

# MICHIGAN FARM NEWS

MICHIGAN'S ONLY STATEWIDE FARM NEWSPAPER

MICHIGAN FARM BUREAU



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## Farmers unite to kill the death tax

### Farm bill shifts crop insurance sales from USDA to private agents

Agriculture Secretary Dan Glickman recently announced that crop insurance will be available exclusively through crop insurance agents, beginning in the 1998 crop year. Previously, the catastrophic level of crop insurance (CAT) was available through both local USDA Farm Service Agency offices and crop insurance agents in 36 states.

Glickman said this decision was made after carefully reviewing the number of crop insurance agents in each state to ensure that an adequate sales force is in place to provide all farmers with CAT coverage. The 1996 Farm Bill requires USDA to transfer the sales of CAT coverage entirely to the private sector if a sufficient number of agents are available in each state to provide this service.

"While the sales and servicing of policies will be done by the private sector," Glickman said, "this change will not weaken the existing safety net for producers. I am determined that everyone will have access to crop insurance — large farmers and small farmers alike, especially those with limited resources, minorities and producers in all areas of the country.

"Before making this decision, private company representatives gave me their commitment to reach out to all America's farmers and to assure that the highest level of risk management service is extended to everyone," Glickman said. "I look forward to this partnership. I also intend to exercise appropriate oversight over the companies to ensure compliance with their commitment."

USDA will continue to subsidize all policies, establish policy terms and conditions, set rates, and guarantee funds for the payment of approved claims.

The transfer begins with 1998 fall planted crops. Policyholders will receive a letter informing them of this change in about one month. However, producers are to continue to go to the local FSA office for service on 1997 policies. This includes reporting 1997 planted acreage and production as well as any losses.

Although a producer's policy will be randomly transferred from USDA to an insurance company, producers may select another agent or insurance company if they do so before the sales closing date for the insured crop. To ensure that all producers are served, insurance companies are required to insure all eligible crops, and provide all levels of coverage in the states in which they operate. Further, participating companies must insure all qualified applicants. Waiver of administrative fees for producers who qualify as limited resource farmers is required by the Risk Management Agency and is available through private companies.



Larry and Gloria Crandall, along with their son, Brad, operate a dairy farm that's ranked third in production in the state among farms on 2x milking. Although they've invested a great deal of time and money into estate planning, the Crandalls fear the death tax could take an irreplaceable chunk out of their farm someday.

### State's PDR program overwhelmed by applications

More than 780 applications to protect thousands of acres of Michigan farmland were received by the Department of Natural Resources during the recent application period for its Purchase of Development Rights (PDR) program which extended to May 15.

According to Robin Pearson of the Farmland and Open Space Preservation Unit in DNR the response doubled the expectations of the division. "We are excited by the interest shown in the state's PDR program," Pearson stated. "Approximately 780 applications covering over 86,000 acres were received this year."

"They were expecting a little over 400," explained MFB Environmental Specialist Jeff Edgens. "The overall participation was much better than everybody thought it would be."

Lenawee County's 54 PDR applications led the state for the most applications. In total, 51 counties applied for the program and will be reviewed over the course of the next year to see if they qualify.

Michigan's PDR program is administered by the Department of Natural Resources in cooperation with the Michigan Department of Agriculture. The Farmland and Open Space Preservation Act, Part 361 of the Natural Resources Act and Environmental Protection Act, P.A. 451 of 1994 (formerly P.A. 116 of 1974) provides funds for the purchase of development rights, usually defined as the difference between the fair market value of the property and its agricultural value. This program allows landowners to sell development rights to the state for a fair market value, and the state retains the development rights in order to prevent the property from being developed for non-agricultural uses. In this

way, the property is permanently preserved for future agricultural use and the landowner retains all other rights to the land including fee ownership.

"Currently, the P.A. 116 lien fund is supplying the money for purchase of development rights. That's about \$12 million. It's not expected that all \$12 million will be used for this round. Of course, whatever applications are selected, it then goes to the Legislature for their decision. The Legislature may appropriate whatever they think is necessary based on DNR's recommendations.

#### When will applications be accepted?

"From now until the first of next year the PDR evaluation committee will go through all the PDR applications and score them," Edgens explained. "It will be based on the ones with the highest scores, depending on the criteria such as proximity to paved roads and proximity to water and sewer connections, and soil characteristics that were in applications."

It is unknown at this time how many applications the DNR will accept into PDR program, according to Edgens.

County	PDR applications
Allegan	40
Antrim	7
Arenac	1
Barry	38
Bay	4
Berrien	4
Branch	7
Calhoun	15
Cass	11
Charlevoix	3

Continued on page 5

### COVER STORY

#### Family hopes estate planning can protect family heritage

The house, the yard, the barns, the farm records — all in perfect order. After all, Larry and Gloria Crandall are not the kind of people to leave things to chance.

It's that attention to detail and careful planning that the Crandalls hope will help protect their centennial farm for future generations. But they fear that if they should die anytime soon, the federal estate taxes would cost so much that their three children would have to sell some of the farm just to pay Uncle Sam. And that would hinder their ability to carry on the 114-year-old family business.

The Crandalls milk 220 Holsteins and farm 800 acres with their 26-year-old son, Brad. Another son, 20-year-old Mark, hopes to join the family operation upon graduation from Michigan State University. They make the fourth generation of Crandalls on this land.

Larry Crandall's great grandfather settled in the area north of Battle Creek in 1883. He settled within a mile of St. Mary's Lake, now a popular spot for new home construction. Like fellow farmers across the nation, the Crandalls have experienced the effects of inflation and development, causing land prices to skyrocket right underneath them.

The farm was passed along to Larry Crandall's grandfather, then to his father, then to him — with no estate tax troubles. "The inventory was never great enough up until this generation to be a problem, and that's due to inflation and economic growth," he said. "It's amazing how fast your equity builds. The equity isn't so much in our buildings, it's in the increased cost of farm equipment we've had to replace and the land that's just growing under us."

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# News in Brief



## From the President

### It's time to "Kill the Death Tax"

American agriculture is seriously threatened by one of the most unfair taxes in the system — the estate tax. Farm families work hard all their lives to build a successful farm operation that can be passed on to the next generation. Unfortunately, that next generation is often forced to sell all or part of the farm to pay the federal estate tax liability to the Internal Revenue Service. It's particularly insulting to farm families, because often the entire family is involved in the success of that operation.

Currently, estates with a gross value over \$600,000 must file a return within nine months of the owners death, unless an extension is requested. The tax rate varies from 37 percent after the \$600,000 exemption to as high as 55 percent for estates worth more than \$3 million.

Based on Internal Revenue Service figures, Michigan taxpayers shelled out roughly \$602 million in estate taxes to the national total of \$17.2 billion in 1995. On average, estates ranging from \$600,000 to \$1 million paid out \$47,000 in estate taxes in 1995. Estates over \$1 million owed an average of \$375,000 in estate taxes.

According to the 1992 Census of Agriculture, 20 to 25 percent of the 46,000 farms in Michigan exceeded the \$600,000 exemption threshold, which means that at some point in time, many of your farm operations will be subject to estate taxes. Remember, also, that estate planning doesn't work in all situations, especially in unexpected accidental deaths.

The incidence of farm liquidation, due to estate taxes, could actually accelerate in the near future since nearly 47 percent of all farm operators nationwide are 55 years or older and control about

\$360 billion in assets.

From an economic perspective, the correct tax rate for estate transfers should be zero. The income that was invested back into those operations was taxed when it was originally earned. The estate tax actually encourages immediate consumption, rather than saving and investing in the future.

On pages four and five of this issue of *Michigan Farm News*, you will find additional details about this campaign. More importantly, you'll find features of farm families from Michigan and across the country that are attempting to deal with the issue of estate taxes. Take a few minutes to read their stories and I'm sure you'll ask yourself, as I did, "What can I do to avoid similar problems in transferring my farm operation?"

You and I can do something about it. The call for estate tax reform is getting louder across the country, and in the cities, too. It's possible to achieve our goal, but Congress needs to hear from you.

Michigan Farm Bureau and your county Farm Bureau are part of a nationwide campaign to "Kill the Death Tax," a grass roots effort to reform the federal estate tax. Our campaign will urge Sen. Spencer Abraham, Sen. Carl Levin and your U.S. representative to reform the estate tax, by either repealing it or raising the per-person exemption from \$600,000 to \$2 million.

Our organization is committed to eventual repeal of the estate tax. At a minimum, however, we believe the per-person exemption should be raised from \$600,000 to \$2 million in assets and indexed for inflation. We are still a long way from having any meaningful estate tax reform. It is important for all citizens, not just farmers, to speak out on this issue and demand estate tax reform.

To participate in Farm Bureau's "Kill the Death Tax" campaign, simply write a letter to your members of Congress, prior to July 8, and send it to your county Farm Bureau. I will personally deliver the letters to Michigan Congressmen in mid-July in Washington, D.C., during the American Farm Bureau Federation's Council of Presidents' Meeting.

Take a moment today to sit down and write your lawmakers, telling them how this tax affects you on the farm and your planning for the future, how it devastates not only grieving farm families but the communities we support.

With your help, we can convince Congress that it's time to end this unfair "death tax" now.

Sincerely,

*Jack Laurie*

Jack Laurie, President  
Michigan Farm Bureau

## ORGANIZATIONAL BRIEFS

### Environmental guide reviewed

**Facts Not Fear: A Parent's Guide to Teaching Children About the Environment** by Michael Sanera and Jane Shaw. Regnery Publishing, Washington, D.C. 1996. 300pp. Reviewed by Jeff Edgens - Michigan Farm Bureau

Doom and gloom environmental scenarios presented to our children seem to be the common theme these days. Recently, some environmental books are presenting a balanced approach in environmental education; one such book is *Facts Not Fear: A Parent's Guide to Teaching Children About the Environment*.

In this book, parents are walked through many of the environmental concerns described in our children's textbooks. Topics range from trends in today's schools, a lack of scientific understanding in most textbooks, and a failure to consider economics in environmental education. There are also chapters on water, air, recycling, the myth of a garbage crisis,

chemicals in the environment and others. The book is critical of government solutions to environmental problems. Many of today's environmental problems stem from poor government policies and a failure to consider economic incentives. The market often is the best conservation tool available. Economics and science, coupled with increases in technology, can solve many of the so-called impending ecological disasters claimed by environmentalists.

Each chapter in *Facts Not Fear* concludes with the most frequently asked questions from children, and it provides parents with answers. A series of activities, experiments and simple observations drive home many of the points expressed in the chapters.

In summary, human creativity and technological advances are shown to be the best tools for environmental protection. Government regulations are clearly not the answer. *Facts Not Fear* clearly shows that the only thing we should not fear ... are facts. ■

### Tickets just \$5 available in advance only **Agriculture's Summer Celebration Ticket Order Form**

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### Last chance to order Agriculture's Summer Celebration tickets!

This is it — your final chance to order your \$5 ticket to the biggest event happening at Ag Expo '97. On Tuesday, June 24 all Farm Bureau members are invited to the official opening of Michigan State University's Anthony Hall — thanks to the \$70 million Livestock Initiative, which has revamped its facilities.

Formerly known as Summerfest, Agriculture's Summer Celebration has moved to the Tuesday of Ag Expo week and will offer a steak or pork dinner and all the extras to fill out the menu while enjoying the fellowship of other producers and commodity organizations from across the state.

Everyone will get their chance to see the new facilities that were created as a result of the initiative and the work done to secure the next generation of research and education on behalf of Michigan's animal agriculture. Farm Bureau members will get an opportunity to tour new teaching facilities for dairy, swine and turkey, and the newly renovated Anthony Hall and Meats Laboratory.

The celebration, sponsored by MSU, Michigan Farm Bureau, Michigan Livestock Exchange and Michigan Milk Producers Association, will include a commemoration of the Livestock Initiative at Anthony Hall. The Michigan Pork Producers, Michigan Beef Industry Commission, Michigan Sheep Breeders, United Dairy Industry of Michigan, Country Fresh, Michigan Horse Council, Thorn Apple Valley, Michigan Potato Industry Commission and Michigan Bean Commission will also be a part of the event. ■

### The fine points of grazing at 1997 grazing schools

Farmers, agency personnel and others interested in managed rotational grazing (MRG) should plan to attend the Great Lakes Grazing Schools, July 9-11, at Kettunen Center, Tustin, Mich.; and Oct. 7-9, at W.K. Kellogg Biological Station, Hickory Corners, Mich.

Topics include setting goals with grazing, designing a grazing system, paddock layout and watering systems, feed and breeding strategies on grass, nutrient cycling in pastures, outdoor fencing demonstration, and forage identification.

Speakers include Rich Leep, Michigan State University forage research specialist; Ben Bartlett, MSUE livestock/dairy agent; Mike Ruselle, USDA-ARS soil scientist; and Hank Bartholomew, Ohio State University Extension grazing specialist. Several grazing producers will also present their strategies and participants will tour a grazing farm.

Benefits of MRG can include improved farm

economic stability, increased forage yield and quality, lower herd health costs, lower negative environmental impacts, and a high degree of residential community acceptance.

Cost for the school is \$195, which includes the manual, meals and overnight lodging. Commuter rates are also available. Registration deadlines are July 1 (Kettunen Center) and Oct. 1 (Kellogg Biological Station).

For more information, call the Michigan Grazing Network Coordinator Steve Deming at 616-671-4665 or e-mail: [sdeming@ccm.tdsnet.com](mailto:sdeming@ccm.tdsnet.com)

The Great Lakes Grazing Schools are coordinated by the Michigan Hay & Grazing Council, with support from the Sustainable Agricultural Resource Education project (SARE). The Michigan Hay & Grazing Council is a nonprofit organization dedicated to improving forage production, utilization and marketing in Michigan. ■

### FDA bans animal parts from livestock feed

Even though it has found no signs of "mad cow disease" in American cattle, the U.S. government banned virtually all slaughtered-animal parts from U.S. livestock feed. Officials were worried of a possible link between the feed and bovine spongiform encephalopathy.

Animals can obtain the brain disease by eating the tissue of other infected animals. To ensure that U.S. livestock remains disease-free, the Food and Drug Administration ordered the ban.

The new rule will take effect in two months. ■

### Do kids know what it means to 'be green'?

For many school children, it's fashionable to claim they want to protect the environment. Being "green" is the in thing these days. But do children really know what it means to "be green?"

A study conducted in Wisconsin elementary schools reveals children are not receiving much knowledge of ecology in the classroom. The study, conducted by the University of Wisconsin-Stevens Point's Center for Environmental Education, blames school districts for not providing environmental studies.

"What we found with the youngsters is an

overwhelming interest in environmental quality," said Randy Champeau of the Center. "But we found their ecological knowledge was low. It's just not a core part of their lifestyle yet."

Of the 3,600 fifth graders and high school students surveyed, a majority scored between 58 percent and 65 percent (out of a possible 100 percent) on a standardized test. A score of 70 percent was passing.

A survey conducted by the Center said that half of 915 teachers surveyed said their school districts didn't have plans to offer environmental education. ■

### Ag groups urge: Keep ethanol tax incentive

The American Farm Bureau Federation has been joined by 32 other agriculture groups in urging Congress to oppose renewed efforts by the House Ways and Means Committee to repeal tax incentives for ethanol-blended gasolines.

"Numerous studies have demonstrated that the federal ethanol program is good for the economy, for the environment, and for farmers and rural communities," the organizations stated in a letter to House Speaker Newt Gingrich and House Minority Leader Dick Gephardt.

The agriculture groups said removal of the ethanol excise tax exemption would hurt the nation's farm economy. The letter notes, "Overall, farm income would decline by \$120 million the first year and by \$1.2 billion per year by 2006," according to a recent report by the Food and Agriculture Policy Research Institute.

The organizations reminded the congressional leaders of the economic benefits of ethanol. A report released by the Midwestern Governors' Confer-

ence states that the ethanol industry offers significant economic benefits both to rural communities and the government.

The report credits ethanol with providing 192,000 domestic jobs; increasing farm income by \$4.5 billion a year; adding \$450 million yearly to state tax receipts; improving the balance of trade by \$2 billion; and saving the federal budget more than \$3.6 billion.

"Farmers are committed to balancing the federal budget," the groups wrote. "Agriculture accepted elimination of deficiency payments with the promise of a market-oriented farm program with less federal support. The federal ethanol program is an example of the market opportunities that we have to maintain to successfully make the transition from supply control farm programs.

"Tax incentives are building an important, value-added domestic energy industry, just as federal incentives aided the development of the U.S. oil and gas industries," the letter stated. ■

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# Capitol Corner

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

**NATIONAL**

## Action requested to Kill the Death Tax

Congress and President Clinton have reached agreement on balancing the federal budget by 2002 -- agreements calling for \$135 billion in tax cuts. Among the specific taxes listed to be cut as part of the agreement is the federal estate tax, more aptly named the death tax. It is now up to Congress to decide how to cut the death tax.

The current federal death tax exemption is \$600,000. This exemption was established 16 years ago in 1981. Since that time, inflation has eroded the value of the exemption considerably. If the \$600,000 exemption had been adjusted annually for inflation since 1981, the exemption would be \$838,000 today. It is not uncommon for a family farm estate to exceed \$600,000 in value.

The value of an estate that exceeds the death tax exemption can be taxed at a rate as high as 55 percent. The death tax owed to the Internal Revenue Service can create several obvious problems including, but not limited to, the following:

- Money may have to be borrowed to pay the death tax. This can leave the heirs to a farm operation with a loan that must be repaid but does not generate any income to make the payments.
- A portion of the farm may have to be sold to pay the death tax. The remaining part of the farm may not represent a viable economic unit to allow the heirs to earn a living from the remainder of the farm.
- The entire farm may have to be sold to pay the death tax. This will often result in the farm being sold for development purposes, which means

the permanent loss of farmland.

With the balanced budget agreement and the separate introduction of 38 different bills to repeal or reform the death tax, it is clear that considerable support exists to address the issue. However, it is necessary members of Congress bear from a large number of their constituents that the federal government should not impose a tax on the death of a person who owns property.

To make sure Congress hears from a large number of constituents, Farm Bureau has organized a Kill the Death Tax campaign. The goal of the campaign is to have a minimum of 1 percent of all Farm Bureau members write U.S. Sen. Spencer Abraham, Sen. Carl Levin and their U.S. representative and ask them to vote for repeal or significant reform of the federal death tax.

Members should write one letter addressed to both of their U.S. senators and one U.S. representative. Follow the format on page 5.

All the letters should be sent to, or dropped off at, the members county Farm Bureau office no later than July 8. On July 14, all of the letters will be taken to Washington, D.C., by President Jack Laurie and personally delivered to Sen. Abraham, Sen. Levin and each of the appropriate U.S. representatives. The Kill the Death Tax campaign is being conducted by every state Farm Bureau and will result in thousands of letters from members across the nation being delivered to Congress.

**MFB contact:** Al Almy, ext. 2040. ■

**NATIONAL**

## Hazardous material transportation

Last year, the U.S. Department of Transportation issued proposed regulations for the intrastate transportation of hazardous material within each state. If given final approval, the federal government would, in effect, be telling the state of Michigan specifically what it must do to regulate the transportation of hazardous material within its borders.

Currently, each state establishes its own regulations concerning the transportation of hazardous materials. The proposed regulation would force farmers who move fertilizer, pesticides and fuel from farm to field and from field to farm to comply with the same requirements as commercial over-the-road haulers moving from state to state. The requirements include such things as placarding, obtaining shipping papers and maintaining a 24-hour emergency response telephone line.

Farm Bureau strongly opposed the proposed regulation because of the adverse impact it would have on many farmers. Further, the quantity of fertilizers, pesticides and fuel transported from farm to

field and back by many farmers is not large enough to pose a significant risk to public health. The University of Illinois conducted a study to determine what the financial impact would be for an average farm to comply with the proposed rule change. The university estimated that it would cost the average farm \$2,070.

Michigan Congressman Jim Barcia (D-Bay City) has introduced H.R. 1619 to provide for farm-related exceptions from hazardous materials transportation. The legislation provides that any provisions of a final rule relating to intrastate transportation of hazardous materials shall not take effect with respect to not-for-hire intrastate transportation by farmers and farm-related service industries before Oct. 1, 1999, or until authorization of appropriations for fiscal year 1998 to carry out the regulation, whichever is later.

**MFB position:** Michigan Farm Bureau supports H.R. 1619.

**MFB contact:** Al Almy, ext. 2040. ■

**STATE**

## Road money from the Rainy Day Fund

S.B. 225, introduced by Sen. Glenn Steil (R-Grand Rapids), would use a one-time appropriation of the interest from the Countercyclical Budget and Economic Stabilization Fund (Rainy Day Fund) and use it to repair roads. This would amount to a \$69 million increase in road funding for

fiscal year 1996-97. The money from this bill would be immediately available for road repair this construction season.

**MFB position:** Farm Bureau supports SB 225.

**MFB contact:** Tim Goodrich, ext. 2048. ■

**STATE**

## Natural Resources and Environmental Protection Act amendments

Rep. Michael Prusi (D-Ishpeming), along with numerous other sponsors from the House of Representatives, has introduced H.B. 4792.

H.B. 4792 would provide that native cats, bears and wolves in captivity would require a permit

from the DNR and prohibits the breeding of dangerous wild animals. The bill also prescribes the care that is to be given to the animals.

**MFB position:** MFB has no current position.

**MFB contact:** Ron Nelson, ext. 2043. ■

**STATE**

## Regulation and prohibition of certain dangerous exotic animals

Rep. Michael Hanley (D-Saginaw) and more than 30 other legislators have introduced H.B. 4791 dealing with the regulation of certain dangerous exotic animals.

H.B. 4791 would require a permit and prescribe the standards for housing and containing dangerous exotic animals. Included would be the large cats (lions and tigers), bears and other non-human primates that are not native to Michigan.

The Department of Agriculture would be the lead agency and a permit application process is outlined. Included in the permit are health requirements and housing standards with specific requirements for the containment structure to protect the public from potential disease or attacks by the animal.

**MFB position:** Farm Bureau has no position on the bill at this time.

**MFB contact:** Ron Nelson, ext. 2043. ■

## Animal rights gone wrong

More than 10,000 mink were recently released from cages at a farm near Portland, Ore., resulting in the deaths of thousands of the animals, in what some in the fur industry call the largest act of "eco-terrorism" ever. As of yet no group has claimed responsibility for the break-in and release of the animals last Friday.

The farm owner, Rick Arritola, said intruders bypassed an alarm system at his farm to release the animals. Arritola said he was able to retrieve only about 1,300 female mink, but they will not be able

to provide enough nourishment for cages full of dying babies that had not yet been weaned from their mothers. More than half of the animals released were expected to die from exposure, injuries from fighting with each other or from trauma. Visitors to the farm reported seeing bags of dead animals piled up.

"The animals have been so traumatized that many won't make it," said Marsha Kelly of the Fur Commission U.S.A., a mink and fox farming group. "There were thousands of dead mink in the yard." ■

## USDA makes milk order recommendation

The Agriculture Department has recommended that the number of federal milk marketing orders be consolidated into 11 orders. Currently, there are 32 orders that establish minimum prices in areas where handlers or dealers must pay producers for milk.

The department earlier had recommended the number of orders be reduced to 10. It revised its proposal, however, following the release of an updated and more detailed analysis of the distribution and procurement patterns of fluid milk processing plants. Other factors also led to the revision.

The 1996 Federal Agricultural Income and Reform Act requires the Agriculture Department to

consolidate the milk orders by April 1999. The dairy industry and the public had until June 15 to comment on the proposals.

The American Farm Bureau Federation has formed a working group to study milk market order reform. The group is charged with reviewing USDA proposals and advising the AFBF board of directors on the issue.

The Agriculture Department's proposal recommends the new orders to cover 11 areas: the Pacific Northwest, the West, Arizona-Las Vegas, Southwest, Central, Upper Midwest, Southeast, Mideast, Appalachia, Florida and the Northeast. ■

## Pig rustlers targeting N.C. hog farms

A series of livestock thefts from North Carolina hog farms has producers in several eastern North Carolina counties on the lookout. The thefts, mostly involving finished market-weight hogs, have cost producers about \$50,000 thus far.

Since March, thieves have stolen at least 300 hogs from farms in Sampson, Bladen and Duplin counties. Law enforcement authorities have arrested several suspects, but are still at a loss to explain the sudden surge in livestock thefts.

"We haven't had anything of this magnitude as

long as I've been here," said Sampson County Sheriff Buck McCullen, who has ordered his detectives to work around the clock to catch the perpetrators. "Before, you might have missed a hog every once in a while, but nothing like this."

The recent thefts have forced larger operations, like Murphy Farms and Prestage Farms, to hire night security guards and pay for night-time surveillance flights.

Many of the animals found in the custody of one suspect were underweight and some were injured. ■

## NDC members approve price adjustment

Farmers in the Northeast Dairy Compact (NDC) have approved a proposed price increase for milk, which would set a minimum price to milk processors of \$16.94 per hundredweight on all milk sold for consumption in New England.

The price increase, however, is not a certainty. The legality of the dairy compact is being chal-

lenged in federal court, and a judge is expected to determine by the end of June whether the compact is constitutional.

If the judge rules in the compact's favor, the price adjustment would go into effect at the beginning of July and would last until Dec. 31. The compact then would re-evaluate the price adjustment. ■

**STATE**

## Single Business Tax Act

H.B. 4773, introduced by Rep. Kirk Profit (D-Ypsilanti), has been approved by the House and sent to the Senate for consideration.

The Department of Treasury auditors have determined that a landscape contractor would be liable for Single Business Tax (SBT) on purchases of nursery stock being planted by the contractor on an individual's property. The determination was made on the basis that the contractor was the consumer and thus it was a retail transaction. Until recently, Treasury had not been collecting the SBT on the

assumption that the contractor was merely an agent for the final consumer. However, following an audit, the determination was made to collect the SBT.

H.B. 4773 clarifies that the retail marketing of agricultural goods is liable for the SBT but it does not include agricultural goods sold to a contractor used in the business of constructing, altering, repairing, or improving real property.

**MFB position:** Farm Bureau supports the clarifying language.

**MFB contact:** Ron Nelson, ext. 2043. ■

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Ellen's Equipment .....	McBain	Schettinheim's .....	Milan
Heritage Equipment .....	Chesaning	West MI Power & Equipment .....	New Era
Hofferbert Sales .....	Bannister	William's Farm Machinery .....	Charlotte

## Family hopes estate planning can protect family heritage

Continued from page 1

The estate tax is levied on the value of all assets, so while some farmers may appear to hold a great deal of wealth on paper, it's all tied up in land. Developers in the Crandalls' area would willingly pay upwards of \$2,000 an acre for land, a severely inflated price.

"It's unreal how the prices have gone for land," Gloria Crandall said. "When you look at what you paid for things and the value now, it's scary."

"We're trying to make a living off the land that's here, trying to make a living for the next generation," she said, summing up her family's situation.

While federal law allows for a \$600,000-per-person exemption from the estate tax, it isn't enough to protect the family. "We're over the exemption," Larry Crandall said.

In anticipation of the future, they have done some heavy-duty estate tax planning in hopes of avoiding ever having to sell land upon someone's death. They hold living trusts and invest in a retirement plan. An attorney recommended non-revocable trust insurance, which the named beneficiaries may use to pay off death taxes. Brad is

beginning to build equity in the cattle and machinery to allow for a smooth transition.

"If you are going to keep everything in the family, you have to inherit it — you can't afford to buy it," Brad Crandall said. "If you have to sell it, then you can't be in business anyway."

"We're going to gift things over as quickly as possible," Larry Crandall said of his children. They'll take advantage of the \$10,000 per year gift tax exemption. "We'll transfer equity as fast as we can and keep enough of a base to live on," he said.

"With our facility, it's old and it's paid for," Crandall continued. "We have very little debt." That such a carefully run business could be taxed right out of existence seems incredibly unfair to him.

"We need to reduce capital gains and increase the exemption for estate taxes," Crandall said, emphasizing the importance of agriculture to the economy and welfare. "We're not asking for special privilege."

If the federal estate tax isn't reformed — and soon — Larry Crandall and his family aren't sure what will become of the business they've worked so hard to build. "We can't afford to die," he said. ■

## "We're farmers, we're not tax professionals"

Sam Dolcini is a fifth generation California farmer. His family raises beef and dairy cattle on a site with a dazzling view of the Pacific Ocean, an hour north of San Francisco in Marin County. The Dolcins have farmed the land since before Abraham Lincoln was president. Over the years, the land's value has ballooned; it's now valued more for its luxury home development potential than for agricultural use.

High land values mean high taxes, and that's what Dolcini is most worried about. He wants to continue the family farming tradition, but before he can inherit the farm he may inherit "one hellacious tax bill."

Dolcini said his family is attempting to plan ahead with the help of tax professionals and by buying insurance, but that won't eliminate the tax burden they'll be assessed with.

"We're farmers, we're not tax professionals," he said. "Farming is what we do best and it's what we'd like to continue doing. I'd love to spend more money on increasing the efficiency of this place. But instead we have to spend time and resources trying to figure out this labyrinth of tax rules."

Dolcini said he does not think farmers should avoid taxes altogether. "I have no complaint with paying taxes on the land based on its worth as agricultural land and not what a speculator can get for it," he said.

Older generations of Dolcins could have sold the land many times for more money than they'd make farming, but Sam Dolcini is glad they didn't.

"Then I wouldn't have had my opportunity to farm," he says. "And I'd like to see the farm passed on to the next generation." ■

## Woman would rather be farming than worrying about estate tax planning

Mary Hawk is an energetic woman who enjoys little more than running her farm market and spending time with her three young children, ages 7, 8 and 9.

It's clear that this is the lifestyle for her. It's also clear that she'd rather be farming than worrying about estate tax planning.

Her father and a brother grow 1,800 acres of sweet corn, pumpkins and other products for the wholesale market. She farms some land on her own and runs a farm market.

Hawk, a third generation farmer, is quick to point out that her children just might comprise the fourth generation someday. Though her children have yet to reach adolescence, she wants to plan for their future and hopes there will still be a farm for them to call their own. "They know that it's here if they want it. But they've been told they'll have to work for it."

The eldest, 9-year-old Mary, has already completed a rite of passage. She's gets to help bag sweet corn. Andrew and Rachel, the youngest, like to help customers and do chores at the roadside stand.

Mary is also worried about keeping the farm for her own generation.

It was 1919 when the beginnings of urban sprawl from metropolitan Detroit pushed her grandparents from their farm near the corner of Ford and Vernois roads in Garden City. They purchased a farm off Ridge Road in Canton and now, that may be in jeopardy.

Hawk knows if her parents die anytime soon, the family legacy could die, too. In the suburban area where rows of houses replace rows of corn, it's certain that, if sold to pay estate taxes, the land will leave agriculture forever. "We know that if it's sold, it's going to go to housing. That's all that is in this area."

Just a quarter mile down the road from the farm market, a sign touts "Coming soon: new homes from the \$220s."

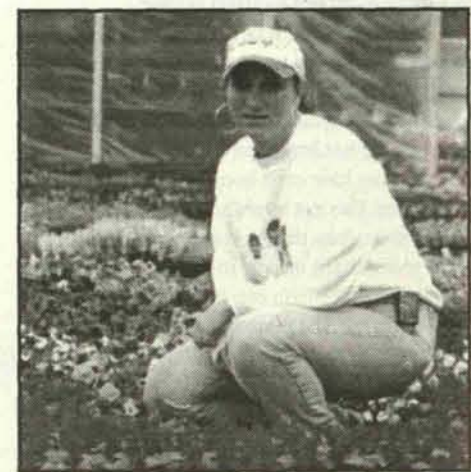
"We know we'll eventually have to buy land farther south," Hawk said. "We can't stop the push-

the progress - that's happening here." And they can't afford to compete with land prices either, which she says average around \$20-25,000 an acre. But she'd much rather move the farm than lose it altogether to pay taxes.

According to Hawk, some folks not familiar with agriculture might see the value of her family's farm assets as high. "A lot of that is tied up in land," she said. "There's no way we would be able to pay off the estate tax. We'd have to sell off the business."

Hawk isn't just riled up because estate taxes could threaten her family's heritage. She also says the tax is just plain unfair. "What are they taxing? They're taxing inflation," she said. "On top of that, when you have to sell off the property, you get hit with capital gains. It's a double whammy!"

"By overtaxing the small businesses, they've made it very hard," she continued. "The estate tax is a big cloud hanging over a lot of family farms." ■



Mary Hawk operates a farm market and farms with her family in Wayne County. As evidenced by the pictures of three smiling children emblazoned on her shirt, she's also a proud mother of three.

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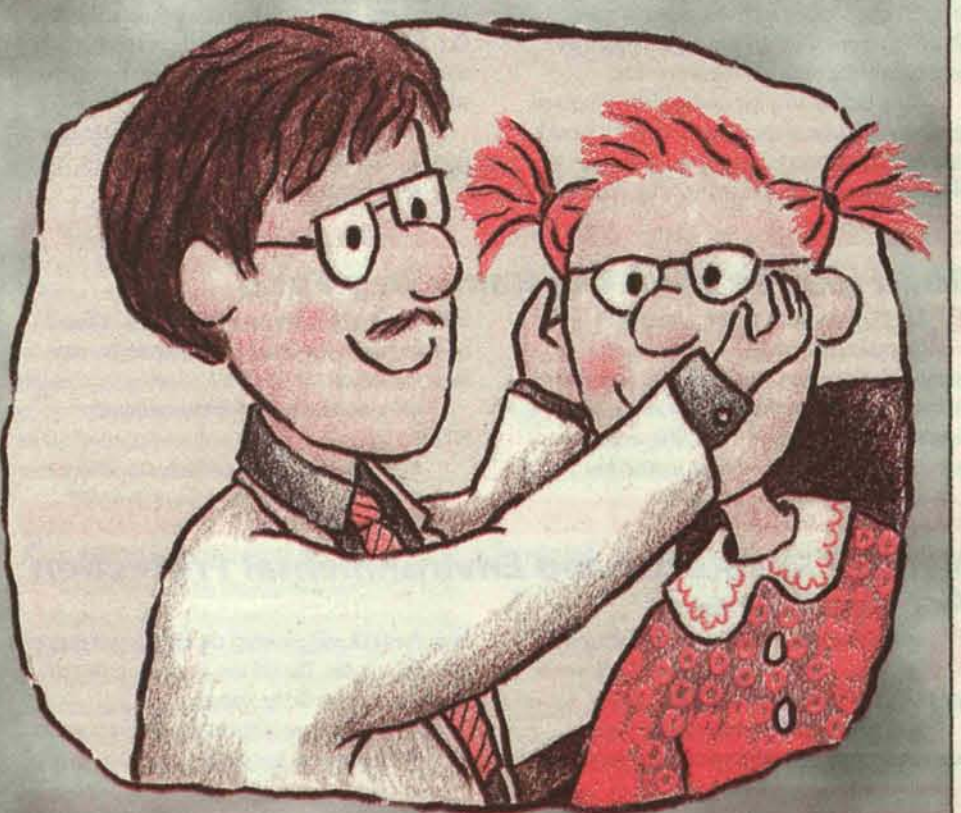
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# Farm Bureau's campaign to Kill the Death Tax

## How the death tax affects farm families

It's a sad story we hear all too often — a farmer dies and the family is forced to sell all or part of the farm just to pay the federal estate tax. This "death tax" is unfair, levied on farmers who have already paid taxes on the land, the profits, inputs and improvements. Here's why people across the nation are writing their representatives in Washington, urging them to "Kill the Death Tax."

- Last updated in 1981, the death tax can swallow up to 55 percent of an estate. Although the law exempts assets up to \$600,000 per person, the exemption is often inadequate.
- If this \$600,000 exemption had been indexed for inflation over the years, the number would be much higher, at \$838,000.
- Estate tax planning often isn't enough to save farm families from paying the high taxes or selling land to cover the costs. Plus, the planning

costs time and money — sometimes in excess of \$5,000 — that could be invested into the operation today.

- When farmland is sold to pay estate taxes, it is often developed and leaves agriculture forever. Until estate taxes are ended, Congress should change the law to permit \$2 million worth of assets, indexed for inflation, per person to pass tax-free at death. When assets are worth more than \$2 million, estate tax rates should be cut in half.

### What you can do

**At some time in our lives, estate taxes will affect us all. Join the nationwide effort by writing a letter to your legislators urging repeal of the death tax.**

Encourage other family members and friends to write, too. One letter to Sen. Abraham, Sen. Levin and your U.S. representative is sufficient; we'll take care of the copying. Michigan

Farm Bureau President Jack Laurie will collect your letters and personally deliver them to our senators and representatives in their Washington offices July 15 and 16.

### What to include in your letter

- How the death tax affects your family's ability to pass your farm on to future generations.
- That you support repeal of the estate tax or, at the very least, an increase in the exemption to \$2 million, indexed for inflation.
- Ask your representatives to support this federal estate tax reform.

Letters are **due July 8**. Mail yours to your county Farm Bureau office or to: Michigan Farm Bureau, Attention: Jack Laurie, P.O. Box 30960, Lansing, MI 48909-8460, fax (517) 323-6541. Send e-mail to [estatetax@aol.com](mailto:estatetax@aol.com).

Questions about the campaign? Call Al Almy, MFB's public affairs director, at (800) 292-2680, ext. 2040. ■



## Even debt-free farms are hamstrung by death tax

Within hours after her father's 1993 funeral, Idaho rancher Lee Ann Ferris experienced the second most devastating event of her life, when the family accountant told her there would be no way to keep the ranch when her mother passed away.

"I was like a dazed deer looking into headlights," she said. "I said, 'How could this be? We own this land. We paid this land off.'"

Ferris related her story to a Senate Finance Committee that was hearing testimony on the estate tax. Proponents of tax reform say it is needed to help family farms and businesses survive and promote traditional values.

Ferris told the Senate Committee that the accountant explained to her that, upon her mother's death, the heirs would be liable for \$3.3 million in taxes on an operation grossing only \$350,000 annually.

She then talked about costly estate planning, part of which involved buying a life insurance policy for her elderly mother, solely for the purpose of paying off a third of the estate tax. That would still leave the family with a \$2 million-plus tax bill.

Millions of Americans, farmers, ranchers, small businesses and private property owners face a similar grim situation. If the estate assets are worth more than \$600,000, the federal government, in classic ambulance-chaser style, will come calling for what it claims is its share, as soon as the funeral is over.

"Farmers and ranchers work long, hard hours over a lifetime to build their businesses," says Charles Kruse, a member of the American Farm Bureau Federation board of directors and president of the Missouri Farm Bureau Federation. "Often, farm heirs must sell business assets to pay estate taxes. When taxes drain capital from a farm business, the profit-making ability of the farm is destroyed and the farm business dies."

"Farmers and ranchers should be able to save for the future without having to worry about sharing the outcome of their efforts with the federal government, especially after already paying a lifetime of income taxes. Along the way, they paid income taxes on their earnings. It is wrong to tax those earnings again at death."

In the grand scheme of things, the federal government reaps relatively little revenue from

estate taxes. Estate taxes generated just \$17.2 billion (out of \$1.4 trillion in federal revenues collected) in fiscal 1996, according to the Office of Management and Budget. Estate taxes produced only 1 percent of federal receipts that year. Yet, the impact of the death tax on heirs of an estate is devastating, often wiping out the estate and leaving the heirs deeply in debt.

American production agriculture is primarily a family enterprise-based industry. Many farm and ranch operations "stay in the family" as they are passed down from one generation to another. In fact, approximately 45 percent of young farmers today either received their land as an inheritance or gift, or purchased it from a relative, according to an Agriculture Department analysis of 1988 census data. Only 0.4 percent of the farms and ranches in the United States are not family-owned and -operated.

It can cost hundreds of thousands of dollars in estate and capital gains taxes to keep a farm or ranch in the family. As a result, many farmers are forced to sell property that has been in the family for generations just to pay their tax bills. ■

## Case acquires site-specific software firm

In a move that bolsters its position as a leader in agricultural technology, Case Corp. has acquired Agri-Logic, an innovative developer of software in the emerging market for precision farming.

Agri-Logic's easy-to-use software gives farmers greater options and data in managing fields for maximum profit. The acquisition will enhance Case's Advanced Farming Systems (AFS) line of products aimed at improving the productivity of customers practicing precision, or site-specific, farming.

Agri-Logic's lineup of crop history, yield mapping and weed control software represents a valuable farming tool. It provides strategic information that farmers use in making decisions on tillage practices, seed varieties, herbicides, rates of nitrogen and preferred planting dates.

### Widespread compatibility

Agri-Logic's Instant Yield Maps give farmers four separate ways to visualize yields. The Yield Maps and Instant Survey Professional software programs are recognized for their widespread compatibility with other industry programs.

Recently, Agri-Logic distinguished itself by introducing the first mapping software for hand-held computers equipped with Microsoft's new Windows CE operating system.

"This new hand-held computer mapping soft-

ware is a major innovation, both for agriculture and other industries," says Jim Stoddart, vice president, Case IH Advanced Farming Systems. "Agronomists can walk fields and enter information into these computers. The geographic and agronomic data then can be layered over yield or soil maps, integrating fully into the AFS system."

### An open architecture

Summing up the acquisition, Stoddart notes: "The compatibility of Agri-Logic's products with multiple brands of precision-farming equipment is consistent with our objective of providing improved products for customer profitability. They have an open architecture that gives farmers the ability to use data interchangeably with many sources and equipment."

Case purchased Agri-Logic from Fluid Power Industries. Terms of the agreement were not disclosed.

Case Corp., which is headquartered in Racine, Wis., is a worldwide designer, manufacturer and distributor of agricultural and construction equipment. It had revenues of \$5.4 billion last year. The company's products are sold through a network of 4,100 independent dealers and distributors in more than 150 countries. Case Credit Corporation, a wholly owned subsidiary of the company, services a portfolio of \$4.3 billion of agricultural and construction equipment financing and leasing contracts. ■

## Michigan cattle producers to travel to Ohio

The Michigan Cattlemen's Association (MCA) will not be holding their typical Summer Round-Up this year. Instead, MCA has opted to combine with the Ohio Cattlemen's Association which will be hosting the Ohio Summer Round-Up and the National Cattlemen's Beef Association (NCBA) Region I meeting. This gives Michigan producers the opportunity to participate in a meeting of the national organization, tour Ohio farms and, enjoy the typical Round-Up activities.

MCA has scheduled a bus tour to take any interested individuals to Ohio. The bus will be leaving on the morning of Friday, June 27, 1997 and picking up participants at designated stops in East Lansing and Ann Arbor. The bus will be returning to

both stops on Sunday afternoon, June 29, 1997.

Planned activities include several cattle tours, educational programs, focusing on quality and consistency, a summer picnic, tour of Select Sires and Select Embryos, and an ox roast with live bands and dancing.

The tour cost is only \$235 for double occupancy and \$315 for single occupancy. This price includes bus transportation, two nights hotel accommodations, Friday and Saturday lunch and dinner, educational programs, registration for both Round-Up and the NCBA Region I meeting, and all of the farm stops. There is still time to reserve your seat on the bus, but they are going quickly on a first come, first served basis.

For more information, please contact the MCA office at PO Box 387, DeWitt, MI 48820. ■

## Vaccine to curb salmonella in eggs on the way?

If an Iowa State University researcher is correct in his studies, a vaccine that prevents hens from spreading salmonella to their eggs could become available. The vaccine would help control a source of food poisoning in humans.

Microbiologist Theodore Kramer developed the vaccine, which targets the bacteria that causes salmonellosis. The bacteria are found in the intestinal tracts of animals and humans, and are easily spread. The vaccine is administered to hens in their drinking water.

"The effects of salmonellosis can be far-ranging," said Kramer. "A contaminated food product produced in a large quantity and distributed widely can cause illness in several states."

Chicken eggs account for about half of the U.S. human salmonellosis cases. ■

## PDR Program overwhelmed by applications

Continued from page 1

County	PDR applications	County	
Clare	1	Macomb	1
Clinton	42	Mason	3
Eaton	13	Mecosta	18
Emmet	5	Missaukee	1
Genesee	12	Montcalm	42
Grand Traverse	14	Muskegon	16
Gratiot	5	Newaygo	1
Hillsdale	20	Oakland	1
Huron	4	Oceana	28
Ingham	42	Osceola	1
Ionia	10	Ottawa	16
Iosco	1	Saginaw	18
Isabella	3	Sanilac	38
Jackson	23	Shiawassee	4
Kalamazoo	3	St. Clair	26
Kalkaska	6	St. Joseph	5
Kent	28	Tuscola	2
Lapeer	16	Van Buren	23
Leelanau	38	Washtenaw	40
Lenawee	54	Wayne	1
Livingston	28	Wexford	1
		<b>Total</b>	<b>784</b>

## Some facts about federal estate tax law

Last updated in 1981, the law provides a \$600,000-per-person exemption from estate tax.

The maximum estate tax rate is 55 percent. The law also provides a \$10,000-per-year gift tax exemption.

### Farm Bureau-supported legislation

**H.R. 1299, by Reps. McCrery (R-La.), Dunn (R-Wash.), Herger (R-Calif.) and Christensen (R-Neb.) would:**

- Increase the estate tax exemption to \$1 million by 2002
- Grant additional relief for family-owned businesses and farms
- Adjust for inflation the maximum benefit under Section 2032A, special use valuation
- Exclude land under a conservation easement from taxation.

**S. 479, by Sens. Grassley (R-Iowa) and Baucus (D-Mont.), would:**

- Increase the estate tax exemption to \$1 million by 2002
- Provide additional relief for family-owned businesses and farms
- Extend the period for estate tax deferral installment payments from 10 to 20 years
- Increase the amount that property values can be reduced under section 2032A to \$1 million
- Clarify that cash-renting land to a relative does not trigger recapture of forgiven estate tax under Section 2032A.

### Tax relief is needed so that:

- Families aren't forced to sell part or all of their farms to pay the tax
- Farmers and ranchers don't have to spend time and money on tax planning that could be better used to operate their businesses
- Farm and ranch land stays in agriculture instead of being sold for development. ■



# Market Outlook

by Dr. Jim Hilker,  
Department of  
Agricultural Econom-  
ics, Michigan State  
University



## CORN

**H**EAT, WARMTH, but not too hot, and perfect rains please. Is that asking too much? After May temperatures in Michigan averaged 10 degrees below normal and 2 degrees below the previous coldest May, I think not. While Michigan was cold, so was most of the Corn Belt. Corn sat in the ground for up to 4-5 weeks before emerging in many areas. While plantings ran well ahead of the 5-year average over most of the Corn Belt, emergence was only a little ahead.

Generally, early plantings increase the odds for above average yields, and the USDA raised their expectations 2 bushels per acre above trend in their May supply estimate for the 1997 corn crop. It will be interesting to see if they left it there in their June 12 estimate after the cold spring has the crop condition ratings below normal and flooding in southern Ohio and Indiana have probably lowered their potential.

On the other hand, a couple of warm weeks over the whole Corn Belt, and a warm rain over the western areas, and we could be looking at record corn production with the huge acreage. On the other hand, we have most of the growing season to go. What would a drought do or continued cold weather? I'm now out of hands.

If you have old crop corn left, the basis is very tight so don't be paying storage; have it on a basis contract and strongly consider being ready to move it on the next rally. If you have much left, consider moving most of it if July futures recover to \$2.80. If

## Seasonal Commodity Price Trends

Corn	?
Soybeans (explosive)	↑ ↓
Wheat	↔
Hogs	↔ ↑
Cattle	↔ ↓

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

you only have a bit left, then shoot for \$2.90-3.00.

Has new crop hit at least a temporary bottom? The most likely scenario is we will have a good crop and fall corn prices will be in the \$2.30's, but there is considerable risk in both directions. If you have already priced 25-35% of your new crop, consider waiting for a rally in December futures to approach \$2.80. However, if you have priced very little, consider starting to price aggressively if December rallies to \$2.70 and continue to price into a rally. We can't afford to deliver all of our corn this fall for \$2.20 or below and the odds are probably over 30% that could happen.

The new crop basis is still on the wide side of normal, so consider using 1997 HTAs versus a forward contract if it is true in your area. But be ready to fix the basis if we see a 5 cents or so tightening.

## WHEAT

**T**he U.S. wheat crop seemed to be making a comeback as we entered June in a production sense, prices are the pits. Check to see what the June 1 USDA Crop Production Report for wheat showed which was released June 12. The May report showed lower than trend yields for winter wheat, partially due to the earlier freeze damage, but that was early and this report should give us a better feel for just how much winter wheat we can expect.

Demand has not been strong, and with a decent crop coming on and more than adequate carry-in, it appears we will increase ending stocks again this next year. At this point, while there are downside risks, I would be tempted to hold on any further forward pricing. It appears the market has put in at least a temporary low and we really don't know much about the world wheat crop.

However, watch the markets — it wouldn't take a whole lot of negative news to make it jump. Be watching the Chicago September wheat futures for a rally towards \$4.00. Consider starting your pricing a dime or so below that, as that level may also act as a lid.

## SOYBEANS

**S**oybeans have been and will continue to be the most volatile of the three major crops. Lots of things are going on and it will be interesting to see the USDA's read on them in their June 12 Supply/Demand Report. Old crop supply continues to be very tight as demand stays strong. Crop estimates coming out of South America are lower than the May USDA estimates. The spread between old and new crop soybean prices is huge, July futures at \$8.60 minus November futures at \$6.90 equals \$1.70.

Exports keep moving along and it appears they will meet expectations by the end of August. Crush is finally showing some signs of slowing down, and it will have to in order not to run out of beans. The June 1 Stocks Report, to be released June 30, could be a shocker in either direction.

Tight U.S. old crop stocks, along with huge new crop acres, i.e., large potential new crop supplies, is causing the huge old crop/new crop price spread. This is then causing the market to make adjustments and rationing. It also creates a situation that makes it profitable to ship Brazilian soybeans into the U.S., even though they will need beans themselves in the fall to keep their crushing plants going and filling that demand. What they are doing is selling high priced beans to the U.S. market now and replacing them with our new crop beans which they will import later. The spread will not only pay for transportation, but will make them close to a dollar. This is also why we will see some unwinding of this large spread. It also means more U.S. exports in the next crop year.

Old crop soybean prices are good, the basis is tight. It's hard to justify holding on to much, if any. Use a basis contract if you do, and don't play with a lot, the price will come back together. New crop could be fun, we have reasonable prices now, and odds are low that prices will fall under efficient producer's costs of production with reasonable yields. Also, there is upside potential on weather scares. If you have 25-30% of your new crop priced, consider holding a bit to see how your crop is coming along and if we have a rally. If November futures prices do rally back over \$7.10, then be ready to start pricing some more. You may also want to decide on a downside pricing signal as well. For example, if November falls below \$6.75, it may mean a run in the other direction. For those who have

priced very little, consider getting on the ball and pricing some when November is around \$6.90. The new crop basis appears to be near normal; if true in your area, use forward contracts versus HTAs.

## HOGS

**I**f or when will expansion take place, and when will the numbers start coming? The June 1 Hogs and Pigs Report, to be released on June 27, should shed some more light on this question. The packers hope soon — gross margins have been below zero since April, and they have the excess capacity. The recent drop in lean prices (futures) has been due to weak demand from the retail level, not an increase in the farm-packer spread. Demand has been hurt by cool weather, beef specials, and cheap broilers.

The bright side of the story is prices are still good and cash prices will get higher this summer. The lowering of the Japan price gate will take place July 1 which should help with demand in a fairly big way. Exports are expected to increase significantly in the third quarter. This should bring prices back to the \$60 area.

There is the chance that the report will show this expansion is closer than expected, sow slaughter has run below the previous year and 5 year average for the past year. Consider locking in prices on some of your production out through the next year if you have not already. The August \$80 lean futures translates to \$59 live and the December \$70 is nearly \$52 live. With the likely price of corn those are very profitable prices. If you need to buy corn today's prices for both old and new crop aren't bad.

## CATTLE

**T**he effects of high placements since last fall are beginning to show up in cash prices. And, the relatively poor demand with a cool spring hurting cookouts and the effect of cheap broilers aren't helping either. Packer returns were not very good through April, but have done okay since then. This is the normal pattern as you go from tighter to more plentiful supplies.

Heifer and cow slaughter continues to run above the 5 year average, this is on top of the liquidation we saw in the January Inventory Report. This would indicate the longer-run price picture next year will improve, but at the expense to feedlots of higher feeder prices. What would be preferable is to raise prices by increasing demand here and abroad versus shrinking the industry, and that is what the industry has been working towards.

Look for opportunities to price summer cattle near \$65 or above, it wouldn't take much of a rally, \$62 cattle for a time wouldn't surprise me. October futures at \$68 and December's at \$70 aren't bad if you can't afford all the downside risk. If a rally gives you \$1-2 more, consider it.

## DAIRY

by Larry G. Hamm

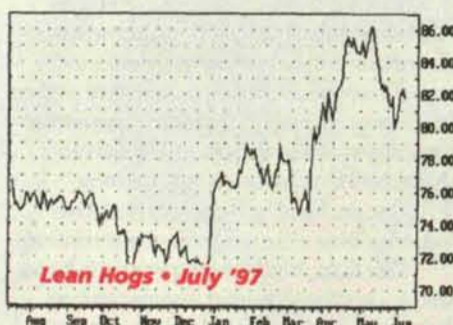
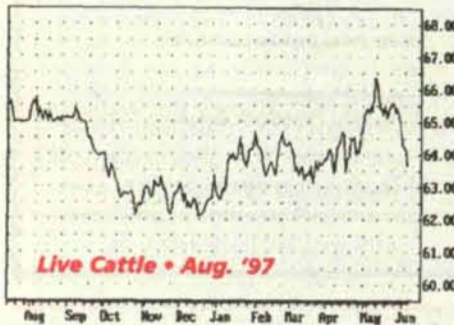
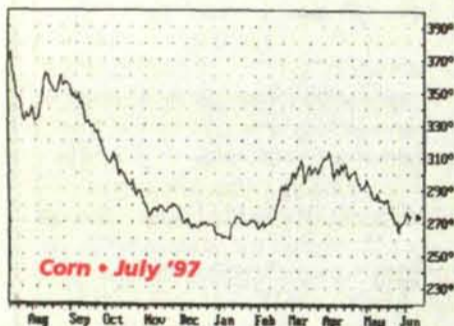
**D**airy product markets are beginning to show some improvement. However, past declines in dairy product prices will be working their way to lower milk prices over the next few months. The uncertainty as to the replacement of the National Cheese Exchange (NCE) price in calculating the Basic Formula Price (BFP) has been settled by the U.S. Department of Agriculture.

The May 1997 BFP (announced June 5) will be about \$11.00 per hundredweight (cwt.). The April BFP was \$11.44. The continued weakness in the BFP is a direct result of lower cheese prices reported in the Chicago Mercantile Cheese Exchange and the USDA-NASS cheese price series. The last time dairy markets saw BFP prices this low was in early 1993.

It appears, however, that dairy product markets are beginning to move. Over the last two weeks in May, wholesale butter prices on the Chicago Mercantile Exchange increased \$.20 per pound, reflecting a positive demand-supply balance for cream supplies in the U.S. cheese markets, however, continue to hold at their mid-May levels. Nonfat dry milk prices continue to weaken to the point where during the last week in May, the USDA's CCC purchased the first government surplus powder in several years. Milk production patterns indicate that the large surpluses of milk coming from the West and Southwest U.S. may be adversely affected by high temperatures. If so, it appears that the recent crash in farm-level milk prices may be coming to an end.

With the May BFP, the USDA will need to replace the NCE price quote in determining the BFP and the values of the various components in Federal Orders with component pricing. The USDA's National Agricultural Statistics Service (NASS) began keeping a cheese plant survey series in early April 1997. On May 30, the USDA announced that the U.S. average transaction price for cheese as report-

## COMMODITY PRICE TRENDS



## COMMODITY SUPPLY/DEMAND BALANCE SHEETS

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres set-aside/diverted	6.2	0.0	0.0
Acres planted	71.2	79.5	81.4
Acres harvested	65.0	73.1	75.1
Bu./harvested acre	113.5	127.1	131.0
<b>Stocks (million bushels)</b>			
Beginning stocks	1,558	426	909
Production	7,374	9,293	9,840
Imports	16	10	10
Total supply	8,948	9,729	10,759
<b>Use:</b>			
Feed and residual	4,696	5,325	5,600
Food/seed & ind. uses	1,598	1,670	1,760
Total domestic	6,294	6,995	7,360
Exports	2,228	1,825	2,050
Total use	8,522	8,870	9,410
Ending stocks	426	909	1,349
Ending stocks, % of use	5.0	10.3	14.3
Regular loan rate	\$1.89	\$1.89	\$1.89
<b>U.S. season average</b>			
Farm price, \$/bu.	\$3.24	\$2.75	\$2.45

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres set-aside & diverted	5.2	0.0	0.0
Acres planted	69.1	75.6	69.2
Acres harvested	60.9	62.9	61.0
Bu./harvested acre	35.8	36.3	37.1
<b>Stocks (million bushels)</b>			
Beginning stocks	507	376	465
Production	2,182	2,282	2,262
Imports	68	90	90
Total supply	2,757	2,748	2,817
<b>Use:</b>			
Food	883	895	910
Seed	104	102	100
Feed	153	300	250
Total domestic	1,140	1,297	1,260
Exports	1,241	985	1,000
Total use	2,381	2,282	2,260
Ending stocks	376	465	557
Ending stocks, % of use	15.8	20.4	24.7
Regular loan rate	\$2.58	\$2.58	\$2.58
<b>U.S. season average</b>			
Farm price, \$/bu.	\$4.55	\$4.35	\$3.90

(Million acres)	Estimated 1995-1996	Projected 1996-1997	Hilker 1997-1998
Acres planted	62.6	64.2	68.8
Acres harvested	61.6	63.4	67.5
Bu./harvested acre	35.3	37.6	38.5
<b>Stocks (million bushels)</b>			
Beginning stocks	335	183	125
Production	2,177	2,383	2,600
Imports	4	10	5
Total supply	2,516	2,576	2,730
<b>Use:</b>			
Crushings	1,370	1,425	1,450
Exports	851	895	890
Seed, feed & residuals	112	131	130
Total use	2,333	2,451	2,470
Ending stocks	183	125	260
Ending stocks, % of use	7.8	5.1	10.5
Regular loan rate	\$4.92	\$4.97	\$4.97
<b>U.S. season average</b>			
Farm price, \$/bu.	\$6.72	\$7.35	\$6.25

Source: Knight Ridder Financial

Source: USDA and Jim Hilker

Continued on next page

# Precision Agriculture

## Tips for getting started with precision ag



Perry M. Petersen, C.P. Ag.-CCA, Corporate Manager, Precision Agriculture, Terra Industries Inc.

Increasing numbers of farmers are adopting technologies associated with precision agriculture and taking their crop production systems into the 21st century. Touted as the most significant crop production advance in the last 50 years, precision agriculture has the potential to revolutionize the way farmers collect, analyze and use information about their crops and land. But farmers eager to jump on the precision agriculture bandwagon may wonder how to get started.

The first step is finding an ag retailer who can put this new technology to work for the farmer. The retailer must have technical expertise to help the farmer understand and use the key precision agriculture tools: geographic information systems (GIS), the global positioning system (GPS), variable rate technology, database management and grid soil sampling. These tools allow farmers to collect huge amounts of detailed, site-specific data. The retailer should have skilled database managers and interpreters, with agronomic knowledge, who can work with the farmer on analyzing the data and making effective crop management decisions. The retailer also should have the ability to create site-specific management plans with tailored cropping prescriptions designed to maximize production and precisely man-

age crop inputs.

Terra tells farmers who want to take advantage of our Precision in Agriculture program that there are basically two ways to get started with precision agriculture: collect site-specific, georeferenced yield data in the fall or collect detailed grid soil sampling data in the spring.

Site-specific yield monitoring is accomplished during harvest when a combine is equipped with a yield monitor and a global positioning system. As the combine moves through the field, yield data is recorded on a hard card in the yield monitor and georeferenced by the global positioning system. The farmer or his ag retailer can later retrieve the data from the hard drive to create a map that visually shows yield variations within the field.

A qualified ag retailer can provide the farmer with valuable advice and expertise on setting up, calibrating and operating the hardware and software required for georeferenced yield monitoring. On many issues, such as the source of the differential GPS signal (local FM stations or U.S. Coast Guard beacon), the farmer can rely on the experienced ag retailer's knowledge of what has worked best for other farmers.

Pat Trail, Terra's cropping systems adviser based in Marshall, Mich., tells farmers not to wait until fall to start implement georeferenced yield monitoring. He says late spring or early summer is when a farmer needs to begin pulling together the system he will use in the fall.

Spring gives the farmer an opportunity to take advantage of another component of precision agriculture: grid soil sampling data. This is probably the most important part of precision agriculture. Soil variability within a field has an impact on yield variability. GPS technology allows the farmer to accurately map the outline of a field and to divide it

into grids no larger than 2.5 acres. GPS also precisely "marks" the location of each soil sample taken within the grid system.

Information from an analysis of each soil sample forms the basis of an extensive database that documents such variations as nutrient level, soil type and pH across an entire field. The farmer or his ag retailer can use GIS to convert this data into a map that provides a detailed picture of soil conditions. This allows the farmer to begin identifying and managing a majority of the variables in the field with precise applications of fertilizer, lime, micronutrients, seeding rates, pesticides, etc. - all guided by GPS and an application prescription developed by the ag retailer.

Precision agriculture technology helps a farmer identify and quantify variability in his crop production system. It also helps a farmer manage that variability to improve his bottom line. The key to effectively identifying, quantifying and managing the variability is an extensive database of georeferenced information. An adequate database must contain information collected over three to five growing seasons. Each year that passes without collecting precise, georeferenced information represents a lost opportunity.

So when it comes to adopting precision agriculture technology, sooner is better than later. ■

## Market Outlook

Continued from previous page

ed in this new price series would replace the NCE price quote for the U.S. dairy industry. Predicting the BFP's movement will become more uncertain over the next several months as market participants and analysts adopt to a new method for calculating the BFP. A similar adjustment period took place in May 1995 when the old Minnesota-Wisconsin (M-W) price was replaced with the BFP.

The May drop in the BFP will result in farm pay prices that are below the cost of production for a significant number of producers. This situation cannot continue and milk prices will recover over the next several months. This recent rapid drop in milk prices is a direct response to a small increase in surplus milk production coming from the Western part of the U.S. Once again, the dairy industry is re-learning as to how vulnerable dairy markets are to just a small amount of extra milk.

## EGGS

by Henry Larzelere

At the end of May, egg prices were about 11 cents a dozen below a year ago. During May, feed ingredient costs were nearly 9 cents a dozen eggs below last year, nearly enough to offset the lower egg prices.

Egg prices in June will probably average in the low 70s for New York wholesale Grade A white eggs in cartons. In the July, August and September quarter, prices will likely average in the upper 70s, with a few days in the 80s in September.

The number of layers on May 1 continued about 2% above last year. Total egg and table egg production in April were about 1% over 1996. Layer numbers will continue above last year as the number of egg-type chicks hatched in April was up 9%, and the number of layer-type eggs in incubators was up 8% on May 1.

Since the slaughter of spent hens has increased in the last few months, the hatch increases will not excessively affect the total number of layers and egg production in the next several months. ■

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# Precision Agriculture

by Neil R. Miller

Just a year ago, only one elevator in Michigan offered a variable rate application service using GPS for guidance (Grower Service in Birch Run). Today there are nearly a dozen, using various software/controller systems. Yield monitors have also proliferated with at least six different brands currently used by farmers in the State. What issues do these new options raise?

## Farmer independence

Let's say you're a 1500 acre farmer. You've spent \$8.00/acre to have your soils sampled with GPS and \$8,000 on a yield monitor. Your crop consultant produces fertilizer recommendations that your local elevator can apply using a variable rate (VRT) spreader. Several months later the elevator manager leaves, and you don't see eye to eye with his replacement. Other area elevators also offer custom VRT services, but their systems aren't compatible with your data. You're forced to work with an unacceptable supplier or walk away from a \$20,000 investment!

Before you invest in GPS equipment or services, make sure you understand what other systems your data will be compatible with. This issue is complex enough that your local consultant or elevator may not even know who all they are compatible with. The following sections provide some general guidelines, but I would be happy to answer specific compatibility questions to help you profit from this technology without unknowingly sacrificing your independence.

## Geographic information systems (GIS)

These are computer programs used to take in geo-referenced data from various sources, process them, and generate recommendations or prescriptions which can be applied with VRT equipment. A GIS functions as the central clearinghouse through which data must flow (figure 1). To understand your specific compatibility issues, therefore, you must first find out what GIS software your local providers are using.

## Yield monitor data compatibility

Virtually all yield monitor systems produce files that transfer easily to most GIS programs.

# Farmer independence and data compatibility

Once they are processed by a GIS, however, they often will not transfer to another GIS. Thus, make sure to always keep backup copies of your original, unprocessed yield data.

## Soil fertility data compatibility

Geo-referenced soil test data may or may not transfer to GIS software programs. For example, Agri software, being used by various parties in the state (see figure), can export many data formats, but it has a limited ability to take in data generated from other systems. Rockwell and Soil Teq software, on the other hand, can take in various data sources, but have few export options.

## VRT controller software compatibility

Prescription maps used in VRT spreaders must be generated by a GIS. These data transfers are limited by the same compatibility limitations as soil test data. Software developers are working hard on both import and export capabilities, but at present one needs to plan carefully if they intend to write prescriptions for different systems. We as a company have gone to considerable expense to develop a system that is compatible with all VRT services currently available in the state.

## Record-keeping software compatibility

Most farm accounting and record-keeping systems cannot currently transfer data to and from GIS programs. Several companies, including Agri-Logic/CASE and Agri, are working hard and will likely achieve this in the next few years. At present, however, your options are limited. ■

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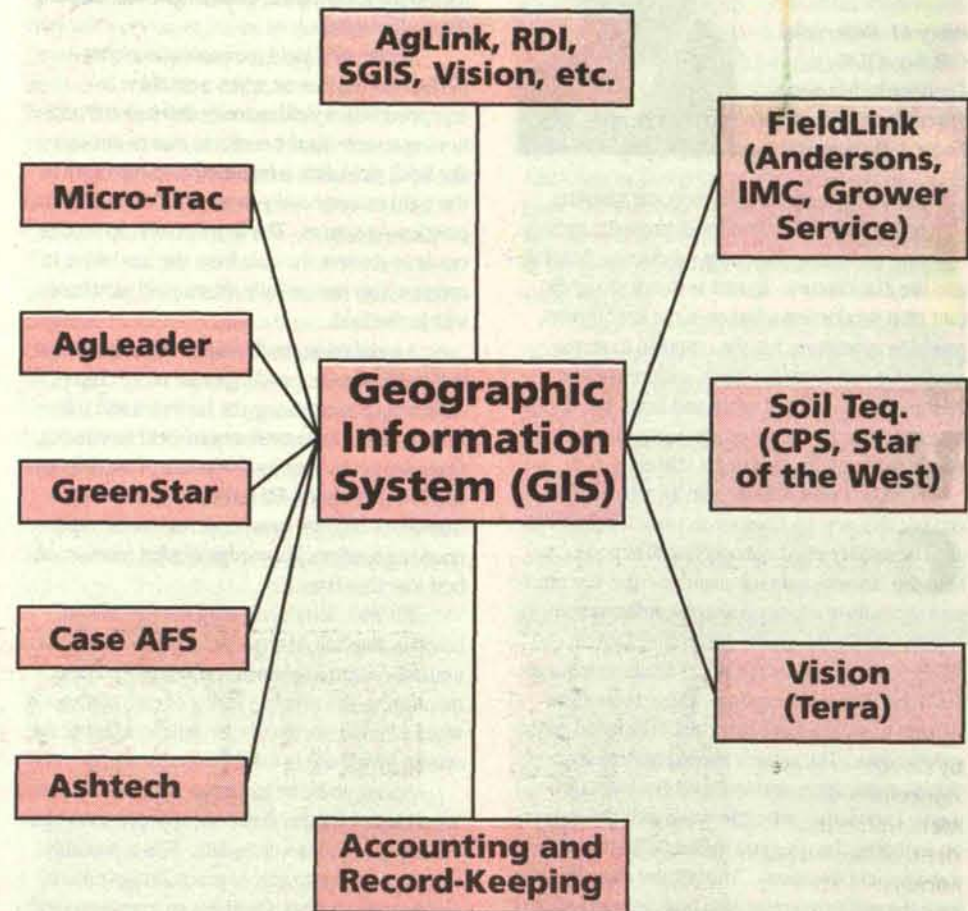


Figure 1. Given the proliferation of GPS technology and services now available, one needs to plan carefully in order to maintain compatibility and farmer independence.

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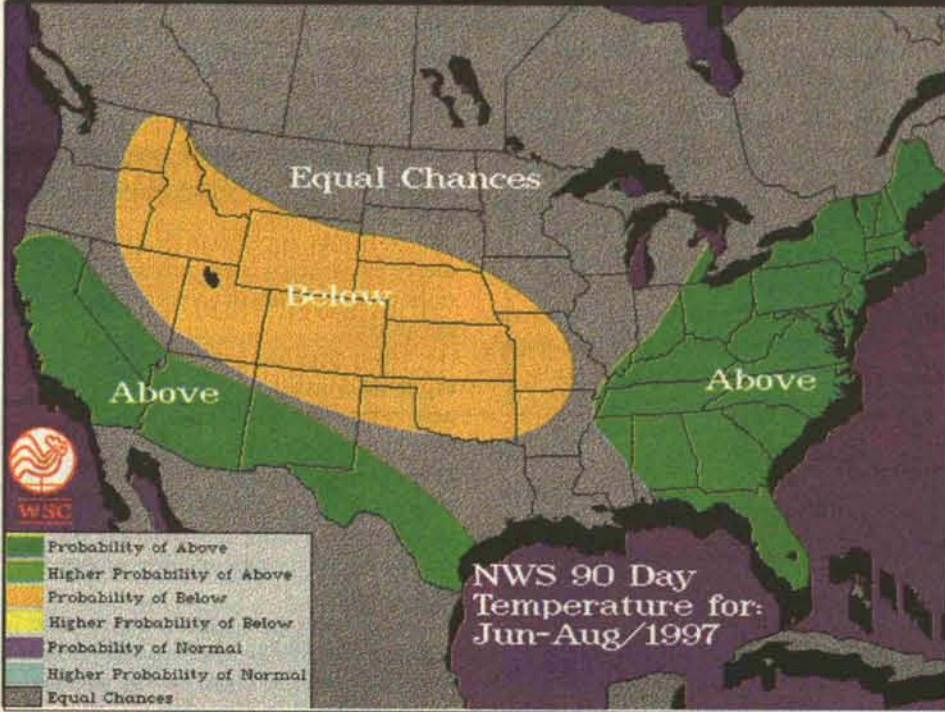
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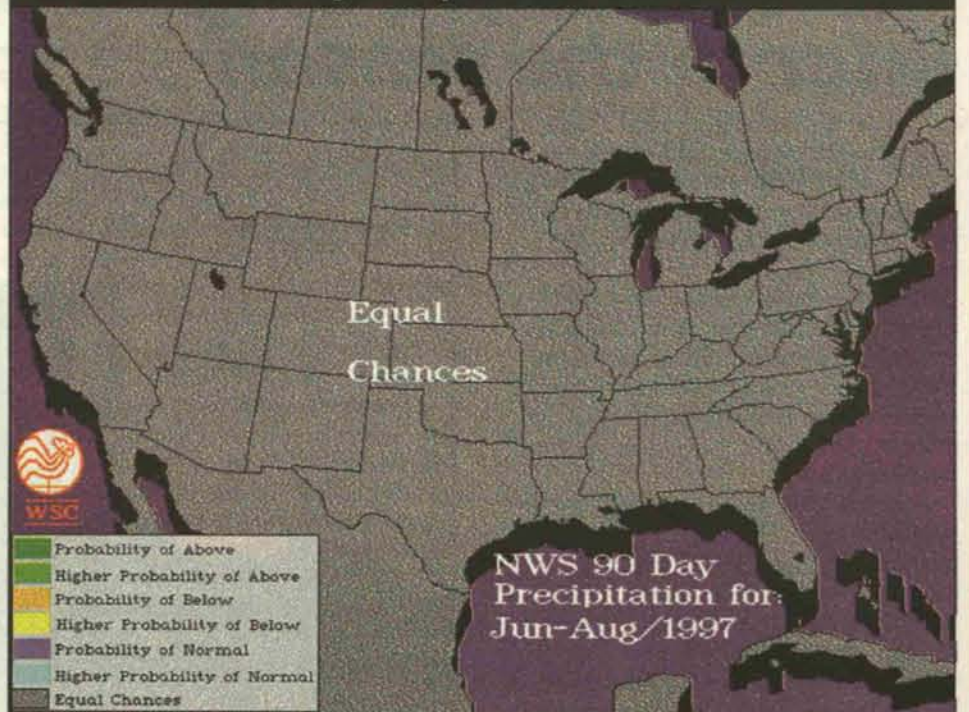
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90-day Temperature Outlook



90-day Precipitation Outlook



# Weather Outlook

by Dr. Jeff Andresen,  
Agricultural  
Meteorologist,  
Dept. of Geography,  
Michigan State  
University



New climatological records for the month of May were set across Michigan and much of the northeastern U.S., as mean temperatures dropped as low as 9 degrees F below normal. Combined with cooler than normal temperatures in April, the spring season of 1997 (March-May) will likely also go into the record books as among the coolest on record. The cool weather has delayed growth and development of most crops, with seasonal growing degree day totals falling 3-4 weeks behind normal by the end of May. On the bright side, several dry spells during the month allowed spring planting to proceed at a rapid pace, and warm weather in early June finally led to germination and emergence of many crops.

The cool weather across Michigan during the past several weeks is due primarily to persistent northerly or northwesterly flow aloft, allowing a series of cool, Canadian-origin air masses to move into the region. The persistence of the pattern has been extremely unusual for this time of year, as evidenced by the record nature of the temperature anomalies for the month. At the beginning of June, the basic features of the upper air flow were still present. However, most recent medium-range guidance suggests a change may not be too far away. Given the current growing degree day deficits, one should expect to see a much wider time window for upcoming phenological events (e.g. bloom stage lasts longer than in most years) than in 'normal' years, and a rapid burst of growth and development should the current cool weather be replaced by heat.

## Glickman names new FSA administrator

Agriculture Secretary Dan Glickman has named Keith Kelly as the new administrator of the Farm Service Agency. Kelly is former director of the Arizona Department of Agriculture.

"Keith was born on the farm, and he's been fighting for American agriculture ever since," said Glickman. "Given all the challenges facing the agency — from civil rights to reorganization to the new farm bill — FSA needs strong leadership. They will get that in Keith."

Kelly, a graduate of Montana State University, has spent a good portion of his career working in the public sector. He was appointed the first director of the Arizona Department of Agriculture in 1990. From 1981 to 1988, Kelly served as deputy director and director of the Montana Department of Agriculture. He also served as administrative assistant to the Montana lieutenant governor from 1977 to 1980.

**Michigan Weather Summary**

5/1/97-5/31/97	Temperature		Growing Degree Days(*)		Precipitation	
	Obs. mean	Dev. from normal	Actual Acc.	Normal Acc.	Actual (Inch)	Normal (Inch)
Houghton	45.6	-3.9	82	252	2.12	3.37
Marquette	44.4	-5.9	98	252	3.01	3.37

Sault Ste. Marie	44.9	-4.7	69	164	2.95	3.01
Lake City	46.6	-7.2	139	297	3.47	2.61
Pellston	46.8	-4.7	116	297	1.75	2.61
Alpena	46.0	-6.1	96	276	2.53	2.76
Houghton Lake	47.0	-7.5	126	276	2.93	2.76
Muskegon	48.9	-7.3	167	356	2.22	2.67
Vestaburg	48.3	-8.7	192	381	3.61	2.79
Bad Axe	47.5	-8.0	134	374	5.05	2.63
Saginaw	50.4	-6.5	212	374	4.44	2.63

Grand Rapids	52.9	-6.3	272	441	3.10	3.01
South Bend	48.2	-6.2	89	211	1.47	3.42
Coldwater	51.0	-7.4	230	431	1.10	2.92
Lansing	48.8	-8.5	187	431	3.15	2.92
Detroit	51.8	-6.7	230	414	4.85	2.85
Flint	49.2	-7.4	185	414	3.23	2.85
Toledo	52.9	-6.0	267	414	3.12	2.85

\* Growing degree day accumulations are calculated with the 86/50 "corn" method and are summed beginning April 1, 1997.

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## This crummy spring may cause problems later in the season

**Y**es, this is one crummy spring ... maybe one for the record book. Yes, the cold weather may cause crop problems before and at harvest. Yes, meteorologists know the mechanism causing this weather, and no, they don't know why it's happening.

"As of the third week in May, our growing degree day accumulation (an index indicating how much warmth has been available for crop development) was from two to three weeks behind normal, and that may be somewhat conservative," says Jeff Andresen, Michigan State University Extension agricultural meteorologist.

"We are behind about a week from where we were last year at this time, and for some crops in some cases, the phenology (rate of development) is the most delayed since the early 1980s," he adds.

The reason for the coolness is the northwesterly to northerly flow of the jet stream, which has funneled northern Canadian and even Arctic air masses over the Great Lakes because the jet stream has not yet contracted into Canada to allow air masses from warmer origins to overflow Michigan.

Andresen believes that the current period of cool, damp weather, now some six weeks long, will soon change, and when it does, it could bring erratic bursts of pests — insects, plant diseases and weed growth — that could have growers scrambling to keep up with crop management demands.

"Here we are at the end of May when 80-de-



Cold weather has delayed crop growth throughout the state. Farmers were recently able to cut hay but much other field work will have to wait.

gree temperatures should be not uncommon, and everything is pushed back several weeks," Andresen says. "Should conditions change rapidly from below normal temperatures to above, events may happen so rapidly that there may not be time to get everything done that needs doing. Growers could be

overwhelmed."

The latest long-lead outlook by the Climate Prediction Center in Washington, D.C., suggests that the next few months will consist of normal temperatures and rainfall, but then a return to below normal temperatures and above normal precipitation will occur.

"The odds of verification of this prediction are not high, but growers should be aware that there is the potential for some problems with some crops by fall," Andresen says.

He says that one effect of the cool weather to date on overwintering crops, particularly fruit crops, could be substantial unevenness in growth and maturity.

"Many crops have been in a state of suspended animation because of cold temperatures, and many of the stages which would normally last a week have persisted for two or more weeks or longer," Andresen explains. "The variation in phenology induced by the cool weather will mean problems with pesticide application and even an extended harvest because of a wide variation in crop maturity."

It seems that more years than not since the beginning of the decade have been unfavorable to crop production in Michigan — as if the state has entered an unkind era of weather.

"This weather variability in agriculture has become an issue, but we cannot find a major change," Andresen says. "It has not been demonstrated in the statistics, although as we continue to search, we may find an indication of a shift or change. At this point, we don't know."

He says, however, there is evidence that Michigan is having more wet days than it did 50 to 60 years ago and that rainfalls tend to be heavier when they occur.

## Post-harvest chemical use on apples and potatoes

**A** new survey to measure the usage of post-harvest chemicals on apples and potatoes is slated to begin July 9. The purpose of the survey is to gather reliable, objective information about chemicals used on apples and potatoes after harvest. The National Agricultural Statistics Service (NASS) of the United States Department of Agriculture (USDA) will be surveying apple and potato growers, storage operations, packers and processors in major producing States. The Federal/State Michigan Agricultural Statistics Service will be conducting the survey in Michigan. The information gathered will be used to set State and national estimates of post harvest chemicals used.

Currently there is little data available on the extent of pesticides applied to apples and potatoes after harvest and prior to consumption. Because apples and potatoes are widely consumed, the public has an interest in what chemicals are applied after harvest. These chemicals are relied on to retard spoilage and to enhance appearance.

The information requested includes chemicals used, amounts applied and when and how chemicals are applied. Accurate and timely information on actual usage will help clarify the facts. There are very few products registered for use as post harvest chemicals. Most of these are important fungicides with few alternatives available. Their use could be restricted if good information is not available.

Important benefit's growers, storage operators, packers and processors gain from responding to the survey are:

- They have a chance to tell how they use post harvest chemicals responsibly to produce a safe and abundant food supply for America and the World.
- The survey results are official USDA estimates and help to clarify the facts about chemical use.
- Accurate and timely information on actual usage can be used in the decision making process for product registration, re-registration and product alternatives.

This survey is supported by the U.S. Apple Association, the Michigan Apple Committee, the National Potato Council and the Michigan Potato Industry Commission. Individual operator information is strictly confidential and individual reports will be combined to set state and national estimates. NASS will publish the resulting State and national estimates in late 1997.

## High corn borer numbers don't necessarily mean big problems

**T**hough a number of growers have found large numbers of the European corn borer (ECB) in old cornstalks, this does not necessarily forecast a replay of the borer problems throughout the state in 1996.

Chris DiFonzo, Michigan State University Extension field crops entomologist, says the last stage of the ECB larvae (the fifth instar) overwinters in cornstalks, cobs or weed stems. When temperatures rise above 50 degrees F, the larva pupates into an adult.

DiFonzo says that because the ECB population was so high last year, many more larvae than normal are present and are, therefore, being noticed more often.

"However, a large overwintering population does not necessarily mean that we will have a corn borer problem this summer," she says.

Many of the main factors critical to population survival — such as the insect's natural enemies, weather during moth flight, egg-laying conditions and larval hatch — are yet to occur.

"The overwintering numbers tell there is a potential for a large number of adult moths, but it does not help us predict what will happen with the first generation of larvae," DiFonzo says.

She adds that the ECB problem last year was one of the worst on record in Michigan and the rest

of the Corn Belt.

"They tend to run in a five- to 10-year cycle, with a couple of years being really bad before the population declines to a point where it is not really a problem for five or six years," DiFonzo says.



Because the European corn borer population was so high last year, many more larvae than normal are present this year, according to MSU Extension entomologist Chris DiFonzo.

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# Feasibility of alfalfa processing to be conducted

Since 1990, sugar beet yields have fallen off by as much as four tons per acre in the Saginaw Valley and Thumb Areas of Michigan. As a result, the Sugar Beet Advancement Committee was formed in December 1996, to identify possible causes for this decline in yields and to look for possible solutions.

Producers are also concerned about the increasing compaction in the fields as a result of the utilization of the corn, dry bean and sugar beet rotation. This short rotation combined with the elimination of legume production and heavy trafficking has resulted in tightly compacted soils.

One solution offered for improving the soil's condition and re-storing lost sugar beet yields is to reintroduce alfalfa into the rotation. Over the years, alfalfa has been excluded from the rotation due to the move away from livestock by many farmers and to reintroduce alfalfa into the rotation, a constant profitable market must be established such as processed alfalfa.

In response to these issues, a grant has

been awarded to the MSU Extension-Project Office in Huron County to conduct a study on the feasibility of establishing an alfalfa processing facility in the area. The funds for this study were provided by Project GREEN. Michigan plant commodity groups and food processors are working with Michigan State University to develop a plan to help prepare the agriculture industry to meet the economic and environmental challenges facing them in the years ahead. One area of special interest is Added-Value and the alfalfa processing concept fits into that category.

In Nebraska, there are 18 pelleting/cubing operations. Their primary markets are direct-market to feedlots and protein supplement manufacturers. There are two products produced at these processing facilities. The first is "dehy" which is a product produced from alfalfa that is field wilted, and the second type of product is called "sun cured." Both are artificially dried and pressed into pellets.

Farmers in Minnesota formed a coopera-

tive over a year ago to process alfalfa. They bought an existing pelleting plant at Priam, Minnesota, and received a \$4.2 million grant from the U.S. Energy Department to look at utilizing the stems in the production of electrical energy. More than 800,000 shares have been sold. Their pellets are being sold to feed companies and shipped overseas.

According to the American Alfalfa Processors Association, the average processing operation processes 20,000 to 25,000 tons per year with a few in the 50,000 to 100,000 ton range.

A committee representing producers, sugar beet processors and ag industry was formed to oversee the project. The committee has selected AgriTech, Inc., Columbus, Ohio, to conduct the feasibility study. Additional financial support for the study is being provided by the Huron County Economic Development Corporation.

The goal is to have the final feasibility report available by early- to mid-September. A meeting will be held with producers and indus-

try representatives to review the feasibility study later this year. If the feasibility study appears positive and if there is positive producer and industry support, the committee will continue to plan the project, including the development of a business plan.

If the alfalfa venture proves to be feasible, it could have an important economic impact on the region. In 1995, there were 190,000 acres of sugar beets grown in Michigan. If a crop such as alfalfa was to be reintroduced into the rotation, restoring the soil tilth and regaining two tons per acre, an additional income of \$15.2 million per year could be realized by area producers from enhanced sugar beet yields. This is based on a per ton income of \$40. In addition, alfalfa at six tons per acre, can compete economically with dry beans, corn and soybeans.

For more information, contact the MSU Extension-Project Office in Huron County at 517-269-6099. ■

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## Fund for Rural America to assist new value-added cooperatives

The U.S. Department of Agriculture is accepting proposals for \$1.7 million which will be used to support development of cooperatives that produce value-added products. The money is being made available through President Clinton's Fund for Rural America — a three-year, \$300-million effort to improve the economy and living standards in the nation's rural areas.

"USDA has a long history of supporting cooperatives that help farmers and other rural residents help themselves by marketing and processing their own crops, livestock, seafoods and crafts," said Agriculture Secretary Dan Glickman. "The Clinton Administration and USDA are increasing federal support for the development of new cooperatives which produce value-added products, thereby enabling rural people to keep more of the profits derived from their labor."

Federal, state or local agencies and institutions of higher learning or nonprofit development organizations can apply through July 31, for the competitively awarded, cooperative agreements. Funds may pay for up to 75 percent of the cost of a development project. The applicants must make a cash or in-kind contribution derived from non-federal funds.

Proposals will be evaluated based on merit, quality and the relevance of a project to creating increased economic opportunities in farming and rural communities through expansion of value-added processing and product development.

The Fund for Rural America is providing \$100 million annually in each of the next three years for a wide variety of rural economic programs. "This program delivers on President Clinton's commitment to expand economic opportunities for rural Americans," said Jill Long Thompson, under secretary for USDA's Rural Development mission area. "The future of small farmers in this country can be enhanced by value-added cooperatives, keeping more of their profits at home in cooperative businesses farmers own."

Cooperative development proposals should be sent to: Dr. Randall E. Torgerson, Deputy Administrator for Cooperative Services, Rural Business-Cooperative Service, USDA, Stop 3250, Room 4016-S, 1400 Independence Ave., SW, Washington, D.C. 20250-3250. For more information, call John Wells at (202) 720-3350 and request information on the Cooperative Value Added Program.

## Wheat 2000 sponsors technology tour

A unique tour on Wednesday, July 9 at 9 a.m. will be held looking at production practices and research related to high management wheat production. Large and small plot trials will be toured on a 40 acre field.

### Stations to be toured:

#### Wheat 2000 Grower Records and Scouting, What have we learned?

Jim Howe, Star of the West Milling Co.  
Stuart Reinbold, Plot Cooperator

#### MSU Wheat Variety Trials

Dr. Rick Ward, MSU Wheat Breeder  
To Be Announced, Pioneer Wheat Breeder

#### Wheat Disease Control Trials

Dr. Pat Hart, MSU Plant Pathologist  
Brick Goldman, Novartis

#### Tramlines, Nitrogen Strategies, and Infrared Photography

Dr. Larry Copeland, MSU Crop & Soil Science  
Marc Hooper, Grower Service  
Jeff Reinbold, Terra International

#### Wheat Population, Clover Establishment and Soil Health

Dr. Richard Harwood, Mott Sustainable Ag Chair  
Steve Poindexter, MSU Field Crops Agent

#### Wheat Market Update - Using the Crop - Panel of End Users and Processors

Dr. Jim Hilker, MSU Agricultural Economics  
Jim Theus, White Wheat Coordinator/Wheat 2000

- Wednesday, July 9
- Starts promptly at 9 a.m. until 12:30 noon
- Reinow Acres, Located 1 mile north of M-46 on M-83; 1-1/2 miles west on Janes Road (9434 Janes Road)
- Ribs will be served at 12:30 noon. Call by Monday, July 7 for reservations - (517) 799-2233.

## MDA to assist Michigan potato growers who participate in USDA's Potato Diversion Program

The Michigan Department of Agriculture (MDA) will waive charges to potato growers for MDA inspectors' travel time and mileage if those growers participate in the 1997 United States Department of Agriculture's (USDA) Potato Diversion Program, announced MDA Director Dan Wyant.

The Potato Diversion Program pays potato growers to divert 1996 fresh Irish potatoes (all types and varieties except sweet potatoes) to charitable institutions and livestock feed. The USDA activated the program to take care of a nationwide surplus of

potatoes from the 1996 crop.

The USDA announced that the amount of potatoes in storage (as of May 1) in 15 states are 32 percent greater than the same time last year. Storage reports indicate that production this year is up 65 percent compared to last year.

The 1997 Potato Diversion Program went into effect on May 29. In order for producers to be eligible for payment under this program, the potatoes must be donated to a USDA-designated charity, or used for livestock feed. All loads must be inspected

by MDA or USDA inspectors.

Growers are responsible for transportation and other costs when diverting potatoes to livestock feed. USDA will arrange and pay for the transportation of potatoes diverted to charitable organizations.

USDA began accepting applications May 29. The program will run for 60 days. Approval of a request will be based upon the availability of funds.

For additional information growers should contact their local USDA Farm Service Agency.

## Gempler's new F.A.R.M. reflector kit helps reduce roadway accidents

Each year, 8,000 highway accidents involve farm equipment, according to the National Safety Council. Many of these accidents are attributed to increased farm sizes, requiring farmers to travel longer distances to the fields; larger implements; and an increasing population that is unfamiliar with the size and speed of farm equipment.

Gempler's, Inc. offers the latest in reflective marking kits for slow-moving vehicles to help reduce the number of these accidents by enhancing visibility.

The F.A.R.M. (Fewer Accidents with Reflective Material) kit includes: one enhanced Slow Moving Vehicle emblem, two 2x9 inch strips of red retroreflective tape, two 2x9 inch strips of orange fluorescent tape, six 2x9 inch strips of yellow retroreflective tape, and mounting instructions.

The SMV emblem is a self-adhesive triangle

that can be placed directly over old, faded SMV signs. Its fluorescent, triangular center is made of a new, long-lasting material that glows nearly one-third brighter during the day and resists fading and cracking. The new, red SMV border of retroreflective tape is 10 times brighter than the older tape

and provides up to one mile of viewing distance.

For \$18.50, farmers can get a F.A.R.M. kit that will mark one piece of machinery.

Contact Gempler's, Inc., P.O. Box 270, Mt. Horeb, WI 53572. Ph. (800) 382-8473, Fax (800) 551-1128.



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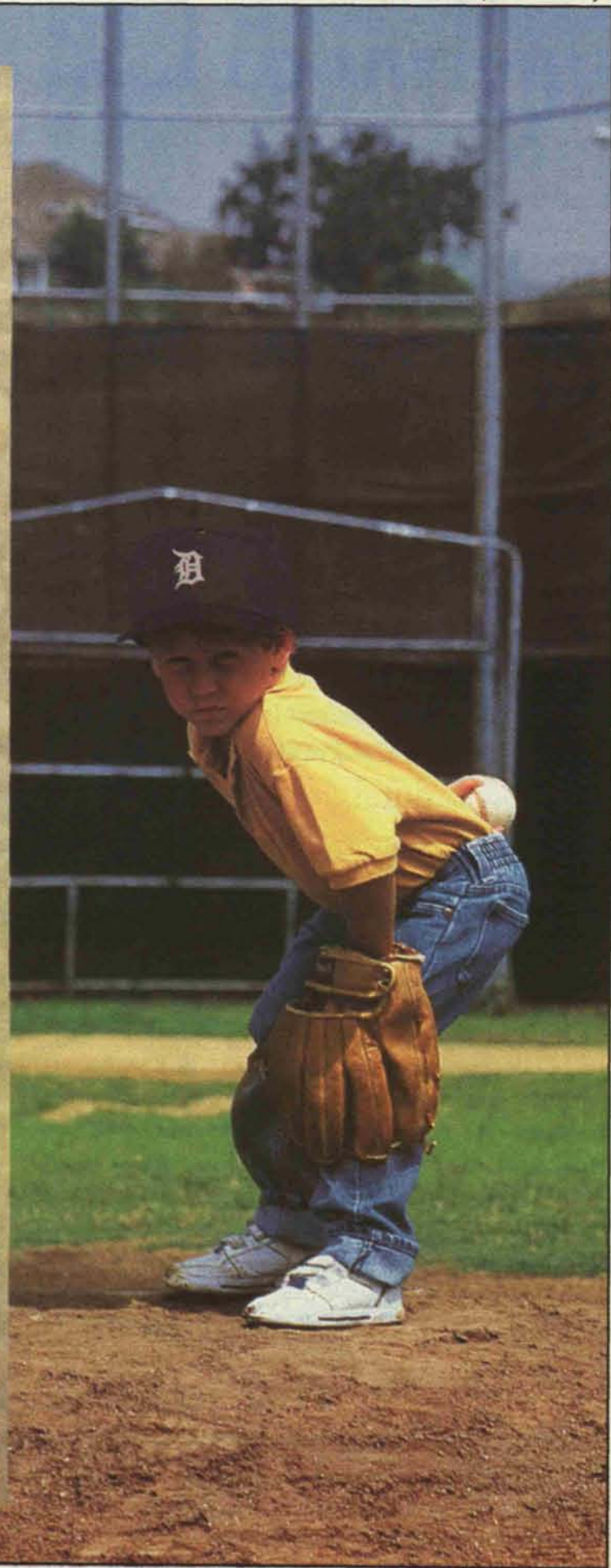
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## Ford announcement good news for corn producers and the environment

The Ford Motor Company announcement to produce 250,000 E-85 vehicles over the next four years is good news for Michigan corn producers, according to Michigan Farm Bureau Commodity Specialist Bob Boehm. He predicts the Ford E-85 vehicles, which can burn a mixture consisting of up to 85 percent ethanol, will prompt Chrysler and General Motors to follow suit.

If so, Boehm predicts that it will mean a significant upswing in demand for ethanol fuel and an increase in the number of stations that offer the ethanol fuel mix.

"It's been a long-standing battle, kind of the chicken or the egg question, to try to have enough fueling stations to support a fleet of cars or to have enough cars to support a number of stations," Boehm explained. "Ford's decision to go forward with a broader production of flexible fuel vehicles will put a large number of vehicles on the market and in the hands of general consumers, as opposed to just the current fleet market. Ultimately,

it'll promote the development of an expanded number of fueling stations throughout the country."

Currently, the only E-85 fueling station in Michigan is located in Lansing at the state's secondary complex to provide fuel for a fleet of E-85 state cars. Boehm says Michigan corn growers are working to establish a station in Detroit close to the fleet in that area as well as another station in the Lansing area to service a broader state. Eventually, Boehm hopes the demand for ethanol-blended fuels will encourage conventional gas stations to offer consumers the ethanol alternative.

"It (ethanol availability) will have to be transparent to the consumer," Boehm said. "They'll need to be able to pull into a regular gas station and buy an E-85 blended fuel just as they would buy a different grade of gasoline like they can today."

The Flexible Fuel Vehicle (FFV) will rely on a V-6 engine capable of running on any combination of ethanol and gasoline up to a mixture

of 85 percent ethanol and 15 percent gas or it can operate on 100 percent straight, unleaded fuel.

The announcement is expected to stall congressional efforts to eliminate the excise tax exemption for ethanol-blended fuels. Congress will reject an effort to repeal ethanol's three-cent-per-gallon excise tax break. A concerted effort by farm state lawmakers stopped Rep. Bill Archer's plans to eliminate the tax break. Archer (R-Texas) is chairman of the House Ways and Means Committee.

"As the volume of ethanol increases and we continue to improve the technology to produce ethanol and we continue to improve the technology on the farm to produce the corn more efficiently, the price of ethanol prices will become an even more competitive vehicle fuel," Boehm said. "We need to retain the ethanol production incentives long enough to keep ethanol in volume to be able to support the new demand that will arise from these added vehicles on the market." ■

## MAES and MSUE name joint administrator

Larry Olsen, associate professor of entomology, was named interim assistant vice provost and associate director of Michigan State University Extension (MSUE) and the Michigan Agricultural Experiment Station (MAES) in May. Olsen was most recently the integrated pest management (IPM) coordinator for MSUE.

"We are pleased to have Larry in this position," said J. Ian Gray, director of the MAES. "First, he strengthens our linkages with Extension, and secondly, he provides much needed assistance so the MAES can effectively fulfill its mission."

"Larry brings unique qualifications to this position," said Arlen Leholm, MSUE director.

"I'm very excited about the position," Olsen said. "I think this will further the coordination between the two groups."

Olsen's responsibilities include liaison work with the MSUE area of expertise teams in agriculture and natural resources; representing the MAES and MSUE on field crop issues, including overseeing calls for research proposals; developing and coordinating a new natural resources coalition; overseeing the Southwest Michigan Research and Extension Center research and outreach programs; and representing MAES and MSUE at appropriate meetings, including North Central Region committees and commodity advisory councils.

"I won't be doing IPM work at all anymore," Olsen said. "My job is to help other people do their jobs better. One of my goals is to strengthen ties and outside communications with commodity groups and governmental agencies."

Olsen has a strong background in facilitating communication between educators, growers, researchers, specialists, consultants and consumers, especially with regard to pest management issues. Before being named IPM coordinator in 1995, he was the MSU pesticide education coordinator for seven years. From 1981 to 1988, Olsen was a field researcher for the MOBAY Chemical Co. in Michigan, Ohio and Kentucky. From 1972 to 1979, he worked as an IPM technician and scout supervisor at MSU.

Olsen is the president-elect of the North Central IPM Extension Coordinators, the associate editor of "Hort Technology for Plant Health" and the treasurer of the American Association of Pesticide Safety Educators.

He received his doctoral and master's degrees in entomology from MSU in 1982 and 1975, respectively, and his bachelor's degree in biology from Adrian College in 1969.

Olsen's office will be in 108 Agriculture Hall. ■

## MDA division directors accept new responsibilities

Michigan Department of Agriculture (MDA) Director Dan Wyant today announced that several MDA division directors have accepted new responsibilities as part of the department's reorganization.

"Some appointments were made to replace career employees who have chosen to participate in the state's early retirement program, while others take on new responsibilities as programs are linked and streamlined in an effort to address current and future issues in agriculture and related industries," Wyant said.

### The appointments included:

- **Margaret Cooke**, Director of the new Marketing and Communications Division. The new division links the former Market Development Division and the Communications & Emergency Management Division, for which Cooke served as Director. The emergency management function is included in the new division along with responsibility for marketing Michigan's food and agricultural products, agriculture tourism, media relations and public information. Cooke has been with MDA since 1984 when she was appointed Director of the Press & Public Affairs Division. Prior to joining MDA, she was Executive Director of the Michigan Women's Commission and held several positions in the private sector.
- **Robert Craig**, Director of the new Office of Agriculture Development. The Office of Agriculture Development brings together a variety of economic development programs that had been housed in several divisions

throughout the department. The office will aggressively pursue new economic opportunities for the food and agriculture industry as well as working to retain and expand existing businesses. Craig formerly served as the department's Director of Agriculture Policy and Special Projects. Before coming to MDA in 1991, he worked as an agricultural economist for the Michigan Farm Bureau.

- **Katherine Fedder**, Director of the new Food and Dairy Division. The Food and Dairy Division combines the resources of the former Food Division and Dairy Division into one unit with the primary responsibility for food safety, MDA's number one priority. Programs that ensure the quality of the state's dairy products, and maintain quality standards at food processing facilities, grocery stores and restaurants are all housed in this division.

Fedder formerly served as Director of the Market Development Division and Manager of Pesticide Programs for the Pesticide and Plant Pest Management Division. She has been with MDA since 1980.

- **David Pike**, Director of the Finance and Technology Division. The new division brings together the former Finance Division, which handled all MDA's financial transactions, purchasing and accounting functions and the Internal Operations Division, with primary responsibility for MDA's technology needs. The combined division will be responsible for all administrative functions, except Human Resources, and will enhance MDA's technology efforts.

Pike, who has worked in state government since 1972, has served as Director of the former Finance Division since September 1995. Prior to that, he was Director, Office of the Budget, Michigan Department of Education.

- **Tom Whalen**, Director of the MDA Laboratory Division. MDA's Geagley Laboratory, located in East Lansing, provides analytical support to MDA's regulatory divisions. This division recently added responsibility for MDA's Motor Fuel Quality and Weights and Measures programs, previously housed in the Food Division. These new programs will be housed at the new E. C. Heffron Metrology Laboratory in Williamston. Whalen was Director of the Dairy Division and prior to that, he served as Deputy Director of the Laboratory. An MDA employee since 1966, Whalen served as analytical coordinator of a special PBB unit during the 1970s and was then promoted to Chemical Coordinator.

A new division of Environmental Stewardship has also been formed combining programs related to pollution prevention, soil and water conservation and inter county drains. Barbara Hensinger is serving as Acting Director of this division until a permanent director is chosen.

"These individuals bring a wealth of experience and strong management skills to their new responsibilities," said Wyant. "They are helping to reshape government for the new century by making it more responsive to the needs of Michigan citizens and the agriculture industry."

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## Fly control

by Maury Kaercher  
MSU Extension Livestock Agent

**N**ow is the time to start thinking about fly control for the 1997 season. There are a couple of things you need to know before purchasing proper fly control material. In particular, you need to know which flies you are controlling. Remember, a fly is not just a fly. Basically, you are dealing with Face, Horn and Stable Flies. All of these flies have some economic impact and, depending on their numbers, may also influence how your non-agricultural neighbors think of you and your operation.

The first thing you need to realize is that you will have a fly problem if you own cattle, so don't lull yourself into thinking that this summer will be any different from previous years. Fly control starts now, not in the middle of the summer when your cattle are covered with flies. Normally, you need to start fly control measures in the southern part of the state about the third week of April or the first of May. These controls can be feed-through products, fly tags, backrubbers, dust bags, etc. In many cases, the best fly control program is sanitation. Remember, flies start out from over-wintering and they are just waiting for the temperatures to rise so they can start to repopulate. Any cleaning around your facilities that you can do will help minimize future fly infestation.

Let's talk about where flies will locate on your cattle. The Horn Fly locates around the back and shoulders of cattle whereas the Stable Fly locates on the lower legs. These two types are biting flies and probably cause the greatest economic impact. If you have livestock around buildings, the Stable Fly starts here because it needs organic matter in order to reproduce. Therefore, sanitation is an effective tool in decreasing fly numbers. However, for cattle on pasture, the Stable Fly is difficult to control using sanitation methods alone. The Horn Fly reproduces in fresh manure dropped in pastures and can be controlled by using feed-through products without developing resistant flies. Face Flies, like the Stable Fly, breed near buildings as they also need organic matter to reproduce. Face Flies do not bite but they are a transmitter of disease, particularly pinkeye.

Next, let's talk about what you can use in addition to sanitation to help control flies. It is important to note that fly control is just that — control, not eradication. For many of our producers that are moving cattle on a rotational grazing system without a single watering source, using fly tags may be the best alternative. Fly tags are treated with either a pyrethroid or an organophosphate material. These tags can be used for both Face and Horn Flies and, if properly used, do a good job of minimizing fly numbers.

It is important to note that these two types of tags (pyrethroid and organophosphate) should be alternated from year to year so as not to allow flies an opportunity to build up a resistance to one of these materials. There is some research that indicates that having two tags (one each of organophosphate and pyrethroid) in one animal is an effective management procedure for reducing resistant flies. Generally speaking, putting in more than one fly tag per animal is not cost-effective, particularly for Horn Flies.

From strictly an economic standpoint, using dustbags or backrubbers may be the best method of fly control. However, this method is limited by the fact that you must force cattle to use them and cannot just place them in the middle of your pasture. As cattle must drink, using the water source can be an effective way to force your livestock to use these devices.

Feed-through products are very useful controls for Horn Flies and offer the average stocker or cow/calf producer additional flexibility. Pour-ons can be used in combination for fly and internal parasite controls. In addition, there is now a slow release bolus that can give nearly a full season of control. Spraying the animal directly is another alternative, but not very manageable.

The release of natural parasites for the control of flies is increasing in popularity. However, identifying which fly you are attempting to control is critical to the success of this method as these tiny parasitoids are specific in regard to the type of fly that they attack. This program is an effective tool but, like everything, there is no magic for success. The number of animals, sanitation, and timing are what makes these small fly parasitoids successful in reducing fly populations.

In conclusion, fly control is generally a cost-effective measure that will provide cattle an opportunity to spend more time eating rather than looking for a place to hide from flies. The less stress that cattle are subjected to, the better they will perform. For more information on fly control, contact your county Extension office. ■

## The great American housefly: aka the barnyard pest

by Kara Endsley

**W**ith the onset of summer comes a myriad of houseflies. Not only do they invade your homes, they are a nuisance for animals and caretakers.

Entomologists and commercial insectories are offering a biological control alternative: the black dump fly. This shiny black fly is comparable in size to the housefly, but their indifferent behavior leaves them quite inconspicuous.

"They don't tend to bother humans or animals. If you walked into a room with them, they could care less if you were in there," said Jerry Hogsette at the USDA Agriculture Research Service Center for Medical, Agricultural and Veterinary Entomology.

The black dump fly larvae kills housefly larvae. "They will feed on a number of houseflies, and once they get past the point of being full, they'll continue to kill," Hogsette said.

The black dump fly has proven to be an effective housefly control. Large poultry, swine and dairy operations can spend \$5,000 to \$10,000 each year in chemical pesticide control. An Ann Arbor company, Koppert Biological Systems, sells the black dump flies in two packages at a cost of \$14.74 for a 807 square foot building and \$7.70 for a 430 square foot building.

Koppert General Manager, Willem Verkerk, recommends releasing the flies four to six times in order to establish the population. The total cost of implementing the dump fly with six applications would be roughly 11 cents per square foot.

Once the black dump flies are implemented, it

will take three to four weeks until a decrease in the housefly population is noticeable. "We are not killing the adult flies. We are killing the offspring, so you have to allow the adult flies to die out," Verkerk said.

Dump fly populations may need to be replenished every few months to every few years. "We don't think that each place will be exactly the same because there's different management practices influencing the insects," Hogsette said.

Michigan winters bring some relief from bothersome houseflies, but they survive the cool months only to arrive in full force in the spring. Unfortunately for them, the dump flies survive as well.

"We have seen the dump fly establishing itself more or less. The numbers may not be high enough in the next spring, but you can get away with fewer introductions the next year because there's always some that stay around," Verkerk said.

The black dump fly and the common house fly have similar predators, such as beetles, mites and parasitic wasps. An existing predator may kill the dump fly, but it will also kill the house fly, thus eliminating any need for the dump fly.

Since the dump fly doesn't bother humans or animals, they offer little threat for disease transmission. "They could potentially transmit the same diseases as the housefly, but they are not as likely to because of behavioral differences," Hogsette said.

The black dump fly can continue to survive even after the housefly is eliminated. The larvae lives in a substrate. "If there's other fly larvae in the substrate,

they'll kill them. If there's nothing else there, they'll subsist on the nutrients in the medium," Hogsette said. "If other houseflies show up, they'll take care of them."

Housefly populations are best controlled in poultry and swine operations. "Black dump flies seem to do best in manures that are low in fiber and high in moisture," Hogsette said. Cattle, horse, sheep and goat manure is too high in fiber and low in moisture to adequately support dump fly populations.

There is still hope for dairy producers. "Calves are essentially animals that put out very low fiber manures, so dump flies do very well in calf manure. We're starting to test the flies on dairies with the hopes that we could establish them on farms," Hogsette said.

The black dump fly thrives in large manure pits that are not frequently emptied. Farms that clean them out once a week or every two weeks can't really use this fly because it cannot complete its life cycle.

The dump fly life cycle is 10 to 14 days. Flies produced commercially are grown on artificial, grain-based diets in laboratories. The flies are grown in the United States and Europe. Koppert, in Ann Arbor, receives flies from their mother company in Holland.

Although the dump fly is often grown abroad and shipped to the United States, it is a native fly. "This fly was originally found to be native between Argentina and Oregon," Hogsette said. "In the 60s it was taken to Europe through commerce."

Anyone interested in purchasing the flies can have them sent to them by mail. For information, contact Koppert Biological Systems at (313) 998-5589. ■



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## Record hay prices

Prices received by Michigan and U.S. farmers for April 1997 and mid-month prices as of May 15, according to the Federal/State Michigan Agricultural Statistics Service are given in the table below.

### Michigan Highlights

May price increases were noted for hay, potatoes, and soybeans, while dry beans, corn, oats, and

winter wheat were down from the previous month. Steer/heifer and hog prices were higher in May, while egg and milk prices decreased since April. Hay prices continue at record levels and exceed the previous records established in the winter and spring of 1989. Potato prices remain well below last year.

PRICES RECEIVED BY FARMERS, MAY 1997

COMMODITY AND UNIT	MICHIGAN			UNITED STATES	
	May 1997 <sup>1</sup>	April 1997 <sup>2</sup>	May 1996 <sup>2</sup>	May 1997 <sup>1</sup>	May 1996 <sup>2</sup>
	Dollars			Dollars	
Beans, dry edible, cwt.	20.00	20.90	21.00	23.50	24.80
Corn, bushels	2.75	2.90	4.44	2.68	4.14
Hay, all, tons	123.00	117.00	79.00	118.00	95.50
Oats, bushels	2.30	2.49	2.77	1.81	2.48
Potatoes, cwt.	6.20	6.10	8.20	4.87	8.09
Soybeans, bushels	8.40	8.26	7.63	8.42	7.69
Wheat, winter, bushels	3.50	3.73	<sup>3</sup>	4.14	5.81
Calves, cwt.	56.00	57.00	58.00	83.40	54.40
Cows, slaughter, cwt.	37.50	38.20	32.30	38.10	30.40
Eggs, dozen	0.460	0.480	0.490	0.511	0.569
Hogs, cwt.	58.30	53.90	55.50	58.00	58.80
Milk, all, cwt.	13.40	13.60	14.30	13.10	14.30
Steers/heifers, cwt.	63.50	63.30	49.60	68.80	57.60

<sup>1</sup> Mid-month price. <sup>2</sup> Entire month weighted average price. <sup>3</sup> Not published due to insufficient data.

### Nationally

The All Farm Products Index of Prices Received in May was 107 based on 1990-92=100, up 1 point (0.9 percent) from April. Price increases from April for hogs, strawberries, cattle, and lemons were offset by price decreases for lettuce, milk, corn, and broilers. The seasonal changes in the mix of commodities farmers sell also affect the overall index level. Higher seasonal marketings of cantaloupes, sweet corn, grapes, and wheat more than

offset the relatively lower marketings of cattle, milk, cotton, and corn. These changes contributed virtually all of the one point increase in the overall index.

Compared with May 1996, the All Farm Products Index was 5 points (4.5 percent) lower. Price decreases from May 1996 for corn, wheat, milk, and potatoes more than offset price increases for cattle, soybeans, hay, and calves.

## Choosing the best herbicide additives

Adjuvants like crop oil concentrate (COC) or methylated seed oil (MSO) can make post-emergence herbicides work better, especially under adverse weather conditions. But with almost 300 different adjuvants on the market, choosing the right one isn't always easy.

"There is no Consumer Reports rating individual adjuvants," says John Nalewaja, a researcher with North Dakota State University who has worked with adjuvants since the 1960s.

According to Nalewaja, the performance of an adjuvant varies according to the herbicide used. In the case of Assure, for example, Nalewaja says petroleum oils work best, but vegetable oils are antagonistic. Bladex, on the other hand, works very well with vegetable oils, but not petroleum oils.

Variations in adjuvant performance also occur because some herbicide formulations already contain enough adjuvants to improve uptake. Other herbicides are specially formulated to enhance the performance of additional adjuvants. For example, Flexstar herbicide is formulated with Isolink technology. According to Chuck Foresman, technical specialist with Zeneca Ag Products, Isolink forms a unique link between the active ingredient in Flexstar and the adjuvant that is added to the tank. As the adjuvant facilitates movement through the cuticle, the linked active ingredient rapidly penetrates the underlying leaf tissue.

While no two adjuvants work exactly the same, most fall into one of three categories: surfactants, oils and fertilizers.

Surfactants, also known as wetting agents, include non-ionic surfactant (NIS). These help spray droplets stay on the leaf surface instead of bouncing off. Some surfactants also make it easier for the droplet to spread out on the leaf, which can be beneficial depending upon which herbicide you use.

"With oil-soluble herbicides like Fusion, spreading can help," says Nalewaja. "With water soluble herbicides like Touchdown, you're better off with a surfactant that does not promote spreading."

A second category of adjuvants is oils. There are petroleum based, vegetable based (including COC) and methylated vegetable based oils (including MSO)

"Oils are not as good as surfactants for improving droplet retention," says Nalewaja.

The main function of oils is to enhance uptake of the herbicide after it hits the leaf. "The right oil with the right herbicide will help the active ingredient get into the plant faster and do a better job," Nalewaja notes. "That's also an advantage for herbicides that sit in the sun and can be broken down by UV light."

Fertilizers make up the third category of adjuvant. Like oils, nitrogen fertilizers can improve herbicide penetration into the leaf. Ammonium sulfate and nitrogen solutions are particularly effective when certain herbicides are mixed with hard water.

To choose the best adjuvant for your post-emergence herbicide program, Michigan State's Don Penner advises starting with the herbicide label. When the label gives you more than one option, Penner and Nalewaja offer these guidelines for choosing the best adjuvant.

- Use MSO if it's on the label and you're spraying grasses. Penner has found that MSO works better than other adjuvants on grass species. The exception is when you're tankmixing a post-emergence grass herbicide with a post-emergence broadleaf herbicide. "Don't use MSO if it's not specifically recommended on both labels," says Penner. The ideal situation, he adds, would be to tankmix herbicides that are labeled for the same adjuvants.
- If the label gives you a choice between MSO and NIS, choose NIS under normal weather conditions and MSO if the plants suffer from drought stress. "MSO will give you greater penetration under conditions of drought stress when the plant develops a thick, waxy cuticle," explains Penner.
- When using NIS, Penner says you should get the final concentration in the spray tank up to at least 0.25 percent. For MSO, get the final concentration up to at least 0.5 percent.
- Don't add fertilizer unless it's specified on the label. "The addition of fertilizer seems to help most on velvetleaf and sunflower," says Nalewaja. "You can also get big enhancements in control by adding ammonium sulfate to Roundup or Touchdown." ■

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# Discussion Topic

## How value-added co-ops are really working in Michigan

**June 1997**  
A monthly resource for the Community Action Groups of Michigan Farm Bureau



It seems the agriculture industry has been inundated with information about "value-added" or "new-wave" co-ops lately. These cooperatives may sound like a great idea for someone else, but might seem far off for many farmers.

Basically, a value-added cooperative is a business that in some way processes a commodity to add value to it. A good example is a factory that processes soybeans into soy oil. The oil and byproducts are more valuable than the raw soybeans that originally entered the plant, therefore, value has been added.

The latest trend is for farmers to own the cooperatives, so they control the production all the way from the farm to the end product. It's one step closer to vertical integration, or moving their involvement in the food chain closer to the consumers.

Enough about the theory behind value-added cooperatives. How do farmers get involved in them? Do they really work in Michigan? Here's what's going on right here in our own state.

### Soybean processing

The Innovative Farmers of Huron County have been active in finding ways to make farming more efficient and agriculture more profitable. When working on one special project, they explored ways to foster economic development in their area. After several discussions and a great deal of research into niche marketing ideas that might work in Thumb, chance

brought them an idea.

"Last September, the Innovative Farmers group went to Ontario to look at tillage practices in dry beans and manure management issues," recalled Pat Sheridan of Fairgrove, a member of the group. "We went to one farm and they mentioned they sent their soybeans about an hour down the road to be crushed and got the same amount of meal back."

The group wound up touring that soybean extruding/expelling operation. "What was so impressive to me was that the place was *unimpressive*," Sheridan explained. "I was expecting to come in and see a whole bunch of smokestacks." In reality, the group saw a man operating a soybean crushing plant using old equipment with nothing new but the cement floor. It made Sheridan realize such an operation was actually possible in his own area.

As a result of the visit, the group of Thumb-area farmers decided to dig into a new venture of their own. "It was kind of dumb luck," Sheridan said.

In a nutshell, that's how the Thumb Area Oilseed Producer's Cooperative (TOPC) was formed. Now, Sheridan sits on the board of directors for the 100-plus member TOPC, which is conducting feasibility studies to find out how to best begin their operation.

They plan to take the soybeans grown in the area and crush them locally, rather than pay freight costs to ship them away. Livestock farmers will be able to make use of the locally crushed meal while avoiding transportation costs. The soybean oil also produced during the crushing process will need to be refined in some way. The TOPC is attempting to find a market for that oil now.

According to Sheridan, the bottom line is

that he and fellow farmers may have found a way to increase their profits by cutting out the people in the middle. "A lot of the money is between the farmers and the consumers," Sheridan said. "We'd like to retain at least part of that money in the community."

### Alfalfa pelleting

Farmers in Huron County are also considering the idea of an alfalfa pelleting cooperative. Sugarbeets are a top commodity in the Thumb, but yields are beginning to drop and worry some producers. It's known that adding alfalfa to a sugarbeet rotation will increase beet yields, but there isn't currently a good market for the excess alfalfa.

Huron County MSU Extension was awarded a grant to study the feasibility of an alfalfa processing plant, with money coming from Project GREEN (Generating Research and Extension to Meet Economic and Environmental Needs). In Nebraska and Minnesota, more than a dozen alfalfa pelleting/cubing plants are up and running.

### Aquaculture cooperative

Although just an idea at this point, there has been talk of aquaculture becoming an opportunity for a new cooperative in Michigan. The Michigan Department of Agriculture is working on developing an Aquaculture Initiative to improve that industry. Keep an eye out for farmers interested in producing yellow perch to fill the strong market for those fish in the state.

### Apple processing

After shipping their apples out of the area for someone else to package and profit from, 15 Michigan apple producers decided to band together to purchase land and build their own processing facility near Sparta. The equipment required to process apples can require a substantial cash outlay — one that's often too large for individual farmers to handle. But together, they're able to contin-

ue growing their apples while, at the same time, getting the value from grading, sorting and packaging their produce.

A handful of other cooperative ideas are being tossed around the Great Lakes State, including that of a canola oil refinery in the Upper Peninsula and a soy oil refinery in Gratiot County. In central Michigan, a shrimp producer is considering the cooperative concept.

Bob Boehm, Michigan Farm Bureau commodity specialist, says the idea of farmer-owned cooperatives in Michigan is moving much closer to reality. "Value-added cooperatives are based on the principle that growers could own a facility that could process their commodities into something further than just a raw commodity," he said. "In a time with Freedom to Farm where they need to get more of their income from the market, it allows an opportunity to go beyond the farm gate and hopefully gather some of the profitability through the value-added process."

### Discussion Questions

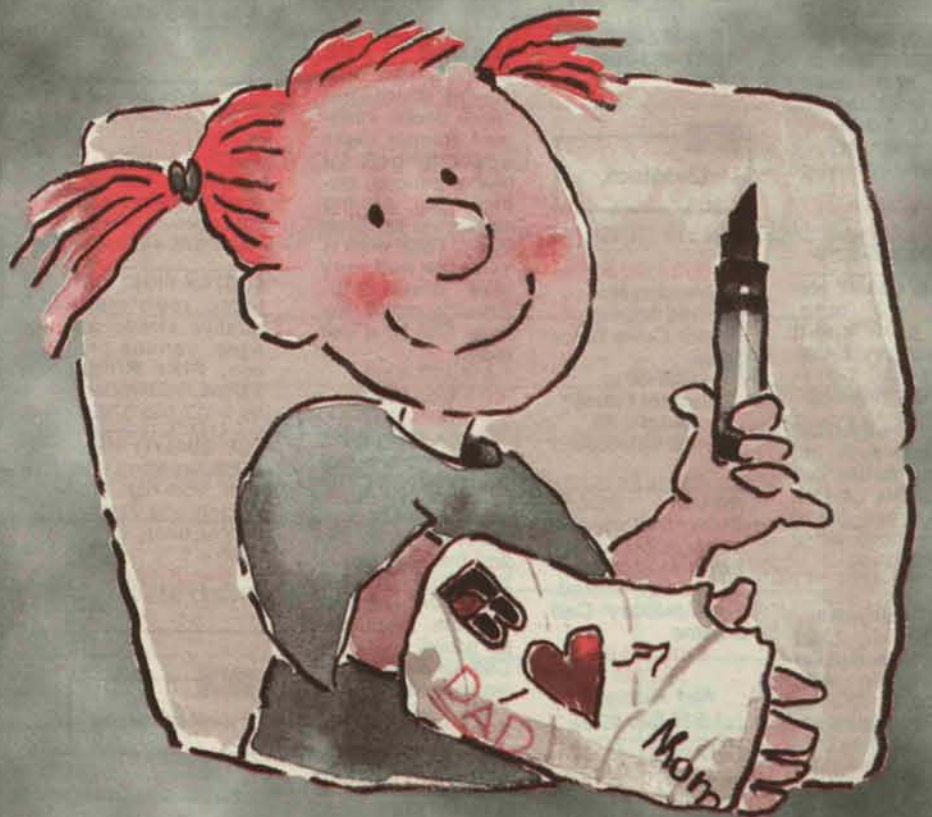
1. What value-added processing ideas does your group have based on the experiences of these producers?
2. Are value-added cooperatives a fad or are they here to stay? Why or why not?
3. Are value-added co-ops the right answer for farmers to access the consumer market? Why or why not?
4. Has there been any discussion about value-added processing in your area? What are some of the ideas you've heard? Are they reasonable?

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# Michigan Farm News Classified

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6X6 ARMY TRUCKS dumps, cargo, tractors. Gas and diesel powered. Price starting at \$6500. New 20' steel truck bed, \$2500. 1-517-879-6994.

Deadline for next issue is Noon, July 7, 1997

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P.O. Box 6, Stanton, MI 48888

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## Classified Ad Codes

- |                        |                            |                       |
|------------------------|----------------------------|-----------------------|
| 1. Farm Machinery      | 10. Work Wanted            | 20. Wanted To Buy     |
| 2. Livestock Equipment | 11. Agricultural Services  | 21. Special Events    |
| 3. Farm Commodities    | 12. Business Services      | 22. Recreation        |
| 4. Seeds               | 13. Business Opportunities | 23. Financing         |
| 5. Livestock           | 14. Real Estate            | 24. Investors Wanted. |
| 6. Poultry             | 15. Real Estate Wanted     | 25. Building          |
| 7. Dogs and Puppies    | 16. Estate Sales           | 26. Lawn And Garden   |
| 8. Ponies/Horses       | 17. Auctions               | 27. Announcements     |
| 9. Help Wanted         | 18. Antiques/Collectibles  | 28. To Give Away      |
|                        | 19. General                | 29. Vehicles          |

Name \_\_\_\_\_ Phone ( ) \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Classified Ad Code Requested \_\_\_\_\_ Number of Issues \_\_\_\_\_

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### Method of Payment

Check \$ \_\_\_\_\_ (payable to Michigan Farm News Classified)

Visa Card Number \_\_\_\_\_ Exp. Date \_\_\_\_\_

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Classified Rates - \$8 for up to 24 words - 30 cents each additional word

Write your ad here, including phone number and area code

1	2	3	4
5	6	7	8
9	10	11	12
13	14	15	16
17	18	19	20
21	22	23	24
25	26	27	28
29	30	31	32
33	34	35	36

Circulation over 46,000 in State of Michigan.

## 21 Special Events

ALLEGAN ANTIQUE MARKET: Sunday, June 29. Over 300 exhibitors in every type of antique. Over 200 dealers under cover. Show is rain or shine! 7:30am to 4:30pm. \$3 admission. Free parking at the fairgrounds, right in Allegan, Michigan.

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