



Farm Management Newsletter

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

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BREAKING NEW GROUND

The economic situation for farm families today makes me think of the phrase from years past, “breaking new ground.” Prices received for some farm products have been at unprecedented levels. These prices have lowered the market price for others. For example, feeder cattle prices are down due to increased cost of feedlot gain which is a result of higher corn prices. Fuel and fertilizer prices have also set records. Not only are input prices higher, but they are constantly changing. I have heard some producers say that input prices were changing so fast they were having a hard time knowing exactly where they were financially. Intensive planning using the FINPACK Computer Farm Analysis can help you determine where you are. Intensive planning can also help prevent problems before they occur. There is no cost to participating farm families and all information is confidential. Contact your county UT Extension office for more information.

ECONOMIC STIMULUS FARMER BENEFITS

The Economic Stimulus Tax Act of 2008 provided tax rebate checks for qualifying individuals and families. Many of these payments have been received. While the cash rebates caught most of the media attention, two business equipment-related provisions could be of additional benefit to farmers. Small businesses including farms can deduct 50 percent of the cost of equipment purchased during 2008. This includes all types of equipment, including trucks, tractors, trailers, milking equipment, computers, and other office equipment. New rules also nearly double the amount that a business can expense this year for equipment purchases. The old limit of \$128,000 has been raised to \$250,000.

FARM MANAGEMENT WEB SITE

For more information on Extension farm management educational programs and educational information on a variety of topics, go to my web site at www.utextension.utk.edu/managecamp. The website also has links to a variety of agricultural related sites that provide educational and market information.

OPERATING THE FARM AS A BUSINESS

An insurance company survey found that many family businesses do not operate as such. More than half of the businesses that responded did not have a succession plan. Less than half had business plans or held regular meetings. Almost a third did not have trusted advisors outside the family. And almost a third had not appointed a successor. This survey was not specific to farm businesses, but I suspect these numbers would hold true for farm businesses, if not worse. These problems often occur due to lack of communication or confusion of roles in the family. Also, there may be confusion over the difference between succession planning and estate planning. Farm families likely think more about estate planning. Estate planning considers the assets of the farm and what happens to these assets when an owner dies. Succession planning, on the other hand, involves who will take over the ownership and management of the farm. If a second generation family member is to some day take over managing the farm, that person must have some hands-on experience. The successor must become involved in making decisions. A lack of experience making decisions can be fatal to the financial well-being of the operation. Communicating succession plans to the next generation is also important. All family members should have knowledge of the succession plan, even those who have no intention of returning to the farm. Another important factor is that the older generation becomes willing to turn over more responsibility to the succeeding generation. The older generation can help the younger generation succeed by planning the time of succession. A sobering fact is that less than 10 percent of family business operations survive their first generator founders.

MANAGEMENT INFORMATION LINE

The Tennessee MANAGEMENT Information Line is available for all Tennessee farm families for confidential information about farm management, stress management and family financial management. Calls are answered by trained staff who understand farming and who are interested only in providing assistance to you. The toll-free number is 1-800-345-0561.

NEW FARM BILL PASSED

After much input, debate, two presidential vetoes, and two congressional overrides, the Food, Conservation and Energy Act of 2008 is now law. Final rules for implementation of the bill are now being written. The bill will cost \$307 billion over five years, but only 11 percent of the funds will go to farm commodity programs. Conservation programs, which received increased funding, get 8 percent. Nutrition programs, such as food stamps and others, make up 68 percent of expenditures. The remaining 13 percent goes to all other programs. The bill calls for Country of Origin Labeling (COOL) to be fully implemented by September 2008. Support for cellulosic (switchgrass, wood chips, etc.) ethanol production increased while funding for grain ethanol decreased.

Livestock programs include the Livestock Forage Disaster Program and Livestock Indemnity Program. Producers must have livestock/forage insurance or be in the Noninsured Crop Disaster Assistance Program to be eligible for these programs. The Livestock Indemnity Program pays 75 percent of market value for death loss. The Milk Income Loss Contract was renewed with the percentage of the price deficiency paid to producers raised to 45 percent. A new provision provides for the target price to be raised when feed prices increase.

Crop commodity programs retain direct payments and counter-cyclical payments. Payment limits were reduced. An optional Average Crop Revenue Election (ACRE) was authorized as an alternative to the counter-cyclical program. Producers can make an irrevocable ACRE election in 2009 through 2012. ACRE payments are incorporated with crop insurance coverage. A new permanent disaster assistance program was also included.

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	Jason Morris	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

What's the difference between tax avoidance and tax evasion? Prison.

MEAT CONSUMPTION TO DECLINE

USDA has predicted declines in meat consumption through 2017. Per capita pork consumption is expected to drop from 50.5 pounds in 2007 to 48.8 pounds by 2017. Beef consumption would also drop from 65 pounds to 60.1 pounds. Broiler consumption is expected to increase from 85.4 pounds in 2007 to 88.1 pounds by 2017. When combined, the projected net decrease is 2.9 pounds. These declines reflect adjustments that will be made by producers due to rising feed costs. Rising U. S. export sales will also be a factor.

DO FEDERAL FARM PROGRAMS WORK?

This is a question that has been debated for years and this debate will likely continue for years to come. One of the original purposes for farm programs was to control supply to provide market prices high enough for farmers to stay in business while providing an adequate food supply for U. S. consumers. One factor that prohibits these programs from having the optimum result is that neither farmers or consumers react in a timely manner to changes in agricultural prices. Dr. Daryll Ray, director of the UT Agricultural Policy Analysis Center, provides these thoughts. *"In the short- to long-run, farmers do not plant fewer acres when prices are low. In fact, when prices are low, they have every incentive to try to increase production to have more bushels to sell at the low prices. Because farmers are price takers, the only way to increase income is to increase production. They may change the mix of crops to increase profitability, but they seldom deliberately leave acres unplanted. Similarly, consumers do not respond to low food prices by consuming more. They may change the mix of foods they eat, they may eat out more often, but low prices do not induce consumers to switch from eating three meals a day to eating four. This lack of response to price means that crop markets, as compared to many markets for other consumer goods, fail to correct in a timely manner leaving producers facing long periods of low prices."* I think Dr. Ray gives a good explanation on this topic. I think one of the problems with the critics of farm programs is that they do not understand agriculture.

For more information contact:

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