

COSTS and RETURNS

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Commercial Tobacco- Livestock Farms

Bluegrass Area,
and
Pennyroyal Area,
Kentucky -
Tennessee

1966

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1966 costs and returns studies have been conducted on the following:

- Dairy Farms, Northeast and Midwest
- Corn Belt Farms
- Egg-Producing Farms, New Jersey
- Broiler Farms, Maine, Delmarva, and Georgia
- Cotton Farms
- Tobacco Farms, Coastal Plain, North Carolina
- Tobacco-Livestock Farms, Bluegrass Area, Kentucky and Penn-royal Area, Kentucky-Tennessee
- Wheat Farms, Plains and Pacific Northwest
- Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1966 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1966.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

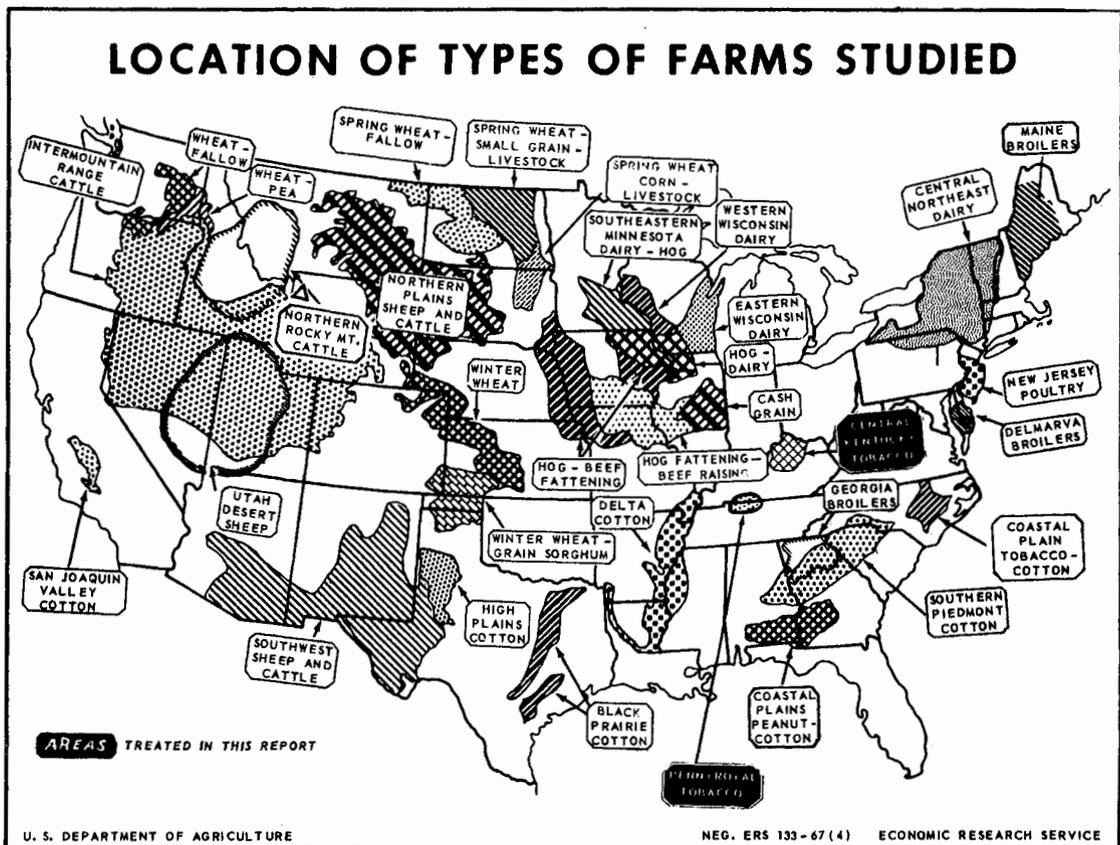


Figure 1

COSTS AND RETURNS COMMERCIAL TOBACCO-LIVESTOCK FARMS BLUEGRASS AREA, KENTUCKY AND PENNYROYAL AREA, KENTUCKY-TENNESSEE, 1966

Owen K. Shugars, John H. Bondurant, Luther H. Keller,
and Daphene E. Tippet¹

Net farm incomes² on tobacco-livestock and tobacco-dairy farms in Kentucky Bluegrass Area and the Pennyroyal Area of Kentucky-Tennessee rose in 1966 (figs. 1 and 2). Estimates of net farm incomes for 1965 and 1966 were as follows:

	<u>1965</u>	<u>1966</u>	<u>Percentage change 1965 to 1966</u>
Tobacco-beef farms, Pennyroyal Area	\$6,410	\$6,810	6
Tobacco-dairy farms, Pennyroyal Area	6,870	7,617	11
Tobacco-livestock farms, Inner Bluegrass Area	7,929	9,367	18
Tobacco-dairy farms, Intermediate Bluegrass Area	3,056	3,642	19
Tobacco-dairy farms, Outer Bluegrass Area	5,866	6,543	12

Higher prices for farm products was the major reason for greater incomes in 1966 than in 1965. They offset lower net farm production on tobacco-dairy farms in the Pennyroyal and Outer Bluegrass Areas. On farms in the Inner and Intermediate Bluegrass Areas, the higher prices were accompanied by increased farm production. Production per farm on tobacco-beef farms in the Pennyroyal was the same as in 1965.

The discussion that follows draws on data summarized in tables 1 and 2.

¹ Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture; Professor of Agricultural Economics, University of Kentucky; Assistant Professor of Agricultural Economics, University of Tennessee; and Statistical Clerk, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, respectively. The Kentucky Agricultural Experiment Station is a cooperator in the continuing study of costs and returns in the Bluegrass and Pennyroyal Areas. The Tennessee Agricultural Experiment Station is a cooperator in the Pennyroyal Area.

² For definition of net income, see note at end of table 2.

LOCATION OF TYPES OF FARMS STUDIED

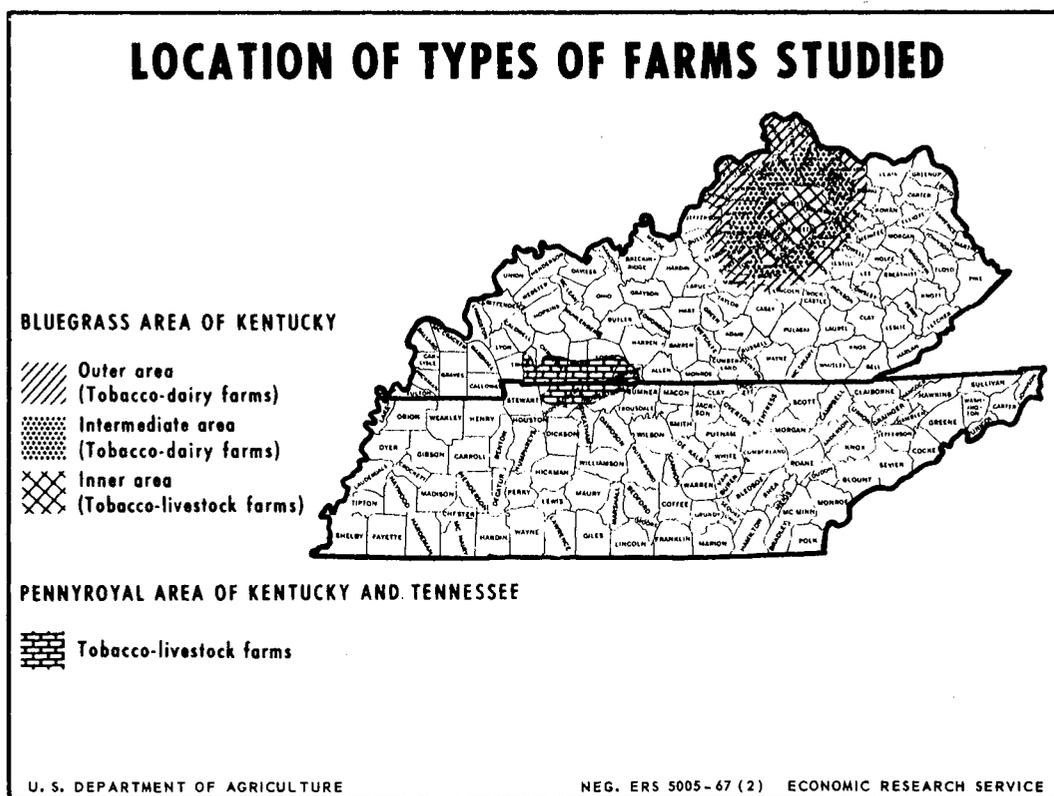


Figure 2

Tobacco-Beef Farms, Pennyroyal Area

In 1966, net farm income on tobacco-beef farms in the Pennyroyal Area averaged \$400 per farm above a year earlier. Both gross farm income and operating expenses were 7 percent above 1965 levels (fig. 3). Higher prices received for livestock and crops, except tobacco, were chiefly responsible for the higher 1966 return.

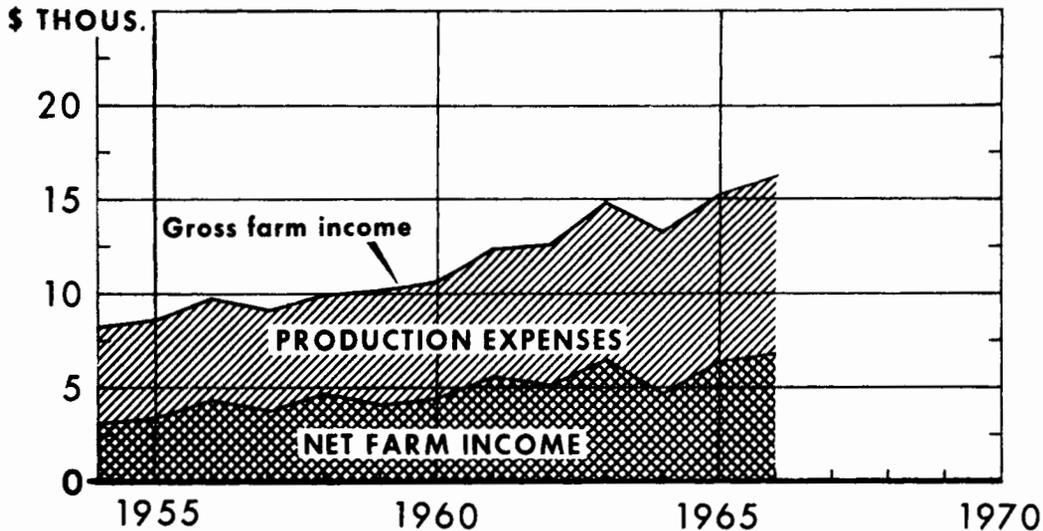
Total receipts from livestock sales in 1966 averaged about \$5,460 per farm, \$1,640 above the 1965 level. Prices received for all classes of livestock sold on these farms were higher in 1966: feeder calves were up nearly 16 percent, prices of yearlings increased \$2.60 per hundred pounds, and cull cows brought about \$3.00 more per hun-

dredweight than in 1965; feeder pig prices averaged 31 percent higher than in 1965, and prices for fat hogs advanced 11 percent. More beef cattle and hogs were sold per farm in 1966, reflecting the upward trend in livestock production on these farms.

Receipts from sales of tobacco in 1966 averaged a little above a year earlier. Receipts from burley were down slightly, but receipts from dark air-cured and fire-cured tobacco increased. Burley prices in this area averaged \$65.95 per hundred pounds in 1966, nearly the same as in 1965. Prices for fire-cured declined 4 percent, but dark air-cured prices were about the same as in 1965. Because of greater yields per acre, tobacco production per farm exceeded that of 1965, despite smaller acreages of burley

Pennyroyal Area, Ky.-Tenn.

FARM INCOME PER FARM: TOBACCO-BEEF FARMS



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Figure 3

and fire-cured. The acreage of dark air-cured tobacco was the same in both years. Burley acreage allotments were reduced in 1966 but dark tobacco allotments were unchanged. In 1966, yields of burley and dark air-cured tobacco averaged the highest on record for these farms, 18 and 19 percent, respectively, above a year earlier. Fire-cured tobacco yields were up 13 percent from 1965 to the third highest on record.

Production and sales of wheat increased about 100 bushels per farm because of a slightly larger acreage harvested and a higher yield per acre. Prices received for wheat averaged \$1.41 per bushel, up 22 cents from 1965. Receipts from wheat increased \$355 per farm.

Production and sales of corn declined in 1966. Despite an increase of 15 cents per bushel in corn

prices, receipts from corn dropped \$700 per farm. Corn yields averaged 52 bushels per acre in 1966, compared with 71 bushels in 1965.

Operating expenses on tobacco-beef farms in the Pennyroyal Area were greater in 1966 than in 1965. A 3-percent increase in the total quantity of inputs used and a 5-percent gain in prices paid for inputs were responsible for the higher cost.

Prices paid in 1966 increased for: commercial feed, farm machinery, repairs and replacement of farm buildings and fences, and hired labor. In addition, the quantities purchased of each of these items, except hired labor, were greater than in 1965. Despite a decline in the amount of labor hired, the expenditure for labor rose \$200 per farm because wage rates increased 16 percent. Expenditures for fertilizer and lime

were about the same as in 1965. Quantities purchased increased, but prices paid for many of the more commonly used materials were lower than in 1965.

Tobacco-Dairy Farms, Pennyroyal Area

Net farm income in 1966 was estimated to be about \$7,620 per farm on tobacco-dairy farms in the Pennyroyal Area. Both gross and net farm income increased 11 percent, and operating expenses rose 10 percent from the 1965 level (fig. 4). Incomes were higher in 1966, chiefly because of higher prices received. Prices received for all products sold on these farms, except tobacco, averaged higher in 1966 than in 1965. Net farm production in 1966 was about 2 percent less than in 1965.

Milk prices were up 52 cents a hundredweight in 1966, and milk production per farm was greater than in 1965. Production per cow increased 2 percent and the average number of cows milked was slightly larger than a year earlier. Receipts from milk sales advanced \$895 per farm.

Receipts from tobacco were also a little higher in 1966. Prices received for dark air-cured tobacco averaged about the same as in 1965, but prices for burley and fire-cured tobacco declined 2 and 4 percent, respectively. However, tobacco production increased 686 pounds per farm despite reduced acreages of burley and fire-cured. Yields of burley and dark air-cured averaged the highest on record in 1966. Fire-cured yields gained 218 pounds per acre from the year-earlier level of 1,642 pounds.

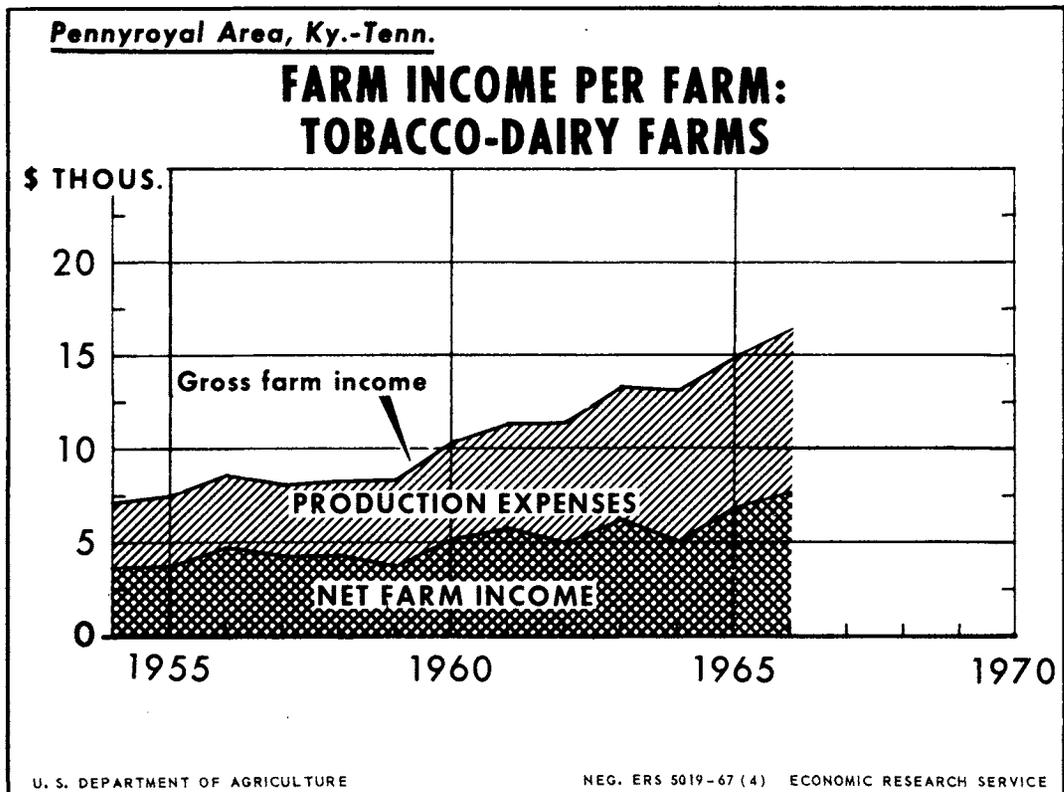


Figure 4

Corn production per farm declined in 1966, despite a slightly larger acreage. Corn yields averaged the lowest since 1959 and were 19 bushels per acre below a year earlier. Receipts from sale of corn were reduced by nearly one-half. Small grain yields were a record high in 1966, as production of these crops increased.

Forage production per farm increased slightly in 1966. The total harvested acreage of hay and silage was a little below a year earlier. Although the yield of alfalfa per acre declined, yields of other hays increased enough to more than offset acreage reductions.

Operating expenses on tobacco-dairy farms in the Pennyroyal averaged about \$8,860 per farm in 1966, up \$830 from a year earlier. Higher prices paid and an increase of 5 percent in total inputs were responsible for the increase.

Feed purchases were greater than in 1965 because of increased feeding rates and larger herds of dairy cows, production of more hogs, and higher feed prices. Expenditures for hired labor were up \$173 per farm, due to higher wage rates. The amount of labor hired was about the same as in 1965. Machinery costs were higher in 1966, because of higher prices and increased purchases. More fertilizer was used than in 1965, but the cash outlay was about the same, since prices paid for some fertilizer materials were lower in 1966.

Prices paid for all goods and services used in production on these farms averaged 5 percent higher in 1966 than in 1965.

Tobacco-Livestock Farms, Inner Bluegrass Area

Net farm income on tobacco-livestock farms in the Inner Bluegrass Area in 1966 averaged \$9,370. This was 18 percent above the 1965 return and second only to the record high of 1963. Gross farm income advanced 9 percent, with both production and prices above a year earlier. Operating expenses rose 1 percent (fig. 5).

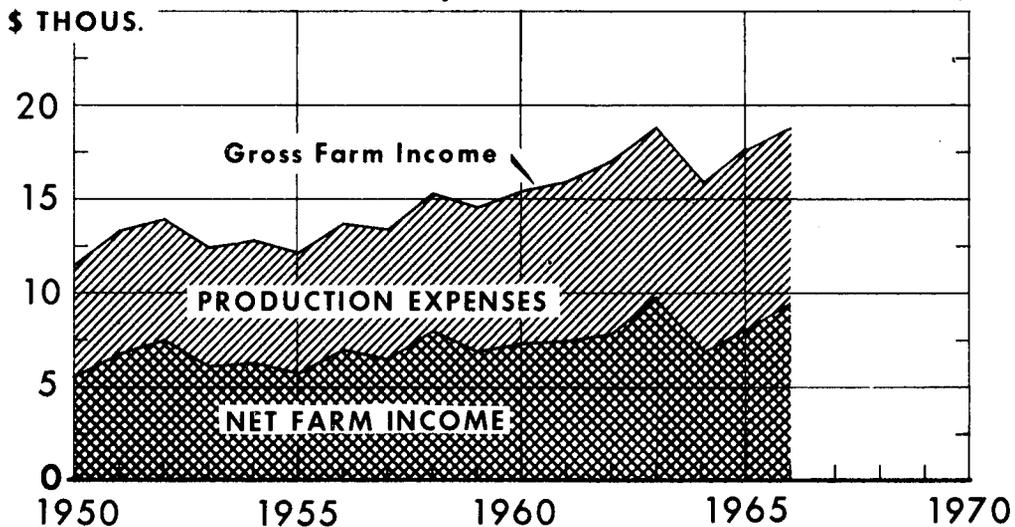
Greater tobacco production in 1966, coupled with an increase of \$1.93 per hundred pounds in the price received, resulted in an increase of about \$800 per farm in receipts from tobacco. As a result of reduced acreage allotments, tobacco acreage was below that of 1965. However, tobacco yields averaged 22 percent above a year earlier, and production per farm was up nearly 800 pounds. Yields of all other major crops grown on these farms averaged higher in 1966.

Livestock output held at about 1965 levels, although sheep production declined. The quantities of cattle, calves, and hogs sold declined slightly in 1966, but inventories of these types of livestock at the end of the year were above year-earlier levels.

In 1966, receipts from the sale of cattle and calves were greater than in 1965. Prices received for feeder calves were up 11 percent and yearling prices rose 12 percent. Receipts from calves and yearlings were up about \$340 per farm in 1966, despite a slight reduction in quantities sold. Receipts from hogs and pigs increased nearly \$100 per farm, also because of higher prices received.

Bluegrass Area, Kentucky

FARM INCOME PER FARM: TOBACCO-LIVESTOCK FARMS, INNER AREA



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Figure 5

Production and sales of sheep, lambs, and wool declined in 1966; receipts per farm declined \$50. Prices received for sheep and lambs advanced slightly, but wool prices averaged about the same as in 1965.

Prices received for all products sold on these farms in 1966 averaged 7 percent higher than in 1965.

Operating expenses in 1966 were only slightly above a year earlier on tobacco-livestock farms in the Inner Bluegrass Area. Prices paid for production goods and services averaged 4 percent above 1965. However, the total quantity of purchased inputs used in production was down 3 percent. Fewer inputs were needed for tobacco production because of the reduced acreage in 1966.

Feed purchases were reduced in 1966, as greater production of hay and grain per farm more than offset

increased feed requirements. Expenditures for fertilizer were reduced in 1966, with both the quantity purchased and prices paid lower. The cost of hired labor per farm in 1966 was greater than a year earlier, because of an increase of 9 percent in wage rates. The quantity of labor hired was down slightly, but expenditures for labor were up around \$65 per farm. The cost of maintaining and operating farm machinery was also higher in 1966. Other major expenditure items showing increases in 1966 were: repairs for farm buildings and fences, real estate taxes, and purchases of farm machinery.

Tobacco-Dairy Farms, Intermediate Bluegrass Area

Net farm income in 1966 on tobacco-dairy farms in the Intermediate Bluegrass Area is estimated

to be 19 percent above a year earlier (fig. 6) Increased production of tobacco and milk, and higher prices received for most of the products sold on these farms raised incomes from 1965 levels.

Tobacco production per farm in 1966 averaged slightly above the 1965 output, despite a reduction in acreage harvested. Tobacco acreage declined because of reduced acreage allotments, but yield per acre increased 24 percent. Prices received for tobacco in this area averaged about 1 percent above a year earlier, and receipts from tobacco increased about \$125 per farm.

Receipts from milk sales were up about \$500 per farm in 1966. Prices received for manufacturing milk in 1966 averaged \$3.92 a hundredweight, 16 percent above a year earlier. Increased production per cow was responsible for a 6

percent increase in milk production, as the size of the milking herd was about the same in both years.

Operating expenses increased 5 percent in 1966 on tobacco-dairy farms in this area. More inputs were used than in 1965, and prices paid for these inputs averaged 3 percent higher in 1966. These farmers increased feeding rates for dairy cows in 1966 and purchased a little more feed at higher prices. Outlays for machinery, milk hauling, buildings and fences, and real estate taxes were greater than for a year earlier. Expenditures for fertilizer and other chemicals used in tobacco production were down slightly because of smaller purchases and lower prices paid.

Prices paid for all goods and services used in production on these farms in 1966 averaged 3 percent above the 1965 level.

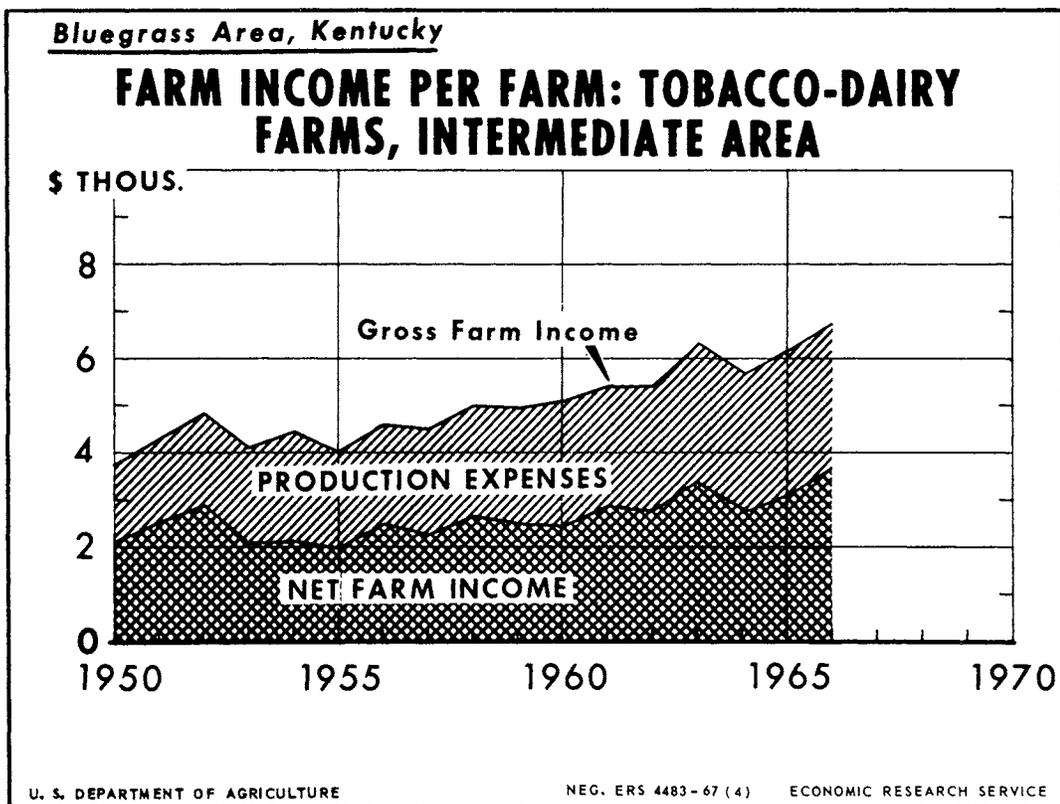


Figure 6

Tobacco-Dairy Farms, Outer Bluegrass Area

Net farm income on tobacco-dairy farms in the Outer Bluegrass Area averaged about \$6,545 per farm in 1966, up \$680 from 1965. Gross farm income advanced 8 percent and operating expense was 5 percent above a year earlier (fig. 7).

Higher income in 1966 was due chiefly to increased production of milk and higher prices received for products sold on these farms. Milk production per farm increased nearly 3 percent in 1966, despite a slightly smaller milking herd, since milk production per cow was up about 5 percent. Prices received for fluid milk averaged \$5.11 per hundred-weight in 1966, 14 percent above the 1965 price. Cash receipts from milk sales rose by \$1,050 per farm.

Tobacco production per farm in 1966 averaged slightly above a year earlier. Yield per acre was up 18 percent to offset reduced acreage allotments. Cash receipts from tobacco were only a little above a year earlier, since the price received averaged about the same in 1965 and 1966.

Sales of milk and tobacco accounted for 86 percent of total cash receipts on these farms in 1966, with the remainder coming from sales of calves, cull cows, and a few hogs. Prices received for all products sold on these farms in 1966 averaged 10 percent higher than in 1965.

Operating expenses on tobacco-dairy farms in the Outer Bluegrass Area advanced approximately \$370 per farm from 1965 to 1966. The quantity of production inputs used and prices paid for these inputs were

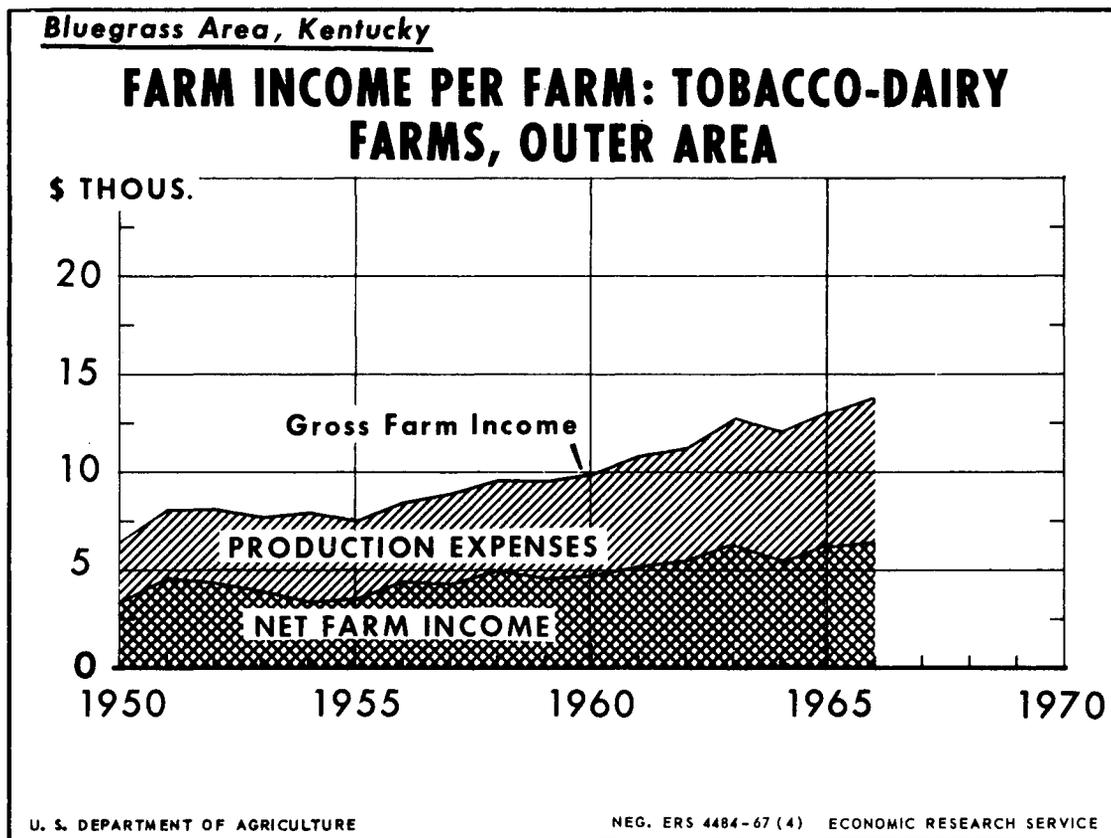


Figure 7

up 2 and 4 percent, respectively, in 1966.

Expenditures for feed increased in 1966, because of larger quantities purchased and higher prices paid. Grain and roughage production per farm in 1966 was below that of 1965, while the rate of feeding dairy cows increased.

Outlays for operating and maintaining machinery and equipment increased in 1966, because of higher prices and greater purchases. Expenditures for hired labor increased

about \$80 per farm, chiefly because of higher wage rates. The quantity of labor hired was about the same as a year earlier. Expenditures were also greater in 1966 for farm buildings and fences and real estate taxes.

Expenditures for fertilizer were down slightly in 1966. Because of the smaller tobacco acreage, a little less fertilizer was used per farm in 1966. Also prices paid for some fertilizer materials were lower in 1966 than in 1965.

Table 1.--Size, organization, and production, tobacco-livestock farms, Pennyroyal Area, Kentucky-Tennessee, and Bluegrass Area, Kentucky, 1965 and 1966

Item	Unit	Pennyroyal Area, Kentucky-Tennessee				Bluegrass Area, Kentucky					
		Tobacco-beef farms		Tobacco-dairy farms		Tobacco-livestock farms, Inner Area		Tobacco-dairy farms			
		1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}	Intermediate Area		Outer Area	
		1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}
Land in farm.....	Acre	324	330	238	240	228	230	117	117	140	144
Cropland harvested.....	do.	134.0	133.9	100.0	97.6	53.7	53.6	21.0	20.0	41.0	42.0
Crops harvested:											
Burley tobacco.....	do.	1.86	1.58	1.30	1.10	6.8	5.9	1.9	1.6	2.8	2.4
Fire-cured tobacco.....	do.	1.66	1.61	1.26	1.22	---	---	---	---	---	---
Dark air-cured tobacco.....	do.	1.38	1.38	1.27	1.27	---	---	---	---	---	---
Corn.....	do.	41.2	44.1	32.0	34.2	9.7	11.2	3.5	3.6	12.9	13.0
Small grains.....	do.	38.5	38.3	25.4	24.7	2.9	2.9	---	---	1.7	1.8
Alfalfa hay.....	do.	9.3	8.7	8.1	7.8	19.6	16.1	9.9	8.7	14.2	13.5
Other hays.....	do.	37.2	36.4	34.3	31.7	14.7	17.5	6.0	6.2	9.7	11.3
Other crops.....	do.	14.0	12.2	4.3	3.6	---	---	---	---	---	---
Crop yield per harvested acre:											
Burley tobacco.....	Pound	1,959	2,320	1,959	2,320	1,998	2,438	1,923	2,375	2,097	2,470
Fire-cured tobacco.....	do.	1,642	1,860	1,642	1,860	---	---	---	---	---	---
Dark air-cured tobacco.....	do.	1,671	1,996	1,671	1,996	---	---	---	---	---	---
Corn for grain.....	Bushel	71.0	52.0	71.0	52.0	74.0	86.0	63.0	70.0	78.0	80.0
Wheat.....	do.	35.0	38.0	35.0	38.0	32.0	28.0	---	---	32.0	28.0
Alfalfa hay.....	Ton	3.3	3.0	3.3	3.0	2.8	2.9	2.1	2.0	2.8	2.2
Other hay.....	do.	1.4	1.6	1.3	1.6	1.5	1.9	1.1	1.3	1.4	1.6
Livestock on farm, Jan. 1:											
All cattle.....	Number	83.3	88.3	46.6	48.4	59.4	60.6	19.5	19.5	32.3	32.6
Beef cows.....	do.	31.3	32.8	---	---	39.9	39.9	---	---	---	---
Milk cows.....	do.	---	---	18.4	18.8	---	---	11.2	11.2	19.7	19.7
Brood sows.....	do.	4.5	5.1	3.9	4.4	3.1	3.0	---	---	1.2	1.1
Ewes.....	do.	---	---	---	---	36.1	33.5	---	---	---	---
Milk production per cow.....	Pound	---	---	7,479	7,628	---	---	6,440	6,880	7,980	8,380
Pigs raised.....	Number	63.5	67.0	49.6	56.1	34.0	34.1	---	---	15.1	14.4
Total farm capital, Jan. 1.....	Dollar	98,110	107,750	73,450	78,770	114,280	120,740	25,030	25,970	50,550	54,150
Land and buildings.....	do.	78,080	83,490	57,360	60,240	99,860	104,190	18,600	19,190	27,800	40,180
Machinery and equipment.....	do.	7,980	8,380	7,640	8,050	5,450	5,760	2,990	3,040	6,460	6,870
Livestock.....	do.	8,220	11,900	5,600	7,530	6,550	8,500	2,480	2,920	4,240	5,100
Crops.....	do.	3,830	3,980	2,850	2,950	2,420	2,290	960	820	2,050	2,000
Total labor used.....	Hour	4,320	4,340	4,990	5,010	4,230	4,040	3,380	3,250	4,670	4,810
Operator and family labor.....	do.	2,840	2,860	3,770	3,790	2,540	2,420	3,210	3,090	3,970	4,090

^{1/} Preliminary.

Table 2.--Income, operating expenses and related data, tobacco-livestock farms, Pennyroyal Area, Kentucky-Tennessee and Bluegrass Area, Kentucky, 1965 and 1966

Item	Unit	Pennyroyal Area, Kentucky-Tennessee				Bluegrass Area, Kentucky					
		Tobacco-beef farms		Tobacco-dairy farms		Tobacco-livestock farms, Inner Area		Tobacco-dairy farms			
								Intermediate Area	Outer Area		
		1965	1966 $\frac{1}{2}$	1965	1966 $\frac{1}{2}$	1965	1966 $\frac{1}{2}$	1965	1966 $\frac{1}{2}$	1965	1966 $\frac{1}{2}$
Total cash receipts.....	Dollar	13,457	14,933	13,685	14,457	15,282	16,517	5,339	6,177	11,515	12,971
Tobacco.....	do.	4,506	4,720	3,415	3,598	8,876	9,675	2,404	2,527	3,874	3,890
Corn.....	do.	2,129	1,410	1,804	918	---	---	---	---	---	---
Wheat.....	do.	1,212	1,567	600	773	---	---	---	---	---	---
Cattle and calves.....	do.	2,176	3,088	1,255	1,203	4,545	4,948	798	1,015	961	1,372
Dairy products.....	do.	---	---	4,273	5,168	---	---	2,076	2,570	6,164	7,214
Hogs.....	do.	1,644	2,374	1,287	1,773	809	904	---	---	425	407
Sheep, lambs, and wool..	do.	---	---	---	---	918	868	---	---	---	---
Other, including Govern- ment payments.....	do.	1,790	1,774	1,051	1,024	134	122	61	65	91	88
Value of perquisites.....	do.	803	873	693	759	1,600	1,701	661	724	1,024	1,122
Change in inventory of crops and livestock.....	do.	983	449	524	1,262	193	372	11	-163	117	-391
Gross farm income.....	do.	15,243	16,255	14,902	16,478	17,075	18,590	6,011	6,738	12,656	13,702
Total cash expenditures...	do.	8,689	9,702	8,012	9,189	9,076	9,243	2,765	2,986	6,947	7,355
Feed purchased.....	do.	700	844	1,166	1,584	1,449	1,143	390	481	1,366	1,510
Other livestock expense.	do.	101	109	217	230	756	848	114	117	223	229
Fertilizer and lime.....	do.	1,582	1,583	1,238	1,238	726	704	275	254	451	430
Other crop expense.....	do.	864	889	670	677	414	430	152	143	256	261
Machinery.....	do.	3,096	3,466	2,818	3,229	2,152	2,227	1,210	1,282	2,604	2,750
Farm buildings and fences.....	do.	560	812	456	591	694	865	93	155	730	745
Labor hired.....	do.	1,335	1,536	1,095	1,268	1,827	1,890	173	178	679	760
Taxes.....	do.	268	277	178	193	507	551	125	134	242	266
Other.....	do.	183	186	174	179	551	585	233	242	396	404
Inventory adjustment, machinery and buildings.	do.	144	-257	20	-328	70	-20	190	110	-157	-196
Total operating expenses..	do.	8,833	9,445	8,032	8,861	9,146	9,223	2,955	3,096	6,790	7,159
Net farm income.....	do.	6,410	6,810	6,870	7,617	7,929	9,367	3,056	3,642	5,866	6,543

Table 2.--Income, operating expenses and related data, tobacco-livestock farms, Pennyroyal Area, Kentucky-Tennessee and Bluegrass Area, Kentucky, 1965 and 1966--Continued

Item	Unit	Pennyroyal Area, Kentucky-Tennessee				Bluegrass Area, Kentucky					
		Tobacco-beef farms		Tobacco-dairy farms		Tobacco-livestock farms, Inner Area		Tobacco-dairy farms, Intermediate Area		Outer Area	
		1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}	1965	1966 ^{1/}
Index numbers (1957-59 = 100):											
Net farm income.....	---	153	162	166	185	112	132	122	145	129	144
Net farm production.....	---	145	145	171	169	113	117	113	115	128	126
Operating expense per unit of production....	---	111	118	114	124	108	107	106	109	111	119
Production per unit of input.....	---	107	105	115	112	106	110	113	116	109	106
Prices received for products sold.....	---	103	111	101	111	101	108	104	115	104	114
Prices paid, including wages to hired labor..	---	111	116	112	118	111	115	110	113	111	115

^{1/} Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

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