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Taxation Tidbit: Incentives Increased for Health Savings Accounts (HSAs)

Last month's Taxation Tidbit provided an introduction to health savings accounts. On December 20th the President signed legislation that provides increased incentives for utilizing health savings accounts. The following is a summary of these incentives.

1. The annual contribution limit to the HSA is no longer limited to the selected deductible amount of the high deductible health plan. Thus, the contribution limit is now the maximum deductible of qualified high deductible health plans.
 - \$2,850 for single coverage
 - \$5,650 for family coverage
2. Contributions to HSAs are no longer reduced for partial year coverage in the initial year of plan participation.
3. Also new for 2007 is the one-time option to roll over funds from a traditional IRA to your HSA. The maximum amount of the roll over is equal to the annual HSA contribution limit.

For further information on health savings accounts, see the January 2007 issue of Ag Connection:

<http://outreach.missouri.edu/agconnection/newsletters/is-07-01.htm#health>

*Author: Parman R. Green, Ag Business
Management Specialist*



How Long Does It Take Beef Producers to Pay for Renovating Fescue Pastures with Novel Endophyte Fescue?

With the development of novel endophyte fescue, producers are asking how long it will take to pay to renovate their toxic endophyte infected Kentucky 31 fescue pastures. If producers are planning on renovating a pasture because of stand thinning or are converting it from crop land, it makes good sense to establish novel endophyte fescue because of the added gains it will produce. The breakeven investment period for renovating a good stand of endophyte infected Kentucky 31 is quite different and depends upon the type of livestock that will be grazing the forage.

Whether establishing novel endophyte fescue, warm season grasses, or another cool season grass, renovating fields is not cheap. The costs of seed, fertilizer, lime, tillage, herbicide and planting quickly add up. The total cost of renovating a field of Kentucky 31 with a novel endophyte fescue is approximately \$200/acre.

For stockers it depends upon how much added gain will be produced from the novel endophyte vs. the toxic fescue. The following table shows the years required to recover an investment at various rates of increased average daily gain.

Years to Break-Even - Renovation With Stockers	
Increased Rate of Daily Gain	Years to Breakeven
0.25 #	7
0.50 #	3
0.75 #	2

If calves gained as little as ½ lb more per day the \$200 investment would pay for itself in only three years. Many studies have shown that stocker calves grazing only toxic fescue without additional management practices (supplementation, legumes, pasture clipping) will gain approximately 1 lb/day while the same calves grazing endophyte free or novel endophyte fescue gain 1.75 lb/day.

For cow/calf producers the decision gets a little more complicated. Studies have shown that weaning weights can be significantly increased by renovating to novel endophyte fescue. Stocker calves are usually stocked at one calf/acre, while cow/calf operations usually need two to three acres/cow throughout the year. This significantly increases the renovation cost per animal sold. The following table displays the net present value of the investment figured at 10 years when the stocking rate is 2 acres/cow.

Net Present Value of Renovation Decision – Cow/Calf	
Increased Weaning Weight/Cow/Year	Net Present Value – 10 years
25 lbs.	(\$115.51)
50 lbs.	(\$62.82)
75 lbs.	(\$10.17)
100 lbs.	\$42.52

It takes an additional 75 lbs of weaning weight per cow per year to make the investment pay for itself in less than ten years. However, this does not take into account possible market discounts for calves exhibiting signs of fescue toxicosis such as rough hair coats. If the market discounts these calves compared to calves on novel endophyte, the net present values would be increased significantly.

The main advantage of novel endophyte fescue is in its ability to improve conception and calving rates. A study by Andrae and Lacy from the University of Georgia calculated the following years to breakeven if a beef producer received a 55 lb heavier weaning weight/cow as well as an increase in calving rate to 90%. This analysis does not take into account the possible market discount for calves with fescue toxicosis symptoms. The stocking rate was assumed 2.2 acres/cow.

Years to Break Even (Increase Calving Rate to 90%) Renovation Decision With Cow/Calf	
Current Calving Rate	Years to Breakeven
80%	7
75%	5.4
66%	3.6

When considering whether to destroy a good stand of Kentucky 31 and establish novel endophyte fescue, for stocker operators the added gain will repay the investment in only a few years. Cow/calf operations require more acres per cow and therefore added weaning rate alone may not be enough to make the investment pay for itself unless calves are discounted because of fescue toxicosis symptoms. However, the critical variable for cow/calf producers is calving rates. Replacing open cows is expensive and if calving rates can be increased it will decrease the time required to breakeven. As always, the decision will be different for each producer and will depend a lot upon their current operation.

Author: Wesley Tucker , Agriculture Business Specialist

Missouri Newsletters on Horticulture and Agroforestry

Are you a rural landowner who is an avid gardener, interested in growing produce, or contemplating how to utilize forested ground? The following newsletters are available, and feature timely articles on horticulture, agroforestry and events of interest.

- **Missouri Environment and Garden** is distributed monthly and has three to eight articles on seasonal garden topics. A favorite feature is the ‘Gardening Calendar’, which provides categorical seasonal tips and reminders on vegetables, fruits, lawns, ornamentals and miscellaneous. The contributors are primarily MU campus specialists in the horticulture field. Subscriptions are \$20 per year and may be obtained by mailing payment (check or money order made payable to the University of Missouri) to Plant Protection Programs, 210 Waters Hall., Columbia, MO 65211. Free web access is at <http://agebb.missouri.edu/hort/meg/index.htm>, which also offers a search engine for articles from previous newsletters.
- **The Berry Basket** newsletter focuses on small fruit, specialty fruit and general gardening. Missouri State University and MU Extension- Greene County collaborate to publish and distribute it. It is free to Missouri residents; just e-mail or call Pamela Mayer (Outreach/Publications with Missouri State – Mountain Grove) at 417-547-7500 / PMayer@missouristate.edu. Web access is at <http://mtngrv.missouristate.edu/newslet.htm>.
- **The Missouri Vegetable Growers Association Newsletter** is mailed quarterly and the articles and announcements are oriented toward commercial growers. One receives the newsletter by joining the Missouri Vegetable Growers Association (MVGA). The dues are \$10 per year. MVGA organizes a number of farm tours and other educational activities every year and many are in the Central Missouri Region. Call 573-378-2655 to join MVGA and ask to speak with Norman Kilmer the current secretary.
- **Green Horizons** is published quarterly by the University of Missouri Center for Agroforestry (UMCA). The twelve page newsletter has more than ten articles and covers a wide range of issues related to forests, woodlots, mushrooms, and nut tree culture. It is free to Missouri residents; just e-mail or call Rachel McCoy (Senior Information Specialist with UMCA) at 573-882-9866 / mccoynr@missouri.edu. Web access is at: <http://agebb.missouri.edu/agforest/index.htm>.

Author: James Quinn, Horticulture Specialist

Ice Storm and Hay

Staff of the Missouri Cattlemen's Association (MCA) have been working to assess the damage to beef operations in Southwest Missouri caused by the recent ice storm and to put together a disaster relief strategy for affected producers. In addition to requesting state and federal disaster relief funding, MCA has been working to get essential supplies, including hay, to producers in need.

Cattlemen and women in need of hay can utilize the following resources:

1. The Commercial Ag Hay List, which lists hay for sale in Missouri and surrounding states. The list is available at <http://agebb.missouri.edu/haylst/> and is the most up-to-date list available.
2. The Missouri Department of Agriculture Hay Directory, which also lists hay for sale in Missouri and surrounding states. The MDA Hay Directory is available online at <http://www.mda.mo.gov/Market/haydirectory.htm>. A hard copy is also available by calling the Hay Hotline at (800) 877-4429.

Producers wishing to sell or donate extra hay to help fellow cattle producers may do the following:

1. Call the Hay Hotline at (800) 877-4429 to add your hay to the sale list.
2. Logon to the Commercial Ag Hay List at <http://agebb.missouri.edu/haylst/> and submit a listing of your hay for sale.
3. Call the Missouri Cattlemen's Association at (888) 499-9162 and ask for Brent Bryant (ext. 230), McKenzie Disselhorst (ext. 233) or Ken Disselhorst (ext. 243). The MCA staff will work with you to help sell or donate extra hay to producers in need.

Producers who have been affected by the storm are urged to call the Missouri Cattlemen's Association at (888) 499-9162 or e-mail cattleinfo@mocattle.com to report damages and needs. Pictures of storm damage are also needed and should be e-mailed to cattleinfo@mocattle.com. Your pictures and reports will help us to better assess and respond to the needs of cattle producers affected by the storms.

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