MICHIGAN FARM NEWS

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At PressTime...

Michigan Farm Bureau Long Range Planning Speak-Up Meetings Scheduled....
Michigan Farm Bureau members have an opportunity for direct input into the future direction of their organization during a series of Long Range Planning Speak-Up meetings.
Dates and locations are:

Feb. 21, Flint
Holiday Inn, 7 – 9:15 p.m.

Feb. 22, Marshall
Schuler's Restaurant, 7 – 9:15 p.m.

Feb. 23, Lansing
Holiday Inn West, 1:30 – 4 p.m.

Feb. 24, Grand Rapids
Amway Grand Plaza, 7 – 9:15 p.m.

Feb. 28, Grayling
Holiday Inn, 7 – 9:15 p.m.

March 1, Escanaba
House of Ludington, 12 – 2:15 p.m. CST

In This Issue

MSU Ag. Econ. Outlook

*** Special thanks to MSU's Department of Ag Economics staff and project coordinator, Dr. Jim Hilker.**

A Publication of Michigan Farm Bureau
P.O. Box 30960, 7373 W. Saginaw Hwy., Lansing, MI 48909

Policy/Trade Issues Loom Big in 1994 for Michigan Ag

David Schweikhardt, Dept. of Agricultural Economics, MSU

Trade policy issues will again be high on the Congressional agenda in 1994. Implementation of the North American Free Trade Agreement (NAFTA) began on Jan. 1, and Congress is also expected to vote on the agreement reached last year under the General Agreement on Tariffs and Trade (GATT).

Nearly every Michigan farmer will experience some impact in 1994, as a result of various farm program provisions, the implementation of the North American Free Trade Agreement (NAFTA), and Congressional action on the recently completed General Agreement on Tariffs and Trade (GATT).

1994 Farm Program Provisions

Some provisions for the 1994 commodity programs have been announced by USDA. Target prices will remain at the levels established by the 1990 Farm Bill, and the Acreage Reduction Program (ARP) will be zero for both corn and wheat.

All "flex" provisions will remain in effect for 1994, with 15 percent of all Crop Acreage Bases serving as Normal Flex Acreage and 10 percent of each base being eligible as Optional Flex Acreage. Loan rates are expected to be somewhat higher than in 1993.

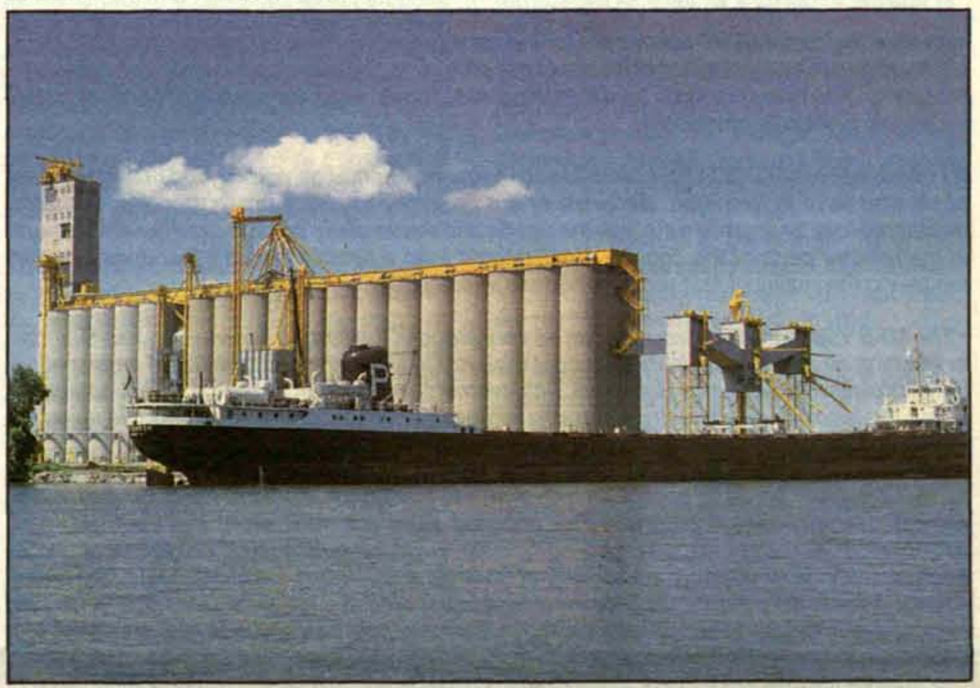
1994 Trade Outlook

U.S. agricultural exports are expected to remain at $42.5 billion in 1994 (Figure 1 on page 15). This would be identical to the level of exports in 1993, but some changes in the composition of exports are expected.

Exports of grains and soybeans are expected to decline by $800 million in 1994. Exports of livestock, poultry and dairy products are expected to increase by $400 million in 1994, breaking the record of $8.5 billion set by these products in 1993.

U.S. exports of horticultural products are expected to reach $7.6 billion in 1994, $300 million greater than 1993.

Total U.S. exports will be boosted by Japan's decision to import rice following a poor harvest in 1993. U.S. agricultural imports are expected to reach $24.5 billion in 1994, $100 million greater than in 1993.



Asia will remain the fastest growing market for U.S. agricultural exports. Total exports to Asia are projected to increase by $600 million in 1994, with most of this growth occurring in Japan, Taiwan, and South Korea. Exports to the European Community are expected to remain steady, while exports to Eastern Europe and the Former Soviet Union may decline.

Japan remains the largest customer for U.S. agricultural exports, purchasing a projected $8.9 billion from the U.S. in 1994. Canada will continue as the second largest customer at $5.2 billion, and Mexico will continue as the U.S.'s third largest export market.

Mexico's imports from the U.S. are expected to increase by $300 million, reaching $3.9 billion in 1994.

Trade Policy Outlook

The removal of tariffs under NAFTA will be completed over a 15-year period (Table 1 on page 15). Prior to 1994, 29 percent of U.S. agricultural imports from Mexico entered the U.S. on a duty-free basis, while only 15 percent of U.S. exports entered Mexico duty-free.

Under the provisions of NAFTA, tariffs on an additional 35 percent of U.S. imports from Mexico and 37 percent of U.S. exports to Mexico were eliminated on Jan. 1. Most other tariffs will be phased out over five or 10 years. NAFTA is expected to have its most immediate impact on U.S. exports of corn, dry beans, apples and some meat products.

Continued page 15...see
Trade Issues Big in 94

Soybean Referendum Feb. 9 - Don't Forget to Vote!

Michigan soybean growers should be sure to cast their vote on the Soybean Referendum at county Extension offices on Feb. 9. Innovative, environmentally-friendly SoyDiesel fuel is just one of the many results of research sponsored by the national soybean checkoff program. At right, the Dodge Ram Pickup, powered by SoyDiesel, is sponsored by Michigan Soybean Checkoff dollars as part of a national effort to increase awareness. The market potential of SoyDiesel in mass transit systems would require 125 million bushels of soybeans and could add as much as 50 cents per bushel in value, while also providing environmental benefits.

"In this era of declining government research spending, it's going to be more important than ever that farmers take a good look at the value of self-help, producer-funded research," said Jack Laurie, president of the Michigan Farm Bureau. "And with the recently-completed GATT and NAFTA agreements, promotion and market development efforts by producers will also be critical to our future profitability."

To verify your voting eligibility, contact your local county Extension office.

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Observations from the 75th Annual Meeting of the American Farm Bureau Federation

• The voting delegates to the annual approved a wide range of policies to guide our national organization for the coming year. One of the highlights was the following AFBF soybean policy: "We support the current soybean checkoff (SPARC) and encourage our membership to become more informed and participate in the 1994 soybean referendum."

Michigan Farm Bureau has presented a great deal of information on the activities of the United Soybean Board in this ***(see front page)*** *and other recent issues of the Michigan Farm News. It is critical that all Michigan soybean farmers participate in the soybean referendum on Feb. 9. You can vote at your county Extension office or by absentee ballot.*

• Another important AFBF policy calls for the consideration of new concepts in the 1995 farm bill, including the combination of present farm programs, federal crop insurance and disaster programs. The new concepts, said the delegates, should allow the market to send accurate economic signals to producers.

A continued shift of USDA programs toward a market orientation will be good news for those of us who farm in Michigan. Because of our proximity to major urban markets, our farm producers may be more in tune with the needs and wants of our consumers than are farmers in many other parts of the country. We'll benefit from a flexible farm bill that does a better job taking the reality of fast-moving markets into account.

• The MFB Young Farmer program can be very proud of the fine job done by Jim Van Damme in finishing as a runner-up in the National Discussion Meet and Jeff Horning in participating in the Young Farmers and Ranchers Achievement Program. It makes you feel optimistic about the future of our industry when you witness the caliber of the young people involved in events like this.

• I was also very proud to accept an achievement plaque for Michigan Farm Bureau at the awards and recognition program. Our six gold stars are solid proof that Farm Bureau members in our state support and participate in many outstanding programs of work. Michigan won gold stars for excellence in Membership, Young Farmers, State and Local Affairs, Information, Policy Development and Rural Health. Our state was eligible for this recognition because we again achieved membership quota in 1993. That's just one more good reason to keep membership growth on your county's front burner this month!

• Finally, there's nothing like an AFBF annual to make you appreciate the incredible diversity of agriculture across this country. I talked to farmers who grow everything from alligators to zucchini. Farm Bureau is the only organization that brings these varied agricultural interests together to discuss and debate issues of concern to all of us.

American farmers may grow a hundred different commodities, but under the banner of Farm Bureau, we can present a united front on critical issues like wetlands, private property rights and health care reform. Lawmakers and regulators respect and respond to our policies because they know the policies accurately reflect the real needs of farmers. Let's build on that foundation as we tackle the challenges of 1994.

Jack Laurie

Jack Laurie, President
Michigan Farm Bureau

Michigan Young Farmer Talks His Way to National Honors in AFBF Competition

Jim Van Damme, of Rock, (in the Upper Peninsula) talked his way to runner-up status in the American Farm Bureau Federation National Discussion Meet held in conjunction with the AFBF annual meeting. Van Damme and three other contestants in the Discussion Meet final round talked about the topic "new uses for agricultural commodities and by-products." Pictured above Van Damme (left) and his wife, Lori, accept congratualtions from AFBF Young Farmer Committee Chairman from New Hampshire, Scott Mason.

Young farmers from 37 states participated in this year's Discussion Meet event. As national runner-up, Van Damme receives a cellular phone, courtesy of AT&T, and a $1,000 U.S. Savings Bond, courtesy of the AFBF Young Farmers and Ranchers Committee.

Jeffery and Lynda Horning, of Manchester, also represented Michigan in the Young Farmer Achievement contest. As Michigan's winner of the 1993 Distinguished Young Farmer contest, the Hornings competed with other state winners for national honors.

In Brief...

A Volatile Year in Store for Grain Prices

Tight supplies have brought recent rallies to grain prices, which saw corn soar above $3 a bushel and pushed soybeans past the $7 a bushel mark recently. Experts say the robust markets could prompt farmers to plant around 80 million acres of corn in 1994, which could translate into a bumper crop of more than 9 billion bushels.

In the meantime, however, the higher prices for grain and soybeans will be key factors for livestock producers, who will want to pay close attention to procurement prices and watch their production costs. The sharp rise in corn prices at the end of 1993 has already caused some hog producers to scale back expansion plans, says the *Wall Street Journal* in a review of commodity markets for the past year.

Crop Insurance Payment Rate Raised for Wheat

Increased levels at which farmers will be allowed to insure their 1994 wheat crop will help make more credit available for wheat producers, since banks only lend money for wheat production up to the amount of crop insurance the farmer has.

Critics said the $2.80 per bushel price election set by the Federal Crop Insurance Commission in September was totally inadequate and asked FCIC Manager Ken Ackerman to raise it to $3.25 per bushel. The higher maximum coverage was approved just before the end of the year, which could allow farmers using insurance coverage as collateral for operating loans to be eligible for more credit, said Rep. Earl Pomeroy (D-N.Dak.).

Russia Catches Up on Back Export Credit Payments

As the curtain came down on 1993, Russia made its final installment of $147.4 million on its overdue payments under the USDA export credit program. The settlement of the $450 million bill, due under a debt rescheduling arranged during 1993, was necessary before the USDA could consider Russia for any new export credit advances.

The department is still considering whether to extend any more credit to the Russians, who say they would prefer to use cash to buy additional U.S. grain or other commodities, according to *Knight-Ridder Financial News*. By law, USDA can only make loans to countries it considers credit worthy and able to repay the loans. Russia faces another $1.7 billion in payments on past loans that come due in 1994.

Southwest Michigan Young Farmers Host Seminar on Financing and Environment, Feb. 16

Young Farmer committees from Berrien, Cass, Kalamazoo, Van Buren and St. Joe counties have joined together to sponsor an evening issues seminar on Feb. 16 at the Van Buren County Farm Bureau office located in Paw Paw. The seminar starts at 6:30 p.m. and ends by 9 p.m. Citing the environment and financing as the two main issues facing young farmers, program coordinators plan on utilizing speakers and a question and answer session to provide participants information they can take home and use in their own operations.

Michigan Department of Agriculture Right-to-Farm Specialist Kurt Thelen, and MFB Legislative Counsel Vicki Pontz will open the program. They will address environmental issues including Right-to-Farm and amendments to the Coastal Zone Management Act and its potential impact on agriculture.

Ryan Peacock of Farm Credit Services will also do a presentation on young farmer startup loan options. John Collins with Michigan National Bank will conclude the program with a presentation entitled, "What Bankers Look for in a Balance Sheet." **For more information, call MFB Southwest Regional Representative Scott Newton at (616) 637-4490.**

Michigan Dry Bean Day Feb. 22 in Saginaw

The future of Michigan's dry edible bean industry will be a focus of discussion by experts Feb. 22 at the Saginaw Civic Center in Saginaw. The Michigan Dry Bean Day education program and tradeshow will run from 8:30 a.m. through 3 p.m.

Industry representatives will discuss the need to improve dry bean quality standards from field management and elevator handling through consumer production. A highlight of the discussion will be comments by Marvin Leher, U.S. Embassy agricultural trade officer in Mexico City, on the outlook for dry edible bean sales in Mexico under the North American Free Trade Agreement.

Research agronomists will also focus on controlling nightshade, ragweed, anthracnose and scierotia in dry edible beans. More information about the program can be obtained by writing to **Steve Poindexter, Michigan State University Extension, 705 Adams St., Saginaw, MI 48602-2192 or by calling him at (517) 799-2233.**

Tracks Already in Place for Reduced Subsidies

An easy way already exists to cut government payments to farmers. It is called the triple base of "flexible acreage" in the 1990 farm bill, according to John Lee, Jr., former administrator of USDA's Economic Research Service. Lee said the Clinton administration can be expected to push for increases in "flex" acres in the 1995 farm bill. He also said there may be some form of means testing used to skew benefit reductions toward larger farms and protect smaller operators from the cuts.

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Property Tax Reform Measures Need to Clarify Homestead Definition

With the passage and signature of the governor on over 20 bills, the school reform/property tax reduction and shift has been accomplished for the moment. Discussion is increasing on the need for a number of technical correction bills to deal with the flurry of activity in the Dec. 23 and 24 twenty-six hour marathon session.

As the technical experts read through the package of new law, there are varying opinions as to the implications of the law. Frequently there is disagreement as to both the intent, and in fact, the interpretation of the new body of law, according to MFB Legislative Counsel Ron Nelson.

"Farm Bureau has continued to express concern regarding the homestead definition which incorporates farmland definition," Nelson explained. "There are not one, but two definitions of homestead and farm land found within the new law. H.B. 5111, which provides the criteria for the statutory plan, and H.B. 4279, which is the basis for the ballot plan, have different definitions."

According to Nelson, the homestead definitions are as follows:

H.B. 5111 – Now Public Act 331 of 1993, states: "Homestead" means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit.

Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner.

If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner.

Homestead includes a life care facility registered under the Living Care Disclosure Act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. For purposes of this subsection, owner includes but is not limited to a land contract grantee.

H.B. 4297 – Now Public Act 312 of 1993 states: "Homestead property" means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit.

If the principal residence is located on property classified as agricultural or is adjacent to property classified as agricultural owned by the owner of the principal residence, homestead property includes all unoccupied property classified as agricultural owned by the owner of the principal residence that is not leased or rented by the owner to another person. For purposes of this subsection, owner includes, but is not limited to, a land contract grantee.

"The language is similar in that leased or rented land which accounts for one-third of the total agriculture land in the state, or one-half of the crop land would be at the 24 mill rate," Nelson said. "There are significant differences between the two definitions with the ballot language dealing only with adjacent land, whereas the statutory plan deals with both contiguous and adjacent land."

The ballot plan is ambiguous regarding person's residence located in relationship to the farm. Both plans raise questions for land held in trust, corporate ownership or life-lease.

"Farm Bureau has been working with the Legislature and bills are being drafted to provide a single definition of farmland at a single millage rate to deal with this very complex, and confusing situation," Nelson said. "MFB policy calls for farmland to be levied at the same millage rate as homesteads. The bill that is being drafted would carry out Farm Bureau policy."

Nelson is urging MFB members to contact their state representative and senator and advise them of the confusing, conflicting, and unequitable situation which these two definitions create. Urge them to be aware of the bill which is being drafted and to be introduced as soon as legislative session is under way.

During the December session, there were a number of legislators supportive of Farm Bureau's position for a single definition of agriculture with all farmland being treated alike and at the same millage levy.

However, because of the complexity of the package and the many details, the amendments did not receive enough votes and thus the problem continues, Nelson said.

"It's expected there will be a number of bills introduced known as "technical corrections" because of ambiguous language or problems that have been identified during the marathon session," Nelson advised. "Farm Bureau will continue to analyze and evaluate the package with further information as details become available."

Soil Conservation Service Named Lead Agency for Wetland Delineation

Officials have announced that the Soil Conservation Service will be the lead federal agency in charge of wetlands delineation for farmers and agricultural land. President Clinton had originally proposed the plan last August, and it finally met the approval of the USDA, the Department of Interior, the Army Corps of Engineers and the Environmental Protection Agency.

Under the new agreement, farmers whose land is considered questionable will need to rely solely on the SCS and USDA for resolution. Previously, the input of a second federal agency, often the EPA, was necessary to resolve wetlands disputes.

The key provisions of the new memorandum of agreement call for the Soil Conservation (SCS) to be the agency of decision in regard to wetland delineation on "agricultural land" which is defined to include conventional farming land but does **not** include forest lands, range lands, wood lots, tree farms, etc.

The Environmental Protection Agency and the Corps of Engineers will continue to have primary jurisdiction over these "non-agricultural lands." Delineation made by SCS would be for five-year periods and appeals would be handled by the SCS appeals system.

According to these officials, the basic idea of the memorandum of agreement is to concentrate decision making on wetland delineation as much as possible. SCS, however, would make wetland delineations on non-agricultural land at the request of a producer who is participating in USDA programs.

SCS officials pointed out that the agency does not have the staff and the resources to work on delineations of all non-agricultural land. Several questions were raised about the problems arising from situations where farmers and ranchers own forest and range land and are not participating in USDA programs.

The memorandum of agreement will go into effect when published and was the result of 1993 legislation supported by Farm Bureau to consolidate wetland delineations into a "one-stop shopping" mode, thus avoiding conflicting rules being applied to individual landowners.

Pesticide Reform Facing Gridlock

Gridlock may have eased in some quarters in Washington, but the barriers blocking enactment of a modernized pesticide bill remains in place. That was the message delivered by two policy-makers at an American Farm Bureau Federation convention conference.

"Unless there is a realistic compromise (reached)...we'll probably never get legislation," said Bill O'Connor, policy director for Republican members on the House Agriculture Committee.

O'Connor said there has been no progress on major pesticides legislation since 1986, despite widespread recognition that an updated law is needed.

Lynn Goldman, the Environmental Protection Agency official in charge of pesticide regulation, was more optimistic about the prospects for new legislation but acknowledged the difficulties of satisfying all the interested parties. She said the Clinton administration's forthcoming pesticides reform bill would break the logjam.

Both Goldman and O'Connor agreed that a new law is essential, in part, because of the need to overturn a 1992 court decision that requires EPA to apply the zero-risk Delaney Clause.

The Clinton plan would solve the Delaney problem, encourage integrated pest management, help minor crop producers who are losing chemicals, afford special protection for vulnerable groups, and lead to overall reduction in pesticide use, Goldman said.

O'Connor disagreed with Goldman's characterization. The administration's proposal, he contended, is unacceptable to many members of the agriculture committees, who, he said, disagree with "80 percent" of the plan because of its total reliance on health-based standards. He said House members support the Lehman-Bliley-Rowland Bill, which allows regulators to consider the benefits pesticides provide.

Given the difficulties of getting agreement on a bill that has been bouncing around Congress for more than 20 years, O'Connor said that the administration should consider another tack. He said the administration was on a "legislation or nothing" course, and that because of the problems posed by the Delaney court decision, the EPA should consider administrative remedies.

Goldman agreed that the Delaney decision forced the agency to follow an archaic standard, but said the administration cannot act without legislation because of another lawsuit moving through the courts. That case, she said, could result in more sweeping restrictions on pesticide use.

Another conference speaker, Ronald Knutson, of Texas A&M University, said farmers face substantially reduced yields if a new law seeks to reduce chemical use by 50 or 100 percent. Knutson, the principal author of two studies on the effects of reduced pesticide use, said such policies would mean "big-time regional differences" for crop yields.

For example, if a 50 percent chemical reduction policy was in effect, Washington State apple growers would experience a 30 percent loss in production. Michigan apple growers, however, would lose all their crop, he noted. The net effect of wide-scale reduction of chemical use, Knutson said, would be large yield reductions, reduced exports, increased imports, higher food prices, and the risk of shortages of some crops.

Weather

30-Day Forecast – Continued Colder Than Normal With Normal Precip.

Winter continued in full force over the entire state through mid-January, bringing heavy lake-effect snows and record or near record cold temperatures. Mean temperatures for the past 30 days were generally 4-8 degrees below normal, although without a week of above normal temperatures at the beginning of this period, the departures would have been much greater.

Precipitation totals for the period were highly dependent on the proximity to the lakes, with totals ranging from less than 50 percent of normal across the southeastern one-third of the Lower Peninsula to more than 200 percent of normal across western Lower Michigan and much of the Upper Peninsula. Snowfall in the lake-effect areas was extremely heavy, with snow depths by mid-January generally ranging from 2-3 feet or even greater. A series of fast-moving weather disturbances finally brought appreciable snowcover to the remainder of lower Michigan, offering protection from extreme cold to overwintering field and forage crops.

Just when it seemed that the current extreme conditions would continue for some time (and bring back memories of winters during the late 1970s), it now appears major changes in the jet stream configuration are underway, leading to a dramatic change in weather patterns across Michigan.

With this change, the jet stream flow is expected to be much more west to east (instead of north to south), resulting in much milder temperatures for the central and eastern U.S. This change may also lead to a more active storm track through the Midwest and greater precipitation totals.

The biggest question now is how long this change will last, as the latest National Weather Service 30-day outlook through mid-February calls for a return to the conditions of early January, with temperatures expected to be below normal. Precipitation is forecast to be near normal for the period.

Michigan Weather Summary

12/16/93 to 1/15/94	Temperature Observed Mean	Temperature Dev. From Normal	Precipitation Actual (inch.)	Precipitation Normal (inch)
Alpena	15.6	- 5.7	0.95	1.74
Bad Axe	18.2	- 6.0	0.67	1.59
Detroit	21.9	- 2.5	1.26	1.87
Escanaba	15.0	- 4.4	1.09	1.83
Flint	18.6	- 5.5	0.49	1.87
Grand Rapids	19.4	- 3.5	1.37	2.41
Houghton	11.6	- 5.7	3.67	1.96
Houghton Lake	17.2	- 3.5	1.03	1.74
Jackson	19.5	- 5.8	0.93	1.74

Normals are based on district averages.

Michigan Weather Summary

12/16/93 to 1/15/94	Temperature Observed Mean	Temperature Dev. From Normal	Precipitation Actual (inch.)	Precipitation Normal (inch)
Lansing	18.9	- 4.7	0.89	1.74
Marquette	9.5	- 3.6	1.90	1.96
Muskegon	21.3	- 4.4	1.69	2.21
Pellston	13.9	- 5.1	3.56	1.89
Saginaw	18.9	- 5.1	0.78	1.59
Sault Ste. Marie	8.6	- 7.5	2.93	1.83
South Bend	21.7	- 3.7	1.77	2.41
Traverse City	19.0	- 4.8	4.40	1.89
Vestaburg	17.5	- 6.6	1.16	1.73

Jeff Andresen, Ag Meteorologist, MSU

Michigan and Major Commodity Area Extended Weather Outlook

T - Temp. / P - Precip.	1/31.....2/15 T	1/31.....2/15 P	1/31.......3/31 T	1/31.......3/31 P
Michigan	B	N	N	N
W. Corn Belt	N	N	N	B
E. Corn Belt	N	N	N/B	B
Wint. Wheat Belt	A	B	B	N
Spr. Wheat Belt	N	N	A	N
Pac. NW Wheat	A	N	A	N
Delta	N	B	B	N
Southeast	B	N	B	N
San Joaquin	N	N	A	N

A-Above Average, B-Below Average, N-Normal, MA-Much Above, MB-Much Below, NP-No Precip. Source: National Weather Office

1993 Weather Markets Spillover into 1994

The weather effects that dominated the grain and livestock markets in 1993 will undoubtedly carry over into 1994, according to economists at an agricultural commodity marketing seminar held during the American Farm Bureau's annual meeting.

Jim Gill, Illinois Farm Bureau director of commodities, said many acres in the Midwest that were damaged by last summer's floods will remain fallow in 1994. He said lower interest rates and higher profit opportunities translate into good news for landowners looking to sell.

"Smart investors see land as a low-risk, high-return alternative to the stock market and other investments," Gill said.

Dr. Bill Uhrig, grain marketing specialist at Purdue University, said farmers should take advantage of good pricing opportunities in the near term and prepare for lower prices and higher crop output next year. He said previous disaster years have been followed by higher production the next year and 1994 will be like years following a drought -- yields will be higher.

In the livestock sector, nothing could have done more good than to have a long hedge established prior to the October grain situation report, which showed dramatic reduction in stocks, according to Wayne Purcell, agricultural economist and livestock marketing specialist from Virginia Tech.

Purcell said beef has lost market shares in recent years, which have basically been taken over by poultry, with pork production remaining pretty stable through improved technology and some reduction in the number of producers.

Purcell said fed cattle prices probably will not reach the break-even level for most producers this year. He recommends producers take advantage of opportunities in the high $70 per hundredweight range.

Hog numbers, which have dropped about 2 percent, will not likely increase in 1994 with the higher feed costs prevailing now. Producers should take protection against the risk of dramatically higher feed costs that would occur if there is another weather catastrophe in 1994.

1994 Agricultural Credit Outlook - Be Ready to Lock in Rates

Myron P. Kelsey, Dept. of Agricultural Economics, MSU

Last year, we stated that short-term interest rates were at their lowest levels since the early 1960s and they continued to decline about a half of 1 percent during the year. Longer-term rates have declined about 1 percent to mid-October and then increased slightly as the economy showed signs of improvement. Rates paid by farmers on operating and term loans have held steady. Long-term rates have declined.

The spread between short-term and long-term rates is usually reported as the difference between the 30-year U.S. Treasury Bond and the 3-month U.S. T-Bill. As can be seen in the bottom of Figure 1, this difference is unusually high. Short-term rates can be "managed" to a degree by the Federal Reserve and their position during the past 2–1/2 years has been to reduce rates to attempt to encourage borrowing and stimulate economic expansion.

Long-term rates, however, are more of an expression of market forces between borrowers and investors. This would indicate that as the spread narrows, it will primarily be a result of an increase in short-term rates rather than a major decrease in long-term rates.

Figure 1

Interest Rates on U.S. Treasury Securities of Various Maturities

U.S. Treasury Security	1993	1992	1990	1988
	Mid-Year Rate			
	Percent			
3 Month T-Bill	3.05	3.66	7.73	6.26
1 Year T-Bond	3.47	4.17	8.10	7.40
5 Year T-Bond	5.09	5.60	8.43	8.58
10 Year T-Bond	5.81	7.26	8.48	9.09
30 Year T-Bond	6.63	7.84	8.46	9.23
Spread				
30 Year-3 Month	3.48	4.18	0.73	2.97

However, during 1993 both continued to decline and the spread decreased because the long-term rate declined more than the short-term. We do not expect that to continue in 1994. Since mid-September for instance, when the 30-year T-Bill rate fell below 6 percent, rates have increased almost half a percentage point.

The yield curve, which is a plot of interest rates at various maturities from three months to 30 years, shows a very low rate for short-term maturities increasing rapidly for longer-term obligations. This offers a strong incentive for borrowers to finance with short-term variable rate loans.

However, the steepness of the yield curve implies that investors expect short-term rates to be higher in the future because they are not willing to lend for long periods except at much higher rates.

Therefore, borrowers need to carefully weigh the advantages of today's low, short-term rates with strong indications that they could increase against the potential of locking in longer-term rates at a level which is low by recent standards.

During 1994, we expect both short-term and long-term interest rates to increase slightly. Short-term rates may increase about 1 percent.

Commercial banks and the four Farm Credit Service centers in Michigan have plenty of money to lend. Commercial banks are evaluating loans very carefully. Since credit quality is a major concern of their regulating agencies, they are reluctant to add any marginal loans to their portfolio.

This means borrowers must do a good job of selling themselves and their potential to the lender.

Michigan Produced Soybeans Find a Niche in Human Consumption Markets

More and more Michigan–produced soybeans are finding their way into products for human consumption such as Miso, a fermented soybean product manufactured in Japan. It's a concentrate that is used as a food base for soups and gravies to provide nutrition and B-12 primarily to vegetarians. Producer–funded research at MSU could improve the yield potential of varieties used for human consumption.

By Michelle Strautz

As overall world demand for soy foods increases, Michigan–produced edible soybeans are gaining notoriety among buyers, increasing the demand for certain varieties of unprocessed Michigan soybeans, according to Keith Reinholt, executive director of the Michigan Soybean Promotion Committee.

Reinholt said Michigan–produced soybeans, for some unexplained reason, contain a slightly higher level of protein than beans grown in other states. Sources indicate that in addition to its nutritional value, protein also serves as a bonding agent in food items produced from soybeans.

In addition, Reinholt believes that, as a result of the state's dry bean industry, Michigan beans are handled with more care, resulting in less damage to the beans, thus producing full soybeans, which is what many buyers are looking for.

Michigan produced varieties of Vinton and Beeson soybeans have been contracted for more than 15 years for the edible soybean market, which is now expanding internationally, with producers being paid premiums depending on production costs and any loss of yield relative to what normal soybeans would yield.

American Soy Products in Saline, Mich., uses 100 percent Organic Crop Improvement Association (OCIA) certified organically grown soybeans in manufacturing their Eden Soy product, a soy milk that is low in fat, sodium, cholesterol, and is lactose free, according to Tim Redman, vice president of sales and marketing.

Redman said there are many soy products on the market, including items such as tofu, soy pudding, soy flour, soy sauce, soybean oil and vegetable burgers. Brand names commonly associated with these products are Eden Soy, West Soy, Mori-Nu, Worthington and Kikkoman, to name a few.

"We have seen a very large increase in demand for the soy foods in general," said Redman. "There's been a significant increase in demand since we started out in 1986, and there has been, just in the past couple of years especially, a large increase in demand for organically grown food processing grade soybeans from overseas."

According to Redman, international buyers of Eden Soy are very specific about organic certification, quality and price when buying soy foods. There are also different labelling laws in various countries that have to be followed when shipping the products internationally.

Gordon Weuthrich, co-owner of Farms, Inc., in Lenawee county, is currently working with buyers in Europe, Sri Lanka and the Pacific Rim who are interested in buying Michigan–produced soybeans for processing. Factors influencing their purchasing decisions include the size, protein levels and flavor of the beans.

Weuthrich said these international buyers are concerned with size because larger beans are more attractive when they're marketed to retail stores. "However, we don't have the kind of volumes they're looking for, but we could develop it long term," he said."

Currently, producer-funded research is underway at MSU too develop new varieties of soybeans that contain the higher protein level preferred for human consumption, while producing a yield that is competitive with other varieties of soybeans.

According to researcher Brian Diers, an assistant professor in the Department of Crop and Soil Sciences, the Vinton and Beeson lines of edible soybeans are less productive than other varieties. Therefore, producers have to take a bit of a hit when it comes to productivity, in order to grow varieties needed for the market. "What we're interested in doing is getting more productive varieties available so that producers who want to grow beans for human consumption in these markets do not have to sustain as much of a yield cost," concluded Diers.

That could mean the best of both worlds both from a price and yield aspect. With continued producer-funded research, even more Michigan produced soybeans will be finding their way to the higher priced human consumption market.

6

1994 Market Outlook...Crops & Livestock

Dr. Jim Hilker, Dept. of Agricultural Economics, MSU

FARM BUSINESS OUTLOOK

Corn

The Jan. 12, USDA final 1993 Crop Production Report not only confirmed that the U.S. corn crop harvested last fall was small due to the flooding, but showed it was 159 million bushels, 2.5 percent, smaller than the previous estimate.

The report estimated that 6.344 billion bushels of corn were harvested in the U.S. in 1993, 33 percent less than last year and 20 percent less than a 5-year average.

The U.S. yield was estimated to be 100 bushels per acre versus the 131 bushels per acre the previous year and an expected trend yield of 122 bushels per acre. Michigan's 1993 yield was estimated to be 110 bushels per acre, a bit below trend.

The Quarterly Stocks Report released in January showed strong feed use last fall, not as high as the 1993 record use, but running close to it. While higher prices for the remainder of the year will cut back feed use, it will still be a positive price force.

Exports, while running behind last year, are running at a rate to meet USDA projections. Food, seed and industrial uses are running ahead of earlier expectations and continue to look strong.

As seen below in Table 1, this all adds up to a very tight expected ending stocks estimate. Tight ending stocks equate to strong corn prices like we're seeing right now and will continue to see until the 1994 crop is made. That doesn't mean the market will stand still – just the opposite. When you have tight stocks, but the capacity in any one year to way out produce your needs, you have the possibility for huge price swings. And that is the spot we are at right now!

Projection: With a trend yield in 1994, prices will likely drop back to the $2.20-2.40 range. If we have above trend yields next fall, prices could drop back to the $2.00 range. On the other hand, if we have a poor corn yield, prices could go a lot higher.

Speculation on what production will be next year will change continuously from now until harvest as new information becomes available. Take advantage of upswings to price portions of your corn. If you run out of corn to price and the market keeps going up, you always have new crop to price.

Soybeans

As shown in Table 3, the story for soybeans is not much different than the story for corn. The 1993 crop was short, demand is fairly good, projected ending stocks are tight and prices are good. And, as we discussed, when projected ending stocks are tight and production capacity is large, the market has a lot more potential to go both up and down.

The January USDA report showed 1993 soybean production to be 1.809 billion bushels, 25 million lower than the November estimate. This was 17 percent below the 1992 production figure.

There were 3 million acres of soybean acres planted that were not harvested, 2 million more than typical. The U.S. yield was estimated at 32 bushels an acre. This compares to last year's yield of over 37 bushels per acre and an expected trend yield of about 35 bushels per acre.

Michigan's soybean yield was estimated at 38 bushels per acre, this ties the record which has been met two other times.

Crush has been running at a fairly strong rate despite the significantly higher bean prices, this due mostly to the strong demand for oil.

Projection: While soybean exports are running considerably below last year, when you look at the tight carryover they are about as high as could be expected.

Look for soybean prices to react to every piece of news out of South America this winter and early spring, and then the U.S. planting season starts. Continue to price your 1993 soybeans on market upswings and be ready to start pricing some of your 1994 crop as well.

Fall 1994 prices could run from under $6.00 to considerably above $7.00 using the same three scenarios we used for corn, trend yield, above average, and below average yields.

Wheat

January report time also brought some excitement to the wheat market. The USDA reported 50.6 million acres of winter wheat had been planted in the fall. This is down from 51.7 million acres planted the previous fall.

In Michigan, 600,000 acres of winter wheat were planted. While this is about 3 percent more than planted the previous fall when it was miserable, it is still 8 percent below what was planted for the 1992 crop.

The USDA also released an updated Supply/Demand Balance Sheet for wheat shown in Table 2. Unlike corn and soybeans, projected ending stocks are not considered tight. But considering the prices, demand has been pretty good. Feed use is projected to be up from last year, while food use is expected to be about the same as last year. Exports continue to run above expectations and are the strongest force in the good prices we have been seeing.

Projection: At this point, my analysis of the wheat supply/demand factors would suggest that prices are near the top and may be above what fundamentals would suggest.

It is probably time to be wrapping up old crop sales and to be looking at forward pricing portions of your new crop wheat on rallies. While there is the potential for prices to continue to increase, the odds are by harvesting time prices will be lower than today's opportunities.

Cattle

Cattle prices in 1994 are projected to average considerably less than 1993, especially in the first half of the year. First quarter prices will be in the $70-74 range for fed steers as we brought a large supply into the new year.

As we become more current and feedlot numbers fall off into spring, prices are projected to make it back into the $73-77 range in the second quarter. During the second half of the year, prices are likely to fall back into the lower $70's.

It wasn't too many years ago that these prices would have looked pretty good. But the cattle in the feedlots now were bought at prices that would need fed prices in the upper $70s to break-even and then the feed prices began to sky rocket. At this point, keep as current as possible. Eventually, the high corn prices will bring weights down which should help prices.

Feeder prices will also average below 1993 levels in 1994. In the long-run, feeder prices react strongly to fed prices and feed prices. The problem is they often react to the fed prices and feed prices at the time rather than to what they may be at sale time. While feeder prices will be down, they do have one thing in their favor, supplies are small.

On the demand side, things look fairly good. The demand shift away from beef we saw over the 1980s has slowed to a crawl and maybe even stopped. It appears real income growth will be positive in 1994 and that is a good sign for the beef sector. On the trade side, imports are expected to be lower than last year and exports are expected to grow.

Table 1
Supply/Demand Balance Sheet For CORN

	1991-92	USDA Proj. 92-93	USDA Proj. 93-94
Corn Acreage	(Million Acres)		
Acres Set-Aside and Diverted	4.7	3.5	7.0
Acres Planted	76.0	79.3	73.3
Acres Harvested	68.8	72.2	63.0
Bu./A. Harvested	108.6	131.4	100.7
Stocks	(Million Bushels)		
Beg. Stocks	1521	1100	2113
Production	7475	9482	6344
Imports	20	7	20
Total Supply	9016	10,589	8,477
Use:			
Feed	4878	5301	4800
Food/Seed	1454	1511	1575
Total Domestic	6332	6813	6375
Exports	1584	1663	1300
Total Use	7916	8476	7675
Ending Stocks	1100	2113	802
Ending Stocks Percent of Use	13.9%	24.9%	10.4%
Regular Loan Rate	$1.62	$1.72	$1.72
U.S. Season Average Farm Price, $/Bu.	$2.37	$2.07	$2.65

Source: USDA & Hilker

Table 2
Supply/Demand Balance Sheet For WHEAT

	1991-92	USDA Proj. 92-93	Hilker Proj. 93-94
Wheat Acreage	(Million Acres)		
Acres Set-Aside and Diverted	10.0	3.5	0.5
Acres Planted	69.9	72.3	72.1
Acres Harvested	57.7	62.4	62.5
Bu./A. Harvested	34.3	39.4	38.4
Stocks	(Million Bushels)		
Beg. Stocks	866	472	529
Production	1981	2459	2402
Imports	41	70	90
Total Supply	2888	3001	3021
Use:			
Food	789	829	825
Seed	94	98	98
Feed	253	191	275
Total Domestic	1136	1118	1198
Exports	1280	1354	1225
Total Use	2416	2472	2423
Ending Stocks	472	529	598
Ending Stocks Percent of Use	19.5%	21.4%	24.7%
Regular Loan Rate	$2.04	$2.21	$2.45
U.S. Season Average Farm Price, $/Bu.	$3.00	$3.24	$3.18

Source: USDA & Hilker

Table 3
Supply/Demand Balance Sheet For SOYBEANS

	1991-92	USDA Proj. 92-93	Hilker Proj. 93-94
Soybean Acreage	(Million Acres)		
Acres Planted	59.2	59.1	59.4
Acres Harvested	58.0	58.2	56.4
Bu./Harvested Acre	34.2	37.6	32.0
Stocks	(Million Bushels)		
Beg. Stocks	329	278	292
Production	1987	2188	1809
Imports	3	2	5
Total Supply	2319	2468	2106
Use:			
Crushings	1254	1279	1230
Exports	684	770	615
Seed, Feed and Residuals	103	127	111
Total Use	2041	2176	1956
Ending Stocks	278	292	165
Ending Stocks, Percent of Use	13.6%	13.4%	7.7%
Regular Loan Rate	$5.02	$5.02	5.02
U.S. Season Average Farm Price, $/Bu.	$5.58	$5.50	$6.60

Source: USDA & Hilker

7 Michigan Fruit Outlook For The Mid-1990's

FARM BUSINESS OUTLOOK

Donald Ricks, Dept. of Agricultural Economics, MSU

Apples and tart cherries are Michigan's two largest fruit crops in acreage, production and farm value. These two crops together comprise 82 percent of the state's tree fruit acreage and 89 percent of the tree fruit production.

Apple production during the next few years is expected to average somewhat larger than during the last five years (although the production in any particular year can vary substantially depending upon weather conditions). Bearing apple acreage in Michigan has remained relatively steady with a gradual increase during the last five years.

Apples

Looking ahead, bearing apple acreage is likely to remain nearly steady to down somewhat. There will be significant new acreage coming into bearing age that will add to the state's production capacity. This young acreage will come into bearing at younger ages than in previous periods because of the predominant modern planting systems which involve fewer non-bearing years.

Along with the young acreage coming into bearing, growers will likely remove considerable older bearing acreage as well. Growers have, in recent years, been removing older bearing acreage at a faster rate than during the early to mid-1980s. This has been part of an overall orchard culling and renewal process by many growers in order to become more efficient and to help improve the quality of the fruit raised. These steps are needed in response to market requirements for higher quality fruit and to other economic pressures.

In the future, grower removals of apple orchards may occur even more rapidly. This adjustment may be forced by downward pressure on net returns, continued higher quality requirements and higher costs along with the substantial risks to growers from a series of new government regulations on pesticides and hired labor.

The net result for the next few years of both removals and the new young bearing acreage may be, at most, a stable bearing acreage to perhaps some decline in Michigan's bearing apple acreage.

Although the bearing acreage can be expected to remain steady or decline somewhat, average yields per acre will likely continue on their upward trend in future years. This will occur, in part, because of the industry's greater emphasis on younger, high-yielding orchards and modern planting systems.

The higher yields per acre will likely mean that Michigan's apple production will increase somewhat with the next few years. This will be especially noteworthy in large-crop years of favorable weather. In those years, Michigan's apple production may reach several million bushels more than the recent large crop in 1992 of 25.7 million bushels.

Tart Cherries

For tart cherries, Michigan's total acreage of all ages has decreased somewhat in recent years. The latest orchard survey from the Michigan Agricultural Statistics Service, which was published in 1993, shows that tart cherry acreage declined by 5,800 acres (13 percent) from the 44,000 acres in 1986 to the most recent figure of 38,200 acres.

Bearing acres have, on the other hand, remained relatively constant since 1986. This is because of an unusually large percentage of the state's tart orchards which are in their bearing ages. This is especially so for tart acreages that are 11-15 years of age with 40 percent in that peak production age category.

Because of the high percentage that are near peak bearing ages, and with nearly steady bearing acreage, tart cherry production capabilities can be expected to remain relatively high during the next few years. The state's continuing substantial productive capacity for tart cherries was demonstrated the last two years with large crops in both 1992 and 1993 (although not all of the production was harvested).

Plums:

Michigan's plum acreage decreased by 33 percent since 1986, according to the latest orchard survey. This downward trend in acreage and production capacity can be expected to continue in future years. There have been very few new plantings of plums in Michigan during recent years.

Peaches:

Peach acreage in Michigan has been relatively steady according to the recent orchard survey. Sweet cherry acreage declined somewhat, while Michigan pear acreage remains at a low level with a moderate declining trend. Blueberry acreage and production have been trending upward substantially with a record-large crop produced in 1993.

1994 Market Outlook...Livestock

Continued from page 6

Hogs

As the slow liquidation indicated in the last Hogs and Pigs Report takes effect, hog prices will improve. Prices are expected to move into the mid $40s this spring and on up to $50 as we move into the summer.

Next fall, prices will show a seasonal decrease, but should not fall out of the mid-$40s. While the first few dollars of these higher prices will be needed to pay for the higher corn prices, the hog sector should be profitable the last three quarters of the year.

Again, like beef, the demand shift away from pork has basically stopped. Along with this, income growth and a stronger economy will help. Keep current and keep a close eye on the forward pricing opportunities. It would not take much of a rally from this point to present some profitable forward pricing opportunities.

A big story for the hog sector in 1994 will continue to be the shift in where hogs are raised. Even though the sector as a whole is liquidating, the states in which the huge farrowing units are being built continue to expand.

The question is, will the hog sector go like the poultry sector or will the Corn Belt get back into the ballgame? Midwest producers can compete with these large units, but there will have to be some changes in their practices.

8

1994 Outlook for Production Inputs Positive

Chris Peterson, Dept. of Agricultural Economics, MSU

Fertilizer

National and Michigan sources indicate that fertilizer supplies will be more than adequate in 1994. Demand will be strong. USDA predicts that planted acreage will increase in 1994 (especially corn) since a zero ARP for 1994 wheat was set last July and a zero percent ARP for 1994 corn was set last November. Fertilizer prices should be stable to slightly higher. In particular, phosphate prices are expected to be up.

Strong farm incomes in Michigan will also add to increased input demand as planting rises. Generally, there is a very positive attitude among farmers and agribusinesses about 1994. The 1993 crop year is being viewed as a good year after the difficult 1992 crop year. This positive attitude should translate into improved demand conditions in all input markets.

Nationally, one major source of uncertainty in all input markets is the impact of the 1993 Mississippi River flooding. However, this does not appear to be having much effect on supply, demand or price here in Michigan.

Chemicals

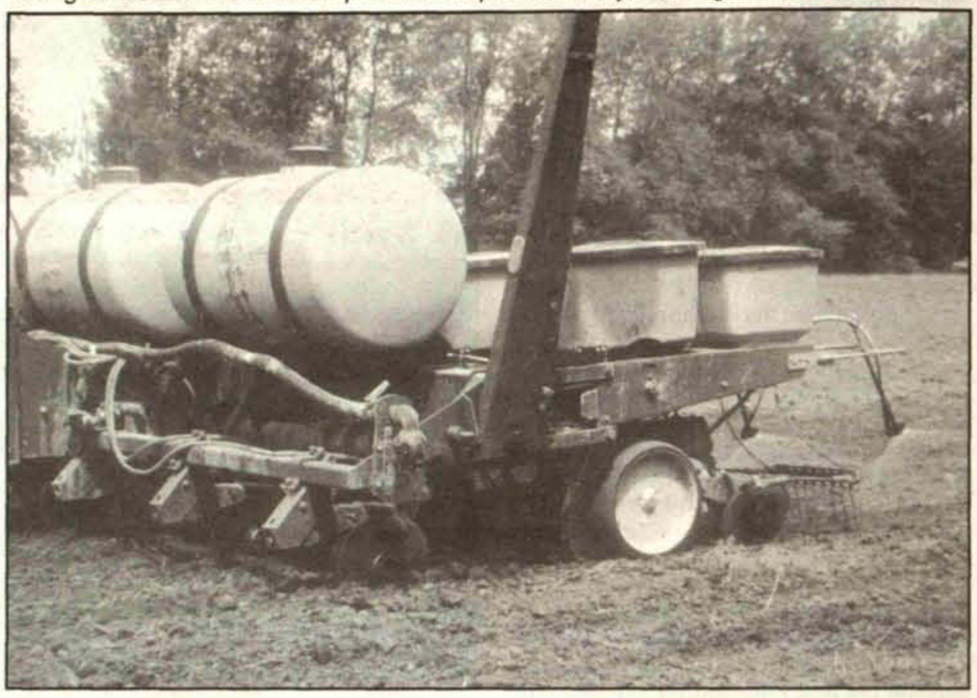
Chemical demand and prices will be affected by many of the same factors affecting fertilizer. Supplies will be adequate. Demand should be strong although continued pressures from environmental regulations may dampen demand somewhat as more lower-use cultivation practices continue to increase. Locally, prices are expected to be unchanged from last year.

Nationally, USDA predicts price increases. Pesticide manufacturers' costs are increasing due to increased R&D costs and increased reregistration costs for older products. Many manufacturers continue expensive biotechnology research. Dealers' costs have also risen, especially for liability insurance.

Seeds

Seed supplies should mostly be adequate with some shortages in specific varieties of edible beans, soybeans and corn. For reasons already cited, demand should be strong. Prices are expected to rise.

Michigan fertilizer and chemical prices are expected steady, with slight increases for seed.



Energy

Nationally and locally, fuel supplies should be good this year. Prices are expected to remain stable or decline slightly.

Given the positive farming conditions expected, local demand should be strong. One cause of uncertainty in this area is the EPA requirements for farmers using diesel fuel to use low-sulphur fuel. The supplies of low-sulphur diesel may be tight and the impact of its use on equipment efficiency is still an issue of concern.

Equipment

Interest rates remain quite low, farm asset values are good and debt/equity ratios are strong. This combination of factors should make this an ideal time for farm capital expenditures. In Michigan, the poor 1992 crop year still appears to be a drag on equipment demand even though other input markets are expected to be strong in 1994. Equipment supplies will clearly be adequate while prices are likely to remain little changed.

Nationally, equipment demand has been much stronger and prices have been rising. In the longer term, one of the more interesting trends to watch will be the impact of changing tillage practices along with demands for reduced environmental impact from chemicals and fertilizers on the mix of equipment purchased by farmers. "Smart" application equipment and site-specific practices will make significant changes in the nature and cost of equipment demanded by producers.

Profits for Broilers, Turkeys and Eggs Hinge on Feed Costs

Henry Larzelere, Dept. of Agricultural Economics, MSU

Broilers

Broilers placed during 1993 averaged about 4 percent above 1992. However, prices in 1993 averaged about 55 cents a pound, 3 cents above 1992. Broilers placed for slaughter early in 1994 were nearly 6 percent above a year earlier. With chick placement in 1994 likely to average 5 percent above 1993, the 12-city average will probably be 55 cents a pound in 1994, nearly the same as in 1993.

Higher feed ingredient costs in 1994 will limit the expansion of chick placements. Any reduction of feed costs will not likely occur until after harvest and then only if weather conditions are nearer to normal than in 1993.

Turkeys

Wholesale prices for frozen whole turkeys during the major marketing season of 1993 were above the previous year. These higher prices were in spite of a slightly larger supply in 1993 than the year before. Increases in further processing and in exports probably accounted for the greater rate of use in 1993.

Storage stocks on Jan. 1, 1994, were estimated to be about 3 percent less than a year earlier. It is expected that production in 1994 will be up 2 percent from 1993. This would probably mean that prices in the major marketing season would be a little above 1993.

Continued on page 9...see 1994 Poultry Profits

HEALTH HARVEST

A Health and Wellness Publication of Michigan Farm Bureau

Cold Facts about

HYPOTHERMIA

Protect yourself from hypothermia this winter by learning to recognize the symptoms and taking the right steps to treat it. Health experts estimate that approximately 25,000 people die of hypothermia each year. Be especially watchful of infants, older persons and those medicated by cardiovascular drugs, tranquilizers, antidepressants and sedatives. **(continued next page)**

Life

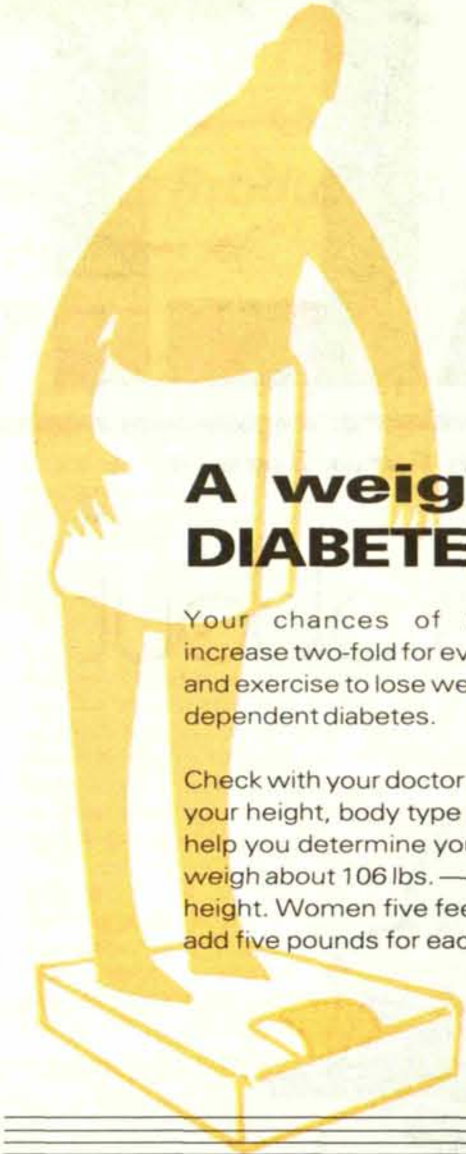
Cold Facts About HYPOTHERMIA

Hypothermia is a significant drop in the body's internal temperature characterized by these symptoms:

- Muscle stiffness and possibly trembling in an arm or leg.
- Intense shivering. Some people don't shiver, particularly older adults, but could still be at risk.
- Confused thinking or disorientation.
- Marked changes in mood or affect, such as apathy (indifference), extreme drowsiness, hostility or aggression.
- Changes in the face and skin. Look for puffiness, swelling or paleness. Skin is cool or cold to the touch.

If you suspect someone is suffering from hypothermia, call for medical assistance immediately and take the following steps until help arrives:

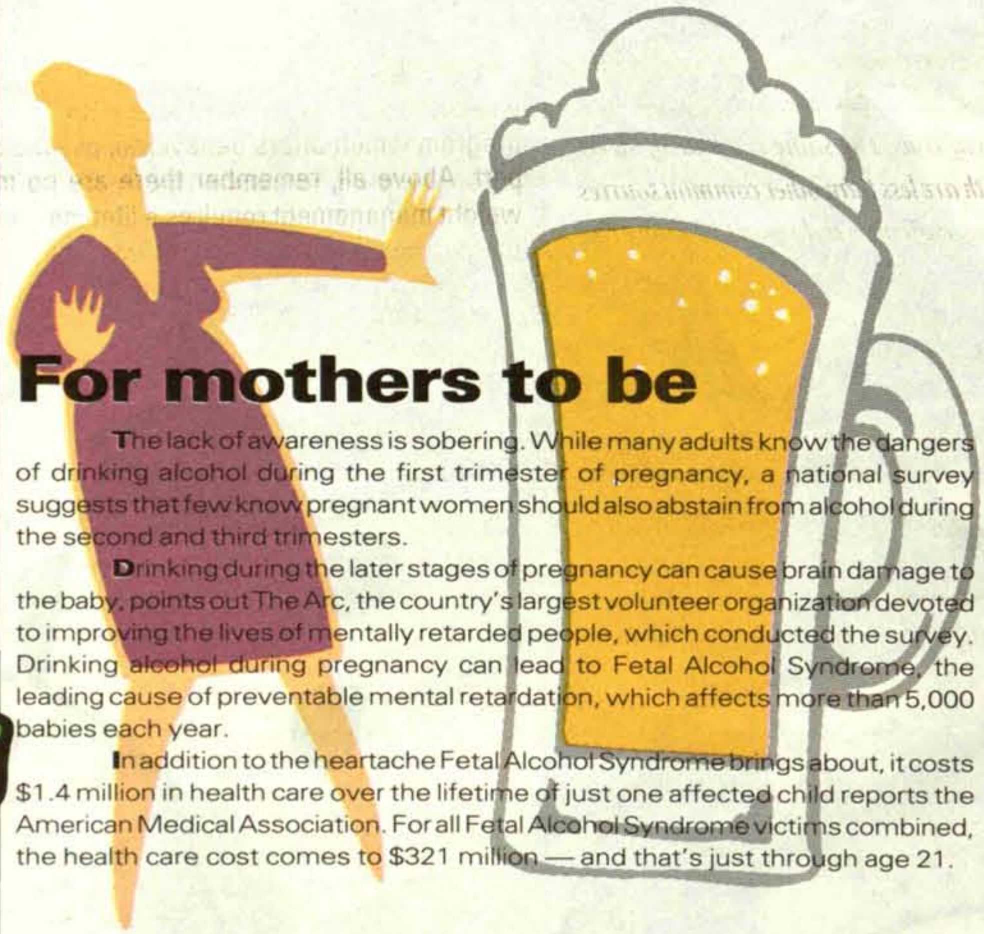
- Get the person out of the cold.
- Replace wet clothing with warm, dry clothing. Cover the person with blankets, or other warm material, such as jackets, towels, or newspapers. If possible get the person into a sleeping bag with someone else to provide body warmth.
- Make every effort to keep the person awake and alert.



A weighty solution to DIABETES

Your chances of developing adult onset diabetes increase two-fold for every 20% of excess weight you carry. Diet and exercise to lose weight can treat 33% to 55% of non-insulin-dependent diabetes.

Check with your doctor about the proper weight for you based on your height, body type and age. Here's a rule of thumb that can help you determine your ideal weight: Men five feet tall should weigh about 106 lbs. — add six pounds for each additional inch of height. Women five feet tall should weigh about 100 pounds — add five pounds for each additional inch of height.



For mothers to be

The lack of awareness is sobering. While many adults know the dangers of drinking alcohol during the first trimester of pregnancy, a national survey suggests that few know pregnant women should also abstain from alcohol during the second and third trimesters.

Drinking during the later stages of pregnancy can cause brain damage to the baby, points out The Arc, the country's largest volunteer organization devoted to improving the lives of mentally retarded people, which conducted the survey. Drinking alcohol during pregnancy can lead to Fetal Alcohol Syndrome, the leading cause of preventable mental retardation, which affects more than 5,000 babies each year.

In addition to the heartache Fetal Alcohol Syndrome brings about, it costs $1.4 million in health care over the lifetime of just one affected child reports the American Medical Association. For all Fetal Alcohol Syndrome victims combined, the health care cost comes to $321 million — and that's just through age 21.

Patients should share health history with dentists

You might not know that you should share your medical history with your dentist before you receive dental treatment. But because your overall health history can make a big difference in your dentist's decisions about treating you, it's important that he or she has all the facts first.

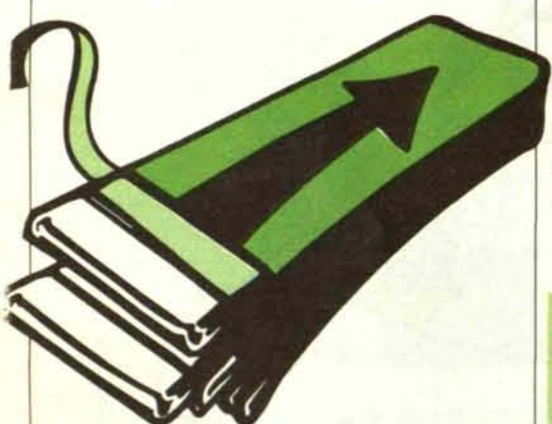
First and foremost, your dentist should know the name of your regular physician in case he or she needs to contact that doctor for more information.

Also, you should always tell your dentist what medications you're taking so that he or she can avoid any possible interactions between the medications you're already taking and any additional medications he or she plans to prescribe. For example, there's some evidence that some antibiotics can decrease the effectiveness of birth control pills, especially when the antibiotics are combined with some other common medications. And if you're allergic to any medications, your dentist should know that, too.

Did you know that you might need to take antibiotics before a dental appointment if you've had an artificial hip replacement? Also, people who have certain medical conditions such as cardiovascular or immune system disorders should tell their dentists about those conditions. These patients might need to take antibiotics or other medications before dental treatment to avoid complications.

Some of the medical conditions that are most important for your dentist to know about could surprise you. That's why you shouldn't try to guess which conditions your dentist needs to know about. Instead, tell him or her everything. Like your other doctors, your dentist needs to know your complete medical history to keep you as healthy and happy as possible!

Produced courtesy of the Delta Dental Plan of Michigan



A stick of gum a day keeps the dentist away

Beyond preventing tooth decay, chewing sugarless gum can actually help fight tooth decay. Gum chewing stimulates saliva in the mouth and cuts down the amount of acidity. Chewing also forces saliva between the teeth where food residues may be trapped. For the most benefit, chew sugarless gum within five minutes of eating and continue chewing for at least 15 minutes.

GIVE EVERYDAY ACTIVITIES A HEALTHFUL BOOST!

Ordinary activities performed with a little extra pep could be the physical fitness boost you need to start a less sedentary lifestyle. According to new guidelines released last summer by federal health authorities and fitness experts, people need about 30 minutes of moderate physical activity every day to stay healthy. Moderate exercise and combined everyday activities such as gardening, house cleaning, walking or climbing a flight or two of stairs can make a healthy difference. If you are barely active now, start increasing your activity by a few additional minutes everyday, building up to 30 minutes. The trick is to perform normal activities, like walking, but just a little longer and a little faster.

Only about 22 percent of us are physically active enough and most — over 50 percent — are basically sedentary. And stubborn. Despite healthwise advice to become more active and exercise regularly, current statistics show that Americans haven't significantly changed their physical activity styles in the past twenty years.

The Centers for Disease Control and Prevention, the American College of Sports Medicine, and the President's Council on Physical Fitness and Sports, which jointly announced the new fitness guidelines, cautioned that inactivity has as detrimental an effect on the nation's health as smoking and high cholesterol levels. Inactive or sedentary lifestyles increase your risk of coronary artery disease, non-insulin-dependent diabetes, osteoporosis, colon cancer, and other disorders.

Style

Valentine Veritas for Chocolate Lovers

CHOCOLATE HEARTS . . .
CHOCOLATE KISSES . . .
CHOCOLATES BY THE BOX . . .
will tempt you sweetly this Valentine's Day. And while chocolate probably should be a "special occasion treat," you'll be surprised to learn that much of what you thought you knew about chocolate just isn't true.

Here's some facts and fibs about chocolate:

FALSE: Chocolate is high in caffeine
Caffeine occurs naturally in cocoa beans, but the amount is low. A 1.5 ounce milk chocolate bar contains 9 milligrams (mg.) of caffeine. The same size bar of sweet (dark) chocolate contains 30 mg. of caffeine. Both are less than other common sources of caffeine, e.g., coffee (one 6 ounce cup = 103 mg. caffeine); soda pop (12 ounce can = 36 to 54 mg. caffeine).

TRUE: Chocolate is high in fat
For solid chocolate this is true when considering the percentage of calories from fat. If you are a chocolate lover, its okay to enjoy chocolate occasionally. The key is moderation and a well balanced diet. Even though the cocoa butter in chocolate is primarily saturated fat, studies show it doesn't appear to raise blood cholesterol.

TRUE: Chocolate is low in cholesterol
Milk chocolate, the only chocolate with cholesterol, has a small amount, which comes from its milk content.

FALSE: Chocolate causes acne.
There is no proof that chocolate aggravates or causes acne. Studies do not show that chocolate or any other food causes acne breakouts.

FALSE: Chocolate causes tooth decay
Most chocolate products do contain sugar, but studies do not show chocolate as a high-ranked, cavity-causing food.

FALSE: Chocolate is an aphrodisiac
The ancient Aztecs believed this, but modern research has not proved it. Chocolate does contain phelylethylamine, a chemical present in the human brain that helps arouse emotions, but the amount in chocolate is probably too small to alter emotions.

Office Calls

The following questions and answers come from Sparrow Hospital's physician referral and information service called "NurseLine". They are timely and commonly asked questions.

Q. After successfully dieting, why do I find it so difficult to maintain my weight?

A. This is a common question among people struggling with weight problems. The key word is "dieting". Academic research has indicated that diets do not promote long-term weight control. Most dieters regain nearly all their lost weight within 18 months of ending their diet.

Diets do not address the real problem, which is why you are gaining weight. After dieting, most people resume their pre-diet habits and regain the lost weight.

Even a modest reduction in body weight can be beneficial to improving your physical health and quality of life. Discuss your weight problems with your primary care physician. You may require a weight management treatment program which offers behavioral, psychological, nutritional and exercise support. Above all, remember there are no magic diets or quick fixes. Longtime weight management requires a lifetime commitment. Like everything else in life, there is no reward without the work.

Q. I've injured my toe and think it might be broken. I have been told that nothing can be done about it. So why should I be seen by a physician?

A. Many toe fractures do not require much treatment, but some do. Toes are weight bearing structures and thus, subject to considerable stress. They must be properly aligned and in correct position relative to each other. If a toe is fractured and angulated (crooked), the toe must be reduced (straightened to prevent future pain.)

The same is true for the toe joints — if fractured into the joint, surgery may be required to restore the joint congruity and avoid painful arthritis later. Evaluation by a physician and an x-ray can usually determine whether or not treatment is necessary.

If you have health concerns, questions, or need a physician referral, call Sparrow Hospital's NurseLine, an information and Physician Referral Service at 1-800-968-3838.

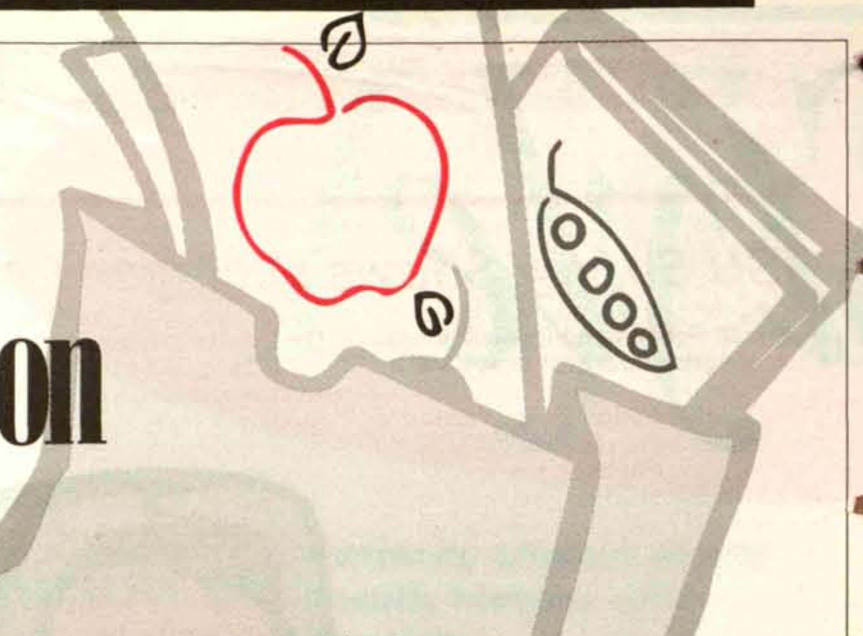
The above questions and answers are for general information purposes only. If you have symptoms or health related questions, consult your physician. Information compiled by Sarina Gleason.

Cancer Detection

MELANOMA, a type of skin cancer, is potentially 100% curable when detected early. You can spot changes in your skin that might indicate a melanoma by checking your skin monthly and by taking advantage of cancer screenings in your area.

Look for moles that are not symmetrical (one half doesn't match the other); have irregular edges (ragged, notched or blurred edges); are not uniform in color (variations in color and may include tan, brown, black, red, white or blue) or are larger than a pencil eraser (larger than 6 millimeters).

New Kit Serves Up FOOD SAFETY Information



Health care professionals have a valuable new tool to help them answer parents' questions about food safety and the foods their children eat. "The Children's Food Safety Kit: A Health Professional's Guide to the Issues" is a comprehensive information kit that the American Dietetic Association's (ADA) Center for Nutrition and Dietetics (NCND) has developed to help doctors and health care counselors address the most commonly asked questions about children and food safety.

The kit is being sent to thousands of pediatricians and dietitians across the country through an educational grant provided by the DuPont Company.

"Many parents turn to dietitians and pediatricians for answers and reassurance about the safety of the foods they give their children," said Nancy Schwartz, Ph.D., R.D. (registered dietitian), director of the NCND. "We know that people have questions about what they should be feeding their children, based on the questions we've received on ADA's consumer nutrition hotline and comments from our members who are practicing dietitians. We developed the 'Children's Food Safety Kit' to help health professionals answer some of these questions."

The "Children's Food Safety Kit" contains brochures and fact sheets that address a wide variety of nutrition and diet topics ranging from regulation of food production to preparation of food products. Specific areas of discussion include the role of fruits and vegetables in a balanced diet, standards used in evaluating and regulating food production and guidelines for communicating information about food to consumers.

Most of the information contained in "The Children's Food Safety Kit" can be easily photocopied and distributed to parents. For additional guidance, the kit includes a list of recommended references, previously published articles and other recognized sources of information on diet and nutrition.

"The Children's Food Safety Kit" is one of many efforts by diet and nutrition experts, government agencies, the agricultural community and others to provide consumers with factual information about the safety of the food supply.

"Most people are not aware of the ongoing regulatory oversight that ensures the safety of our country's food supply," said Tom Vaux, regulatory and environmental issues manager for DuPont Agricultural Products. "'The Children's Food Safety Kit' is valuable because it helps health professionals and their clients or patients understand how and why food production and agricultural products are regulated."

"The more people understand about how food products are produced and regulated, the better able they will be to make informed choices about what to eat," Vaux said. "'The Children's Food Safety Kit' will help health professionals and parents alike make informed and confident decisions about family diets and nutrition."

MEDICAL FOCUS

SAFE Food-handling Tips
for parents & children

Food borne illness (food poisoning) can strike anyone, but kids are especially susceptible. Here are ten basic food handling tips that you should know:

1. Wash your hands thoroughly with soap before and after handling food.

2. Wash all work surfaces, cutting boards, utensils and your hands immediately after they have come into contact with any raw meat, raw fish, raw poultry or raw eggs. Never let any raw juices from these foods touch any other food.

3. Use acrylic, not wooden, cutting boards. Wooden surfaces harbor bacteria. Acrylic boards can be scrubbed with hot, soapy water or cleaned in the dishwasher.

4. Don't serve raw fish (i.,e., sushi, oysters, clams) or dishes made with raw eggs that could contain harmful bacteria, viruses or parasites. If cookie, bread or cake dough contains raw eggs, don't lick the bowl or spoon. Homemade ice cream is often made with raw egg yolks. Instead, use an egg substitute which has been pasteurized or follow a recipe that calls for cooking the ice cream mixture before freezing.

5. Freeze foods at 0 degrees F. or below. Refrigerate foods at 40 degrees F or below. Buy a freezer/refrigerator thermometer at the store and check temperatures regularly.

6. Thaw meats and poultry in your refrigerator overnight or in a microwave oven. If thawed in the microwave, cook immediately. Never thaw meats on the counter at room temperature.

7. Refrigeration and freezing slows bacterial growth, but does not kill the bacteria. Once frozen foods thaw to room temperature, bacteria continue to thrive. Only heating foods to a high enough internal temperature can kill bacteria, so cook foods thoroughly. Use a meat thermometer to check the internal temperature of food. (Beef - internal temperature of at least 160 degrees F; Pork - internal temperature of at least 170 degrees F; Lamb and poultry - internal temperature of at least 180 degrees F.

Foods cooked in the microwave may heat unevenly, resulting in some parts of the food not being heated to safe temperatures. Be sure to follow microwave directions, rotating dishes and allowing standing time if required. Check internal food temperatures in a variety of areas.

8. Keep hot foods above 140 degrees F and cold foods below 40 degrees F. Don't allow foods to sit at room temperature for more than two hours. The "danger zone," when bacteria multiply the fastest, is between 40 degrees F and 140 degrees F.

9. If canned food is not completely consumed when opened, either cover the can securely or transfer food to another container. Store leftovers in the refrigerator.

10. Cool leftovers quickly in a refrigerator or freezer. Large batches should be divided into small portions in shallow containers so food can cool more quickly. Do not stack items during cooling or freezing in order to allow air to circulate. Reheat leftovers at least 165 degrees F.

11. Do not save raw or cooked food too long. A complete chart of holding times is available from your doctor or dietitian. However, a simple rule of thumb applies: "When in doubt, throw it out!" food harboring harmful bacteria does not necessarily have a foul odor or spoiled appearance.

12. Be sure to separate diapering from food handling and preparation activities. Always wash hands after diapering.

Source: Children's Food Safety Kit, provided by the National Center for Nutrition and Dietetic of the American Dietetic Association.

MSU Survey Shows Michigan Farm Land Values Stable at $949/Acre

Steven D. Hanson and Ralph E. Hepp, Dept. of Agricultural Economics, MSU

Michigan land prices have continued to show modest increases since 1987. A land value survey conducted in January 1993 by the USDA estimated the average value of farmland and buildings in Michigan to be $1,130 per acre, up about 2 percent from the previous year's value.

Likewise, a Michigan State University survey conducted last spring found high quality corn-soybean-hay (C-SB-H) land averaged $949 per acre, also up 2 percent from the previous year, while low quality C-SB-H land average $671 per acre, posting a 1.4 percent increase over 1992.

Sugarbeet and irrigated land averaged $1,267 and $1,034 per acre, respectively, with sugarbeet land increasing 1.9 percent and irrigated land increasing 3.6 percent from the previous year.

A recent land value survey conducted by the Federal Reserve Bank of Chicago found that Michigan land values dropped 2 percent during the second and third quarter of 1993, but still showed a respectable 3 percent gain for the 12 months ending Oct. 1, 1993. The increase in Michigan land values during this period equalled the average for the 7th Federal Reserve District which includes Illinois, Indiana, Iowa, Michigan and Wisconsin.

Weather related problems contributed to significant decreases in crop production levels for corn and soybeans in the district, relative to last year's record harvest, which helped hold land values in check.

In contrast to the rest of the 7th District, Michigan crop production was up from 1992 levels when weather difficulties resulted in low quality crops in many areas. The generally stronger earning from both crop and livestock production should help support Michigan land prices.

The price-earnings ratios for Michigan farmland are comparable to those currently available in the stock market. However, like the stock market, the low current returns available from bank savings accounts and money market accounts make the current returns available from land look particularly attractive to some investors.

It's important to note that current returns from land are still not at a point where they can support a large mortgage against the property from a cash flow stand–point. The current returns from land are typically running between 4 and 8 percent, which is still slightly below mortgage interest rates.

The level of property taxes on farmland could have an impact on land prices, depending on the outcome of the education reform proposals. A lowering of property taxes for agricultural land will be a positive force toward stronger land prices.

Since almost one-half of the farmland in Michigan is enrolled in the Farmland and Open Space Preservation Act, P.A. 116, current proposals for lowering the amount of property taxes which are used to help fund public schools will have a relatively small impact on the net property taxes paid by farm owners. However, farmland owners not enrolled in P.A. 116 will see a reduction in their property taxes.

Short-Run Projections

In the short-run, look for land prices to continue to show modest increases (equal to, or less than, inflation rates) based on the cash flow strength of crop operations. Rural residential and recreational influences will have an increasingly strong impact on land value in some areas, particularly in the southeast part of the state.

Liability issues surrounding environmental hazards such as chemical run-off, animal wastes and underground storage tanks will also be an increasing concern which will impact land values, particularly on land with building sites, livestock operations and/or underground storage tanks.

Long Run Projections

Long-run land values will be impacted by financial strength of farm operations and their cash flow. A key factor during the rest of the decade is what happens on the international scene. If exports increase as a result of NAFTA and other trading agreements, farm incomes should improve and land prices will increase. However, weaker export demand or increased competition in the export market will dampen farm incomes, which will have a negative impact on land prices.

High quality corn, soybean, irrigated and sugar beet ground continues to lead Michigan land values according to a recent MSU survey.

...1994 Poultry Profits

continued from page 8

Current feed ingredient costs may temper the increase in production. However, since the heavy feeding period for turkeys is usually in the late summer and early fall, feed costs for the 1994 turkey crop may decline some.

Eggs

Egg prices at the start of 1994 were close to their year earlier levels. However, the direction in the first half of 1994 will be different than in 1993. In 1993, March and April prices were above January. In 1994, prices will likely decline after January.

The first six months of 1994 will probably see wholesale prices in New York for Grade A large eggs in cartons to average in the mid to upper 60s as contrasted with an average of about 74 cents for the same period in 1993. This egg price differential will be accentuated by feed ingredient costs at about 4 cents per dozen above 1993 in the first half of 1994.

Any improvement in egg prices and lower egg production will not likely occur until at least the last quarter of 1994. The egg-type chick hatch was above year earlier numbers in every month from January 1993 (except May) through November 1993. The major hatching season of March, April and May 1994 may be 7 percent below the comparable months in 1993. This reduction may be modified by plans for forced molting that will vary according to the industry reactions to the egg-feed price expectations.

Dodge Ram 5.9L Magnum V-8

General 1994 Economic Outlook

Lester V. Manderscheid, Dept. of Agricultural Economics, MSU

The second half of 1993 was a period of improved economic conditions in the United States. Gross Domestic Product (GDP) corrected for inflation grew at a 2.7 percent annual rate in the third quarter. Most analysts expect the fourth quarter growth rate was well above 3 percent, with some placing it as high as 4 percent.

Falling interest rates early in 1993 stimulated investment and allowed home owners to refinance their mortgages to obtain lower payments, cash in hand, or a shortened payback period.

The leading growth sectors were residential fixed investments (primarily housing), nonresidential investment (business plant and equipment) and durable goods. All of these sectors are interest-sensitive, much of the spending is financed by borrowing and the cost of borrowing is linked to the interest rate.

The two sectors slowing growth were federal government expenses and exports. Federal expenditures were reduced which lowered the deficit and signaled moderate inflation which allowed interest rates to decline.

Unemployment rates declined from 7.4 percent in October 1992 to 6.4 percent in October 1993. It is currently at the 6.4 percent level. Inflation was moderate over the last year. Wholesale prices increased only 0.2 percent while consumer prices increased 2.7 percent, the lowest in seven years.

1994 Outlook

The outlook for 1994 is for continued economic growth. Economic growth in the rest of the world affects our growth pattern. If world growth rates improve, our exports will increase and contribute to growth rather than reduce it as it did in the third quarter of 1993.

Consumer confidence is relatively high and may remain there. The economic policies of the Clinton Administration are reasonably predictable-much more than a year ago.

Debate over health care policy, while heated, is unlikely to undermine consumer confidence because many key individuals have indicated a desire for a compromise acceptable to a broad segment of society. International events could affect this outlook, but they are unpredictable.

Current low inflation rates have allowed low interest rates. Should economic growth increase to 4 percent per year, the Federal Reserve might tighten the money supply and increase interest rates. The effect would be to slow growth in the interest-sensitive sectors discussed above.

Michigan's economy has fared well in spite of major plant closings. Auto and truck sales should be strong in 1994 unless interest rates increase significantly. U.S. producers have benefited from the exchange rate change that makes cars imported from Japan more expensive. New models already introduced or scheduled for 1994 production appear to be increasing consumer interest.

There may be much confusion when the January 1994 unemployment numbers are released. Several changes in the way the unemployment data are measured will likely cause the new unemployment rate to increase.

The use of computers during the interviews should reduce errors. Several questions are also being changed. Preliminary studies indicate that the unemployment rate may increase by 0.5 percent as a result .

In summary, the outlook for 1994 is continued economic growth at about 3 percent, low inflation, and slowly falling unemployment. The Michigan economy should grow at least as much as it has in 1992 and 1993.

Sugar Outlook – Lower Stocks Good News for Michigan

John N. (Jake) Ferris, Dept. of Agricultural Economics, MSU

Lower production elsewhere and higher corn prices meant a reduction of stocks and steady prices in 1993, which should carryover into 1994.

World sugar production for the 1993-94 crop year is estimated at 113 million metric tons (MT). World consumption is close at 114 million MT. This results in a slight drop in ending stocks to about 21 million MT, 18.5 percent of annual consumption. With this decline in stocks, world prices are strengthening in 1993-94.

As reported by USDA, world raw sugar prices (basis Contract No. 11, f.o.b. stowed, Caribbean ports) averaged 9.23 cents per pound in 1991-92; 9.56 cents per pound in 1992-93; and in the first few days of the 1993-94 crop year in December, averaged about 10.5 cents per pound.

U.S. sugar production is estimated at 7.5 million short tons (6.8 million MT), 3 percent less than the record large 1992 output. Combined with large beginning stocks of 1.8 million tons, reduced imports of 1.2 million tons and projected use of 9.8 million tons, this would bring ending stocks down to 12.3 percent of annual use compared with 18.4 percent at the end of the 1992-93 crop year. This reduction projected for ending stocks has strengthened domestic sugar prices.

The record U.S. sugar crop in 1992-93 pushed prices down to levels that allow processors to forfeit sugar to the CCC. For this reason, the USDA announced the imposition of domestic marketing allotments for fiscal 1993 at the end of June, the first time since the Sugar Act expired in 1974 that government controls have existed on the marketing of domestic sugar.

This boosted Midwest beet sugar prices about 4 cents per pound. The potential effect of releasing the blocked sugar on the market after Oct. 1 was apparently offset by the smaller 1993 crop, and prices held near 27 cents per pound through the fall at Midwest markets.

Another factor supporting sugar prices is the small U.S. corn crop and higher prices on High Fructose Corn Syrup (HFCS). The importance of HFCS in the sugar market is reflected in the fact that HFCS represents about 80 percent of the sugar deliveries to the U.S. market. The per capita consumption of both sugar and HFCS has been increasing in the U.S. since 1984-85.

The U.S. sugarbeet crop for 1993 was estimated by the USDA at 26.4 million tons, nearly 10 percent below that of 1992. Flooding and rain adversely affected output in southern Minnesota and the southern part of the Red River Valley.

In Michigan, however, a 3,179 thousand ton crop was estimated from an expanded acreage of 189,000 and a 17 ton yield. This represents the second largest sugarbeet crop for Michigan and is attributed to the accelerated acreage. Yields have trended lower in the past decade. However, sugar recovery rates have improved.

With the sugar price stable to strong, a larger crop and improved recovery rates, Michigan sugarbeet producers should realize higher returns on their 1993 crop than on the 1992 crop.

Site Specific Management Conference Set for March 7 at MSU

Heard just enough about site specific farming to be thoroughly confused? Want to find out if it could work on your farm? You can finally get some answers, first-hand, during a Site Specific Management in Agriculture workshop on March 7, at the Michigan State University's Kellogg Center from 8:30 a.m. to 5 p.m.

The program is sponsored by MSU Extension and the Agricultural Experiment Station in cooperation with the MSU Department of Crop and Soil Sciences, the Soil Conservation Service, and the *Michigan Farm News*.

According to MSU Crop and Soil Science's Dr. Francis Pierce, the workshop is designed for the individual who wants more information on site specific crop management techniques and associated technologies.

"Site Specific crop management involves the variable application of management practices within a field," explained Pierce. "The technology to farm so that each area within a field is managed appropriately, is now available. Farmers in many parts of the country are already applying site specific management to their production systems."

Workshop Speakers & Topics

Pierre Robert, University of Minnesota, Data Base and Information Management.
Larry Tornes, State Soil Scientist, USDA SCS, Soil Surveys and Geographic Information Systems.
David P Lusch, Remote Sensing Center MSU, Positioning in the Field - Global Positioning Systems (GPS).
Darryl Warncke, MSU Crop and Soil Sciences, Assessing Variability and Soil Testing.
Scott Swinton, MSU Agricultural Economics, Evaluating Site Specific Management.

Commercial speakers will be on hand, to demonstrate equipment and software for site specific management from 5 to 9 p.m..
Dean Fairchild, SOIL TEQ, Inc.
Neil Havermale, Farmers Software
Don Larson, Larson Systems
Ted Macy, Applications Mapping

For further program information, contact Pierce at (517) 355-6892, or Dr. Darryl Warncke at (517) 355-0210. Enrollment for the workshop is limited, and registration is required by the Feb. 15 deadline. A workshop fee of $25 covers all refreshments, lunch and workshop materials.

Site Specific Management Workshop Registration Coupon

NAME:______________________________

ADDRESS:______________________________

PHONE:______________ NUMBER OF PEOPLE:__________

WORKSHOP FEE $25 x person(s) = $__________

Complete the registration coupon and make checks payable to **Michigan State University**. Once completed, mail the coupon and check by Feb. 15 to:
Jerri Wardwell
A584 PSSB, MSU
East Lansing, MI 48825-1234
Phone: (517) 355-9289

Registration Deadline Feb. 15

Dairy Outlook - Purchased Feed Costs up 10–20 Percent

Larry G. Hamm and Sherrill B. Nott, Dept. of Agricultural Economics, MSU

National

U.S. milk production will be around 152 billion pounds for 1993, about the same as it was in 1992. But, there were notable shifts within the country. Total production was down in Minnesota and Wisconsin, but was up in California and the West.

Expect the financial strains caused by flooding and poor quality feed to plague the upper Midwest through the first half of 1994. Other regions, though, will easily offset any local production drops. The country may see 1994 production 1 percent higher than in 1993.

The U.S. dairy herd will likely decline 1.3 percent, ending 1994 at 9.6 million head. Production per cow should increase more than 1.6 percent and will likely approach 16,000 pounds per cow. Credit the exit of many lower producing cows in the upper Midwest and the use of bovine somatotropin (BST) for the higher average milk per cow.

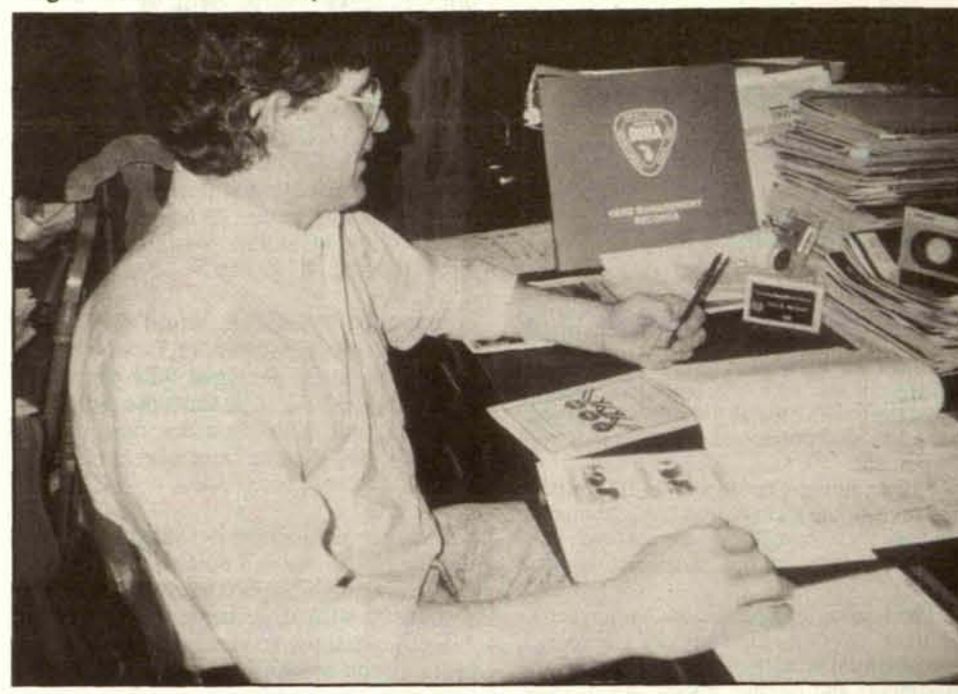
Commercial disappearance was around 144 billion pounds in 1993, up nearly 1.6 percent from 1992. Expect a 1 percent increase in 1994 with demand reaching 145.5 billion pounds. Commercial disappearance will follow population growth and moderate increases in personal income.

In early December, the USDA predicted support purchases of both butter and nonfat dry milk were likely after holiday needs had been met. For all of 1993, removals of milkfat were projected to decrease 2-3 billion pounds, milk equivalent, from 1992's 10 billion. Skim solids removals were expected to rise to about 3 billion pounds, milk equivalent, from 2 billion a year ago.

USDA projected that 1994 surplus milk production would be between 6 and 7 billion pounds milk equivalent, regardless of measure. The surplus of skim solids may exceed the milkfat surplus for the first time since 1987.

This level of surplus means that producer assessments under the Omnibus Budget Reconciliation Act of 1990 will likely increase to more than 16 cents for May through December. The check-off deduction for advertising and promotion by the National Dairy Board will continue.

Higher feed costs will require strict attention to management details in 1994.



The national average price for milk at the farm was $12.80 in 1993, down about 3 percent from 1992. With the developing surplus situation predicted by the USDA, the national average milk price could drop to $12.00 in 1994. Given the uncertainty of major factors in the supply and demand picture in the next few months, this price estimate could be off by a dollar, plus or minus.

BST

Our country's Food and Drug Administration in early December approved BST for farm use. With the 90-day delay tacked on by Congress, it may be available by early February. However, on Dec. 24, 1993, the *New York Times* reported that the Foundation on Economic Trends would file a lawsuit in January attempting to block BST sales. We'll soon know!

If such roadblocks do not occur, it will still take awhile for this new technology to be adopted and have an impact. Michigan will probably adopt its use as quickly as anywhere in the country.

Michigan Pricing

The Minnesota Wisconsin (M-W) price series is a basic mover of milk prices in Michigan. And, it will continue to be as we go to component pricing. The month-to-month changes in the M-W averages were close to 50 cents per cwt. for 1993. The industry had a double peak in the M-W in 1993; it's questionable whether that will happen again, but expect monthly volatility during 1994.

The drastic cutbacks in total milk supplies in Minnesota and Wisconsin during the final months of 1993, compared to the previous year, have tended to offset much of the expected seasonal drop in the M-W series. This will support the Michigan farm price for the first quarter of 1994.

Multiple component pricing will bring a new way to calculate individual farm milk prices in Federal Order 40. In addition to the M-W base and butterfat content, the price will also be influenced by the percent of protein in the milk and the level of somatic cell counts. This change will likely happen sometime in 1994.

Those selling into the Ohio market are already under a component pricing system. The Upper Peninsula, under Order 44, will not change to component pricing this year.

Farm Costs

The USDA tracks the prices paid for 15 farm production items. In 1977, the index for these items was set to 100. By October 1993, the grouping that had increased in price the most was automobiles and trucks. Its index was 276.

Other farm machinery was second with 248 and tractors and self-propelled equipment was third with 237. Labor was fourth

Continued Next Page

Dairy Outlook - 1994...

continued from page 12

at 221. There is reason to believe that these groupings will continue to increase in cost faster than the others.

The categories that had increased the least by October 1993 were feed and fertilizer. They tied with an index of 127 each. Expect fertilizer prices to continue low to lower as crop farmers attempt to more closely match plant needs with nutrients available resulting in less fertilizer purchases.

Feed Costs: Feed prices will be higher in 1994, especially the first half of the year. Excess rain lowered forage quality in the upper Midwest. Flooding took out a lot of corn and soybeans. By the end of 1993, the cash prices of corn and soybean meal were rising rapidly.

When 1994 is over, it's estimated that the per cow purchased feed costs will be 10-20 percent higher than in 1993. That's assuming normal weather for the 1994 crop year and the chance to rebuild feed inventories at closer to long-run average prices.

The impact of feed prices will vary from farm to farm within the state. In southern Michigan where corn often yielded well, dairy farms will have enough to feed and excess to sell as a cash crop. Such farms may be better off on a cash flow basis than they were in 1993. However, purchased protein feeds will be a problem.

Fuel Costs: Fuel prices were headed lower in the closing weeks of 1993 as the OPEC cartel was unable to stop crude oil prices from dropping. Although retail gasoline prices were down 10 percent in south Michigan, it is not known how long the situation will last. If excess crude stays on the market for several months, it could noticeably lower the fuel costs at planting and ease the pressure on trucking costs for milk and a variety of other farm products.

Taxes: Real estate tax levels are an unknown as this is written! The Michigan Legislature has presented a plan for restructuring how schools will be financed. Voters will decide upon the final version. It appears land taxes will be reduced. The cash flow impact after the substitution of different taxes is not clear.

The effect on income taxes and the moderating adjustments for those with P.A. 116 contracts is currently unknown. On a pre-income tax basis, the proposed land tax changes could mean more farm profit.

Overall Expenses: A sample of 200 farms in 1992 averaging 113 cows had total operating expense of $303,458 including depreciation and cash interest, but not including unpaid labor. Cash feed purchases were 22 percent, land taxes were 2.9 percent and fuel costs were 2.6 percent of that total. The expected increase in purchased feed costs may well more than offset any decreases in land taxes, diesel fuel and gasoline. A dairy farm with the same size and production levels as in 1993 can expect higher total costs in 1994.

Management Critical

Given the above, managers will be looking to improve efficiency. New technology such as BST will be attractive. Managers will be looking to improve their skills in seminars such as those in the Animal Management Advancement Project.

The long-run weather forecast is for a warmer and wetter than usual situation from now until the start of the growing season. This has implications for selecting next year's crop varieties. If stored forages are in short supply, planning on how many head to keep will pay dividends. Perhaps this will be the spring to try grazing those dry cows and heifers, if not the milkers. They can get onto moist ground and harvest the first plant growth far earlier than machinery can.

The information age is upon us, and it needs to be managed. Computers can help. They must not be part of the machinery cost indexes mentioned above, because this year's computers are more powerful and sell for about half what they did three years ago.

Consider the data and information a Michigan dairy farmer could handle in 1994. The DHIA data will be input at the farm on a portable computer; a report can be left behind for immediate managerial action.

As BST use is started, individual cow performance will need to be tracked to see if the response is profitable. Multiple component pricing puts a premium on tracking milk protein levels by cow as rations change.

Plant nutrient management is increasingly critical as environmental regulations pertaining to record keeping come on line. Electronic message sending systems are the fastest way to tap expertise around the world, as well as across the state. The outlook is that managers will turn to 486 computer systems for help in all of these chores.

– Michigan Farm News Classifieds –

01 Farm Machinery

12,000 GALLON liquid NH3 holding tank. 10 liquid NH3 tanks on running gear (2 tanks with variable size row). 1 liquid NH3 tank without running gear. 6 applicators. 2 tool bars (1 tool bar with kohlers for no till). 500 gallon sprayer. Miscellaneous parts. All in very good condition! As a package, will consider individual sales. Call 1-800-352-3354.

1982 CLARK C-500 lift truck for sale. 3800 hours, LP gas, 3,000# capacity, Pneumatic tires, side shift, 60" free lift, 152"lift, 3 stage upright. Excellent condition!
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01 Farm Machinery

1988 FIELDBOSS 40h farm tractor with all equipment. Less than 500 hours. All attachments! $10,000. Call 1-313-793-4760.

1 UNION Special Model 80800E Sewing Head with Thread Cutting Wheel. 1 King Line Model 600 (Union Special Look-Alike) Sewing Head with Thread Cutting Wheel. Excellent condition! Ready to run. Contact:
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01 Farm Machinery

GOOD USED IRRIGATION Equipment: Heinzman 7245 soft hose traveler, $5,750. Rainbow (1 pc) traveler, $4,800. Valley soft hose traveler, $4,750. Detroit 671, 1200 GPM/160#, $6,250. Toyota diesel 450 GPM/110#, $3,950. 14,000 feet 2"x40' aluminum pipe, 65¢ foot. 24,500 feet 3"x30' aluminum pipe, 85¢ foot. 16,000 feet 4"x30' aluminum pipe $1.20 foot. 5,800 feet 6"x80' Ring lock $1.80 feet. Call for complete listing!
Plummer Supply, Inc.
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H&S STEEL throw bale wagon on 5 ton Gehl running gear. Very good condition! $1800 firm. Kent County. 616-636-8449.

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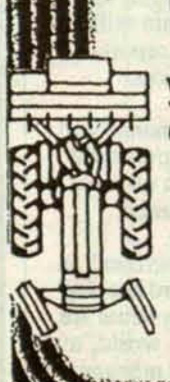

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1-517-834-2576.

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12 General

STEEL BUILDING SALE: Brand new, some year end closeouts. Act before January 30, 1994 and save $1,000's. Call for sizes. 1-616-754-0643.

13 Ponies/ Horses

3½ YEAR OLD Buckskin Gelding. 14.2 greenbroke, not registered. $700 firm. Homemade horsetrailer, new floors and tires. Needs work. $200 firm. Call 1-616-794-0219.

BLACK AMISH BUGGY: Two seater, sliding doors, lights, rubber wheels. Road ready! Belgian Gelding, 7 years old, gentle broke, 1900 pounds. Perkins, Mi. 1-906-359-4826.

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BEAT THE WINTER BLAHS, spend a day in Greenville and visit the many antique shops. The **Caspian Sea Antiques** in the center of town is now looking to put some cash in your pocket. We buy WWI and II military relics, old antique telephones, wooden airplane propellers, tobacco and cigar cutters and fruit jars. Give us a call at 1-616-754-9224 or stop by and see us at 202 South Lafayette Street, Greenville, across from FMB Bank, next to Haan's Bakery.

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1-616-285-3243.

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1-517-485-8885.

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Trade Issues Big in 94 continued from page 1

Table 1
Removal of Agricultural Tariffs Under The North American Free Trade Agreement

	U.S. Imports from Mexico	U.S. Exports to Mexico
Duty-free before NAFTA	29%	15%
Tariff removed in first year	35%	37%
Tariff phased out in 5 years	7%	3%
Tariff phased out in 10 years	25%	38%
Tariff phased out in 15 years	4%	7%

The Uruguay Round of GATT negotiations were completed in 1993, ending seven years of negotiations in which agricultural trade issues were the center of attention.

Elements of the GATT agreement:

• All nations must reduce their budgetary outlays for export subsidies by 36 percent, with the quantity of subsidized exports decreasing by 21 percent. These reductions must be made from a 1986-1990 base level of subsidies.

• All nations must reduce any trade-distorting internal subsidies by 20 percent. These reductions must be made from a 1986-1988 base level of subsidies, permitting reductions made since 1986 to count toward this total. The U.S. has already made reductions of greater than 20 percent and will not be required to make additional reductions to meet this GATT requirement.

• All import quotas, including U.S. Section 22 quotas on sugar, dairy, peanuts and cotton, must be converted into tariffs. All new and existing tariffs must be reduced by an average of 36 percent, with a minimum reduction of 15 percent for all items.

• All reductions in subsidies and tariffs will be phased in over a six-year implementation period.

Important linkages could exist between NAFTA and GATT if the GATT agreement is approved by Congress. While NAFTA permitted Canada to retain its import quotas on dairy and poultry products, GATT would require that these quotas be converted into tariffs. Since NAFTA also requires all tariffs to be removed between the U.S. and Canada, questions have already arisen over whether NAFTA would require the removal of tariffs on dairy and poultry products once the GATT has converted these quotas into tariffs.

This issue, along with the U.S.-Canadian dispute over Canada's wheat pricing practices, are likely to receive much attention during 1994.

Other Policy Issues

• Congress is scheduled to consider the reorganization of the USDA during 1994. The structure of USDA's central administration and its field structure will be at the center of this debate.

• The Clinton Administration has developed proposals for changing pesticide regulations, including the Delaney Clause to prohibit the use of any chemical found to cause cancer in animals or humans.

• The reauthorization of the Clean Water Act could be considered, with agricultural run-off and other forms of nonpoint pollution being a major focus of this legislation.

Looking Ahead to the 1995 Farm Bill Debate

Though Congress will not take action on a new farm bill until 1995, public discussions on the 1995 farm bill will probably begin this year. Some major issues that farmers can expect to hear about include:

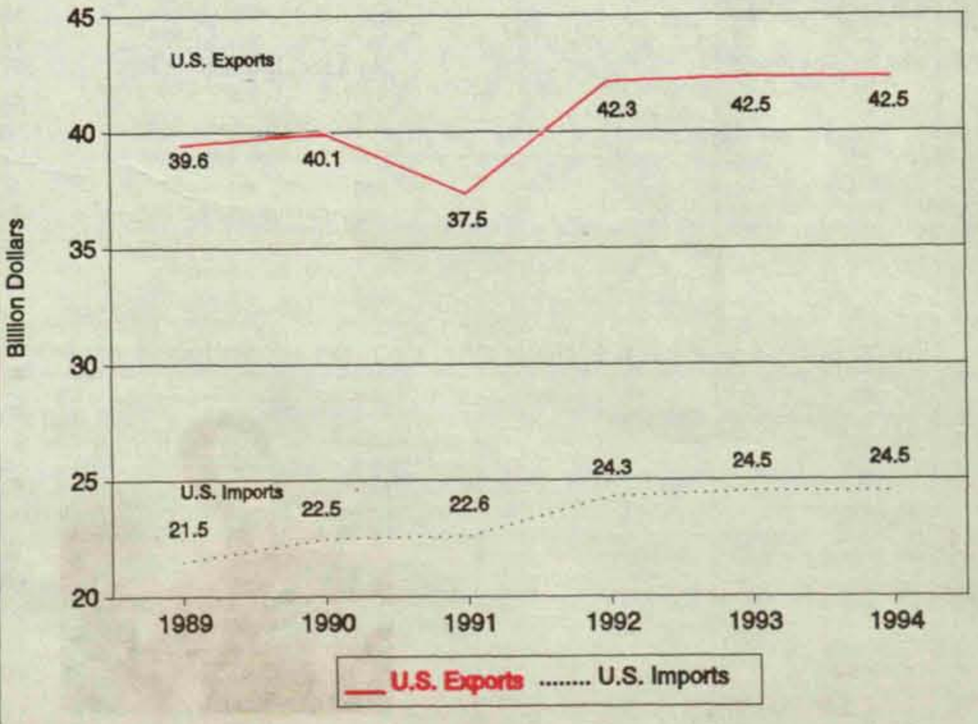
• Continuation versus modification of existing commodity programs. Alternatives such as "revenue assurance" (a form of income safety net), "green payments" (payments to meet environmental objectives), decoupling are likely to be considered.

• The future of the Conservation Reserve Program (CRP). Some CRP contracts are scheduled to expire in 1996, and Congress must decide the future of this program in the 1995 farm bill debate. Questions about the effectiveness of the program, budget cost and methods of targeting CRP at specific environmental problems are likely to be considered.

Summary

The next farm bill debate is still one year away, but many policy issues affecting the future of agriculture will be considered this year. The increasing number and complexity of public policies affecting agriculture should stand as a reminder that farm programs are only one of the many policy problems requiring farmers' attention.

Figure 1
U.S. Agricultural Trade, 1989 - 1994



16 Farm Management Implications for Cash Crop Farms in Michigan

Apply best managment practices in 1994 to maximize profits, reduce debt load and build up reserves while higher commodity prices allow an opportunity to do so.

Ralph E. Hepp, Dept. of Agricultural Economics, MSU

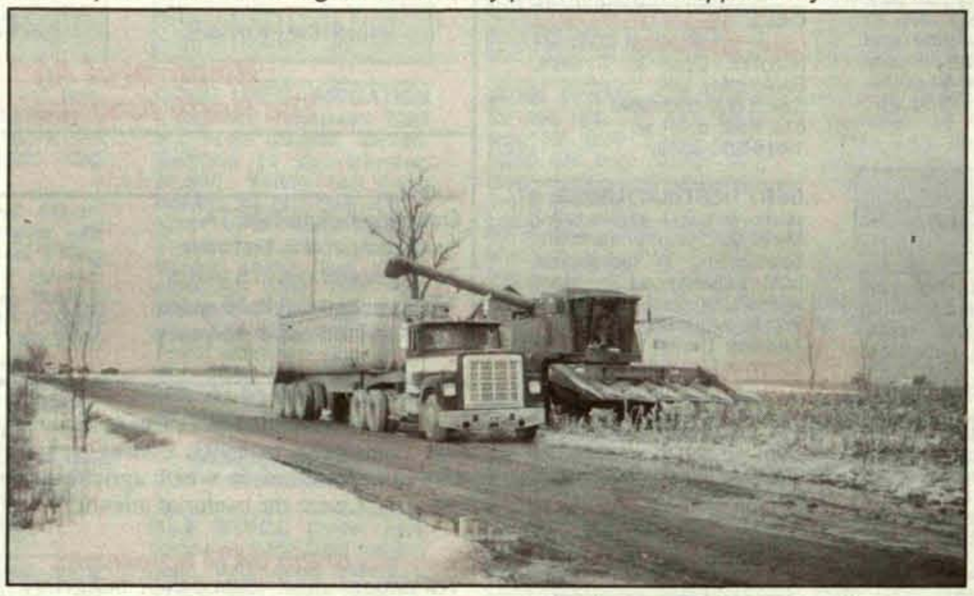
Returns on cash crop farms in Michigan during 1993 showed improvement over the capital and labor returns of the previous year. Michigan farmers benefited from higher crop prices as a result of the weather related problems in the Midwest, but did not suffer the crop losses experienced by operators in other states.

Crop yields in Michigan increased over the reduced level of output of 1992. Crop farmers are entering 1994 with better quality grains and beans, higher prices and larger inventories for marketing during the beginning of the year.

Improved cash flow during the first part of the year should help to bolster working capital, and improve credit lines for the upcoming season. The strengthened financial position should allow modest upgrading of capital items, debt reductions and steady growth in business volume.

In most cases, crop operations need to address the high fixed costs within the businesses, and the next year offers some opportunities for growth that will help to spread fixed resources over a larger unit.

Continue to follow best management practices in applying production inputs, negotiating land rental agreements and finding the best prices for crop supplies. Crop farming is competitive and managers can not relax their strategy of maintaining a low cost operation if they want to obtain respectable profits from the business.



Low input agriculture and environmental concerns are important issues, so apply inputs that are required for maximum profits, but don't use excess fertilizers and chemicals to challenge the land for the highest yields possible. Financial sustainability should be the primary goal of producers, so manage the details in order to achieve greater profits, and at the same time protect the environment.

Net farm income for 1993 should be about $20 per acre higher than the previous year, and 1994 should equal or surpass this level. Average yields and improved prices during 1994 should generate greater revenue during the year.

Lower energy costs, interest rates and property taxes will likely keep per acre crop costs the same as last year or continue the small decline in cost that have been experienced during the last few years. Spreading fixed resources over more production units will also help the cost picture.

Attention to financial details during the year will pay dividends to crop producers. Develop projected cash flow and income statements, and an estimate of the year-end assets and liabilities on the balance sheet to determine the likely impact of the optimistic financial outlook for your operation.

Monitor cash flows during the year to determine the availability of additional funds for new investments and accelerated debt payments. Proceed cautiously with new investments unless budgets clearly show the ability to make sizeable cash down payments and rapid payback of the debt.

Red Tart Cherry Information and Development Program Referendum in February

Michigan red tart cherry producers will be receiving a continuation referendum ballot in their mail between Feb. 7 – 18, asking them whether they want to continue the state-based checkoff to fund the Red Tart Cherry Information and Development Program (RTCIP) for another five years.

Ballots will also be available at MDA's Lansing and regional offices, as well as county Extension offices, according to MFB Commodity Director, Ken Nye.

"When voting, growers must vote based on production in one of the last three years, meaning they must also provide the year and the number of pounds produced and sold in that year," Nye explained. "Growers are encouraged to study this RTCIP referendum and then participate by casting their vote."

In order for the referendum to pass, it must be approved by at least 50 percent of the growers voting, representing more than 50 percent of the red tart cherry production voted. Ballots must be postmarked no later than Feb. 18, or be hand delivered to the MDA's Lansing headquarters no later than 5 p.m. on Feb. 18.

According to Michigan Agricultural Cooperative Marketing Association (MACMA) General Manager, Randy Harmson, the volatile red tart cherry market stresses the need for a solid information program that can provide growers with critical market news.

"The RTCIP communicates with growers concerning crop, market and price information, through newsletters, and it also provides for the *Red Tart Cherry Crop Statistic & Market Analysis* book on an annual basis," explained Harmson. "RTCIP has also provided for a Washington, D.C., consultant which has significantly impacted both grower incomes and the movement of surplus tart cherries. Nearly $30 million worth of surplus tart cherries have been purchased by USDA for domestic feeding **programs, such as the school lunch program."**

For more information, call MDA at (517) 373-1058. MACMA will be hosting a series of informational meetings throughout Michigan at the following locations:

Feb. 8	Traverse City N.W. Hort. Research Station	9 a.m.
	Kewadin New Milton Township Hall	2 p.m.
	Bear Lake FMB Bank	7 p.m.
Feb. 9	Hart FMB Oceana Bank	9 a.m.
	Casnovia Maxwell's Restaurant	2 p.m.
Feb. 10	Benton Harbor S.W. Hort. Research Station	9 a.m.
	Paw Paw Van Buren County Farm Bureau	2 p.m.