



Ag News

Volume 12/09 Issue 2

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How "Cap and Trade" Will Affect You

by Todd Staples, Texas Agriculture Commissioner

Inside this issue:

How "Cap and Trade" Will Affect You 1

Field Tests Planned for E. coli Vaccines 2

Social media helps teach consumers about "The Real Farmville" 2

Fertilizer industry releases short-term outlook, encourages balanced use 3

Addition by Subtraction 4

ARS: Farms, fertilizers and greenhouse gas emissions 4

Cow Calf: How Much Hay Do I Feed?? 5

As the United Nations climate change summit continues in Copenhagen, the debate of global warming is being distorted by political hot air. At issue is whether or not a mandate to cap greenhouse gases will somehow save the planet for generations to come. Last week, the EPA declared carbon dioxide a threat to public health and the environment, but failed to back it up with science. Let's be honest; this was a political decision, not a scientific breakthrough.

At risk are our jobs, food supply and economic stability. What should outrage Americans is the cost of such regulation will be passed on to the consumer in the form of higher grocery prices, fuel costs and utility bills. Think of it as one large energy tax that will put a freeze on our economy.

Proponents of cap and trade legislation and carbon dioxide regulation argue that aggressive global policing of greenhouse gases is needed as soon as possible to protect future generations of humankind from the increasing and imminent threat of climate change and global warming.

They also envision a harmonious model of fairness and cooperation among the world's industrialized powerhouses so that the burden of cap and trade implementation is shared equally across the board. But with developing nations continuing to press for exemptions to regulation and huge financial payouts to mitigate the effects of global warming, the U.S. literally cannot afford to meet the goals the United Nations and EPA are pushing.

With the recent "Climategate" scandal showing science can be cooked, we must look at the facts surrounding climate change and CO2 regulation. Political agendas are driving the greenhouse gas regulations that will increase production costs, put sectors of our economy out of business and cripple the ability of the farmers and ranchers of our state and nation to continue producing the most reliable and safest food supply in the world.

I strongly support environmental stewardship based on clearly defined scientific principles – not pie-in-the-sky political idealism that has no real world connection to the struggles of hardworking American families. I'm proud that Texas leads the nation in the production of cattle, cotton, hay, sheep, wool, goats, mohair and horses. Texas also is among the leading states in the production of citrus, vegetables, poultry products, sorghum, wheat and rice. Our \$103 billion agriculture economy feeds and clothes hundreds of millions of Texans, Americans and people around the globe.

But if climate regulations are put into place, farmers and ranchers will be driven out of business due to increased energy, transportation and fertilizer prices; carbon offset practices will reduce food supply; and food expenses will consume a larger percentage of your budget.

Our nation is witnessing an insatiable, overreaching appetite of federal authority, and this threatens the very ideals that make our country great. America is built on a pioneer spirit where independence, self-preservation and competition are applauded and celebrated – not suppressed, stifled and sold out.

Have we become so consumed with change that we have allowed policy debates to be driven not by whether or not it will cost Americans, but by HOW MUCH that change will cost? Now is the time for Americans to CAP our federal government from this perilous policy pathway. Otherwise, they will TRADE away our economic prosperity.

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Field Tests Planned for E. coli Vaccines

Source: Food Safety News

Whether new vaccines against E. coli O157:H7 can work well enough to be economically viable could be decided by new large field trials that are just getting underway. Two vaccines are in trial. Willmar, MN-based Epitopix gained approval about ten months ago for sales of its vaccine against E. coli in the United States. Claiming to be first to gain approval, however, is Ontario-based Bioniche Life Sciences, with a vaccine approved for sale in Canada.



Neither company is promising their vaccine alone will eliminate E. coli. As Bioniche says, "Effective pathogen management consists of multiple interventions against a pathogen. The vaccine is part of a multiple hurdle approach, along with existing methods for the reduction of bacterial contaminants. These methods include hide washing, steam cabinets, etc. in the meat processing facility."

But cutting down on the number of cattle with E. coli O157:H7 by 65 to 75 percent would show progress toward the beef industry's stated goal of eradicating the bacterium from the meat supply. The tests getting underway should go a long way toward finding out if that's possible. Cargill, the largest producer of beef in the United States, is funding and coordinating one test with 100,000 cattle. Epitopix tests of the vaccine in the U.S. will involve about 300,000.

Because of the cost, the vaccine makers are expecting initial users will target where they are used. "The decision to vaccinate will be made by the individual cattle producer, says Bioniche. "It is expected that processors and retailers will also have an interest in adoption. There are approximately 115 million cattle in North America, 25 million of which are conditioned on feedlots. Feedlot cattle producers are expected to be the primary adopters of vaccination, with other cattle segments, such as the dairy industry and cow/calf operations to follow." Bioniche posts its charge for the vaccine on their website: \$3 per dose. However, each animal will require two or three doses, raising the total cost per head to as high as \$9. Many cattlemen see that as a profit-eating amount.

E. coli O157:H7 is blamed for 73,000 illnesses and 61 deaths in the United States annually. In the last two years, about 42 million pounds of beef has been recalled for E. coli O157:H7 contamination. E. coli in its cattle herd costs Canada \$63 million a year, according to one study.

Vaccines for E. coli have been in the research and development phase since 2001. Since the purpose of the vaccine is not to improve the animal's health--E. coli bacteria is harmless when attached to the hindgut of a cow--there was some regulatory confusion about jurisdiction. Both the U.S. Food and Drug Administration (FDA) and the U.S. Department of Agriculture's Food Safety & Inspection Service (FSIS) were involved in this issue before jurisdiction was determined to be under the USDA.

Social media helps teach consumers about "The Real Farmville"

Source: TSCRA

Every day, more than 65 million people log in to harvest their virtual crops on the popular Facebook application "Farmville." The Animal Agriculture Alliance recently released a video designed to help online farmers learn what it really takes to feed the world.

In Farmville, pink cows produce strawberry milk and soybeans take only two days to grow. "The Real Farmville" helps viewers understand the important role that farmers and ranchers play in providing a safe, affordable, and plentiful food supply. The video is available on the Alliance's Youtube channel at www.youtube.com/animalagalliance.

The video, which already has been viewed 2,000 times, was released on Nov. 24 to coincide with a nationwide grassroots online campaign by agriculture advocates that urged consumers to "Thank a Farmer" for providing their holiday meal. This is one example of how the agriculture community has been able to connect with consumers through social media.

The Alliance utilizes Twitter (www.twitter.com/animalag) to post breaking news stories about agriculture and shares positive stories about real farmers and ranchers with fans of its Facebook page (www.facebook.com/animalagalliance).

In October, the Alliance partnered with the American National CattleWomen to launch College Aggies Online (CAO), a competition designed to help students become confident advocates for agriculture. The program is approaching 300 members and has allowed young leaders from across the country to learn and educate others through blogs, discussions and other social media outlets. For more information about CAO, visit www.animalagalliance.org.

The Alliance urges food producers to use these new social media tools to share the real story of agriculture. The Internet has made it possible for the fewer than 2 percent of the population that produces food to easily communicate with a large audience of consumers.

Now, more than ever, it is critical that farmers and ranchers speak out in order to protect their way of life. Alliance members interested in learning more about creating a successful Facebook, Twitter, or Youtube account for their operation can contact Communications Coordinator Sarah Hubbart at 703 -562-5160 or shubbart@animalagalliance.org.

The Animal Agriculture Alliance, a 501(c) (3) non-profit organization, is a broad-based coalition of individual farmers, ranchers, producer organizations, suppliers, packer-processors, private industry scientists, veterinarians and retailers. The Alliance's mission is to communicate the important role of animal agriculture to our nation's economy, productivity, vitality and security and that animal well-being is central to producing safe, high-quality, affordable food and other products essential to our daily lives.

Fertilizer industry releases short-term outlook, encourages balanced use *Source: Greenbook*

The International Fertilizer Industry Association released publicly today its Short-Term Fertilizer Outlook 2009-2010. The association is concerned with the current predominance of nitrogen in fertilization practices and the potential yield impact of currently low application rates for phosphorus and potassium. The industry encourages farmers to adopt good agricultural practices, including balanced fertilization for optimum nutrient use efficiency.

IFA's fertilizer consumption data indicates that farmers in a number of countries have been postponing their applications of phosphorus and potassium because of the current volatility of agricultural commodities and input prices. Aggregate consumption in 2008/09 is assessed as down 6.7%, to 156.4 Mt nutrients (for the 3 main nutrients NPK). Consumption is estimated to have contracted much more sharply for P and potassium K fertilizers (-10.5 and -19.8%, respectively) than for N (-1.5%). Demand increased in South Asia and Eastern Europe and Central Asia, while it remained fairly stable in Africa and declined in all other regions. The largest changes in volumes occurred in South Asia (+2.1 Mt) on the positive side, and in Western and Central Europe (-4.3 Mt), North America (-3.4 Mt), East Asia (-3 Mt) and Latin America (-2.4 Mt) on the negative side.

Despite application rates well below crop requirements, farmers in the United States are expected to harvest a bumper maize crop, and farmers in France have enjoyed record wheat yields. However, by doing so they are mining their soil nutrient reserves. Such practice is not sustainable in the long-term. The return to sustainable fertilization practices will probably be triggered by more stable and predictable crop prices.

Due to the persistent depressed context in 2009, and in anticipation of a progressive recovery in 2010, tentative forecasts for global fertilizer consumption in 2009/10 point to a small rebound of 1%, to 158 Mt. Projections indicate a full recovery for N (+1.6%), a small rebound for P (+3 %) and a further decline for K (-4.5%). Total fertilizer demand is anticipated to continue its rise in South Asia, and to rebound in North America and West Asia. Projections to 2010/11 are very speculative. Providing the recovery of world economic activity and positive changes in agricultural market fundamentals, global fertilizer demand in 2010/11 could come back to positive growth rates (+4.9%). Demand for K would strongly rebound (+13.5%), while demand for N and P would continue its recovery (+2.6 and +6.2%, respectively).

Global fertilizer supply in 2009 is still affected by the volatile conditions that prevailed in 2008. This year, global nutrient production and sales dropped to very low levels, due to the important inventory carry-overs in the worldwide distribution systems. For the second consecutive year, total world nutrient production in 2009 appeared to exceed sales and consumption, translating into a significant build-up of inventories at producers' ends. This weakness in demand impacted global nutrient production and industry's operating rates, but at a different intensity between the nutrients.

In the nitrogen sector, ammonia production was rather stable

while urea output expanded moderately. Phosphate acid production declined marginally in 2009, while that of phosphate rock dropped. The world potash market collapsed in 2009, as international import demand dropped to its lowest level of the past 30 years. Potash production plunged in 2009, due to a combination of depressed demand worldwide and large stock carry-overs in key importing countries.

International trade levels in 2009 reflected trends in nutrient uses and the shift in imports between raw materials and finished products. The main changes in international imports were the collapse of potash shipments to China, firm sales of DAP to India, and a significant decline in urea import demand into the United States. India featured predominantly in the international markets in 2009, as the world's largest importer of urea, potash and DAP.

Trade prospects in 2010 for ammonia and potash are very positive. Cost pressure will persist on Ukrainian nitrogen exporters. Strong urea and phosphate import demand is expected in the United States, South Asia and Latin America. By the end of 2009, global nutrient consumption exceeded overall sales and would leave the supply pipeline rather empty. The situation in 2010 would see a major reversal trend, compared with 2009, with a significant 4% growth in global demand and a strong 7-percent rebound on the total sales of the mainstream products. Urea, DAP and potash trade demand in 2010 is projected to expand 5 percent, 5 percent and 50 percent respectively.

IFA releases every year medium-term and short term outlook reports (in May/June and in November/December respectively). This short-term outlook presents an overview of world agriculture and fertilizer demand, as well as the global fertilizer supply and trade situation in 2009 and 2010. Unabridged reports are available only to IFA members and the Fertilizer Outlook, a summary of the main findings, is available to the public.

The International Fertilizer Industry Association is a not-for-profit trade association representing the global fertilizer industry. IFA member companies represent all activities related to the production and distribution of every type of fertilizer, their raw materials and intermediates. IFA's membership also includes organizations involved in agronomic research and training. IFA has some 525 members in about 85 countries. The global fertilizer industry produces some 170 million tons of fertilizer nutrients annually. These are used in every corner of the globe to support agricultural production and food security.

Providing the recovery of world economic activity and positive changes in agricultural market fundamentals, global fertilizer demand in 2010/11 could come back to positive growth rates (+4.9%).



Addition by Subtraction – Ag researchers look to refine the cattle culling process and improve the bottom line for livestock producers *by Katie Reim & Adam Calaway*

There’s an old adage that says “Buy low, sell high.” For generations, livestock producers have ridden the ebbs and flows of the market, attempting to purchase cattle in the valleys and selling them – as best they could estimate – at the peaks. Good markets, however, don’t always align with farmers’ and ranchers’ yearly production models, leaving them no choice but to sell during depressed markets.



Such is the case with culled cows. Culling is a process in which producers remove specific, nonproductive cows, including those that are determined to be open and those that have exceeded their prime production years, from the herd to sell at market. Culling is a vital management function in Oklahoma and north Texas. The Noble Foundation Agricultural Division’s service area – roughly a 100 mile radius around Ardmore, stretching from Oklahoma City to Dallas – is dominated by livestock operations, supporting more than 2.8 million head of cattle.

According to Noble Foundation economist Job Springer, culled cows represent between 15 and 30 percent of the income annually for regional cow-calf operations. “It is a much larger portion of their bottom line than most people realize,” Springer said. “Unfortunately, producers usually cull cows during the worst markets.”

Historically, producers cull cows from their herds in the fall at the time they wean spring-born calves. The substantive influx of cows saturates the market in the fall, reducing prices. “Based on these historic practices, farmers and ranchers have been resigned to conceding a significant amount of their annual revenue,” Springer said. “For generations, this has been considered a cost of doing business in the cattle industry.



A new solution

In the past five years, the Noble Foundation’s Agricultural Division has established a research team to provide scientifically proven answers to questions generated from farmers and ranchers who work directly with the organizations ag consultants.

One of the recent studies focuses on determining if cull cows can be managed in a way to add value by retaining them on the farm until there is a higher market, usually in the spring. *Adding Value to Cull Cows* is a three year study at the Noble Foundation in partnership with OSU’s Department of Agricultural Economics. To read the rest of this article and see results of the study, click here: http://www.noble.org/News/Legacy/Fall2009/Legacy_Fall09.pdf and go to page 8.

ARS: Farms, fertilizers and greenhouse gas emissions *Source: Greenbook*

Agricultural Research Service scientists are front and center in finding out how farming affects emissions of the greenhouse gas nitrous oxide (N2O). Experts already know that N2O emissions rise as applications of nitrogen-based fertilizers increase. Microbiologist Tim Parkin, who works at the ARS National Laboratory for Agriculture and the Environment in Ames, Iowa, is part of a team that is studying how different soils and different fertilizers affect N2O emissions.

The researchers assessed the variation in the emissions of N2O, carbon dioxide and methane from two different soil types—a sandy loam mix and a clay soil. The two fertilizers used in the study were urea-ammonium nitrate (UAN) and a liquid swine manure slurry.

They found that overall N2O emission levels were highest from soils amended with swine manure slurry. High levels of N2O emissions were measured from sandy loam soils amended either with UAN or slurry. But on the clay soils, only those amended with slurry -- and not with UAN -- had elevated N2O emissions.

Soil scientist Rod Venterea, who works at the ARS Soil and Water Management Research Unit in St. Paul, Minn., is also studying N2O emission dynamics. He found that the amount of N2O emitted from fields fertilized with anhydrous ammonia was on average twice as high as emissions from fields fertilized with urea. The higher emissions from anhydrous ammonia were likely derived from the conversion of ammonia to nitrate.

His findings also suggest that farmers using reduced tillage can minimize N2O emissions by placing fertilizers below the upper 2 to 3 inches of soil. This is because in a reduced tillage system, the microorganisms that support N2O emissions are concentrated in the topmost soil layer.

Results from Parkin's research were published in the *Journal of Environmental Quality* in 2008. Venterea's work was published in *Global Change Biology* in 2007 and the *Journal of Environmental Quality* in 2005 and 2008.



Income Tax Planning

By Ron Haugen, Farm Economist

Agricultural producers should do tax planning before the end of the year. It is best to start with year-to-date income and expenses and estimate them for the remainder of the year. Do not forget any income that was deferred to 2009 from a previous year. Also, depreciation needs to be estimated. It is best to try to spread out income and expenses so you don't have abnormally high or low income or expenses in any one year. Caution should be used in deferring too much income because it may push you into a higher tax bracket in a future year.

The American Recovery and Reinvestment Act of 2009 passed by Congress extended the increased 179 expense and bonus depreciation. These are items to note for planning 2009 tax returns:

- New for 2009 only is that new agricultural equipment (except grain bins and land improvements) can be depreciated over a five-year recovery period instead of seven years. The 150 percent declining balance method of depreciation must be used. Used equipment purchased in 2009 continues as seven year property.
- The 179 expense election remains at \$250,000 for 2009. It generally allows producers to deduct up to \$250,000 of new or used machinery or equipment purchased in 2009. There is a dollar-for-dollar phase-out for purchases above \$800,000. The maximum 179 expense deduction is scheduled to revert back to \$134,000 for 2010.
- The additional first-year bonus depreciation is available for 2009. It is equal to 50 percent of the adjusted basis after 179 expensing. It applies only to new property purchased in 2009 with a recovery period of 20 years or less. It is scheduled to be repealed for 2010.
- Income averaging can be used by producers to spread tax liability to lower income tax brackets in the three previous years. This is done on schedule J. North Dakota farmers who elect to use income averaging for federal purposes also may use Form ND 1FA (income averaging) for North Dakota income tax calculations.
- Crop insurance proceeds can be deferred to the next tax year if you are a cash-basis taxpayer and can show that normally more than 50 percent of the crop is sold in the year after it is produced. Producers with Revenue Assurance or Crop Revenue Coverage revenue coverage may receive an indemnity as a result of price declines and yield loss. Indemnities from price declines are not deferrable. If it is not line-itemed from the insurance company, contact the company to find out what part of the indemnity is from a price decline and what part is from a yield loss.
- A livestock deferral can be done for those who had a forced sale of livestock because of a weather-related disaster. Two methods can be used. In the first method, income can be deferred to the next year for all types of livestock sold prematurely. In the second method, income from livestock held for draft, breeding or dairy purposes is not taxed if like-kind animals are repurchased within four years (or more depending on weather conditions, disaster declarations or extensions) from the end of the tax year in which the animals were sold. Only the gain on the sale of those animals above and beyond what was normally sold would qualify for postponement.
- For 2009, long-term capital gains and qualified dividends have a zero tax rate for those in the 10 percent or 15 percent tax bracket and a 15 percent rate for those in higher tax brackets.

Here is what producers can do before the end of the year to limit tax liability:

- Prepay farm expenses. Feed, fertilizer, seed and similar expenses can be prepaid. Typically, discounts are received by paying for these expenses in the fall. You can deduct prepaid expenses that do not exceed 50 percent of your other deductible farm expenses.
- Pay taxes or interest. Paying taxes or interest can be done before the end of the year to increase 2009 expenses.
- Defer income to 2010. Crop and livestock sales can be deferred until the next year by using a deferred payment contract. Most grain elevators or sales barns will defer sales until the next tax year. Producers should be aware that they are at risk if the business becomes insolvent before the check is received and cashed.
- Purchase machinery or equipment. Machinery or equipment purchases can be made before the end of the year to get a depreciation or 179 expense deduction in 2009.

Information on agricultural topics can be found in the Farmers Tax Guide, Publication 225. It can be obtained at any IRS office or can be ordered by calling (800) 829 3676. Any questions about these topics should be addressed to your tax professional or the IRS at (800) 829-1040 or <http://www.irs.gov>.

Cow Calf: How Much Hay Do I Feed??

Source: *Cattlenetwork.com*

With “Ole Man Winter” greeting us rather rudely, cows are going to require plenty of available feed to maintain body condition throughout the next few months. In some situations, the standing forage in the pasture or in the form of crop residue will provide much of the energy requirements of the cows. However, snow cover in many areas, as well as low quantities of grass or stalks may require that harvested and stored hay is made available to the cows. How much hay will the cow eat voluntarily? How much hay do I need to plan to feed this winter? How much hay do I need to put out for the next few days?

These questions are all part of the decisions that ranchers must make each winter. Intake in forage fed to cattle is generally limited by the forage capacity of the digestive tract. Forage intake is correlated with forage quality as shown in the table below. The more rapid rate of digestion and passage of higher quality forage results in considerably higher dry matter intake compared to lower quality forage that is lower in digestibility.

Lactation represents the greatest need for additional energy beyond that needed for maintenance. An average milking beef cow requires 50% more TDN or energy than she does when dry. It should be noted that lactating cows consume more forage compared to gestating cows due to the increased energy demand.

Table 1. Forage capacity of beef cows^a.

Forage Type and Maturity	Stage of Production	Forage DM Intake as % of Body Weight
Low Quality , i.e. dry winter forage, mature grass hay, straw	Dry, Pregnant	1.8
	Lactating	2.2
Average Quality , i.e. boot stage legume, early bloom grass hay	Dry, Pregnant	2.2
	Lactating	2.5
High Quality , i.e. early-mid bloom legume, fertilized pre-boot grass hay	Dry, Pregnant	2.5
	Lactating	2.7
<small>*Source: Lalman, D.; Beef Cattle Manual. 6th Ed. Oklahoma Cooperative Extension Service</small>		

Large cows will require more energy than will small cows. Therefore the hay or forage requirements are calculated based on a percentage of the body weight of the cow. Be honest with yourself as you estimate cow size and therefore hay amounts that are needed.