



Farm Management Newsletter

Decatur, Giles, Hickman, Lawrence, Lewis, Marshall, Maury, Perry and Wayne Counties
John Campbell, Area Farm Management Specialist

Summer 2007

WHEN PLANS GO MORE AWRY

In the previous issue of this newsletter I talked about the effects of the Easter freeze on crop production and returns. Little did we now then that this would be the driest spring and summer in several years. So, what do we do now? Often there are no easy answers. Crop producers have been hesitant to forward price not knowing if yields would be sufficient to fulfill the contracts. Beef producers are weighing reducing herd size versus feeding already limited hay supplies this summer. Intensive planning using the FINPACK Computer Farm analysis can assist producers in looking at some of the "what if" situations that are currently being experienced. Producers can study the predicted outcome of changes before the changes are implemented. Contact your county University of Tennessee Extension office for more information. There is no cost for the analysis and all information is confidential.

PREPARE FOR DISASTER DOCUMENTATION

Every county in Tennessee received a USDA disaster declaration for the Easter freeze. Many counties will likely receive disaster status for the drought. It is unclear at this time whether Congress will appropriate special disaster funds as has happened in past years. Whatever programs will be available, producers will need records to document losses. If you have not already started to collect data on economics losses, start now. You want to be ready if these records are needed.

FOOD SPENDING

According to a report by USDA/ERS on a 2003 study, U. S. urban households in the lowest 20 percent of income distribution spent \$1,769 per person, 37.3 percent of total household income, on food. Households in the top 20 percent of income distribution spent \$2,737 per person, 6.6 percent of total household income. Wealthier households did spend more of their food dollars on away-from-home food than other households.

2007 AGRICULTURE CENSUS

The 2007 Census of Agriculture will be conducted later this year. The National Agricultural Statistics Service (NASS) wants all agricultural/horticultural operations, regardless of size, to be counted. Census data is used by businesses, government agencies and others to make decisions that affect farm families. Funding levels of some government programs to individual states are determined by the number of farms in the state. Farm operators can sign up to receive a Census Data Form by calling 1-800-892-1660 between 9:00 am and 5:30 pm CDT or may go online to www.nass.usda.gov/counts.

FARM FAMILY LIVING EXPENSE

When completing a farm financial plan, what is the most inaccurate number on many plans? If you said family living expenses you are right. Unfortunately, many farm families keep records for the primary purpose of completing income tax filings. And since expenses for food, clothing, and other household items are not tax deductible, records for these expenses often do not exist. Many times family living expenses are more than one would expect.

The Illinois Farm Business Management Association collected family living expense data on 1,196 Illinois farm families in 2006. While Tennessee data may not be exactly the same, trends are probably similar. The average, noncapital, living expense was \$54,994, \$4,583 per month. This was 4.3 percent higher than 2005 and 4.6 higher than 2004. The families also spent another \$4,692 to buy capital items such as non-farm vehicles, furniture, and household equipment. Medical expenses, which include the cost of health insurance, averaged \$7,665. Net nonfarm income increased to \$29,614, up 81 percent in the last ten years.

Family living expenses can have a great impact on the financial health of a farm business and should be recorded and managed as such.

NEW FARM BILL AND FAMILY FARMS

Congress is presently working on a new farm bill. One recurring issue is the size and structure of farms, particularly family farms. USDA's *Economic Research Service* recently issued a report addressing these topics. Here are some of the findings. Family farms come in all shapes and sizes. But still 98% of U. S. farms are considered family farms. Family farms vary by size, part-time versus full-time, single product versus diversified, one owner to various levels of partnerships. Farms with less than \$250,000 in gross sales (a small farm by USDA's definition), accounted for 90% of U. S. farms and held 68% of all farm assets. Small farms account for 82% of land enrolled by farmers in the Conservation Reserve and Wetlands Reserve Programs. Large family farms and nonfamily farms make up only 10% of U. S. farms. But these farm accounted for 75% of the value of production. Farms with sales of more than \$1 million accounted for 48% of sales, compared with 23% in 1982.

WORKING CAPITAL

As a general rule-of-thumb, you need the equivalent of 20 percent to 25 percent of your annual expenses as net working capital. Working capital is not the balance in your checkbook. It is the assets that can be converted to cash within a year without disrupting business operations, says David Kohl, professor emeritus of agricultural and applied economics at Virginia Tech. This gives you the flexibility to take advantage of unexpected opportunities when they arise. When you have less than this amount of working capital, "Murphy (as in Murphy's Law) is merciless and he will put you out of business."

KEYS FOR BETTER BUSINESS DECISIONS

1. Does the decision support the mission/vision of the business?
2. Does the decision make a profit?
3. Does the decision cash-flow?
4. Is the decision the best use of limited resources?

Source: Jason Karszes, *Cornell Cooperative Extension*

U. S. AGRICULTURAL EXPORTS

U. S. agricultural exports set a new record in fiscal 2006 topping the previous record set in 2005. Exports totaled \$68.7 billion, up 10% from the previous year. The top five states for exports were California, Iowa, Texas, Illinois, and Nebraska. Iowa and Illinois lead in feed grain and soybean exports. California leads in vegetables, fruits, tree nuts, seeds, and dairy.

MANAGEMENT INFORMATION LINE

Call the Tennessee MANAGEMENT Information Line, 1-800-345-0561 (toll-free), for confidential information about farm management, stress management and family financial management.

FARM MANAGEMENT WEB SITE

For more information on Extension farm management educational programs and educational information on a variety of topics, goto my website at www.utextension.utk.edu/managecamp.

NOTABLE

- USDA spent \$52.9 billion on food and nutrition assistance programs in 2006
- Food stamps accounted for 62% of food and nutrition assistance programs in 2006
- Agriculture's share of US gross domestic product in 2005 was 4.5 percent

COUNTY EXTENSION AGENTS

Decatur	Steve Glass	731-852-2831
Giles	Kevin Rose	931-363-3523
	Erin Williams	931-363-3523
	Darby Payne	931-363-3523
Hickman	Troy Dugger	931-729-2404
Lawrence	Calvin Bryant	931-762-5506
	Wendell Smith	931-762-5506
Lewis	Frank Yancey	931-796-3091
Marshall	Rick Skillington	931-359-1929
Maury	Richard Groce	931-375-5301
	Dill Hughes	931-375-5301
Perry	Rick Ritter	931-589-2331
Wayne	Ken Burress	931-722-3229

CLOSING NOTE

Light travels faster than sound. That explains why some people appear bright until you hear them speak.

For more information contact:

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MANAGEMENT Information Line 1-800-345-0561