safe, shelving, fuel handling equipment, floor jacks and stands, selected tires, and many other farm supply merchandise.

A complete sale bill will be provided by contacting Farmers Petroleum Cooperative, Inc., between the hours of 8:00 a.m. and 4:30 p.m. Mon. through Fri. prior to Wed., March 24, 1993. Phone: 1-800-451-6873 or by FAX: 1-517-323-6786. Sale bill will not be provided by telephone.

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SERVING FARMERS SINCE 1904

USDA to Survey Farm Financial Conditions

A major survey on costs of production and financial conditions throughout the farm sector began in February, the U.S. Department of Agriculture announced.

In mid-February, local enumerators started knocking on the doors of around 850 Michigan farms as part of the ninth annual nationwide Farm Costs and Returns Survey. The survey will be conducted in Michigan by the Michigan Agricultural Statistics Service (MASS). The survey will continue through late March.

Enumerators will be collecting 1992 data about farm expenses, finances, capital purchases, and costs production. The information will be used to determine farm production expenditures, measure farm income, and assess farm sector debts, assets, and cash flow — key indicators of the economic well-being of farmers. Survey findings will also be used to estimate costs and returns of producing individual commodities.

USDA will publish the results in various reports to be released beginning next summer. "This survey goes directly to the source, farmers themselves, to develop an accurate picture of the diverse financial conditions in agriculture," said MASS State Statistician Don Fedewa.

"The cost-of-production data help farm policy makers understand the costs of farming and ranching. Other information helps researchers analyze the financial situation in the farm sector — how it's changing, and where problems are located," Fedewa said.

"The survey lets farmers and those who represent them know what's happening in different regions and sectors of agriculture," he said. "State agricultural officials and policy makers in Washington base many of their decisions on information gleaned from this survey. It allows decisions which affect the farmer to be based on reliable data."

Statistical sampling techniques ensure that the farmers selected for survey interviews represent a broad cross-section of American agriculture. The survey is expected to yield roughly 15 million pieces of data, permitting analysts to look beneath the national averages so that farmers, legislators, farm support industries, and the public can better understand how financial conditions vary among different sizes and types of farms in different parts of the country.

Responses to survey questionnaires are confidential. All questionnaires will be destroyed after the data are summarized.

Study Shows Low-Till Farming More Profitable

A study involving about 500 farmers in 80 of Iowa's 99 counties showed that farmers using less tillage on row crops don't have to take less profit from their operation.

In fact, the study showed that farmers leaving the most residue from the previous crop on their fields were the most profitable.

In one study of corn fields that followed soybeans, profits averaged \$56.80 an acre for farmers who left more than 30 percent residue on the land. That compared with \$42.92 an acre profit for fields with between 15 and 30 percent residue and to only \$41.01 net return for fields with less than 15 percent residue.

Jim Graham, a farmer who served as field coordinator for the study, said the results demonstrate that profits consider many things besides yield-per-acre at harvest time.

"There has been a huge increase in farmers using crop residue systems for erosion control and to reduce labor. Now we're seeing farmers fine-tune these systems for maximum profit," said Jeff Zimprich, a crop residue management specialist for the Soil Conservation Service.

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