# **ROOM ASSIGNMENTS**

1.	Kansas Land Values Mykel Taylor and Kevin Dhuyvetter	Banquet Room A
2.	Kansas Rental Values Kevin Dhuyvetter and Mykel Taylor	Banquet Room A
3.	Pasture Lease Pricing: Comparing Methods David Kehler	Banquet Room A
4.	Basics of Futures and Options: Part 1 Sean Fox	Purple Pride, 305
5.	Basics of Futures and Options: Part 2 Sean Fox	Purple Pride, 305
6.	Short-Dated Corn and Soybean Options Orlen Grunewald	Purple Pride, 305
7.	USDA Crop and Livestock Reports Rich Llewelyn	Lecture Room, 307 Tadtman Boardroom
8.	Investing 101 and Why Economists Drive Dodge Darts Joe Arata	Purple Pride, 305
9.	Grain Ethanol and Biodiesel Impacts Daniel O'Brien	Banquet Room B
10.	The Farm Bill and Crop Insurance Art Barnaby	Banquet Room A
11.	U.S. Beef Demand Glynn Tonsor	Tadtman Boardroom
12.	Tacking the Big Issues in the U.S. Cattle Industry Glynn Tonsor	Tadtman Boardroom
13.	World Supply and Demand For Food Nathan Hendricks	Banquet Room B
14.	Strategic Risk Management Bryan Schurle	Banquet Room B
15.	Risk Rating Kansas Farmer Cooperatives Brian Briggeman and Chuck Mickelson	Lecture Room 307
16.	Are the Most Profitable Farms Consistently the Most Profitable? Gregg Ibendahl	Banquet Room B
17.	Estate Planning Basics Kent Miller	Tadtman Boardroom
18.	There is More to An Estate Plan Than a Will or Trust Clay Simons	Tadtman Boardroom
19.	Economic Impact of Ogallala Aquifer Depletion Bill Golden	Lecture Room 307
20.	Rural Grocery Initiative Hikaru H. Peterson	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 18th year, with more than 2400 total attendance and more than 350 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

# WEDNESDAY, AUGUST 21, 2013

LUNCH

10:30 am – 12:00 pm REGISTRATION

11:30 am – 12:30 pm

## 12:30 pm – 1:45 pm KEYNOTE ADDRESS

"Grain Markets and the RFS: All Eyes on the EPA" Scott Irwin: Laurence J. Norton Chair of Agricultural Marketing University of Illinois, Champaign, IL

2:00 pm – 2:50 pm	SESSION I			
Mykel Taylor and Kevin Dhuyvetter	Banquet Room A			
Kansas Land Values How Do Survey Values Compare With Transaction Prices?				
Dan O'Brien	Banquet Room B			
Corn and Grain Sorghum Production Efficiency in Kansas				
Sean Fox	Banquet Room C			
Basics of Futures and Options: Part 1				
Hikaru Peterson	Lecture Room, 307			
Rural Grocery Initiative				

3:00 pm – 3:50 pm	SESSION II
Kevin Dhuyvetter and Mykel Taylor	Banquet Room A
Kansas Rental Values What Ca	ash Rent Information is Right?
Gregg Ibendahl	Banquet Room B
Are the Most Profitable Farms Co	nsistently the Most Profitable?
Kent Miller	Tadtman Board Room, 201
Estate Planning: Ir	mportant Issues
Sean Fox	Banquet Room C
Basics of Futures an	nd Options: Part 2
Rich Llewelyn	Lecture Room, 307

USDA Crop and Livestock Reports: What, When, and Where?

# 2014 RISK AND PROFIT CONFERENCE



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

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# For more information, contact:

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

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# 2014 RISK AND PROFIT CONFERENCE Page 3

#### 4:00 pm - 4:50 pm **SESSION III David Kehler** Banquet Room A Pasture Lease Pricing, a Comparison of Methods Dan O'Brien Banguet Room B Corn and Grain Sorghum Production Efficiency in Kansas **Clay Simons** Tadtman Board Room, 201 There's More to an Estate Plan Than a Will or Trust Joe Arata Banquet Room C Investing 101 and Why Economists Drive Dodge Darts **Bill Golden** Lecture Room, 307 Economic Impacts of the Ogallala Aquifer Depletion in West-Central 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" Terry Kastens Herndon, Kansas

> Moderated by: Eric Atkinson K-State Radio Network

# Page 4 THURSDAY, AUGUST 22, 2013

6:45 am - 7:15 am BREAKFAST 7:15 am - 9:00 am **GENERAL SESSION** Grain Outlook: Dan O'Brien Livestock Outlook: Glynn Tonsor 9:00 am - 9:10 am Break 9:10 am - 10:00 am SESSION IV Art Barnaby Banquet Room A The Farm Bill and Crop Insurance Bryan Schurle Banquet Room B Strategic Risk Management Kent Miller Tadtman Board Room, 201 Estate Planning: Important Issues **Orlen Grunewald** Purple Pride Room, 305 Short-Dated Corn and Soybean Options Hikaru Peterson Lecture Room, 307 Rural Grocery Initiative 10:10 am - 11:00 am SESSION V Mykel Taylor and Kevin Dhuyvetter Banquet Room A Kansas Land Values -- How Do Survey Values Compare With Transaction Prices? **Nathan Hendricks** Banquet Room B World Supply and Demand for Food: An Historical Perspective and Future Prospects **Clay Simons** Tadtman Board Room, 201 There's More to an Estate Plan Than a Will or Trust Joe Arata Purple Pride Room, 305 Investing 101 and Why Economists Drive Dodge Darts **Bill Golden** Lecture Room, 307 Economic Impacts of the Ogallala Aguifer Depletion in West-Central Kansas 11:10 am - 12:00 am SESSION VI Kevin Dhuyvetter and Mykel Taylor Banguet Room A Kansas Rental Values -- What Cash Rent Information is Right? **Bryan Schurle** Banquet Room B Strategic Risk Management

# 2014 RISK AND PROFIT CONFERENCE



# **KANSAS SOYBEAN COMMISSION**

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# John Crespi

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



# 2014 RISK AND PROFIT CONFERENCE Page 5

11:10 am - 12:00 pm Glynn Tonsor	SESSION VI (Continued) Tadtman Board Room, 201		
	nt Project Synthesis and Expert Views on the Next 10 Years		
Orlen Grunewald	Purple Pride Room, 305		
Short-Dated Corn	and Soybean Options		
Brian Briggeman and Chuck Mick	Lecture Room, 307		
	ratives: An Application of the Moody's lethodology		
12:10 - 12:50 pm	LUNCH		
1:00 pm - 1:50 pm	SESSION VII		
David Kehler	Banquet Room A		
Pasture Lease Pricing,	a Comparison of Methods		
Nathan Hendricks	Banquet Room B		
	d: An Historical Perspective and Future spects		
Glynn Tonsor	Tadtman Board Room, 201		
	attle Industry: An Interactive 'Clicker ssion'		
Sean Fox	Purple Pride Room, 305		
Basics of Futures	and Options: Part 1		
Brian Briggeman and Chuck Mick	Lecture Room, 307		
	ratives: An Application of the Moody's lethodology		
2:00 pm - 2:50 pm	SESSION VIII		
Art Barnaby	Banquet Room A		
The Farm Bill a	nd Crop Insurance		
Gregg Ibendahl	Banquet Room B		
Are the Most Profitable Farms	Consistently the Most Profitable?		
Rich Llewelyn	Tadtman Board Room, 201		
USDA Crop and Livestock Re	ports: What, When, and Where?		
Sean Fox	Purple Pride Room, 305		
Basics of Futures	and Options: Part 2		
3:00 pm - 3:30 pm	GENERAL SESSION		
• • • _ • = •			

Panel Discussion and Q&A

# Page 6 WEDNESDAY, AUGUST 21, 2013

# 12:30 pm – 1:45 pm KEYNOTE ADDRESS "Grain Markets and the RFS: All Eyes on the EPA" Dr. Scott H. Irwin Laurence J. Norton Chair of Agricultural

Marketing University of Illinois, Champaign, Illinois

**Dr. Scott Irwin** is recognized as a national and international leader in agricultural economics. His research on agricultural marketing and price analysis, commodity market efficiency, and speculation in commodity markets is widelycited by other academic researchers and in high demand among market participants, policy-makers, and the media. He has produced over 200 scholarly publications in his career, with numerous articles in the leading academic journals, such as the *American Journal of Agricultural Economics* and the *Review of Agricultural Economics*.

Irwin's research and outreach programs have had a significant and positive impact on the agricultural community, including <u>AgMAS</u>, a nationally-recognized project that provides performance evaluations of agricultural market advisory services and <u>farmdoc</u>, an award-winning Extension program that provides comprehensive risk management information and analysis for farmers and agribusinesses in the United States. Irwin recently led the effort to create <u>farmgate</u>, which integrates, synthesizes, and summarizes information available to Midwest farmers and agribusinesses across the spectrum of agricultural disciplines.

In recent years, Irwin has made important contributions to the international debate on the role of speculators in commodity futures markets. He has been widely quoted as an authority on futures speculation in the financial press (e.g., *Barron's, The Economist, Institutional Investor* and *The Wall Street Journal*). He has testified before the <u>House of Representatives Committee on Agriculture</u>.

Irwin's lifelong fascination with agricultural economics began at an early age on the family farm in west central Iowa. Trips to the local grain elevator sparked his interest in ag marketing and price analysis, and he pursued that interest at Iowa State University, earning a bachelor's degree in agricultural business. He earned both an M.S. and Ph.D. in agricultural economics at Purdue University.

Irwin joined the faculty of the Department of Agricultural Economics and Rural Sociology at The Ohio State University in 1985. He was named the Francis B. McCormick Professor of Agricultural Marketing and Policy at Ohio State in 1996. During 1993-1994, Irwin served as a Visiting Scholar in the Office for Futures and Options Research at the University of Illinois. In 1997, he joined the faculty of the Department of Agricultural and Consumer Economics at the University of Illinois; he was named the Laurence J. Norton Chair of Agricultural Marketing in 2004. Irwin teaches commodity price analysis and futures market research.

# 2014 RISK AND PROFIT CONFERENCE Page 27

# Page 26 THURSDAY, AUGUST 22, 2013

# 2:00 pm – 2:50 pm

# SESSION VIII

Banquet Room A

#### The Farm Bill and Crop Insurance

How much would be saved by elimination of the harvest price is a hotly debated topic. In order for the elimination of the harvest price to reduce taxpayer's costs, it requires a significant price increase combined with a significant yield loss. There have been 2 out of the last 21 years that met both conditions on corn and 2012 was one of those years. Reduction in harvest price subsidy is only one of many ways to reduce the taxpayers' costs. This presentation will cover alternatives and consequences caused by reduced taxpayer support for crop insurance.

#### **Gregg Ibendahl**

Art Barnaby

#### **Banquet Room B**

Are the Most Profitable Farms Consistently the Most Profitable? Whether by luck, better management, more rainfall, or a different enterprise mix, some farmers will be more profitable than other farmers. However, over a period of years, is there consistency among the population of farmers who are most profitable? Are the most profitable farms in any given year also the most profitable farms over a long-term time horizon? This paper investigates a 15-year panel data set of similar farms from Kansas to determine if the most profitable farms are consistent across time. We find that both management and weather/luck contribute to overall profitability. Even though the bottom decile of farmers consistently have negative net farm income each year, the 15-year average net farm income only has 4 percent of farms with a negative average.

### **Rich Llewelyn**

### Tadtman Board Room, 201

USDA Crop and Livestock Reports: What, When, and Where? For the most part, commodity markets are efficient. It is unlikely that someone will consistently beat the market. But it is possible to end up well behind the market if you don't know what is going on. Focusing on USDA crop and livestock reports, this presentation will help participants understand what information is freely available and when, as well as where to find it, in order to be aware of times when a market may be absorbing this information, causing changes in prices.

#### Sean Fox

#### Purple Pride Room, 305

### Basics of Futures and Options: Part 2

<u>Market analysis</u>: a. Fundamental analysis, b. Technical analysis – charts, terminology, etc. <u>Options</u>: a. Puts and calls, b. Option premium – intrinsic and time value, c. Options for hedging (minimum price contracts).

# 2014 RISK AND PROFIT CONFERENCE Page 7

# Page 8 WEDNESDAY, AUGUST 21, 2013

# 2:00 pm - 2:50 pm



### Mykel Taylor and Kevin Dhuyvetter

Banquet Room A

Kansas Land Values -- How Do Survey Values Compare With Transaction Prices?

The session will provide insight into the current cropland and pasture land market in Kansas. Using actual land sales from the Property Valuation Department in Topeka, county-level estimates of land values will be presented. We will also discuss factors driving land values, including parcel size, soil quality rating, timing of sale, and investor -related issues such as interest rates and real estate market liquidity.

#### Dan O'Brien

### Banquet Room B

Corn and Grain Sorghum Production Efficiency in Kansas The production and economic efficiency of corn and grain sorghum is a critical issue for Kansas farmers. The results of a study by KSU Agronomists and Ag Economists is discussed, focusing on how corn and grain sorghum compare under irrigated and dryland cropping systems, and under what cropping systems and in what geographic regions of the state that crop producers might prefer one crop or another or both in proportion depending on factors critical to their farming operations.

#### Sean Fox

#### Banquet Room C

Basics of Futures and Options: Part 1 <u>Futures markets:</u> a. Where they are, contracts traded, months traded, contract specs, volume, open interest, b. Performance guarantee, offsetting – how those work, c. Margin requirements, price limits d. Open outcry vs computer trading. **Trading:** a.

Opening an account, Choosing a broker – local vs online, commissions, b. Types of order: market, limit, stop orders, c. Hedging accts vs Speculation accts (margin and tax implications). <u>Hedging:</u> a. Basis, basis risk, basis patterns, b. Basics of a short (long) hedges, c. Futures vs cash forward contracts d. Hedge-to-arrive (HTA) and basis contracts, e. Marketing alternatives for different price and basis situations.

#### **Hikaru Peterson**

Lecture Room, 307

#### Rural Grocery Initiative

Rural communities struggle to sustain core economic, nutritional, and civic needs as they battle economic and demographic forces of decline. A central piece of the infrastructure sustaining rural regions is the small-town, independently-owned grocery store. These stores are a vital piece of the local food system, providing a supply of fresh fruits, vegetables, dairy, breads, grains, and meats. They are a cornerstone business functioning as an important part of the economic engine that drives rural regions of our country. These stores are also important community assets, serving as community recruitment and retention tools and functioning as sites where social capital is built. Yet, almost daily, another of these small businesses shuts its doors and calls it quits. The Rural Grocery Initiative at Kansas State University was launched in 1997 to identify and develop models to sustain retail sources of food for rural Kansas citizens. This session will share the Initiative's recent research and outreach efforts and asks the audience to share stories about their community needs.

# 2014 RISK AND PROFIT CONFERENCE Page 25

# Page 24 THURSDAY, AUGUST 22, 2013

# 1:00 pm – 1:50 pm

SESSION VII Banguet Room A

**Banquet Room B** 

Pasture Lease Pricing, a Comparison of Methods

This session will provide the opportunity for a discussion of pasture grazing leases. We will discuss and evaluate the different types of leases such as "double – stock", ¾ season, and full season grazing. The various methods of pricing will be presented and discussed. These include per acre, per head and per gain methods. While this discussion focuses on Flint Hills native grazing, the principles apply to all types of pasture.

#### Nathan Hendricks

**David Kehler** 

### World Food Supply and Demand: Historical Perspective & Future Prospects

Global agricultural productivity growth is slowing while the world population is likely to increase from 7 billion to 9 billion by 2050. Meanwhile, meat demand will continue increasing due to rapid economic growth in China and India. In this session, we will examine some of these major trends in world supply and demand for food. We will also place these future prospects in perspective by looking at world supply and demand from 1960-2000, a period where world population doubled from 3 billion to 6 billion and yet supply actually increased faster than demand. An understanding of these global trends in agricultural markets is an important perspective for producers and agribusiness leaders as they make long-run decisions.

#### Glynn Tonsor

#### Tadtman Board Room, 201

Tackling Big Issues in the US Cattle Industry: An Interactive 'Clicker Session'

This session will facilitate an open exchange of thoughts and visions on issues facing the U.S. cattle industry. Interaction will be coordinated by attendees using clickers (audience response devices) to indicate their insights into issues including beef demand strength, impact of animal welfare discussions, prospects for domestic herd expansion, etc. The audience's view will be compared with Dr. Tonsor's in an "on the fly" fashion providing a unique opportunity for interested attendees.

#### Sean Fox

### Purple Pride Room, 305

Basics of Futures and Options: Part 1

**Futures markets:** a. Where they are, contracts traded, months traded, contract specs, volume, open interest, b. Performance guarantee, offsetting – how those work, c. Margin requirements, price limits d. Open outcry vs computer trading. **Trading:** a. Opening an account, Choosing a broker – local vs online, commissions, b. Types of order: market, limit, stop orders, c. Hedging accts vs Speculation accts (margin and tax implications). **Hedging:** a. Basis, basis risk, basis patterns, b. Basics of a short (long) hedges, c. Futures vs cash forward contracts d. Hedge-to-arrive (HTA) and basis contracts, e. Marketing alternatives for different price and basis situations.

#### Brian Briggeman, Chuck Mickelson Lecture Room, 307

Risk Rating Kansas Farmer Coops: Application of Moody's Rating Methods Kansas farmer cooperatives are in a period of significant returns as well as heightened risk. Today's inflation adjusted net incomes have soared to the mid-1970s historical highs. But the ride up has not been smooth. Significant fluctuations in commodity prices, weather, and other global factors have contributed to the heightened risks faced by farmer cooperative boards and managers. This research aims to quantify these risks by using the Moody's risk rating methodology. Results suggest that those Kansas farmer cooperatives that generate ample cash flow, not necessarily those that are most profitable, have the most favorable risk rating. In addition, having flexibility in equity redemption plans helps improve a cooperative's risk rating.

# 2014 RISK AND PROFIT CONFERENCE Page 9

# Page 10 WEDNESDAY, AUGUST 21, 2013

# 3:00 pm - 3:50 pm

# **SESSION II**

#### Kevin Dhuyvetter and Mykel Taylor

or Banquet Room A

Kansas Rental Values -- What Cash Rent Information is Right?

Beginning in 2009 Kansas Agricultural Statistics (KAS) has surveyed producers and landowners regarding cash rent for crop land and pasture at the county level. This provides much more information than has been available historically (values were only available at the Crop Reporting District level). However, in recent years with land values increasing significantly, the appropriateness of these survey values as a reflection of the current cash rent market has been questioned. In response to this, an alternative method of estimating cash rents for cropland at the county level has been developed. This session will outline the alternative method developed and report on values from the two approaches and discuss reasons as to why they might vary. While a similar type of approach is not currently available for pasture rents, an alternative approach for estimating pasture rents at the county level will also be presented and discussed.

### **Gregg Ibendahl**

#### **Banquet Room B**

Are the Most Profitable Farms Consistently the Most Profitable? Whether by luck, better management, more rainfall, or a different enterprise mix, some farmers will be more profitable than other farmers. However, over a period of years, is there consistency among the population of farmers who are most profitable? Are the most profitable farms in any given year also the most profitable farms over a long-term time horizon? This paper investigates a 15-year panel data set of similar farms from Kansas to determine if the most profitable farms are consistent across time. We find that both management and weather/luck contribute to overall profitability. Even though the bottom decile of farmers consistently have negative net farm income each year, the 15-year average net farm income only has 4 percent of farms with a negative average.

### Kent Miller

#### Tadtman Board Room, 201

### Estate Planning: Important Issues

Congress finally passed permanent legislation in January 2013 in regards to the Federal Estate Tax Exemption, so farmers finally have direction to complete their estate and transition planning. This session will review the current estate and gift tax rules and present some example estate plans a farmer may want to consider.

#### Sean Fox

Banquet Room C

#### Basics of Futures and Options: Part 2

<u>Market analysis</u>: a. Fundamental analysis, b. Technical analysis – charts, terminology, etc. <u>Options</u>: a. Puts and calls, b. Option premium – intrinsic and time value, c. Options for hedging (minimum price contracts).

### **Rich Llewelyn**

### Lecture Room, 307

USDA Crop and Livestock Reports: What, When, and Where? For the most part, commodity markets are efficient. It is unlikely that someone will consistently beat the market. But it is possible to end up well behind the market if you don't know what is going on. Focusing on USDA crop and livestock reports, this presentation will help participants understand what information is freely available and when, as well as where to find it, in order to be aware of times when a market may be absorbing this information, causing changes in prices.

## 2014 RISK AND PROFIT CONFERENCE Page 23

# Page 22 THURSDAY, AUGUST 22, 2013

### 11:10 am – 12:00 pm Kevin Dhuyvetter and Mykel Taylor

### SESSION VI Banguet Room A

Kansas Rental Values -- What Cash Rent Information is Right?

Beginning in 2009 Kansas Agricultural Statistics (KAS) has surveyed producers and landowners regarding cash rent for crop land and pasture at the county level. This provides more information than has been available historically (only Crop Reporting District level). However, with land values increasing significantly recently, the appropriateness of these survey values for the current cash rent market has been questioned. In response, an alternative method of estimating cash rents for cropland at the county level has been developed. This session outlines the alternative method and reports on values from both approaches and discusses reasons why they might vary. While a similar type of approach is not currently available for pasture rents, an alternative approach for estimating pasture rents at the county level will also be presented and discussed.

**Bryan Schurle** 

**Banquet Room B** 

### Strategic Risk Management

South-central Kansas has experienced a recent boom in the amount of land being leased for oil and gas production. New horizontal drilling techniques have made the area very attractive to the major oil companies. This interest seems to be spreading throughout much of Kansas. In this session, we will discuss the types of leases you may encounter in terms of bonus payments and royalty percentages. We will also cover the significant legal provisions you should consider to be included in your lease to protect against damages to farm land, cattle grazing issues, and surface water rights. Finally we provide an overview of income tax implications of an oil and gas lease bonus payment and the royalty interest you may derive from production if the drilling is successful

### Glynn Tonsor Tadtman Board Room, 201

US Beef Demand: Recent Project Synthesis and Views on the Next 10 Years

This session will overview findings and implications of a recently completed domestic beef demand project. Discussion will cover the relative impact of different demand drivers and feasibility of the industry influencing these drivers.

#### **Orlen Grunewald**

#### Purple Pride Room, 305

Short-Dated Corn and Soybean Options 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 lower cost. Brian Briggeman, Chuck Mickelson Lecture Room, 307

Risk Rating Kansas Farmer Coops: Application of Moody's Rating Methods Kansas farmer cooperatives are in a period of significant returns as well as heightened risk. Today's inflation adjusted net incomes have soared to the mid-1970s historical highs. But the ride up has not been smooth. Significant fluctuations in commodity prices, weather, and other global factors have contributed to the heightened risks faced by farmer cooperative boards and managers. This research aims to quantify these risks by using the Moody's risk rating methodology. Results suggest that those Kansas farmer cooperatives that generate ample cash flow, not necessarily those that are most profitable, have the most favorable risk rating. In addition, having flexibility in equity redemption plans helps improve a cooperative's risk rating.

### 2014 RISK AND PROFIT CONFERENCE Page 11

# Page 12 WEDNESDAY, AUGUST 21, 2013

# 4:00 pm - 4:50 pm

# SESSION III

#### **David Kehler**

# Banquet Room A

Pasture Lease Pricing, a Comparison of Methods

This session will provide the opportunity for a discussion of pasture grazing leases. We will discuss and evaluate the different types of leases such as "double – stock", ¾ season, and full season grazing. The various methods of pricing will be presented and discussed. These include per acre, per head and per gain methods. While this discussion while focus on Flint Hills native grazing, the principles will apply to all types of pasture.

### Dan O'Brien

### Banquet Room B

Corn and Grain Sorghum Production Efficiency in Kansas The production and economic efficiency of corn and grain sorghum is a critical issue for Kansas farmers. The results of a study by KSU Agronomists and Ag Economists is discussed, focusing on how corn and grain sorghum compare under irrigated and dryland cropping systems, and under what cropping systems and in what geographic regions of the state that crop producers might prefer one crop or another or both in proportion depending on factors critical to their farming operations.

#### Clay Simons

### Tadtman Board Room, 201

There's More to an Estate Plan Than a Will or Trust

Agricultural production is an asset intensive business, and farm and ranch families generally accumulate substantial estates over their careers. While an understanding of the legal aspects of an estate plan is important, there are a variety of issues that families should consider before they visit their lawyer and draw up an estate plan. This session explores many of these issues including having an accurate inventory of assets, the differing goals of spouses, treatment of on farm and off farm heirs and the importance of family communications.

#### Joe Arata

Banquet Room C

### Investing 101 and Why Economists Drive Dodge Darts

Economic financial theory is based in part on the theories that include the Efficient Market Hypothesis, Random Walk theory and others that are manifestly false and incorrect.

#### Bill Golden

#### Lecture Room, 307

#### Economic Impacts of Ogallala Aquifer Depletion in West-Central Kansas

Between 1990 and 2005, Groundwater Management District #1 experienced a reduction in irrigated crop acres of approximately 44,500 acres or 16.6%. The purpose of this research was to estimate the economic impact associated with this reduction on the producer and regional economy. The preliminary results suggest that the reduction in irrigated acres occurred gradually enough to allow producers and communities to mitigate possible losses in revenues. Evidence suggests that rapid adoption of more efficient irrigation technology allowed irrigated crop producers to maintain profitability by shifting to a higher valued crop mix. Comparisons of farm revenue, farm labor, and total wages in the community suggest that relative to Groundwater Management District #4, Groundwater Management District #1 experienced limited negative economic impacts.

## 2014 RISK AND PROFIT CONFERENCE Page 21

# Page 20 THURSDAY, AUGUST 22, 2013

# 10:10 am – 11:00 am

# SESSION V

### Mykel Taylor and Kevin Dhuyvetter

Banquet Room A

Kansas Land Values -- How Do Survey Values Compare With Transaction Prices?

The session will provide insight into the current cropland and pasture land market in Kansas. Using actual land sales from the Property Valuation Department in Topeka, county-level estimates of land values will be presented. We will also discuss factors driving land values, including parcel size, soil quality rating, timing of sale, and investor-related issues such as interest rates and real estate market liquidity.

### Nathan Hendricks

### Banquet Room B

World Food Supply and Demand: Historical Perspective and Future Prospects

Global agricultural productivity growth is slowing while the world population is likely to increase from 7 billion to 9 billion by 2050. Meanwhile, meat demand will continue increasing due to rapid economic growth in China and India. In this session, we will examine some of these major trends in world supply and demand for food. We will also place these future prospects in perspective by looking at world supply and demand from 1960-2000, a period where world population doubled from 3 billion to 6 billion and yet supply actually increased faster than demand. An understanding of these global trends in agricultural markets is an important perspective for producers and agribusiness leaders a they make long-run decisions.

### Clay Simons Tadtma

### Tadtman Board Room, 201

### There's More to an Estate Plan Than a Will or Trust

Agricultural production is an asset intensive business, and farm and ranch families generally accumulate substantial estates over their careers. While an understanding of the legal aspects of an estate plan is important, there are a variety of issues that families should consider before they visit their lawyer and draw up an estate plan. This session explores many of these issues including having an accurate inventory of assets, the differing goals of spouses, treatment of on farm and off farm heirs and the importance of family communications.

#### Joe Arata

#### Purple Pride Room, 305

Investing 101 and Why Economists Drive Dodge Darts

Economic financial theory is based in part on the theories that include the Efficient Market Hypothesis, Random Walk theory and others that are manifestly false and incorrect.

# Bill Golden Lecture Room, 307

Economic Impacts of Ogallala Aquifer Depletion in West-Central Kansas

Between 1990 and 2005, Groundwater Management District #1 experienced a reduction in irrigated crop acres of approximately 44,500 acres or16.6%. The purpose of this research was to estimate the economic impact associated with this reduction on the producer and regional economy. The preliminary results suggest that the reduction in irrigated acres occurred gradually enough to allow producers and communities to mitigate possible losses in revenues. Evidence suggests that rapid adoption of more efficient irrigation technology allowed irrigated crop producers to maintain profitability by shifting to a higher valued crop mix. Comparisons of farm revenue, farm labor, and total wages in the community suggest that relative to GMD #4, GMD #1 experienced limited negative economic impacts.

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# Page 14 WEDNESDAY, AUGUST 16, 2013

# 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), Terry Kastens, from Herndon, KS will discuss some things that have helped him be successful in his operation.



**Terry Kastens** is an emeritus professor and was an extension agricultural economist from 1995-2009 at Kansas State University in Manhattan, Kansas. He holds a B.A. in Economics from the University of Kansas and a Ph.D. in Agricultural Economics from Kansas State University. He

currently is actively involved in the family farming operation in northwest Kansas, a farm that continues to be a pioneer in researching and adopting technologies such as no-till and precision agriculture. While at K-State Kastens' goal was to increase the profitability of those involved in production agriculture, especially in crops production. His main areas of emphasis were land ownership and leasing, machinery management, and technology adoption. But, land issues comprised the majority of his time. He retains these interests today. Hardly a week passes when he is not involved with negotiating arrangements between landowners and tenants, or in land purchase or land sale issues and questions.

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# Page 18 THURSDAY, AUGUST 22, 2013

# 9:10 am – 10:00 am

## SESSION IV Banquet Room A

### The Farm Bill and Crop Insurance

How much would be saved by elimination of the harvest price is a hotly debated topic. In order for the elimination of the harvest price to reduce taxpayer's costs, it requires a significant price increase combined with a significant yield loss. There have been 2 out of the last 21 years that met both conditions on corn and 2012 was one of those years. Reduction in harvest price subsidy is only one of many ways to reduce the taxpayers' costs. This presentation will cover alternatives and consequences caused by reduced taxpayer support for crop insurance.

#### **Bryan Schurle**

**Art Barnaby** 

Banguet Room B

#### Strategic Risk Management

South-central Kansas has experienced a recent boom in the amount of land being leased for oil and gas production. New horizontal drilling techniques have made the area very attractive to the major oil companies. This interest seems to be spreading throughout much of Kansas. In this session, we will discuss the types of leases you may encounter in terms of bonus payments and royalty percentages. We will also cover the significant legal provisions you should consider to be included in your lease to protect against damages to farm land, cattle grazing issues, and surface water rights. Finally we will give you an overview of the income tax implications of an oil and gas lease bonus payment and the royalty interest you may derive from production if the drilling is successful

#### Kent Miller

## Tadtman Board Room, 201

Estate Planning: Important Issues Congress finally passed permanent legislation in January 2013 in regards to the Fed-

eral Estate Tax Exemption, so farmers finally have direction to complete their estate and transition planning. This session will review the current estate and gift tax rules and present some example estate plans a farmer may want to consider.

### **Orlen Grunewald**

Purple Pride Room, 305

### Short-Dated Corn and Soybean Options

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.

#### Hikaru Peterson

### Lecture Room, 307

#### Rural Grocery Initiative

Rural communities struggle to sustain core economic, nutritional, and civic needs as they battle economic and demographic forces of decline. A central piece of the infrastructure sustaining rural regions is the small-town grocery store. These stores are a vital piece of the local food system, providing a supply of fresh fruits, vegetables, dairy, breads, grains, and meats. These stores are also important community assets. Yet, almost daily, another of these small businesses shuts its doors and calls it quits. The Rural Grocery Initiative at Kansas State University was launched in 1997 to identify and develop models to sustain retail sources of food for rural Kansas citizens. This session will share the Initiative's recent research and outreach efforts and asks the audience to share stories about their community needs.

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# Page 16 THURSDAY, AUGUST 22, 2013

# 7:15 am – 9:00 am Grain and Livestock Outlook

### Grain Outlook - Dan O'Brien

Grain market expectations through early 2013 have been for a return to normal, large U.S. corn, grain sorghum and soybean crops and sharply lower prices in the fall of 2013 and on through the remainder of the "new crop" 2013/14 marketing year. World and U.S. wheat prices are expected to "moderate" at historically high levelsfor the remainder of 2013, as crop problems with U.S. hard red winter wheat and uncertainty about the U.S. hard red spring wheat crop are forecast to be offset by improved production in the Black Sea region, Australia, and possibly elsewhere. Still, world financial factors and unforseen production problems for any of the major U.S. or foreign wheat, feedgrain or oilseed crops can cause grain and oilseed supplies to be smaller than is now anticipated, causing supply-14 than is expected at this point in time.

**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 associated cropland leasing arrangements.

### Livestock Outlook - Glynn Tonsor

Ongoing weather concerns, debates and confusion around beef demand strength, and lingering structural change prospects are significantly influencing the U.S. beef and cattle industry. This session will provide a situational summary and overview of "big picture factors" which will notably influence profitability in coming months and year for the U.S. beef and cattle industry.

**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 both applied research and first -hand knowledge with livestock production, Glynn has expertise in topics including animal identification and traceability, animal welfare and handling, food safety, and price risk management and analysis.

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