

Fall 2005

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Exchange

AGRICULTURAL ECONOMICS

Economists Study Effects of Diesel Prices on Farming

Historically high diesel prices have producers thinking no-till farming looks better every day. To help producers think through this decision, two Kansas State University agricultural economists studied the diesel price outlook and possible long-term impact on machinery and whole-farm costs.

Based on data supplied by Kansas Farm Management Association members, those members can expect their total fuel costs, excluding irrigation, in 2005 to increase by more than \$5,000 compared to what they paid in 2004, said K-State Research

and Extension farm management specialist Kevin Dhuyvetter.

“While the impact of higher fuel prices is similar for all producers in the sense that they all likely face a price increase of similar magnitude, the impact is not the same in all regions of the state on a whole-farm basis,” Dhuyvetter said. “Some regions tend to have larger farms and/or rely on more farming operations and thus increasing diesel prices have a larger impact on them.”

Two different economic models suggest that diesel prices will continue increasing

before backing off, but prices will still remain historically high through 2005 and in 2006, said crop production specialist Terry Kastens, who along with Dhuyvetter, has studied the issue. The economists used data submitted from around 1900 members of the Kansas Farm Management Association for the years 2000 through 2004, along with a southwest Kansas diesel price. They found that producers’ whole-farm fuel costs are almost entirely influenced by fuel prices.

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Building a Vision for the Future

A Conversation with Interim Department Head Sean Fox



1. You were appointed interim department head the first part of July, what is your vision for this year as interim department head?

ments in his ten years as department head. His vision was one of achieving excellence through fostering what he called an environment of “academic entrepreneurship.” I share that same vision and therefore, in terms of where the department is headed for the next year or so, there will be no major change in direction.

In carrying out the role of interim head there are three activities or skills I consider important and will try to do well – those are to communicate, to delegate, and to

adjudicate. Good communication is vital and involves listening, involving people in decisions that impact them, and recognizing achievements and progress. Delegation implies that you trust people to do the job – professionals expect to have responsibility. Finally, I recognize that intelligent and reasonable people will not always agree – the role of the head is then to try to build consensus and ultimately make the decision.

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My predecessor, Dan Bernardo, guided the department to some tremendous achieve-

There's No Place Like Home, But There's Plenty To Learn While Away

A Perspective of Ukraine

August 14-23, 2005

Terry Kastens and Kevin Dhuyvetter

Conference Background

We were first approached in the Spring of 2005 as potential speakers at an international no-till conference sponsored by Agro-Soyuz in Ukraine. It was to be the second such annual conference for Agro-Soyuz, the first being in 2004. We joined 15 other subject-matter speakers at the conference. The 17 speakers came from the U.S. (7), Canada (3), Paraguay (1), Brazil (2), Germany (1), Australia (1), and Ukraine (2). The approximately 600 conference attendees, mostly farmers, farm employees, or managers of large farms, came from the countries of Ukraine, Russia, Kazakhstan, Armenia, Azerbaijan, Uzbekistan, Latvia, and Lithuania. Most were from Russia or Ukraine. Attending farmers seemed to be especially interested in farm policy of the speakers' home countries, as were numerous reporters during a large press conference. In particular, they seemed to believe that no-till was heavily supported by governments in the U.S. and Canada and were shocked to learn otherwise.

Our most interesting experiences had not so much to do directly with the conference as they did with garnering a broader understanding of the whole area, its people, the underlying economics, and an understanding of especially the history and development of Agro-Soyuz since the collapse of the Soviet Union in 1991. So, that is what we now turn to.

Agro-Soyuz History

In 1989, before the USSR had yet collapsed, two spirited young entrepreneurs named Volodymyr Khorishko and Sergiy Prokayev (31 years old at the time), along with one guard dog, began selling spare farm machinery and automobile parts out of the trunk of their car. Upon USSR's collapse and Ukraine's independence in 1991, Volodymyr and Sergiy began a formal company and their parts business really took off, resulting in the duo accumulating considerable wealth.

With Ukraine's independence came the disbanding of the country's collective farms that had been formed during Stalin's time (all farm land was effectively owned by the state prior to 1991). In particular, in 1994, all members (working and retired) of collective farms in Ukraine were issued a certificate showing the number of acres of land they owned. Landowners could farm the land themselves or rent it out but they could not sell it. Even today (2005), Ukrainian agricultural land cannot be bought and sold, though it is likely that such rights will be acquired at some point in the future. It should be noted that landowners knew how many acres they owned but did not know the location of those acres within an overall farm.

In 1996, Volodymyr and Sergiy decided to invest some of their parts business profits in the commercialization of one particular

collective farm called Druzhba. The farm was mainly Volodymyr's passion and so Sergiy to this day spends most of his time with the parts business. But, together, they are a complementary team and together they make decisions. Volodymyr is a passionate and sensitive (tears were in his eyes as he bid Terry goodbye) idea man, whereas Sergiy is a detail-oriented business manager. Their partnership is 50-50, with all decisions made by the veto power.



Co-owner of Agro-Soyuz, Volodymyr Krorishko (center with hand raised), speaks to participants during one of the No-Till conference sessions.

These two men are capitalists in the best sense. They believe in making profits, but know the critical importance of their employees (now numbering 5000+). Consequently, they pay above-market wages, and invest heavily in their employees' happiness via recreational facilities, intramural sports, and the like. Their profit focus is the long run, causing them to be protective of their natural resources and to be especially mindful of how they are viewed by the public. Yet, because of their humble beginnings, they remain humble today.

Since 1996-97, Agro-Soyuz has grown to be a very modern agriculturally-related operation. It's corporate headquarters are now located in the city of Dnipropetrovsk, adjacent to their parts warehouse and adjacent to a modern factory for building farm machinery under license from a Germany company called Horsch. The parts business and farm equipment factory comprise perhaps 90% of Agro-Soyuz's revenue, with farming operations making up the remainder.

The Agro-Soyuz farm, where the no-till conference was held, has evolved to modern ways along with the other Agro-Soyuz operations. It now contains a modern dairy operation, currently milking around 1200+ cows but expanding to 5000, a sizeable swine operation marketing 14,000 hogs per year, an ostrich operation with around 400 head, as well as a crop production enterprise that has adopted no-till throughout when there are still very few no-till acres in Ukraine.

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A Perspective of Honduras

June - August 2005

Alena Bosse

Usually, students think they have to wait until they graduate for a life-changing career experience. That wasn't the case for graduate student Alena Bosse. This summer she interned in San Pedro Sula, Honduras with the international development division of Land O'Lakes.

"I was asked to do an analysis of their school nutrition program. I began with interviews of parents, teachers, and students to gather data for the assumptions. At the conclusion of my internship, I turned in a report of my findings and also gave a presentation to the director and staff of the Land O Lakes office," Bosse said.

The analysis work Bosse performed was able to show the improvement of the children's nutrition since implementation of the program.

"I loved going to the schools to visit with the people and they were overwhelmingly appreciative and welcoming. The parents and teachers had seen an improvement in their children since the implementation of the program and were so passionate about the program. They kept thanking us for helping them; some of the mothers even cried as they thanked us and told us how much the program had helped their children. This really made my work enjoyable," Bosse said.

Populated by almost 7 million people, Honduras is for the most part undeveloped. Bosse's logistical challenges in getting to the schools also offered her the best rewards.

"It took us hours to get to some of the rural schools including a 4 hour mule ride! We often had to use four wheel drive. It was incredibly remote and beautiful. Their way of life was so peaceful. Some of the kids had never seen a vehicle before. At one school, all the kids chased the car laughing and touching it as we drove away," Bosse said. "Most of the schools had one teacher with 25 kids of all ages. One school we visited was new. The community had worked together to build it and were very proud. It had a dirt floor and no electricity, but they had planted trees and flowers along the path and it was very pretty. The children were very well behaved and respectful. When we asked them a question they all stood and answered in unison and they smiled continuously."



K-State students interning in Honduras enjoyed getting together one evening during the summer. From left: K-State agricultural economics students Tony Allen, Zach Morrison, Alena Bosse, student from Georgia, and Daniel Mushrush.

The realities of poverty in a developing country were never far beneath the students' smiling faces. Bosse learned from teachers that they must act like police to get students to eat all of the food provided in the program.

"The program provides a cheese tortilla and milk, along with an antiparasitic bar and a multivitamin bar to each child. Often the children will try to sneak half of their tortilla into their pocket. When I asked the children about this they said they had little brothers and sisters at home who had nothing to eat and that they wanted to share. Their love and self-sacrifice was incredible," she said.

Bosse knows the sense of accomplishment she feels about her work this summer will only increase as her analysis of the Land O'Lakes nutrition program helps to expand the program's impact.

"Land O' Lakes is using my report to gain support from private companies in Honduras so that they may strengthen and expand the program. They have already presented it to the World Food Program and now the two programs are going to work together to help the children in the schools of Honduras," Bosse said.

Bosse believes this summer internship was an opportunity to look more closely at what she would like to do in the future. "I hope to do my thesis on this same program. Hopefully, that will help them gain more support for the program," she said. "I was absolutely amazed by the generosity and joy of the people we met."

Agricultural Economics faculty and students who spent time abroad this year include:

Daniel Mushrush, Honduras
Daniel Dykstra, Costa Rica
Zach Morrison, Honduras
Tony Allen, Honduras
Christine Soukup, New Zealand

Dr. Michael Boland, Honduras
Jenna Tajchman, Czech Republic
Corey Fortin, Czech Republic
Travis Coberly, Russia
Lanier Nalley, Ghana

Effects of BSE on Beef Export Markets

K-State Study Puts Loss Related to BSE in Range of \$3.2 to \$4.7 Billion

The Kansas Department of Agriculture and K-State Research and Extension released “The Economic Impact of BSE on the U.S. Beef Industry,” which provides a comprehensive assessment of the economic impact of lost export markets and policy changes affecting cattle procurement and processing.

“The most significant economic impact of BSE is from lost beef export markets,” said Kansas Secretary of Agriculture Adrian Polansky. “Alone, they accounted for a \$3.2 billion to \$4.7 billion revenue loss to the U.S. beef industry last year.”

Within days of the U.S. Department of Agriculture’s late 2003 announcement that a cow in Washington state had been diagnosed with bovine spongiform encephalopathy (BSE), 53 countries banned imports of U.S. cattle and beef. In 2003, U.S. beef exports were valued at \$3.95 billion and accounted for 9.6 percent of U.S. commercial beef production. Five countries – Japan, Mexico, South Korea, Canada and Hong Kong – received 90 percent of U.S. beef exports in 2003.

Mexico and Canada partially resumed beef imports in 2004, but overall the quantity of U.S. exports fell by 82 percent below 2003 levels. Japan and South Korea have agreed in principle to resume beef imports from the United States, but neither country has committed to a date when that will occur.

“Kansas’ fifth-largest export market in 2003 was Taiwan, and they just recently resumed beef imports” Polansky said. “It’s progress, but we really need access to markets like Japan, which accounted for 35 percent of all U.S. beef export value in 2003.”

The report evaluates the potential impact BSE testing could have if it were used to regain export markets. Researchers estimate that it would have cost about \$640 million to test all cattle slaughtered in the United States in 2004, but that figure does not include any investment needed to place testing facilities in a beef processing plant.

“The cost of equipping a facility to perform the tests varies substantially from one operation to another,” said K-State professor of agricultural economics James Mintert. “We focused on the known expenses; the tests and the labor to conduct them.”

Mintert led the research team which included K-State professors of agricultural economics Sean Fox and Ted Schroeder, and research assistants Brian Coffey and Luc Valentin. The study was commissioned by the Kansas Department of Agriculture.



Researchers estimated that the revenue gain would equal testing costs if the United States regained about 25 percent of the Japanese and South Korean export markets and the United States was testing roughly 75 percent of commercial cattle slaughtered. However, if half of those markets were regained with only 25 percent of cattle tested at slaughter, the wholesale revenue gain would be \$22.84 per head. Whether such market access would be attainable with this level of testing was not addressed in the study.

“According to the research, if voluntary testing of 25 percent of U.S. slaughter cattle allowed the industry to regain access to the Japanese and South Korean export markets, and the U.S. was able to ship just one-half the quantity shipped during 2003, the potential return to the beef industry would have been nearly \$750 million,” Polansky said.

To strengthen existing firewalls to prevent BSE and to boost consumer confidence in American beef, USDA introduced new and updated regulations in 2004. The report provides an objective assessment of the economic impact of those changes.

K-State researchers polled seven firms representing more than 60 percent of 2003 beef slaughter to get the data needed to assess the cost of new regulations. The firms involved were sufficiently diverse to represent a reasonable cross-section of the beef packing industry.

Regulations issued in 2004 by USDA’s Food Safety and Inspection Service had an estimated net cost to the beef industry of approximately \$200 million, plus some one-time investments that were substantial, but varied widely from firm to firm. Those costs related to the inability to market non-ambulatory cattle, the need to age cattle presented for slaughter, to segregate and process separately cattle older than 30 months and to prevent certain tissues from entering the food supply.

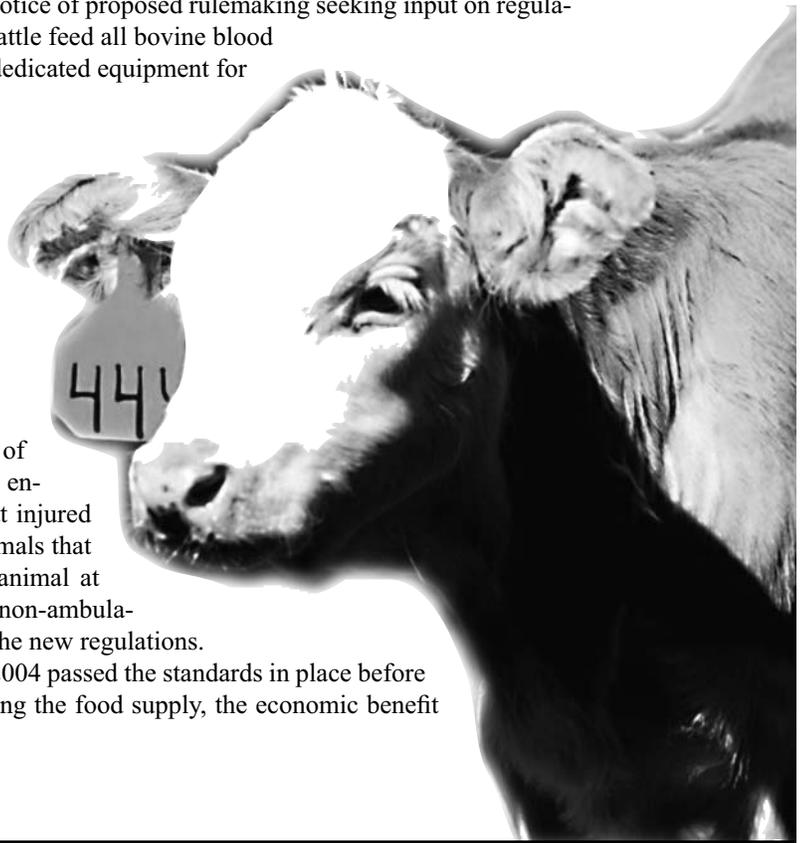
To offset the cost of complying with new regulations, packers are paying less for cattle over 30 months of age. According to USDA, some packers reported discounting cattle over 30 months of age by as much as \$35 for every 100 pounds of carcass weight. However, average packer discounts for cattle over 30 months of age were closer to \$10 per 100 pounds of carcass weight.

The regulations also led to changes in cattle procurement, employment, employee training requirements, food safety plans, capital investments and marketing opportunities for the beef industry. While some new jobs were created to comply with the new regulations, overall there were more jobs lost. Job gains were due to the need to age cattle. Job losses were tied to closed export markets and condemnation of certain beef by-products.

The study also examined potential costs related to feed regulations being considered by the Food and Drug Administration. Last July, FDA published an advance notice of proposed rulemaking seeking input on regulation changes the agency was considering to ban from cattle feed all bovine blood products, plate waste and poultry litter, and to require dedicated equipment for producing ruminant and non-ruminant feed to prevent cross-contamination. To date, FDA has not made the rules final.

“BSE-related policies will continue to evolve, and the analysis provided by the research team should be beneficial to that process,” Polansky said. “The best regulations are those that provide consumer and animal health protection without being particularly onerous on industry.”

Also examined in the study was the economic impact of USDA’s rule that prohibits non-ambulatory cattle from entering the food supply. The beef industry contends that injured non-ambulatory animals can be distinguished from animals that are non-ambulatory due to symptoms that place the animal at high-risk of having BSE. The inability to market any non-ambulatory cattle means the industry lost revenue because of the new regulations. “Assuming that 95 percent of nonambulatory cattle in 2004 passed the standards in place before USDA enacted its ban on non-ambulatory cattle entering the food supply, the economic benefit could have been more than \$63 million,” Mintert said.



Ag Econ Students Meet Top Economist



Students meet Dr. Michael Porter after his lecture at the AAEA meetings. From left: Dustin Pendell, Elizabeth Yeager, Kara Ross, Dr. Michael Porter, Amelie Jouault, Alena Bosse, Jeffrey Schmidt, and Dustin Oswalt.

Professor Michael E. Porter from the Harvard Business School gave the John Kenneth Galbraith lecture at the annual meetings of the American Agricultural Economics Association (AAEA) in Providence, Rhode Island.

Professor Porter is an international authority on management and his research is used in virtually every management strategy and agribusiness management program in the world. A group of Kansas State University undergraduate and graduate students received scholarships to attend his lecture and luncheon on the economics of health care at the AAEA annual meeting.

Dr. Michel Boland, professor of agricultural economics, chaired the Galbraith Forum and wrote an article summarizing Porter’s many accomplishments and applications to agribusiness management education.

Adding Value With Education

A snapshot of educational activities in the Department of Agricultural Economics

The motto for K-State Research and Extension is to provide "Knowledge for Life." As part of K-State Research and Extension our department faculty and staff work to provide practical information and resources for Kansans. This snapshot highlights a few of the many ways the Department of Agricultural Economics is adding value to the Kansas way of life through education.

Health care is vital not only to the quality of life in Kansas but also to future economic development, according to a study by K-State Research and Extension. Its significance involves the jobs it creates and two crucial areas of economic development: business decisions about relocation and decisions by retirees on where to live. The study looked specifically at health care in an eight-county region in south-central Kansas. The study found that about 43,000 people work directly in health care in that region and are paid \$1.6 billion in wages annually. The K-State study computed an economic multiplier of 2.38 for the health care sector, concluding that the total job impact is 88,200 jobs, \$2.7 billion in income from wages, and \$1.1 billion in retail sales. Statewide, healthcare is a \$10.5 billion industry, and the combined health care sectors generate about \$4.5 billion in wages and more than \$5.5 billion in all kinds of income and provided jobs for more than 140,000 people.

Office of Local Government Dr. John Leatherman, Director
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For new entrepreneurs the decision about which new business venture to enter can make the difference between a business success or failure. To help agri-food and rural businesses look at ways to create new wealth, the Innovation Center at K-State presented a one-day course on Opportunity Scoping: The Art of Discovering Profitable Value-Added Businesses. The course was for those who wanted to extend their business into the value-added domain but were not sure where to start or what to do. The program was designed to help agribusiness owners and managers identify, select, and focus on the opportunities that fit their strengths.

The Innovation Center Dr. Vincent Amanor-Boadu, Director
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The Strength Index (SI) report detailed economic prosperity of the state's 105 counties. It also can help communities focus on strengths and meet economic goals. The SI is calculated by combining three measures: Kansas counties' Wealth Index, Employment Index, and Personal Income Index. Data have been gathered every year since 1991 to build the yearly report. The Strength Index is determined not only by compiling the key economic indicators in each county, but also comparing those measures against the state's per capita economic progress. If a county had a score of 1.00 for all three indices, then it would perfectly reflect the values for the state of Kansas and have a SI of 3.00. A score above 3.00 indicates a county is prospering at a greater rate than the entire state; below 3.00 indicates a slower rate of economic growth rate. The 105-county average is 2.45. The state average in 1992 was 2.55. The full report is available online at <http://www.agecon.ksu.edu/ddarling>.



MAST, now in its fourth year, combines new information and decision-making tools with distance education for geographically isolated farmers and ranchers, ag lenders, and agribusiness professionals. The program delivers farm management information via state of the art technology that fits producer needs. MAST begins with a two-day workshop on the K-State campus where program participants are introduced to key management tools and concepts. For the next three months, participants learn through distance education modules which focus on various farm management tools and their applications. More than 100 people have participated in MAST. In a participant surveys, 98 percent said the program would have a positive impact on their bottom line, and 99 percent said they would recommend the program to their peers.

MAST Alicia Goheen, Coordinator
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A three-dimensional watershed model is helping to teach adults and children how important water is to communities. The Office of Local Government along with the Kansas Association for Conservation and Environmental Education, has made EnviroScape watershed education models available to county and district extension offices, conservation districts, community organizations, local governments, and schools to promote awareness and understanding of water-quality protection issues. The models show how water flows and affects various areas in the landscape, including a follow-up demonstration that shows how to prevent water pollution. These three-dimensional landscape models are hands-on learning tools that connect land use to what happens in our rivers, lakes, and groundwater. Models include nonpoint sources of pollution, wetlands, hazardous materials, groundwater kit, and riparian kit.

Office of Local Government Robert Wilson
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K-State's annual Agricultural Lenders Conferences are designed to provide the Kansas financial community with updates on current agricultural topics. Topics include planning for farm business transitions, information on new crop insurance contracts, farm program impacts and updates, and livestock and grain outlooks. Around 100 people attend the conferences each year.

The Risk and Profit Conference provides an opportunity for key agricultural decision makers to interact with each other and with faculty. More than 25 faculty members participate leading sessions. Topics range from "Factors Motivating Agritourism Entrepreneurs" and "Valuing Cattle Based on Beef Tenderness" to "Credit Quality of Kansas Farms." An estimated 225 people attended this year's Risk and Profit Conference at the K-State Alumni Center.

Risk and Profit Conference or Ag Lenders Conference Deborah Goins
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From Russia With Love

K-STATE'S MAB PROGRAM INVITES YOU TO COME EXPLORE RUSSIA



K-State's Master of Agribusiness program is hosting its biennial international food and agribusiness trip. This time the trip will focus on Russian agriculture with stops in Moscow and St. Petersburg. The 12-day trip will include stops at various crop and livestock operations, as well as agricultural and food related industries. Time will also be set aside for sightseeing.

Russia occupies more than one tenth of the agricultural land on earth including very large areas of black soils, with very favorable climactic conditions and enormous production potential. The Russian population however, represents less than 2.5 percent of the world population. Therefore, Russia may become a main supplier of world food markets.

An increase in grain yields of about one ton per hectare seems to be realistic, and would flood another 50 million tons of grain on to the world markets. This would almost equal the sum of North American exports.

Lon Frahm, a 2004 tour participant and president of Frahm Farmland, enjoyed the South America tour. "The 2004 South America trip was probably the most enjoyable group tour I have ever been on," said Lon. "The access, connections, and relationships that the department and the university provide really enhanced the experience. It is not often that I've had the chance to visit foreign countries with the caliber of folks that the MAB program provides." For more information, contact Lynnette Brummett, (785) 532-4495

Rates

Single: \$4150* without continuing education credit

Individual + companion: \$7140* without continuing education credit

*These are current estimates

Cost Breakdown

Airfare: \$1000 to \$1300 per person (based on economy)

Hotel: Rooms are roughly \$1,100 per person and \$770 per person for double occupancy (covers entire trip and includes breakfast)

Registration: Covers in-country logistics and runs \$1250 for the first person and \$750 for a companion.

Meals and other incidentals: Meals will be roughly \$400 per person

Visa charge: Approximately \$100 per person to get a visa.

Optional tuition: Continuing education credit is \$1000.

Russia

August 4-15, 2006

proposed itinerary as of 07/6/05

August 4: Arrive in Moscow

August 5:

- Moscow city tour by bus
- Excursion to Kremlin, Oruzheynaya Palata (Museum of Russian Arms), Russian Diamond Fund

August 6:

- Moscow Metro, Botanic Garden, Timiriyevskaya Academy
- Free time. Visits to Izmailovo market of national goods or walk along Arbat street and nearby lanes

August 7-8:

- Moscow State Agricultural University
- Russian Grain Union
- U.S. Grain Council or U.S. Poultry and Eggs Export Council offices in Moscow
- Large meat processing plant in Moscow
- Dairy and vegetable farm operations near Moscow
- Meeting with agriculture office of the U.S. Embassy

August 9: Travel to Tver

- Visit farms and agribusinesses

August 10: Travel to St. Petersburg

August 11: Professional program

August 12:

- St. Petersburg city tour by bus
- Excursion to Petropavlovskaya fortress, Kunstcamera, Peter the Great Museum of Anthropology and Ethnography

August 13:

- Visit to residence of Peter the Great by bus
- Free time. Can include stops at Hermitage, cathedrals and palaces

August 14: Professional program

August 15: Return to the United States

Making A Difference For K-State

Eleven of the last 16 K-State Student Body Presidents have been Department of Agricultural Economics students. KSU Student Body President Michael Burns shares his vision of how he plans to enhance the legacy of leadership the position holds.



Why did you decide to run for student body president?

Being involved in Student Government for two years prior to running, I really felt like I had a good feel for what the Student Body President does. In talking with some of my friends about issues they see on campus, combined with my experience in student government, I really felt a responsibility to run and let those concerns be heard.

Whether it is rising tuition, classroom maintenance, or issues

deferred in the state legislature I feel like this year could be as important as any, that student voices be heard on a variety of issues.

What do you hope to accomplish during your term?

I really want to focus on tuition stabilization. Our university over the last five years has worked to gain a budget that allows our university to become one of the top ten Land Grant Universities. Now that the administration has the budget I want to gain tuition stability through a Contracted or Guaranteed Tuition Rate. Over the next year I also want to work to get the \$8 transcript fee, \$30 Career and Employment Services fee and the \$15 graduation fee eliminated by incorporating those costs and agencies budgets into the university's tuition figures. Grant and I will also be advocating for graduate teaching workshops and online teacher evaluations.

What drives you to be a leader among your peers?

It's just an expectation that I have for myself. I feel like I can relate to a variety of people older, younger and the same age as me. I enjoy listening and learning from people and fighting for their concerns.

Eleven of the past 16 K-State Student Body Presidents have been Agricultural Economics students, what does that fact say to you?

It shows me that our department and faculty make us believe in our leadership abilities. We value hard work and cooperation. Combining all of that together allows our students to experience success not only at K-State, but later on in future years.

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Ag Economist Honored for International Leadership

Norman Collins (BS '50 agricultural economics) was the recipient of the Distinguished Service Award in Agriculture, Extension, and International Programs.

After graduating from K-State, he was accepted into the Ph.D. program at Harvard University, working with economists John D. Black and John Kenneth Galbraith. "Association with these outstanding professionals was an exceptional opportunity," said Collins. After serving two years as a budget officer in the U.S. Air Force, he returned to K-State in 1954 as an assistant professor in agricultural economics.

In 1956, he accepted a position at the University of California, Berkeley and rose through the ranks to full professor. His interest in international work took root when as a Fulbright Scholar Collins took a sabbatical as visiting professor of agricultural economics at the University of Naples in Italy and as lecturer on marketing and European economic integration issues in several research institutions in Yugoslavia and Poland.

Collins was asked to develop and lead an agricultural project that paired the state of California with a joint project in Chile. "This was a state-to-country partnership that was developed during the administration of President John F. Kennedy as an innovative approach to foreign assistance and collaboration," he said.

Collins was recruited in 1970 to join the international program staff of the Ford Foundation.

His 30-year career with the Foundation included assignments in Santiago, Chile; New York; New Delhi, India; and Mexico City. He participated in the organization's program to support international agricultural

research through centers sponsored by the Consultative Group on International Agricultural Research (CGIAR). That service included membership on the boards of the International Rice Research Institute (IRRI) in the Philippines and the International Center for Tropical Agriculture (CIAT) in Colombia.

Collins, who retired in 2000, is involved with local volunteer activities. He still travels frequently, and he and his wife, Dolores (BS '52 human ecology) maintain a second home near Mexico City. Collins has been honored by K-State as a Distinguished Agricultural Economics Alumnus in 1971 and as a College of Agriculture Alumni Fellow in 1985.



Effects of Diesel Prices on Farming

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In other words, farmers do not drastically alter their fuel consumption from year to year, based on the price of diesel. “Of course, at these historically high price levels, producers likely will start making more changes,” Dhuyvetter points out.

“Given the strong relationship between whole-farm fuel costs and diesel prices, the impact on farm costs can be forecasted for 2005 and 2006 simply by looking at the percent change in fuel prices from 2004 forward,” Dhuyvetter said.

The economists arrived at a 2005 forecasted whole-farm fuel cost of \$17,927 by taking the 2004 value (\$12,758) multiplied by 143.2 percent (2005 projected diesel price as a percent of the 2004 actual price). Similarly, the forecasted value for 2006 is \$19,761 (6.6% increase from 2005).

The projected price of diesel in southwest Kansas for March through October of 2005, said Dhuyvetter, is \$1.93 per gallon, up 56 cents a gallon (40 percent) from 2004.

“If the 2005 price forecasts for southwest Kansas are compared to the average prices from 2000 through 2003, prices are 89 cents per gallon or 84 percent higher now,” he said.

“In the long run, higher production costs will lead to either higher prices for commodities or a lowering of land costs,” Kastens said. “Market forces will make adjustments to account for these higher costs. However, the higher costs likely will reflect a direct reduction in net income in the short run because producers are limited as to the changes they can economically make.”

The economists also studied situations in which producers would hire someone else to do some or all of their farming.

“These producers may not see their ‘fuel costs’ increase as much, but they are not immune to higher fuel costs because custom operators likely will increase the rates they charge so as to pass the higher cost on,” Dhuyvetter said. “But how much should custom rates increase due to the higher fuel costs? There are two ways to find that answer.”

The first is to look at the fuel required per acre for an operation and multiply that value by the increase in the prices of fuel from a year earlier. In southwest Kansas, that would be 56 cents a gallon, he said. The second way to estimate how custom rates might increase would be to multiply a historical custom rate – for example, what was charged last year – by the percent increase in fuel prices and by the percent fuel costs are of total costs.

“By looking at historical custom rates,” Dhuyvetter said, “we are taking into account depreciation, interest, repairs, and labor in addition to fuel costs.”

Using KFMA data and the second method, Kastens and Dhuyvetter found that at a fuel price increase of 56 cents per gallon,



custom rates would need to increase by 5.6 percent to offset this higher fuel price. If fuel prices continue to rise, the custom rate increase will be greater.

“A key point for producers to recognize is that even though fuel prices might be 40 to 45 percent higher than last year, the increase in the cost of machinery operations will be much lower, because fuel only makes up a small percent of total machinery costs,” Kastens said. “Higher fuel prices will lead to higher machinery costs that farmers will have to absorb in the short run, whether they are doing the operations themselves or hiring someone else. Key points of their study are: on average, current price forecasts suggest that average producers in Kansas will have fuel costs \$5,000 higher than last year and those were over \$2,000 higher than 2003. In the longer run, if producers expect fuel prices to remain high, they will make management decisions to lower the cost by negotiating lower rents, reducing tillage, using machinery that is more fuel efficient or by changing crop rotations.”

For details of the study, interested persons can visit <http://www.agmanager.info> and click on “Impact of Increasing Diesel Prices on Machinery Costs – An Update.”

Making A Difference: Michael Burns

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Why are you studying agricultural economics?

Agriculture economics opens up so many career opportunities. The department has tremendous faculty and I consider most of the students good friends. And it never hurts, when Dr. Flinchbaugh is one of your favorite professors.

What are some of your career goals, immediately following graduation and then in the future say 10 years down the road?

Well, I’m not really sure. Right now I am just taking it one step at a time. Graduate school is always a possibility and if I can find the right job opportunity I would definitely take a job. I really enjoy ag policy, so I would eventually like to be in a position like agriculture legislative director for a senator or a congressmen and eventually run for political office.

When you retire from your life’s work -- what do you want people to say about you?

I hope people think that I am a hard worker who always tries to do the right thing.

Conversation with Sean Fox

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2. *What are the greatest challenges facing the department in the next year?*

Dr. Flinchbaugh told me when I accepted this position that managing an organization during times of budgetary expansion, as was the case in his early years as state extension leader, was a much more enjoyable proposition than doing the same in times of budget cuts. Who am I to disagree??

Truly, our greatest challenge, as it has been for several years, is to continue building a better department providing first class research, teaching and extension programs with fewer faculty and operating dollars than we had five years ago. We continue to address that challenge by squeezing out efficiencies wherever we can, but also by expanding our resources through aggressive pursuit of extramural funding.

3. *What is involved in the process of looking for a new department head?*

A national search for the new department head is now underway. Dean Cholick has selected a fifteen member search committee co-chaired by Dr. Jeff Williams from our faculty and Dr. Gerry Posler, former head of the Dept. of Agronomy. The committee provides broad representation of faculty, staff, students, and external stakeholders. The position description is available on the department webpage and has been advertised in a number of outlets including the American Agricultural Economics Association newsletter. The committee plans to begin screening applicants in November with a view to conducting interviews in January and February.

At this point in the process our alumni can play an important role. If you know someone you consider to be a good candidate for department head, I encourage you to forward the individual's name to Dr. Williams at jwilliam@agecon.ksu.edu.

4. *How did you feel/what was your reaction in being appointed interim department head?*

I felt tremendously honored and humbled to be trusted with the role.

5. *What is your background? What are your strengths (personal and professional) that will be an asset to you during this year?*

I was born in 1965 and raised on a small farm in the west of Ireland. When I say small, I mean "real small" by Kansas standards – 37 acres (although sometimes I exaggerate and call it 40). We milked cows (by hand), raised calves, some pigs and chickens, and, naturally, grew potatoes. It was labor intensive, so there were plenty of chores to keep myself and my two brothers and two sisters out of trouble. Typical for the west of Ireland our land is wet and not suitable for cropping, so farms are typically small dairy, cow-calf, or sheep operations. Most farms are part time – my dad was a mailman.

I took the scenic route through an undergraduate degree in agriculture from University College Dublin, squeezing (as comedian Mark Mayfield put it at our recent Risk & Profit Conference) four years of education into seven. Detours included a year of government work, a year working on farms, and a year working construction in Boston, Mass. I'm a legit Celtics, Patriots and Red Sox fan, and if I understood hockey I guess I'd like the Bruins.

I've been on the faculty here since 1994 following a Ph.D at Iowa State. I've taught classes in trade and policy, and I've especially enjoyed teaching commodity futures markets. Most of my research has been related to the economics of food safety.

My greatest asset for this year, in addition to a supportive faculty and tremendously capable staff, will be my family. Faculty jobs are never a 9 to 5 proposition but the department head role does entail additional obligations. My wife and four children, ages from 8 to 17, understand that perfectly well and have been very supportive of my taking on this role. As for professional strengths – well, that remains to be seen!

New Faculty Join K-State Agricultural Economics

Dr. Mike Woolverton specializes in grain marketing, international trade policy, and extension executive education. His research includes structure and performance of the grain and oilseed marketing system, overseas market development and commodity promotion, risk management in marketing and purchasing grain and oilseed commodities, agribusiness marketing management, and strategic leadership.

Dr. Alex Saak's research focuses on the role of information and spatial externalities in farm-level production decisions, agricultural markets, and food supply chains. His interests include spatial economics, analyses of agricultural and food markets with asymmetric information, risk and insurance. His current research is concerned with the development of agricultural grading systems, product differentiation, and transmission of information along the food supply chain.

Dr. Tian Xia's research interests are in industrial organization, applied econometrics, and international trade. He conducts research on contracts and vertical coordination, food retailing, applied econometrics, market structure and competition, price discrimination, product differentiation, international trade, and food and agricultural marketing. He is also the winner of the 2005 American Agricultural Economics Association Outstanding Dissertation Award.

Impressions of Ukraine continued from page 3

Agriculture Education

Rather than work through traditional educational channels, Agro-Soyuz goes right to the source. Volodymyr and his farm manager (and sometimes Sergiy) make at least two trips a year to the U.S. They even keep an RV stowed in the U.S. so they can travel and lodge at low cost. During such trips they visit what they consider to be leading crop farms, dairy farms, and swine farms to learn how their own management in Ukraine can be improved. But they don't stop with farms, visiting also those professors in U.S. universities from which Agro-Soyuz is most likely to benefit. And, they don't stop at the U.S. When they researched their ostrich enterprise they visited the most knowledgeable and successful ostrich farms in South Africa. For swine they prefer countries like Denmark to gain most of their knowledge. For dairy, the U.S. is clearly king. For no-till crop production, they visit mainly Canada and the U.S., but also places like Brazil and Argentina.

Besides numerous foreign visits, Agro-Soyuz has made especially large investments in educational facilities at their farm. They have many classroom settings, complete with computers and a supply of relevant educational literature from all around the world translated into Russian by translators on staff. As an example, ahead of the current conference they translated K-State's entire 75-page No-till Handbook. These settings are for the purpose of delivering extension-type education to agricultural producers. Though they try to make such educational efforts self-supporting through tuition charges and literature sales, it is likely that they

have large net investments in the same. The no-till conference at which we spoke was merely one of these educational efforts.

The vast majority of speakers at the conference were well-known academic or practical heavy-weights in their areas of expertise, a cast of characters that would be difficult to pull together for a conference even in the US.

Agro-Soyuz doesn't stop with crop production conferences. It also has hosted an international ostrich conference, and will host its first dairy conference in October 2005. A swine conference is planned for this winter. In short, Agro-Soyuz's educational activities provide a shining example of how private sources might pick up the investment in practical education when the government lacks either the vision or funds to make such things happen. Though unusual by U.S. standards, such is not unprecedented in other areas, for example Mexico and Brazil.

Lasting Impression

It is interesting to note that in Ukraine, and in other former-Soviet countries, the relevant economic task might be to transform already-large farms to modern technologically advanced profit-oriented large commercial farms. This is in contrast to places like the U.S., where large commercial farms generally evolved from traditional one-family farms over the decades. It also means that, pending an appropriate business-oriented political climate, places like Ukraine might quickly become formidable competitors to U.S. agriculture, since their capturing of the large economies of size associated with production agriculture could happen virtually overnight.