

# 2009 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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# RISK AND PROFIT

## Conference & Trade Show

# ECONOMICS:

## Micro, Macro, Maddening

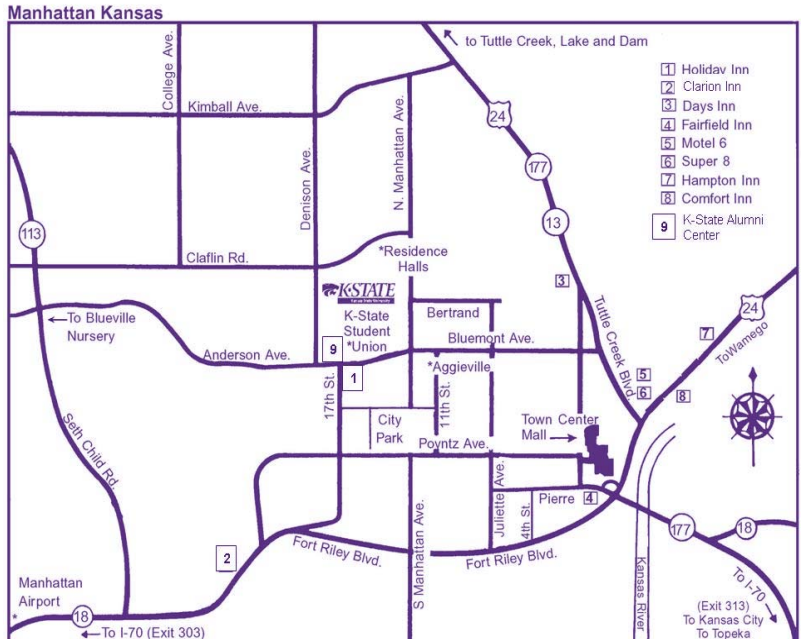
**August 20-21, 2009**

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

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



# Welcome to Manhattan, KS

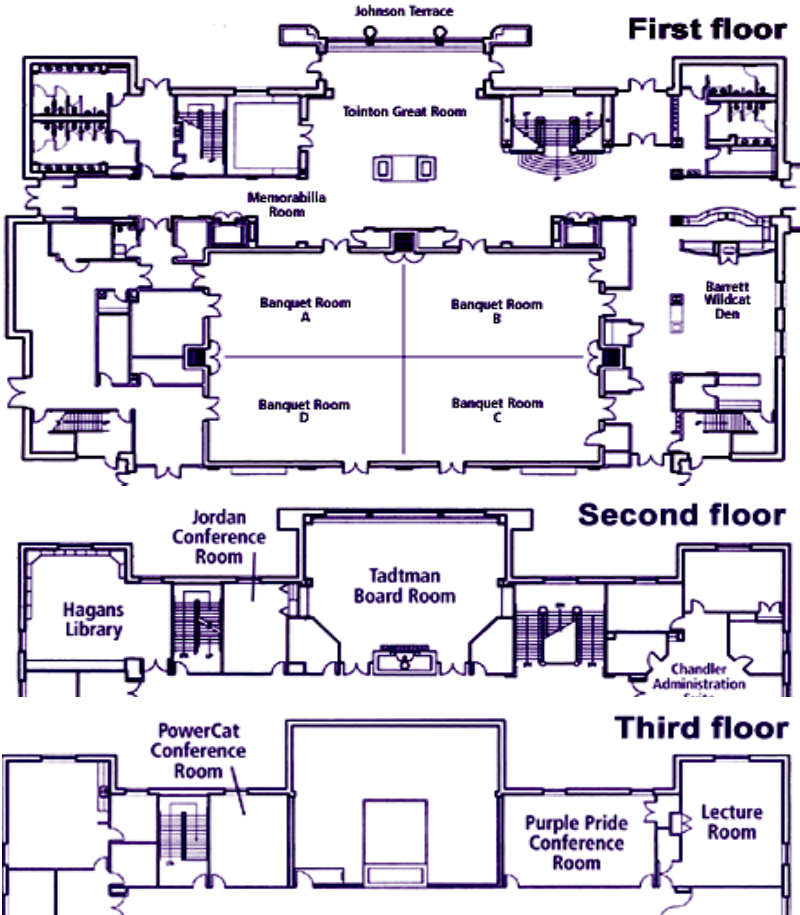


## K-STATE ALUMNI CENTER

**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.



- |  |                   |
|--|-------------------|
| 1. <i>The Post-recession Economic Landscape</i><br><b>Mike Woolverton &amp; Dan O'Brien</b>                                  | Banquet Room A    |
| 2. <i>Macroeconomic Theories that Rule the World</i><br><b>Vincent Amanor-Boadu</b>  | Banquet Room A    |
| 3. <i>Crop Insurance Combined with SURE and ACRE</i><br><b>Art Barnaby</b>   | Tadtman Boardroom |
| 4. <i>Managing Supply Chain Risk</i><br><b>Michael Boland</b>  | Purple Pride, 305 |
| 5. <i>Interest Rates</i><br><b>Joe Arata</b>   | Banquet Room B    |
| 6. <i>Why Packer Market Power is So Elusive</i><br><b>Rod Jones, Tian Xia, &amp; John Crespi</b>                             | Banquet Room A    |
| 7. <i>Flexible Cash Rents: Why and How</i><br><b>Kevin Dhuyvetter &amp; Terry Kastens</b>                                    | Purple Pride, 305 |
| 8. <i>Kansas Grain Industry Structure &amp; Grain Bids</i><br><b>Dan O'Brien</b>   | Lecture Room 307  |
| 9. <i>Country Of Origin Labeling</i><br><b>Alex Saak</b>   | Banquet Room A    |
| 10. <i>The Need for Strategic Thinking</i><br><b>Vincent Amanor-Boadu</b>  | Banquet Room B    |
| 11. <i>Converting CRP Acres to Wheat-Sorghum-Fallow</i><br><b>Rich Llewelyn &amp; Jeff Williams</b>                          | Lecture Room 307  |
| 12. <i>Commodity Swaps</i><br><b>Orlen Grunewald</b>   | Tadtman Boardroom |
| 13. <i>Dry Land Farming: Tillage &amp; Opportunity Cropping</i><br><b>Ray Smith, Robert Burton, Jr., &amp; Alan Schlegel</b> | Lecture Room 307  |
| 14. <i>Relative Efficiency of Kansas Wheat Farms</i><br><b>Michael Langemeier</b>  | Tadtman Boardroom |
| 15. <i>Getting the Job Done</i><br><b>Kevin Herbel &amp; Kiel Roehl</b>  | Purple Pride, 305 |
| 16. <i>Productivity Convergence Across Kansas Farms</i><br><b>Beth Yeager &amp; Michael Langemeier</b>                       | Tadtman Boardroom |
| 17. <i>Strategies Affecting Calf Marketability</i><br><b>Lee Schulz &amp; Kevin Dhuyvetter</b>                               | Banquet Room B    |
| 18. <i>A Look at No-Tillage Practices on the Plains</i><br><b>Jason Bergtold &amp; Sam Funk</b>                              | Banquet Room B    |
| 19. <i>Managing Risk Using AgManager.info</i><br><b>Rich Llewelyn</b>  | Purple Pride, 305 |
| 20. <i>Obesity--What It Means for Agriculture</i><br><b>Bryan Schurle &amp; Troy Dumler</b>                                  | Lecture Room 307  |

### 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 14th year, with more than 2000 total attendance and more than 250 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.





*Kansas State University  
Research and Extension  
Agricultural Economics*  
345 Waters Hall  
Manhattan, KS 66506  
Phone: (785) 532-5823  
Fax: (785) 532-6925

**Agricultural Economics**

**[www.AgManager.info](http://www.AgManager.info)**



*Master in Agribusiness  
Distance Education  
Dept. of Agricultural Economics*  
324 Waters Hall  
Manhattan, KS 66506  
Phone: (785) 532-4495  
Fax: (785) 532-6925

**[www.mab.ksu.edu](http://www.mab.ksu.edu)**



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

**[www.AgManager.info/KFMA](http://www.AgManager.info/KFMA)**

**BEEFBASIS**



*Cattle Risk Management Tools  
K-State Dept. of Agricultural Economics*

- ◆ BeefBasis.com: [www.beefbasis.com](http://www.beefbasis.com)
- ◆ Cattle Feeding Risk Return Analyzer: [www.naiber.org/cattleriskalyzer](http://www.naiber.org/cattleriskalyzer)
- ◆ Cattle Risk Management Information Library: [www.agmanager.info/crmil](http://www.agmanager.info/crmil)

4:20 pm – 5:20 pm

Alex Saak

*Country of Origin Labeling*

Lee Schulz & Kevin Dhuyvetter

*Management Strategies Affecting Calf Marketability*

Michael Langemeier

*Relative Efficiency of Kansas Wheat Farms*

Kevin Herbel & Kiel Roehl

*Employee Wage Rates & Compensation Packages on Kansas Farms*

Bryan Schurle & Troy Dumler

*The Obesity Epidemic--What it Means for Agriculture*

**SESSION III**

Banquet Room A

Banquet Room B

Tadtman Board Room, 201

Purple Pride Room, 305

Lecture Room, 307

5:30 pm - 6:30 pm

**Social & Cash Bar**

6:30 pm - 7:30 pm

**DINNER**

7:30 pm - 8:30 pm

**EVENING SPEAKER**

*"A Conversation With Farm Journal's Top Producer"*

**Lon Frahm**

**Frahm Farmland, Colby, Kansas  
2009 Top Producer of the Year**

7:00 am - 7:45 am **BREAKFAST**

7:45 am - 9:30 am **GENERAL SESSION**

*Livestock Outlook: James Mintert;*  
*Grain Outlook: Michael Woolverton*

9:30 am - 9:40 am Break

9:40 am - 10:40 am **SESSION IV**

**Rodney Jones, Tian Xia & John Crespi** Banquet Room A

*Now You See It, Now You Don't:*  
*Why Packer Market Power is So Elusive*

**Lee Schulz & Kevin Dhuyvetter** Banquet Room B

*Management Strategies Affecting Calf Marketability*

**Art Barnaby** Tadtman Board Room, 201

*Optimal Level of Crop Insurance Combined with SURE and ACRE*

**Michael Boland** Purple Pride Room, 305

*Why Producers Should Consider Managing Supply Chain Risk*

**Dan O'Brien** Lecture Room, 307

*Impact of Kansas Grain Industry Structure on Corn and Wheat Bids*

10:50 am - 11:50 am **SESSION V**

**Mike Woolverton & Dan O'Brien** Banquet Room A

*The Post-recession Economic Landscape for Food and Agriculture*

**Vincent Amanor-Boadu** Banquet Room B

*Strategically Speaking...:*

*The Increasing Need for Strategic Thinking in Farm Businesses*

**Orlen Grunewald** Tadtman Board Room

*Commodity Swaps*

**Michael Boland** Purple Pride Room, 305

*Why Producers Should Consider Managing Supply Chain Risk*

**Ray Smith, Robert Burton, & Alan Schlegel** Lecture Room, 307

*Dry Land Farming Risk and Profit: How Are They Affected by Tillage & Opportunity Cropping in Western Kansas?*

## National Sunflower Association

Gary Jorgensen  
PO Box 903  
Sublette KS 67877  
620.640.1070  
growsunflowers@gmail.com



[www.sunflowernsa.com](http://www.sunflowernsa.com)



## KANSAS WHEAT

217 Southwind Place  
Manhattan, KS 66503  
Toll Free Phone: 1.866.75WHEAT  
Fax: 785.539.8946  
E-mail: [kswheat@kswheat.com](mailto:kswheat@kswheat.com)

[www.kansaswheat.org](http://www.kansaswheat.org)



## KANSAS SOYBEAN COMMISSION

7940 2930 SW Wanamaker Drive  
Topeka, Kansas 66614  
800-328-7390 or 877-KS-SOYBEAN  
Fax: 785-271-1302  
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[www.rangelandinsurance.com](http://www.rangelandinsurance.com)



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*William D. Miller, Jr.*  
Paramount Planning Group  
(316) 204.7998  
williamdmillerjr@sbcglobal.net  
[www.wdmiller.biz](http://www.wdmiller.biz)

*Jeffrey L. Wetta*  
AXA Advisors  
Financial Consultant  
(316) 201.9322  
jeffrey.wetta@axa-advisors.com

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2-A Edwards Hall, Kansas State University  
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(800) 321-3276 Fax: (785) 532-6532 Email: fbuhler@k-state.edu

[www.ksre.ksu.edu/kams](http://www.ksre.ksu.edu/kams)



*KSRN — Kansas Radio Network*  
20 McCain Auditorium  
Kansas State University  
Manhattan, KS 66506-4701  
Phone (785) 532-5851

[www.kstateradionetwork.com](http://www.kstateradionetwork.com)

12:00: 12:30

LUNCH

12:30 pm – 1:30 pm

KEYNOTE ADDRESS

*“The Future of Kansas State University in Addressing  
the Land Grant Mission”*

**Dr. Kirk Schulz**

President, Kansas State University

1:30 pm - 2:30 pm

SESSION VI

Vincent Amanor-Boadu

Banquet Room A

*Macroeconomic Theories that Rule the World*

Joe Arata

Banquet Room B

*Interest Rates*

Orlen Grunewald

Tadtman Board Room

*Commodity Swaps*

Kevin Dhuyvetter & Terry Kastens

Purple Pride Room, 305

*Flexible Cash Rents: Why and How*

Rich Llewelyn & Jeff Williams

Lecture Room, 307

*A Risk Analysis of Converting CRP Acres to a  
Wheat-Sorghum-Fallow Rotation in Western Kansas*

2:40 pm - 3:40 pm

SESSION VII

Rodney Jones, Tian Xia & John Crespi

Banquet Room A

*Now You See It, Now You Don't:  
Why Packer Market Power is So Elusive*

Jason Bergtold & Sam Funk

Banquet Room B

*Is Conservation Tillage Conserving Dollars In Your Pocket?:  
A Deeper Look at No-Tillage Practices on the Plains*

Art Barnaby

Tadtman Board Room, 201

*Optimal Level of Crop Insurance Combined with SURE and ACRE*

Rich Llewelyn

Purple Pride Room, 305

*Managing Risk Using AgManager.info*

Ray Smith, Robert Burton, & Alan Schlegel

Lecture Room, 307

*Dry Land Farming Risk and Profit: How Are They Affected by Tillage &  
Opportunity Cropping in Western Kansas?*







1:30 pm – 2:30 pm

SESSION VI

Banquet Room A

Vincent Amanor-Boadu

Macroeconomic Theories that Rule the World

A few major theories rule national and international economies and the lenses through which policymakers view economic problems define the theories dominating their policies. Increasing globalization ensures that no country and its citizens are protected from the dominant theories in operation in any other major country. This paper provides an overview of major macroeconomic theories competing for attention and argues that business leaders have to develop appreciation of their effects and coherent strategies to minimize adverse effects or maximize beneficial effects they may present.

Banquet Room B

Joe Arata

Interest Rates

This informal presentation will start with a definition of the U.S. money supply, look at the equation of exchange and the alphabet soup of Federal Reserve Bank programs that were and are supposed to improve US financial markets function and credit market access. We will talk about money velocity, interest rates and inflation. During the presentation we will review all those things that we should have learned in macro economics but didn't.

Tadtman Board Room

Orlen Grunewald

Commodity Swaps

Commodity markets have experienced unprecedented volatility recently. Swaps are widely used as over-the-counter agreements between buyers and sellers of corn, wheat and soybeans. Grain swaps are popular because the terms of trade can be tailored to meet the needs of buyers for by establishing a forward price on a cash-settled basis. Buyers and sellers can settle the difference between the swap price and the market price at delivery through the CME Group Commodity Exchange and then sell or buy grain through the local cash market. Swaps act as a hedge for the risks of sharp price swings and extend fixed forward pricing to the grain markets while permitting the parties to determine the price, quality, quantity and delivery specifications in a private contract.

Purple Pride Room

Kevin Dhuyvetter & Terry Kastens

Flexible Cash Rents: Why and How

Crop share leasing arrangements have historically been the dominant lease type in Kansas, however, the trend is towards more cash rent leases. While there can be good reasons to consider a cash lease, the recent volatility in commodity markets has made it very difficult to establish a fixed cash rent that is "fair" to all parties. FSA recently ruled that bonuses and flexible cash leases would be treated as cash rents thus making it easier for producers and landowners to consider some type of variable cash rent arrangement. Unfortunately, there is not a "right answer" as to how flexible cash leases should be defined. This session discusses leases in general, compares alternative leasing arrangements, and provide examples of how a flexible cash lease might be designed and implemented.

Lecture Room

Rich Llewelyn & Jeff Williams

Converting CRP Acres to a Wheat-Sorghum-Fallow Rotation

This study examines the economic potential of producing a wheat-grain sorghum-fallow rotation with three different tillage strategies (conventional, reduced, and no-tillage) compared to the Conservation Reserve Program (CRP) in western Kansas. Based on this analysis, only those individuals who are risk-neutral or slightly risk-averse would prefer crop production to continue CRP enrollment in this region unless commodity prices reach the historically high levels of late 2007 and early 2008 and remain there.

Notes from this session:

Horizontal lines for taking notes.











9:20 am – 10:20 am

SESSION IV

Banquet Room A Rod Jones, Tian Xia, & John Crespi

Why Packer Market Power is So Elusive

Cattle production follows a dynamic cycle and cattle markets receive much scrutiny because of the potential for packer market power. This paper provides a framework to study how the cattle cycle and buyer market power jointly affect the bargaining position between producers and packers. A larger cattle stock leads to a lower fed cattle price when beef packers have market power. What is not obvious is the feedback effect on the cycle itself. We find that the cattle stock's negative effect on price is magnified by the degree of buyer market power, but that over the cycle, the effects are short-lived. Empirical findings support the theoretical relationships. This helps in understanding why research into market power gives varied results.

Banquet Room B Lee Schulz & Kevin Dhuyvetter

Management Strategies Affecting Calf Marketability

Information on factors influencing the price of feeder cattle and calves is valuable to producers selling feeder cattle to help them make informed marketing decisions. Likewise, feeder cattle buyers need to understand value differences associated with various physical and marketing characteristics as they make purchasing decisions. It is also important to understand how these price effects change with time. Market participants are wary of relying on dated pricing information when making decisions. Results indicate that cattle producers can improve the prices they receive for feeder cattle by closely monitoring a number of management practices prior to the sale date.

Tadtman Board Room Art Barnaby
Optimal Level of Crop Insurance Combined with SURE and ACRE

With the declining prices the question remains, why so little interest in ACRE? This session will explore the historical payouts that ACRE would have generated in addition to the most current year. For the current year, continuing to update prices and yield forecasts will ultimately determine the 2009 ACRE payment. In addition, the SURE program implementation rules are not expected until December. However, this will be the third wheat crop covered under SURE without knowing the SURE rules. Depending on the implementation rules, optimal levels of crop insurance could easily change.

Purple Pride Room Michael Boland

Why Producers Should Consider Managing Supply Chain Risk

Professor Boland will present an overview of drivers of change in the retail agronomy and grain origination industries in Great Plains, present data to show estimated farm income over fertilizer costs for past five years for different cropping systems, and discuss new risk management programs that several ag retailers are developing that would allow a producer to price their inputs and sell their grain simultaneously to help a producer manage supply chain risk.

Lecture Room Dan O'Brien

Impact of Kansas Grain Industry Structure on Corn and Wheat Bids

Corn and wheat cash prices in Kansas are affected by a number of factors. Kansas corn prices in 2008 were affected by form of business organization, local feedgrain production and livestock feed usage, elevator storage capacity, access to railroad grain handling facilities, and to a limited degree by the number of competitors in local markets. In 2008 geographic proximity to ethanol plants did not have a significant impact on local corn prices. Kansas wheat prices in 2008 were affected by local wheat production, elevator storage capacity, the number of competitors in local markets, and by location relative to flour mills. Operating cost and efficiency differences among grain elevators indicate the presence of market power in local Kansas grain markets.

Notes from this session:

Horizontal lines for taking notes.

