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KENTUCKY

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

Presidents Conference

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FOOD CHECK-OUT DAY

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2007 National Priority Issues

HEALTH CARE

- Support changes in the health insurance industry that will stabilize the market, encourage competition and increase consumer choice.
- Legislation allowing Association Health Plan provisions.

FARM LABOR

- Support reform of the H-2A program to streamline the process making it more reliable, economical and simple for farmers to participate. Reforms should include moving from Adverse Effect Wage Rate (AEWR) to Agricultural Prevailing Wage.

FARM BILL LEGISLATION

- Maintain the integrity of current Farm Bill provisions.
- Allow farmers to choose the date that they lock in LDP rates while grain is in storage at feed mills.
- FSA and NRCS offices should be conveniently located, fully equipped and staffed to meet the needs of the local agricultural community.

RENEWABLE FUELS / ENERGY LEGISLATION

- Continued emphasis on a comprehensive energy plan that includes growth of renewable fuels such as ethanol and biodiesel.
- Support coal gasification technology to produce nitrogen based fertilizers.

ENVIRONMENT

- EPA should not exceed legislative authority in the implementation of the Clean Water Act and Clean Air Act programs. (TMDL, Hypoxia, Animal Waste, Air Quality, etc.)
- Improvements to soil and water quality should be the highest priority when considering implementation of all conservation programs such as the Conservation Reserve Program (CRP).
- Use of farm-based renewable fuels as oxygenates should be required to comply with requirements of the Clean Air Act.

TAXES

- Support permanent repeal of the Estate Tax after 2011.
- Further reduce capital gains taxes. Reductions should be made permanent.

EMINENT DOMAIN

- Limit use of eminent domain for purposes of "Public Use" only.

INTERNATIONAL TRADE

- Focus on agricultural components of trade agreements that will enhance opportunities and increase demand for Kentucky grown products.

ANIMAL ID

- Support utilizing FSA data and assistance for Premise ID Registration.

TOBACCO

- Continue to focus on all post buy-out issues and seek opportunities for expanded markets for U. S. grown tobacco.

EDUCATION

- Support reauthorization of the Carl D. Perkins ACT.

AGRI-TERRORISM

- Work in conjunction with Congress and USDA to combat agri-terrorism and ensure a safe food supply.

TORT REFORM

- Limit the amount of any government (local, state or federal) to recover more than the amount that is granted by the courts to any individual in the United States.

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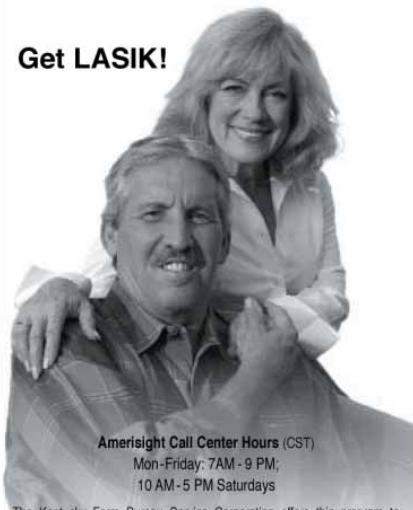
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“COMMENT”

Kentucky is often noted for its historical presence in agriculture. Sometimes overlooked are the innovative strides Kentucky is making to become a leader and pioneer in agriculture and technology.

Kentucky currently has one of the largest percentages of roads under state control. This not only provides a more consistent level of maintenance, but allows for collective planning on new roads. With over 27,000 miles of state highway, and thousands of miles of interstate and parkway, it is essential that farmers gain transportation access.

For people in agriculture, the most important road is the one that runs in front of their house. Therefore, legislation established the rural secondary road fund, in order to create and maintain rural roads that will feed into larger highways. Twenty two percent of the gas tax goes to this fund, which helps ensure farms are connected to market roads and goods are better transported and distributed. During the 2005 budget session, a Senate initiative was passed that granted \$100 million in road bonds to the construction of county roads and bridges. This is yet another example of the legislators' commitment to grant better access to farms and rural areas.

As the nation looks for alternative fuel sources to lesson foreign oil dependence, Kentucky is foraging a path to become a leader in biodiesel technology. Owensboro Grain Company will be among the nation's largest biodiesel plants once operational. They were approved for a \$1 million loan in Kentucky Agricultural Development Funds and a \$108,000 grant in county funds to finance a proposal to purchase equipment and construct a biodiesel production facility that will have the capacity to generate 45 million gallons of biodiesel annually.

In this global economy, communication and interconnection are essential for agriculture. In 2005, a United States Department of Agriculture study showed that fewer Kentucky farmers have access to the Internet (30 percent) compared to farmers in all other states. The General Assembly passed legislation two years ago which calls for broadband availability for all Kentuckians by 2007. A set of guidelines has been developed by the Governor's Office of Agricultural Policy for the establishment of a Pilot Satellite Broadband Cost-Share Program through a local administrative agency, using County Agricultural Development Funds.

To find out more about broadband go to <http://agpolicy.ky.gov>

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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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ON THE COVER:

CATTLE GRAZE ON A WOODFORD COUNTY FARM.
PHOTO BY ROGER NESBITT

Presidents Conference has diverse agenda . . .

From the outset, County Farm Bureau leaders were presented with some food for thought at the annual Presidents and Vice Presidents Conference last month in Louisville. During the kickoff luncheon for the annual event, keynote speaker Charles Thompson described the characteristics of what he termed as “the three types of leaders” and then he challenged the Farm Bureau leaders to embrace the “delegator” approach.

Thompson, a humorist and motivational speaker from Alabama, said delegators have a good vision of what to do, communicate clearly, assign authority and then provide support. “They involve others, give authority, offer support and share in the success,” he said.

The worst type of leaders, Thompson said, are “dictators” who micromanage and seek to exert control over all aspects of a project. And then there are “advocators” who assign tasks but provide very little guidance. That strategy, Thompson said, leads to confusion and disorganization.

The theme of Thompson’s humor-laced 45-minute address was “Life Is All in How You Look At It.” The former newspaper columnist stressed the importance of humor and a positive attitude.

“Our quality of life really boils down to how we look at the things that happen around us, not at what actually happens,” he said. “We all have a unique perspective on what is going on around us. Look for things that lighten your spirit. We can alter our lives by

altering our minds.”

In other conference highlights:

- KFB President Marshall Coyle commended the group for a commitment to strengthening the membership and program of work. The Bath County farmer said he was especially pleased that 2006 resulted in a 45th consecutive year of membership growth. This year presents another challenge to grow the membership, he said.

Green. “That speaks well of Farm Bureau and of our future,” he said.

- KFB Insurance Company Chief Operating Officer Brad Smith spoke about the company’s philosophy and challenges. After noting the company is coming off “three of the best years in company history,” Smith cited challenges to maintain balance and a loyalty to the Farm Bureau heritage, to respond to industry changes, to adapt to



KFB COMMODITY DIRECTOR JEFF HARPER GAVE A LEGISLATIVE REPORT, FLANKED BY COLLEAGUES TONY SHOLAR AND LAURA KNOTH.

Coyle’s comments at the closing luncheon came on the heels of a report from several of KFB’s legislative agents. That prompted the KFB leader to praise their work, saying: “Members of the legislature often tell me we have a great staff that they can rely on for accurate information on the issues.”

Coyle told the local leaders they should be encouraged by the strong interest in the organization’s young farmer program. He pointed out that a record 356 attended this winter’s young farmer leadership conference in Bowling

changes in consumer expectations and to face increased competition. Major initiatives for this year include market development in urban areas and recruiting additional agents, he said.

- The public affairs staff gave updates on state and federal issues. Director Laura Knoth said the state legislative session probably would be largely uneventful due to “the political landscape” of a crowded race for governor. “There will be an effort to make sure that neither side gets something they can run on,” Ms. Knoth said.



ABOVE: THE COUNTY LEADERS SOCIALIZED DURING THE BREAK PERIODS.

RIGHT: KEYNOTE SPEAKER CHARLES THOMPSON STRESSED THE IMPORTANCE OF A POSITIVE ATTITUDE, AS WELL AS A TEAM APPROACH TO LEADING A GROUP.



Commodities Director Jeff Harper thanked the county leaders for their continuing commitment to the legislative process. He noted that all of the bills he was tracking were in favorable positions because of Farm Bureau's political clout. "It's a tribute to you, the county leaders who talk to your senators and representatives," said Harper, adding that the public affairs staffers "are just the messengers."

Tony Sholar, the veteran legislative agent who helps KFB on a contract basis, assured the group that despite a record number of lobbyists in Frankfort, "the bureau is still a force to be reckoned with."

There are now more than 700 "registered agents" for this legislative session, Sholar said.

"Everyone is competing for attention to their agenda," he explained.

"There's serious competition."

A panel of state animal health officials spoke about emergency response initiatives, the role of Kentucky's two livestock disease diagnostic labs and the premise identification program. State Veterinarian Dr. Robert Stout and Dr. Ed Hall, an assistant director in KDA's Animal Health Division, outlined where Kentucky stands in emergency management preparedness, focusing on prevention, response and recovery strategies. Tim Turney, director of producer services in

Dr. Stout's office, gave a progress report on the premise identification component of the national animal identification program. According to Turney, only about 15 percent (10,800) of the state's estimated premises have registered thus far. The goal is to complete the project in 2008, he said.

This segment also featured comments from Dr. Lenn Harrison, director of UK's Livestock Disease and Diagnostic Center, and Dr. Wade Northington, director of Murray State University's Breathitt Veterinary Center in Hopkinsville. They addressed the need to upgrade their facilities; two projects that Governor Ernie Fletcher and legislative leaders have endorsed for funding during the current legislative session. KFB strongly supports those initiatives.

Another panelist was Dr. Craig Carter, an epidemiologist at the UK center. He spoke about the effort to develop a statewide animal health information data-

base.

- An update on plans for the Kentucky Agriculture Heritage Center was given by Board Chairman Harvey Mitchell. He said \$5 million has been raised, the facility committee is in the design phase and expects a model sometime this spring plus a business plan is being developed.

The estimated cost of the 178,000-square-foot facility just north of Harrodsburg in Mercer County is between \$50 million and \$60 million. The plan is to be in operation by the spring of 2010, Mitchell said.

"This will be a first-class facility; a high-tech facility. We're trying to do it right," Mitchell explained.

The facility will include a museum, walking tours, a Kentucky Agriculture Hall of Fame, a retail center for sales of Kentucky products, a food service area, several theaters and plenty of space for meetings. More than 10,000 square feet will be a "non-static" area that has changing features, Mitchell said.

KFB CHECKS IN WITH “CHECK-OUT” EVENTS



KFB WOMEN'S COMMITTEE CHAIRPERSON CATHY PLEASANTS PRESENTED GOVERNOR ERNIE FLETCHER WITH KENTUCKY PRODUCTS IN RECOGNITION OF FOOD CHECK-OUT WEEK.

According to the latest statistics compiled by the USDA's Economic Research Service, American families and individuals currently spend just under ten percent of their disposable personal income for food. Applying the current statistic to the calendar year, it means the average household will have earned enough disposable income to pay for its annual food supply in about 36 days, or no later than the first week in February.

To call attention to that food value, KFB celebrated February 4-10 as Food Check-Out Week.

On February 7, Kentucky Farm Bureau members and staff traveled to Frankfort to deliver their affordable food message to members of the General Assembly.

Cathy Pleasants, KFB's Women's Advisory Committee Chairperson, met with members of the Kentucky Senate and House to extol the value inherent in the food that Kentuckians purchase and consume. Pleasants also distributed baskets of Kentucky grown and pack-

aged items as part of the day's activities.

The baskets, packaged by Taste of Kentucky, contained items donated by Ale-8-One Bottling Company, Haney's Appledale Farm, Finchville Farms Country Hams, Kentucky Cattlemen's Association, Kentucky Commodity Growers Association, Kentucky Farm Bureau, Kentucky Goat Producers, Kentucky Pork Producers, Kentucky Poultry Producers, Kentucky Small Grain Growers Association, Kentucky Sorghum Producers and the Kentucky Soybean Board.

"Not only is America's food supply the world's safest, but it is also the most affordable," said KFB President Marshall Coyle. "The safe, abundant and affordable domestic food supply produced by Kentucky's farmers is responsible, at least in part, for our nation's increasing standard of living.

"In comparison to food, Americans work longer each year to pay for their housing, federal taxes and medical care," Coyle added.

According to the Tax Foundation, Americans must work 52 days each

year to pay for health and medical care, 62 days to pay for housing/household operation and 77 days to pay their federal taxes.

Coyle said the affordable, high-quality food we enjoy as consumers is a product of our successful food production and distribution system, as well as America's farmers' continued access to effective and affordable crop protection tools.

The percentage of disposable personal income spent for food has declined over the last 37 years. In 1970, it took Americans 51 days to earn enough income to pay for their food supply for the year, 15 more than this year's total. According to USDA, food is more affordable today due to a widening gap between growth in per-capita incomes and the amount of money spent for food.

This overall decrease is made more notable by the fact that trends indicate Americans are buying more expensive convenience food items for preparation at home, as well as more food away from home.

Plan your labor costs



NOTE: We will periodically publish articles on farm labor issues from the Mid American Ag and Hort Services. This was written by MAAHS Executive Director John Wargowsky.

Mid American Ag and Hort Services

(MAAHS) reminds agricultural and horticultural employers to understand the applicability of minimum wage and overtime pay laws. It is best to make planned investments of wages in your workforce by understanding how to apply the proper minimum wage rates and overtime pay.

Wage Hour Division Enforcement -

In fiscal year 2006, more than 222,000 employees received a total of \$135.7 million in minimum wage and overtime back wages as a result of Fair Labor Standards Act (FLSA) violations. The U.S. Department of Labor Employment Standards Administration's Wage and Hour Division (WHD) collected over \$120.5 million in back wages for FLSA overtime violations and more than \$15.2 million for FLSA minimum wage violations.

Back wages for overtime violations represented roughly 89 percent of all FLSA back wages collected, and the number of employees due overtime back wages represented about 87 percent of all employees due FLSA back wages. WHD assessed employers \$2.9 million in FLSA civil money penalties. This included 1,410 agricultural cases in which \$1.6 million of back wages was collected for 2,968 employees.

Agricultural Employers -

Virtually all employees engaged in agriculture are covered by FLSA in that they produce goods for interstate commerce. There are, however, some exemptions that exempt certain employees from the minimum wage provisions, the overtime pay provisions, or both.

Employees who are employed in agriculture as that term is defined in the FLSA are exempt from the overtime pay provisions. They do not have to be paid

time and one half their regular rates of pay for hours worked in excess of forty per week.

Agriculture does not include work performed on a farm that is not incidental to or in conjunction with such farmer's farming operation. It also does not include operations performed off a farm if performed by employees employed by someone other than the farmer whose agricultural products are being worked on.

Any employer in agriculture who did not utilize more than 500 "man days" of agricultural labor in any calendar quarter of the preceding calendar year is exempt from the minimum wage and overtime pay provisions of the FLSA for the current calendar year. A "man day" is defined as any day during which an employee performs agricultural work for at least one hour.

Additional exemptions from the minimum wage and overtime provisions of FLSA for agricultural employees apply to the following:

- Agricultural employees who are immediate family members of their employer.
- Those principally engaged on the range in the production of livestock.
- Local hand harvest laborers who: commute daily from their permanent residence, are paid on a piece rate basis in traditionally piece-rated occupations, and were engaged in agriculture less than

thirteen weeks during the preceding calendar year.

- Non-local minors, 16 years of age or under, who are hand harvesters, paid on a piece rate basis in traditionally piece-rated occupations, employed on the same farm as their parent, and paid the same piece rate as those over 16.

Compliance with The Part 541 Overtime Security Regulations -

Of the \$135.7 million in FLSA back wages collected, over \$13.2 million were collected for approximately 12,000 employees for violations of the revised Overtime Security regulations. This compares to \$13.6 million collected for approximately 10,000 employees in fiscal year 2005. The violation most frequently cited was one in which the employee's primary duty was not "the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers." This violation of the administrative duty test was cited in 353 cases and affected approximately 2,800 employees. Employers need to understand how the Part 541 overtime security regulations apply to their businesses.

Employers are welcome to visit www.midamservices.org, click on "Labor Laws" then "Wage Hour" to find links to federal and state sources of wage hour compliance information.

FBTEN Program is still available

USDA is still offering the special buyout through the Tobacco Transition Payment Program (TTPP). If you are an eligible tobacco Quota Holder or Producer, your county Farm Bureau can assist in managing this one-time payment opportunity.

KFB is a participant in the Farm Bureau Tobacco Equity Now (FBTEN) option. This program is designed to maximize TTPP payments with the offer of a lump-sum payment instead of scheduled annual payments.

FBTEN features competitive rates

and a convenient application process. It also helps eliminate the uncertainty of waiting years for payments to arrive.

For more information, contact your local Farm Bureau agent. You can also find continually updated information on the www.FBTEN.com Web site. This site will detail the multiple advantages for those interested in the FBTEN option.

Once you have signed up for FBTEN, your local Farm Bureau agent will file the Successor-in-Interest contract with the Commodity Credit Corporation (CCC) for you. In addition, you will receive special benefits such as the ability to track your contract status through the online tool on the Web site.

Ag Safety in the spotlight . . .

Farm Bureaus across Kentucky are making safety a top priority this spring through the Agricultural Safety Awareness Program (ASAP). As part of ASAP, U.S. Secretary of Agriculture Michael Johanns designated March 4-10 as Agricultural Safety Awareness Week.

The primary purpose of ASAP is to remind farmers to take the time to act safely and to repair or replace safety devices that protect them, their family and employees from injuries and fatalities. The 2007 theme, "Step up to the Plate for Farm Safety," notes the many positive steps that the ag industry takes in creating a safe work environment.

AFBF enlisted Hall of Fame pitcher Nolan Ryan, who is a Texas rancher, to serve as a national spokesperson. Ryan likens this time of the farming season to spring training for baseball players.

"Starting the season off right

begins with careful preparation," Ryan said. "Farmers and baseball players alike must take the steps necessary to prevent injuries in order to have a truly productive season."

Ryan places special emphasis on tractors and all-terrain vehicles.

"There's a reason why there is only one seat on tractors and ATVs," said Ryan. "Any number of things can cause an extra rider to be thrown from a vehicle and into its path or into the path of equipment being towed."

A good rule for all farm equipment is no extra passengers. Of the 6,313 deaths caused by ATVs between 1982 and 2003, about one-third of the riders who were killed were younger than 16.

Another troubling statistic is the high percentage of tractors that are not equipped with rollover protective structures (ROPS). Tractor overturns without ROPS account for nearly half of farm fatalities. The percentage is higher

in Kentucky, where most farms have hilly terrain, increasing the risk of rollovers.

Following are some safety issues to consider while operating tractors:

- **When dismounting, turn off the engine, remove the key and wait for all moving parts to stop.**
- **Never attempt to by-pass start a tractor. It may be in gear and drive over the person in front of the wheel.**
- **Carry out regular safety inspections of equipment and facilities.**
- **Develop a safety plan tailored to your operation. Review and enforce plans with employees and family members.**

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Spelling Bee has 'em

On March 17, Churchill Downs will have a “call to the post” for more than 70 outstanding young spellers at the annual Derby Festival Spelling Bee. KFB has sponsored the event for 15 years and has watched the number of participants skyrocket during this period. This year, qualifying competitions were held in 73 counties in Kentucky and Southern Indiana.

For students in grades 4-8, the bee is among more than 70 events produced by the Kentucky Derby Festival. The winner earns a berth in the finals of the Scripps National Spelling Bee in Washington D.C.

Beyond KFB’s role on the state level, dozens of county Farm Bureaus are involved in their local spelling bees. Lincoln County, for example, donated the cash prizes and its women’s committee brought refreshments for the students, parents and organizers. County President George Pleasants put aside his farm-work, donned a coat and tie and came to the board of education building to present the prizes to the young people.

Lincoln County’s spelling bee was a spirited competition among 10 participants representing seven public schools, one private school and two home schools. It took 14 rounds before eighth-grader Caitlyn Gooch of Lincoln County Middle School emerged as the champion by correctly spelling “saxophone.” Runner-up was homeschooler Annalise Fegan, who aced 13 words before missing on “pragmatic.”



Caitlyn won \$100, Annalise received \$50 and the remaining contestants earned \$20 for their efforts. While the hundred bucks will come in handy, Caitlyn said she was most excited about the trip to Louisville for the Derby Festival Bee.

“I like the challenge,” she explained.

After fervently studying the preparatory materials for the county bee, Caitlyn said she was “pretty confident” she’d know the words presented.

“My biggest fear was that I’d accidentally say a wrong letter” while spelling the word, she said. “The challenge is to make your mouth work with your mind.”

Anderson County FB this year became the sponsor of that county’s bee. Megan Calvert, an eighth-grader at Anderson Middle School, outlasted 15 other participants to win that event. She took the title by successfully spelling “procedure.”

Anderson County FB President Randy Chrisman presented the awards.

While the county has had a spelling bee for nine years, this is the first time it will send its winner to the state competition.



TOP: ANDERSON COUNTY FB PRESIDENT RANDY CHRISMAN PRESENTED THE AWARDS FOR THE COUNTY BEE. THE WINNER (SECOND FROM LEFT) WAS MEGAN CALVERT AND RUNNER-UP WAS (THIRD FROM LEFT) REBECCA RADCLIFF. THEY ARE EIGHTH-GRADERS AT ANDERSON COUNTY MIDDLE SCHOOL. THIRD PLACE WENT TO LEXANN OVERBY AND WESLEY JORETTE WAS FOURTH.

BOTTOM: LINCOLN COUNTY FB PRESIDENT GEORGE PLEASANTS PRESENTED PRIZES TO THE CONTESTANTS. THE WINNER, CAITLYN GOOCH, IS AT THE LEFT ON THE FRONT ROW.

Produce(ing) policy

FRUITS AND VEGIES ON THE MENU IN DEBATE FOR NEW FARM POLICY

BY EDWIN YOUNG, DEMCEY JOHNSON
BARRY KRISOFF AND GARY LUCIER
USDA-ERS

Fruit and vegetables have never been a major focus of U.S. farm programs, but a recent ruling by the World Trade Organization (WTO) places them at the center of policy discussions.

At issue are the planting restrictions that apply to “base acres,” and whether billions of dollars of direct payments to U.S. farmers can remain exempt from internationally agreed-upon spending limits.

Under current U.S. farm legislation, recipients of direct and counter-cyclical payments can plant whatever they like on their base acres except for fruit, vegetables, and wild rice. Payments tied to base acres are partially or fully forfeited when fruit and vegetables are harvested. Planting restrictions, in various forms, have been a feature of U.S. commodity programs for many years, but are now a source of controversy because of a successful Brazilian challenge to U.S. cotton programs.

In March 2005, a WTO appellate body ruled that, because of planting restrictions, U.S. fixed, direct payments to cotton farmers could not be considered “minimally trade distorting” under terms of the Uruguay Round Agreement on Agriculture. This legal ruling draws into question whether the United States can continue to claim that direct payments are “green box,” that is, exempt from WTO obligations on trade-distorting support, without eliminating the restrictions.

In principle, elimination of the planting restrictions could expand the supply of fruit and vegetables, thereby reducing grower prices. Industry groups are divided on the issue. Growers are naturally concerned about the price-depressing effects of potential shifts in production, given the magnitude of base acreage (about 266 million acres nationally) and the small amount of acreage (over 12 million acres) currently harvested for restricted fruit and vegeta-

bles. On the other hand, vegetable processors tend to regard planting restrictions as a competitive obstacle — one that limits available acreage, raises procurement costs, and can accentuate risks of localized crop problems, such as diseases that render fields unsuitable for production. This argument carries special force in the Midwest and other areas where vegetables were traditionally grown, but where base acreage expanded under the 2002 Farm Act as a result of base acreage updating and the addition of historical soybean acreage. Some current fruit and vegetable producers argue that it would not be fair to allow new fruit and vegetable producers to continue to

receive Federal subsidies.

ERS analysis suggests that if current planting restrictions were relaxed, acreage would most likely shift in regions where the land and climate are suitable for fruit and vegetable production, but

nonbase acres are in limited supply. California and Florida account for a major share of fruit and vegetable production. Florida has a small number of base acres, which limits the potential impact on supply. Eliminating planting restrictions would most likely enable some producers to switch from producing program crops to producing fruit and vegetables in California, the Upper Midwest, and the coastal plain in the Southeastern States.

However, these regions would not necessarily experience large acreage shifts because current restrictions are not always binding for producers. For example, some producers circumvent the restrictions by leasing nonbase land, planting fruit or vegetables on owned (base) acres, and reconstituting the farm entity to preserve government payments. In other cases, the difficulty of securing sufficient labor for harvesting, the difficulty in establishing a pre-harvest marketing contract with buyers, and other agronomic or economic fac-

tors would deter many producers from growing fruit or vegetables. In still other cases, the loss of payments under the current program is simply too small to deter growers from switching into these crops.

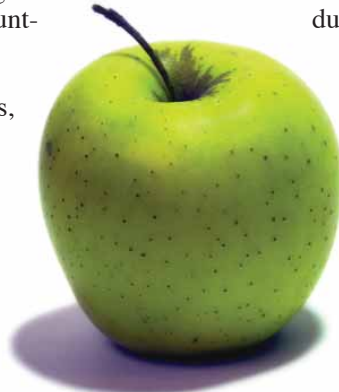
According to the 2002 Census of Agriculture, about 434 million acres of cropland were available, of which about 12.5 million acres were used to produce fruit and vegetables. Data from USDA’s Farm Service Agency (FSA) show that 266 million acres of cropland were designated as base acreage in 2003, and 35 million acres of cropland were enrolled in the Conservation Reserve Program and not available for annual crop production. These data suggest that sufficient land is available to increase production of fruit and vegetables.

However, a different story emerges when the data are disaggregated by region: base acreage constraints are not uniform across the country, and planting restrictions under current law might be significant only in certain regions.

Base acreage constitutes a particularly large share of cropland in the Corn Belt, Northern Plains, Mississippi Delta, and parts of the Southeastern States. Base acreage is significant in California, but accounts for a much smaller share of available cropland than in other regions. Florida, the second leading producer of fruits and vegetables, has very little cropland designated as base acreage.

Many regions produce both program crops and fruit and vegetables. The same can be said about many producers. With their experience growing these crops, these producers would be prime candidates for expanding production of fruit and vegetables if the acreage constraints were eliminated. Many farms currently produce or have a history of producing fruit and vegetables on base acreage. Farmers who participate in the direct and counter-cyclical payment programs must annually report or “certify” the use of land on their farms with FSA. A close look at such data helps gauge the overlap between production of program crops and production of fruit and vegetables.

Based on State-level summaries of acreage reports and program enrollment



data for 2003, farms that certified acreage planted about two percent of their cropland, or over 6.5 million acres, to fruit and vegetables. Thus, farms that certify acreage with FSA account for about half of land devoted to fruit and vegetables. These farms contain about 80 percent of land planted to vegetables, dry beans, and potatoes. Farms with certified acreage account for less than a quarter of the land devoted to production of fruit, nuts, and berries. Farmers may be less likely to plant fruit trees and vines on base acreage than they are to plant vegetables and melons because trees and vines require several years to mature, thus delaying harvest.

Generally, the per acre value of producing fruit and vegetables exceeds the per acre value, including government payments, of producing competing program crops. Corn direct payments of less than \$25 per acre are small relative to expected revenue per acre from sweet corn production. Similarly, a farmer considering a switch from wheat production to dry beans might not consider program payments to be a significant barrier to switching. As a result, in 2003, many producers with a history of producing fruit and vegetables concluded that giving up payments that averaged \$22 per acre to plant fruit and vegetables on base acreage made economic sense. This suggests that producers with base acres who make money from fruit and vegetable production have already expanded their production of fruit and vegetables; removing planting restrictions may, therefore, not have much additional effect.

A producer who is considering a shift or move into producing fruit and vegetables also needs to consider the potential demand (or revenue) and cost factors, particularly the specialized costs for the selected commodity. For new growers, demand and cost factors can be prohibitive.

Producers who are expanding fruit and vegetable production need to consider potential product demand, the need to locate, develop, and secure markets, and the prevalence of contracting in the sector. Market competition is intense for many fruit and vegetable growers.

Most vegetables destined for processing are grown under contractual arrangements between growers and processors, and long-term demand is stagnant or declining, offering little chance for industry acreage expansion. Contracting is especially prevalent in



Tops for tobacco

THE BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION PRESENTED KFB PRESIDENT MARSHALL COYLE WITH ITS NINTH ANNUAL WENDELL H. FORD TOBACCO LEADERSHIP AWARD DURING A CEREMONY AS PART OF ITS "BURLEY FARMER DAY" AT THE NATIONAL FARM MACHINERY SHOW. CO-OP PRESIDENT ROGER QUARLES (RIGHT), WHO IS A FARM BUREAU LEADER IN SCOTT COUNTY, MADE THE PRESENTATION. COYLE HAS RAISED TOBACCO FOR DECADES AND HAS LONG BEEN PART OF KENTUCKY'S TOBACCO LEADERSHIP, INCLUDING SERVING AS CHAIRMAN OF KFB'S TOBACCO ADVISORY COMMITTEE. REFERRING TO THE AGE WHEN TOBACCO WAS KING OF KENTUCKY AGRICULTURE, COYLE SAID: "I MISS THE OLD DAYS."

the production of processing vegetables (tomatoes, sweet corn, green beans, and green peas), as processors require assurances of a crop's volume, and specific characteristics, such as variety, size, color, and timing of delivery to the factory.

Market effects of eliminating planting restrictions are likely to be limited and confined to specific regions and commodities. Supply shifts would be more likely in regions where the land and climate are suitable for vegetable production and nonbase acreage is in limited supply.

Acreage in these regions would not necessarily shift significantly because current restrictions are not always binding for producers. Because some fruit and vegetables are expensive to produce, program crop farmers are more likely to switch to less capital-intensive crops, such as dry beans, or to processing vegetables, than to fresh fruit or vegetables.

While overall market impacts are likely to be small, impacts could be significant for individual producers, commodities, and regions. Producers with base acreage are the most likely to benefit because they may be able to realize additional revenue from harvesting fruit and vegetables. Under current program rules, these producers could expand production by foregoing direct and counter-cyclical payments for the current year, if expected net returns to producing the fruit and vegetables exceed expected net returns from producing the program crop, including program payments. If planting restrictions were eliminated, these producers

would continue to receive direct and counter-cyclical payments. However, before switching any acreage into fruit and vegetables, farmers will need to carefully consider the startup costs and potential markets for their output.

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KENTUCKY BEEF HERD EXPANDS

Kentucky's cattle and calf inventory for January 1 was estimated at 2.46 million head by USDA's National Ag Statistics Service (NASS). Inventory was up 80,000 head from last year's 2.38 million, which is a downward revision from the original 2.4 million. The current inventory is the largest since 1998.

Beef cows and heifers that have calved were estimated at 1.207 million head, up 89,000 head, or eight percent from the revised 2006 total. The number of milk cows fell nine percent during 2007, to 93,000 head.

Beef replacement heifers at 190,000 head were up 10,000 from January 2006, dairy heifers at 40,000 were down 10,000 and other heifers at 120,000 were up 20,000 head from the previous year. The 2006 calf crop was estimated at 1.13 million calves, an increase of 30,000 from the revised previous year estimate.

Nationally, January 1, 2007, inventory totals were little changed from revised year-earlier estimates except for "other heifers" and "steers 500 pounds and over." The 2006 calf crop of 37.567 million head was only 8,000 less than the revised 2005 crop.

DAIRY PRICES EXPECTED TO IMPROVE

In its February report, USDA forecasted 2007's all-milk price to be between \$14.35 and \$15.05/cwt, compared to \$12.90 for 2006. The milk production forecast is 184.3 billion pounds, up 1.4 percent from the 181.8 billion pound total estimated for 2006. Cow numbers are expected to decline slightly, averaging 9.085 million head for the year. Production per cow continues to rise and will likely reach 20,280 pounds in 2007. Higher corn and alfalfa prices have depressed the milk-to-feed price ratio despite the much higher milk prices expected in 2007.

USDA believes the increase in replacement heifers, coupled with higher cow slaughter, may suggest that producers are responding to lower milk-to-feed price ratios by replacing less productive cows. Such a response would help lower feed costs per unit of milk.

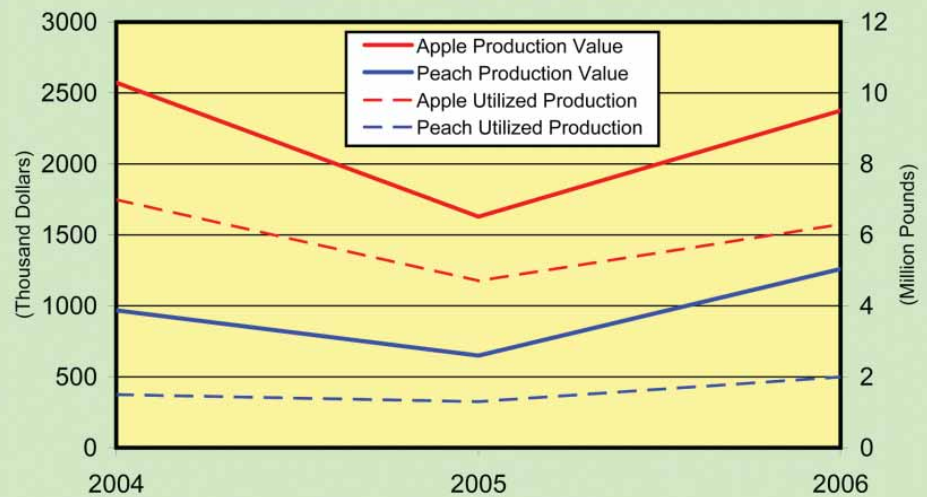
MORE SHEEP AND GOATS IN KENTUCKY

USDA-NASS estimated that Kentucky's January 1, 2007 inventory of sheep was 37,000 head, up 2,000 from a year earlier. The breeding inventory of 30,000 was up 1,000, as was the number of market sheep and

lambs, at 7,000 head.

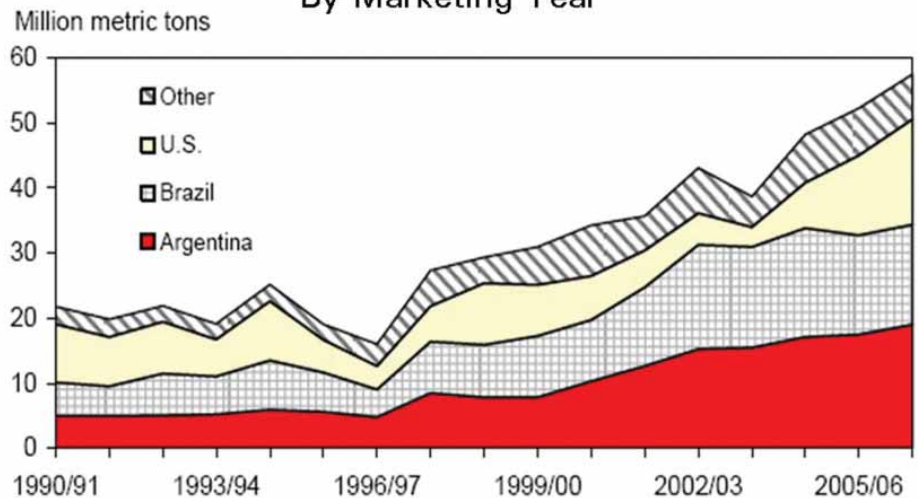
Kentucky's goat herd continued to increase during 2006. Meat and other goats were estimated at 74,000 head, an increase of 6,000 head, or nearly nine percent. For the U.S., this category climbed five percent to 2.40 million head. Kentucky has 5,300 milk goats, the same as a year ago.

Kentucky Apples and Peaches: Production and Value



Source: Kentucky Agri-News, USDA-NASS, February 1, 2007

World Soybean Ending Stocks By Marketing Year



Source: Oilseeds: World Markets and Trade, Foreign Agricultural Service, USDA

Marketing forces

LARGE CROWD ATTENDS OHIO VALLEY CONFERENCE

Just a few years ago, a conference for operators of farm markets in Kentucky would have attracted a small group. But that was before tobacco's downturn and the emergence of Kentucky's agricultural development initiative which provides resources for farm-related businesses.

Farm markets, wineries and small food processors have popped up throughout the state in recent years . . . building an industry that now involves hundreds, if not thousands, of farmers and entrepreneurs. The annual Ohio River Valley Farm Marketing Conference, which was held last month in Louisville, reflected the growth with an expanded agenda for a broader sector.

About 150 attended the two-day event for farm businesses in Kentucky, Ohio and Indiana. Most came from the Bluegrass State.

KFB is among a long list of sponsors for this popular event. The supporting cast, in fact, illustrated the importance of these businesses to today's farm economy, involving the extension service, state and federal government agencies, rural development groups, academia and Farm Bureau.

The presenters included J.K. Henshaw, the coordinator of KFB's Certified Roadside Farm Markets Program; and Shirley West,

Director of Underwriting Services for KFB Insurance Company. Henshaw, who coordinated the conference, gave a presentation on "crazy ideas that work" at farm markets. Ms. West addressed liability issues and insurance.

Participants had a big menu to choose from. Breakout sessions focused on topics like risk management; value-added marketing; selling to institutions, restaurants, other businesses and ethnic groups; food processing; community supported agriculture; marketing options for organic products; niche marketing; agritainment and mistakes to avoid.

The conference opened with a "food to table reception" featuring regional cuisine plus presentations by Gil Logan, the head chef at Churchill Downs who has gained notoriety for using local farm products; and Bob Perry of UK's Food Systems Initiative.

"The most valuable part



THE LARGE GROUP ENJOYED A BUFFET BREAKFAST FEATURING KENTUCKY PRODUCTS.

of this conference," said Henshaw, "is that operators have the opportunity to learn from their peers. A lot of good ideas get tossed around. The participants hear about successes and failures."



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FARM FILE



COST-SHARE AVAILABLE FOR HORTICULTURE

The Kentucky Department of Agriculture, in conjunction with the Kentucky Horticulture Council, is offering horticulture producers cost-share programs for advertising and market development activities. The assistance is available for individuals or groups of producers.

In the advertising program, up to \$2,000 in matching funds can be provided for advertising products or the business, itself. Farmers are required to submit an advertising plan with estimated costs. The “Kentucky Proud” logo or slogan must be used as part of the ad.

In the market development program, up to \$2,000 is available for attending a workshop or conference. This is a 50 percent cost share for registration and travel expenses. The registration cost must be matched by the applicants’ expenses for travel, lodging and meals (at state rates). More than one person can receive assistance under a single application.

Applications can be downloaded from the KDA website at kyagr.com/marketing/farmmarket/grants.htm.

CRP DECISION COMING THIS SUMMER

A decision from USDA on whether or not Conservation Reserve Program contract holders may withdraw acreage from the program is expected this summer. Agriculture Secretary Mike Johanns said he will take a look at how much corn growers plant this spring before making a decision on early release of CRP acreage. Typically, land enrolled in CRP must remain idle for 10 to 15 years. About 37 million acres of land will be enrolled in the program this year.

FORMER KENTUCKIAN WINS BROADCAST AWARD

Veteran farm broadcaster Stewart Doan, who formerly worked at radio stations in Louisville and Cynthiana, received the 2006 “Farm Broadcaster of the Year” award from the National Association of Farm Broadcasting (NAFB). Doan is now with the Yancey Ag Network in Little Rock, Arkansas, where he is responsible for all of the farm news programming.

Doan also handles reporting on cot-

ton issues for other Clear Channel Communications ag properties in Oklahoma, New Mexico and Texas. He anchors two farm news broadcasts daily on the Kentucky Ag Network and produces and anchors a daily “Ag Policy Prospective” program that airs in several states.

Doan has been a member of NAFB since 1983 and served as president in 1998.

COURT QUESTIONS GENETICALLY-ENGINEERED ALFALFA

A Federal Court has ruled, for the first time ever, that the U.S. Department of Agriculture failed to abide by federal environmental laws when it approved a genetically engineered crop without conducting a full Environment Impact Statement (EIS).

In what will likely be a precedent-setting ruling, U.S. District Court Judge Charles R. Breyer of the Northern District of California decided in favor of farmers, consumers, and environmentalists who filed a suit calling the USDA’s approval of genetically engineered (GE) alfalfa a threat to farmers’ livelihoods and a risk to the environment. Judge Breyer ordered that a full Environmental Impact Statement must be carried out on “Roundup Ready” alfalfa, the GE variety developed by Monsanto and Forage Genetics. The decision may prevent this

season’s sales and planting of Monsanto’s GE alfalfa and future submissions of other GE crops for commercial deregulation.

Judge Breyer concluded that the lawsuit, brought last year by a coalition of groups led by the Center for Food Safety, raised valid concerns about environmental impacts that the USDA failed to address before approving the commercialization and release of Roundup Ready alfalfa. In his ruling, the judge consistently found USDA’s arguments unconvincing, without scientific basis, and/or contrary to the law. For example, he found that plaintiffs’ concerns that Roundup Ready alfalfa will contaminate natural and organic alfalfa are valid, stating that USDA’s opposing arguments were “not convincing” and do not demonstrate the “hard look” required by federal law.

GOVERNOR’S AG SUMMIT IS MARCH 15

The Governor’s Summit on Agriculture will be held on March 15 with registration beginning at 8:00 a.m. in the South Wing of the Kentucky Exposition Center in Louisville. Opening remarks will begin at 9:00 a.m., followed by Governor Ernie Fletcher’s keynote address. In addition to Governor Fletcher, attendees will have the opportunity to hear two nationally recognized speakers, Ed Barlow and Mark Drabenstott, who will share their perspectives on opportunities for Kentucky agriculture.

Barlow, president of Creating the Future, Inc., is dedicated to enhancing an understanding of the future and the influences which will affect personal, professional, organizational and community settings. He captivates audiences with his

intuitive and well-studied perspective. His well-organized, thought-provoking, and media-supported presentations affirm his reputation as a top motivational futurist.

Drabenstott is a seasoned observer of regional development and policy issues whose insights have gained national and international recognition. He grew up on a family farm in Indiana and was named founding director of RUPRI’s Center for Regional Competitiveness in September 2006.

Previously, he spent 25 years in the Federal Reserve System, and led the creation and development of the Center for the Study of Rural America.

Registration is available online at <http://agpolicy.ky.gov>.

Take stock... STOCKER CATTLE MAY BE WORTH THEIR WEIGHT

Kentucky is cattle country, agriculturally speaking, and some enterprising beef producers gathered for a two-state Stocker Conference in Cave City last month to hear reports on one of the fastest-growing segments of the industry.

Stockers, as conference organizer Dr. J.T. Johns explains, are beef animals that are between the feeder calf stage and those animals ready for feedlots. Typically stockers are purchased at 4 to 5 weight (400 to 500 pounds) and sold between 7 and 8 weight to feedlots in the Midwest.

Producers may keep the animals 150 to 200 days, and to be profitable, need to add weight at the rate of about two pounds a day, says Johns, a University of Kentucky beef specialist.

In the last five years, stocker numbers are up sharply in the state – now in the 500,000 to 750,000-animal range.

With its vast acreages of forage and hay land, Kentucky is perfectly suited for stocker production. The fact that the state is also home to the largest cow-calf numbers in the Eastern U.S. means there is a ready supply of calves available for stocker operators.

Johns says land requirements for running stockers are less than what a cow-calf producer needs. And he says higher corn prices have feedlot operators looking for heavier feeders that require less time and expense to grow into slaughter-weight animals.

Feedlots also like stockers for their better health experience. Rates for sick animals in feedlots often run at 20 to 25 percent, but backgrounded cattle from stocker farms show up sick in numbers less than five percent, Johns said.

Scott Jolly of Cadiz has bought into stocker production in a significant way, running about 1,800 mostly heifers on 700 acres of grassland. He supplements the pasture with hay and a daily ration of distillers dried grains from a nearby Hopkinsville ethanol plant.

Jolly moves the finished 800-pound feeders to an Omaha, Nebraska, feedlot, sometimes by selling to the facility and sometimes by retaining ownership of the animals all the way through slaughter.

He also sells at retail through his own company, Jolly Beef, and through his family-operated restaurant at Lake Barkley State Park called Jolly's Dairy

Bar and Grill.

"I've built up my retail trade by selling hormone-free beef and it's really caught on," Jolly said.

That's what one of the speakers at the Cave City conference called "differentiation"—the trend in the marketplace to add value for specific actions by beef producers that set their products apart from the ordinary.

Randy Blach from Cattle Fax said that trend is almost certain to accelerate in the future. He said buyers are already paying significant premiums for source and age-verified cattle to allow instantaneous trace-back should a product problem occur. And the value difference between prime-graded beef and ungraded meat may reach close to \$300 per head.

Another Kentucky stocker producer is Tim White, who operates a family farm in southern Fayette County, within sight of some of Lexington's busiest retail and residential areas.

White specializes in quick turnaround of his calves, buying them at around 550 pounds and selling them at 700, some 60 to 90 days later. He operates under contract with a Kansas feedlot on a cost-plus basis.

He manages what he calls a limited-feed system, using a corn-based ration with fish meal that he gets from Purina. That feed supplements the forage that serves as the primary feedstock for his calves, as well as his cows and some purebred stock that he also owns.

Both White and Jolly say the financial return from stockers has been satisfactory in recent years. But they acknowledge that record strong cattle

prices have made for a very favorable market since 2003.

Blach said market forecasts for '07 suggest some of those price peaks may come up short this year, but even so, the potential for strong profit performance exists for producers who stay the course and manage and market effectively.

"In stocker production, you're selling roughage, you're selling management and you're working on the buying and selling relationship to get that maximum return," Blach said.

"But having said all that, if you haven't made money on stockers in the last few years, you maybe should consider a different line of work."

John Anderson, a Mississippi State University ag economist, took a more measured view of future prospects, citing the new demand factors for corn created by the growing number of ethanol plants across the country.


"Stockers overall could be severely impacted if weather cuts this year's corn crop and corn prices go over \$5," Anderson predicted. "Feedlots will react to that trend."

He added that the corn price surge could create opportunities for cow-calf and stocker producers who can keep their costs down, either by forage feeding or through the use of low-cost commodity feeds.

Johns says that regardless of the feeding regimen, producers would do well to focus on rate of gain to maximize profits.

"Farmers don't get paid for making their cattle older," he quipped. "The profit is in making them bigger."


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