### **ROOM ASSIGNMENTS**

1.	The 2014 Farm Bill Art Barnaby and Mykel Taylor	Banquet Room A
2.	The Competitive Position of the Black Sea Region Dan O'Brien	Tadtman Boardroom
3.	Understanding Basis and The Forward Contract Mykel Taylor	Banquet Room A
4.	Short-Dated Options Strategies Orlen Grunewald	Purple Pride, 305
5.	Land Values in Kansas: Past, Present, and Future Bryan Schurle	Banquet Room A
6.	Economics of Beef Cow Herd Expansion Glynn Tonsor	Tadtman Boardroom
7.	Kansas Pasture Lease Arrangements Robin Reid and Sandra Wick	Banquet Room B
8.	Do You Know Your Consumer? Animal Welfare Views Melissa McKendree and Glynn Tonsor	Tadtman Boardroom
9.	A Financial Tool: The DuPont Profitability Model Brian Briggeman	Tadtman Boardroom
10.	Impacts of Precipitation and Temperature on Production David Lambert	Lecture Room 307
11.	Adoption and Intensification of Conservation Practices Jason Bergtold	Lecture Room 307
12.	Getting the Most Value from Limited Irrigation Water Nathan Hendricks	Banquet Room B
13.	The Value and Feasibility of Differentiating Yourself From the Average Crop Producer in Your Region Cooper Morris	Banquet Room B Purple Pride, 305
14.	Introduction to Farm Payroll Mark Dikeman	Purple Pride, 305
15.	Farm Accounting With QuickBooks. Mark Dikeman	Purple Pride, 305
16.	Profitability of Storage Hedges for Kansas Wheat Producers Lacey Ward and Sean Fox	Lecture Room 307
17.	Déjà vu All Over Again: Comparing the 1970s and Now Allen Featherstone	Banquet Room B
18.	Machinery Costs in Kansas Gregg Ibendahl	Lecture Room 307

### 2014 RISK AND PROFIT CONFERENCE Page 1

### **Risk and Profit Conference**

The Risk and Profit Conference was first held in 1996 in Manhattan. Hosted by the Department of Agricultural Economics at Kansas State University, the conference is now in its 19th year, with more than 2500 total attendance and more than 370 total presentations on contemporary agricultural management topics.

### 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, 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.

### **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.

# Page 2 SESSIONS AND TOPICS

### THURSDAY, AUGUST 21, 2014

10:30 am – 12:00 pm REGISTRATION

11:30 am – 12:15 pm LUNCH

12:15 pm – 2:00 pm GENERAL SESSION 1 "Livestock Market Situation and Outlook" Glynn Tonsor—K-State Dept. of Agricultural Economics "Grain Market Situation and Outlook" Dan O'Brien—K-State Dept. of Agricultural Economics

2:10 pm – 3:00 pm	SESSION I			
Bryan Schurle	Banquet Room A			
Land Values in Kansas: Past, Present and Future				
Nathan Hendricks	Banquet Room B			
Getting the Most Value from Limited Irrigation Water				
Glynn Tonsor	Tadtman Board Room, 201			
Economics of Beef Cow Herd Expansion				
Mark Dikeman	Purple Pride Room, 305			
An Introduction to Farm Payroll				
Gregg Ibendahl	Lecture Room, 307			
Machinery Costs in Kansas				

SESSION II 3:10 pm - 4:00 pm Art Barnaby and Mykel Taylor Banquet Room A 2014 Farm Bill: Nuts and Bolts of the Program and Making the Decision **Robin Reid/Sandra Wick** Banquet Room B Characteristics of Kansas Pasture Lease Arrangements Melissa McKendree/Glynn Tonsor Tadtman Board Room, 201 Do You Know Your Consumer? Differences in Consumer and Producer Views on Animal Welfare in the Beef Industry Mark Dikeman Banquet Room C Farm Accounting with Quickbooks Lacey Ward/Sean Fox Lecture Room, 307 Profitability of Storage Hedges for Kansas Wheat Producers

### 2014 RISK AND PROFIT CONFERENCE Page 31



# Kick-Off Session: November 18-19, 2014 Concluding Session: February 17-18, 2015

## Distance Education for Agricultural Producers

An innovative educational program for progressive farmers and ranchers, MAST delivers farm management information via state-of-the-art technology that fits your needs. Launched in 2001, this program offers a combination of on-campus and off-campus learning components each year, covering a wide range of practical, relevant topics: \* Land Ownership & Leasing \* Machinery Ownership & Leasing \* Human Resource Management \* Risk Management \* Tax & Policy Management \* Financial Analysis \* Marketing

## For more information, contact:

Mykel Taylor Phone: (785) 532-3033; Fax: (785) 532-6925 <u>mtaylor@k-state.edu</u>

# www.AgManager.info/MAST

# Page 30 TRADE SHOW EXHIBITORS



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# 2014 RISK AND PROFIT CONFERENCE Page 3

4:10 pm – 5:00 pm	SESSION III			
Art Barnaby and Mykel Taylor	Banquet Room A			
The 2014 Farm Bill: The Nuts and Bolts of the Program and Making the Decision (CONTINUED)				
Allen Featherstone	Banquet Room B			
Déjà vu All Over Again: Comparing the 1970s and Now				
Brian Briggeman	Tadtman Board Room, 201			
A Financial Tool You Can Use: The DuPont Profitability Model				
Orlen Grunewald	Banquet Room C			
Short-Dated Options Strategies				
David Lambert	Lecture Room, 307			
Historical Impacts of Precipitation and Temperature				
On Farm Production in Kansas				

5:00 pm - 6:00 pm

Social & Cash Bar

6:00 pm - 6:45 pm

DINNER

6:45 pm - 8:00 pm

**EVENING SPEAKER** 

"A Conversation With A Kansas Producer" Michael Springer Independence, Kansas

> Moderated by: Eric Atkinson K-State Radio Network

### Page 4 FRIDAY, AUGUST 22, 2014

7:30 am - 8:00 am	ROLLS/JUICE/COFFEE			
8:00 am - 8:50 am	SESSION IV			
Art Barnaby and Mykel Taylor	Banquet Room A			
The 2014 Farm Bill: The Nuts and Bolts of the Program and Making the Decision				
Cooper Morris	Banquet Room B			
The Value and Feasibility of Differentiating Yourself from the Average Crop Producer in Your Region				
Dan O'Brien	Tadtman Board Room, 201			
The Competitive Position of the Black Sea Region in World Wheat Export Markets				
Mark Dikeman	Purple Pride Room, 305			
An Introduction to Farm Payroll				
David Lambert	Lecture Room, 307			
Historical Impacts of Precipitation and Temperature				
On Farm Production in Kansas				
9:00 am - 9:50 am	SESSION V			

Art Barnaby and Mykel Taylor Banquet Room A The 2014 Farm Bill: The Nuts and Bolts of the Program and Making the Decision (CONTINUED)

Nathan Hendricks Banquet Room B Getting the Most Value from Limited Irrigation Water

Brian Briggeman Tadtman Board Room, 201 A Financial Tool You Can Use: The DuPont Profitability Model

Cooper Morris Purple Pride Room, 305

The Value and Feasibility of Differentiating Yourself from the Average Crop Producer in Your Region

Gregg Ibendahl Lecture Room, 307 Machinery Costs in Kansas

10:00 am - 11:30 am GENERAL SESSION

Impact of Chinese Reforms on U.S. Agriculture Dermot Hayes Pioneer Hi-Bred International Chair in Agribusines Iowa State University

### 2014 RISK AND PROFIT CONFERENCE Page 29



# **KANSAS SOYBEAN COMMISSION**

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# Page 28 TRADE SHOW EXHIBITORS



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Fax: (785) 532-6925

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# **K-State Department of Agricultural**

Economics Graduate Programs (M.S. and Ph.D.) John Crespi

Director of Graduate Studies 310 Waters Hall Manhattan, KS 66506 jcrespi@agecon.ksu.edu



## 2014 RISK AND PROFIT CONFERENCE Page 5

### 11:45 - 12:30 pm

### LUNCH

12:40 pm - 1:30 pm	SESSION VII
Bryan Schurle	Banquet Room A
Land Values in Kansas: Pa	st, Present and Future
Allen Featherstone	Banquet Room B
Déjà vu All Over Again: Comp	paring the 1970s and Now
Dan O'Brien	Tadtman Board Room, 201
The Competitive Position of the Black S Marke	•
Mark Dikeman	Banquet Room C
Farm Accounting w	ith Quickbooks
Jason Bergtold	Lecture Room, 307
Adoption and Intensification of Conse	rvation Practices, Risk and Policy

#### SESSION VIII 1:40 pm - 2:30 pm **Mykel Taylor** Banquet Room A Understanding Basis and the Forward Contract for Kansas Wheat **Robin Reid/Sandra Wick** Banguet Room B Characteristics of Kansas Pasture Lease Arrangements Melissa McKendree/Glynn Tonsor Tadtman Board Room, 201 Do You Know Your Consumer? Differences in Consumer and Producer Views on Animal Welfare in the Beef Industry **Orlen Grunewald** Banquet Room C Short-Dated Options Strategies Lacey Ward/Sean Fox Lecture Room, 307 Profitability of Storage Hedges for Kansas Wheat Producers

2:30 pm - 3:00 pm

### **GENERAL SESSION**

Panel Discussion and Q&A

### Page 6 THURSDAY, AUGUST 22, 2014

### 12:15 pm – 2:00 pm GENERAL SESSION I Grain Market Situation and Outlook Dr. Dan O'Brien Livestock Market Situation and Outlook Dr. Glynn Tonsor

#### Grain Outlook - Dan O'Brien

Large crop prospects for feedgrains and soybeans in the U.S. and South America have caused market prices to move sharply lower. There is a risk of Kansas cash corn and grain sorghum prices falling below \$4.00/\$3.50 per bushel at harvest. Kansas soybean prices also may fall below \$10.00 per bushel at harvest. Wheat prices in Kansas are forecast to be weak through the remaining summer and early fall months. Given this pessimistic prospect for grain prices this fall, how should Kansas grain producer-sellers approach the marketing of their 2014 harvested crops, and what factors should they consider in making their planting decisions for 2015 crops? This presentation focuses partly on the current market situation and what we can anticipate for grain market trends through fall-early winter, 2014, but also on factors that are most likely to be key determinants for market direction through early spring 2015.

**Daniel O'Brien** was raised on a grain and livestock farm in south central Nebraska. He received bachelors and masters degrees in Agricultural Economics from the University of Nebraska-Lincoln. After completing his Ph.D. at Iowa State, he worked as the Extension Agricultural Economist at the Northwest Research and Extension Center in Colby and was Northwest Area Extension Administrative Director starting in 2003 before returning to his Extension Agricultural Economist position in January 2007. His ongoing extension and applied research interests and efforts are in the areas of a) grain market supply-demand analysis, bioenergy impacts and risk management strategies, b) grain industry market structure, conduct and performance – focusing on grain handling and transportation issues, and c) economic analysis of irrigated and dryland cropping systems, and cropland leasing arrangements.

#### Livestock Outlook - Glynn Tonsor

The combination of historically tight livestock supplies, reduced feedstuffs prices, lingering animal health concerns in the swine industry, and stronger than perhaps expected retail and export meat demand have underpinned historically high prices and profit margins for many segments of the broader meat and livestock industry so far in 2014. This session will primarily focus on the U.S. beef and cattle industry and summarize this situation and highlight "big picture factors" that will notably influence profitability in coming months and years. The session will include time for informal exchange of thoughts on broader economic issues facing the entire livestock and meat industry – so bring your questions!

**Glynn T. Tonsor** joined the Dept. of Agricultural Economics at Kansas State University in March 2010 as an Assistant Professor. He obtained his Ph.D. from KSU in 2006 and was an Assistant Professor in the Dept. of Agricultural, Food, and Resource Economics at Michigan State University from May 2006 to March 2010. Glynn's current efforts are primarily devoted to a range of integrated research and extension activities with particular focus on the cattle/beef and swine/pork industries. He has broad interests and experiences which span issues throughout the meat supply chain. Through applied research and first-hand knowledge of livestock production, Glynn has expertise in topics including animal identification and traceability, animal welfare and handling, food safety, and price risk management and analysis.

### 2014 RISK AND PROFIT CONFERENCE Page 27

Page 26 FRIDAY, AUGUST 22, 2014

2:40 pm-3:00 pm GENERAL SESSION/Q&A

# WRITE YOUR QUESTIONS HERE

2014 RISK AND PROFIT CONFERENCE Page 7

Notes from this session:

PLEASE REMEMBER TO FILL OUT YOUR CON-FERENCE EVALUATION (GOLD SHEET).

**THANK YOU!** 

### Page 8 THURSDAY, AUGUST 21, 2014

### 2:10 pm - 3:00 pm

# SESSION I

**Bryan Schurle** 

Banquet Room A

Land Values In Kansas: Past, Present and Future Land values have increased rapidly in recent years, and many people are wondering if that increase will continue. This presentation will look at the history of land values, and look at the value based on income and current interest rates. We will examine how the Land Price P/E ratio has moved over time and where it is now. Sales data will be analyzed to see if land prices have continued to increase or if they have leveled off or decreased. Future land price scenarios will be presented and discussed.

#### **Nathan Hendricks**

### Banquet Room B

Getting the Most Value From Limited Irrigation Water As groundwater supplies diminish and pumping rates decline, farmers face difficult management decisions about how to obtain the most value from a limited amount of water. I will present research findings that show how the value of agricultural production declines as water availability decreases. Of particular importance is that the value of production initially declines quite slowly when farmers begin at full irrigation. However, the value of production begins declining more rapidly as water availability continues to decrease. I will discuss the implications for choosing between deficit irrigation on a larger number of acres or full irrigation on a smaller number of acres. Implications for the design of policies to reduce withdrawals (e.g., LEMAs) will be briefly discussed. **Glynn Tonsor** Tadtman Board Room, 201

#### Economics of Beef Cow Herd Expansion

There is immense interest among many cow-calf producers in expanding the U.S. beef -cattle herd; yet not all producers are interested or positioned to successfully expand. This session will a) overview the status of expansion efforts, b) present projections of when, where, and how much expansion may occur, and c) summarize existing resources for both producer and lender use in guiding and understanding alternative expansion decisions. The session will include time for informal exchange of thoughts on broader economic issues of herd expansion and corresponding implications for the industry and attending stakeholders – so bring your questions!

#### Mark Dikeman

Purple Pride Room, 305

### An Introduction to Farm Payroll

Rare is the farming operation that does not require some sort of hired labor. For those who are planning to hire an employee, are new to payroll, or would just like a refresher this session will provide an overview of the process. We will cover steps to complete before hiring an employee, employment law, and what to do after an employee is hired with a focus on calculating paychecks and paying tax liabilities. We will also discuss year-end wage reporting and the impact of benefits on employee and employer.

### Gregg Ibendahl

### Lecture Room, 307

### Machinery Costs in Kansas

Machinery costs are a big expense for most farms. Farmers who decide to own most of their equipment have to decide how often to replace their equipment, and how much equipment they will own relative to the size of their operation. This presentation analyzes the highest income farms in the state to determine their machinery investment per acre and to examine machinery operating costs. This presentation helps show if farmers can increase profitability by better managing their use of farm machinery.

### 2014 RISK AND PROFIT CONFERENCE Page 25

## Page 24 FRIDAY, AUGUST 22, 2014

## 1:40 pm – 2:30 pm

**Mykel Taylor** 

### Banquet Room A

Understand Basis and the Forward Constract for Kansas Wheat

This session is a compilation of research, with the primary focus will be showing the impact of basis volatility on the cost of forward contracting and looking at current basis levels to forecast future costs of forward contracting. It is based on wheat, but is relevant for other crops.

### **Robin Reid / Sandra Wick**

#### Banquet Room B

SESSION VII

Characteristics of Kansas Pasture Lease Arrangements According to the 2012 Census of Agriculture, 50.8% of all agricultural land in Kansas is operated on a leased basis. Given the capital intensive nature of agriculture today, the increasing number of absentee land owners, the fluctuation in agricultural markets, and the competition to acquire land for leasing, it is more important than ever for producers and landowners to make informed decisions in regard to their leases. The River Valley Extension District, Post Rock Extension District, and Phillips-Rooks Extension District have been distributing surveys for a number of years to gather information on lease rates and trends. This session will highlight survey results on the characteristics of pasture leases; including the "going rates", pasture maintenance practices, stocking rates, grazing crop residues, and more.

### Melissa McKendree/Glynn Tonsor Tadtman Board Room, 201

Do You Know Your Consumer? Differences in Consumer and

Producer Views on Animal Welfare in the Beef Industry

The U.S. livestock industry is increasingly faced with mounting pressure to adjust practices in response to societal concerns. This session will compare the results from a 2013 consumer survey and a 2014 cow-calf producer survey regarding beef cattle welfare. Come discuss the implications of similarities and differences in consumer and producer views on practical and effective ways to improve beef cattle welfare moving forward.

#### **Orlen Grunewald**

### Banquet Room C

#### Short-Dated Options Strategies

Short-dated crop options provide a shorter tenor alternative for hedging corn and soybeans. Short-dated crop options offer enhanced hedging flexibility during the growing season. Because these options expire earlier than the traditional options, they allow hedgers to manage risk and take advantage of hedging opportunities at a relatively lower cost.

#### Lacey Ward / Sean Fox

### Lecture Room, 307

Profitability of Storage Hedges for Kansas Wheat Producers Two post-harvest marketing alternatives for grain are speculative and hedged storage, using either on-farm or commercial facilities. Speculative storage will only be profitable if the grain price increases by more than the full cost of storage. Hedged storage, which involves a short position in futures, will be profitable if the basis strengthens by more than the full cost of storage. This presentation will provide illustrations of both hedged and speculative storage and summarize the returns to each for Kansas wheat producers over the past 20 years.

### 2014 RISK AND PROFIT CONFERENCE Page 9

## Page 10 THURSDAY, AUGUST 21, 2014

### 3:10 pm - 4:00 pm

# SESSION II

### Art Barnaby / Mykel Taylor

Banquet Room A

### The 2014 Farm Bill: The Nuts and Bolts and Making the Decision

Under most conditions, the highest expected payment will depend on a long-range price forecast. By the time of the Risk and Profit Conference, nearly 3 months of the 2014/15 Marketing Year Average (MYA) wheat price will be completed. As a result, we will have a good estimate for the 2014/15 MYA wheat price that will determine the level of ARC payments and PLC payments. As of now, there appears to be little chance for a 2014 PLC payment on wheat and ARC will likely require some yield loss to trigger payments. Clearly there are some Kansas counties that have a high probability of an ARC wheat payment, but enrollment in ARC eliminates adding the Supplemental Coverage Option (SCO) that provides additional crop insurance. This presentation will also cover feed grains and soybeans, but the Marketing Year prices lag behind wheat. Dr. Taylor will follow this discussion with the use of a computer decision aid that will help farmers sort through all of these options to help them make a decision and to explain that decision to their landlords.

#### **Robin Reid / Sandra Wick**

#### Banquet Room B

Characteristics of Kansas Pasture Lease Arrangements According to the 2012 Census of Agriculture, 50.8% of all agricultural land in Kansas is operated on a leased basis. Given the capital intensive nature of agriculture today, the increasing number of absentee land owners, the fluctuation in agricultural markets, and the competition to acquire land for leasing, it is more important than ever for producers and landowners to make informed decisions in regard to their leases. The River Valley Extension District, Post Rock Extension District, and Phillips-Rooks Extension District have been distributing surveys for a number of years to gather information on lease rates and trends. This session will highlight survey results on the characteristics of pasture leases; including the "going rates", pasture maintenance practices, stocking rates, grazing crop residues, and more.

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#### Mark Dikeman

Purple Pride Room, 305

#### Farm Accounting With QuickBooks

Accurate farm accounting records are a critical foundation for a variety of farm management tasks. From tax planning and preparation to farm financial evaluation to enterprise analysis, farm managers need accurate accounting records. In this session, we will provide an introduction to farm accounting with QuickBooks, one of the most popular small business accounting systems. We will discuss advantages and disadvantages of QuickBooks, getting started with QuickBooks, entering common transactions, and using QuickBooks for enterprise analysis.

#### Lacey Ward / Sean Fox

#### Lecture Room, 307

Profitability of Storage Hedges for Kansas Wheat Producers Two post-harvest marketing alternatives for grain are speculative and hedged storage, using either on-farm or commercial facilities. Speculative storage will only be profitable if the grain price increases by more than the full cost of storage. Hedged storage, which involves a short position in futures, will be profitable if the basis strengthens by more than the full cost of storage. This presentation will provide illustrations of both hedged and speculative storage and summarize the returns to each for Kansas wheat producers over the past 20 years.

### 2014 RISK AND PROFIT CONFERENCE Page 23

# Page 22 FRIDAY, AUGUST 22, 2014

### 12:40 pm – 1:30 pm

### **Bryan Schurle**

### Banquet Room A

SESSION VI

### Land Values In Kansas: Past, Present and Future

Land values have increased rapidly in recent years, and many people are wondering if that increase will continue. This presentation will look at the history of land values, and look at the value based on income and current interest rates. We will examine how the Land Price P/E ratio has moved over time and where it is now. Sales data will be analyzed to see if land prices have continued to increase or if they have leveled off or decreased. Future land price scenarios will be presented and discussed.

### Allen Featherstone

#### Banquet Room B

Déjà Vu All Over Again: Comparing the 1970s and Now The agricultural sector, especially the crop sector, is coming off several years of excellent income. However, farmland, which makes up a substantial portion of a farmer's balance sheet, is susceptible to boom-bust cycles. With the rapid decrease in grain prices, is the agricultural sector setting itself up for another bust? Is this boom different? This session will examine the leverage condition that Kansas farmers find themselves in at the end of 2013. Will leverage drive another bust cycle? Leverage will likely not be the cause of a bust cycle but it certainly can exacerbate the falling of land values if farmland values begin to fall.

#### Dan O'Brien

### Tadtman Board Room, 201

### The Competitive Position of the Black Sea Region in World Wheat Export Markets

Differences in physical quality characteristics among classes or types of wheat are often reflected in global cash wheat prices in general, and in wheat prices and sales involving major Black Sea Region exporters Russia, Ukraine and Kazakhstan in particular. Black Sea Region wheat export markets appear to be somewhat associated with each in other in terms of price dynamics, while still exhibiting important differences. Differences in wheat class quality characteristics and logisticaltransportation factors play an important role in determining the competitive, cointegrated nature of world and Black Sea Region wheat market price relationships, along with the dynamics of changing wheat supply-demand balances.

#### Mark Dikeman

#### Purple Pride Room, 305

#### Farm Accounting With QuickBooks

Accurate farm accounting records are a critical foundation for a variety of farm management tasks. From tax planning and preparation to farm financial evaluation to enterprise analysis, farm managers need accurate accounting records. In this session, we will provide an introduction to farm accounting with QuickBooks, one of the most popular small business accounting systems. We will discuss advantages and disadvantages of QuickBooks, getting started with QuickBooks, entering common transactions, and using QuickBooks for enterprise analysis.

#### **Jason Bergtold**

### Lecture Room, 307

### Adoption and Intensification of Conservation Practices,

#### Risk and Policy

Conservation in cropping systems in Kansas is important for maintaining soil productivity and crop yields over time. Many farmers have already adopted conservation tillage practices, terraces, and similar conservation practices on their farm. This talk examines what it may take to get farmers to intensify their conservation efforts on farm and potential barriers to that adoption, such as risk, uncertainty, and cost. A number of conservation practices are considered, including continuous no-till, cover crops, variable rate application of inputs, and conservation crop rotations. Information about these practices and responses from an intensive farm survey conducted across the state of Kansas in 2014 will be presented.

### 2014 RISK AND PROFIT CONFERENCE Page 11

## Page 12 THURSDAY, AUGUST 21, 2014

### 4:10 pm - 5:00 pm

### Art Barnaby / Mykel Taylor (CONTINUED) Banquet Room A

### The 2014 Farm Bill: The Nuts and Bolts and Making the Decision

Under most conditions, the highest expected payment will depend on a long-range price forecast. By the time of the Risk and Profit Conference, nearly 3 months of the 2014/15 Marketing Year Average (MYA) wheat price will be completed. As a result, we will have a good estimate for the 2014/15 MYA wheat price that will determine the level of ARC payments and PLC payments. As of now, there appears to be little chance for a 2014 PLC payment on wheat and ARC will likely require some yield loss to trigger payments. Clearly there are some Kansas counties that have a high probability of an ARC wheat payment, but enrollment in ARC eliminates adding the Supplemental Coverage Option (SCO) that provides additional crop insurance. This presentation will also cover feed grains and soybeans, but the Marketing Year prices lag behind wheat. Dr. Taylor will follow this discussion with the use of a computer decision aid that will help farmers sort through all of these options to help them make a decision and to explain that decision to their landlords.

#### Allen Featherstone

#### Banquet Room B

SESSION III

Déjà Vu All Over Again: Comparing the 1970s and Now The agricultural sector, especially the crop sector, is coming off several years of excellent income. However, farmland, which makes up a substantial portion of a farmer's balance sheet, is susceptible to boom-bust cycles. With the rapid decrease in grain prices, is the agricultural sector setting itself up for another bust? Is this boom different? This session will examine the leverage condition that Kansas farmers find themselves in at the end of 2013. Will leverage drive another bust cycle? Leverage will likely not be the cause of a bust cycle but it certainly can exacerbate the falling of land values if farmland values begin to fall.

#### Brian Briggeman Tadtman Board Room, 201

A Financial Tool You Can Use: The DuPont Profitability Model

Making sound financial decisions about your farming operation is critical to near and long-term success. These decisions can become quite complex because one financial decision can have a ripple effect, positive or negative, throughout your entire farm. While unraveling and discussing all of these decisions can take days if not months to figure out, there is one straightforward financial model that can help start the process of identifying financial areas to fix and/or growth opportunities. In this session, Dr. Brian Briggeman will introduce and apply the DuPont Model to Kansas farmers by discussing the fundamentals of maximizing return on equity (ROE).

**Orlen Grunewald** 

Banquet Room C

### Short-Dated Options Strategies

Short-dated crop options provide a shorter tenor alternative for hedging corn and soybeans. Short-dated crop options offer enhanced hedging flexibility during the growing season. Because these options expire earlier than the traditional options, they allow hedgers to manage risk and take advantage of hedging opportunities at a relatively lower cost.

David Lambert

#### Lecture Room, 307

#### Historical Impacts of Precipitation and Temperature on Farm Production

Using a continuous set of Kansas Farm Management Association farms, we quantify weather effects on crop and livestock output and farm incomes. The effects of weather are largely asymmetric, with temperature and precipitation values below average affecting output and income differently than observations lying above a farm's long-term average. Precipitation effects depend on timing during the production year. The number of days exceeding 90 F (i.e., the "hot" years) negatively impact production and income, though the impact reverses (i.e., is positive) for crop output in the cooler years. The results indicate the importance of including weather in predicting output and net farm income and designing and adopting risk management instruments to mitigate weather trends and variability.

### 2014 RISK AND PROFIT CONFERENCE Page 21

## Page 20 FRIDAY, AUGUST 22, 2014

10:00 am – 11:30 am KEYNOTE ADDRESS Dr. Dermot Hayes Pioneer Hi-Bred International Chair in Agribusiness Iowa State University "Impact of Chinese Reforms on U.S. Agriculture"

### **Keynote Speaker**



**Dr. Dermot Hayes** is the Pioneer Hi-Bred International Chair in Agribusiness, and professor of economics and finance at lowa State University. He heads the Trade and Agricultural Policy Division at CARD. He is co-director, with Jacinto Fabiosa, of the Food and Agricultural Policy Research Institute, a research center dually adminis-

tered through CARD at Iowa State and the University of Missouri.

A native of the Republic of Ireland, Hayes obtained his degree in agriculture science from the University College in Dublin in 1981 and his Ph.D. from the University of California, Berkeley, in 1986 with a major in international trade. Hayes joined the Department of Economics at Iowa State University in March 1986. He has distinguished himself with many awards at the college and university levels for his work as a teacher and researcher. In 2006 he received a "Publication of Enduring Quality" award from the American Agricultural Economics Association. AAEA named him a Fellow in 2007. Besides his analysis of U.S. farm policy and international agricultural trade, his other research interests include food safety, livestock modeling, demand analysis, and commodity markets.

### 2014 RISK AND PROFIT CONFERENCE Page 13

# Page 14 THURSDAY, AUGUST 16, 2014

## 6:45 pm – 8:00 pm EVENING SESSION "A Conversation With A Kansas Producer"

# Summary

In an interview format with Eric Atkinson from the K-State Radio Network (KSRN), **Michael Springer**, from Independence, KS will discuss some things that have helped him be successful in his operation.



Educating the public about what farmers do on the farm to raise healthy, quality food motivates **Michael Springer**. As an Operation Main Street speaker for Kansas Pork Association, he talks to grade schools and civic groups. Appointed by the governor of Kansas, Michael

currently sits on the Kansas State Board of Agriculture. He's also served on the Young Farmers & Ranchers committee and the swine advisory committee for Kansas Farm Bureau.

Between juggling all of these activities, his main focus is his family farm, where he returned after graduating from Kansas State University. Now, Michael and his wife, Christy, have a partnership with his grandparents, parents, aunt and uncle. Together, they own a 3,200sow farrow-to-finish hog operation, which Michael manages, and 5,000 acres of row crops. Michael's passion for ag entrepreneurship started in sixth grade when he started raising bucket calves.

### 2014 RISK AND PROFIT CONFERENCE Page 19

# Page 18 FRIDAY, AUGUST 22, 2014

### 9:00 am – 9:50 am

### SESSION V

### Art Barnaby / Mykel Taylor (CONTINUED) Banquet Room A

The 2014 Farm Bill: The Nuts and Bolts and Making the Decision

Under most conditions, the highest expected payment will depend on a long-range price forecast. By the time of the Risk and Profit Conference, nearly 3 months of the 2014/15 Marketing Year Average (MYA) wheat price will be completed. As a result, we will have a good estimate for the 2014/15 MYA wheat price that will determine the level of ARC payments and PLC payments. As of now, there appears to be little chance for a 2014 PLC payment on wheat and ARC will likely require some yield loss to trigger payments. Clearly there are some Kansas counties that have a high probability of an ARC wheat payment, but enrollment in ARC eliminates adding the Supplemental Coverage Option (SCO) that provides additional crop insurance. This presentation will also cover feed grains and soybeans, but the Marketing Year prices lag behind wheat. Dr. Taylor will follow this discussion with the use of a computer decision aid that will help farmers sort through all of these options to help them make a decision and to explain that decision to their landlords.

#### Nathan Hendricks

#### Banquet Room B

Getting the Most Value From Limited Irrigation Water

As groundwater supplies diminish and pumping rates decline, farmers face difficult management decisions about how to obtain the most value from a limited amount of water. I will present research findings that show how the value of agricultural production declines as water availability decreases. Of particular importance is that the value of production initially declines quite slowly when farmers begin at full irrigation. However, the value of production begins declining more rapidly as water availability continues to decrease. I will discuss the implications for choosing between deficit irrigation on a larger number of acres or full irrigation on a smaller number of acres. Implications for the design of policies to reduce withdrawals (e.g., LEMAs) will be briefly discussed.

#### Brian Briggeman

Tadtman Board Room, 201

### A Financial Tool You Can Use: The DuPont Profitability Model

Making sound financial decisions about your farming operation is critical to near and long-term success. These decisions can become quite complex because one financial decision can have a ripple effect, positive or negative, throughout your entire farm. While unraveling and discussing all of these decisions can take days if not months to figure out, there is one straightforward financial model that can help start the process of identifying financial areas to fix and/or growth opportunities. In this session, Dr. Brian Briggeman will introduce and apply the DuPont Model to Kansas farmers by discussing the fundamentals of maximizing return on equity (ROE).

### **Cooper Morris**

#### **Banquet Room B**

Value of Differentiating From Average Crop Producer in Your Region

This presentation discusses how crop farms can achieve higher than average net incomes by differentiating their operations from the average farm in their KFMA region. This includes how farms access land (own versus rent), control weeds (herbicides versus tillage), and focus their management efforts (yields versus marketing) compared to the average farm. The performance of 433 crop farms between 2001 and 2010 were analyzed to quantify the value of farming differently than the average in the region.

### **Gregg Ibendahl**

#### Lecture Room, 307

### Machinery Costs in Kansas

Machinery costs are a big expense for most farms. Farmers who decide to own most of their equipment have to decide how often to replace their equipment, and how much equipment they will own relative to the size of their operation. This presentation analyzes the highest income farms in the state to determine their machinery investment per acre and to examine machinery operating costs. This presentation helps show if farmers can increase profitability by better managing their use of farm machinery.

### 2014 RISK AND PROFIT CONFERENCE Page 15

# Page 16 FRIDAY, AUGUST 22, 2014

### 8:00 am – 8:50 pm Art Barnaby / Mykel Taylor

### SESSION IV Banguet Room A

The 2014 Farm Bill: The Nuts and Bolts and Making the Decision

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#### Dan O'Brien

#### Tadtman Board Room, 201

#### Competitive Position of Black Sea Region in World Wheat Markets

Differences in physical quality characteristics among classes or types of wheat are often reflected in global cash wheat prices in general, and in wheat prices and sales involving major Black Sea Region exporters Russia, Ukraine and Kazakhstan in particular. Black Sea Region wheat export markets appear to be somewhat associated with each in other in terms of price dynamics, while still exhibiting important differences. Differences in wheat class quality characteristics and logistical-transportation factors play an important role in determining the competitive, cointegrated nature of world and Black Sea Region wheat market price relationships, along with the dynamics of changing wheat supply-demand balances.

#### Mark Dikeman

### Purple Pride Room, 305

#### An Introduction to Farm Payroll

Rare is the farming operation that does not require some sort of hired labor. For those who are planning to hire an employee, are new to payroll, or would just like a refresher this session will provide an overview of the process. We will cover steps to complete before hiring an employee, employment law, and what to do after an employee is hired with a focus on calculating paychecks and paying tax liabilities. We will also discuss year-end wage reporting and the impact of benefits on employee and employer.

#### **David Lambert**

#### Lecture Room, 307

#### Historical Impacts of Precipitation and Temperature on Farm Production

Using a continuous set of Kansas Farm Management Association farms, we quantify weather effects on crop and livestock output and farm incomes. The effects of weather are largely asymmetric, with temperature and precipitation values below average affecting output and income differently than observations lying above a farm's long-term average. Precipitation effects depend on timing during the production year. The number of days exceeding 90 F (i.e., the "hot" years) negatively impact production and income, though the impact reverses (i.e., is positive) for crop output in the cooler years. The results indicate the importance of including weather in predicting output and net farm income and designing and adopting risk management instruments to mitigate weather trends and variability.

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