#### Summer 2009

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# 2009 Risk & Profit Conference Offers Financial Clarity for Producers

In the midst of maddening financial uncertainty, gathering pertinent, reliable economic information is one of the best ways to prepare for future business decisions. This is the goal of the 14th annual Department of Agricultural Economics Risk & Profit Conference scheduled for August 20-21, 2009 on the K-State campus at the Alumni Center.

As the conference theme "Economics: Macro, Micro, Maddening" suggests, the focus of the conference will cover an array of contemporary economic issues and how they relate to agriculture in Kansas, the nation, and the world. The first of three keynote speakers, Dr. Allen Featherstone, will open the conference Thursday with a talk entitled, "Impacts of the Financial Market Crisis on the Agriculture Sector". This presentation will be a broad overview of how the current economic environment affects business financial bottom-lines.

According to Rich Llewelyn, conference coordinator, Risk and Profit gives participants the chance to interact with a wide-range of department faculty while getting up-to-date knowledge during the breakout sessions. This year's conference features twenty new breakout sessions dealing with farm management, technology, marketing, and policy issues, in addition to featuring more livestock topics than in previous years. Sessions will take place in the afternoon Thursday, with an evening speaker following. A trade show of displays and information by vendors specializing in goods and services for producers and agribusinesses will also be available in the lobby concourse between sessions. Friday morning, after breakfast, the general session will feature Dr. James Mintert who will share his *Livestock Outlook*, and Dr. Mike Woolverton who will offer his *Grain Outlook*.



"One of the highlights I'm looking forward to is a keynote address, Friday afternoon, by our new University President, Dr. Kirk Schulz," said Llewelyn. "He's going to give an overview of his vision for K-State's future as a land-grant university. It will also give participants an idea of how he is going to manage within the midst of these tight economic times. He also desires to make it a time to interact with participants, so I hope people bring their K-State thoughts and questions."



### K-State's Presidential Award Recognizes Ag Econ Faculty Member for Excellence in Teaching

Six Kansas State University faculty members received a 2009 Presidential Award for their compassion, dedication and creativity as teachers, advisers or administrators. Among those receiving the Presidential Awards for Undergraduate Teaching Excellence was Joseph Arata, assistant professor of agricultural economics.

Arata teaches three undergraduate courses in agricultural economics and is known to students as "Jumpin' Joe" for his enthusiastic and comedic teaching style. As a former Wall Street economist and trader on the stock exchange, Arata relates real-world knowledge to benefit his students.

"I employ a variety of active learning strategies that will engage students in current economic problems while encouraging them to employ their critical thinking skills to analyze and evaluate these problems," Arata said.

Recent agricultural economics graduate Andy Stickle took Futures Trading with Arata.

"I not only enjoyed Dr. Arata's class, but learned alot. His one of a kind teaching style and upbeat attitude made learning fun. His ability to keep us focused helped me understand the material in a real-life way," Stickle said.

Now a farmer near Lincoln, Kansas, Jason Coover remembers Arata's classes with fondness.

"His personality made it so much more entertaining than a regular lecture class. He'd tell stories about growing up in Brooklyn and how he ended up in Vietnam, I don't know if they were true, but they sure made me want to come to class," Coover said.

Though Coover insisted it wasn't just all storytelling. The information he received in class, especially Futures Trading, he uses daily on the farm.

Prior to joining K-State in 1996, Arata was vice president at Merrill Lynch Capital Markets where he managed the risk level and the finance structure for commodity inventories. He has a bachelor's in economics and mathematics from St. Peters College and a Ph.D. in agricultural economics from K-State.

"The Presidential Awards acknowledge that the creativity, dedication and excellence of its faculty members are what make a university great," said Jon Wefald, K-State president. The awards, which include a \$2,500 honorarium and plaque, are sponsored by the K-State president's office and Curtin Property Co.



# Insurance Workshop Provides Answers to Current Industry Issues

The phone ringing in Beth Deters' office at Southwind Crop Insurance in Seneca, Kansas has most recently been customers wondering about how the harvest price of wheat is situated.

"The only reason that it's an issue is that the harvest price is significantly lower and will require a smaller yield loss to trigger a claim. They want to understand what's going on," Deters said.

Working as a crop insurance agent for nine years, Deters places special emphasis on good customer service by staying on top of current issues and trends.

"I want to keep my skills updated so I read crop insurance magazines, farm magazines and make sure I don't miss company update meetings," she added.

Another avenue of education she enlists is attending the K-State Insurance Workshop each year. This one-day workshop helps crop insurance agents, agricultural lenders, farmers, ranchers, and other financial consultants provide better risk management information and advice to their clients or apply to their farm-ranch.

"I first heard about the conference shortly after I was licensed to sell insurance, but at the time I worked with a company that didn't see value in that type of continued training. When I switched jobs, that changed, and I haven't missed a conference now in four years."

This year, as the Insurance Workshop approaches, Deters is bringing her questions and interests in understanding the costs of inputs versus the outcome in price, as well as wanting more knowledge of where the new Obama administration is going to take the crop insurance industry.

"I'm also interested in how the new FSA farm programs, SURE and ACRE, are working. I'm probably more concerned than some with the crop insurance because it's my main source of income, and we farm, so changes to it could drastically affect me personally," Deters said.

Dr. Art Barnaby, extension specialist in risk management and presenter at the Workshop, said ACRE and SURE will be a hot topic to many agents.

"People are interested in the interaction of the SURE and ACRE with the crop insurance decision. How much of the new farm program is a compliment and how much is a competitor with crop insurance? They also want to know how to explain the difference to farmers who may think the new program will allow them cut their crop insurance coverage," Barnaby said.

For agents like Deters, who want to provide the best service, Barnaby sees the Workshop as an important component to their continued education.

"To effectively sell insurance it is helpful for agents to understand the farm program so they can educate farmers on how insurance is part of the total plan. It also provides an update on current public policy – a policy geared to cutting crop insurance programs while providing a new free disaster aid program," Barnaby said.

This year's K-State Insurance Workshop will be held at four locations: Brush, Colorado (November 10); Grand Island, Nebraska (November 11); Salina, Kansas (November 12); and Enid, Oklahoma (November 13). For more information about the workshop or to register please visit www.agmanager.info.



### New Cattle and Crop Spraying Web Dashboards Make Information Accessible

For many, the internet provides entertainment, connections with loved ones, and facilitates business transactions. It also provides access to practical research provided by faculty in the Department of Agricultural Economics to the more than 42,000 people who visit agmanager.info each month. Now, web dashboards make it easier to translate some of the decision-tools they find there into better business strategy.

Two web dashboards, "Economics of Crop Spraying" and "Cattle Buy/Sell" have been created by Dr. Kevin Dhuyvetter, extension specialist.

"We believe that decision tools play a huge role in helping producers, lenders, consultants, and others make informed decisions," explained Dhuyvetter.

The "Cattle Buy/Sell" decision tool was originally created because of a producer need brought to our attention at a K-State annual conference.

"The producer had developed a "grid" on paper that he would take to the sale barn when buying calves. A county agent asked me if something like that could be made into a spreadsheet and out of that conversation 'Cattle Buy/Sell' was developed," Dhuyvetter said.

According to Dhuyvetter, although the spreadsheet has been available for some time, the web-dashboard will allow people without Excel on their computers or knowledge of how to use spreadsheets access to the information.

"We wanted to make the spreadsheets as accessible for all of our clientele," he said.

The purpose for "Cattle Buy/Sell" is provide a tool to calculate the maximum price that can be paid for calves or feeders given an expected selling price and cost of gain. Additionally, it also calculates the breakeven selling price needed given a purchase price and an estimated cost of gain. The results are based on inputs selected by the pro-

ducer. The tool automatically recalculates every time an additional input is entered.

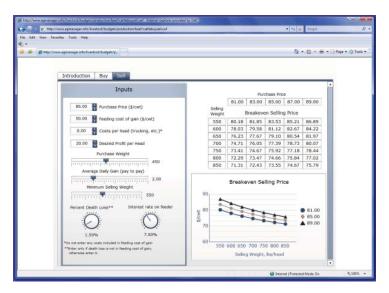
Dhuyvetter developed the "Economics of Spraying Crops" along with Dr. Doug Jardine, Extension Specialist in Plant Pathology.

"When the threat of soybean rust started becoming a concern in Kansas we developed a spreadsheet so producers could evaluate whether or not it made economic sense to spray," Dhuyvetter explained. "While soybean rust was the disease that spurred us to develop the tool, the web dashboard goes beyond soybeans to include the economics of spraying any type of crop."

Feedback from users, will determine if more web dashboard decision tools are developed in the future Dhuyvetter said.

It is important to note that some decision tools cannot be converted into the dashboard form.

"Some decision tools require many more inputs and are more complex, and thus do not lend themselves to this type of format. But we look forward to providing what we can," he said.



Screenshot from the web dashboard "Cattle Buy/Sell" developed by Dr. Kevin Dhuyvetter. To learn more, or to use the web dashboards, visit www.agmanager.info

# Arthur Capper Cooperative Center To Celebrate Silver Anniversary

The Arthur Capper Cooperative Center (ACCC) is celebrating twenty-five years of providing high quality education programs.

Dr. David Barton, director of the ACCC, is looking forward to celebrating the positive affects the ACCC has had on the cooperative industry over the years.

"Our greatest impact on the industry has been the work we have achieved in implementing good business practices concerning cooperative finances and improved financial management, as well as developing cooperative governance. We've seen improved co-op decision making thoughout the industry at the executive and board levels," he said.

Barton said the success the ACCC has enjoyed is clearly because of industry leaders.

"Our achievements are based primarily on the vision of cooperative leaders. They saw a need for high quality education and have continued to support us as we pursue their vision," Barton explained.

As for the next twenty-five years, Barton looks for-

ward to the ACCC continuing to provide high-priority educational opportunities for businesses and individuals

The ACCC will celebrate their past and future this year at the 2009 Symposium and Leadership Roundtable on September 2-3 in Wichita, Kansas. The focus of the symposium will be Risk Management Strategies for Cooperatives. It will address a wide-range of issues including risk, strategy and finance from different perspectives.

The ACCC is charged with providing researchbased information, education and assistance to people interested in cooperative-based businesses. These people include cooperative members, directors, managers and employees; students and faculty at educational institutions; the general public and public officials; and owners, directors, managers and employees of non-cooperative agribusinesses.

For more information about the symposium please contact Seleise Barrett at 785.532.1522 or visit the ACCC website at www.agecon.ksu.edu/accc.

### 2009 Risk & Profit Keynote Speakers



**Dr. Kirk H. Schulz**, President of Kansas State University will be speaking on "The Future of Kansas State University in Addressing the Land Grant Mission". Dr. Schulz was born in Portsmouth, Virginia, in 1963. He was raised in Norfolk, Virginia, where he attended Norfolk Christian High School. Following graduation from high school in 1981, he attended Old Dominion University for 3 years, after which he transferred to Virginia Tech in 1984. Kirk enrolled in the Chemical Engineering program there, graduating with his B.S. and Ph.D. degrees in Chemical Engineering in 1986 and 1991, respectively. He did his doctoral work in metal oxide surface chemistry under the direction of Dr. David Cox.

Following graduation from Virginia Tech, Kirk took a faculty position as an Assistant Professor of Chemical Engineering at the University of North Dakota in Grand Forks, North Dakota. Following 4 years at UND, he moved in 1995 to Michigan Tech as an Assistant Professor of Chemical Engineering. He was promoted to Associate Professor in 1998, and assumed the Chairmanship of the Department of Chemical Engineering at Michigan Tech that same year. Kirk served on the faculty at Mississippi State University from 2001 to 2009, assuming a series of administrative positions of increasing responsibility. At MSU, he served as Director of the Dave C.

Swalm School of Chemical Engineering from 2001 to 2004, Dean of the James Worth Bagley College of Engineering from 2004 to 2006, and Vice President for Research and Economic Development from 2007 to 2009.

In early 2009, Dr. Schulz was selected as the 13th President of Kansas State University. Kirk is a member of the ABET Engineering Accreditation Commission (EAC) and is an active member of AlChE, ASEE, and ABET. In recognition of his work in chemical engineering, he was named a Fellow of the American Association for the Advancement of Science (AAAS) in 2007 and a Fellow of the American Society for Engineering Education (ASEE) in 2008. He is married to Noel Nunnally Schulz, who is the Pasley Professor of Electrical and Computer Engineering at K-State. They have two sons, Tim (18), a freshman at Mississippi State University, and Andrew (14), a student at Manhattan High School.



Lon Frahm is the 6th generation of his family to farm in Thomas County, Kansas. His great-grandfather was one of the first in the area to adopt summer fallow practices. In addition to managing Frahm Farmland, Lon serves as Chairman of the Board for Midwest Energy based in Hays, the largest combination gas/electric utility in the state. Recently, he was named 2009 Top Producer of the Year during the Top Producer Seminar in Chicago. He will be hosted by Eric Atkinson from KSRN radio for a Thursday

night discussion, "A Conversation with A Top Kansas Producer".



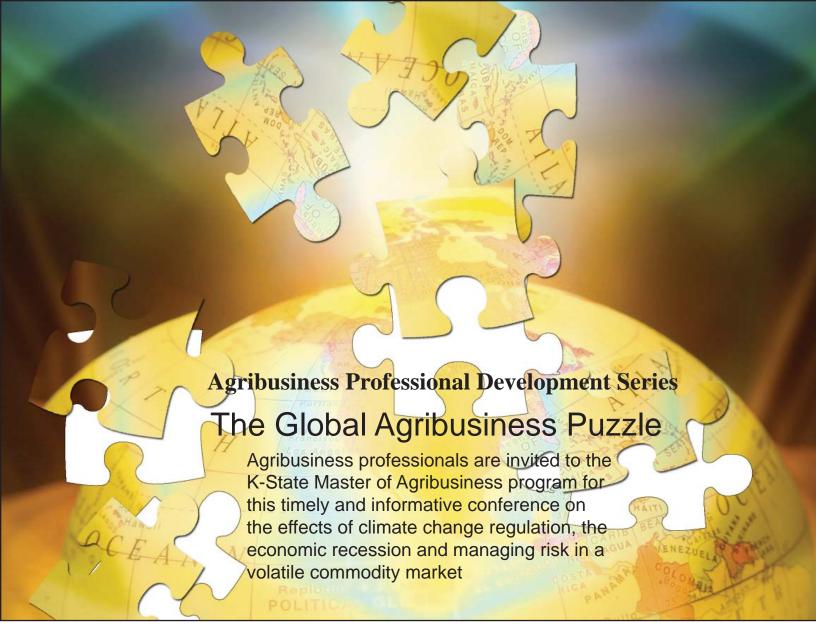
**Dr. Allen Featherstone** is the Director of the Masters of Agribusiness program and Professor of Agricultural Economics at Kansas State University, as well as recent interim department head. Dr. Featherstone is a leading scholar in agricultural finance, with his work resulting in teaching and research awards as well as quotation in the Wall Street Journal and other popular publications. He has more than 90 published journal articles. Allen also has international experience lecturing

and researching in Europe, Asia, Africa, and South America. He will open the conference on Thursday with a talk entitled "Impacts of the Financial Market Crisis on the Agriculture Sector".

#### Risk & Profit 2009 Breakout Session Topics

- 1. The Post-recession Economic Landscape for Food and Agriculture: Maintaining Our Competitiveness
- 2. Macroeconomic Theories that Rule the World
- 3. Optimal Level of Crop Insurance Combined with SURE
- 4. Why Producers Should Consider Managing Supply Chain Risk
- 5. Interest Rates
- 6. Now You See It, Now You Don't: Why Packer Market Power is So Elusive
- 7. Flexible Cash Rents
- 8. The Impact of Kansas Grain Industry Structure on Corn and Wheat Bids
- 9. Country Of Origin Labeling
- 10. Strategically Speaking: The Increasing Need for Strategic Thinking in Farm Businesses

- 11. A Risk Analysis of Converting CRP Acres to a Wheat-Sorghum-Fallow Rotation in Western Kansas
- 12. Commodity Swaps
- 13. Dry Land Farming Risk and Profit: How are They Affected by Tillage and Opportunity Cropping in Western Kansas?
- 14. Relative Efficiency of Kansas Wheat Farms
- 15. KFMA Employee Management Survey
- 16. Productivity Convergence Across Kansas Farms
- 17. Management Strategies Affecting Calf Marketability
- 18. Is Conservation Tillage Conserving Dollars In Your Pocket?: A Deeper Look at No-Till on the Plains
- 19. Managing Risk Using AgManager.info
- 20. The Obesity Epidemic--What it means for Agriculture



MAB alumni, students, Advisory Board members and members of the agribusiness industry are invited to attend the third MAB Professional Development Conference: The Global Agribusiness Puzzle in Kansas City, MO. Events are scheduled for August 27-28, 2009 and will be held at the Embassy Suites Kansas City - International Airport.

The agenda includes three main topics each addressed from multiple perspectives: Effects of Climate Change Regulation, Issues with the Economic Recession, and Managing Risk in a Volatile Commodity Market, and plenty of opportunity for fellowship, fun and networking with classmates and fellow agribusiness professionals.

For more information or to register for the conference please visit www.mab.ksu.edu or call Mary Bowen at 785.532.4435.

#### Thursday, August 27

Effects of Climate Change Regulation

Overview of cap and trade and understanding policy options

Perspective from the energy/fertilizer industy Lessons learned from Australia's cap and trade

Dinner and Auction

#### Friday, August 28

Issues with the Economic Recession
Overview of economic meltdown
Pespective from lending industry
Perspective from agribusiness
Effecon on international trade

Managing Risk in a Volatile Commodity Market
Overview of commodity market volatility
Traders Perspective
Agribusiness perspective
International perspective

# Will ACRE Pay On My Farm? Extension Specialist Provides Specifics in Upcoming Webinar

Looking for the latest information on likely payments under the ACRE program? Producers that have not made an ACRE decision or simply would like to have the latest ACRE information will want to register for a K-State webinar focusing entirely on ACRE payments. Farmers, ag lenders, insurance agents, USDA, and others will find this bottom line approach to ACRE a little different than other approaches to the ACRE decision.

According to Dr. Art Barnaby, after the last crop report, the market took a substantial hit, so he expects the interest in ACRE has increased by corn and grain sorghum farmers. By August, he estimates over 40% of the wheat price will have been determined and the winter wheat crop has been harvested, but the marketing year for corn does not start until September 1 and the crop is still growing. Therefore, his level of confidence in the wheat numbers is much greater than corn. With so much at stake, the webinar will focus on wheat, corn, grain sorghum and soybeans.

Dr. Art Barnaby will present his webinar on ACRE Tuesday, August 4, 2009. The focus of the workshop will be on the national average price and state yields by crop that will determine any ACRE payments for 2009. The objective is provide all current information that will have help farmers to decide if the odds are high in their state for an ACRE payment and the size of the ACRE payment.

Joining Barnaby for the presentation, Troy Dumler, area extension specialist, will spend time highlighting his ACRE model in Excel for farmers to test out their own numbers. Barnaby will focus on the very narrow issue of NASS price and state yield. Those two numbers will determine which states are eligible and the size of the ACRE check. The purpose will be to "surround" this issue, but farmers will have to make the final decision if they think ACRE will pay. In some states it will be clear whether or not to participate. But there will also be states where the numbers are close and will require farmers to make a difficult decision.

Participants will be able to type in questions throughout the presentation and recieve a file prior to the event with analysis on different states as requested by the participants.

Accessing the webinar will only require access to a high speed internet connection.



The registration fee is \$50 for a single viewer license and \$250 for a group license, with a discounted price available prior to July 28. Registration will be limited to 250 on a first-come first-serve basis. The program will be offered at two times: 7:00 a.m. and at noon12:00 noon, Central Standard Daylight Savings Time.

Registration is available at: http://commerce.cashnet.com/KSUAGECON. If you have questions or would like more information about sponsoring a meeting with a group license, please contact Rich Llwelyn at 785.532.1504.

Register today at: http://commerce.cashnet.com/KSUAGECON

#### **ACRE Basics:**

-- Art Barnaby

The deadline for producers to sign up for ACRE is (as of publication) August 14, 2009.

The price and yield outlook may look very different by then, so there no reason to sign up for ACRE early, even for crops that are very likely to pay.

Sign up is by farm serial number. Therefore, farmers may sign up only part of their farm serial numbers. The first farm to sign up for ACRE is the one with the lowest direct payment.

The cost of ACRE is 20% of the direct payment for the next 4 years, so the smaller the direct payment the smaller the cost of being in the program. While is not expected to trigger on corn, grain sorghum, wheat and soybeans, ACRE will also cost farmers any counter cyclical payments and a 30% reduction in the loan rate. However, these additional costs for ACRE participation are expected to apply to cotton, at least in the near term.

Farmers will have planting flexibility, therefore farmers who only sign up some of their farm serial numbers could plant the crops that appear most likely to generate a payment on the farms in the ACRE program. The crops planted could change by year so while farmers are signing up for 4 years, farmers can change the crop that is planted. This planting flexibility will be easier for a cash lease. If it is crop share, then some landlords may object to the crop being planted.

It is also suggested farmers prove their yields with FSA before August 1. If farmers can prove yields above the FSA county average yields then it will be easier to meet the farm level benchmark necessary for ACRE payment eligibility, and farmers with higher proven yields will receive a higher share of any state ACRE payment. Because of the time requirement, it is strongly suggested farmers complete the paper work now, even if they don't plan to elect ACRE.

## Conference Offers Financial Clarity for Producers

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Registration is now open for Risk and Profit. An early bird special is available at the price of \$205.00 for the first person and \$185.00 for each additional person on the same registration until August 11. After the eleventh, the price for the conference is \$230.00 for each registration. Hotel accommodation information and other conference details are available online at www.agmanager.info or by calling Rich Llewellyn at 785.532.1504.



The Department of Agricultural Economics has officially joined Facebook. Look up K-State Agricultural Economics to find our group and join. We want to reconnect with as many alumni and students as possible, and help you connect with one another as well. The group is open, so please feel free to pass it along to friends.

#### **Upcoming Opportunities**

### 2009 Symposium and Leadership Roundtable: Risk Management Strategies for Cooperatives

September 2-3, 2009 Wichita Marriot, Wichita, KS Sponsored by the ACCC, for more information contact Seleise Barret at 785.532.1522

#### **Alumni/Student Banquet**

September 25, 2009 Houston Street Ballroom, Manhattan, KS 6:00 pm Call Judy Mayberry for reservations at 785.532.6702

#### **Ag Lenders Conferences**

October 6, 2009 - Garden City, KS October 7, 2009 - Manhattan, KS see www.agmanager.info for more details

#### 2009 Insurance Workshop

November 12, 2009 - Salina, KS see www.agmanager.info for more details

#### MAST

November 16 & 17, 2009 to February 23 & 24, 2010 A distance education program for producers and agribusiness professionals focusing on management and strategic thinking. For more information visit www.agmanager.info/MAST or call Alicia Goheen at 785.532.4434

#### **Kansas Income Tax Institute**

Various Locations throughout Kansas beginning in October and running through December. See www.agmanager.info for specific dates and locations.