



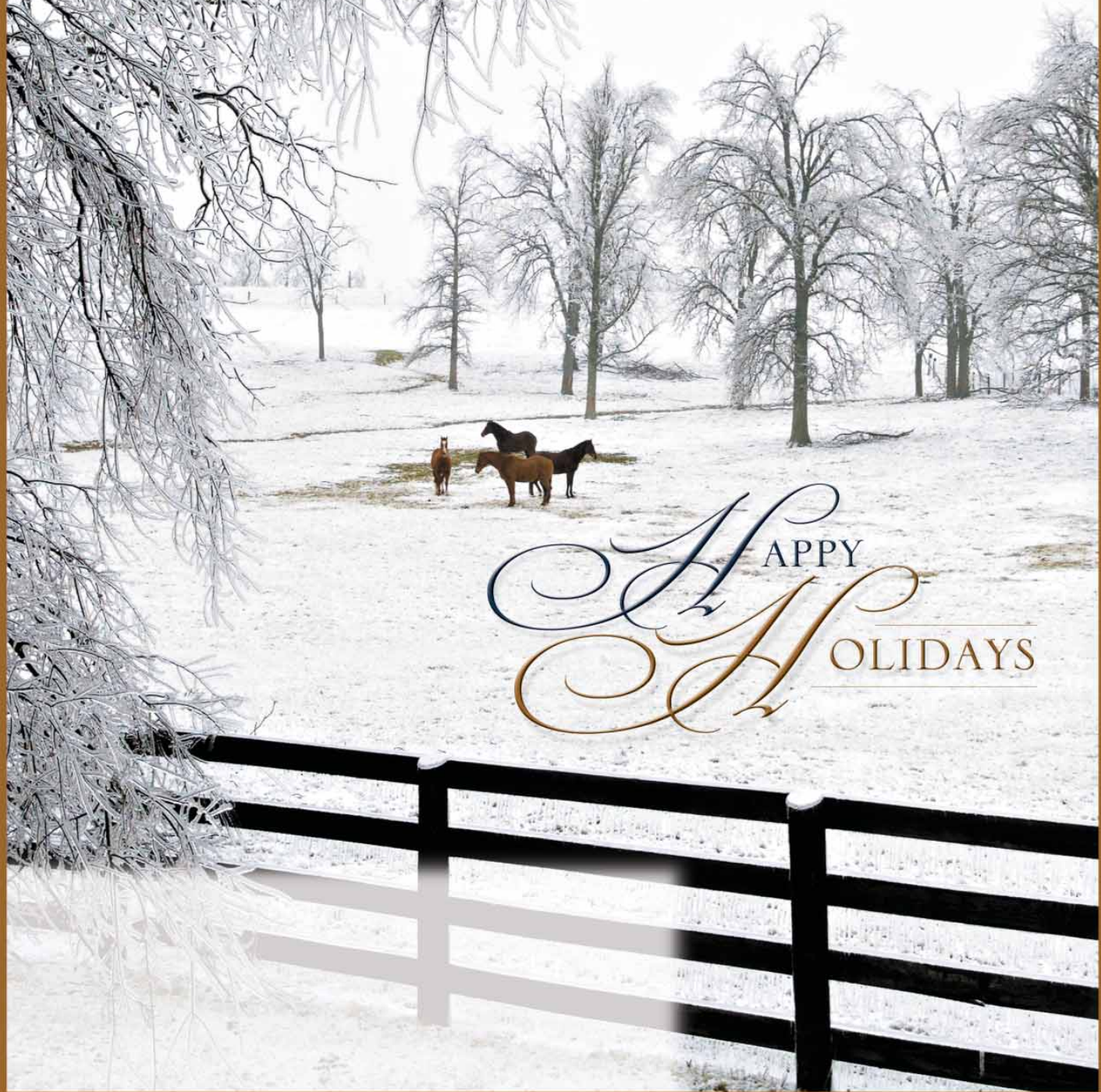
VOL. 2 NO. 12

DECEMBER 2007

KENTUCKY

FARM BUREAU NEWS

HAPPY
HOLIDAYS



Resolutions Committee tackles broad agenda

The high cost of health insurance continues to top the list of concerns among Kentucky's farm families, as evidenced by the resolutions from county Farm Bureaus. And among other things, KFB members want to address a shortage of large animal veterinarians, a much-needed renovation of the Kentucky FFA Leadership Training Center, protecting tobacco settlement money and reducing the deer population which is causing significant crop and property damage.

Those were among the chief topics of discussion at KFB's Resolutions Committee meeting last month. Each November, the group comes to the state office to review hundreds of policy proposals from county Farm Bureaus and the organization's various advisory com-

mittees. The goal is to set the stage for the policy debate at the annual meeting.

KFB already has policy calling for major reforms to the state's health insurance industry "that will stabilize the market, encourage competition and increase consumer choice." KFB's public affairs team has worked diligently on the issue for several years and continues to build coalitions to address the problems.

"It's an extremely complicated issue with no simple solutions," explained Public Affairs Director Laura Knoth. "Our strategy is to build coalitions that will enable us to systematically put the pieces of the puzzle into place, with an eventual goal of significant reform."

A good number of counties have reaffirmed support for renovating the FFA Center in Hardinsburg. Many KFB

leaders have utilized that facility for leadership training. KFB is working to convince lawmakers to fund that project.

The Resolutions Committee agreed to forward to the voting delegates a broad statement of support for boosting the number of large animal veterinarians in the state. Kentucky, like many states, currently faces a chronic shortage of vets to work on cattle, horses, swine, etc.

The policy recommendation calls for incentive programs, increasing the number of students sent to Auburn and Tuskegee Universities under a state program, updating current laws to expand vet services, expanding mentoring programs and strengthening the vet technician programs at Morehead State and Murray State Universities. Those suggestions came from a special advisory committee chaired by

KFB Second Vice President John Hendricks.

The Resolutions Committee also forwarded a statement under "Tobacco Settlement Funds" asking that those monies be restricted to projects that improve farm income. "We're concerned that the fund sometimes is used to replace general fund appropriations for normal government operations," Ms. Knoth explained. "The intent of House Bill 611 (which earmarks half of the fund for ag development initiatives) was to utilize those resources to diversify

and expand the farm economy."

KFB delegates also will be asked to support looking into the establishment of a tobacco industry promotion board that would work toward expanding international trade for U.S. tobacco. This export-promotion program likely would be funded through a national checkoff, Ms. Knoth explained.

"There are many questions to be answered, but the committee feels this is worth exploring," she said.

KFB continues to advocate a more liberal deer hunting season. Delegates will consider language stressing that this issue also is tied to protecting animal health – an obvious reference to this year's spread of blue tongue disease from deer to livestock.



THE RESOLUTIONS COMMITTEE WORKED THREE DAYS IN THE BOARDROOM AT THE STATE OFFICE.

K E N T U C K Y

WIDE



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“COMMENT”

There have been a lot of unsubstantiated myths going around about what is being termed “food vs. fuel.” Unfortunately, the news media and anti-ethanol advocates aren’t getting it right.

Many argue that current policy is biased toward corn-based ethanol and has driven a run-up in the prices of staple foods in the United States and around the world. There is absolutely no basis for the allegations. It’s just another case of myth vs. reality.

Indeed corn prices have spiked higher in the past year but that is due to supply and demand conditions for corn and nearly all other major crops that have tightened throughout the world, due in large part to inclement weather factors for the past five to six years. Add to that the fact the U.S. dollar has depreciated nearly 25 percent during the past five years. These account for the vast majority of the reasons for the current high prices.

Amongst the many food vs. fuel allegations, a myth that has been covered by news outlets from New York to Chicago to California is that U.S. corn prices have driven up the price of tortilla flour in Mexico. What these news outlets don’t understand is that tortilla flour is made from white corn, which is completely different and separate from the yellow corn that constitutes over 99 percent of U.S. corn production and is utilized to make ethanol. White corn prices are determined by the supply and demand conditions for white corn, mostly within Mexico.

Further, outside of Mexican white corn, very little corn is consumed directly in the human diet. The majority of yellow corn is fed to the meat sector, for which the demand has increased significantly due to increased world economic growth, particularly in countries like China and India, which also have contributed to higher prices.

Opponents of ethanol try to capitalize on straw horse arguments. For example, someone recently suggested that filling a 25-gallon tank of a sport utility vehicle with pure ethanol would require more than 450 pounds of corn, enough calories to feed one poor person for a year. As we say in Texas, that’s nothing but pure hogwash! The fact is that this year the amount of ethanol used as a component of gasoline is less than five percent of the total. In reality, based on the opponents’ line of reasoning, it would take only about 20 pounds of corn to fill that sport utility vehicle with pure ethanol — a far cry from 450 pounds!

The fact is that ethanol-blended fuel is not only good for our environment and national security, it’s good for our economy. In light of record high energy prices, we must seek ways to further diversify our energy supply. Ethanol used as a renewable fuel is one way to accomplish such a goal.



Bob Stallman

**PRESIDENT
AFBF**

ON THE COVER:

PHOTO BY JEFF ROGERS.COM (SEE AD ON PAGE 2)

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Kentucky Farm Bureau is a voluntary organization of farm families and their allies dedicated to serving as the voice of agriculture by identifying problems, developing solutions and taking actions which will improve net farm income, achieve better economic opportunities and enhance the quality of life for all.

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“The Voice of Kentucky Agriculture”

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On the road again...

EXECUTIVE COMMITTEE GOES NORTH



ABOVE: KFB PRESIDENT MARSHALL COYLE EXAMINED A CIGARETTE MANUFACTURING MACHINE AT FARMER'S TOBACCO COMPANY.

OPPOSITE PAGE CLOCKWISE FROM TOP:

(TOP): FARMER'S TOBACCO COMPANY VICE PRESIDENT MIKE AMMERMAN MADE A POINT ABOUT THE MECHANICS OF A CIGARETTE "MAKER" DURING THE GROUP'S TOUR OF THE PROCESSING AREA.

(RIGHT MIDDLE): OWNER JIM MEADOWS (FOREGROUND) LED THE TOUR OF HIS SOYBEAN EXTRUSION OPERATION AT RIPS FARM CENTER IN TOLLESBORO.

(RIGHT BOTTOM): GRIFFIN INDUSTRIES' RENDERING PLANT IS IN A REMOTE AREA IN NORTHERN PENDLETON COUNTY.

(LEFT BOTTOM): THE BUFFALO TRACE PRODUCE AND HAY AUCTION SERVES FARMERS FROM SEVERAL COUNTIES.

(LEFT MIDDLE): THE GROUP VISITED GRIFFIN'S RENDERING PLANT. AT LEFT IS PENDLETON COUNTY FB PRESIDENT BOB MCCLANAHAN.

Winds of change have been sweeping across Kentucky agriculture at a rapid pace. There's more diversity than ever before, with innovations that few would have imagined only a few years ago.

Intent on learning about these developments and what they mean for farm families, KFB's Executive Committee routinely has been visiting farms and agribusinesses throughout the state. Last month's trek centered on some businesses in northeast and northern Kentucky, with an 18-year-old farm supply center that has expanded into extracting soybeans into feed products, a family-owned cigarette manufacturer, a produce and hay auction center and an innovative national company that recycles animal and bakery by-products into a wide variety of products.

The two-day journey also included stops at the Farm Bureau offices in Mason and Harrison counties, plus a dinner meeting with some county Farm Bureau leaders from the area.

"I think it's important that we are knowledgeable about these businesses and their link to the production of raw farm commodities," explained KFB President Marshall Coyle, who was joined by First Vice President Mark Haney, Second Vice President John Hendricks and Executive Vice President David S. Beck.

First stop was Rips Farm Center in the tiny Lewis County community of Tollesboro. Owner Jim Meadows, who's a director of Lewis County FB, expanded from his farm supply center six years ago with a soybean extrusion project that received financial support from the Kentucky Agricultural Development Board. "We've created a soybean market that wasn't here before," Meadows explained, adding that he pays a premium price above what local growers would receive from the nearest elevator, 60 miles away in Silver Grove. Soybean production in his area has tripled because of extrusion operation, he added.

The business processes 15 commercial feeds, serving 34 dairy farms and a host of other livestock producers. One regular customer is hundreds of miles away in Beckley, West Virginia.

Next stop about a dozen miles away near the Mason County community of Lewisburg was the Buffalo Trace Produce and Hay Auction Center, another venture supported by the Ag Development Board. Rick Alexander, the director of the Lexington-based Commodity Growers Cooperative and an organizer of the auction, told the KFB leaders that the produce business was poor this year due to the drought, but that hay sales exceeded \$33,000 from auctions in October and November. There were 120 in attendance at the October sale and 65 in November, he said.

The following day began with a visit to Farmer's Tobacco Company of Cynthiana, a cigarette manufacturing plant operated by the Ammerman family which was prominent in the tobacco auction warehouse business prior to the quota buyout program. Bob Ammerman is head of the business and his son, Mike, is Vice President.

After converting an auction warehouse into a 100,000-square-foot manufacturing plant, the Ammermans began production in 2001 with their signature "Kentucky's Best" brand. That brand became so popular that it now comes in 21 styles. Other brands include "Baron" and "VB."

Business swelled to the production of 1.1 billion units last year. The plant now has six “makers” that can crank out a total of more than 30,000 cartons a day, Mike said, adding that sales accounted for over \$42 million last year in federal tax revenue, master settlement agreement payments and quota buyout payments.

Bob and Mike Ammerman told the KFB leaders that the proposed Food and Drug Administration regulation of tobacco products would cost them a minimum of \$1 million up front in administrative costs for compliance, plus much more to change their labeling and packaging to

meet whatever guidelines are imposed.

Last stop was Griffin Industries, a big industrial complex on a hilltop in northern Pendleton County. Founded in 1943 by John L. and Rosellen Griffin, the company has become the largest independent, privately-owned animal and bakery by-product recycling company in North America. Its products include fats, oils, proteins, biodiesel, bakery by-products, leather goods and organic fertilizers.

In farming circles, Griffin is well known for collecting dead animals for use in its rendering plant. Products pro-

duced from its rendered fats and proteins include animal feeds, pet food ingredients and fertilizers. The company also collects millions of pounds a week from more than 3,500 restaurants, with most of the grease recycled into feed additives.

Its bakery division recycles tons of bakery waste (breads, cereals, snack products) into a high energy animal feed called “Cookie Meal.”

Incredibly, each week the rendering and bakery facilities receive more than nine million pounds – or about 225 truckloads — of raw materials for recycling, according to Rick Geise, director of marketing.

The company employs 1,400 in its operations in 17 states.

Over the years KFB has worked with Griffin Industries on animal disposal issues that have surfaced in state legislative sessions. During a question-and-answer session with company officials, Coyle remarked: “We were familiar with your livestock disposal operation but frankly, we didn’t realize you have such a broad scope. This is very impressive; very innovative.”



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KFB AND COMMODITY GROUP OFFICIALS DISCUSS ISSUES WITH STATE LEGISLATORS

Five state legislators who are in key positions to help agriculture praised KFB and voiced support for some pressing farm issues during a meeting last month with leaders from KFB and farm commodity organizations.

The lawmakers struck a familiar chord to the agriculture officials when they predicted the 2008 General Assembly would authorize funding for renovating the state's two livestock disease diagnostic labs and merging the dairy farms at UK and Eastern Kentucky University. Those projects were on the table at the 2007 session but were waylaid as part of a dispute over the state pension fund.

House Speaker Jody Richards predicted success with those issues, at least in his chamber, and joined with the other lawmakers — House Agriculture and Small Business Committee Chairman Tom McKee, Senate Agriculture and Natural Resources Committee Vice-Chairman Vernie McGaha, House Appropriations and Revenue Committee Vice-Chairman Robin Webb and her Senate

counterpart, Ernie Harris — in endorsing farmland preservation programs. Harris, however, said he didn't believe the Senate would support public funding.

There was more good news for the ag officials during the three-hour meeting at KFB's state office: The legislators predicted the General Assembly would take action to address the shortage of large animal veterinarians, would approve money to renovate the Kentucky FFA Leadership Development Center plus would continue to support the funding level for the state's agricultural development initiative and to repel challenges to the state's property tax structure.

To a person, the five legislators lauded the state's agricultural development initiative which was established by passage of House Bill 611 in the 2001 session. (Ironically, the bill's chief sponsor, Roger Thomas, was at the meeting as executive director of the Kentucky Dairy Development Council. He was chairman of the House Agriculture Committee back then.)

Speaker Richards, in fact, said

"I'm totally committed to the principles of House Bill 611. When I think of all the things that have been accomplished with those dollars in keeping agriculture important to Kentucky, I'm so glad we did that."

Representative Webb, a Democrat from Grayson who was involved in crafting House Bill 611, said "it would take a blood bath" to alter that law.

Said Senator Harris: "It has done wonders in weaning us off tobacco. It's one of the best investments we've ever made."

McKee, a Democrat from Cynthiana; McGaha, a Republican from Russell Springs, and Representative Webb all gave first-hand accounts of why they feel farmland preservation programs are beneficial. And then Speaker Richards said the PACE program would be a priority in the House.

Another common theme was praise for KFB's lobbying team. Senator McGaha said KFB's representatives "provide reliable information and always conduct themselves professionally."



“You do have great lobbyists in Frankfort,” Speaker Richards added.

KFB’s Executive Committee was on hand at the meeting along with officials representing the state’s beef cattle, dairy, swine, poultry, equine, sheep, goat, soybeans, small grains, corn and tobacco producers.

KFB Public Affairs Director Laura Knoth presided, opening the meeting by telling the agriculture officials that the purpose is to ensure “that we can all be on the same page and can work as a team.”

KFB Executive Vice President David S. Beck, who initiated the annual meeting as a means to help farm groups prepare for legislative sessions, reminded the group that “we’re very fortunate to have a very favorable legislature when it comes to agriculture.”

KFB President Marshall Coyle also offered a welcome, saying: “It’s very important that we in agriculture communicate and work together.”



FAR LEFT: HOUSE AGRICULTURE COMMITTEE CHAIRMAN TOM MCKEE (LEFT), KFB PUBLIC AFFAIRS DIRECTOR LAURA KNOTH AND SENATE AG COMMITTEE VICE-CHAIRMAN VERNIE MCGAHA LISTENED TO A QUESTION ABOUT ANIMAL HEALTH PROGRAMS.

CENTER: SENATOR ERNIE HARRIS, WHO SERVES ON BOTH THE AGRICULTURE AND APPROPRIATIONS COMMITTEE, NOTED THAT HE IS A FARM BUREAU MEMBER AND THAT “KENTUCKY IS STILL AN AGRICULTURE STATE.”

TOP: HORSES AND TOBACCO ARE HISTORICAL STAPLES OF RURAL KENTUCKY AND SO IT WAS ONLY LOGICAL THAT DAVID SWITZER (LEFT) OF THE KENTUCKY THOROUGHBRED ASSOCIATION VISITED WITH DEAN WALLACE OF THE COUNCIL FOR BURLEY TOBACCO DURING A BREAK IN THE THREE-HOUR MEETING.

TOP: HOUSE SPEAKER JODY RICHARDS (CENTER) CHATTED WITH KENTUCKY DAIRY DEVELOPMENT COUNCIL OFFICIALS JIM SIDEBOTTOM (LEFT) AND ROGER THOMAS.

RIGHT: REPRESENTATIVE ROBIN WEBB OF GRAYSON SAID FUNDING THE RENOVATION OF THE TWO ANIMAL DIAGNOSTIC LABS WAS “A NO-BRAINER” BECAUSE “THERE’S A TREMENDOUS PAYBACK ON THAT” IN TERMS OF PROTECTING THE STATE’S FORMIDABLE LIVESTOCK INDUSTRY.



FEED TO BREED

HAY QUALITY CAN IMPACT CALVING SEASON

BY LAURA SKILLMAN
UK COLLEGE OF AGRICULTURE

Tight feed supplies mean cattle producers will have to be careful managers this winter to keep their animals in good condition to ensure healthy calves and rebreeding in the spring.

"I have some real concern for our cattle producers in that late winter is probably going to be an ugly time for us," said Roy Burris, beef cattle specialist with the University of Kentucky College of Agriculture. "It's probably going to cost us 50 percent more to winter cattle this year than it normally does."

If producers do not meet the nutritional needs of their cows, it will not only affect the 2008 calf crop but also the 2009 crop, because many of the cows in poor condition will not rebreed. Cattle with body condition scores of five have rebreeding rates in the 90 percentile while those with scores of three to four are only in the 51 to 76 percentile.

"This could have a far reaching effect, if producers don't take proper care of their cattle," Burris said. "A lot of them will take good care of their herds, but some of them won't."

Burris is cautioning producers about the high price and low quality of some hay being offered on the market, including hay from ground enrolled in

the Conservation Reserve Program and baled cornstalks. These will provide little nutritional value for cattle and will result in cattle losing weight, having weak calves and reducing their chances of rebreeding.



QUALITY HAY LIKE THIS LOAD FROM CLARK COUNTY PRODUCER CHARLES "SHORTY" HOWARD IS IN TIGHT SUPPLY THIS WINTER.

"I'm scared to death some producers are going to depend on this poor quality hay, and it's going to mean problems in the calving season," he said.

There's nothing wrong with buying hay, if it is good hay, Burris said,

but buying poor hay at high prices only adds to expenses without improving their feed supply. Cattle won't compensate for poor quality hay by eating more of it; they will eat less. In order to keep the cattle in good condition on poor hay it will mean supplementing with other feed ingredients and supplementing a lot.

"Cattle don't have a hay requirement, they have a nutrient requirement," he said. So, the key thing for farmers is to test the hay to know its quality and then feed a balanced ration.

Not all hay in the state is of poor quality. Cattle will consume good quality hay and won't need as much supplementation, but the state's hay crop was reduced substantially because of a spring freeze followed by drought. So producers need to decide what supplements they will need, and in what amounts, in order to stretch their hay supply through the winter. Some farmers also may have to reduce their herd size.

Instead of buying poor quality hay, producers would be better off evaluating their cattle, selling some of their poorer performing animals and stretching what hay they have, Burris said. This will allow them to keep their remaining cattle in better condition and increase a cow's chances of delivering a healthy calf and rebreeding this spring.

"With proper management, we can get through this winter," he said.



FARM PRODUCTION NEWS

OLDIES BUT GOODIES Aged tractors work well with sustainable production systems

BY CAROL L. SPENCE
UK COLLEGE OF AGRICULTURE

Drought, rain, heat or cold, there's one thing a farmer can count on — weeds. For the organic grower or the small vegetable producer who might be looking for a sustainable solution to that problem, a University of Kentucky horticulture professor has been tinkering with an answer.

Mark Williams, Director of the College of Agriculture's sustainable agriculture program, has spent much of this past growing season modifying older farm equipment to meet the needs of farmers who practice sustainable production methods. Using two older tractors — an Allis Chalmers G designed prior to World War II and a 1964 Farmall 140 — Williams welded new technology onto these workhorses of farming, creating reasonably priced cultivators suitable for small acreage production. He used the organic portion of UK's Horticultural Research Farm to test his innovations.

"We've been trying to develop a production system that is appropriate for the scale that we're doing and the

type of diverse crop production that we're growing," he said. "We've taken a few of these older tractors that we can get fairly reasonably priced and work really well for our system, and we've brought in cultivating tools that are fairly new, so they cultivate in a different way than the tools that were originally on these tractors."

Those original tools were designed for deep cultivation. Since their heyday, farmers have learned that turning over so much soil can have a negative impact on its structure and microbial life.

"Deep cultivation puts you in this cycle of continuing to cultivate over and over," Williams said. "You might be killing the weeds on the top of the soil, but you're bringing up weed seeds from the bottom all the time. So newer cultivators take this knowledge about how we can farm in a way that's as gentle as possible to the soil, while being as effective as possible."

Williams belly-mounted a row of basket weeder onto the Allis Chalmers G tractor, which only penetrate a half inch into the soil and can cultivate three rows simultaneously. The Farmall 140 displays a row of spider cultivators

mounted beneath the tractor, as well as a row of seeders on the back. With that array, Williams and his fellow UK farmers can seed three rows on 14-inch centers, then later go over the field with the G to cultivate between the rows and with the Farmall for in-row cultivation. The trick, he said, is the belly-mounted system that allows the driver to look straight down at the cultivators and thus get closer to the crop than could normally be done.

"To me, what this really speaks of is this idea of taking appropriate technology from the present that utilizes a lot of our scientific knowledge, like this cultivator, and applying it with the wisdom of the past, and that's this tractor that was developed back in the 1940s," Williams said.

Ben Abell, lead farmer for UK's community-supported agriculture project at the farm, has been working closely with Williams on the modifications.

"With some simple modifications to the cultivation system and investment in cultivation, you can vastly increase the acreage that you're cultivating and decrease the time it takes to cultivate that acreage," he said.

"What we're trying to do is set up a model that small farmers can emulate. Decreasing labor costs and increasing cultivation and harvest efficiency is one of our big goals out here and obviously this tractor increases cultivation efficiency," Abell said, indicating the Farmall.

"We're not setting up an agricultural system here that you have to go out to spend hundreds of thousands of dollars on the equipment," Williams said. "You can use existing equipment, maybe modify it by adding cultivating tools that are appropriate for this type of farming, where we can do mechanical cultivation but in a very mindful way of how it impacts the soil."

Those interested in learning more about Williams' modifications can contact him at (859) 257-2638.



MONSANTO'S UNIQUE MOBILE TECHNOLOGY UNIT HAS BEEN TOURING THE NATION, INCLUDING A RECENT STOP IN MEADE COUNTY. THE 53-FOOT-LONG UNIT HAS 1,000 SQUARE FEET OF EXHIBIT SPACE, WITH AREAS THAT FEATURE DISPLAYS, VIDEOS AND INTERACTIVE ELEMENTS RELATIVE TO PLANT BREEDING, CROP ANALYTICS, BIOTECHNOLOGY, RESEARCH AND DEVELOPMENT PROCESS PLUS THE CORN AND OILSEED PIPELINES.

Seeds and organic foods **SPROUT** success for Louisville-area “**AGRIBUSINESS OF YEAR**”

At first glance, the antique stone seed jars on display in Caudill Seed Company's conference room suggest that the Louisville firm's focus, as its name indicates, is all about the business of seeds.

But on the other side of West Main Street a second Caudill facility houses Whole Alternatives, an organic food products company that is the firm's fastest growing division.

“We're a lot more than a seed company,” says CEO Dan Caudill.

And it's that record of diversity and growth, plus its ability to adapt to

In 1990, Dan and his brother, Pat, took over operation of the company from their father and in 1998 Caudill moved to its current location on West Main Street, between 14th and 15th streets.

The ensuing years have seen Caudill Seed expand its core business in the agricultural seed and sprouting seed divisions, and diversify into the organic food and health supplement industry, where sales are growing at a rapid rate.

Dan Caudill said his father taught him the value of branching out into new enterprise areas at an early age.

“Dad started out combining grass seed on farms and military bases around the state and selling to farmers in the local area,” Dan Caudill said. “But soon he began wholesaling seeds, purchasing seeds from farms in the Western U.S., and expanding with such products as baler twine.”

After the sons took control of the firm, they found another niche by buying and selling bean and alfalfa seeds to the sprouting industry, which provides salad-style sprouts for processing and restaurant use.

From that, the Caudills started fabricating the sprouting equipment, including rotary drums that were reconfigured to hold the seeds in an ultra-moist environment that produces the sprouts.

When a market began to develop for “chemical-free” foods, the brothers seized on another commercial opportunity. Now Caudill's Whole Alternatives is the nation's largest manufacturer of certified organic popcorn, moving more than 1.6 million pounds a year.

And the organic product mix at the huge warehouse reflects the global

reach of the firm. Operations manager Todd Compton pointed to a pallet of organic products ready for shipment that included roasted cashews, Turkish apricots, pineapple dices and papaya chunks.

Compton said one of the challenges of processing and marketing organic food products is the difficulty of pest control in a chemical-free environment, even on the warehouse and packing house floor.

To ensure that no insects stray into the food containers, the staff utilizes two sealed carbon dioxide chambers where the packages are placed, then the oxygen is withdrawn from the chamber and replaced with Co2.

“We're one of the only organic processors in the country that has the capability of Co2 treatment of both raw materials and finished product,” Compton said. “We're very conscious of ensuring no insect contamination of our food.”

Caudill's growth and product diversification have gone hand in hand with their facilities expansion around the nation and the world. In addition to the 400,000 square feet of space in Louisville, the firm has branch facilities in Morehead and Allen, Ky., a seed processing plant in Granite, Oklahoma, and warehouses and satellite offices in Massachusetts, Washington, Oregon, California, China, British Columbia and Ontario.

Caudill's workforce combines management personnel from a variety of agribusinesses and food companies, reflecting the rapid growth of the firm in recent years.

The company also employs a number of “second-chance” workers in its Louisville warehouses, including residents and graduates of such rehab and treatment programs as The Talbot House, The Healing Place, Dismas and Volunteers of America.

“We do experience a lot of turnover because of those hires, but it's part of Caudill's mission that we are committed to giving those folks a second chance,” Compton said.



JOE REAGAN (LEFT) OF GREATER LOUISVILLE INC. AND JOHN COLLIVER, CHAIRMAN OF THE AGRIBUSINESS INDUSTRY NETWORK, PRESENTED THE AWARD TO PAT CAUDILL, PRESIDENT OF CAUDILL SEED.

changing market trends, that has earned for Caudill Seed the designation as 2007 Louisville area Agribusiness of the Year.

The award, given by Greater Louisville Inc., was presented to Pat Caudill, president of Caudill Seed, at the annual Farm-City Luncheon at the Kentucky Exposition Center in Louisville.

Caudill Seed was established in Shelbyville in 1947 by Dan's father, Forrest Caudill, who moved the business to a Story Avenue location in Louisville in 1959.



AFBF'S STALLMAN SPEAKS AT LOUISVILLE EVENT

AFBF President Bob Stallman used the nation's largest livestock show as a backdrop to warn farmers about a potentially-damaging agenda of the so-called "animal rights" groups.

Speaking at a kickoff luncheon for the North American International Livestock Exposition at the Kentucky Exposition Center in Louisville, Stallman said some well-organized groups were intent on the demise of livestock production in the United States.

"This is the biggest threat any commodity sector faces in the long term," said the Texas rice and cattle farmer. "These people want animals used for companion purposes only. They're trying to drive livestock production out of this country. It's almost a religion with them."

AFBF is responding to the situation by establishing a comprehensive public relations program to help farm-

ers maintain production practices threatened by legislation, regulation and activist-instigated ballot initiatives. The AFBF Board of Directors recently approved the "agricultural challenges initiative" which also will involve state Farm Bureaus and public relations firms.

Stallman was in Louisville as a guest of the Louisville Ag Club, which

played host to the luncheon. In his keynote address, he touched on a number of pressing issues, including trade, the farm bill, immigration reform and energy policy. But it was obvious he wanted to particularly stress the animal agriculture issue, which he saved for the end of his remarks.

After noting several instances in which

state governments have outlawed "traditional" production practice as a result of activist campaigns, Stallman said

farm interests needed to "try to offset their arguments."

"We're trying to face up to this," he said of the new AFBF program.

In regard to the farm bill, AFBF is most intent on preserving the structure and the funding for the commodity title. Although market prices are strong for most major farm commodities, production costs – particularly for fuel and fertilize – have soared, warranting a "safety net" for farmers, Stallman said.

He pointed out that funding for the commodity title amounts to less than one half of one percent of the total federal budget.

The AFBF leader predicted that Congress won't act on immigration reform until after next year's presidential election.

"It's too good of a political issue for them to decide before a big election," Stallman said, adding that the government is estimating that the number of farm laborers is down by 60,000 for the third quarter of this year.

"This is the biggest threat any commodity sector faces in the long term. These people want animals used for companion purposes only. They're trying to drive livestock production out of this country. It's almost a religion with them."

- Bob Stallman



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RED MEAT PRODUCTION IS UP

Commercial red meat production for the United States totaled 4.61 billion pounds in October, up 10 percent from the 4.2 billion pounds produced in October 2006. This year October had one more weekday than in 2006.

Beef production, at 2.44 billion pounds, was nine percent above the previous year. Cattle slaughter totaled 3.1 million head, up eight percent from October 2006. The average live weight was up nine pounds from the previous year, at 1,300 pounds.

Pork production totaled 2.14 billion pounds, up 11 percent from the previous year. Hog kill totaled 10.7 million head, up 11 percent from October 2006. The average live weight was up one pound from the previous year, at 270 pounds.

Lamb and mutton production, at 16.4 million pounds, was up five percent from October 2006. Sheep slaughter totaled 248,000 head, five percent above last year.

January to October 2007 commercial red meat production was 40.3 billion pounds, up two percent from 2006.

Compared to a year earlier, accumulated beef production was up one percent, veal was down three percent, pork was up three percent, and lamb and mutton production was down two percent.

ALFALFA EXPORTS MIGHT RISE

Milk and dairy product prices have been strong due to growing worldwide consumption. The September issue of "FAS Worldwide" discusses how an expanding dairy industry in South China means greater demand for U.S. alfalfa.

The National Hay Association estimates that baled alfalfa shipments could reach 5,000 metric tons (mt), valued at \$1 million, in calendar year 2007. With growth expected to climb 5,000 mt per year, the South China market could become comparable to that of Taiwan, which imported 52,633 mt of U.S. alfalfa hay valued at \$10.6 million in 2006. USDA expects the China market could become like that of South Korea, which imported 128,500 mt valued at \$25 million. Japan's purchase last year of \$121 million of alfalfa made it the largest export market for U.S. alfalfa. USDA states that U.S. alfalfa has negligible competition for the China market.

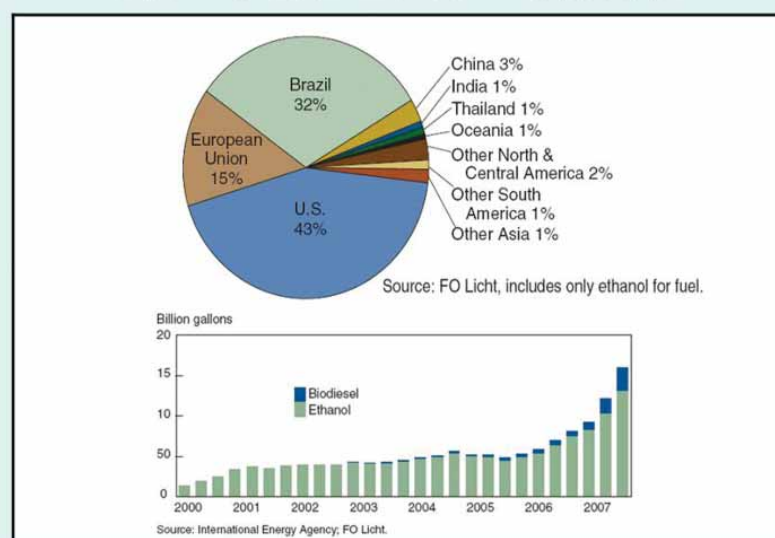
CANADIAN CATTLE EXPORTS SOAR

The United States imported 1.6 million head of cattle in the first three quarters of 2007, according to a USDA report. This is 11 percent higher than the same period last year. USDA projects 2008 cattle imports will be 2.6 million head, up eight percent from this year, due to increased imports from Canada.

The increase in Canadian cattle imports since the end of August has been almost entirely feeder cattle. While

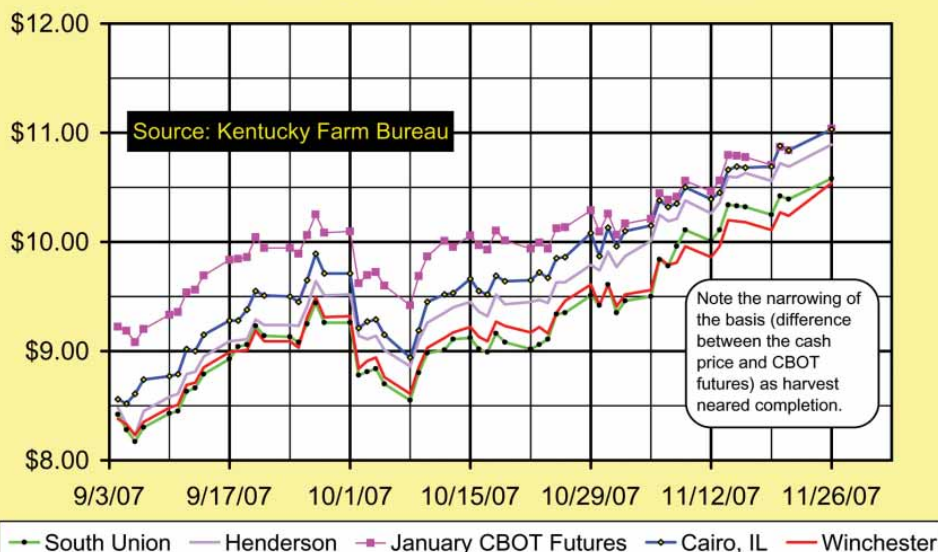
imports of Canadian slaughter cattle rose four percent over last year, the number of feeder cattle imported jumped 200 percent. Economists point to two factors that encourage producers to sell feeder cattle into the U.S. rather than feed them in Canada. High feed costs have hurt feeding margins. The price of barley was a record high in October and remains 40 percent above the 10-year average. Then, the rise in the value of the Canadian dollar versus the U.S. dollar.

2007 Global Biofuel Production



Source: "The Future of Biofuels: A Global Perspective," Amber Waves, USDA-ERS, November 2007

Kentucky Cash Soybean Prices



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FARM FILE



YOUNG FARMER CONFERENCE SET FOR FEBRUARY 1-2

KFB's Young Farmer Leadership Conference is set for February 1-2 at the Capital Plaza Hotel in Frankfort. The conference will feature many items of interest to young farmers and their families, including educational workshops, motivational speakers and tours of several local places of interest. The event will have a legislative emphasis with appearances by several state officials. There also will be guided tours of some Frankfort landmarks.

To register, contact your county Farm Bureau office.

AG TASK FORCE FINISHES PLAN

The Kentucky Agriculture Council Task Force on the Future of Agriculture put the finishing touches on its strategic plan for Kentucky agriculture. The Task Force reviewed comments from six regional public forums in October and gave direction and final input to staff and consultants working on the plan. The panel discussed priority objectives for the plan along with four items it felt needed more input, including youth education, labor, health care, and land use issues.

Dr. Tony Brannon, dean of the School of Agriculture at Murray State University and chairman of the task force, appeared before the legislative Subcommittee on Rural Issues to present the top 10 priority objectives from the draft plan for the 2008 session of the Kentucky General Assembly.

"On behalf of the executive committee of the Kentucky Agricultural Council, I want to thank each of the 50 organizations represented on the Task Force along with the public for their participation in the six regional forums," said Dr. Brannon. "It takes the commitment and support of all Kentuckians involved in agriculture to accomplish the short-term and long-range goals that come as a result of this process, and I feel that so far it has been a success."

The Task Force next will meet December 17 in Frankfort to approve the Strategic Plan for Agriculture.

KFB ACCEPTING SCHOLARSHIP APPLICANTS

Applications are now being accepted for KFB's Education Foundation Scholarship program for 2008. The foundation will be awarding 54 scholarships in 2008 to high school graduates with top scholastic and leadership backgrounds.

The program includes a \$4,000 "Sam Moore Scholarship" plus two \$3,000 "Leadership In Agriculture" grants to members of a farm family intending to earn a degree in agriculture or a related field at a Kentucky college or university.

Scholarship applications are available at county Farm Bureau offices or via KFB's website at kyfb.com (click on "organization"). All applications must be

postmarked by February 28, 2008 to be considered. They also can be hand delivered to the state office in Louisville.

Winners will be notified by May 15 and will be listed in the July issue of "All Around Kentucky," KFB's official publication.

Scholarships can be applied to tuition, room, board or books. Recipients may enter any accredited college but must pursue a four-year course of study.

In addition to the state scholarships, many county Farm Bureaus administer their own scholarship programs. Check with your local office for details.

ENROLLMENT OPEN FOR MARKETS PROGRAM

Applications are now being accepted for the 2008 Certified Roadside Farm Markets program. Now in its 13th year, the KFB program provides collective advertising, promotional items, education tour opportunities and other services to participating markets. The membership has expanded to include enterprises like greenhouses, landscape nurseries, vineyard/wineries and Christmas tree farms.

The annual fee is \$225 if received by December 31 and \$275 in January and \$300 in February. Applications must be post-marked by February 15 in order to guarantee a listing in the annual directory which is widely circulated.

For more information contact Sandra Gardner at (502) 495-5106 or roadside@kyfb.com.

PHILIPPINES OPENS MARKET FOR U.S. BEEF

The Philippines will allow complete market access for U.S. beef and beef products from cattle of all ages as a result of recent negotiations between agriculture officials from the two nations. Previously, imports of U.S. beef and beef products were restricted to meat from cattle less than 30 months of age. The

U.S. exported \$4.9 million in beef and related products to the Philippines in 2003, prior to the detection of bovine spongiform encephalopathy in a U.S. cow imported from Canada. Under the new agreement, USDA estimates that beef exports to the Philippines could total around \$12 million in 2008.

ETHANOL PIPELINE UNDER CONSIDERATION

Some pipeline companies are paying for a study to determine whether a coast-to-coast pipeline dedicated to the transport of ethanol should be constructed. The Renewable Fuels Association's Bob Dineen said that while a pipeline is an option, it is not the only one available to the ethanol industry. He also said a dedicated pipeline may be less secure than rail cars, barges and trucks.

Pipeline companies also are studying whether existing pipelines could be used to move ethanol safely. Pipeline experts say a dedicated pipeline for ethanol would cost

about \$1 million per mile to build, with the total cost around \$2 billion. That would result in a cost of three cents to six cents a gallon.

In other news related to the renewable fuels industry, Tom Dorr, USDA under secretary for rural development, recently said gasoline refiners must blend ethanol at a rate greater than 10 percent if the ethanol industry is to succeed. Dorr also said the challenges facing the biodiesel industry are not insignificant, and it may be time to consider using feedstocks other than soybeans to make biodiesel.

Drought delays soybean project

FROM KCARD

Editor's Note: KFB is among the KCARD cooperators. KFB First Vice President Mark Haney serves on the KCARD board.

This year's drought has forced postponement of a promising project to process soybeans into livestock feed.

Kentucky Specialty Grains, founded by Simpson County farmer Chris Kummer, a past chairman of KFB's Young Farmer Committee, has withdrawn an application for funding from the Kentucky Agricultural Development Board and has put the project on hold until additional investors can be recruited.

The growth in the biofuels industry had led to increases in the cost of the materials needed for the processing plant, which increased the needed capital and decreased the return on investment. Additionally, the drought has had a significant impact on the incomes of many producers interested in investing in the project, Kummer explained.

While the project continues to show good feasibility, the KSG Board feels it will be difficult at this time to acquire

capital to build the farmer-owned business the group presented to the Ag Development Board, added Kummer.

Kummer originally called on 15 grain farmers in the area he knew as progressive, forward-thinking individuals, and pitched the idea of creating an entity to add value to their crops. Thirteen of them agreed to move forward with the idea and KSG was established.

The first step was to ask the Kentucky Soybean Promotion Board and the Kentucky Agriculture Development Board to fund a marketing project to study the feasibility of creating the product. With positive results from the first study, KSG decided to go a step further and received a USDA value-added grant to begin the work toward making KSG a functioning entity.

In the winter of 2006, KSG received funding approval from the Ag Development Board to assist with the development of the project. One recommendation of the staff was to have the group work with the Kentucky Center for Agriculture and Rural Development (KCARD), to help with several aspects

of the business development, specifically the equity drive.

KCARD began working with the group to set up teams to focus on marketing, operations, and finance to facilitate the process of analyzing the business feasibility.

As the business plan came together, the group began to have a clearer picture of the financial potential of the project. The new analysis also brought to light the fact that since the initial feasibility study for the project, there had been several changes in the industry that impacted financial viability of the project.

As a result the group decided to withdraw their application from the Ag Development Board, and put a hold on the project. Yet, the KSG group doesn't intend to let the project fall by the wayside.

"We have farmers interested in the project, and we have markets interested in buying our product," said Kummer. "We don't intend to shelf this project, but we do recognize that now is not the best time for area farmers financially, so it is just on hold."

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