



MO-AG Wrap-Up

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March 25, 2009

MO-AG TESTIFIES ON PROPOSED GRAIN LAW CHANGES

On March 24th, the House Agribusiness Committee heard testimony on House Bill 915. MO-AG Chairman Seth Ricketts and MO-AG President/Executive Director Steve Taylor testified at the hearing.

HB915 would change the grain law in regards to bonding requirements for grain dealers. Specifically, HB915 would:

- Increase the minimum bond from \$20,000 to \$50,000
- Increase the maximum bond from \$300,000 to \$1,000,000
- Increase the formula for computing bonds from 1% to 2% of grain purchased

Ricketts and Taylor told the Committee that bonding will not fix fraud. In his comments, Taylor stated that "As we discuss this bonding bill today, we are also very aware that there is currently an alleged fraud investigation underway involving T.J. Gieseke Farms and Trucking of Martinsburg. We know that raising the bond requirements is not a fix to fraud. We would like to put more focus on efforts to prevent fraud." Taylor also mentioned that MO-AG supports providing the Missouri Department of Agriculture (MDA) additional resources and wants to work with MDA to review regulations and auditing procedures. This, in combination with educational opportunities, would help protect against frauds happening in the future.

MO-AG Chairman Seth Ricketts, who operates Ricketts Farm Service Inc. (a licensed grain dealer), stated that increasing bonding

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requirements will increase bonding costs to grain dealers and that cost will eventually be passed on to grain producers. In addition, a major concern is that raising bonding requirements will raise eligibility requirements. Generally, bonding companies require grain dealers to have a net worth three to five times their aggregate bonding level (combined warehouse and dealer bonds) and have working capital (liquid assets) that equal the total aggregate bonding required. Ricketts told the Committee this could be a major concern for some grain dealers.

The Missouri Corn Growers Association and the Missouri Soybean Association testified in support on HB 915. Those testifying stated that HB915 was needed to help protect grain producers and to rebuild a trusting relationship with grain dealers.

Representative Steve Hobbs is the sponsor of HB 915 and represents constituents in Northeast Missouri who were affected by the alleged fraud under investigation. MO-AG looks forward to working with Representative Hobbs and with the Speaker's Task Force in addressing the core issues. In order to be successful in addressing these core issues, the Task Force will need to focus on ways to ensure Best Business Practices are utilized by grain dealers and grain producers. Ultimately, good business practices are what will protect and enhance the relationships between grain producers and the grain dealers that help market their grain.

NEWS YOU CAN USE

Corps Eliminates Missouri River Pulse

The pulse of water into the Missouri River to benefit the endangered pallid sturgeon has been rained out. The substantial rain forecast across much of the lower Missouri River basin over the next several days would push the river over the flow limits, eliminating the two-day pulse that was scheduled to begin March 23.

"The flow limits are safeguards to reduce or eliminate the pulse to ensure that it does not cause downstream flooding of agricultural land

along the river," said Larry Cieslik, Chief of the Water Management office. "The stream gauge information we are receiving, coupled with forecasts from the National Weather Service, indicate that our most prudent action is to eliminate the pulse in March."

A pulse is also schedule to be conducted in May. River conditions will be evaluated after May 1 to make a determination on the feasibility and timing of the pulse. [*Source: Army Corps of Engineers*]

New Farm Census Revealing

The number of farms in the United States has grown four percent and the operators of those farms have become more diverse in the past five years, according to results of the 2007 Census of Agriculture released by the USDA's National Agricultural Statistics Service (NASS). The 2007 Census counted 2,204,792 farms in the United States, a net increase of 75,810 farms. Nearly 300,000 new farms have begun operation since the last census in 2002.

Compared to all farms nationwide, these new farms tend to have more diversified production, fewer acres, lower sales and younger operators who also work off-farm. In the past five years, U.S. farm operators have become more demographically diverse. The 2007 Census counted nearly 30 percent more women as principal farm operators. The count of Hispanic operators grew by 10 percent, and the counts of American Indian, Asian and Black farm operators increased, as well.

The latest census figures show a continuation in the trend towards more small and very large farms and fewer mid-sized operations. Between 2002 and 2007, the number of farms with sales of less than \$2,500 increased by 74,000. The number of farms with sales of more than \$500,000 grew by 46,000 during the same period. Census results show that the majority of U.S. farms are smaller operations.

More than 36 percent are classified as residential/lifestyle farms, with sales of less than \$250,000 and operators with a primary

occupation other than farming. Another 21 percent are retirement farms, which have sales of less than \$250,000 and operators who reported they are retired. [Source: *Asmark Institute*]

Valero Wins Bid for Verasun Iowa Plants

Verasun Energy Corp. announced Monday that it has selected Valero Renewable Fuels as the successful bidder for ethanol plants in Iowa at Albert City, Charles City, Fort Dodge and Hartley. Verasun has been in bankruptcy since last Oct. 31. It also accepted Valero's bids for plants in Albion, NE; Welcome, MN; and a development site in Reynolds, IN. Valero's winning bid was \$350 million.

A group of lenders led by AgStar Financial Services submitted a credit bid of \$324 million for the former US Bioenergy Group plants, which include ethanol production facilities in Dyersville, IA; Hankinson, ND; Janesville, MN, and Woodbury, MI. A group of lenders led by West LB AG submitted a credit bid of \$99 million for the remaining "ASA Group" facilities, consisting of production facilities in Bloomingburg, OH and Linden, IN. Verasun will seek approval of the successful bids at a sale hearing conducted by the US Bankruptcy Court at noon Monday in Rhode Island. The sales are expected to close in April. The matter of Verasun's forward contracts with farmers, at prices above current cash market levels, was not addressed in the Verasun announcement. [Source: *Des Moines Register*]

Report Shows Key Figure of U.S. Chemical Demand Falls

Chemical shipments on U.S. railroads fell 23.6 percent last week, according to a report from the Association of American Railroads (AAR), on Thursday. Chemicals shipments on trains, called rail car loadings, are a measure of demand for products ranging from plastics to fertilizers.

For the week that ended March 14, chemical rail

car loadings fell to 36,900 from 48,309 in the year-earlier period, the AAR said in a report. The figures often provide an early glimpse of broader trends for the chemical industry, as well as manufacturing, according to analysts.

The weekly data also indicated that year-to-date rail car chemical loadings have fallen 19.3 percent versus the corresponding period in 2008. Rail car loadings represent about 21 percent of chemical volumes by tonnage. Trucks, barges and pipelines carry the rest. [Source: Reuters]

UPCOMING EVENTS

JUNE, 2009

8-12 Missouri Agribusiness Academy; St. Louis, MO

27 Missouri Department of Agriculture Golf Classic;

Holts Summit, MO

JULY, 2009

7 Missouri Pork Classic Golf Tournament; Columbia, MO

**22-24 MO-AG Summer Meeting; Country Club Hotel;
Lake Ozark, MO**

AUGUST, 2009

13-23 2009 Missouri State Fair; Sedalia, MO

SEPTEMBER, 2009

30- Oct 2 Missouri Seedmens Association Annual

Meeting; Lake Ozark, MO

JANUARY, 2010

5-6 MO-AG Winter Convention; Lodge

**of Four Seasons;
Lake Ozark, MO**

Note: Items in **red** are new postings since the last Wrap-Up issue.

Letters to the Editor

Do you have a response to the Missouri Agribusiness Wrap Up? Let us know! The Missouri Agribusiness Wrap Up is a bi-weekly publication of the Missouri Agribusiness Association (MO-AG). MO-AG is a member-owned association based in Jefferson City, Mo. which protects members' interests in state legislation and provides educational opportunities.

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