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July 29, 2009

FROM STEVE'S DESK

by Steve Taylor



Summer Meeting Wrap-Up

If you didn't make it to the Summer Meeting last week, let me tell you a little of what you missed. The weather, turnout and people were all great and made for a spectacular time.

This year, we had a great mix of fun and business as well, with banquet guest speaker Dr. Jon Hagler, the Director of the Missouri

Department of Agriculture, and a Focus on Grain Panel Discussion on Friday morning. The grain panel included Jeff Hainline, MO-AG's representative on the CFTC Subcommittee on Convergence (see CFTC story below), as well as Loyd Wilson, Director of the Grain Inspection and Warehousing Division at the Mo Dept of Agriculture and Jeff Adkisson of the Illinois Feed and Grain Association. An auction for the Jim Russell Foundation was held on Thursday during the banquet, raising over \$6,000. Thanks to all of you who donated and purchased auction items. And, especially, thanks to all the MO-AG sponsors who helped make this event possible.

Again, if you missed the Summer Meeting, I hope you realize you missed a lot and I hope to see you there next year.

NEWS YOU CAN USE

CFTC Makes More Suggestions to Help Wheat Convergence

The Commodity Futures Trading Commission's (CFTC) Sub-committee on Convergence in Agricultural Markets is recommending variable grain storage rates to help wheat cash prices and futures come together. The Subcommittee is expected to present its plan to the full CFTC in late September after September futures contracts expire because it wants to see if previous attempts to help convergence have worked.

Changes made after July contracts expired included three new delivery areas, lower allowable levels of vomitoxin and seasonal storage rates. The suggestions follow testimony by CFTC and futures market officials before the Senate Permanent Subcommittee on Investigations about

Rex Meyr
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Jackson

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the lack of convergence between wheat futures and cash prices which a Subcommittee report pinned on index traders and CME Group officials attributed to market fundamentals.

Over the next two weeks, the CFTC's holding additional hearings which are expected to address limiting index fund positions. While most of the focus is expected to be on the energy markets, traders reacted negatively to that news last Wednesday, sending wheat futures sharply lower. [Source: *Brownfield*]

"Navigable" Omission Regulatory Overreach

Charlie Kruse expressed his concern last Wednesday about deleting the term "navigable" from the Clean Water Act. Testifying on behalf of the American Farm Bureau Federation to the U.S. House Small Business Committee, the Missouri Farm Bureau President said the action could affect 315,000 farm ponds in his state alone.

"That would put every farm pond, every privately built and privately owned pond or lake in Missouri, any kind of water standing in a yard or a field or a playground under the jurisdiction of the federal government," Kruse said from Washington, D.C. last Wednesday, in an interview following his testimony. Kruse says taking the word "navigable" out of the measure, which is the intent of a Senate bill, lets the U.S. Army Corps of Engineers and the EPA regulate all interstate and intrastate waters. That could cause farmers and ranchers to be mired in what Kruse calls regulatory quicksand in obtaining permits necessary for certain farming activities on wetlands. He says omitting "navigable" from the act opens the door to federal government regulating the use and value of over 55 million acres of ag land, which he says is worth about \$110 billion. The word "navigable" appears in the Clean Water Act 80 times," explained Kruse, "and it has been there since 1972."

The Corps and EPA are currently limited in their reach, which Kruse says is reasonable. Extending that reach to private lakes and ponds, however, would greatly increase the cost of building them, as well as delay their construction, according to Kruse. "Just imagine the frightening aspect of the federal government coming on your property if you have a private pond and regulating in so many ways what you can and can't do with that pond," he says. "It's just an unbelievably frightening overreach of our federal government." [Source: *Brownfield*]

Missouri State Fair Keeping Prices the Same

It's just about Missouri State Fair time and the fairgrounds in Sedalia is getting ready for opening day of the 2009 State Fair in less than three weeks. The theme this year is "More Fun than Ever." Missouri State Fair Director Mark Wolfe tells *Brownfield* that they've done everything they can to offer more for less at this year's fair, keeping prices in line with last year's, "And, you know, for that \$8 admission you can come in

and see \$300,000 worth of free entertainment around the fairgrounds, a tremendous list of ag shows - competitions. Our entry numbers look really good and I think it's gonna be a great fair." Wolfe says opening day admission is still just \$1. Plus, kids under 13 are admitted free and there's always-free parking every day of the fair.

Missouri Ag Department Director John Hagler agrees, "It is an agricultural showcase, that's its roots, that's truly the heart. But, the opportunities for entertainment and great, low cost, high quality family fun are abundant at the State Fair."

A big farmers' market showcase, a rural lifestyle exhibit, hands-on science events, truck-and-tractor pulls, and a free "Kansas" concert at the grandstand are some of the many value-added events. Grandstand headliners also include Cross Canadian Ragweed, Heart, Gary Allan, Little Big Town and Brooks & Dunn. The Missouri State Fair runs August 13th through the 23rd in Sedalia. [Source: *Brownfield*]

With Grain Fraud Charges Filed, Town Hopes for Answers

Now that prosecutors have unveiled charges against a 45-year-old widow accused of running the largest grain fraud in state history, residents in her small northeast Missouri town hope to get answers about an investigation that has divided the community. Until now, only rumors had swirled around Martinsburg since the state seized the assets of T.J. Gieseke Farms and Trucking in February after a routine audit raised several red flags about the company's grain business. Many residents supported the firm's owner, Cathy Gieseke, who grew up in the area, served on the local school board and was active with her two daughters in 4-H. Others blamed her for their financial misfortune.

Last Monday, Gieseke turned herself in to U.S. Marshals in St. Louis. She is accused of stealing as much as \$50 million from 180 farmers in a pyramid scheme built on grain purchases. In farming country, where handshakes seal deals and a person's word is a bond, it may have been the ultimate betrayal. "This is not a grain dealer gone insolvent, but rather a grain dealer gone criminal," said Steve Taylor, executive director of the Missouri Agribusiness Association, an industry association.

Gieseke faces federal charges of mail and wire fraud, and interstate transportation of stolen property. She also faces a dozen state charges, including unlawful merchandising, filing false financial statements and stealing. "Now people can maybe get some facts," said Steve Hobbs, a farmer who grew up with Gieseke and her family and now serves in the Missouri House. "There's already been plenty of speculation."

The federal indictment outlines how investigators believe the scheme grew, particularly in its final months: Gieseke began marketing grain in 2002, offering farmers up to double the price that they could receive in the spot market. Gieseke claimed she could pay higher prices because she had grain contracts with Archer Daniels Midland, when in fact, she did not. Instead, she sold almost all her grain at the spot market price. "She did not have special arrangements to sell grain at more than the going rate," Missouri Attorney General Chris Koster said Monday. In order to continue paying the above-market prices, Gieseke had to attract more customers. She got farmers to agree to receive their payments later or altered the sales dates to keep the scheme from collapsing. "Ultimately, (she) became one of the largest grain shippers in Missouri," the indictment states.

Gieseke concealed information from state auditors and under-reported her liabilities, prosecutors say. Her accounts payable ballooned to \$13 million in June 2008 and at least \$27 million in February 2009. When the scheme collapsed, many farmers had delivered grain but never received payment. Others had made investments based on promises of future payments that never came. Koster says the prospects are dim that farmers would recover their money. "I don't want to give false hopes to people," Koster said. "A Ponzi scheme has a way of destroying resources that enter the Ponzi scheme. This is essentially what has occurred here."

Since Gieseke had few assets to seize, recovery of the money will be "extremely difficult," Koster said. Both state and federal authorities declined to say whether the state would try to recover any of the money that was paid to farmers who were involved in the scheme early on. State officials acknowledged failures in government oversight, but stressed that Gieseke engaged in fraud in an industry built on trust. "This is a sad day for agriculture," said John Hagler, who heads the state's agriculture department. [*Source: St. Louis Post Dispatch*]

TFI Promotes Safety Guidelines for Aboveground Liquid Fertilizer Storage Tanks

The Fertilizer Institute (TFI) is undertaking efforts to promote industry guidelines designed to ensure the safety of aboveground storage tanks of liquid fertilizer. The Aboveground Storage Tanks of Liquid Fertilizer - Recommended Inspection Guidelines, were developed by TFI in 2001 following several failures of large, non-pressurized liquid fertilizer tanks.

TFI's current efforts to enhance awareness of its guidelines are in response to a recommendation by the U.S. Chemical Safety and Hazard Investigation Board (CSB) that was issued in its May 2009 investigation report regarding a large liquid fertilizer tank failure that occurred in Chesapeake, Va., in November 2008. "TFI is strongly committed to product stewardship, such as the aboveground storage tank guidelines, that enhance the safe handling and storage of

fertilizers," stated TFI President Ford B. West. "We are pleased that the CSB has recognized the value of our guidelines by recommending that we continue to promote them as an industry best practice among our members."

TFI's guidelines, which were developed by the Tank Integrity Working Group comprised of TFI's membership, provide a suggested uniform program to evaluate the condition of large, aboveground storage tanks of liquid fertilizer. Specifically, the guidelines suggest that storage tanks meet two standards developed by the American Petroleum Institute to ensure adequate safety measures in the construction, inspection, repair and alteration of large storage tanks.

"The guidelines incorporate the knowledge and experience of fertilizer industry members, as well as expertise from technical personnel that are responsible for creating standards that apply to all industries that utilize large storage tanks," said West. "TFI is confident that these guidelines, used in conjunction with site specific considerations, provide the tools necessary to ensure the safe storage of liquid fertilizers within aboveground storage tanks."

In addition to complying with the CSB's recommendation to promote the guidelines among its members, TFI will utilize its partnerships with state and regional agribusiness associations to further increase awareness of the guidelines throughout the agricultural sector. TFI will also pursue additional opportunities to educate the fertilizer industry on this matter by inviting the CSB to conduct presentations at meetings attended by industry members, including the National Agronomic Environmental Health and Safety School. [Source: *Ag Professional*]

Climate Bill Will Be Good for Farmers, Vilsack Says

The Obama administration is struggling to convince farm-state senators that controls on greenhouse gases would be a good deal for farmers and ranchers. The administration estimated that farmers would profit overall from controls on greenhouse gases despite paying higher prices for fuel and fertilizer. But administration officials admitted to a Senate committee that they don't know a key detail: how much land would be taken out of production and converted to forests under a program to reduce emissions. Diverting farmland to trees would keep some carbon out of the atmosphere but it also would raise commodity prices and boost the cost of feed for livestock producers, potentially raising food prices.

The Agriculture Department estimated that net farm income nationally would fall by less than 1 percent over the next decade and about 3.5 percent by around 2030 under a climate bill passed by the House last month. Economists at the U.S. Department of Agriculture say that much of the higher costs would be offset by income that farmers and landowners would earn by selling carbon credits for practices that reduce greenhouse gas emissions, such as planting trees or reducing

tillage. "It's my view that all things being considered from what we know today, agriculture and rural communities will benefit in the long term from this approach," Secretary of Agriculture Tom Vilsack told the Senate agriculture committee. However, the USDA economists did not estimate how much land use would be changed by the legislation, nor did they forecast the impact on fruit and vegetable growers.

Livestock producers fear that the program will encourage landowners to convert crop acreage and pastures to trees to earn carbon credits, driving up prices for corn and other feed crops. The American Farm Bureau Federation estimates as much as 40 million acres could be taken out of production. Lisa Jackson, administrator of the Environmental Protection Agency, said the administration doesn't know how much land would be converted to trees, an admission that drew a sharp rebuke from Sen. Mike Johanns, a Nebraska Republican who served as agriculture secretary in the Bush administration. "Unless you can quantify this, you can't sell this plan because it becomes the hope-and-prayer plan for agriculture," Johanns said. "Because you can't tell farmers and ranchers what they're going to be exposed to in terms of their input costs." Johanns told Jackson, who was sitting next to Vilsack, that "poor old Tom Vilsack has to go out there and try to convince farmers on a hope and a prayer that somehow this is going to work out."

Several Democrats also expressed concerns about the bill. "My mail is running about 99 to one against" the legislation, Sen. Ben Nelson, D-Neb., told Vilsack, Jackson and a third administration official, John Holdren, a White House science adviser. Nelson pushed the idea, backed by MidAmerican Energy, of capping emissions but not creating a system of trading emission allowances. Holdren said that would hurt the economy more than the cap-and-trade system the House bill would create.

The chairman of the committee, Iowa Democrat Tom Harkin, said any climate legislation should include an "off ramp" if other countries refuse to impose caps on their emissions. "We're going to be very aggressive. We're going to push as hard as we can," but if other countries don't reciprocate, "we're off the highway," Harkin said. Harkin said he wanted a provision written into the bill that would roll back U.S. emission reductions if there isn't a global commitment within three to five years to reduce global warming. Harkin's comments reflect the unease in the Senate about imposing caps on greenhouse gases. The House legislation would require a 17 percent reduction in U.S. emissions by 2020 and more than 80 percent by 2050.

Republicans have argued that it's pointless for the United States to cap greenhouse gas emissions unless China and India agree to reductions. So far, both countries have refused to go along. [*Source: Des Moines Register*]

UPCOMING EVENTS

AUGUST, 2009

- 2-4 Missouri Young Farmers Summer Tour, Alma, MO
- 5-7 MCGA Annual and Board of Directors Meetings;
Lake Ozark, MO
- 7-8 Missouri LICA Family Weekend and Membership
Meeting; Bennett Spring State Park; Lebanon, MO
- 13-23 2009 Missouri State Fair; Sedalia, MO

SEPTEMBER, 2009

- 30- Oct 2 Missouri Seedmens Association Annual
Meeting; Lake Ozark, MO

DECEMBER, 2009

- 6-8 Missouri Farm Bureau Annual Meeting; Tan Tar A;
Camdenton, MO**
- 11-12 Missouri Cattlemen's Association Annual Meeting
and Convention; Springfield, MO

JANUARY, 2010

- 6-7 MO-AG Winter Convention; Lodge of Four Seasons;
Lake Ozark, MO**
- 7-8 Missouri Governor's Conference on Agriculture;
Hyatt Regency; St. Louis, MO**
- 8-9 Missouri Land Improvement Contractors Winter
Convention; Isle of Capri Hotel; Boonville, MO**

FEBRUARY, 2010

- 10-11 Missouri Pork Expo**

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

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