

Nov-Dec 2000

Agrimanagement Newsletter

Clients that have asked for Calendars...

Over the last couple of years, we have enjoyed providing calendars promoting the Yakima Valley. Unfortunately, these are not being published this year.

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- ☐ Highlights from Winter Meetings
- ☐ When will Reds become profitable again?
- ☐ A Close-up Look at Micro-organisms

Plans for Hope and a Future

Watching the words of the American lexicon tells a lot about us, who we are, and what we are becoming. Recently, a court decision is being made on how nasty a word will be permitted for an Internet address. Four letter words once deemed unmentionable (there is an old term) now show up in mainline magazines – I'm sure you realize this. Concurrent with proliferating four letter words has been over use of the three-letter word, *s_x*, and near total extinction of another three-letter word (for which Endangered species laws should be concerned) ...but I'll return to this later.

As I've attended post election meetings – one might suspect the four letter presidential contenders would be the paramount topic—It is not! No, the two words of most concern are *cash* and *flow*, and all their cousin words that connote the same concept or concern.

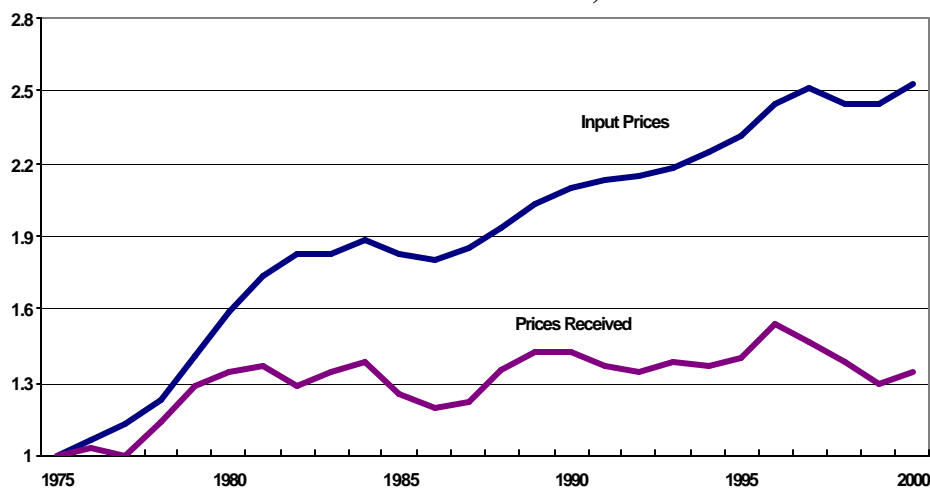
Is it all talk and no walk, or as Will Rogers lamented, "everyone talks about the weather but no one does anything about it!" Well I perceive people are starting to do something about it, and therein may be the start of the thin sliver of sunshine on the problem. It is a whale of an issue, but people are acknowledging that it must be grappled with at the grass roots or "tree roots"

level. In my mind the grass roots level may be more significant than what either of the four letter Presidents can lead us to.

Steven Blank has shaken agriculture with his book, "The Loss of Agriculture in the American Portfolio". Issues of implication on the phrase, 'local costs, global prices' are center pieced in the Sep/Oct 2000 issues of World Watch. Their cover page hook is "Who Needs Farmers? Think twice about letting Big Ag take over global food production."

Their thesis is that consolidated food conglomerates lead to neither little room nor profit for independent farmers. Consequently, operating at little profit pushes farmers to expansion in an effort to produce at lower cost – so they can sell lower as they are forced to do. In turn, supply has increased, prices have dropped and the farmer has no position from which to leverage for better prices. In one page, I know I'm oversimplifying. But, as the discussion proceeds, and Mr. Ed Barlow at the Hort. Association meeting explained, we have forfeited our control over the future. Basically farmers have been *commodity* producers – very few have a financial part in the processing and preparation to consumer *products* that currently generate the profit! (con't page 2).

Index of Prices for U.S. Farmers, 1975–2000



Data obtained from: <http://www.usda.gov/nass/aggraphs/allprpd.htm>

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You got it, so show me sunshine! Well, the ground swell of farmer produce markets across the nation is an expression of the realization that producers must be closer positioned to the consumer to obtain due profits. Central Washington farmers developing their own marketing direct to retailers or foreign buyers are evidence of trying to escape the "commodity position", which is really no position at all (see current wheat prices)! Consumers' desire for labeling of content may also be a statement of wanting to be closer to knowing the values and integrity of the producer. Indeed, they might be surprised to read, following % protein and fat, that this loaf of bread returned only 2 cents to the wheat farmer.

The realization has awakened in America's rural communities that numerous local farmers bring more multiplied dollars into the economy than a few surviving mega farms, that willingly pass the profits of the land to global conglomerates that return little to the local community. Clark Seavert's presentation at the Hort Convention, under girded this principle.

Will a sea change come to American Ag? Can it? Likely not from the efforts of a few – but I believe it can from the farm community beginning to think cooperatively and moving forward with thousands of independent decisions pointed toward a similar objective (profit to the land).

Have you seen these numbers? In Washington State,

Employee Training Seminars Offered

With this newsletter we are soliciting your opinions on an idea recently presented to us.

Would you, our customers, be interested in a service of winter training of their employees who need education in specific topics: concepts on soil fertility and types of fertilizer, soil moisture holding capacity, and the math of adding appropriate amounts of water to the soil? Some instruction could also center on pest management and pesticide regulations, but we acknowledge some good training on pesticide issues is in place by extension services, YVCC, and Wenatchee Valley College.

Any ideas or inputs are welcome. We would anticipate training to be given in either English or Spanish. At our location, or brought to the farm, perhaps about early February. ☞

twice as many people voted for Ralph Nader, as there are farmers. There are more salmon than farmers. In America, the farm population is counted at about a powerless 1%??

Powerless?? Consider this, the National Education Association claims teachers represent about 1% of the population. In a recent issue of their monthly magazine it was claimed that for those educating the children of America they should be appropriately remunerated financially. And further, their 1% is organized largely as a unified voice and negotiating block. Is there a lesson for farmers here? Are not the American farmers the ones feeding the healthy nutritive brain food to our children? Let's move forward with that message and move toward changes for greater control of the food supply chain.

What about the three-letter words? Consider this – The U.S. prison population is also at 1%-equal or exceeding the number of farmers or teachers! Why this nation is in such a mess and how we address it is scandalous. (Did you hear mention of this dilemma and cost from either four-letter candidate?) In Washington State, the budget for Department of Social and Health Services exceeds the education budget of K through 16! The national prison cost is \$50,000 per bed and \$20,000 annually to keep a prisoner; more than many farmers and their employees netted in 1999!! Currently in the U.S.A., construction for 1,800 new beds per week is being built. The word never printed in popular literature, nor the common media is SIN. There I said it! Dr. Karl Menniger, world famous clinical psychologist of Topeka, Kansas wrote a book in the 60's titled "What has become of Sin?"

I would submit again (and it is not a new idea) that we consider this component of sin nature as one of our factors in the equation to rectify the ills of our country and particularly economic imbalances that are eroding our food and fiber producing system. The enemy may be them and it may be us.

A little study of Hebrew history and Biblical accounting showed judgment to that Nation often alighted first upon the food producing system. But their history also revealed remedies, renewal and new hope at various different epochs of time (II Chronicles, Chapter 7).

And finally in the space remaining, I give thanks that in the fullness of time, we were given a reason for a season we call Christmas. Since we live by God's grace in a nation that once saw fit to declare this Son's birth a national holiday – let us celebrate and seek forgiveness with the renewing vigor from the imputed atonement for our Sin. Then at the end of the gray winter, with snow restored to the mountains, hope buds again and we have our great hope in the celebration of Easter, with a risen Savior who upon death and burial left empty a cold stone tomb.

From myself and our entire staff

Merry Christmas!



Economic Importance of the Asparagus Stem Miner

By Garrett Henry

Asparagus stem miners are small flies whose larvae mine asparagus stems. In the last few years we have observed several fields that have appeared to be adversely affected by stem miners. In these fields, mines were abundant and fusarium symptoms were severely aggravated, in comparison to surrounding fields. In fact, it was the severity of the fusarium symptoms that brought our attention to the fields in question. This pest is not new to this region. Dr. Eichman, formerly of W.S.U., studied the question of its economic importance in 1943. He concluded that asparagus stem miners were of no economic importance. However, due to changes in varieties and possibly some cultural practices, its impact on asparagus may be of increasing economic importance and worth a second look.

The asparagus stem miner, *Ophiomyia simplex*, is a shiny humpbacked fly about 2.5 to 3.5 mm long. The adults lay their eggs in the asparagus stems or on the soil near the stems. The larvae feed on parenchymous tissues of the cortex, under the epidermis layer. Their mines can typically be seen on the asparagus stalks between 5 cm above the soil surface level and 10 cm below it. They typically have two generations per year. The first generation generally peaks sometime in late May to early June. Larva and the mines from the first generation can typically be found slightly above or just below the soil surface. The second generation, occurring in August-September, will typically be found only below the soil surface level. Pupae from the second generation over winter on the asparagus stalk which is likely why they locate themselves below the soil surface.

In 1943, R. D. Eichman, W.S.U., determined that the Asparagus stem miner was not of economic concern in Washington. At the time Dr. Eichman did his research, the main and possi-

bly only commercially grown asparagus variety was Mary Washington. This is important because in 1987 J.P. Damicone and W.J. Manning, University of Massachusetts, were able to show that there is a significant difference in the amount of stem and crown rot between the varieties Jersey Centennial and Mary Washington. Their research showed that the severity of external stem and crown rot was 11% greater for Jersey Centennial than Mary Washington. Therefore, if Mary Washington were less susceptible to fusarium than the modern day varieties then it would not likely be as critical or economical to protect it from stem miners. In another study, Jersey Centennial had 20% more mines per stem and 6% greater symptom severity than Mary Washington. The importance of these studies is not that Jersey Centennial had 20% more mines per stem than Mary Washington but the fact that there is a difference in susceptibility between varieties.

We are not questioning the validity of the work done by Eichman. However, much has changed since 1943 and it may be time to revisit this issue. Are stem miners of economic concern in Washington? Is there an association between stem miners and the severity of Fusarium? According to research done at the University of Massachusetts in 1985, there is an association and an increased severity in disease symptoms. From what we have seen in this region it would appear that it is time to revisit the question of whether or not this pest is of economic concern. Current practices and products have not been effective in controlling asparagus stem miners. If it is of economic concern, and we believe it is, then we will also need to determine how it can be controlled because current practices and products are not effective in controlling this pest. ☐

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project cash flow for a potential orchard project. The power of a tool like this is that it enables you to change whatever variables you want, to see how they affect your bottom line. It enables you to see the point at which it makes sense to pursue a project or opportunity. **

In this example orchard project, it was discovered that normally a return per bin of around \$250 is needed to achieve an internal rate of return (IRR) on the orchard investment of 15%. (See table at right.) An additional \$11 to \$52 per bin return is needed to cover the royalty and other costs associated with being members of the club. In fact, your required rate of return for a project like this is more like 20%, which may better recognize the higher risks, then your return would need to be from \$13 to \$64 per bin more than the \$300 per bin needed normally.

This same tool for analysis can also be used in other crops and other situations. For example, it can help determine whether you should a) adopt high density planting systems, b) adopt a new kind of foliar or chemical treatment, c) switch to organic growing, or d) anything that involves *additional costs* and *expected additional revenues*. In these times of tight margins, it is important to be able to take advantage of the information that is often already available to make better decisions. ☐

Return per bin needed to achieve Required Rate of Return, under different Supply Control Systems

	Base System	System A	System B	System C
IRR=15%	\$251	\$262	\$280	\$303
		+11	+29	+52
IRR=20%	\$299	\$312	\$331	\$363
		+13	+32	+64

** The details of this model can be downloaded from <http://www.agrimgt.com/newsletters.htm>, by clicking on the link for "Hort Assoc. Presentation, Economic Eval of Proprietary Varieties." A printed report can also be mailed to you.

Tools for Making Better Decisions

By David Marshall

One of the key messages at this year's Horticulture Association meetings was the concept that profit margins will continue to decline when your product or service is thought of as a *commodity*, rather than as a valued *product*. Indeed, this message applies throughout agriculture. People are looking for niche markets or other ways to add value or perceived value to what they produce.

We need to work **harder** and **smarter** if we are to keep up with a world of increasing complexity, diversity, and change. We need to develop and use the tools that help us *focus* on the key issues and *assess* potential risks.

One example in the fruit industry of how producers are attempting to retain value in their products is with participation in "supply control clubs". These clubs involve the production of patented or proprietary varieties, such as Cameo, Pink Lady, or Pacific Rose apples. There are many ways these groups are structured. For some, the control of volume may come through limits on how many trees can be produced by licensed nurseries. Packing and marketing might also be handled by licensed entities. The real goal of these "clubs" is to have some measure of control over price by controlling the quality and quantity of their particular product.

When we look at whether or not we will likely be able to make money by participating in a project like this, it is critical to know the answer to this question: "How much more revenue is needed to justify the additional royalty costs that go along with my participation?"

What is needed is a TOOL that helps us find these answers.

To help with this, I developed a spreadsheet model that illustrates how to

(continue on page 3).

Why Can't Cash Flow?

Take soil samples in the fall and spring, but do your business planning while the soil is frozen. Is it time to expand (or contract) your business? Purchase new equipment? What are the projected profits of your acreage? Are these questions that you need help answering? Time seems to keep slipping away from us, and important issues can end up on the back burner.

David Marshall of our business management department can help you with analyzing business decisions, industry research, and long-term or short-term planning. On the farm as well as internally within Agrimanagement, his skills have been utilized for many years on account performance, capital expenditures, and labor efficiency. If you would be interested in a demonstration that could help illuminate your strategic path, call or contact him for a complementary one-hour presentation at your office or ours.

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