



VOL. 8, NO. 6

JUNE 2008

KENTUCKY

F A R M B U R E A U N E W S

Food Price Issue

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June Dairy Month

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FARM BILL HIGHLIGHTS

The "farm bill" is the single most important piece of legislation for improving the quality of life and economic vitality of our rural communities. It is also a food, agriculture, conservation and energy bill of critical importance to every American, plus has significant ramifications around the globe.

AFBF has endorsed the bill, which is formally known as "The Food, Conservation and Energy Act of 2008." Following are some of the bill's highlights:

✎ Maintains the current safety net programs for farm bill crops consisting of direct payments, countercyclical payments and marketing loan benefits with some adjustments.

✎ Eliminates the three entity rule which allowed producers to increase program payments if they were farming

multiple entities, and requires direct attribution of payments to individuals, not partnerships or corporations.

✎ Provides program crop producers with an optional state-level revenue-based countercyclical-program called the Average Crop Revenue Election (ACRE) beginning in crop year 2009 in exchange for a 20% reduction in direct payments and a 30% reduction in loan rates. The state-based ACRE provides producers with a payment for an eligible commodity when the actual state revenue for an eligible program commodity is less than 90% of a state revenue guarantee (which is based on a 5-year state average yield and a 2-year national average price).

✎ Denies direct payments to any producer whose average (previous three years) adjusted gross farm income exceeds \$750,000 annually, and eliminates all farm program payments to any individual with an average adjusted

gross non-farm income exceeding \$500,000. A husband and a wife would be able to apply their own individual payment limits, effectively raising the commodity program limit for farming families to \$1.5 million annually. For conservation programs, payments would be eliminated for individuals whose adjusted gross income exceeds one million dollars, with those who receive more than 2/3 of their income from farming exempted from any conservation payment limits.

✎ Eliminates payments for any farm with less than 10 base acres, which would impact over 20,000 Kentucky farms (the highest number of farms impacted among all states in the nation).

✎ Establishes a permanent disaster program to allow for direct emergency assistance in response to weather-related events.

Continued on page 10

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“COMMENT”

Farmers are pretty agitated about these media reports blaming them for rising food costs. As they pump diesel fuel at \$4.50 a gallon and regular unleaded for \$4, farmers must be wondering how the public could buy into any other explanation other than soaring energy costs.

The world's food system is heavily reliant on petroleum; rising prices affect the cost of just about everything, including planting, cultivating, harvesting, processing, packaging and transporting. Skyrocketing fuel cost is indeed the chief culprit. Numerous government, academic and business reports affirm that.

However, high farm commodity prices are a factor along with other variables. Farm organizations don't deny that. But we're also quick to note that farmers are not reaping a lot of benefit from these historically high prices on what they produce. First of all, farmers only receive an average of 22 percent of consumer retail food expenditures. Secondly, because of soaring energy prices, farm production costs are going through the roof, cutting sharply into profit margins.

Farm Bureau – on the national, state and local levels – has been busy telling the real story. We're focusing on those issues in this publication, with information and perspectives about food prices on pages 4 and 5, and a page 8 feature on how one farmer is dealing with soaring input costs.

KFB's Communications and Public Affairs staff members are continuing to disseminate timely, accurate information that generates a better understanding of the situation. On the national level, AFBF has led the charge on behalf of farmers, even going so far as to send letters to all members of Congress. AFBF has been quick to respond to misleading media reports, including articles in some of the nation's largest and most influential newspapers.

I hope you are pleased with our proactive response to this public relations problem.

Meanwhile, as we proceed with a rain-delayed planting season, there appears to be no short-term relief for the soaring fuel prices impacting all of us. We're all in this together, city and country folks alike.

If food prices follow a typical pattern, farmers will respond by growing more food. That will help alleviate the supply-and-demand crisis. But to lower these grocery bills, we need to be looking at a comprehensive energy plan that reduces our dependency on foreign oil.



Marshall Coyle

PRESIDENT
KENTUCKY FARM BUREAU

ON THE COVER:

A RURAL SCENE JUST SOUTH OF HARRODSBURG
PHOTO BY ROGER NESBITT

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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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Ethanol not the culprit

Farm Bureau responding to misconceptions

Farm Bureau has initiated a proactive response to numerous reports and statements claiming that growing production of ethanol is largely responsible for rising food costs, as well as a global food shortage.

KFB, along with AFBF and many other state Farm Bureaus, has mounted a campaign to provide the public with accurate information about what truly has led to higher food prices. KFB's program involves news releases, editorial material and developing "talking points" for use by county Farm Bureaus.

AFBF has done likewise, plus sent a lengthy letter to members of Congress.

"Ethanol is not the culprit that American consumers are being led to believe," explained AFBF President Bob Stallman. "A host of factors are at play and we want to make sure that America's consumers have a clear picture of this volatile and very complicated food price situation."

Some of the best "ammunition" comes from a comprehensive report by Texas A&M University's Agricultural and Food Policy Center, concluding that corn prices have had very little to do with rising food costs. The primary catalyst, according to the report, is the skyrocketing price of crude oil.

No one is denying that high farm commodity prices are a factor. But that's small in comparison to the effect from higher energy and labor costs. USDA has reported that higher fuel prices account for about 44 percent of the food price hikes, with labor around 19 percent. The farm share, meanwhile, is 20 percent. Moreover, the farmer's share of the food dollar has been shrinking for years, currently at 22 percent, compared to about 33 cents 30 years ago.

There are plenty more facts to support Farm Bureau's position: Food prices rose 5.1 percent during the 12-month period ending in April while fuel prices climbed 15.9 percent and transportation costs rose by 7.2 per-

Talking Points on Food/Fuel Prices

- Higher energy costs, reflecting the price of oil, gasoline and diesel, along with higher labor costs play a larger combined role in food price increases than do commodity levels. Of this year's food price rise, 44 percent is due to energy while 19 percent pertains to higher labor costs, according to USDA.
- About one-fourth of the U.S. corn crop goes into ethanol production, allowing plenty of corn for livestock feeding, food production and exports. Worldwide, only two percent of the corn market goes into ethanol.
- Ethanol is a renewable fuel resource, produced by U.S. farmers, unlike crude oil, the bulk of which is imported under pricing that is controlled by a cartel.
- Ethanol production yields substantially more energy than it consumes during production, about 67 percent more in fact.
- Much of the current run-up in food prices is related to dry weather during 2007 in major wheat producing areas, plus spikes in demand from developing nations like China, Indonesia and India. The weaker U.S. dollar also gets a portion of the blame.
- There are incredibly small amounts of farm commodities in most processed foods. For instance, roughly eight cents worth of corn is in a \$3.30 box of corn flakes. Also, there is just 16 cents worth of wheat in a 20-ounce loaf of bread costing \$1.78.
- Farmers are increasing production in response to tight supplies and higher prices. U.S. growers produced a record 13.1 billion bushels of corn in 2007. If the weather cooperates, anticipated future production levels will be sufficient to meet food and renewable fuel needs.
- There is no food shortage in this country. We have plentiful supplies of food in all major food groups, and prices are forecast to increase less than five percent in 2008.
- Ethanol actually helps hold down the retail cost of gasoline, resulting in a 35 to 40 cents-per-gallon savings compared to what those prices would be if that much more oil was needed to meet current demand. That means consumers will spend around \$50 billion less for their fuel this year because of ethanol.
- One-third of the livestock feed value of corn used in the production of ethanol, including 100 per cent of the protein, is recovered in the form of distillers dried grains that are marketed as a high quality feedstock to livestock producers.
- Last year food prices increased 4 percent overall. By comparison, gasoline prices jumped 29 percent and they have continued to rise dramatically through the first half of 2008.

cent, according to the Bureau of Labor Statistics.

Ethanol made from corn also is being unfairly blamed for a world food shortage. The reality is that only 22 percent of last year's record 13.1-billion bushel U.S. corn crop went to ethanol production, leaving enough to meet domestic demand, increase exports to a record level plus stockpile a 10 percent surplus, according to government statistics.

KFB President Marshall Coyle said some Kentucky farmers are upset about the negative public relations surrounding the food price debate.

"It's frustrating to see some of the misleading assertions that are out there," Coyle said. "There are so many tools of communications, people easily can be misled. That's why we're doing our part to provide accurate information, which is that many things are behind the food prices, and that we do not have a food shortage in the U.S."

on higher food prices

Most of Retail Food Dollar Not Going to Farmers

OFF-FARM

costs (marketing expenses associated with processing, packaging, wholesaling, distributing, transporting, and retailing of food products) account for **81 cents** of every retail dollar spent on food eaten at home and away from home.

FARMERS and RANCHERS

receive only **19 cents** out of every retail dollar spent on food that is eaten at home and away from home. In 1980, farmers received **31 cents**.

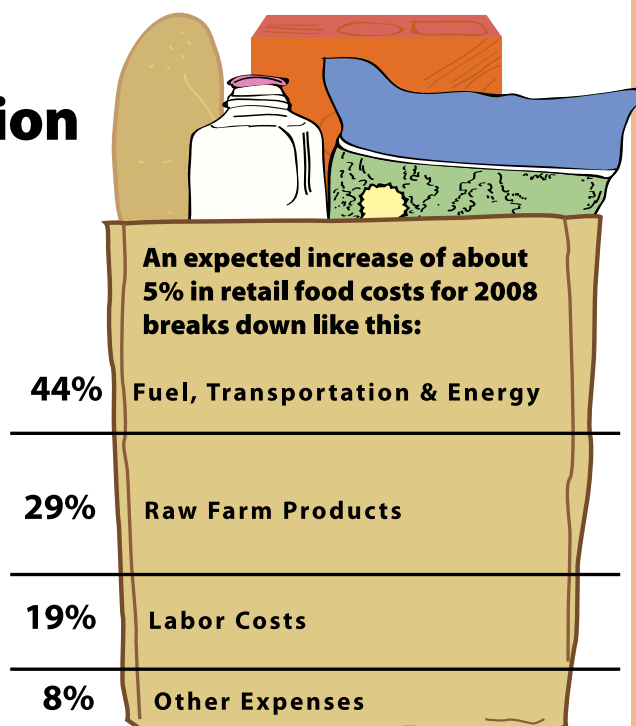


**81¢
OFF FARM**

**19¢
FARM**

American Farm Bureau Federation® Graphic
Source: ERS – USDA (2006)

Fuel, Transportation and Energy Drive Retail Food Prices



Source: American Farm Bureau Federation® Graphic; Consumer Price Index (CPI)

Chicago Tribune gets it right

A May 6 editorial in the Chicago Tribune outlines why the newspaper says the “food versus fuel” debate is a myth. The editorial stated: “Here are the facts: In the last five years, despite the nearly threefold growth of the corn ethanol industry (or actually because of it), the U.S. corn crop grew by 35 percent, the production of distillers grain (a high-value animal feed made from the protein saved from the corn used for ethanol) quadrupled and the net corn food and feed product of the U.S. increased 26 percent. Contrary to claims that farmers have cut other crops to grow more corn, U.S. soybean plantings this year are expected to be up 18 percent and wheat plantings up six percent. America is clearly doing its share in feeding the world. Agriculture is not a zero-sum game. There are 800 million acres of farmland in the U.S., and only about 30 percent of it is actually being used to grow anything. As a result of the ethanol program, the corn price received by farmers doubled over the last five years, causing a huge increase in the amount grown in terms of acreage and yield. The increased demand for food from the hundreds of millions of people in China and India rising out of poverty and moving to a more calorie-rich diet affects the price of food the most. Second is the price of fuel. Higher fuel prices increase the cost of production, transport, wages and packaging, the main cost of retail food.”

School Days . . .

Mason County FB keeps 'em coming to the farm



Mason County FB teamed up with the county extension office to organize “Farm Youth Day” for sixth-graders. More than 250 students – including one group from neighboring Robertson County – participated in the activities at the farm of Wayne and Diana Cropper.

Agricultural Extension Agent Bill Peterson has been heavily involved with the annual event for nearly 30 years and describes it as one of his more rewarding experiences.

“It’s an effort to describe the farm-to-dinner table story,” he explained. “Many of these young people have no connection to a farm or rural life; we want them to learn a little something about what goes on on the farm.”

Mason County, which lies along the Ohio River in northeastern Kentucky, has a rich agricultural heritage but has become less rural with the growth of Maysville and a decline in

tobacco and dairy production. Peterson said the agenda at Cropper Greenhouses reflected some of the change in the local farm scene.

“We’ve rebooted a little bit since the tobacco buyout,” he said. “We’ve lost a lot of tobacco and there are only a few dairies left. People are trying new things.”

The Croppers still have beef cattle, hay and 40 acres of burley tobacco on their 200-acre spread near May’s Lick. But their greenhouse business has become increasingly diverse with bedding plants, perennials, mums and landscape plants.

The tour began with a presentation on electrical safety from two employees of Fleming-Mason Rural Electric



ABOVE: THE STUDENTS CHECKED OUT SOME LANDSCAPE PLANTS AS GUIDE JOE ULRICH PROVIDED INFORMATION.

INSET: WITH A POPULAR “PROP” IN TOW, DAVID THROCKMORTON SPOKE TO THE STUDENTS ABOUT GOAT PRODUCTION.

Cooperative Company. From there, the youngsters split into groups to rotate among “stations” focusing on bedding plants, landscape plants, livestock production and crop production. The livestock exhibit featured a dairy cow, a beef cow, a goat and a sheep. The crop presentation focused on various types of livestock feed, including hay and silage.

The Mason County FB Women’s Committee, led by chairperson Sally Walton, provided cookies and milk.

Dairy Month: A salute to producers

CASEY COUNTY COUPLE REPRESENT BRIGHT FUTURE FOR A CHALLENGING INDUSTRY

It's June Dairy Month, the traditional period when the industry seeks to boost retail demand to correspond with the peak of milk production. It's a celebration of all that is good – from the farm to the supermarket -- about the business of producing healthy, wholesome dairy products.

Like much of U.S. agriculture, dairy farming has undergone dramatic technological and demographic change. However, the heart of the sprawling dairy industry has gone virtually unchanged, consisting of dedicated, hard-working farm families like Greg and Joy Goode.

The Goodes have operated their small dairy farm in Casey County for only two years, yet have a background and perspective that give good indication they are heading toward a successful career. They're certainly not short on enthusiasm for what they do.

"We love the animals and the lifestyle," explained Greg, 35, who is Vice President of Casey County FB and a past chairman of KFB's Young Farmer Committee.

Added Joy: "This allows you to be your own boss. It's worth a whole lot just to be able to raise your child on a farm. It's a pretty rewarding lifestyle."

Greg and Joy are proof positive that dairying can get in your blood. Joy was raised on a LaRue County dairy farm, began working with calves at age six, was competing in 4-H shows at nine and continued working on the farm until she and Greg bought their 20-acre farm in 2004. "All I ever wanted to do was milks cows," she said, grinning.

Greg's family added a dairy operation to their tobacco and beef cattle in 1995, the same year he graduated from Western Kentucky University with an agriculture degree. He worked with the cows until buying his farm, which is less than two miles down the road from his parents' farm.



GREG AND JOY GOODE ENJOY LIFE ON THEIR DAIRY FARM WITH THEIR TWO-YEAR-OLD DAUGHTER, EMILY.

It was dairy business that brought Greg and Joy together. In October of 2002, they met on a bus trip to the World Dairy Expo in Madison, Wisconsin. That was part of a tour for state dairy interests sponsored by the Kentucky Department of Agriculture.

After purchasing their farm, the Goodes "started from scratch," said Greg, buying cows from several sources, including Joy's father. They are now milking 47 head of registered Holsteins and Brown Swiss, plus are raising feed on an additional 60 acres of rented land.

The Goodes are equal partners in all respects, including caring for their two-year-old daughter, Emily, who spends much of her play time with the family's dogs, cats and a pet cow named Nellie. They share the twice-daily milkings at

the parlor just a stone's throw from their modest home. Joy handles the recordkeeping and breeding stock. They're obviously doing a good job with feed quality, care and blood lines: The rolling herd average of 18,000 pounds is well above the state average.

The Goodes not only can attest to the time demands of dairying, but in less than three years they've already experienced the "market" rollercoaster that twists income in so many directions. Their first year (2006), farm milk prices hovered around the \$12-\$13 level, making for some tight margins. 2007 brought record prices and good profits, despite higher input costs. Today, their milk is fetching around \$18 (it goes to the Flav-O-Rich plant in London) but fuel and feed costs have skyrocketed.

"We were better off a year ago," Greg said. "The cost of cattle has really gone up too, along with fuel, feed and fertilizer. Alfalfa's gone up a bit. Our mixed feed is \$100 a ton more than last year. You just have to be more efficient."

The Goodes are committed to quality genetics, detailed recordkeeping, environmental stewardship and serving the industry. Besides

their involvement with Farm Bureau, they are members of the Holstein and Brown Swiss Associations, plus participate in the Dairy Herd Improvement (DHI) and Kentucky Dairy Development Council programs.

They are planning to increase the herd number and expand into some other enterprises, including selling breeding stock.

Greg supplements income with a part-time job as a crop insurance adjuster. Joy, meanwhile, puts in long hours as a mom, farmer and record-keeper. They haven't had an extended vacation since starting their dairy farm, but no one's complaining.

"We enjoy what we do," said Greg. "We hope to be in this for a long time."



FARM PRODUCTION NEWS

FARMERS BATTLE HIGH INPUT COSTS

Count Danny Wilkinson among farmers astonished by this bizarre period in which market prices for their commodities are going through the roof, and yet they're scrambling to profit from it.

An Adair County farmer who serves on KFB's Board of Directors, Wilkinson has wheat, corn and soybeans – all of which have seen record prices in the past year – plus beef cattle and burley tobacco, the Kentucky staples which remain profitable. You'd think the ring of \$13 soybeans, \$11 wheat and \$90 steers would have him

doing cartwheels. Instead, he's worrying about keeping costs down and margins up.

"Who would have thought we'd have a tough time with these prices?" he remarked in reference to a bonanza for row croppers.

Problem is, the soaring energy costs that have city folks swearing at the gas pump also have landed a budget-busting haymaker on the farm. Farmers across the country have been hit with a



KFB DIRECTOR DANNY WILKINSON SAYS DESPITE A STRONG MARKET, "MARGINS ON LIVESTOCK ARE AS TIGHT AS THEY'VE EVER BEEN."

stifling rise in the cost of all major inputs; most notably fuel, fertilize, seed and feed, but also including electricity, land prices and other types of chemicals.

USDA reports that nitrogen fertilizer prices are up by more than 60 percent since 2006 with phosphorus up nearly 200 percent during that period. All fertilizer costs have doubled over the past year, seed is up 25 percent, diesel fuel

Continued on page 9

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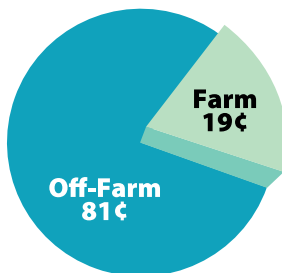
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Farm Expenses Up: Share of Food Dollar Unchanged

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FARM EXPENSES

USDA's Economic Research Service forecasts that 2008 farm level production expenses are **8.6 percent higher** than preliminary figures for 2007 and **33 percent higher** than final figures from 2004.

This is how those expenses break down:

Purchased Feed	16.1 percent
Seed, Fertilizer, & Crop-Protecting Chemicals	15.1 percent
Capital Upkeep and Replacement	10.1 percent
Farm Labor	9.8 percent
Interest and Property Taxes	9.2 percent
Fuel and Electricity	6.5 percent
Purchased Livestock	6.4 percent
Farm Services	5.4 percent
Repairs and Maintenance	5.3 percent
Rent	4.3 percent
Miscellaneous	11.8 percent

American Farm Bureau Federation® Graphic
Sources: Economic Research Service -
Farm Production Expenses, 2008 forecast



FARM PRODUCTION NEWS

Continued from page 8

50 percent and land rental costs are skyrocketing in tandem with everything else.

Wilkinson, who owns 600 acres and rents another 150 in northern Adair County, about halfway between Campbellsville and Columbia, says land he formerly leased for crops is selling for \$4,000 an acre. "It's phenomenal, and I'm not sure why," he said.

What's especially concerning farmers like Wilkinson is that unlike crop and livestock market cycles, input costs tend to ratchet-upward but don't normally drop significantly once established.

Wilkinson says his biggest challenge has been in keeping the cost down for renovating pastures damaged by last summer's horrific drought. He's also reduced corn acreage in response to high fertilize prices that have doubled the production cost per acre.

"I'm primarily a livestock guy so forages are real important to me," he said. "The drought left me with a weak stand – I've been faced with a dilemma of re-establishing pasture. Seed prices are high. Fertilize has skyrocketed, so I've used very little fertilize. I've done a lot of soil testing and made extensive use of manure. I've even used some poultry litter I got from a neighbor's farm.

"I sowed a lot of clover because it puts out its own nitrogen. I've enrolled in some government programs that provide cost-share for (forage) improvements. It's just been a real challenge to get these pastures back into good condition at a reasonable cost."

The high price of feed corn prompted a modified diet for his feeder calves, using various mixes that include lower-cost inputs like rice hulls, cottonseed and corn gluten. As for hay, supplies have been tight in the wake of last year's drought. In mid-May, Wilkinson had only eight rolls remaining.

Another offshoot of the current economic climate is Wilkinson's decision to phase out of the hog business. At one time he was raising around 400 feeder pigs. He's now down to 80 head and

says he's destined to lose money on some of them.

"I have 52 cents (a pound) in some of them, and we have a \$30 market," he explained. "When I hear reports that the big guys (large scale producers) are losing \$30 a head, I know we're in a really troubling time. What I think we're going to see in our hog industry is that a lot of small and medium-sized producers will get out for awhile, until it rebounds."

Wilkinson has similar concerns about the cattle situation.


"My fear in this particular area (of the state) is that a lot of people said last fall they should have sold hay and cows; I'm afraid that this year we'll see beef cattle sold off in the fall and we'll have a big reduction in numbers."

Wilkinson added that he intends to

cull some cows, will reduce his corn acreage, sell soybeans at the phenomenal price and probably continue to sell clover hay if demand is great.


Farmers throughout the region were hit hard by last year's drought and then ample rainfall this spring delayed many plantings. As of mid-May Wilkinson had not been able to plant corn and was itching to cut hay because he was about to run out. On the positive side, his tobacco contract with Philip Morris International calls for a nine-cent-per-pound hike over last year. That came after he and some fellow growers avidly complained about rising production costs.

"I took my budget to them and showed them the projected cost," said Wilkinson. "We're on tight margins there, too."




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DISTRICT POLICY MEETINGS SET

July marks the beginning of the annual district policy development meetings. All members are urged to attend one of these meetings to review policy positions and proposals for consideration at this year's state convention.

District 1	July 21	7:00 p.m.	McCracken County FB
District 2	July 10	6:30 p.m.	Country Cupboard, Madisonville
District 3	July 15	6:30 p.m.	Rough River State Park
District 4	July 1	6:30 p.m.	Barren River State Park
District 5	July 17	7:00 p.m.	Mercer County Extension Office
District 6	July 21	7:00 p.m.	Owen County Extension Office
District 7	July 7	7:00 p.m.	Cumberland Falls DuPont Lodge
District 8	July 7	7:00 p.m.	Madison County Fairgrounds
District 9	July 8	6:30 p.m.	Blue Lick State Park
District 10	July 28	6:30 p.m.	Grayson Conference Center
District 11	July 10	6:30 p.m.	Hazard Country Club

FARM BILL HIGHLIGHTS

Continued from page 2

Modifies the dairy price support program by directly supporting the price of dairy products, increases the payment rate on the Milk Income Loss Contract (MILC) program (whose payment would take into consideration the cost of feed), and extends the Dairy Export Incentives Program (DEIP).

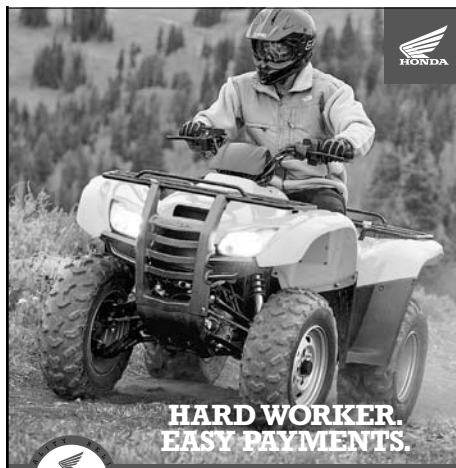
Increases conservation program spending by nearly \$8 billion. Authorizes 32 million acres to be enrolled in the Conservation Reserve Program (CRP) from 2010 -2012, compared to its current level of 39 million acres. Extends most other conservation programs with expanded funding of \$3.4 billion for the Environmental Quality Incentives Program (EQIP), and provides over \$1 billion in new funding for the revamped Conservation Security Program (CSP) to enroll nearly 13 million acres annually by structuring payments that encourage producers to implement more conservation practices.

Increases funding for biofuels research and infrastructure, with increased emphasis on cellulosic and on-farm adoption of improved energy efficiency systems.

Includes a new livestock title that implements mandatory country of origin (COOL) labeling for meats and produce, attempts to provide better protection for livestock producers entering contracts, and increases market access for small, state inspected meat processing plants.

Improves programs for extending credit to beginning farmers and increases farm ownership and operating loan limits.

Prohibits closure or relocation of FSA offices for two years.



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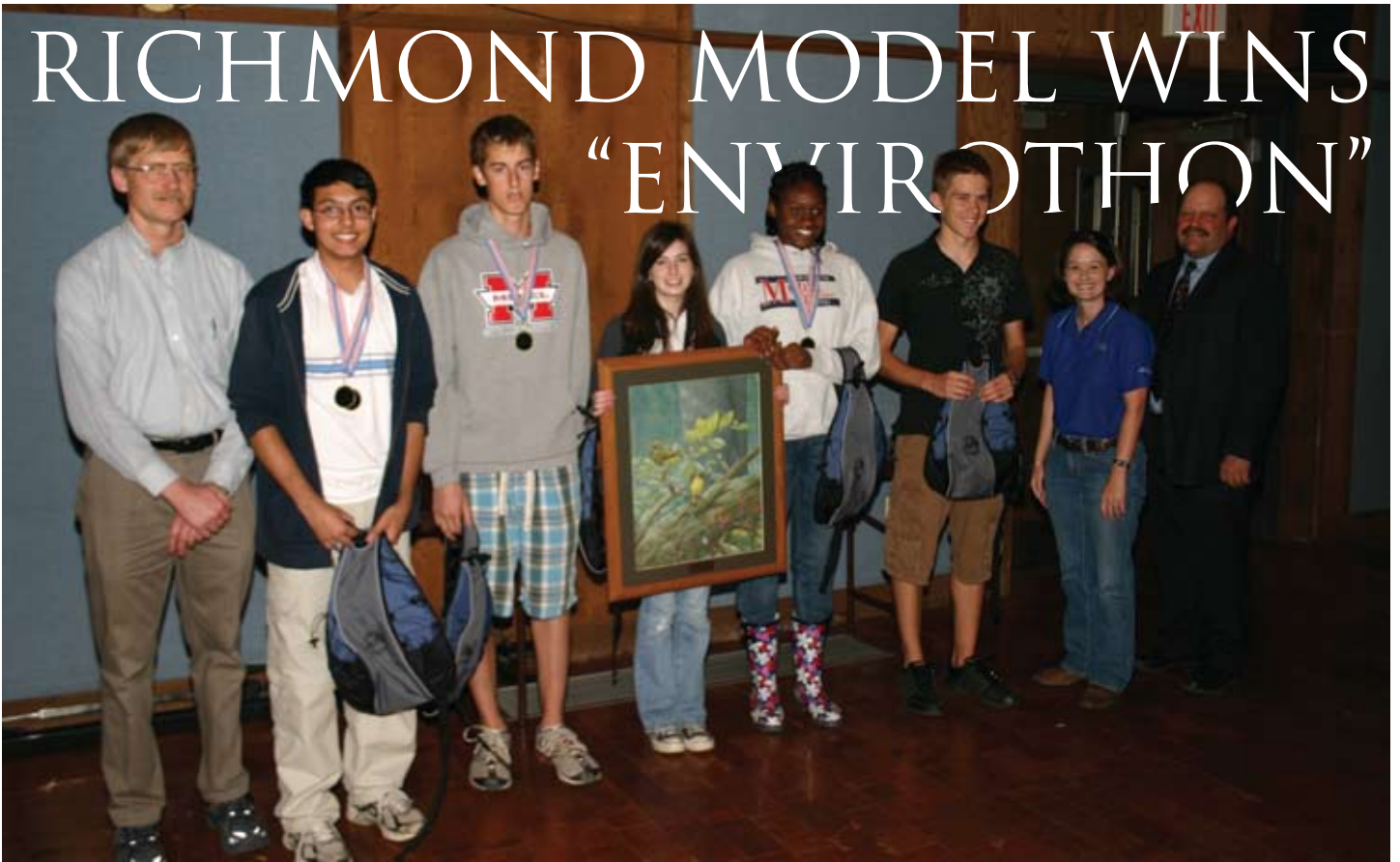
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RICHMOND MODEL WINS “ENVIROTHON”



THE CHAMPION MODEL TEAM IS COMPRISED OF (BEGINNING SECOND FROM LEFT) ID JADOON, BLAKE NEUMANN, MEGHANN HART, CHRISTA NNOROMELE AND CALEB FLIGOR. WITH THEM AT THE AWARDS PRESENTATION WERE EVENT COORDINATOR MARTIN BESS OF THE KENTUCKY DIVISION OF CONSERVATION, KFB'S SUSAN SHOUSE-TANNER AND GREG ABSTON, SECRETARY-TREASURER OF THE KENTUCKY ASSOCIATION OF CONSERVATION DISTRICTS.

The 10th annual Envirothon was held last month at the Kentucky Leadership Center near Lake Cumberland, with ten teams competing.

Envirothon is coordinated by the Kentucky Division of Conservation. Sponsors include KFB and the Kentucky Association of Conservation Districts.

The teams rotated among “work stations” to test their knowledge of soils, forestry, aquatic ecology, wildlife and an environmental issue, which this year was the recreational use of national parks. Each team also gave an oral presentation.

The Richmond Model team emerged as champion. Susan Neumann is their advisor. Model will represent the state in the Canon Envirothon International competition July 28-August 3 at Flagstaff, Arizona.

Runner-up in the Kentucky event was the “A” team from Pulaski Southwestern

High School. Oldham County was third.

Model posted the highest score in the forestry and oral presentation categories. Fayette County’s “B” team was best in the aquatics and current issue events. Oldham County was first in the wildlife categories while Southwestern’s “A” team won the soils test.

Rounding out the state finalists were Jackson County, Apollo, Logan County and Todd County Central.

The envirothon concept combines the proven concepts of hands-on education with the excitement of competition and the enjoyment of the outdoors.

It is a series of hands-on contests in which the students must solve environmental problems within the respective categories. It encourages changing curricula and helps to build ties between schools, organizations and communities.

KFB provided backpacks for the state champions.

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OIL FUELS HIGHER PRODUCTION COSTS

Production costs are rising for all segments of agriculture. Skyrocketing fuel prices are a major cost contributor. A recent report from the University of Illinois estimated the effect on Illinois corn and soybean production costs from each dollar increase in crude oil price. The price-cost relationship should be similar for Kentucky producers.

Between 1972 and 2007, results indicate that each dollar increase in crude oil price increases corn production costs by \$1.51 per acre and increases soybean production costs by \$0.90 per acre. Crude oil price increases accounted for 58 percent of corn cost increases and 79 percent of soybean cost increases.

According to the report, a crude oil price of \$120 per barrel suggests corn costs in 2008 will be \$78 higher than in 2007 and soybean costs will increase by \$47 per acre.

The study also found that production costs rise in part from inflation (measured by the CPI-excluding food and energy). From 1972 through 2007, inflation accounted for an average yearly increase in production costs of \$3.78 per acre for corn and \$4.26 per acre for soybeans.

Combined, the crude oil price and the CPI explained 96 percent of the variability in production costs in both corn and soybeans.

RED MEAT PRODUCTION IS ROBUST

U.S. commercial red meat production totaled 4.30 billion pounds in April, up 14 percent from April 2007.

Beef production, at 2.25 billion pounds, was 12 percent above the previous year. Cattle slaughter totaled 2.96 million head, up 10 percent from April 2007. The average live weight was up 24 pounds from the previous year, at 1,259 pounds.

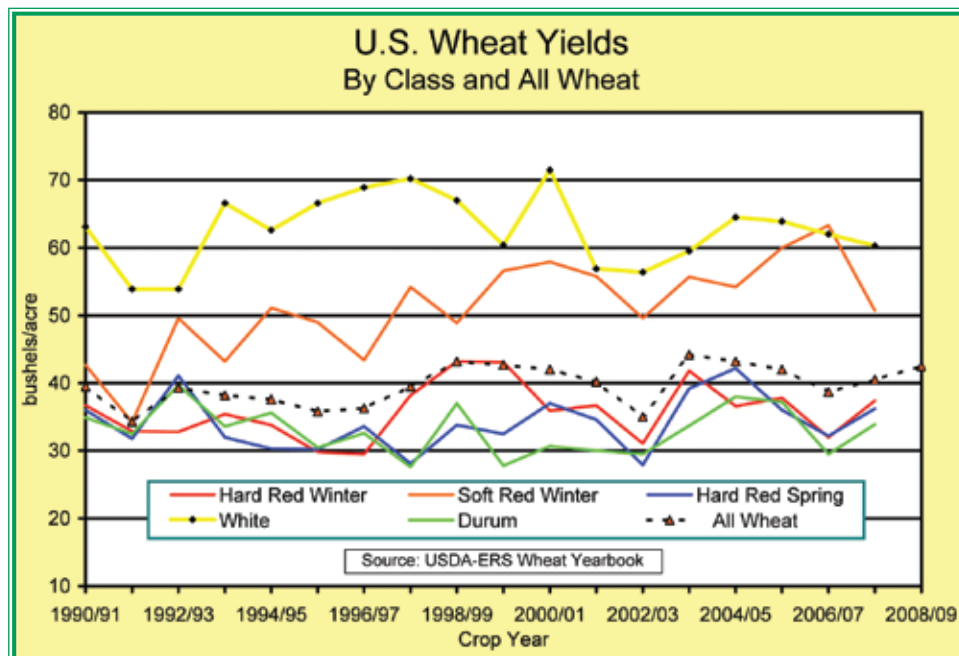
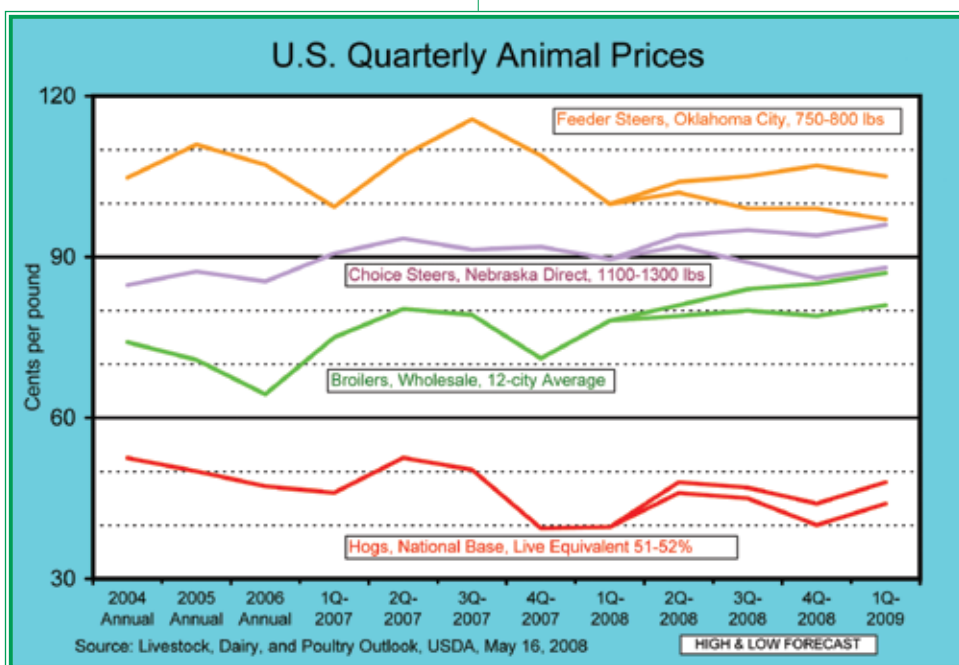
Pork production totaled 2.02 billion pounds, up 18 percent from the previous year.

EGG PRICES AND OUTPUT DROPPING

Table-egg production continues to be below year-earlier levels. The number of birds in the table-egg flock in first-quarter 2008 was down 2.2 percent from the same period in 2007. However, with an increase in eggs per hen, table-egg production totaled 1.59 billion dozen eggs, down less than one percent from first-quarter 2007.

The big change for table eggs was the sharp price drop after Easter, which

is the normal seasonal pattern. During first-quarter 2008, the wholesale price for large eggs was \$1.59 per dozen in the New York market. After Easter, shell egg prices began to drop rapidly. Prices in the New York market averaged an estimated \$1.19 per dozen in April, 27 percent higher than the previous year, but down almost \$0.40 per dozen from March. While prices have declined, they are expected to stay above year-earlier levels.



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PROJECTS ON SOYBEAN RUST

Two projects focused on Asian Soybean Rust have received funding from the Southern Soybean Research Program (SSRP) and Kentucky Soybean Board to bring farmers valuable tools to fight the yield-robbing disease. The projects are a fungicide study and an Asian soybean rust yield loss prediction tool.

At present, there are no soybean-rust-resistant varieties available, but there is ongoing checkoff-funded rust-resistance research that shows great promise for the future. For right now, the first line of defense against soybean rust is the timely use of foliar fungicides. To provide soybean farmers in the Southern soybean-growing region with unbiased information on soybean rust control through foliar fungicide applications, SSRP funded a fungicide study.

The fungicide study focuses on testing the effectiveness of commercially-available fungicides on Asian soybean rust, which had not been previously tested at length. Since soybean rust has already occurred in parts of Alabama, Florida, Georgia and Louisiana in 2005-07, it was practical to place fungicide test plots in those locations. Results from standardized tests in Alabama, Florida and Georgia have been very successful in 2006 and 2007 and may be expanded to include Louisiana for 2008.

Soybean rust's ability to overwinter in extreme Southern regions makes the timing of the first fungicide application highly important to get the best results. First application must be sprayed on the soybeans before infections reach the five percent to 10 percent level. The fungicide study's findings are provided to farmers through their extension services at farmer meetings, field days and through the media.

MARKETING CONFERENCE SET FOR NOVEMBER

The first-ever Kentucky Direct Marketing Conference hosted by the Kentucky Department of Agriculture will be held November 13-14. Seminars will be facilitated by the KDA and will focus on helping producers find ways to increase market share, improve product quality and grow their customer base.

Tentative topics include farmers' markets, Internet marketing, the Good Agricultural Practices program and community supported agriculture, or CSAs. The keynote speakers will hold nationally-recognized credentials. More information will be available in August at www.kyagr.com.

USDA ADDRESSING "DOWNER" CATTLE ISSUE

Agriculture Secretary Ed Schafer announced the agency will begin writing a proposed rule to prohibit the slaughter of all disabled non-ambulatory cattle, also known as "downer cattle." Put another way, Schafer said he is "calling for the end of the exceptions in the so-called 'downer rule.'"

According to USDA, of nearly 34 million cattle that were slaughtered in 2007, fewer than 1,000 were re-inspected and approved by a veterinarian for slaughter. This represents less than 0.003 percent of cattle slaughtered annually.

"The current rule, which focuses on cattle that went down after they have already passed pre-slaughter inspection,

has been challenging to communicate and has, at times, been confusing to consumers," Schafer said.

Citing the need to maintain consumer confidence in the food supply, eliminate further misunderstanding of the rule and, ultimately, to make a positive impact on the humane handling of cattle, Schafer said he believes it is sound policy to "simplify this matter by initiating a complete ban on the slaughter of downer cattle that go down after initial inspection."

USDA's Food Safety & Health Inspection Service (FSIS) is drafting a proposed rule to remove the exception that allows certain injured cattle to proceed to slaughter.

FLORICULTURE INDUSTRY HAS CHANGED

Despite a relatively high purchasing power, U.S. flower consumption lags behind Western Europe, which is the largest flower consumer. Cultural differences account for some of this disparity, but U.S. consumers have traditionally been dissatisfied with flower quality and vase life in particular. However, retailers are tackling this problem, according to a new Rabobank report, "U.S. Floriculture."

"The U.S. flower market is primarily an impulse market with approximately three quarters of flowers sold as gifts. Other countries, such as Switzerland, Norway and the Netherlands, also use flowers as decorations and throughout their homes," said Rabobank Assistant Vice President Marieke de Rijke. "However, U.S. consumers are not used to buying flowers for personal use."

According to the Flower Council of Holland, each year Americans spend about \$31 -- based on current exchange rates -- on cut flowers while the Swiss, for example, spend more than \$100.

Primarily a shorter vase life and cultural differences account for this disparity. De Rijke said, "in order to make flowers more common and to lift flower consumption, retailers, particularly supermarkets, are increasingly offering a vase-life guarantee."

According to the report, 75 percent of U.S. flower consumption is originating in Colombia and the cut flower trade flow from South America to North America is the world's second largest.

"In order to stay in business over the past two decades U.S. growers have started to focus on producing higher quality flower varieties. As a result, traditional cut flowers such as roses, carnations and chrysanthemums are now rarely produced in the United States. Growers are mainly producing orchids, lilies, tulips and gerberas," said de Rijke. "Over the past decade, the U.S. flower industry has gone through a 'survival of the fittest' with the most efficient producers left."

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