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KENTUCKY

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



Happy
HOLIDAYS



AFBF MEETING IS JANUARY 11-14

More than 5,000 Farm Bureau members from across the nation -- including some 320 from Kentucky -- are expected to attend AFBF's 90th annual meeting, January 11-14, in San Antonio. The theme is "Forward Farm Bureau" which encompasses issues that are relevant to farmers and ranchers involved in all sectors of agriculture.

"It will be a pleasure to welcome Farm Bureau members from across the nation to my home state of Texas and the city of San Antonio," said AFBF President Bob Stallman. "Again this year, the convention program offers something for everyone. Members also have the opportunity to enjoy all that San Antonio has to offer, including the majestic River Walk, the Alamo and world-renowned Tejano culture."

The convention begins Sunday morning, January 11, with the opening presidential address by Stallman and presentation of state Farm Bureau awards. The annual Young Farmer and Rancher competitions, scheduled for the 11th and 12th, are a highlight of the agenda. Also on Sunday is the annual Farm Bureau Women's luncheon and business session, which is open to all women attendees, as well as delegates to the Farm Bureau Women's business session. Advance tickets are required to attend.

In keeping with the theme, there will be 14 conferences developed to assist members in sharpening their understanding of a broad range of issues that affect them and their operations. This includes sessions on the turbulent global economy and how it relates to U.S. agriculture, the urgent

need for livestock producers to become activists, the continuing debate over biofuels, crop and livestock outlooks for 2009, and much more. Several professional development sessions also will be presented.

The event concludes with the annual meeting of state Farm Bureau delegates discussing and voting on the positions that will guide AFBF in 2009.

KFB once again will be honored for exceeding its membership quota for 2008. Among other highlights will be the national discussion meet and the selection of a top young farm family from among the state winners.

The trade show on Sunday and Monday is a very popular attraction. KFB staff members will be there to greet members at the organization's exhibit. Idea Exchange award winners also will have exhibits at the show.



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“COMMENT”

As 2008 draws to a close, it's important to reflect back on yet another successful year for KFB. Many notable successes extend throughout the organization, including those in the youth development program.

This year, KFB continued a longstanding tradition of supporting youth organizations such as FFA, 4-H and FCCLA. Partnering with these groups through program and activity sponsorship has created an awareness of Farm Bureau with these organization's student members. This has proved to be invaluable as we seek to involve these same students in our youth and young farmer programs. In March, FFA members from across Kentucky traveled to Frankfort to take part in the Legislative Drive-In activities. These young men and women not only observed Farm Bureau's efforts during the legislative session, but had an expressed purpose in meeting with legislators to obtain support for renovating the FFA Leadership Training Center in Hardinsburg. For many of these students, this was their first exposure to the legislative process, in addition to meeting their respective lawmakers face-to-face.

The Education Foundation scholarship program awarded nearly 60 Kentucky high school seniors with \$88,500 in scholarship funds in 2008. This sum was the largest amount of scholarship monies distributed in the foundation's 56-year history and builds upon KFB's continued support of higher education for Kentucky students.

Now in its 23rd year, the Institute for Future Agricultural Leaders (IFAL) conference continues to be a highlight for high school seniors from across the Commonwealth. This year, KFB, along with Murray State University and the University of Kentucky, hosted 81 students from 47 Kentucky counties for weeklong leadership conferences aimed at exposing students to Farm Bureau, agricultural career opportunities and college life. For many IFAL attendees, this conference "sets the wheels in motion" for those students who are beginning to weigh their options about college and a future career path.

To round out the year, KFB will name the 2009 Outstanding Farm Bureau Youth at our annual meeting this month. These students serve as youth representatives throughout the year by attending KFB's Congressional Tour to Washington, D.C., and participating in Farm Bureau Day activities at the Kentucky State Fair.

As we head into 2009 and beyond, it will be important that we continue to involve youth in programs at all levels, even extending beyond our traditional youth programs. This will be an important element as these students begin to develop the skills and knowledge to build upon a strong foundation of Farm Bureau leaders and ultimately carry the torch for the organization in the years ahead.



Susie Tanner

DIRECTOR
YOUTH DEVELOPMENT

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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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ANNUAL ASSESSMENT

KFB and commodity group officials discuss issues with legislators

An annual meeting between KFB leaders and public affairs staff, officials from farm commodity groups and some state legislators who work closely with agriculture has become a fixture on KFB's agenda in preparation for legislative sessions. Last month's renewal at the KFB state office featured House Speaker Jody Richards, House Appropriations and Revenue Committee Vice-Chairman Don Pasley, House Agriculture Committee Chairman Tom McKee and his Senate counterpart, David Givens, a freshman Republican from Green County.

Pasley, McKee and Givens are among only a handful of farmers remaining in the state legislature. Richards served on the House Agriculture Committee for many years.

While it is rare for a new legislator to receive a committee chairmanship, Givens has a background that makes him highly suited for the post. He was raised on a cattle, swine and crop farm, earned an Agriculture Degree from Western Kentucky University, operates a farm supply store in Greensburg and raises cattle and crops. Moreover, his brother is a veterinarian and his sister worked for years as a 4-H extension agent before joining the farm supply business. His district of Green, Allen, Barren, Metcalfe, Simpson and Edmonson counties is heavily-dependent on agriculture.

Givens is no stranger to KFB, either: He participated in the organization's campaign management seminar to prepare for the campaign.

After briefly introducing himself, Givens said he was "honored and excited" to get the ag committee chair and would emphasize expanding the state's agriculture economy.

"Kentucky agriculture is top drawer," he said. "The impact is huge."

He noted that the state is "ag friendly" and well positioned to recruit agribusinesses. He mentioned large-scale dairies, beef feed lots and cellulosic ethanol producers as some examples for potential growth.

KFB's Executive Committee was on hand along with the public affairs staff and officials representing beef cattle, tobacco, equine, dairy, swine, poultry, corn, soybeans, wheat and sheep and goats.

KFB President Marshall Coyle and Executive Vice President David S. Beck welcomed the group, stressing the importance of a unified approach to addressing issues in Frankfort. "It's important that the legislature sees us in



HOUSE SPEAKER JODY RICHARDS (LEFT) GREETES TODD BARLOW OF THE KENTUCKY CORN GROWERS ASSOCIATION. THAT'S KFB SECOND VICE PRESIDENT JOHN HENDRICKS IN THE BACKGROUND.

unity," Beck said.

Public Affairs Director Laura Knoth advised ag interests to be on guard at the 2009 session because of the state's budget crisis.

Speaker Richards offered encouragement by predicting the House would remain supportive of tobacco settlement funding for the state's historic ag development initiative. "We really believe in House Bill 611 (the enabling law)," Richards said.

McKee concurred, saying "we've been a model at how we've handled the tobacco settlement money."

As an example, McKee pointed to the impact of a more than \$3 million investment in Harrison County, where he farms.

Pasley, who farms in Clark County, outlined severe budget shortfalls in both the general fund and the road fund. "We have a budget in a structural imbalance," he said. "We're spending far more than we're taking in . . . we're robbing Peter to pay Paul. It's a tough situation that we must correct."

Pasley introduced himself to Givens as he walked to the front of the room to speak. He noted that both he and Givens serve on county ag development councils, the groups established by HB 611 to submit project funding requests to the Kentucky Ag Development Board.

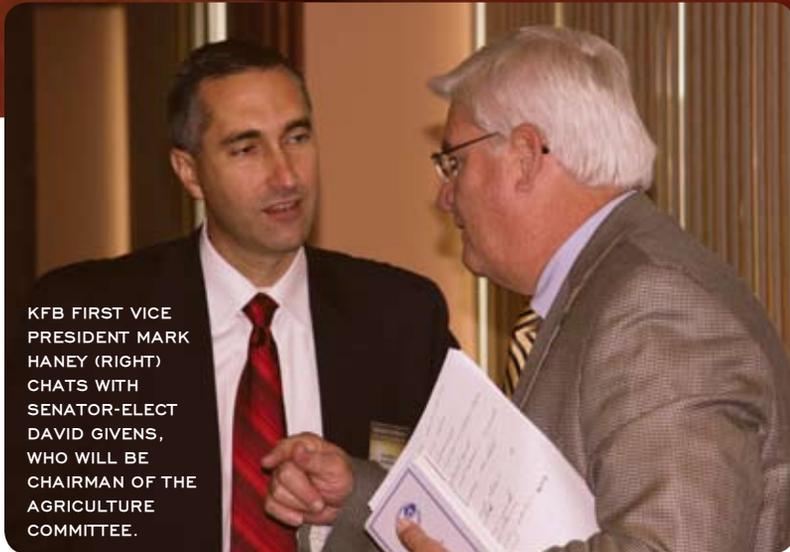
A wide range of issues came up during the 3 ½-hour meeting. Maury Cox and Jim Sidebottom of the Kentucky Dairy Development Council said they would ask the legisla-



HOUSE AG COMMITTEE CHAIRMAN TOM MCKEE MAKES A POINT.



STATE REPRESENTATIVES DON PASLEY (LEFT) AND TOM MCKEE ENJOY A LIGHTER MOMENT AT THE MEETING WITH AG OFFICIALS.



KFB FIRST VICE PRESIDENT MARK HANEY (RIGHT) CHATS WITH SENATOR-ELECT DAVID GIVENS, WHO WILL BE CHAIRMAN OF THE AGRICULTURE COMMITTEE.

ture to consider ideas for boosting milk production in the state (Kentucky is a milk deficit state; milk often is shipped here from northern states at premium prices). Kentucky Corn Growers Executive Director Todd Barlow said the organization had a couple of issues relative to truck weight limits.

Mike Ovesen, Executive Director of the Kentucky Pork Producers Association, asked the lawmakers to be on guard for measures that would place stringent restrictions on animal

agriculture. Ovesen also expressed the ag industry's concern about the declining condition of many rural bridges throughout the state.

Several of the ag officials, including Coyle, asked the legislators to appropriate funds for renovating the Breathitt Livestock Disease Diagnostic Lab in Hopkinsville. That is among KFB's priority issues for the 2009 session.

TOUR TIME . . .

Executive Committee visits West Kentucky farms and agribusinesses



KFB's Executive Committee made its annual tour

of farms and agribusinesses last month, visiting a diverse group of businesses in West Kentucky. The KFB leaders saw examples of animal agriculture's importance to Kentucky agriculture, visited one of the state's largest row crop and tobacco farms, listened to prominent agribusinessman Billy Joe Miles describe opportunities he has found in foreign countries, plus observed some successful operations with "niche markets."

The group comprised of President Marshall Coyle, First Vice President Mark Haney, Second Vice President John Hendricks and Executive Vice President David S. Beck also took the opportunity to meet with county Farm Bureau leaders along the way, with stops in Hopkins, McCracken, Lyon, Daviess and Ballard counties. Each meeting featured a question-and-answer session on KFB policy issues, programs and operations.

KFB Directors Randall
Continued on page 15



OPPOSITE PAGE AND ABOVE: THE GROUP OBSERVED THE CUTTING OF A FIELD AT BRUMFIELD SOD COMPANY IN HOPKINS COUNTY.

BELOW: KFB PRESIDENT MARSHALL COYLE LOOKED AT SOME DARK TOBACCO IN THE STRIPPING ROOM AT CUNDIFF FARMS.



"We need a work program to allow these people to work here and return home if they wish .. we really need to educate the public about the importance of this program to agriculture production,"

- JERRY O'BRYAN



SOIL TESTING IS CRITICAL

BY KATIE PRATT
UK COLLEGE OF AGRICULTURE

Recent fluctuations in the commodity markets and input prices have left farmers wondering whether to purchase next year's inputs now or wait to see if prices drop. Regardless of the price fluctuations, there are several things grain crops producers can do now for the next growing season to better manage costs in their agricultural operations, said Chad Lee, grain crops extension specialist in the UK College of Agriculture.

When deciding which crops to grow next spring, farmers can do par-

tial budgets with current prices to identify costs and potential returns. But given the volatile markets, the best option is to maintain crop rotations. Both soybean and corn yield better when annually rotated. However, available credit and cash flow may be the deciding factors for which crops are grown in 2009.

No matter which crop producers plan to grow, soil testing likely will be beneficial.

"Probably the easiest thing a farmer can do to save money on input costs is to have a soil test done and fertilize according to UK recommendations," Lee said.

Soil testing can prevent producers

from overspending and over-fertilizing their fields. The college's publication on fertilizer and nutrient recommendations, AGR-1, helps producers determine the most economical amount of fertilizer required to get optimum yields. The publication is available at local extension offices across the state and on the college's Web site at <http://www.ca.uky.edu/agc/pubs/agr/agr1/AGR1.PDF>.

If a farmer has decided on a crop, then purchasing seeds before January 1 should offer price advantages. Some producers may also find buying seeds this year to be advantageous on their taxes.

With much of the Midwest dealing with flooding conditions this past spring, there was some concern this summer that seed supplies may be low for some corn hybrids. Lee said he hasn't heard any more about these concerns since this summer and believes seed supplies are at normal levels. However, buying early will better ensure producers get the seeds they want.

"If you wait until after January 1, you may have a tough time purchasing what you want," he said.

Each year, UK's hybrid and variety trials demonstrate that selecting the right hybrids and varieties can make money, while selecting poor varieties and hybrids will lose money. During this year's corn hybrid variety performance trials, there were no distinct yield advantages with stacked traits. Some hybrids with multiple stacks yielded very well while others did not. When selecting hybrids, producers need to consider the entire genetic package of the seed and not base their decisions solely on stacked traits.

Producers can save money when purchasing hybrids by only buying the traits they need. They should use as much good information about hybrid performance as possible in decision making.

Preliminary findings of the trials can be found on the UK grain crops extension Web site at <http://www.uky.edu/ag/graincrops/varietytrials/2008cornprelim.htm>.

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LIVESTOCK BMPS TAPPED FOR CHANGES

A committee comprised of livestock producers and various officials concerned with the industry's effect on the environment is recommending updates to the guidelines for livestock production under Kentucky's Agricultural Water Quality Law.

The Kentucky Agricultural Water Quality Authority's Livestock Committee met last month at the Grayson County Extension Office to review the 12-year-old guidelines for protecting surface and ground water from pollution from animal agriculture operations. By the end of the four-hour meeting, it was agreed to propose changes in five areas of concern: (1) Siting requirements for large-scale operations; (2) Dead Animal Disposal; (3) Nutrient Management; (4) Stormwater Control; (5) Education.

The committee includes KFB Directors John Hendricks (beef cattle), Kelly Thurman (dairy cattle), Danny Wilkinson (beef cattle and swine) and Randall Heath (poultry). Chairman is Logan County dairy farmer Lee Robey. Other members include representatives from all the various livestock commodity organizations plus the Kentucky Department of Agriculture, State Division of Conservation, NRCS, UK College of Agriculture and the Kentucky Division of Water.

The issue is the "Best Management Practices" that have been approved as part of the guidelines farmers use in developing their farm-specific water quality plans. It has been documented that 69,000 farmers have developed plans for their operations, and 189 corrective measures actions have been taken where a water quality problem was found associated with a farming operation, said Steve Coleman, Director of the Division of Conservation.

"I'm happy to report that there have been no bad actors," Coleman said, using the term for those who do not correct violations and therefore are subject to penalties. "We've come a

long way, in my opinion. But it's time to update the various sections of the state water quality plan because there have been a lot of changes in the livestock industry over the past 12 years."

Concurring was Pete Goodman of the State Division of Water, who said: "The landscape has changed in terms of the regulations and the farming operations."

Goodman and others noted that the U.S. Environmental Protection Agency's new rules for Confined Animal Feeding Operations puts pressure on large-scale producers of all types, whether or not they require waste discharge permits. Because of the new rules, farmers would be well advised to develop and maintain viable nutrient management plans.

Some farmers have nutrient management plans that they don't really understand, or fail to keep those plans current, said Mike Ovesen, Executive Director of the Kentucky Pork Producers Association. Such plans should be relatively simple in scope, and definitely need to be adhered to, he added.

Ovesen is an original member of the Ag Water Quality Authority and a long-time champion of farmers' rights in the environmental regulatory arena. He said regulators and groups like NRCS and the Conservation Districts need to step up educational efforts.

"From this committee's standpoint, we have failed if we don't come up with a plan for farmers to manage their (nutrient management) plan," he said. "Livestock waste has gone from a waste to a commodity; we need to show them (producers) how to get the most out of that commodity. And we must address the record-keeping requirements of these plans."

Much of the discussion centered on the nutrient management/CAFO requirements issues. The siting of livestock facilities and dead animal disposal issues also were hot topics.

Tony Pescatore, the long-time poultry production specialist at UK, told the group that three counties recently had

adopted stringent siting requirements on poultry farms. He said it would be helpful if the ag water quality plans contained consistent guidelines for all types of animal agriculture production.

The group agreed to recommend that NRCS guidelines be used as siting criteria in the state plans and that there needs to be consistency between those requirements for the livestock industry.

It was also decided that dead animal disposal methods - with an emphasis on composting - should be part of the plans, along with provisions to prevent stormwater runoff from farm buildings from becoming a "discharge." Several of the officials cited the need to promote the composting of dead animals.

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PHILIP MORRIS EXECUTIVE MEETS WITH KFB LEADERS



KFB PRESIDENT MARSHALL COYLE SPEAKS TO PHILIP MORRIS EXECUTIVE CRAIG STARIHA (BOTTOM LEFT) AT THE RECENT MEETING. ALSO PICTURED ARE (CLOCKWISE FROM COYLE) KFB DIRECTORS MARK HANEY, DAVID CHAPPELL, SCOTT TRAVIS AND JOHN HENDRICKS.

Tobacco growers who have contracts with Philip Morris perhaps can find some encouragement from a recent meeting between KFB leaders and the company's Director of Purchasing, who said PM was seeking a better relationship with growers.

Scott Travis, a KFB Director from Spencer County who is a large-scale grower for Philip Morris, said he was pleased with comments from Craig Stariha during a two-hour meeting at KFB's state office. He told the Philip Morris USA executive: "I have a good feeling" about future relations between growers and the company.

That's a far cry from the situation at the beginning of this growing season, when many Philip Morris clients were grumbling about relations with the leading buyer of burley tobacco. Farmers were wanting information that was slow in coming. Communications channels were narrow. Frustration was rampant.

Stariha acknowledged that problem during his meeting with Executive Committee members Marshall Coyle, Mark Haney, John Hendricks and David S. Beck; along with Travis, Tobacco Advisory Committee Chairman David Chappell of Owen County and KFB Public Affairs staffers Jeff Harper and L. Joe Cain. Stariha said the company was striving to do a better job with grower

relations and had taken a number of steps in that direction, including conducting focus group meetings with growers, appointing grower representatives at buying stations and distributing a newsletter.

In regard to production contracts, Stariha said: "We're trying to learn from mistakes we've made."

He said the company has compiled cost production surveys for burley and flue-cured, has talked with many growers and is considering contract modifications for the 2009 season. "We are welcoming input from producers and groups like Farm Bureau," he said.

He emphasized that Philip Morris "wants to be the preferred buyer" and would continue to stress quality, call for stripping from four stalk positions and encourage larger bales. He noted that a three-cent premium will be paid for larger bales this year.

The informal discussion also touched on marketing opportunities, a proposed export promotion program, cost-share programs, credit issues and tax policies.

KFB President Marshall Coyle, a long-time advocate for tobacco growers, also expressed positives about the meeting.

"I feel they are sincere about reaching out to growers and doing a better job of listening and communicating," said Coyle, a Bath County grower.

Executive Vice President David S. Beck said KFB intends to maintain regular communications with Philip Morris.

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Churchill Downs wins agribusiness award

Famed race track Churchill Downs Inc. was selected the 2008 Louisville area

Agribusiness of the Year. The award, presented during the annual Farm-City Lunch at the Kentucky Expo Center, was sponsored by the Agribusiness Industry Network and Greater Louisville Inc.

The award recognizes the agribusiness that ranks most highly in its contribution to the local and agricultural economy, and has exhibited financial strength and business growth for a sustained period.

Churchill Downs traces its Louisville roots to 1875, when the track opened. That was also the first running of the Kentucky Derby, now recognized universally as America's greatest horse race and one of the world's signature sporting events.

The company currently owns and operates racetracks in Florida, Illinois and Louisiana in addition to its Louisville facilities.

In Louisville, the historic track has been transformed through a \$121 mil-

lion renovation into a center for business, convention and entertainment events that extends its 70 days of racing



JOHN ASHER, VICE PRESIDENT OF COMMUNICATIONS AT CHURCHILL DOWNS, RECEIVED THE AWARD FROM (LEFT) JOE REAGAN, CEO OF GREATER LOUISVILLE INC., AND JOHN COLLIVER, CHAIRMAN OF THE AGRIBUSINESS INDUSTRY NETWORK.

into a year-round schedule of activities.

Less well known is the extent of the agribusiness-related impacts that Churchill Downs represents for the Louisville area. The stable areas at the track can house more than 1,400 thor-

oughbreds scattered among 47 barns, with an additional 20 ponies used to accompany horses to the track during training and racing hours.

The Trackside training center, located on the site of the old Louisville Downs harness track, has stalls for some 500 horses in its 13 barns, and is open year-round.

Track officials estimate that about 1,000 workers are utilized by the 150 thoroughbred trainers who are allocated stalls at Churchill Downs and Trackside each year.

Those personnel include grooms, hotwalkers and exercise riders, all of whom play key roles in the labor-intensive efforts that go into providing care for the valuable horses that are housed there.

Other agricultural professionals whose services are utilized regularly by the track include veterinarians, farriers, hay producers, feed dealers, tack and leather craftsmen and equine transport companies.

Six award-winning "ideas" invited to AFBF trade show

Projects from KFB members were well received by the selection committee for "idea exchange" exhibits at AFBF's annual meeting in January. Six of the award winners in KFB's program were invited to participate in the AFBF trade show in San Antonio. That's the most ever, according to program coordinator Ed McQueen, who is KFB's Director of Market Information.

In addition, Union County FB has been invited to exhibit its "County Activities of Excellence" project which raised funds to purchase books on agriculture for local libraries and pre-school centers.

Kentucky's Idea Exchange award winners are Jim and Nancy Harmon of Marion County; Eddie Warren of Madison County; Bill Payne of Lincoln County; Victor McElfresh of Bracken County; Mike Brookshire of Clark County and Martin Thomas of Union County.

The Harmons constructed a unique water gate abutment that holds the gate in place while preventing erosion at the

post sides, which commonly occurs when using concrete. Old fencing material was placed on the bed of the small stream in an upright circular position and then was shaped into a cylinder and filled with field rocks collected by the couple's grandchildren. Using natural materials saves the Harmons an estimated \$200, according to their application.

Warren made a rotating hay spear for a front end loader. The concept is for feeding rolled hay in rings. The device allows Warren to place half a roll per ring, which allows more cows to feed while limiting the amount fed. He fabricated the ring in his workshop.

Payne, a past award winner, put together a portable all-weather livestock water tub. The tubs plug into buried water lines using a coupler and are plumbed with a tee and a riser. They were built by cutting the top third from a 55-gallon plastic barrel. The tubs, which cost Payne about \$80 each, are moved with the cattle and provide water in freezing temperatures by allowing a small stream to constantly flow.

McElfresh modified a chain saw so that it that slices round bales of hay. Using a belt sander, he modified each tooth of the chain to resemble a razor

blade and shaped it so that it would not snag the hay. He says that by slicing hay for his small herd of beef cows, he has saved about 33 percent of waste and overfeeding.

Brookshire developed a master hitch that hooks up machinery to a draw bar while eliminating potential damage to the PTO shaft. The hitch fits into any standard two-inch reece receiver. "It allows its user to tow any agriculture machinery safely," Brookshire said.

Thomas has an electronic fence wire winder designed to hook to the tailgate of a truck, as well as a tractor or four-wheeler. The machine will coil one-half mile of fence on the original spool in about 10 minutes, which is well below the normal time for that procedure. This process doesn't damage the wire, he says.

Union County's project involved asking farmers to donate grain to generate funding for the purchase of ag-related books from the AFBF Foundation's approved list. The first round of fundraising resulted in the purchase of 200 books for the public library, four elementary school libraries and one pre-school center. The overall objective is 500 books.

2008 SOYBEANS LOW ON PROTEIN

The annual quality survey funded by the American Soybean Association and the U.S. Soybean Export Council found that the 2008 U.S. soybean crop has the lowest average protein level recorded since this survey began in 1986. Average U.S. soybean protein content is 1.2 percentage points lower in 2008, at 34 percent, and average oil is 0.6 percentage points higher, at 19.2 percent, when compared with 2007. The protein content of 2008 soybeans is down 1.3 percentage points from the 1986-2008 average.

Studies show seed protein content can often be reduced during growing seasons that experience heavy rains – as was the case this year. Western corn belt states tended to have above-average reductions in protein content relative to 2007. This is especially true for Nebraska, Kansas, Missouri, and Iowa; where protein levels were more than 1.5 percentage points lower than in 2007.

Fourteen samples analyzed from Kentucky had an average protein content of 34.8 percent, down 0.3 from 2007, and a vegetable oil content of 19.6 percent, up 0.7 from last year.

BEEF EXPORTS ARE CLIMBING

Beef exports in the third quarter were 609 million pounds, up 43 percent year-over-year. However, the 4th quarter outlook does not support such a high rate of growth. Exports for 2008 are expected to be 1.841 billion pounds, up 28 percent from last year. USDA expects 2009 exports to increase only four percent, to 1.92 billion pounds, as demand should decline in Mexico and other smaller markets.

U.S. imports of beef in the third quarter fell 24 percent year-over-year, totaling 584 million pounds. U.S. imports of beef from Australia, which have generally been the largest supply of foreign beef to U.S. markets, have fallen 32 percent through the third quarter as Australian ranchers rebuild their herds.

In 2008, imports are expected to decrease 20 percent to 2.443 billion pounds. In 2009, 2.595 billion pounds of beef are expected to be imported into the U.S. – the first time since 2004 that imports have increased.

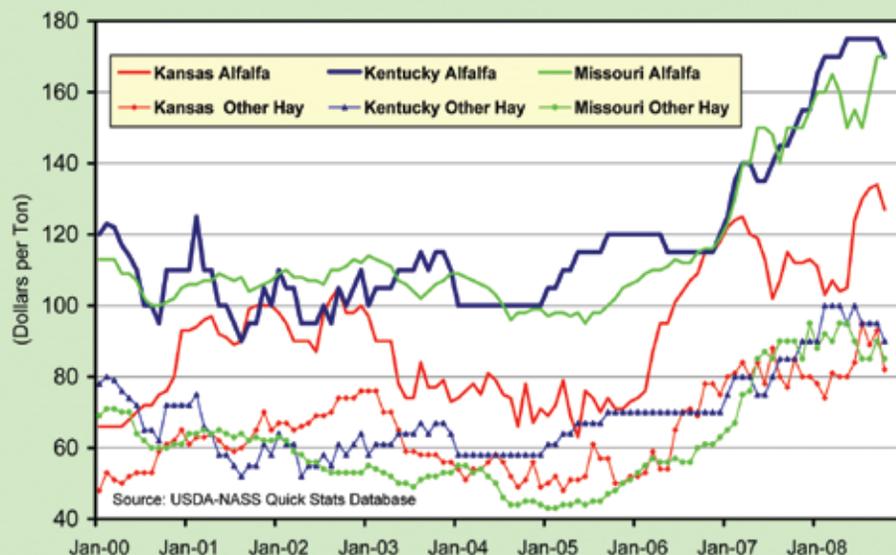
MORE MILK AND LOWER PRICES

USDA expects milk production to increase about one percent next year, reaching 191.5 billion pounds. The projected rate of growth is well below rates of increase in recent years. Slightly higher production will encounter weaker foreign and domestic demand, resulting in lower prices.

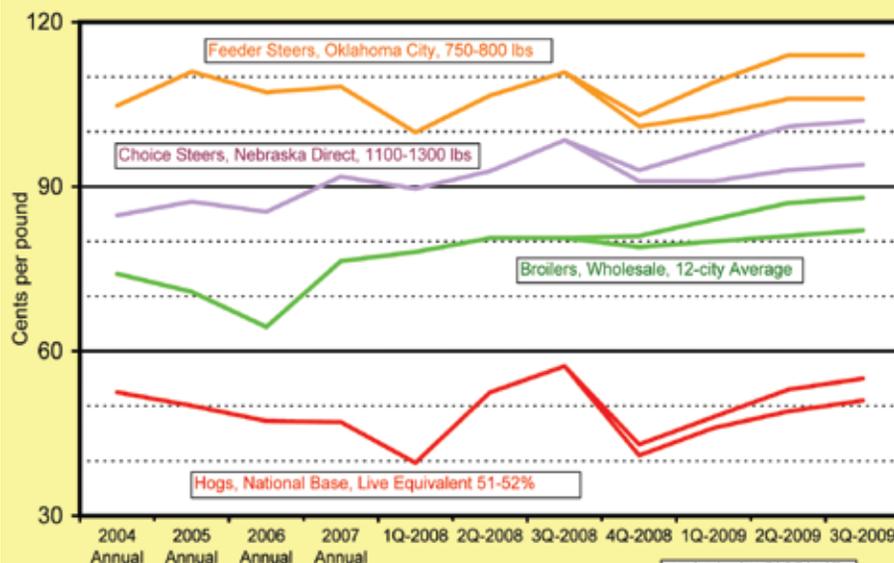
Dairy product prices in 2009 are forecast lower. Cheese prices are

expected to average \$1.880-1.890 per pound this year and \$1.675-1.765 in 2009. Butter prices should average \$1.455-1.485 per pound in 2008, but drop slightly to \$1.390-1.510 next year. Falling product prices will impact milk prices. Class III milk may drop from \$17.30-17.40 per cwt in 2008 to \$14.75-15.65 in 2009. The all-milk price is forecast to slide to \$15.30-16.20 per cwt in 2009 from an average \$18.30-18.40 in 2008.

Prices Received by Farmers: Alfalfa and Other Hay
Kentucky - Missouri - Kansas



U.S. Quarterly Animal Prices



Report affirms ag development progress

An evaluation of more than \$209 million in Kentucky Agricultural Development Fund (KADF) investments approved from 2001-2007 was presented to the Kentucky Agricultural Development Board (KADB) at their annual planning session last month.

The report compiled by UK Agricultural Economists Dr. Craig Infanger and Dr. Richard Mauer, along with tobacco agronomist Dr. Gary Palmer, confirmed that the unique programs made possible through the KADF create positive impacts on Kentucky's agricultural economy.

"I commend the Governor's Office of Agricultural Policy for commissioning the evaluation to assess the goals and objectives of the Kentucky Agricultural Development Fund," said Governor Steve Beshear. "I am pleased with the results of the evaluation and am committed to ensuring that 50 percent of the Master Settlement Agreement Funds be invested each year into agriculture for diversification efforts and the creation of new opportunities for our agriculture industry."

The projects funded by the KADB are designed to increase net farm income and affect tobacco farmers, tobacco-impacted communities and agriculture across the state. The KADB oversees the investments of tobacco settlement dollars for the benefit of agriculture across the state and is administered through the Governor's Office of Agricultural Policy (GOAP).

Projects included marketing programs, developing agribusinesses and agritourism, helping to build ethanol and biodiesel plants and a range of programs to enhance the beef cattle and forage industries. Over 70 percent of the county-level expenditures have gone for beef cattle projects.

Highlights of the evaluation include:

- Investments in non-model projects have involved about 50,000 tobacco farmers.
- The KADF's investments in non-model projects have had a significant impact on agriculture and agribusiness.

From 2001 to 2007, the \$86 million invested has resulted in an estimated \$161 million in additional farm income through market expansion and creation of new markets.

- On average, every dollar invested from the KADF in non-model projects resulted in \$1.87 of additional farm income. Additional income was highest for marketing and promotion (\$3.19) and livestock (\$3.15). Project participants leveraged \$96 million in additional funding.

- Model programs designed to improve on-farm efficiency and provide up to 50 percent of the cost of the project to participants, accounted for nearly \$100 million invested with over 72,000 participants.

- Within the Kentucky Agricultural Finance Corporation (KAFC), the Beginning Farmer Loan Program stood out in the evaluation because it directly

addresses the issues of barrier to entry for new farmers and intergenerational transfer of farm ownership, making it a key loan product. KAFC completed 36 Beginning Farmers Loans as of May 2008.

For the complete evaluation and executive summary please visit GOAP's Web site at <http://agpolicy.ky.gov>.

KFB has strongly supported utilizing the tobacco settlement fund for economic development. KFB set the stage for legislative action by organizing a process by which a long-range plan for Kentucky agriculture was developed. The process involved virtually all segments of the state's agriculture industry, with an emphasis on input from the respective commodity organizations. The plan was presented to the General Assembly and Governor Paul Patton, thereby laying the groundwork for the historic ag development initiative.

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*You must be a member of Kentucky Farm Bureau for at least six months prior to date of delivery to be eligible for this private offer. \$500 or \$750 private offer valid toward the purchase or lease of eligible new 2007, 2008 and 2009 model year GM passenger car and light duty truck models. Customers must take delivery by January 2, 2009. Not compatible with other private offers. Not valid with prior purchases. Compatible with many current incentives. Incentives are subject to change. Excludes Cadillac: CTS-V, ELR-V and STS-V; Chevrolet Corvette Z06; HUMMER H1; hybrid vehicles and medium-duty trucks. See dealer for complete details. © 2008 GM Corp.

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FARM FILE



APPLICATIONS ENCOURAGED FOR KFB SCHOLARSHIPS

Applications are now being accepted for the 2009 KFB scholarships.

Application forms are available at county Farm Bureau offices or on the KFB website, www.kyfb.com. Click on "Organization." Once on the Organization webpage, click on "Our Programs" found on the left-hand side of the page, then "Scholarships."

For more information, refer to the eligibility rules on the first page of the application. All applications must be postmarked by February 28, 2009, to be considered. Winners will be notified by May 15, 2009.

REPORT SAYS CONSUMERS FED UP WITH FOOD PRICES

Food manufacturers will find it harder to pass on rising costs to consumers next year and, in a shaky economy, competition will remain intense, according to a report.

Despite recent drops in commodity and oil prices, input cost pressure is not expected to subside materially for at least several months, said the Fitch 2009 US Packaged Foods Outlook.

Many packaged food companies have achieved higher pricing recently, which is likely to continue in 2009, but the report added: "The magnitude of pricing actions consumers are willing to accept when they are already being squeezed by the shaky economy is a delicate balance."

The report said: "Packaged food companies need to maintain higher levels of brand building to support new products and keep the value of existing products at the forefront of consumers' minds."

The Consumer Price Index (CPI) for all food is forecast to rise four-to-five percent in 2009, according to the USDA's Economic Research Service. The highest price increases for 2008 are for eggs, fats and oils, cereals and bakery products, and dairy products.

GOAP ANNUAL MEETING IS JANUARY 15

The Governor's Office of Agricultural Policy (GOAP) will hold its 2009 Annual Meeting on January 15 at the Lexington Convention Center. The event is a joint effort between the Kentucky Agricultural Development Board and the Kentucky Agricultural Finance Corporation.

The meeting will feature a keynote address from Chris Chinn, past chair of AFBF's Young Farmer and Rancher Committee, who has become widely known as an advocate for the animal

agriculture industry. Other event highlights include a tradeshow, Kentucky product samples, policy and program updates and an awards luncheon recognizing those who have exemplified outstanding rural leadership and ingenuity.

The pre-registration deadline is December 22. The cost of registration is \$30 per person for those registering on or before December 22; afterward it is \$45 per person. Registration forms are available at <http://agpolicy.ky.gov/annualmeeting> or by calling (502) 564-4627.

CALIFORNIA VOTE HURTS AGRICULTURE

AFBF expressed disappointment in the passage of California's Proposition 2, a ballot initiative that phases out the use of modern housing methods in the production of eggs, pork and veal. Passage of the measure will cause more of these products to be produced outside the state of California and is likely to have serious impacts for consumers and California's egg producers.

"The result points out the lack of understanding that people who voted for

Proposition 2 have of agriculture, and it highlights the need for all of America's farm and ranch families to focus on engaging consumers to communicate their knowledge of and commitment to animal care," said AFBF President Bob Stallman. "The realities of modern, family-owned and -operated agriculture and the professional dedication of our farm families are largely not understood by America's consumers. As an industry, we must help non-farmers understand our industry."

AFBF OPPOSES "GREENHOUSE" RULES

AFBF has registered its opposition to an Environmental Protection Agency proposal to regulate greenhouse gases under the Clean Air Act, asserting it would essentially result in new taxes on livestock operations.

"Most livestock and dairy farmers would not be able to pass along the costs incurred under this plan," said Mark Maslyn, AFBF executive director of public policy. "Steep fees associated with this action would force many producers out of business. The net result would likely be higher consumer costs for milk, beef and pork," said Maslyn, in comments submitted to EPA.

According to USDA figures, any

farm or ranch with more than 25 dairy cows, 50 beef cattle or 200 hogs emits more than 100 tons of carbon equivalent per year, and thus would need to obtain a permit under the proposed rules. More than 90 percent of U.S. dairy, beef and pork production would be affected by the proposal, Maslyn noted.

Permit fees vary from state to state but EPA sets a "presumptive minimum rate" for fees. For 2008-2009, the rate is \$43.75 per ton of emitted greenhouse gases. According to Maslyn, the proposed fee would mean annual assessments of \$175 for each dairy cow, \$87.50 for each head of beef cattle and \$20 for each hog.

EMERGENCY LOANS ARE AVAILABLE

Farmers in all 120 counties in Kentucky are eligible for emergency loans due to drought and high winds that occurred in Kentucky this year. For

details visit your local USDA/Farm Service Agency office or the USDA's web site at www.usda.gov.



ABOVE: JOLLY FARMS IN TRIGG COUNTY IS ONE OF THE STATE'S LARGEST CATTLE OPERATIONS.

BELOW RIGHT: IN THE CONTROL ROOM AT HIS FEED MILL, DAVIESS COUNTY SWINE PRODUCER JERRY O'BRYAN CHATTED WITH KFB EXECUTIVE COMMITTEE MEMBERS (FROM LEFT) MARK HANEY, MARSHALL COYLE, JOHN HENDRICKS AND DAVID S. BECK.

Continued from page 7

Heath of Graves County, Tripp Furches of Calloway County and Kelly Thurman of McLean County joined the group along the way.

Following are some highlights:

◆ At O'Bryan Farms in Daviess County, owner Jerry O'Bryan gave an overview of a progressive swine operation that is marketing some 90,000 hogs per year to a packer in Indiana. The operation encompasses 1,200 acres, consumes well over a million bushels of grain each year and includes 2,800 sows, a huge feed mill and close to 50 employees. Perhaps most impressive was the new dry litter barns that are mixing liquid manure with sawdust to make an environmentally-friendly material.

◆ Miles, President of Miles Farm Supply and a past chairman of the UK Board of Trustees, spoke about his business ventures in several foreign countries. He went into the most detail about a current cattle operation in Bolivia. He predicted a world food shortage in the near future and a rocky year ahead for farm markets. "Agriculture is at a crossroads," he said. "Farm Bureau can help find the solutions." Miles also expressed concern about the lack of young farmers. He told the KFB leaders that the young farmer program "may be the best thing you do" and urged the organization to work with other farm groups to encourage young people to choose production agriculture for a career.

◆ At the Tyson Hatchery in McLean County the group saw hundreds of thousands of eggs being prepared to hatch chicks bound for the company's contract farms. Plant Manager Alan Wise said the facility hatches around 1.7 million eggs a week. The chicks then spend about 51 days feeding in broiler houses before shipment to the company's nearby processing plant.

◆ Sod was being cut into one-square-yard rolls at Brumfield Farms in Hopkins County. Sod and tobacco sustain the 105-acre farm, said owner David Brumfield.

◆ Cundiff Farms in Trigg/Caldwell counties was a sprawling operation with 12,000 acres of row crops and 220 acres of dark tobacco. A crew of 24

H-2A workers spend three months cutting and stripping the tobacco. Owner Harry Cundiff said he has added modern fire-curing barns and a new stripping barn. The operation has a grain storage capacity of one million bushels and 10 salaried employees. "We are committed to good help and good equipment – you pretty much have to have one to have the other," Cundiff said.

◆ Jolly Farms in Trigg County is a cattle feeding operation and retail custom beef sales center. Owner Scott Jolly said he had 1,800 head on that particular day, but the herd size varied sharply.

Some of KFB priority issues were part of the discussions with the farmers. O'Bryan, for example, urged KFB to continue to push for reforms to the H-2A farm labor program. "We need a work program to allow these people to work here and return home if they wish .. we really need to educate the public about the importance of this program to agriculture production," O'Bryan said.

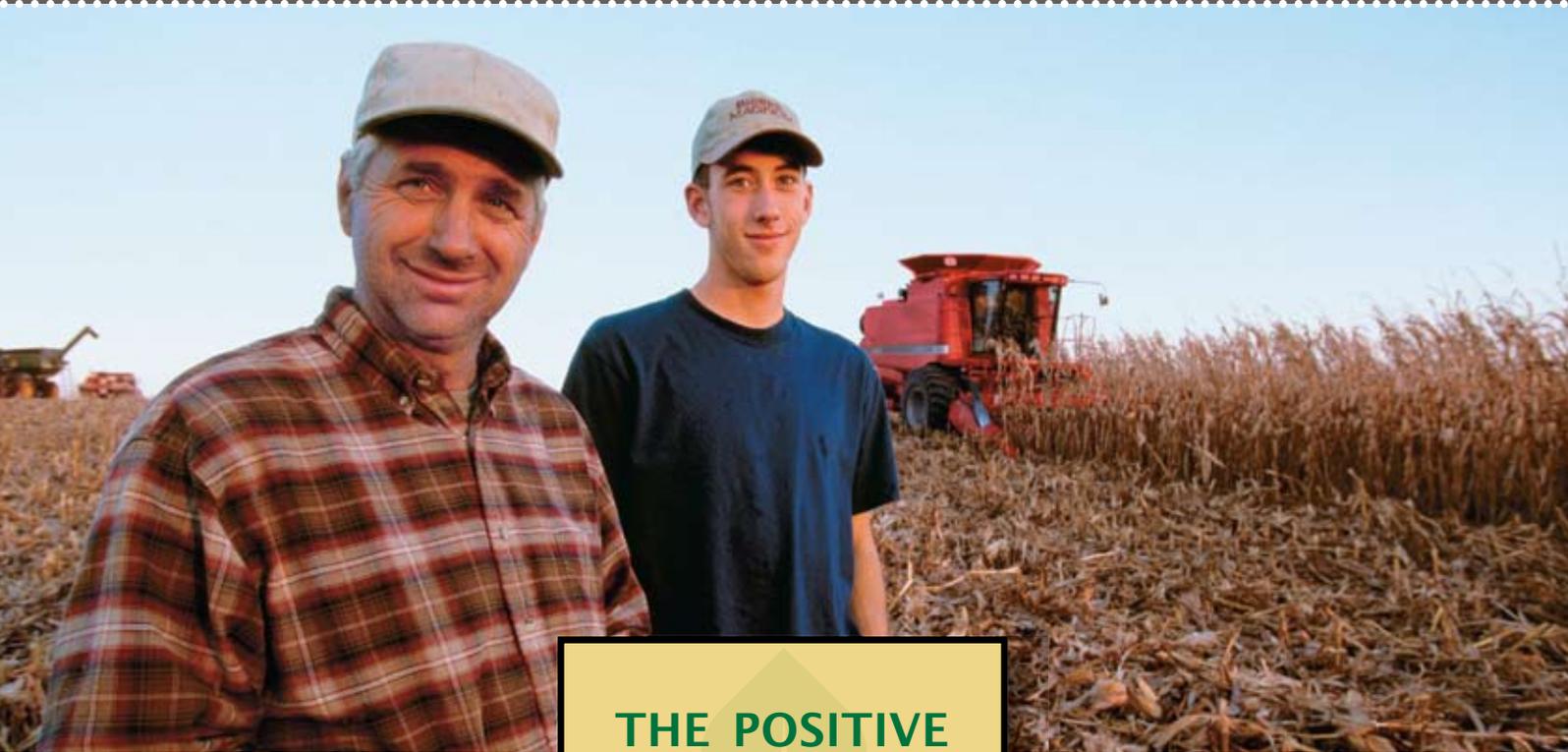
He also lamented problems caused by the war radical animal rights groups are waging against animal agriculture. "You've got a wolf in the community and if no one kills the wolf, you have a problem," he quipped.

Wise, the Tyson official, noted how fair trade policies are crucial to the company's business. He said Russia halted its imports of U.S. poultry because of our nation's position on the dispute with Georgia. The Tyson plant in Kentucky had been exporting its dark meat to Russia, Wise explained.

Cundiff, meanwhile, mentioned continuing concerns about tax hikes on smokeless tobacco products and the potential effect from Altria's announced purchase of U.S. Tobacco, which purchases his crop. He also lamented a high cost of leasing cropland stemming from this year's explosion in corn and soybean prices.

The three-day journey also featured stops at the Pilgrim's Pride poultry processing plant in Graves County, B&B Foods Products' new retail center in Lyon County, the Vulcan Materials plant in Grand Rivers, the Dippin Dots plant in Paducah and Hillhouse Farm Naturals in Ballard County.





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