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Fall 2007

Agricultural Situation and Outlook Fall 2007

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Agricultural Situation and Outlook



Fall 2007

ESM-33

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AGRICULTURAL SITUATION AND OUTLOOK
FALL 2007
ESM-33 OCTOBER 2007

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Chuck Corby and Kenny Burdine

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FOREWORD

This publication is prepared by the faculty and staff of the Department of Agricultural Economics, University of Kentucky. These articles present information on the economic situation and outlook for Kentucky agriculture and are intended to assist farmers, agribusiness professionals, Extension field staff, and others with interest in agriculture and agribusiness. Information presented here is based on the most recent information and research available. However, the rapidly changing economic and policy conditions for agriculture limit the usefulness and life span of conclusions and recommendations cited here. Decision makers should keep these facts in mind. Feel free to use the information included in this publication for other uses, but please provide professional citation about the source. The papers contained in this publication are published without formal review and the views expressed are those of the author and do not necessarily reflect the views of the University of Kentucky, the Agricultural Experiment Station, or the Cooperative Extension Service. If you need additional information or if you would like to provide comments or suggestions, contact the author or the editor. A list of authors (in alphabetical order) and contact information is provided below.

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Economic and Agricultural Outlook, Fall 2007

Larry D. Jones and Craig L. Infanger

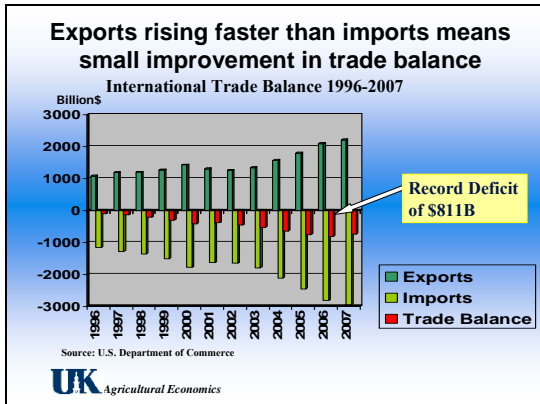
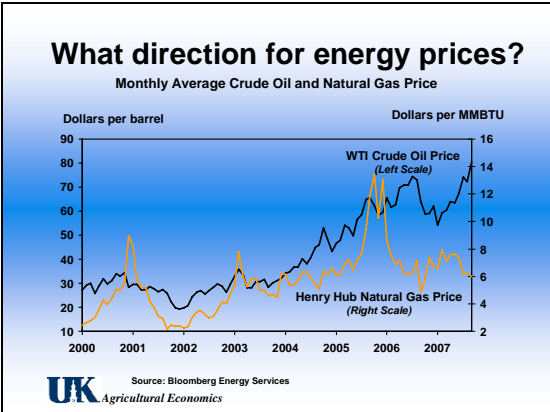
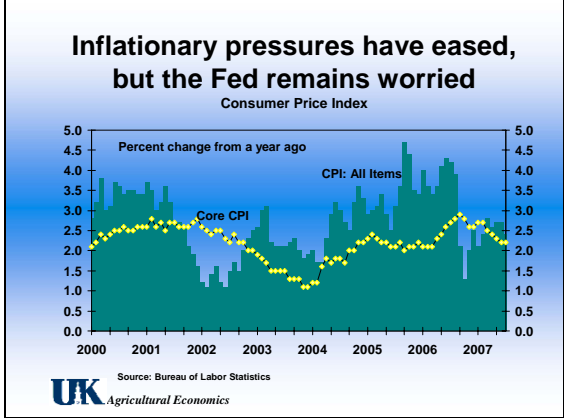
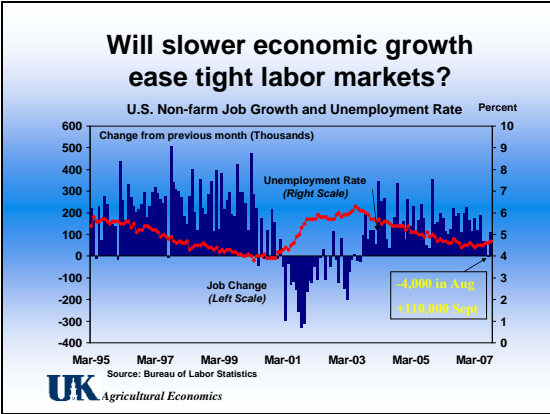
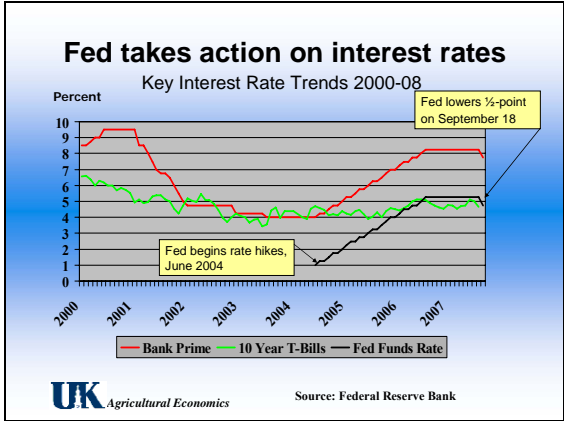
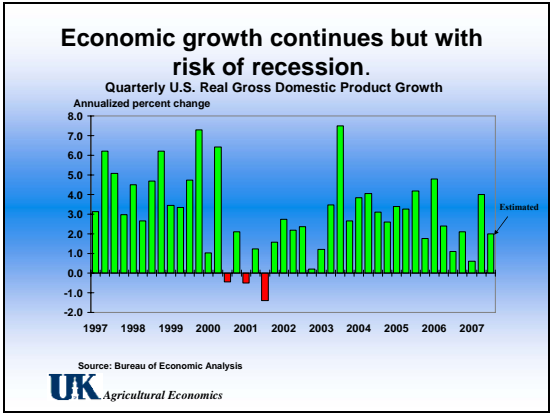
U.S. Economic Outlook – The recent news about the U.S. economy has been dominated by the credit crisis. When the housing market “bubble” of rapidly rising home prices burst this year, a shock wave moved through credit markets. Ultimately, the Federal Reserve Bank had to intervene to maintain liquidity in credit markets and cut interest rates to counter the threat of recession.

Despite the shock waves from the financial market crisis, the U.S. economy is still expanding, but at a slower rate than recent years. Gross Domestic Product (GDP) should grow about 2.5% for 2007 with a similar outlook for '08. The risk of recession is real but market fundamentals are still positive. Unemployment remains low and labor markets in many regions are “tight” for both skilled and unskilled labor. Inflation pressures are most evident for energy and oil-related markets, but the “core” CPI (without food and energy costs) has been trending down for several months. Oil prices continue to be influenced by strong world demand and continued political risk in major producing areas.

With rapid economic expansion still underway in China, India, Russia, and South Korea, the sluggish growth in the U.S. has contributed to a decline in the value of the dollar. For the first time in 30 years, the Canadian dollar is valued at \$1 U.S. The weakened U.S. currency makes imports more expensive while making our exports more price competitive. The result has been a small improvement in the massive trade deficit the U.S. economy has experienced in the last 10 years.

Economic Outlook for Agriculture – Net farm income for the U.S. in 2007 is projected to be a record \$87 billion, exceeding the average of the past decade by nearly \$30 billion! This record-high income is occurring even though farm expenses are up 7.5%, government payments are projected to fall 15%, and some areas of the country (including of Kentucky) experienced significant drought conditions. Even though crop prices have received a great deal of publicity due to such factors as ethanol demand and weather disruptions, livestock receipts are also projected to increase more than \$20 billion in 2007. Strong demand has been the driving factor behind record high milk prices, which should continue into 2008. Meanwhile, the U.S. farm balance sheet has never looked stronger with continuing increases in “real” farm equity, which has been uninterrupted for 15 consecutive years. Farm exports are projected to reach a new record in 2007, but food imports are also expected to increase.

Kentucky’s agricultural economy closely mirrors the U.S. farm economy most years. This year could be an exception because of the uncertainty that the drought has had on crop and hay yields along with pasture conditions. However, with relatively high commodity prices by historical standards, Kentucky net farm income in 2007 could approach the 2005 record of \$2.1 billion.



Will We Have a Farm Bill This Year? Craig Infanger and Will Snell

The 2002 Farm Bill has expired but Congress has not yet completed legislative action on a new farm bill. When will we have a new farm bill? Delays are not unusual: The 1990 Farm Bill was signed in November; the 1996 Farm Bill was signed in April. So, we may have a new farm bill this calendar year, or not. We have summarized below the progress to-date and provide comments on the impact of expiration.

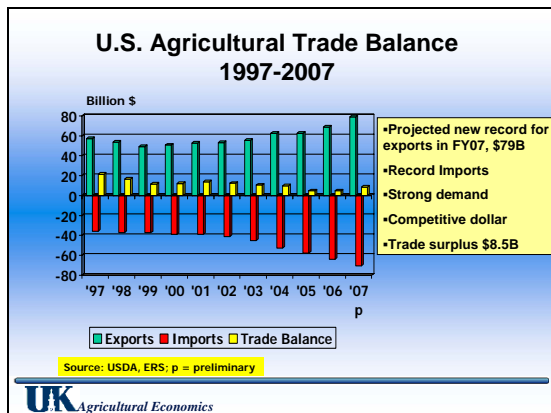
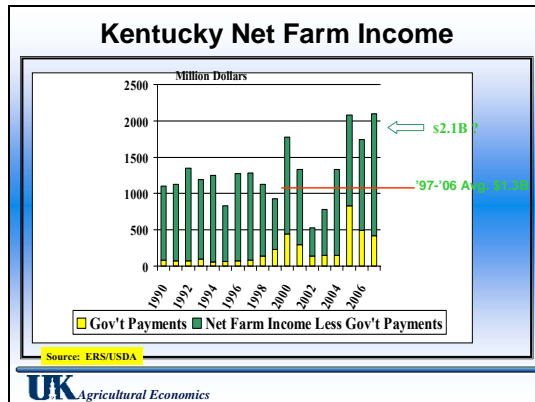
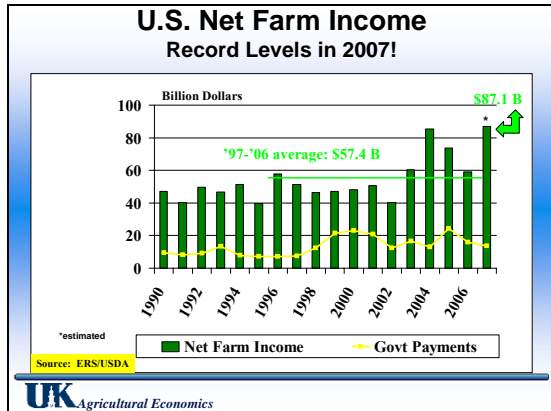
The House Farm Bill: The House of Representatives has acted, passing H.R. 2419 in July. This legislation maintains the general structure of current farm programs – commodity payments and target prices, conservation programs, and other farm-related policies such as planting flexibility. The House preserved the counter-cyclical payment program and created a new optional revenue-based counter-cyclical payment. They also “rebalanced” the target prices and loan rates for some major crops (see table below) but did not change the direct payment rates. The dairy safety net is changed from one that supports the price of milk to one that supports the price of dairy products and the Milk Income Loss Contract (MILC) program is extended to 2012. Specialty crops will receive \$1.6 billion in new funding for research and promotion of fruits and vegetables. In response to public pressure, the payment limitation provisions were modified, adopting a tighter Adjusted Gross Income rule and eliminating the three-entity rule.

	Target Price (\$/bu)	Loan Rate (\$/bu)	Direct Payment (\$/bu)	Target Revenue (\$/ac)
Corn	\$2.63 (no change)	\$1.95 (no change)	\$0.28 (no change)	\$344.12
Soybeans	\$6.10 (+\$0.30)	\$5.00 (no change)	\$0.44 (no change)	\$231.87
Wheat	\$4.15 (+\$0.23)	\$2.94 (+\$0.19)	\$0.52 (no change)	\$149.92

Conservation programs were maintained with some increased funding for EQIP and the Grasslands Reserve; however the Conservation Security Program is frozen until 2012. More funds were voted for renewable energy research, development, and production. And this farm bill orders mandatory Country of Origin labeling of fruit, vegetables, and meat. For more details on H.R. 2419 go to: <http://www.uky.edu/Ag/AgEcon/farmbill/pubs/hr2419Aug07.html>

Senate Action: The Agriculture Committee has not yet completed any legislation. The committee chairman wants more funding for conservation programs. Another member wants a permanent disaster program. There is debate about the counter-cyclical payment being based on state target revenue (v. national) and pressure to reduce direct payments, but we expect that a Senate farm bill will retain the basic structure of current commodity programs. There is little question that the Senate version will be different in many ways from the H.R. 2419, requiring more negotiation and compromise to reconcile differences, and promising more delays.

Consequences of Expiration: There were no dramatic impacts when the major provisions of the 2002 Farm Bill expired on September 30. Commodity program payments for current year crops are unaffected. However, the uncertainties will become more acute with the spring planting season for the major crops. It is clear to everyone that the provisions of permanent law are so radically different from current policy and farming conditions that Congress will do something to prevent revision to the Depression-era programs.



H.R. 2419 Major Commodity Provisions

- Extends current system of target prices, marketing loans, and direct payments
- Target prices “rebalanced” for “regional equity” (i.e., corn & wheat increased)
- Creates new, national revenue-based option for counter-cyclical payments

	Target Price (\$/bu)	Loan Rate (\$/bu)	Direct Payment (\$/bu)	Target Revenue (\$/ac)
Corn	\$2.03 (no change)	\$1.95 (no change)	\$0.28 (no change)	\$344.12
Soybeans	\$6.10 (+\$0.30)	\$5.00 (no change)	\$0.44 (no change)	\$231.87
Wheat	\$4.15 (+\$0.23)	\$2.94 (+\$0.19)	\$0.52 (no change)	\$149.92

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- ### H.R. 2419 Major Commodity Provisions
- Milk Income Loss Contract program extended to 2012
 - Dairy support shifted to support of dairy products v. price of milk
 - Specialty Crops receive \$1.6B for research and promotion
 - Enhanced funding for EQIP, GRP, WRP – CSP frozen
- UK Agricultural Economics

- ### Consequences of '02 Expiration
- 2002 Farm Bill expired on Sept. 30
 - Commodity payments for '07 crop continue as expected
 - Program conditions for spring planting uncertain
 - No one wants reversion to “permanent authority”
- UK Agricultural Economics

Hog Market Outlook

Lee Meyer

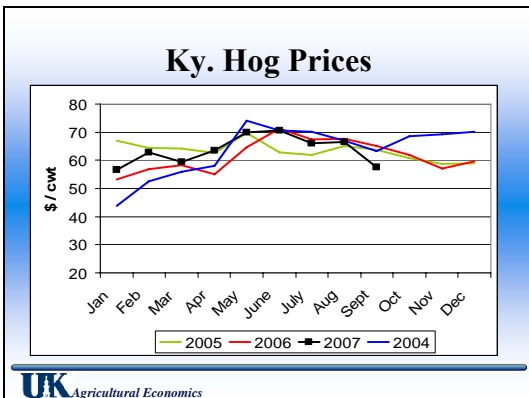
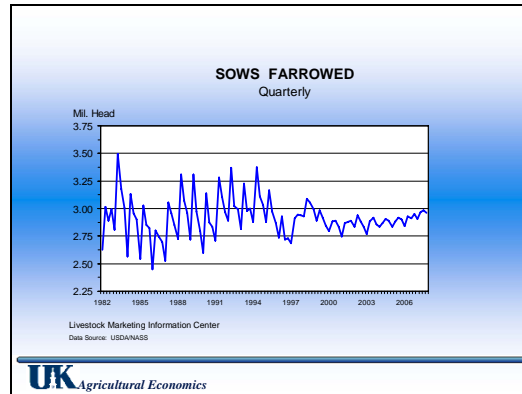
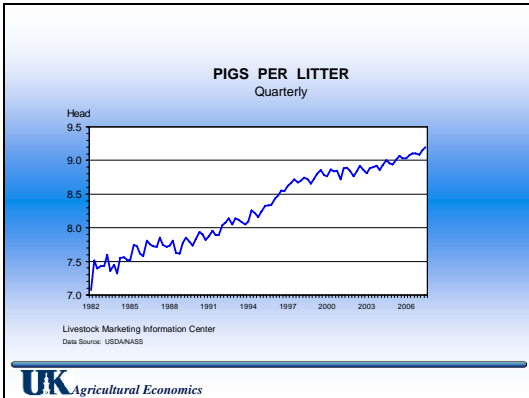
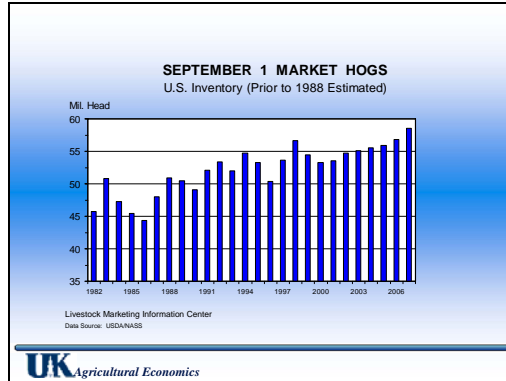
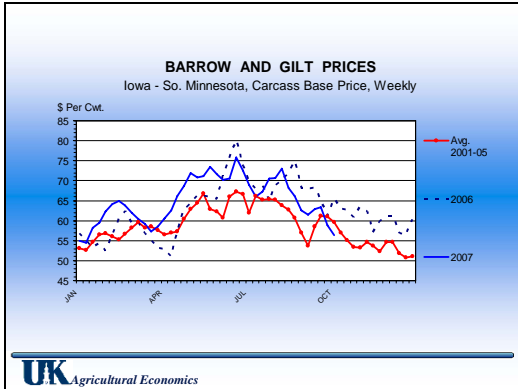
Currently, the market hog price is about \$52/cwt. carcass basis (equivalent to about \$38/cwt. on a live weight basis). This is a dramatic drop from recent weeks and well below the \$66/cwt. third quarter average of 2006. With high feed costs, producers are not covering their production costs.

An increase in slaughter is leading to lower prices. For the last six weeks (mid-August through September), production is up 3%, even though slaughter weight is down slightly. These higher production levels are consistent with the most recent USDA Hogs and Pigs report. The just-released September report indicates that the number of market hogs is up 2.9% and the breeding herd (sow numbers) is up just over 1%. With this higher inventory, fourth quarter slaughter is expected to be record large.

Production forecasts for the next year suggest modest total increases (up about 2% for all of 2008) once the fourth quarter 2007 production is moved through the system. Demand is going to be the key factor in prices. The strength of the U.S. economy is going to be a factor in the demand for all of the meats – a weak economy translates into weak consumer demand and lower prices. Pork's advantage is their strong export position. The industry has been exporting about 15% of its production. The weaker U.S. dollar will only help exports, and may balance out the increase in production.

The question that looms over the hog industry, is “could this be another 1998?” Those in the hog industry remember very clearly that prices dropped below \$20/cwt. in December, 1998 as production exceeded slaughter capacity. While fourth quarter production is likely to be up 5%, setting a new record, harvest capacity is also greater. As processors utilize Saturday kills to keep up with production, prices will decline, but not to the extent that they did nine years ago. So, yes, prices are likely to be at low levels until spring of 2008, but not at the disastrous levels of 1998.

Spring prices are expected increase about 15% from winter lows to average in the low-to-mid \$60s (mid \$40s on a live weight basis), and then climb another \$2-\$4/cwt. to summer highs in the upper \$60s. With feed costs much higher than last year, there will be no profit in the hog industry this winter.



Kentucky Grain Market Outlook for 2007-2008

Kenny Burdine

2007 Summary

The big story in 2007 was the massive shift in acreage towards corn production. A 21% increase in harvested acres will make this the largest corn crop ever produced. Current estimates put the 2007 corn crop at 13.3 billion bushels, making the massive 2004 crop look small. The increase in production appears to have exceeded the increase in use and has analysts projecting a larger carryover for the 2007 / 2008 marketing year.

The soybean situation is much the opposite. We began the season with a 15% decrease in harvested acres, as the corn market outbid beans for ground. Fewer acres, coupled with slightly lower yields has 2007 soybean production looking about 18% smaller than 2006. However, total use was basically steady, suggesting very tight soybean supply levels for the upcoming year. This has explained much of the run up in soybean prices since summer.

Kentucky grain yields have been highly variable, but are generally much lower than 2006. USDA is currently estimating Kentucky's 2007 corn yield at 120 bushel per acre, while our bean yield is projected at 30 bushels per acre. This is down from 146 and 44 bushels respectively in 2006. Of course, the winter wheat crop was devastated by the late spring freeze, greatly reducing yields. Had weather been good, this could have been a very profitable year for Kentucky's grain producers. Unfortunately, production challenges have countered strong prices for many of them.

Outlook for 2008

Markets never cease to amaze me in how well they work. Last winter, everyone was talking about how we needed a big corn crop. The price ratio favored corn at planting time and the massive shift from bean acres to corn acres resulted in a huge corn crop. The ending stocks-to-use ratio in corn for the 2007 / 2008 marketing year is projected to be above 15%; we have built a little cushion back into the corn market.

However, the soybean balance sheet tells the opposite story. Projected carryover soybean stocks, at the end of this marketing year, will likely be less than 200 million bushels and 4-7% of use. Given this contrast, soybeans will be trying to buy back some acreage in 2007. A tight wheat supply is also a factor as wheat will also be competing for those acres.

Given these differences, it appears very likely that corn acres will decrease in 2008, making room for additional soybeans and wheat. In many places, including Kentucky, soybeans and wheat are also logical in the crop rotation coming off last year. Still, the increase in corn utilization is expected to continue as more ethanol plants come online, and wheat and soybean use is also projected to stay strong. All things considered, 2008 should be another profitable year for US grain producers. Hopefully, weather will be more accommodating in Kentucky.

Corn Balance Sheet (Million bu)

	2005 / 2006	2006 / 2007	2007 / 2008
Beg. Stocks	2,114	1,967	1,304
Production	11,114	10,535	13,308
Imports	9	10	15
Tot. Supply	13,237	12,512	14,627
Feed / Res	6,155	5,588	5,750
F, S, & I	2,981	3,500	4,600
Ethanol	1,603	2,125	3,200
Exports	2,134	2,120	2,290
Total Use	11,270	11,208	12,640
Ending Stks	1,967	1,304	1,987

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DEC CBOT® Corn Futures



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Soybean Balance Sheet (mill bu)

	2005 / 2006	2006 / 2007	2007 / 2008
Beg. Stocks	256	449	573
Production	3,063	3,188	2,619
Imports	3	8	6
Tot. Supply	3,322	3,646	3,198
Crushings	1,739	1,805	1,810
Exports	940	1,115	1,075
Seed	93	70	88
Residual	101	83	82
Total Use	2,873	3,073	3,055
Ending Stks	449	573	143

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Wheat Balance Sheet (mill bu)

	2005 / 2006	2006 / 2007	2007 / 2008
Beg. Stocks	540	570	456
Production	2,105	1,812	2,114
Imports	81	122	85
Tot. Supply	2,726	2,505	2,655
Dom Food	915	930	940
Dom Seed	78	81	83
Dom Feed / Res	160	129	170
Exports	1,003	909	1,100
Total Use	2,156	2,049	2,293
Ending Stks	570	456	362

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Lamb and Goat Market Update

Lee Meyer

The lamb and goat markets in Kentucky continue to operate under the radar screen of the larger volume enterprises, but are building their place as niche enterprises. For these species the types of marketing methods used are critical to the producer's net income.

Nationally, lamb slaughter has been steady for the past three years, at 2.7 million head. The per capita consumption has been just over one pound. Of course Texas is by far the largest producer and Australian and New Zealand imports also contribute a large amount of product.

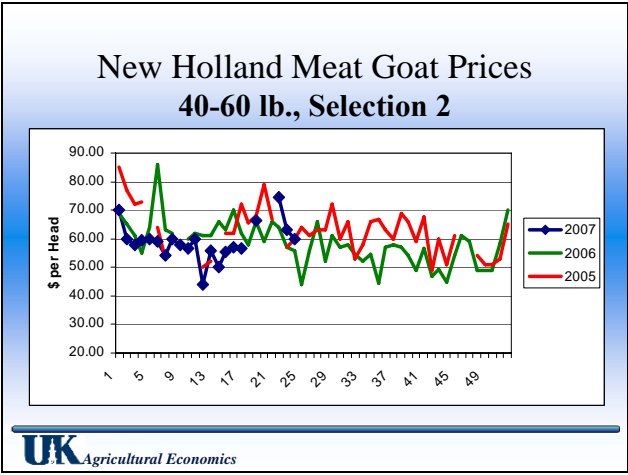
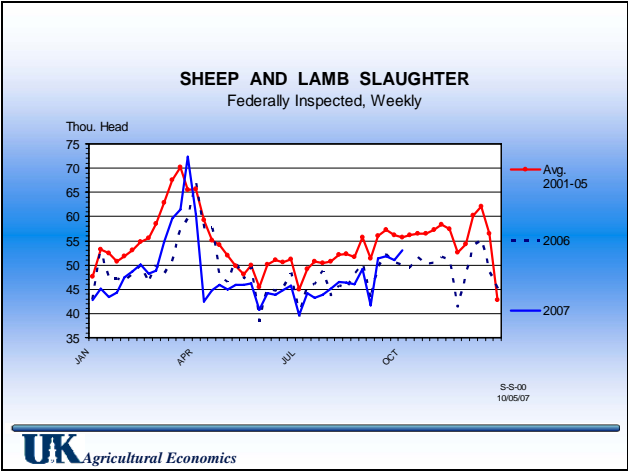
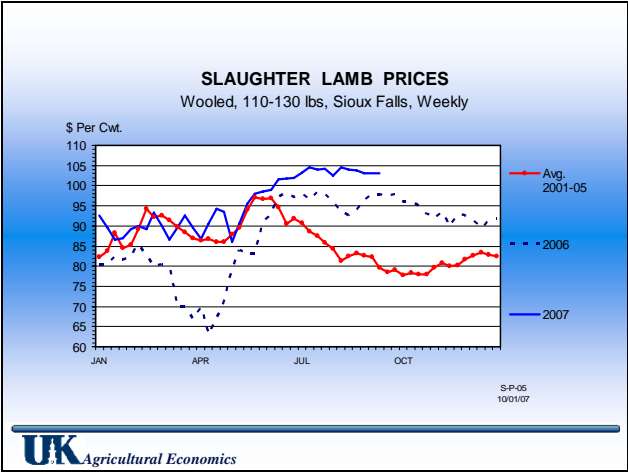
Nationally, prices had been increasing on the strength of improved demand (like all of the meats) from 2003 to 2005, but then declined by 15% in 2006. This year, prices have rebounded by 11% and carcass prices will end the year averaging about \$1.90 to \$1.95 per pound. This converts to a live price about \$1 per pound.

Some Kentucky lambs sold at stockyards move into commercial channels, and many of these go to processors to the north. However, a large (but unmeasured) portion of Kentucky's lambs are processed locally and sold directly to consumers and independent restaurants. Prices tend to average in the upper \$.90s, but vary considerably with the marketing skills of the seller and the services provided to the buyer. Offal disposal continues to be an issue and adds to the cost of processing. A new processing facility in Garrard County is opening during October and may be an important asset in expanding lamb and goat meat opportunities.

Kentucky goats have a similar market structure as lambs, but go in different directions. A large portion of the "commercial" goat market (those sold here, but not processed) move east rather than north. However, the large and growing ethnic market takes a large portion of Kentucky's goat production for consumption here. Some are processed on farms and some through processing plants.

Stockyard prices operate at two levels. Weekly goat sales at auctions across the Commonwealth have highly variable prices, and at lower levels than the graded and grouped sales supported by the Kentucky Department of Agriculture. Prices at the graded sales have typically been in the \$1.10 to \$1.20 per pound range – which is near the price of the benchmark New Holland, PA market (which however, is a "by the head" market).

The price outlook for both lamb and goat meat remains positive. A weaker economy may soften overall demand. But a growing ethnic market, along with improved marketing systems, will help improve net returns for producers with good marketing skills.



Kentucky Dairy Market Outlook for 2007-2008

Kenny Burdine

2007 Summary

What a year it has been in the dairy markets. Dairy prices started the year practically at 2006 levels, but had left those prices in the dust by early summer. Price levels have exceeded \$20 per cwt. since June. Prices for cheese, butter, and nonfat dry milk have all supported dairy prices. Much of this strength is due to strong dairy product exports, which has supported domestic prices.

Strength on the demand side outweighed another year of increased production levels. By year's end, milk production should be up by 1.5% to 2%, mostly due to increases in milk production per cow. Expansion of the US dairy herd appears to have continued in 2007 as the number of dairy replacement heifers was 3% higher as of July 1.

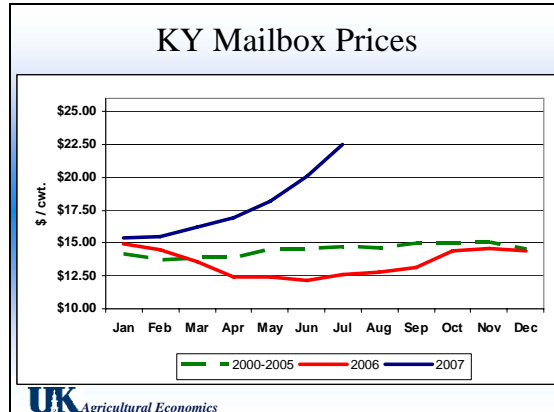
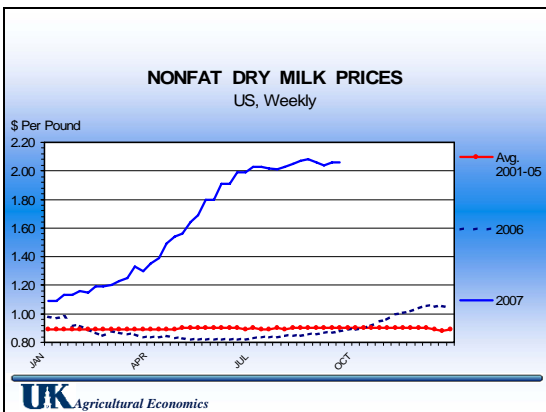
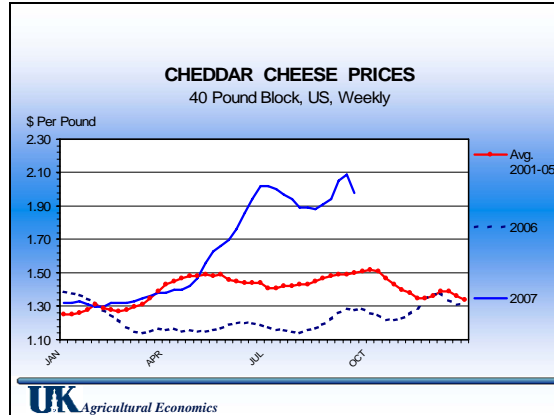
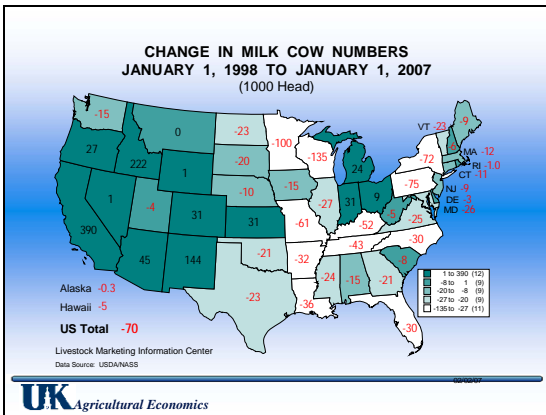
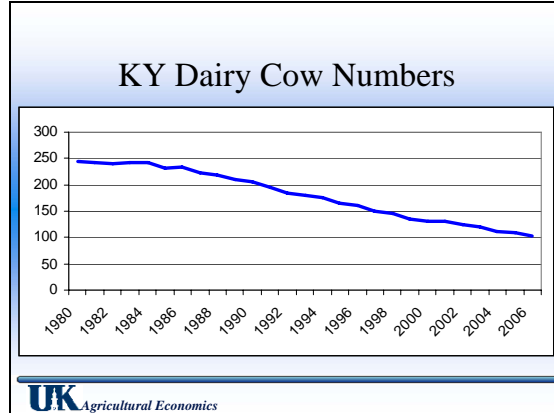
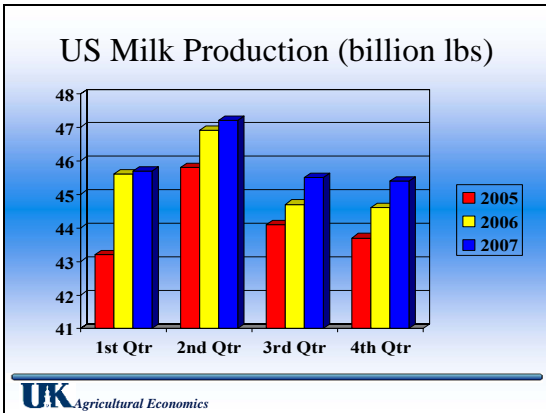
This expansion doesn't appear to be occurring in Kentucky, which has been the trend for years. If prices have been encouraging expansion in the bluegrass, the dry weather has outweighed those urges. Monthly milk production reports are suggesting another sizable decrease in Kentucky dairy cow numbers by year's end.

Outlook for 2008

The slow expansion that appears to be occurring in the US, coupled with steady increases in production per cow, suggest another production increase is likely in store for 2008. The good news this year is that strong demand should absorb a lot of that production. A weak US dollar is likely to keep international interest strong, exports steady, and provide some nice underpinning for US milk prices.

Milk prices in 2008 will likely average very close to 2007 levels. However, look for year-over-year increases in the first quarter, steady in the second quarter, and slight declines in the second half of the year. Much of this price outlook depends on the perceived strength of the cheese and nonfat dry milk markets.

Finally, the untold story in 2007 and 2008 is production costs. Feed prices are really cutting into dairy profits and driving breakevens to much higher levels. There is little question dairy producers made money this summer, but price levels are not a great indicator of profitability. Higher feed, fuel, and fertilizer prices clearly made these price levels seem much lower in real terms.



Kentucky Cattle Market Situation and Outlook

Lee Meyer

Feeder cattle producers in Kentucky have taken a double hit over the past year. First, during the fall of 2006, grain prices almost doubled due to very strong demand coming from the ethanol and foreign markets. Feedlots reacted as expected, and feeder cattle prices dropped dramatically. The Kentucky average price for 500-600 lb. feeder steers dropped from about \$140/cwt. to \$120/cwt. – pretty much following the 8:1 rule that prices for feeders change by eight times the price change in corn, and in the opposite direction.

The second hit came from the weather front. Coming into 2007 with tight hay supplies, an extreme drought reduced forage supplies dramatically. Pastures were limited, hay production declined and hay prices soared. Managers responded by sending calves to market. Over 600,000 calves were sold at Kentucky auctions from June into early October, 55% over last year and 45% higher than the 2005 level.

The only positive factor was that prices stayed at historically high levels. Except for a dip during June for lighter calves, prices stayed strong. Feeder steers in the 500-600 lb. range averaged \$114 from May into October, down \$6/cwt. from a year earlier, while the price 700-800 lb. feeder steers stayed right at the \$104/cwt. average farmers received in 2006.

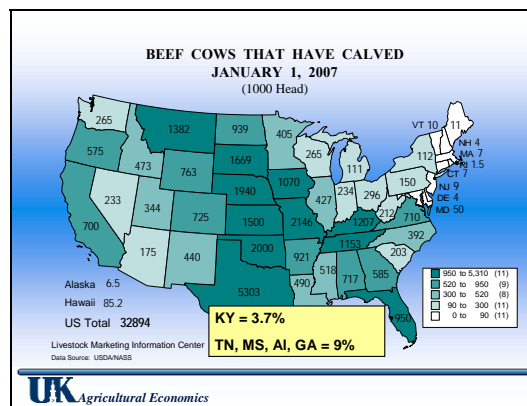
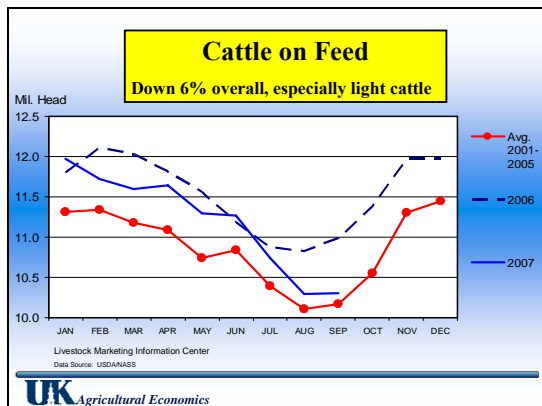
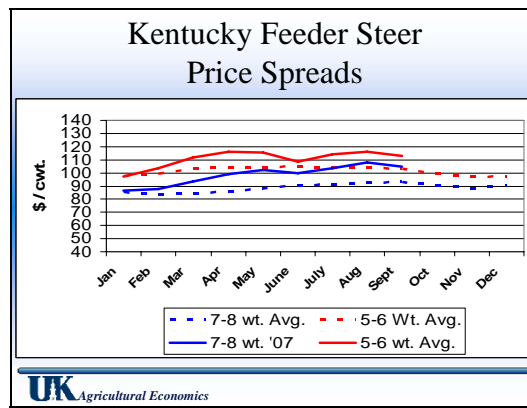
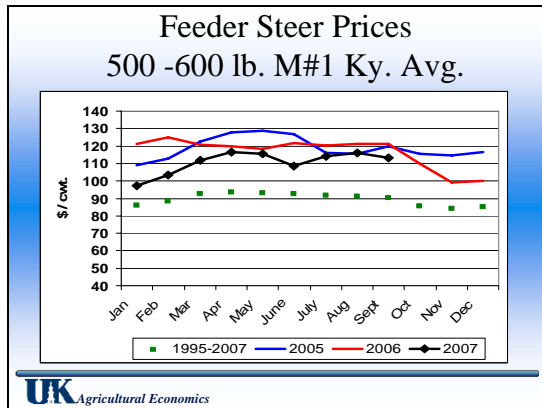
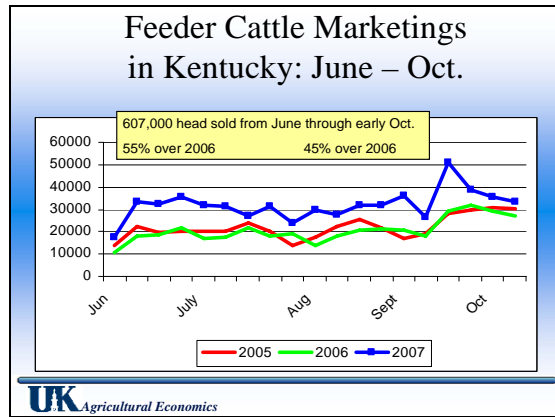
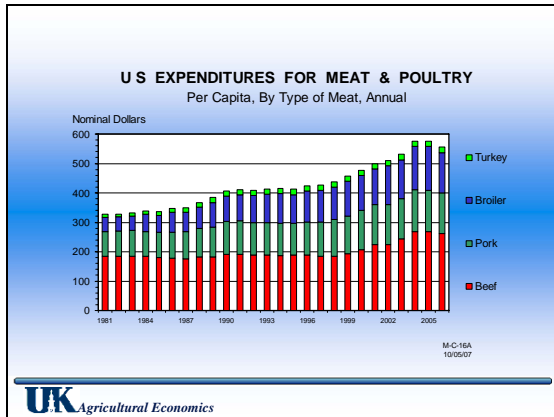
There are two reasons for the price strength. First, while sales have been up throughout the Southeast, the region accounts for less than 15% of feeder cattle production. As a result, the impacts in the Southeast are diluted when the national market is taken into account. And secondly, profitability of feedlots improved as corn price leveled off and slaughter cattle prices improved.

The feeder cattle price outlook remains positive, with little change in prices expected for the next year. Key market support comes from the slaughter cattle side of the industry. The number of cattle on feed is 6% under last year's level. The high corn prices have discouraged the finishing of light calves – in fact, the number under 600 pounds is down 28%, while the number in the higher weight categories is unchanged. That means that beef supplies will remain near year earlier levels. Futures prices for slaughter cattle are in the mid \$90s for all contracts.

Expected 2008 Kentucky Feeder Steer Prices:

Quarter:	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
<u>5-6 wts.</u>	\$110-116	\$109-115	\$107-115	\$104-112
<u>7-8 wts.</u>	\$102-107	\$103-109	\$102-108	\$100-107

The buy/sell margin for winter backgrounders, typically -\$14 to 18/cwt., is likely to be narrower this winter, a factor which improves profitability. However, the cost of gain is dramatically higher (in the \$.60 to \$.68/lb. of gain range for many rations) due to prices for all feedstuffs, from hay to soyhulls. Still, well managed backgrounding enterprises are expected to be profitable, especially those that can purchase calves during fall breaks in the market.



Crop Planting Decisions, Spring 2008

Greg Halich

Current future price levels for corn and soybeans are at historical high levels. Corn has been recently trading in the \$3.90-\$4.10 per bushel range and soybeans have been trading in the \$9.30-\$9.60 per bushel range for the fall 2008 contracts. As a consequence, Kentucky grain farmers should have an extremely profitable year in 2008, all else being equal.

However, as opposed to last spring when corn had a more favorable price level in relation to soybeans, it appears that soybeans now have a significant advantage in prices relative to corn in 2008. This could have major implications for grain farmers that were considering 2nd or 3rd year continuous corn production next spring. The current price levels do not support continuous corn production on all but the very best ground in Kentucky, and even then at only marginal levels.

Net returns (average for rotation corn and soybeans) calculated at current fall 2008 futures prices and assuming a -\$0.30 basis for corn and a -\$0.50 basis for soybeans are approximately (elevator prices of \$9.00 soybeans and \$3.70 corn):

- \$190 for 125 bushel rotational corn ground
- \$260 for 150 bushel rotational corn ground
- \$325 for 175 bushel rotational corn ground
- \$390 for 200 bushel rotational corn ground

Note: This does not include land rent, government payments, and crop insurance.

Soybean prices would have to fall by approximately \$1.00 per bushel (or corn prices would have to increase approximately \$0.30) to make continuous corn attractive on the better ground in Kentucky (175 bushel rotation corn yield). If corn prices fell by \$0.50 and soybean prices fell by \$2.00 the calculated net returns are approximately (elevator prices of \$7.00 soybeans and \$3.20 corn):

- \$120 for 125 bushel rotational corn ground
- \$175 for 150 bushel rotational corn ground
- \$225 for 175 bushel rotational corn ground
- \$275 for 200 bushel rotational corn ground

Note: This does not include land rent, government payments, and crop insurance.

These returns are calculated based on production costs representative of efficient central and western Kentucky grain farmers. Returns will be lower for less-efficient operations. Subtracting \$10-25 per acre from these returns should represent reasonable cost increases for smaller producers and/or farming smaller-sized fields typical of eastern Kentucky. However, production cost increases can be much higher for producers who are not covering enough ground to distribute their fixed costs such as depreciation, insurance, etc. on new or fairly new equipment.

The conversion of sod ground to corn will increase production costs for herbicides, insecticides, additional P, K, and lime, and increased machinery costs. However, there will also generally be a significant saving in the form of reduced nitrogen cost due to the nitrogen credit of the existing sod. Overall, net costs will generally increase \$20-70 for the first year depending on the fertility level of the soil.

If current price levels hold for the next few years look for land rental rates to increase dramatically in Kentucky, especially on the most productive soil types. Grain farmers with a large proportion of rental ground should take this into account when planning for the next few years. Flexible cash leases may be a fair option to deal with this potential increase in land rents as well as reduce the producer risk should price levels fall.

Average Ground Fall 2008

3.1 Corn/Soy Yield Ratio and 10% Cont. Corn Penalty

<u>Yield and Price:</u>	Cont. Corn	Soybeans	Corn
Expected Yield	135	48	150
Future's Price Fall 2008	\$4.00	\$9.50	\$4.00
Basis (-)	\$0.30	\$0.50	\$0.30
Expected Cash Price	\$3.70	\$9.00	\$3.70
Inputs:			
Seed	\$49	\$30	\$49
Nitrogen	\$68	\$0	\$63
P, K, and Lime	\$29	\$27	\$32
Herbicides	\$23	\$25	\$23
Insecticides	\$8	\$0	\$8
Total Inputs	\$176	\$82	\$175
Machinery Work:			
Custom Machinery	\$80	\$71	\$80
Other:			
Drying Grain	\$20	\$0	\$23
Trucking Grain	\$14	\$5	\$15
Operating Interest	\$10	\$6	\$10
Total Other	\$44	\$11	\$48
Total Revenue	\$500	\$435	\$555
Total Costs	\$301	\$163	\$303
Net Revenue	\$199	\$272	\$252
Net Benefit to Corn	-\$74		-\$20

Better Ground Fall 2008

3.2 Corn/Soy Yield Ratio and 8% Cont. Corn Penalty

<u>Yield and Price:</u>	Cont. Corn	Soybeans	Corn
Expected Yield	161	55	175
Future's Price Fall 2008	\$4.00	\$9.50	\$4.00
Basis (-)	\$0.30	\$0.50	\$0.30
Expected Cash Price	\$3.70	\$9.00	\$3.70
Inputs:			
Seed	\$49	\$30	\$49
Nitrogen	\$72	\$0	\$68
P, K, and Lime	\$34	\$30	\$36
Herbicides	\$23	\$25	\$23
Insecticides	\$8	\$0	\$8
Total Inputs	\$186	\$85	\$183
Machinery Work:			
Custom Machinery	\$80	\$71	\$80
Other:			
Drying Grain	\$24	\$0	\$26
Trucking Grain	\$16	\$5	\$18
Operating Interest	\$11	\$6	\$11
Total Other	\$51	\$12	\$54
Total Revenue	\$596	\$492	\$648
Total Costs	\$317	\$167	\$318
Net Revenue	\$279	\$325	\$329
Net Benefit to Corn	-\$46		\$4

Average Ground Fall 2008

3.1 Corn/Soy Yield Ratio and 10% Cont. Corn Penalty

<u>Yield and Price:</u>	Cont. Corn	Soybeans	Corn
Expected Yield	135	48	150
Future's Price Fall 2008	\$3.50	\$7.50	\$3.50
Basis (-)	\$0.30	\$0.50	\$0.30
Expected Cash Price	\$3.20	\$7.00	\$3.20
Total Revenue	\$432	\$339	
Seed	\$49	\$30	\$49
Nitrogen	\$68	\$0	\$63
P, K, and Lime	\$29	\$27	\$32
Herbicides	\$23	\$25	\$23
Insecticides	\$8	\$0	\$8
Total Inputs	\$176	\$82	\$175
Machinery Work:			
Custom Machinery	\$80	\$71	\$80
Other:			
Drying Grain	\$20	\$0	\$23
Trucking Grain	\$14	\$5	\$15
Operating Interest	\$10	\$6	\$10
Total Other	\$44	\$11	\$48
Total Revenue	\$432	\$339	\$480
Total Costs	\$301	\$163	\$303
Net Revenue	\$131	\$176	\$177
Net Benefit to Corn	-\$44		\$2

\$7.50 Soybeans
(\$7.00 elevator)
\$3.50 Corn
(\$3.20 elevator)

	Net Revenue Soybeans	Net Revenue Corn
100 bushel corn	\$87	\$48
125 bushel corn	\$133	\$113
150 bushel corn	\$176	\$177
175 bushel corn	\$216	\$242

The 2007 Land Situation and Outlook for Kentucky

Richard L. Trimble

The upward trend in farm real estate values continued during 2006, according to information recently released by the USDA. The value of land and buildings on farms across the US averaged \$2,160 per acre as of January 1, 2007. This \$2,160 per acre is a record high and \$260 per acre more than last year. This represents a 14 percent increase, slightly less than the 15 percent increase experienced during 2005. The increase in farm real estate values was widespread with crop land values increasing 13 percent while pasture land went up by 16 percent. Regional increases ranged from a low of 9 percent in the Southeast to a high of 18 percent in the Southern Plains and Mountain regions.

Kentucky Land Values

Kentucky farm real estate values also increased during 2006, as indicated in Figure 1. Kentucky's average value of farm real estate was \$2,850 per acre as of January 1, 2007. This is \$100 per acre and 3.6 percent higher than the 2006 value. This modest increase was the smallest increase in our region. The only other state in the region that experienced an increase of less than 10 percent was Ohio with an 8.9 percent increase. Surrounding states that exhibited the largest increases were Virginia and West Virginia, both of which had 16.3 percent increases.

A survey of Kentucky County Extension Agents was conducted in October 2006 to supplement the USDA information. Results of that survey, shown in Figure 2, indicated that participating Agents estimated Kentucky farm real estate values to be higher than indicated by the USDA. The average value of Kentucky farm land according to the agent survey was estimated to be \$3,328 per acre. Regionally, the estimated values were: East Region - \$3,031, Central Region - \$3,910, and West Region - \$3,033.

Kentucky Land Rental Rates

The USDA also reported estimated crop land cash rental rates for 2007. The Kentucky crop land cash rental rate was estimated to be \$82.00 per acre, a \$4.00 increase from the \$78.00 reported in 2006. Considering surrounding states, the \$4.00 per acre increase was mid-way between the no change found in Missouri, Tennessee, and West Virginia and the \$9.00 per acre increase found in Illinois and Indiana.

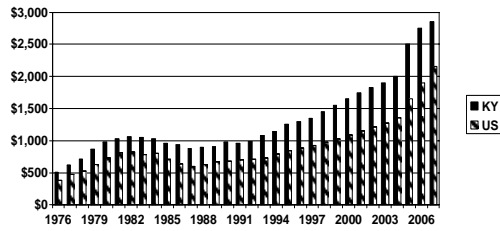
The survey of county agents also collected information on cash rental rates for both crop and pasture land. As indicated in Figure 3, the Agent's Survey found the state average rental rate to be \$82.47 per acre for crop land, which was just a bit higher than that reported by the USDA. The rental rate for pasture land from the agent's survey was \$31.39 per acre. The USDA does not report rental rates for pasture land in Kentucky.

As farm real estate values have increased over time, cash rent as a percent of value has declined. As Figure 4 indicates, the agent's survey found crop land cash rent as percent of value was about 3.3% while it was about 1.7% for pasture land.

Future Direction

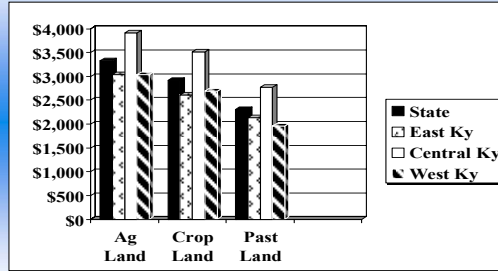
Strong commodity prices, supportive government programs, low interest rates, a robust economy, and a strong demand for farm land for non-agricultural uses (development, hunting and recreation) have all contributed to the ongoing increase in farm real estate values. If these conditions continue, we can expect land values to continue to increase.

Figure 1. Historical Land Values, US and Kentucky, Dollars Per Acre, 1976-2007.



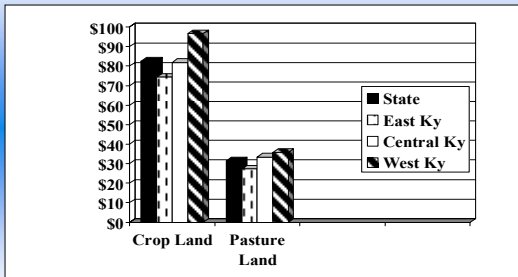
Source: National Agricultural Statistics Service, USDA, Washington, D.C.

Figure 2. Average Price, per acre, of Kentucky Agricultural Land, October, 2006



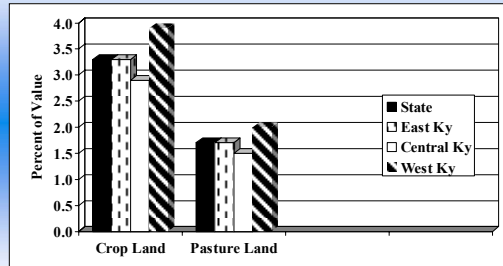
Source: Survey of participants in ESM Meetings, October, 2006

Figure 3. Typical Kentucky Crop and Pasture Land Cash Rental Rate, per acre, October, 2006



Source: Survey of participants in ESM Meetings, October, 2006

Figure 4. Typical Kentucky Crop and Pasture Land Cash Rent as Percent of Value, October, 2006



Source: Survey of participants in ESM Meetings, October, 2006

Kentucky Timber Situation and Outlook

Greg Halich

The general timber market in Kentucky and adjoining states continues to be somewhat soft in 2007 with a few notable exceptions. Stumpage prices (prices paid to landowners for standing timber) for red oak, the predominate timber species in Kentucky, continue to trend downward. Current prices are down approximately 40% from just a few years ago. Stumpage prices for maple have taken a sharp decline in the last year but are still above historical averages. Ohio stumpage prices (our best indicator as we have no formal data for Kentucky) are down 29% for hard maple and 24% for soft maple from the spring of 2006 to the spring of 2007. However, prices are still high in relation to historical markets. Prices for ash continue in a slow downward trend (down 13% in Ohio) with no obvious signs or reasons for a reversal.

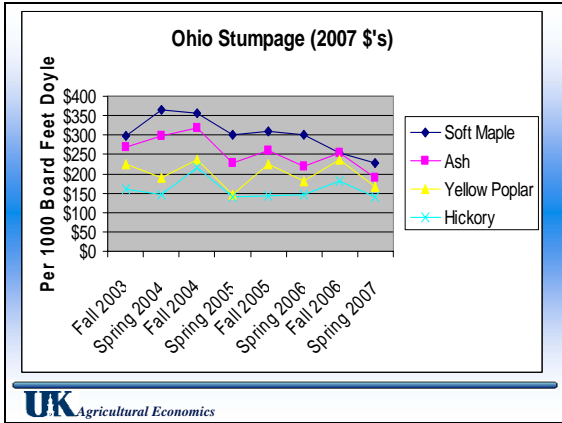
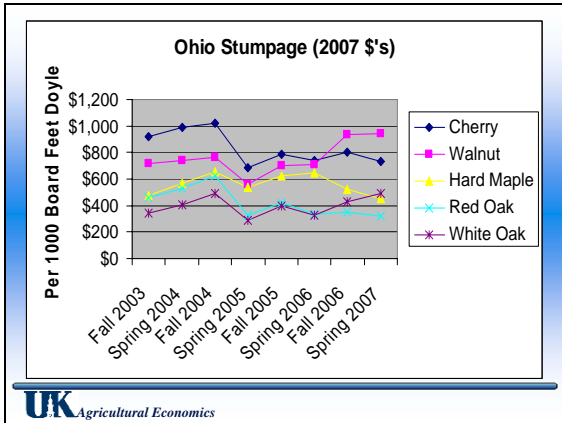
On the bright side, stumpage prices for white oak and walnut have risen. White oak is the next most important timber species after red oak and prices have increased at a moderate rate in the last year in Kentucky and have increased sharply in Ohio (49%). Much of this increase is due to increased demand for export logs (highest quality) as well as a very strong market for ties (lower-end market). Walnut prices have increased by 33% in Ohio and this seems to be a species in hot demand.

Recommendations – Timber:

As with last year, I would generally not advise cutting high-quality red oak stands at this time. On the other hand, owners of mature white oak stands may want to consider harvesting at this point due to the recent price increases. White oak stands that are in need of improvement cuts (cutting of mostly lower quality trees) are particularly good candidates for harvest due to the strong tie market.

Hard maple, soft maple, and black cherry are still at high historical stumpage levels. It appears that the market for these species may have peaked in the short-term (especially for maple) and thus holding onto mature timber of these species may be risky. Stumpage prices for yellow-poplar and hickory continue to remain stable but somewhat low.

Ash prices have declined significantly from the early 1980's. Compounding the price drop in recent years is the presence of the emerald ash borer in Ohio and other surrounding states. It does not appear that a biological control will be found in the near-term and the borer will continue to spread southward. Forestland owners whose stands have a heavy ash component face a dilemma: waiting in hope of rising stumpage prices, but with the possibility that their stands may eventually become worthless. Salvage cuts just ahead of the borer's path have the potential to flood already weak ash markets. The possibility of quarantines also exists in areas that become infected with the borer. Thus landowners in northern Kentucky (especially near Cincinnati) may want to consider harvesting mature ash timber.



2007 Stumpage Price Summary

Walnut	Up sharply
White oak	Up moderately
Red oak	Con't downward trend
Hard maple	Down sharply
Ash	Con't downward trend
Yellow-poplar	Stable
Hickory	Stable

Kentucky's Tobacco Outlook

Will Snell

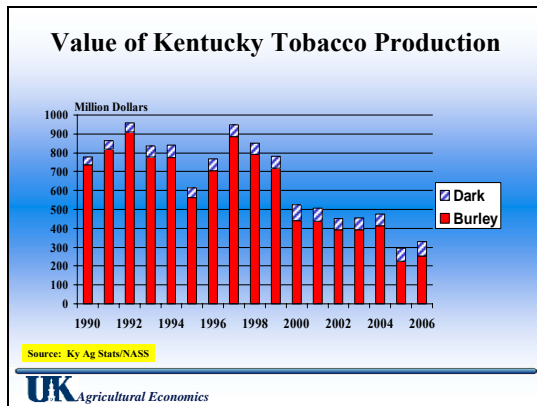
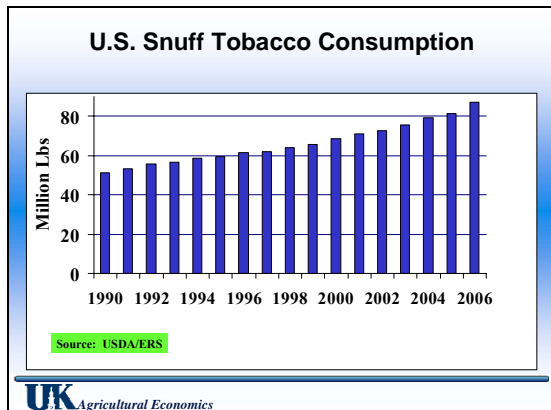
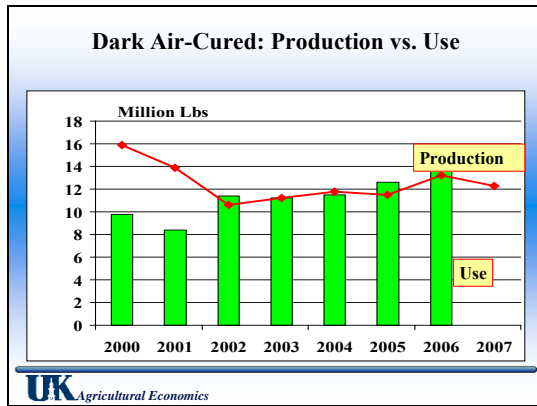
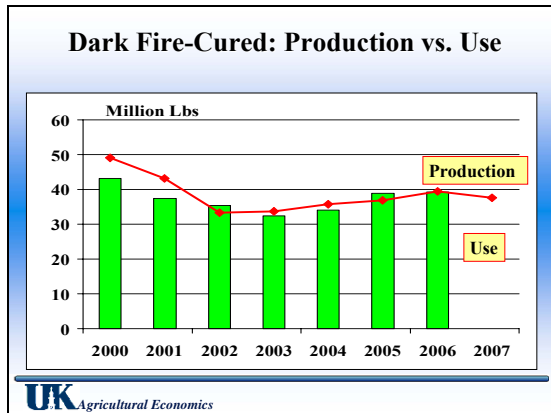
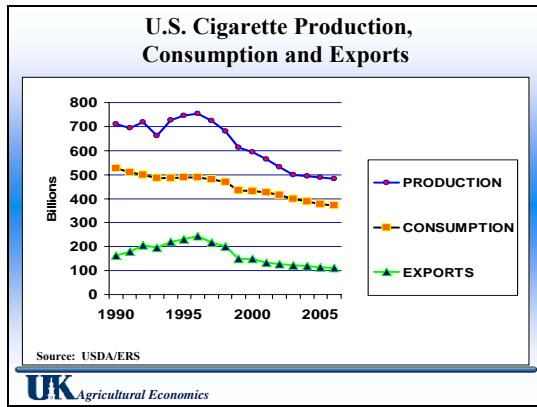
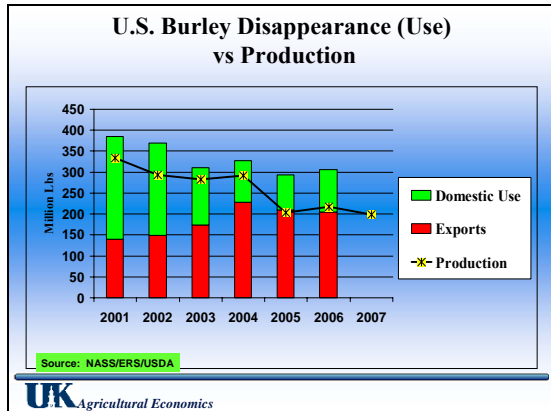
Burley Production: Burley acreage continued to rebound for the second straight year of the post-buyout era, but challenging growing conditions resulted in below-average yields and a potentially smaller crop in 2007. According to USDA, U.S. burley growers planted 105,200 acres in 2007, 2% more than in 2006 and 5% above the first post-buyout crop in 2005. However, the September 2007 forecast yield of 1,878 lbs/acre generates an estimated U.S. burley crop totaling 197.5 million pounds in 2007. This would be 9% below last year's crop, and the lowest of the post-buyout era. USDA data indicates that Kentucky, with an estimated crop of 146.3 million pounds accounts for 74% of the nation's estimated burley output in 2007, up from its 2000-2004 pre-buyout level of 68%. Tennessee, the nation's second leading burley producer continues to experience declines in both acreage and production, while Pennsylvania (a non-burley pre-buyout state) has quickly emerged as the third largest burley producing state. Burley acreage in North Carolina has shifted from the western part of the state to the traditional flue-cured region of the Piedmont area, but many of these new burley growers are still struggling with infrastructure and yield challenges. Outside the U.S, world burley production, according to Universal Leaf Tobacco Company, is down 29% since 2004, with significant declines in Brazil (-27%), Malawi (-42%), and Argentina (-34%).

Burley Market Outlook: In addition to concerns over the size of the 2007 U.S. burley crop, there is an even greater concern over the quality of this year's crop, given a challenging growing season coupled with an early poor curing season. Although contract prices and additional price incentives remain similar to last year's crop (which likely averaged just under \$1.70/lb), these quality issues, if they persist, could have a noticeable adverse impact on the 2007 crop average price. However, buyer concerns about maintaining a dwindling grower base amidst short burley supplies could potentially result in more lenient grading practices to support prices and strengthen grower trust in this new marketing environment consisting of no government safety nets.

U.S. Burley Disappearance: U.S. burley disappearance (exports + domestic use) has rebounded since the buyout, but continues to be constrained by the availability of U.S. burley supplies. According to USDA, U.S. burley disappearance is projected to exceed 300 million pounds for the 2006 marketing year that ends on September 30, 2007. Domestic use has decline to around 100 million pounds, but exports (in response to lower post-buyout U.S. burley prices, political and economic turmoil in competing markets, and favorable exchange rates) have rebounded from pre-buyout levels (below 150 million pounds) to more than 200 million pounds for the past three marketing years. With recent U.S. burley crops around 200 million pounds, buyers have utilized pre-buyout pool stocks to supplement these relatively low production levels. But most of these stocks have been purchased and consumed and worldwide burley stocks remain fairly tight. Sustaining or possibly enhancing future disappearance levels for U.S. burley will depend on the ability to increase production, along with remaining price competitive in the international market.

Dark Tobacco Production and Outlook: Dark tobacco acreage increased in 2007, but like burley, poor growing conditions resulted in smaller crops. According to the 2007 September crop report, U.S. dark fire-cured production is estimated at 37.6 million pounds, 5% below last year's crop and roughly the same as pre-buyout levels. U.S. dark air-cured is pegged at 12.3 million pounds, a decline of 7% from the 2006 crop. Dark fire-cured disappearance remains near 40 million pounds, while dark air-cured use has been in the 12 to 14 million range in recent years. Use of dark tobaccos continues to benefit from a sustained boost in U.S. smokeless tobacco consumption, now approaching 20 straight years of growth.

Final Thoughts: After rebounding back above \$330 million in 2006, poor growing/curing conditions may pull the Kentucky tobacco crop down to near \$300 million in 2007. However tight supply conditions and a declining number of growers will once again likely result in the burley and dark tobacco industry asking the remaining Kentucky tobacco farmers to plant additional acres in 2008. Contract price incentives, labor, and infrastructure will ultimately determine how Kentucky farmers will respond to this opportunity.



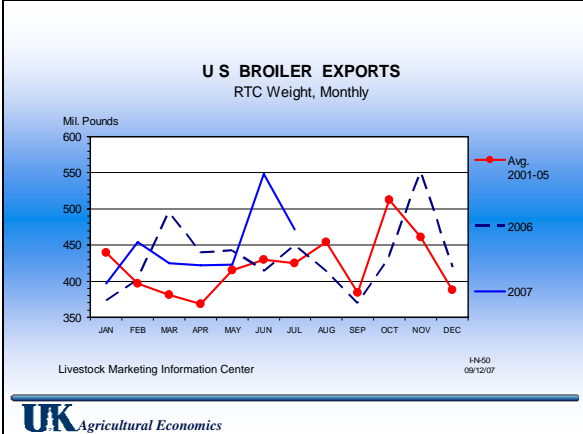
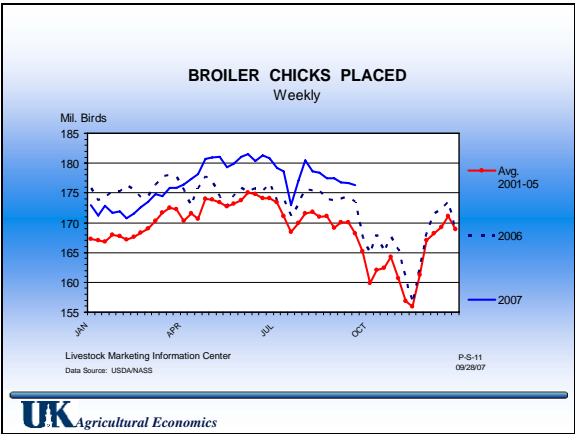
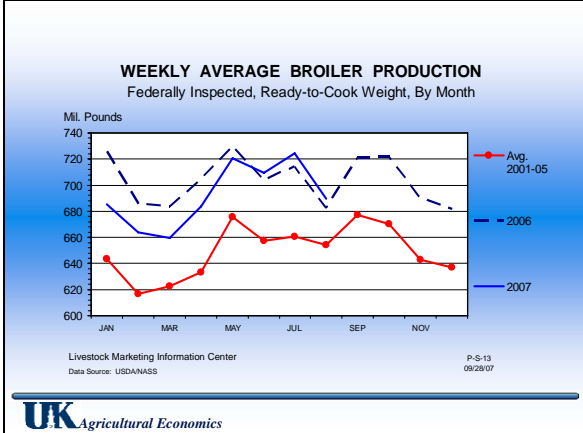
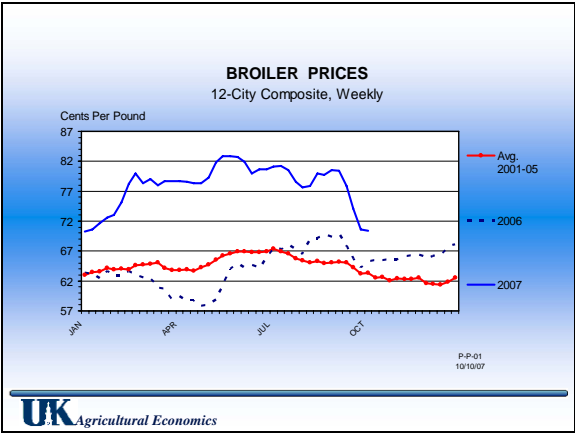
Broiler Outlook

Lee Meyer

Broiler production this year is likely to end the year at a level slightly below 2006. This will be the first time in many years that broiler production has not seen a year-over-year increase. The reason is clear to anyone who watches the impact of feed costs on animal feeding profitability – high corn prices took the profitability out of chicken production.

Lower production and a strong export market have been good for prices. The USDA's average 2007 broiler price is expected to be in the mid \$70s, up about 20% from the 2006 level and high enough to cover the cost of more expensive feed.

Profits and expected strong markets for 2008 have encouraged an increase in production. Both egg sets and chick placements indicate that the industry is on track for a production increase. The result is an expected 2% increase in broiler production. About one-fourth of this expansion is expected to go to export markets, with the rest destined for U.S. consumption. The result is that broiler prices are likely to drop slightly, but remain at profitable levels.



Retirement Planning for Farmers

Carl Dillon

Farmers need a retirement planning tool that considers how having your own farm business might affect investing for retirement. Farmers need to be reminded that they may want to consider investing outside of their farm business for long run goals like retirement. A Southern Region Risk Management Education Center grant has been received by UK to develop such a tool and conduct some workshops on this topic.

Farming rates of returns to assets including capital gains (such as land and machinery sales at a gain or loss) at the US level averaged 9.79% from 1998 to 2006. Farming returns were more stable than the selected index funds as shown by the risk level; lower risk level measures indicate less risk. This risk level shows that two thirds of the time, farm returns were within plus or minus 56.35% of average farm returns. Caution is needed in expecting this for an individual farmer though because a farmer's individual returns likely will vary more than a national average. The mid cap fund had the greatest average annual return at almost 13.3% and a lower risk level than most alternatives. Two thirds of the time one would expect mid cap fund returns to be within $\pm 103.67\%$ of its average. The bond fund was the most stable index fund with two thirds of the time being within $\pm 99.92\%$ of its average of 7.24%. The bond fund also had low average returns to other alternatives reflecting the typical risk-return tradeoff.

Preliminary model results have 100% investment in the mid cap for risk neutral investors based on historical data. As aversion to risk increases, variability of returns is reduced by adding farming, then bonds and finally the extended market fund. Of course, expected (average) returns do decrease with the lower risk. At a low risk averse attitude, about 41% of capital invested in farming with the remainder in the mid-cap fund is the best mix. This results in an average return of 11.84% but the risk level drops to 76.16%. At the highest concern for risk, the model removes the mid cap fund in favor of the bond fund and the extended market fund to supplement farming. The returns for this mix averaged 8.59% with the risk level being 39.82% (two thirds of the time returns are within about $\pm 40\%$ of the average). The medium level risk solution highlights that diversification, when done properly, can have some great benefits. With its combination of an investment of 60% farming, 24% mid cap funds and 16% bond funds, it provides an expected, or average, return of 10.21% as compared to farming alone at 9.79%. Meanwhile the risk level for this mix (51%) is lower than that of farming alone (56%).

Farmers sometimes have the goal of trying to avoid selling land in their retirement years. This tool may help them in planning for that. Farmers also should consider tax advantaged accounts such as IRAs, Roth IRAs and SEP IRAs. Other studies show that while the investment mix is important, investing early and often has an even larger impact on the total amount of money one has at retirement. The results from this study also show that stock mutual funds as well as bond funds need to be considered. Diversifying beyond investing in farming can increase returns and reduce risk. This tool does not replace a farmer consulting with experts such as county agents, financial advisors and accountants in making a plan. Also, historical returns are not a guarantee of future performance and this is not a recommendation over other equally acceptable funds.

Retirement Planning for Farmers

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UK Agricultural Economics

Table 1. Data Statistics (1998-2006)
- Farm Returns and Index Funds (%)

	Farming	Vanguard		Fidelity
		Mid-Cap	Bond	Extended Market
Average	9.79	13.27	7.24	9.52
Risk Level	56.35	103.67	99.92	220.14
Max	20.20	34.14	16.64	42.81
Min	4.82	-14.61	-7.85	-18.07

UK Agricultural Economics

Table 2. Data Statistics (1998-2006)
- Vanguard Index Funds (%)

	S&P 500	Total Market	Small Cap	International
Average	7.35	7.77	9.94	10.90
Risk Level	249.62	234.32	189.80	204.20
Max	28.62	31.35	45.63	40.34
Min	-22.15	-20.96	-20.02	-20.15

UK Agricultural Economics

Table 3. Data Statistics (1998-2006)
- Fidelity Index Funds (%)

	S&P 500	Total Market	International
Average	7.29	7.79	10.62
Risk Level	250.97	234.27	209.78
Max	28.49	31.24	38.34
Min	-22.17	-20.99	-21.85

UK Agricultural Economics

Table 4. Allocation Results (%)

	Risk Neutral	Risk Averse		
		Low	Medium	High
Farming	0	41.18	60.49	41.92
Mid Cap	100	58.82	23.71	0
Bond	0	0	15.81	45.71
Extended Market	0	0	0	12.37

UK Agricultural Economics

Table 5. Economic Results (%)

	Risk Neutral	Risk Averse		
		Low	Medium	High
Average Returns	13.27	11.84	10.21	8.59
Risk Level	103.67	76.16	50.76	39.82
Maximum	34.14	23.40	18.37	14.52
Minimum	-14.61	-6.61	1.72	2.72

UK Agricultural Economics

Horticulture Tim Woods

2007 Review: The value of all horticulture cash receipts in 2006 was \$103 million, with floriculture (\$45), nursery, greenhouse, and sod (\$36), and produce (\$22). Kentucky's produce (vegetables/fruit) industry and green (nursery/greenhouse) industry continued growth and diversification in 2007. Gross produce receipts rose slightly in 2006 as producers benefited from more direct market channels, especially farmers' markets, but appear to be scaled back some in 2007 due to poor weather. Around 1,800 vendors sold in farmers markets in 2006 and the number increases each year. Farmers markets have reported 2015 vendors in 2007. Total sales for produce in 2007 are estimated to be primarily from direct market channels. A strong overall economy and relatively lower energy costs will lead to modest growth for Kentucky's green industry. This should result in a slight increase to a decade-high gross sales of about \$83 million.

Preliminary planting intentions for 2007 indicated an expected acreage increase for produce crops of 8% over all and a total of 11,514 acres. This is the same acreage growth rate as the 2006 estimate. Fruit crop acreage were projected to be essentially remain the same at an estimated 2,496 acres and vegetable crop acres estimated at 9,018, predicted to be up 11% from the 2006 level.

Commercial Vegetables: Kentucky posted the second highest rate of growth (53%) in vegetable acres harvested among U.S. states between 1997 and 2002. The 2007 Ag Census will likely reveal a small increase over the 2002 levels. The value of commercial vegetables harvested in Kentucky during 2006 decreased slightly in the wake of 2 cooperatives closing and the other coops scaling back business. Still, a significant amount of commercial marketing has continued through private arrangements. Direct marketers continued diversifying product offerings, while wholesale vegetable prices were exceptionally strong across all crops during Kentucky's season. Volume of vegetables marketed through auctions and to restaurants was up in 2006, due to expanded marketing by the three larger auctions (Fairview, Christian County; Lincoln County, and Bath County). Over 350 producers sold through the produce auctions in 2006 and the total will be higher again for 2007. Gross sales for the auctions will be slightly lower due to the Easter freeze and extremely dry growing conditions limiting smaller non-irrigated plots. Sales reports from the auctions this summer were running about 75% of the levels reached in 2006.

Commercial Fruit: Tree fruit growers were hit especially hard by the Easter freeze. Berry growers looked to continue to increase acreage, utilizing more value-added and local grocery sales, but also got hit hard by the freeze. Berry production was at about 30-40% in most locations. Kentucky wineries report purchasing more local grapes in 2006 and bottling more wine. Registered wineries have grown from 5 in 2004 to 42 in 2007. Vineyard and winery expansions are continuing, according to our recent survey. Grapes have been in limited supply relative to the overall capacity of the new wineries.

Green Industry: The green industry nationwide is fueled by new home construction and healthy consumer spending. Kentucky's growth in this sector is largely confined to larger greenhouses, but landscapers and mid-size nursery businesses also reported growth. This sector grew rapidly between 2002-06, with growth leveling out, but still steady this year. Opportunities for farm producers in this sector lie in regional and direct marketing and services accompanying nursery product sales. The \$81.2 million sales level in 2006 for nursery and greenhouse products (floriculture, nursery, sod, Christmas trees, etc.) represented the highest level ever for Kentucky producers.

The floriculture sector has exhibited a steady growth in sales, grower numbers and total covered area in Kentucky and represents over half of the green industry sales in the state at approximately \$45 million. While producer numbers have come back slightly in the last few years, growers appear to be getting larger on average.

	\$10,000 to \$19,999	\$20,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$99,999	\$100,000 to \$499,999	\$500,000 or More	Total Growers	Expanded Wholesale Value (\$1,000)	Total Covered Area (1,000 sq. ft.)
1993	27	37	7	44	47	12	174	22,357	4,199
1994	26	25	11	33	55	12	162	21,986	3,941
1995	24	33	8	36	49	12	162	21,679	3,907
1996	18	25	12	39	49	11	154	21,462	4,048
1997	26	44	14	39	56	11	190	28,543	4,944
1998	33	41	13	40	53	9	189	26,903	5,195
1999	32	43	16	45	53	11	200	28,797	5,281
2000	24	35	14	50	50	11	184	30,707	5,023
2001	15	30	18	42	51	10	166	31,503	5,104
2002	40	60	18	45	50	12	225	32,297	5,720
2003	40	66	21	47	47	14	235	34,529	5,241
2004	40	47	21	52	47	16	223	40,005	5,632
2005	24	52	14	48	47	16	201	43,679	5,656

Agricultural Statistics Board: NASS, USDA

Kentucky Floriculture by Firm Size, Total Value, and Area in Production

2008 Outlook: The outlook is mixed for commercial vegetable production in Kentucky for 2008. Co-op acreage will continue decreasing, but direct market, auction and independent grower-shipper wholesale sales will again increase. Gross sales will continue to be driven by higher-value direct marketing at farmers' markets, directly off the farm, and to foodservice. Overall vegetable acreage will be stable, but higher-value market channels should keep sales steadily increasing.

Producer expectations for the next three years were surveyed in this year's planting intentions and marketing survey. Many growers are expecting to stay about the same, but the number increasing substantially outpaced the number expecting to decrease. This was pretty much the case in every market channel. Where there was slight inclination within a group to expect a decline in sales it was among the smaller scale producers – 16% expected some decline among producers with less than \$50,000 gross sales as compared to 5% of the larger producers. Still, the overall leaning in each category was to increase.

Expected Produce Sales Over the Next Three Years by Sales in Each Market					
Market Channel	Decrease a Lot	Decrease Some	Stay the Same Farmer numbers	Increase Some	Increase a Lot
Farmers Markets	13	12	52	60	32
On-farm Market	10	9	52	43	26
Direct to Retail Market	5	4	18	14	11
Direct to Local Restaurants	1	1	10	7	3
Cooperative	0	0	4	5	0
Wholesale	3	3	24	23	5
Internet	0	0	1	0	0
CSA	1	0	2	6	4
Auctions	1	3	19	22	8
Other/Unspecified	5	4	15	16	8
Total	39	36	197	196	97

Expected Produce Sales Over the Next Three Years by Gross Produce Sales						
Gross Produce Sales	Decrease a Lot	Decrease Some	Stay the Same Farmer Numbers	Increase Some	Increase a Lot	Total
\$1 - \$2,499	12	6	29	31	16	94
\$2,500 - \$9,999	6	7	27	29	11	80
\$10,000 - \$19,999	1	5	20	19	7	52
\$20,000 - \$49,999	2	6	15	16	7	46
\$50,000 - \$99,999	0	1	7	8	2	18
\$100,000 and More	1	0	5	9	5	20
No Response	1	2	6	6	5	20
Total	23	27	109	118	53	

New grape and berry plantings continue to reach fruiting age. There are approximately 505 bearing acres of wine grapes in Kentucky with many new plantings going in. There is plenty of room for growth in local markets for berries. Wine production is expected to continue its increase in 2008 as more wineries come into production.

Nursery/Greenhouse: Green industry growth could be hampered by higher energy costs and housing market slowdowns in 2008. While well-managed firms will weather tighter profits, smaller firms could face exit or consolidation. Several larger, high technology systems have been developed that have contributed substantially to the wholesale dimension of the business in Kentucky. Service-oriented firms, like landscapers and retail centers, however, may be better positioned for growth in 2008.

Tools and Information on the Tobacco Economics Online Website

Laura Powers

This paper will outline some of the information that is available on the Tobacco Economics Online website. These tools can be found at www.uky.edu/Ag/TobaccoEcon.

Financial Management:

When economists speak of budgeting, we generally use budgets as a planning tool before production begins. However, budgets can also be used as a tracking tool in conjunction with record keeping through the production phases. As expenses are incurred, budgets should be updated to reflect differences from what had been projected. To assist tobacco farmers, updated burley and dark tobacco budgets are available on the Tobacco Economics Online website. While there are default values in the budgets, users are encouraged to adjust the budgets to reflect their individual situation.

In the upcoming months, we will be adding a new component to the budgets. Research is currently underway and the results will be used to incorporate a disease economics component to the budgets. Users will be able to examine the revenue implications of various chemical programs given severity of diseases.

Labor:

Other information on the Tobacco Economics Online website relates to the H-2A worker program. There are two forms of a PowerPoint presentation that provide information on the H-2A program. One form is the presentation itself, in a PowerPoint file. The other version is the same presentation but is in a pdf format containing speaker notes. These speaker notes provide additional information and explanation to the slides. Please use these documents as needed. It should be stressed that the information contained in the H-2A presentations should not be considered legal advice. They are available as an information source only.

Several additional labor-related documents are available on the Tobacco Economics webpage. Users can find a copy of the H-2A housing (“Temporary Labor Camps”) requirements from OSHA. There is also a link to the OSHA website for additional information. A copy of the Kentucky Unemployment Insurance Employer Guide for 2007 from the Kentucky Office of Employment and Training is available for download as a pdf file. There is now information on the website about Kentucky’s New-Hire rule. In Kentucky, and some surrounding states, an employer must notify the Kentucky New Hire Reporting Center of any new employees (whether they are full time or part time). Finally, a comprehensive document for Kentucky employers is available (compiled by the Mid-American Ag and Hort Services, Inc). This document outlines the things employers need to be aware of when hiring and employing workers. These links can all be found under the “Labor Education and Management” section.

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