

2006 RISK AND PROFIT

Conference & Trade Show

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**Kansas State University Agricultural Experiment Station and Cooperative Extension Service
Manhattan, KS**

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"Knowledge for Life"



RISK AND PROFIT

Conference & Trade Show

Ag Policy in the New Millennium:

Looking Ahead to the 2007 Farm Bill

August 17-18, 2006

**Kansas State University
1720 Alumni Center
Manhattan, KS**

**Kansas State University
Agricultural Experiment Station and
Cooperative Extension Service**



"Knowledge for Life"

Welcome to Manhattan, KS

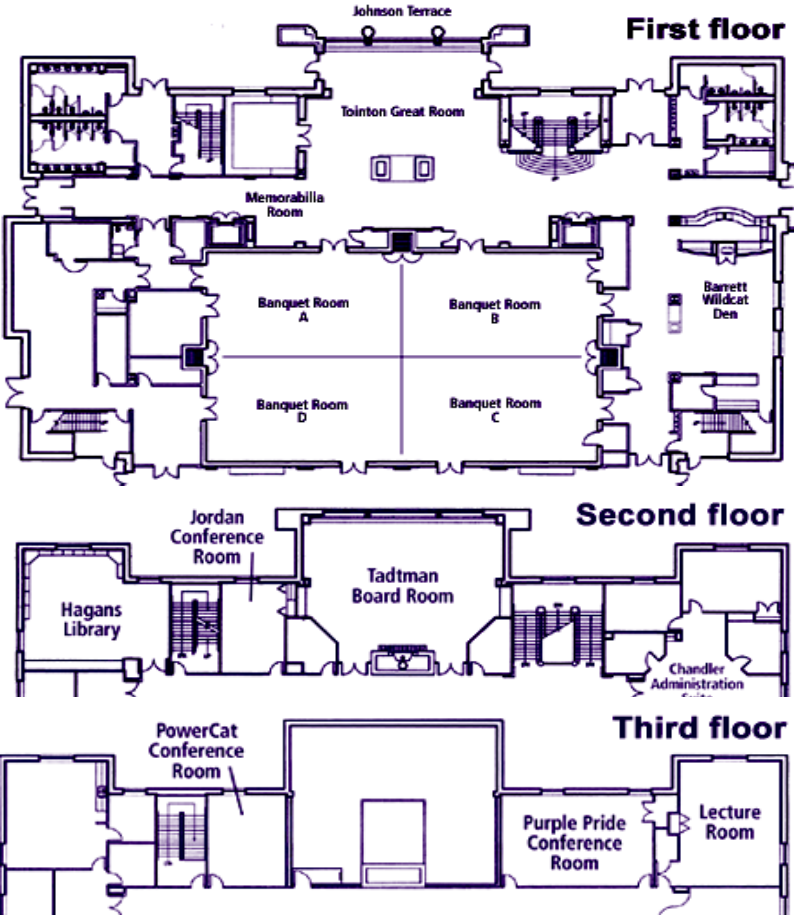
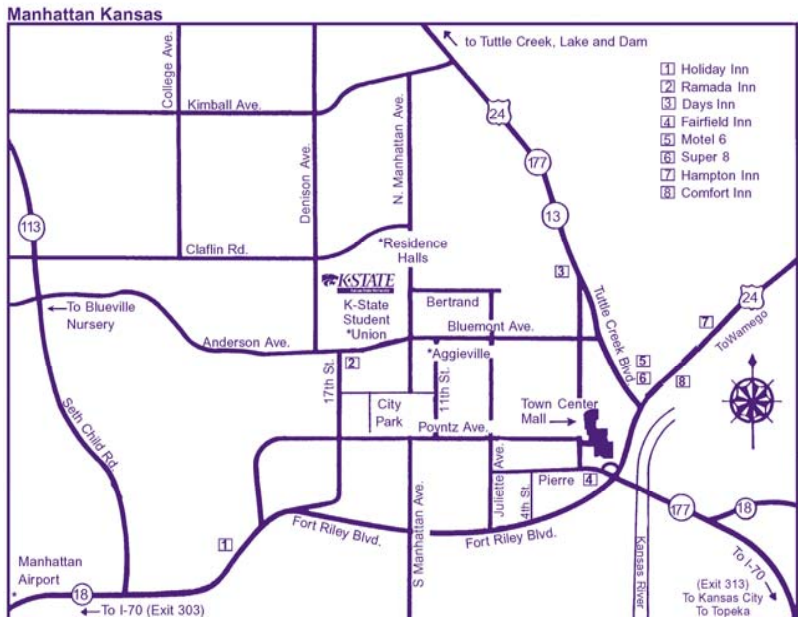


K-STATE ALUMNI CENTER

1st Floor The Tointon Great Room is an open, comfortable seating area, highlighted by the Frasier family limestone fireplace—ideal for a trade show between sessions of the conference. The Banquet Room can accommodate up to 750 people for a reception, or 400 people with round tables of eight guests per table. The room also can be divided into four quadrants, for more intimate gatherings.

2nd Floor The Tadtman Board Room overlooks Memorial Stadium and can accommodate 40 people in board room-style seating or 72 in dinner-style seating.

3rd Floor The third floor features four specialty conference rooms. The Purple Pride Room can accommodate 15-50 people, and the Lecture Room is set up with permanent theater-style seating for 30 people. The Truitt Room and the Powercat Room can each seat 12 persons.



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|--|-------------------|
| 1. <i>The Case For and Against Farm Programs</i>
Troy Dumler | Banquet Room A |
| 2. <i>Wheat Variety Selection</i>
Andrew Barkley | Tadtman Boardroom |
| 3. <i>Renewable Fuels Situation</i>
Mike Woolverton | Banquet Room B |
| 4. <i>Factors Impacting Farm Growth</i>
Michael Langemeier | Banquet Room B |
| 5. <i>Economics, Management and Human Relationships</i>
Rodney Jones | Purple Pride, 305 |
| 6. <i>Farm Efficiency</i>
Orlen Grunewald | Banquet Room B |
| 7. <i>The Energy Situation in Ag</i>
Terry Kastens | Banquet Room A |
| 8. <i>The Law of Unintended Consequences</i>
Bill Golden | Purple Pride, 305 |
| 9. <i>Optimal Nitrogen Fertilizer Rates</i>
Kevin Dhuyvetter | Purple Pride, 305 |
| 10. <i>Risk and Crop Insurance Issues</i>
Andrew Saffert & Art Barnaby | Banquet Room A |
| 11. <i>Reflections on Production Ag in South America</i>
Michael Boland | Tadtman Boardroom |
| 12. <i>Growing People</i>
Sarah Fogleman | Purple Pride, 305 |
| 13. <i>Economic Impacts of the CREP</i>
John Leatherman & Bill Golden | Lecture Room 307 |
| 14. <i>Cost & Revenue Drivers in the 2007 Farm Bill</i>
Sam Funk | Banquet Room A |
| 15. <i>Risk and Profit of Organic Grains</i>
Hikaru Hanawa-Peterson | Lecture Room 307 |
| 16. <i>Business Entity Buffet</i>
Mark Wood | Banquet Room B |
| 17. <i>Off-farm Investment Behavior on Kansas Farms</i>
Bryan Schurle | Tadtman Boardroom |
| 18. <i>Hedge Funds and Their Impact on Ag Prices</i>
Joe Arata | Tadtman Boardroom |
| 19. <i>NutrientNet: An On-line Tool for Nutrient Trading</i>
Jenny Guiling & Jonathan St. John | Lecture Room 307 |

Kansas State University Location & History

Kansas State University was founded February 16, 1863, as a land-grant institution under the Morrill Act. It was initially located on the grounds of the old Bluemont Central College, which was chartered in 1858. The university moved to its present site in 1875.

The 664-acre campus is in Manhattan, 125 miles west of Kansas City via Interstate 70 in the rolling Flint Hills of northeast Kansas. The campus is convenient to both business and residential sections of the city. Under an enactment of the 1991 Kansas Legislature, the Salina campus, 70 miles west of Manhattan, was established through a merger of the former Kansas College of Technology with the university.

Additional university sites include 18,000 acres in the four branch locations of the Agricultural Experiment Station (Hays, Garden City, Colby, and Parsons) and 8,600 acres in the Konza Prairie Research Natural Area jointly operated by the AES and the Division of Biology.

One of the six universities governed by the Kansas Board of Regents, Kansas State University continues to fulfill its historic educational mission in teaching, research, and public service.

This text was extracted from the 1997-99 Graduate Catalog.

Alumni Center

The K-State Alumni Center houses the Association offices and offers meeting and banquet facilities for the university and community. Open to the public in October 2002, the 52,000 square-foot facility was funded entirely with private contributions by more than 1,300 donors. The Center is constructed of native Kansas limestone with K-State memorabilia displayed in the Memorabilia Room, as well as throughout the building. A high-tech room provides the latest in technology for state-of-the-art presentations.



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Agricultural Economics

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Kansas Foundation for
Agriculture in the Classroom
KSU College of Education
124 Bluemont Hall
Manhattan, KS 66506
(785) 532-7946 Fax: (785) 532-7304
Email: ksfac@ksu.edu

<http://www.ksagclassroom.org>

3:00 pm – 3:50 pm

Andrew Saffert and Art Barnaby

Risk and Crop Insurance Issues

SESSION II

Banquet Room A

Orlen Grunewald

Farm Efficiency

Banquet Room B

Andrew Barkley

Wheat Variety Selection

Tadtman Board Room, 201

Sarah Fogleman

Growing People

Purple Pride Room, 305

Jenny Guiling and Jonathan St. John

NutrientNet: An On-line Tool for Nutrient Trading

Lecture Room, 307

Jeff Peterson and Craig Smith

Water Quality Trading Experiment

Powercat Room, 332

4:00 pm – 4:50 pm

Terry Kastens

The Energy Situation in Ag

SESSION III

Banquet Room A

Michael Langemeier

Factors Impacting Farm Growth

Banquet Room B

Michael Boland

Reflections on Production Ag in South America

Tadtman Board Room, 201

Bill Golden

The Law of Unintended Consequences

Purple Pride Room, 305

Jeff Peterson and Craig Smith

Water Quality Trading Experiment

Powercat Room, 332

5:00 pm - 6:15 pm

Social & Cash Bar

6:15 pm - 7:30 pm

DINNER

7:30 pm - 8:30 pm

EVENING SPEAKER

"A Congressional View of the Upcoming Farm Bill"

Congressman Jerry Moran, Kansas 1st District

6:45 am - 7:30 am	BREAKFAST
7:40 am - 9:10 am	GENERAL SESSION
	<i>Livestock and Grain Outlook</i>
	James Mintert
	Mike Woolverton
9:10 am - 9:30 am	Break
9:30 am - 10:20 am	SESSION IV
Terry Kastens	Banquet Room A
	<i>The Energy Situation in Ag</i>
Mark Wood	Banquet Room B
	<i>Business Entity Buffet</i>
Andrew Barkley	Tadtman Board Room, 201
	<i>Wheat Variety Selection</i>
Bill Golden	Purple Pride Room, 305
	<i>The Law of Unintended Consequences</i>
Jenny Guiling and Jonathan St. John	Lecture Room, 307
	<i>NutrientNet: An On-line Tool for Nutrient Trading</i>
10:30 am - 11:20 am	SESSION V
Sam Funk	Banquet Room A
	<i>Cost and Revenue Drivers of the 2007 Farm Bill</i>
Michael Langemeier	Banquet Room B
	<i>Factors Impacting Farm Growth</i>
Bryan Schurle	Tadtman Board Room, 201
	<i>Off-farm Investment Behavior on Kansas Farms</i>
Kevin Dhuyvetter	Purple Pride Room, 305
	<i>Optimal Nitrogen Fertilizer Rates</i>
Hikaru Hanawa-Peterson	Lecture Room, 307
	<i>Risk and Profit of Organic Grains</i>
11:40 pm - 12:50 pm	LUNCH & PARTICIPANT SURVEY



DTN

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www.dtn.com



Kansas Farm Bureau /
Beef Verification Solution

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www.agsolusa.com/bvs



800-237-3767



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The Home Agency

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PO Box 326
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Fax: (308) 785-2560

www.thehomeagency.com



Kansas Farm Management Association

Your Farm. Your Information. Your Decision.

Kansas State University • 308 Waters Hall • Manhattan, KS 66506
Phone: 785.532.1513 • Fax: 785.532.6925

www.agecon.ksu.edu/kfma



Frontier Farm Credit

Frontier Farm Credit

2401 N. Seth Child Rd.
PO Box 1807
Manhattan, KS 66505
Phone: (785) 776-6931
(800) 874-2474

www.frontierfarmcredit.com



Farm Credit of Central Kansas

Farm Credit of Central KS

7940 W. Kellogg Dr
P.O. Box 12800
Wichita, Kansas 67277
Phone: (316) 721-1100
(800) 466-1146

www.fcskansas.com

1:10 pm - 2:00 pm

Troy Dumler

The Case For and Against Farm Programs

Orlen Grunewald

Farm Efficiency

Joe Arata

Hedge Funds and Their Impact on Ag Commodity Prices

Sarah Fogleman

Growing People

John Leatherman and Bill Golden

Economic Impacts of the CREP

2:10 pm - 3:00 pm

Andrew Saffert and Art Barnaby

Risk and Crop Insurance Issues

Mike Woolverton

Renewable Fuels Situation

Bryan Schurle

Off-farm Investment Behavior on Kansas Farms

Kevin Dhuyvetter

Optimal Nitrogen Fertilizer Rates

John Leatherman and Bill Golden

Economic Impacts of the CREP

3:10 pm - 4:00 pm

Sam Funk

Cost and Revenue Drivers of the 2007 Farm Bill

Mark Wood

Business Entity Buffet

Joe Arata

Hedge Funds and Their Impact on Ag Commodity Prices

Rodney Jones

Economics, Management, and Human Relationships

SESSION VI

Banquet Room A

Banquet Room B

Tadtman Board Room, 201

Purple Pride Room, 305

Lecture Room, 307

SESSION VII

Banquet Room A

Banquet Room B

Tadtman Board Room, 201

Purple Pride Room, 305

Lecture Room, 307

SESSION VIII

Banquet Room A

Banquet Room B

Tadtman Board Room, 201

Purple Pride Room, 305

2:10 pm – 3:00 pm

SESSION VII

Banquet Room A

Andrew Saffert and Art Barnaby

Risk and Crop Insurance Issues

Adjusted Gross Revenue Lite (AGR-Lite) is a new form of crop insurance under development that provides financial protection based on the 5-year average gross revenue reported on Schedule F or equivalent tax forms. AGR-Lite insures nearly all agricultural production, including hay, forage, livestock and livestock products such as milk and wool. AGR-Lite will provide coverage to Kansas producers that are producing uninsurable products, currently about 74% of the total value of Kansas agricultural production. AGR-Lite is backed by USDA and provides government subsidization to producers.

Banquet Room B

Mike Woolverton

Renewable Fuels Situation

High oil price has stimulated interest in renewable fuels made from agricultural commodities. Mandated inclusion and government stimuli have caused ethanol production to soar. The increased demand for corn and the production of by-product DDGs has livestock feeders worried about supply and cost of feedstuffs. Planned new capacity may push the industry into an over-capacity situation. In contrast to the rapid growth of the ethanol industry, the bio-diesel industry has been slow to develop. However, planned new plants coming on stream in the next 18 months may change the industry dynamics drastically. A bio-diesel mandate to replace sulfur for lubricity would create a large market for bio-diesel.

Tadtmann Board Room

Bryan Schurle

Off-farm Investment Behavior on Kansas Farms

The objective of this study was to find out how much money farm households are investing in stocks, bonds, and retirement accounts and to examine factors that might influence the investment amount. We used data from the Kansas Farm Management Association data bank for a sample of farms for 2002 and 2003. We examined both the cash inflow and the cash outflow of the farms to determine where all the money came from and went on these farms, and how much went into certain investments. Motivations for investing on and off the farm will be discussed.

Purple Pride Room

Kevin Dhuyvetter

Optimal Nitrogen Fertilizer Rates

Given the recent increase in nitrogen prices, it is ever more important for producers to make management decisions that account for both input (fertilizer) and output (crop) prices in order to maximize profits. This paper presents results where prices are incorporated into K-State's official nitrogen fertilizer recommendations. Based on forecasts for nitrogen fertilizer prices and crop prices for the upcoming year, optimal nitrogen levels on dryland crops are generally 2% to 8% lower than official KSU recommendations. Optimal rates for irrigated crops are 15% to 30%, lower due to the impact of higher pumping costs as well as higher nitrogen costs. It is important that producers consider optimal nitrogen rates for their own situations instead of relying on general recommendations.

Lecture Room

John Leatherman and Bill Golden

Economic Impacts of the Conservation Reserve Enhancement Program

This study estimated economic impacts associated with implementation of the Conservation Reserve Enhancement Program (CREP) in the Kansas Upper Arkansas River Basin. After 15 years of the program, the CREP acreage was assumed to return to dryland agricultural production/pasture land with irrigation water rights permanently retired. It was estimated that total direct impact of the CREP program over 15 years would be an annual net reduction of about \$8.7 million (2003\$). In general, irrigated acreage, crop choice, and water usage patterns will change for only producers on marginal land or those with credit constraints. In this environment, CREP may represent a positive net present value alternative that would enhance participation.

Notes from this session:

Horizontal lines for taking notes.

4:00 pm - 4:50 pm

SESSION III

Banquet Room A

Terry Kastens

The Energy Situation in Ag

Are we running out of oil worldwide? Will we be able to economically replace oil with homegrown fuels from our corn and milo fields so that we can get along with less dependence on foreign oil? Or, will such bio-fuels be only a drop in the bucket? Just how important is ag's use of energy in the U.S. relative to other industries' uses? Can we get more of our fertilizers domestically, or must we depend on foreign providers of those inputs as well? These and other similar questions will be answered in this session.

Banquet Room B

Michael Langemeier

Factors Impacting Farm Growth

This presentation documents farm growth rates for a sample of farms and examines the factors impacting farm growth. Differences in farm size, non-farm income, percentage of acres owned, operator age, cost efficiency, technology adoption, crop intensity, and financial structure between farms in the lowest quartile and farms in the highest quartile in terms of farm growth will be presented and discussed.

Tadtman Board Room 201

Michael Boland

Reflections on Production Ag in South America

Agriculture in Latin America is changing quickly. U.S. producers are being encouraged to invest in farm land in various countries such as Brazil. The objective of this presentation is to provide some observations about such investments. The profitability of such investments is dependent upon exchange rates, the decision to own or rent, availability of management and hired labor, and other factors. The author recently returned from Argentina, Brazil, Chile, Honduras, and Uruguay after leading a study tour with undergraduate students.

Purple Pride Room

Bill Golden

The Law of Unintended Consequences

The law of unintended consequences implies that actions of people cause government policies to have effects that are unanticipated or "unintended." These unintended consequences often occur because the goals of the policy makers and the goals of the producer are not the same. The purpose of this session is to 1) review past trends in water use, crop mix, and technology adoption; 2) Discuss the role technology plays in reducing the marginal cost of water and increasing the marginal revenue of the crops produced; 3) review two policy options aimed at reducing water consumption: the cost share programs, and the proposed Conservation Reserve Enhancement Program; and 4) hold an open discussion on the pros and cons of alternative policy options.

Notes from this session:

Horizontal lines for taking notes.

