Virginia Cooperative Extension

Farm Business Management Update
December 2002 – January 2003

To: Extension Unit Directors, Extension District Directors, Extension Program Directors, and Farm Management Agents, and ANR Specialists

Dear Co-Workers:

Farm Business Management Update is a joint effort of the Agricultural and Applied Economics faculty and the area farm management agents. Subject matter areas include timely information on farm management, marketing, tax management, finance, credit, labor, agricultural law, agri-business, estate planning, 4-H and economic education, natural resources, and CRD. Please use this information in your on-going Extension programs and circulate to all Extension staff. **Farm Business Management Update** is electronically accessible via the Virginia Cooperative Extension World Wide Web site (at http://www.ext.vt.edu/). To see the articles listed in the reverse chronological order, select "News," then select "Farm Business Management Update" listed under the heading "Periodicals."

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VIRGINIA STATE UNIVERSITY

Agricultural and Applied Economics Department Loses 132 Years Of Educational Expertise

By Gordon Groover

The Agricultural and Applied Economics Department, the College of Agriculture and Life Sciences, Virginia Tech, and the State of Virginia will loose 132 years of educational experience in teaching, research, and extension by the end of 2002. In October, 100 people helped the Department celebrate the contributions and service of five of its faculty.

- Charlie Coale serving since 1969
- David Kenyon serving since 1970
- Leonard Shabman serving since 1972
- Michael Chandler serving since 1975
- Les Myers serving since 1992

The Department will miss these numerous professional contributions, friendship, and advice.

Future plans:

- Charlie is still coming to the office finishing up on some project commitments. He is waiting for Ellen to retire next year to make finial plans for their retirement.
- David is still working on his barn and horse lot and plans to spend time riding and traveling with Dianne in their new camper. He will continue his involvement with his Church actives and may continue to teach, state funding permitting.
- Len and Janet have moved to Northern Virginia where he is employed by Resources for the Future as their Resident Scholar. Len will continue to teach one course per year.
- Mike, like Charlie, is still coming to the office finishing up projects. However, next year, he and Brenda plan to move to Chesterfield, Virginia to be closer to family. Mike plans to continue his educational work with local government, and Brenda plans to continue helping Leon Geyer with the tax conferences.
- Les and Winnie plan to stay in Blacksburg and spend more time with family and friends.

Thanks again and good luck to all!

Leon Geyer Named Agricultural and Applied Economics Department Head

By Gordon Groover

January 1, 2003 the Agriculture and Applied Economics Department will gain its ninth department head since 1927. Professor L. Leon Geyer has been a faculty member since 1981, has taught numerous courses in law and agricultural and environmental economics, and has provided leadership to the undergraduate program. In addition, he has provided leadership to Virginia Tech's Farm and Small Business Income Tax Conferences and has worked closely with Virginia Cooperative Extension educational programs in agricultural law, income and estate tax management, and transition retirement planning.

Silver Anniversary Reflections!
By [David M. Kohl]()

I attended the 50th Agricultural Bankers Conference in Indianapolis, Indiana, November 10-13. This year marked my 25th consecutive address. It was stimulating to be around 500 agricultural lenders, and to be informed and motivated by some of the top speakers in the agricultural field. The following are some of the information highlights and perspectives from this year's conference.

The low stocks in most commodities, depleted soil moisture in highly productive regions, strong global demand, and tough competition will influence commodity price outlook globally. South America will out-produce North America in soybeans by 2005. Argentina's financial and political unrest and Brazil's debt are clouds on the horizon for that area of the world.

The outlook for land values finds that values far exceed the capitalized earnings from agriculture. The three risks of owning farmland include low commodity prices, politics, and environmental regulations.

There are trends toward mass consolidation of the food industry. Five entities – Walmart, Kroger, Albertsons, Safeway, and Alhold – now account for 38 percent of the market share. In Canada and Europe, the top five represent 71 percent and 80 percent of food sales. Speakers were in agreement that the same could occur in the United States within the next five to ten years.

A speaker on bio-terrorism indicated that increased risk will occur as agriculture consolidates. Prime targets are regions of high livestock and crop concentration. Terrorism could occur from external forces and discontented internal factions within the United States.

When consumers purchase food and agricultural products, they should consider six basic factors: location, marketing, shelf life, variety, packaging, and basic product quality. These factors are grouped into three levels of consumer motivations; the "must haves," the "nice to haves," and the "oh wows!" Quality, packaging, variety, and shelf life are the "must haves." Brand labeling and promotions are the "nice to haves." The "oh wows!" are the locations that appeal to the senses smell, feel, and touch. An illustration of the "oh wows!" was seen as the Conference offered free coffee on a floor above Starbucks. The line at the expensive Starbucks was ten times longer than for the free coffee because the smell of the Starbucks coffee and the location appealed to the conservative lenders' senses.

Two speakers indicated the possibility of a double dip recession. The uncertainty of terrorist attacks, possible war with Iraq, and slow consumer demand is hindering long-term investment by businesses. One speaker was bold enough to indicate that the Dow would be 12,000 by 2005 and 20,000 by 2010 if these uncertainties are taken out of the global economic equation. Oil appears to be the Achilles heel of the United States economy with 5 of the 6 most recent recessions being directly correlated to the oil price shocks. Forty percent of the world's production is within a 200-mile radius of Iraq. Maybe a national energy policy is needed to reduce U.S. dependence on imported oil, which represents 54 percent of total use.

Finally, I moderated two panels: one on agricultural policy, the other with two Indiana producers. The two farm policy speakers were in agreement that if the economy suffers a setback, adjustments could be made in the recently passed farm bill. Both indicated that subsequent legislation for agriculture will be very "green payment" oriented with more emphasis on environmental and conservation payments.

Both producers farmed over 10,000 acres. However, one had operations in Indiana and South America. The three biggest challenges they said they face are competitiveness in the global marketplace, labor and management succession, and being part of a coordinated production system with major agribusiness players.

The strategies to position the business included dividing the business into earning engines and profit centers and examining each for short and long-term profit. Both were forming strategic alliances (input and output firms) and requiring more highly educated employees and management.

Surprisingly, both producers indicated that the human side of their lender is more important than interest rates. They expect the lender to know their industry, provide information and problem solving, and be available in good and bad cycles.

The Conference numbers have declined from 2,100 in 1981 to 500 in 2002, which reflects the changes in agriculture. However, one thing that has not changed is the sincerity of the agricultural lenders to their industry and a chance to be informed and challenged about the future.

Equipment Turn-Over in the Dairy Industry Is a Major Problem

By Tom Stanley

Almost any manufacturing process requires specialized equipment that over time will wear-out and need replacing. Dairy farmers have very specialized milk manufacturing equipment: their cows. And the dairy industry has a problem: wearing-out the cows faster than the replacement "equipment" can be developed. As a result, many dairy farmers find themselves in a very tenuous situation where cows need to be replaced but they do not have young females of their own with which to replace them. Since this situation is an industry-wide problem, the demand for dairy heifers has outstripped the supply, and prices for dairy heifers continue to reach all-time highs.

This past summer milk prices declined dramatically. From a national perspective, anytime milk prices drop below breakeven levels a certain percentage of dairy farmers will sell their herds. In the late summer and fall of this year, a slight decrease in the price of replacement heifers has been seen as a result of this milk-price-related increase in the supply of replacement females and decrease in dairy farm gross income. The fundamentals have not changed though. The dairy industry is still not reproducing replacements as quickly as it is wearing-out its females.

For years, the dairy industry has increased milk production through selective breeding. In the pursuit of higher milk production, it appears that other traits that impact cow longevity have not gotten necessary attention. This animal selection decision is now having huge impacts on the economics of the dairy industry.

On Virginia dairy farms, it currently takes approximately three years from conception until a heifer begins producing milk. The average time from when a dairy cow first begins producing milk until she is culled currently encompasses about three lactations. In her lifetime as a producing milk cow, she will produce three calves. Fifty percent of these calves will be bulls. Of the 50 percent that are heifers, only 85 percent will successfully join the milk-producing herd. The result is that the dairy herd is just barely replacing itself.

In economic terms, this dearth of productive milking cows has erected a very high barrier to entry for anyone wanting to start a dairy farm and extremely difficult for existing dairies to expand. Like so many other industries dependent on natural resources, dairy farmers must balance between short-term productivity and the long-term sustainability.

The shortage of dairy replacement heifers is sure to be a problem for the next several years, baring the dispersal of a significant number of the herds currently in production. It takes three years for selection and breeding decisions to have an effect in the dairy herd. Most dairy scientists would agree that they are more than one generation away from correcting the reproductive and soundness problems many dairy herds now have. Therefore, the market fundamentals indicate that high relative prices for replacement heifers and milk cows of serviceable age are almost sure to be with us for some years to come.

Taxes: Why Elect Out of the Depreciation Bonus?

By Daniel Osborne

As one might expect, the 2002 tax year has new legislation in effect to add to the ever increasingly complex tax law. This new legislation came primarily in the form of the Job Creation and Worker Assistant Act of 2002. The most significant piece of this legislation for the majority of Virginia farmers is the Depreciation Bonus. Businesses are allowed to take an additional 30% in depreciation for new property purchased after September 10, 2001 and before September 11, 2004. Of course, this is subject to several qualifications. The goal of the Depreciation Bonus is to encourage purchasing and thereby create jobs. (For more information on these qualifications, see the instructions to Form 4562.) If you have purchased new property that meets the qualifications for the Depreciation Bonus, you are required to take the additional 30% depreciation unless you elect out by attaching a statement to your return. Now, the question is why would you elect out of the Depreciation Bonus?

Several reasons come to mind where it may be beneficial to elect out of the depreciation Bonus. The first situation is if you are expecting higher income levels and, therefore, a higher tax rate in the next few years compared to the current year. Electing out will allow you to offset the higher income with more depreciation expense in the later years. If you plan to sell the purchased property in a year in which you are in a higher tax bracket, any depreciation recapture would be taxed at the higher rate. The problem of being in a higher tax bracket for up to two years later can be eliminated by using Schedule J to average income for three years, but this is more of a headache than just electing out of the Depreciation Bonus.

Another situation where electing out may be beneficial is when not electing out is going to cost more in record keeping than it is worth. If you buy $50,000 worth of equipment, you could expect to earn between $200 and $600 in interest from the Depreciation Bonus over the course of seven years by taking the extra depreciation now rather than later. Virginia is not going to allow the Depreciation Bonus in calculating the Virginia income tax. Therefore, if you do not elect out, you will have to calculate depreciation two different ways: one way for federal purposes and another for Virginia. The cost of paying a tax preparer to calculate depreciation two different ways for seven years could easily exceed $200.

Don't think that electing out of the Depreciation Bonus is what I am encouraging everyone to do. As I said, you could expect to earn between $200 and $600 in interest on the early tax savings. You should, however, consider your situation to determine whether electing out is to your advantage.

Virginia Use Values Decline

By Beth Ann Pelletier

The latest use values for agricultural, horticultural and orchard sectors indicate the fourth straight year of declining values. Tax year 2003 use values recently released by the State Land Evaluation Advisory Council and the Virginia Department of Taxation indicate the use value of an average acre of Virginia cropland was $320 for tax year 2003. The average use value was $85 less than the use value reported in October 2001, a 21 percent decrease. Orchard use values also saw steep declines for tax year 2003. For example, an average apple orchard acre with Type 3 soil classification and no risk in Virginia had a use value of $95 for tax year 2003. These values show a decline of $20 per acre or 17 percent compared to tax year 2002 values released in October 2001.

Background for Use Value

A synopsis of section 58.1-3229 of the *Code of Virginia* (http://legis.state.va.us/Laws/CodeofVa.htm) declares that "the preservation of real estate for agricultural, horticultural, forest and open space use is the public interest and … the classification, special assessment and taxation of such property in a manner that promotes its preservation help foster long term public benefits." Virginia law allows for eligible land in any of these categories to be based upon the land's value in *use* (use value) as opposed to the fair market value of the land. Section 58.1 –3239 of the *Code of Virginia* establishes the State Land Evaluation Advisory Council (SLEAC) and directs it to estimate the use value of eligible land for each jurisdiction participating in the land use program.

The decline in use values raises several questions. The first of these questions is, "Why are land values declining?" The first and most obvious reason for these declines lies in the cumulative effect of several years of drought in Virginia. Agricultural, horticultural, and orchard use values in Virginia are determined using a capitalization of net income approach: dividing average net returns by the capitalization rate. The net returns are based on an olympic average using the most recent seven years and dropping the highest and lowest net returns and then averaging the remaining five years for an average net return. Usually, this averaging process helps to mitigate fluctuations in the annual use value estimates caused by unusually good or poor years. However, in recent years, Virginia has seen several consecutive years of low net returns influenced by drought, collapse of grain prices, changes in government payments, and an increase in machinery costs.   These consecutive years of poor returns have continued to put downward pressure on the use value of land in Virginia. Declining interest rates are captured in the capitalization rate and put upward pressure on use values; however, this upward pressure has been minor compared to the effect of the declining average net returns. Orchard values have suffered for many of the same reasons as agricultural and horticultural values. However, international competition has quickened their declines.

The next question is, "Will land values continue to decline?" The most recent crop season indicates the answer is, "Yes." Low yields, low prices, high fuel and machinery costs, and other high input costs put downward pressure on use values. Large declines in the peanut sector will also negatively affect use values in Virginia.   Decreasing interest rates, good yields, and government income support provide positive influences on land values. However, several years of increasing net returns will be necessary before the positive effects can outweigh the negative impacts Virginia agriculture has seen in recent years. Thus, the answer to the question of continuing declining land values is yes for the near future.

Heavy losses by many Virginia agricultural producers, coupled with low interest rates, have put increasing development pressure on producers in many localities using use value taxation. The events of the past several years have caused some agricultural producers to go out of business but have also provided the opportunity for some producers to expand their operations. These events will likely continue in the near future as values continue to decline.

More information on past and current Virginia use values can be found at http://usevalue.agecon.vt.edu.

An Opportunity for Virginia's Farmers: Child Health Insurance Plan
By Jeff Alwang

Despite the fact that farming is called America's second most dangerous occupation, farm families and farm workers are substantially less likely to be covered by health insurance than non-farm families. A recent (2000) study in Wisconsin found that 10 percent of individuals residing on farms have no health insurance, while only 6 percent of non-farm residents are uninsured (www.dhfs.state.wi.us/state-grant/medicaid1/Briefing-2.doc). Nationally, the Census Bureau finds that 38 percent of hired U.S. farm workers do not have health insurance. The primary obstacle to purchasing health insurance by farm families and farm workers is cost. The Wisconsin study found high premiums combined with high deductibles and modest coverage were the major reasons for lack of insurance coverage. Affordability was also a critical determinant in the federal study, where poorer workers were much less likely to have insurance. In fact, the Census study found that 53 percent of farm workers with earnings less than two times the poverty threshold did not have health insurance. Health insurance coverage is receiving increasing attention in the national press, but lack of coverage among farm families and farm workers has reached crisis proportions.

Hard data do not exist on insurance coverage for farm families and farm workers in Virginia, and there is no reason to believe that Virginia farmers have better or worse health insurance coverage than national averages. In some states, private health insurance providers have expressly reached out to farmers and farm workers; in many cases (e.g. Connecticut and California) farmer organizations were catalysts in representing farmer interests with the insurance industry. The federal government is currently examining extending tax credits to 100 percent of the purchase value for the purchase of insurance by the self-employed and individuals who purchase insurance on their own (http://www.selfemployedcountry.org/news/20020228taxcredits.html).

The insurance industry and small-business interest groups now provide a number of options that may make individual private insurance more accessible to the small business and self-employed operator. As with any financial product, the purchaser is well advised to invest in product research prior to purchase. This research can begin on the World-Wide Web.

The FAMIS Program in Virginia

One publicly provided insurance option that can substantially lower insurance costs is Virginia's Family Access to Medical Insurance Security (FAMIS) program. This federally funded program provides low-cost medical insurance for children of working families. Application is quick and can be completed over the telephone (866-873-2647). Employers can, under certain circumstances, link FAMIS coverage through their employee plan, lowering the overall cost of providing the insurance.

Why FAMIS?

Many children of farm workers and even children in farm families will meet the FAMIS eligibility conditions. These conditions are

- Live in Virginia Tech
- No health insurance coverage in past 6 months
- Not eligible for Medicaid or Virginia State Employee Health Insurance
- Age 18 or younger
- Meet income guidelines (a sliding scale—maximum income for a family of four is $35,300)

FAMIS places no burden on the Commonwealth; in fact, the Commonwealth is in real danger of losing federal funding because of under-subscription to the program. Virginia receives approximately $70 million annually in federal support for the program but has had to forfeit some $56 million because too few children are enrolled in the program. This year, the state faces the real possibility of having to forfeit an additional $30-60 million in federal funds. As of May 2002, some 43,000 Virginia children were enrolled in the program, while experts estimate that well over 60,000 children are eligible.

Why Health Insurance?

The individual benefits of health insurance are obvious—it provides a means of spreading the financial risks of illnesses and accidents. In addition, employers who provide health insurance can receive substantial benefits from the provision. Healthier, happier, and more productive employees (and their children) are real benefits. Virginia farmers are finding it ever more difficult to find and retain high-quality workers. One key to the recruitment and retention equation may be the provision of health insurance for workers and their dependents. Forward-looking employers who recognize that agriculture has to compete with other employers in the labor market by offering competitive benefit packages, may get a foot up by investigating cost reducing programs such as FAMIS.

The Management Calendar

By Gordon Groover

Selective information you should be aware is as follows:

- **Labor**: New on the web is a farm labor resource that everyone should either bookmark or have on his bookshelf. The Western Farm Management Extension Committee has published a 242-page book in soft-cover and on CD. Also available on CD is a collection of video vignettes that illustrate different approaches to one-on-one communication in problem situations that are discussed in the book. All the contents of the book (in PDF format) and the video vignettes can be viewed at http://aghelpwanted.org. Copies can be ordered from http://agecon.uwyo.edu/aglabor/FrameProducts.htm at the following single users prices
    - Soft-cover book - $25
    - Book on CD - $10
    - Videos vignettes on CD - $10

  The information and the video vignettes in this book would make an excellent resource for labor workshops on a county or regional basis.
- **Virginia's Use Value Assessment Program**: Information on Virginia's use value program, current values, related links, and publications can all be found at http://usevalue.agecon.vt.edu/

Farm business managers should consider putting the following activities on their management calendar for December-January.

- Before the end of the year (calendar tax year fillers) follow up on end-of-year tax management strategies recommended by tax advisor. Additional information can be found in IRS publication 225 *Farmer's Tax Guide* at http://www.irs.gov/pub/irs-pdf/p225.pdf. George Patrick, Department of Agricultural Economics, Purdue University, has a good tax publication: *Tax Planning and Management Considerations for Farmers in 2000.* It can be found at http://www.agecon.purdue.edu/ext/tax/taxplan2002prel.htm.
- Begin closing out the farm books by collecting information for the farm net worth statement. Around the first of the year, when you need to walk off all that holiday food take a notepad or the camcorder out for a walk around the farm. Recording number and

approximate value of all the farm assets (cattle, tractors, machinery, buildings, inventories of grains and feedstuffs, chemicals, etc.) that can be organized on the asset side of the balance sheet. Be sure to save the notes or, better yet, the recoding in a safe place (safety deposit box or fireproof box) for possible insurance claims. Review your end-of-year bank statements or contact your lender for current listings of your liabilities.

- If you are using cash accounting methods for tax purposes (computerized business records or hand kept), you need to make sure your actual records match the deposit and check dates for all claimed income and expenses.
- Plan to get all tax records summarized and to your tax advisor by February 1, and check with your Virginia Cooperative Extension's farm business management agent on farm-related changes in state and federal taxes. A listing of Virginia tax credits can be found at the following site: http://www.tax.state.va.us/site.cfm?alias=TaxCredit3. Make sure that your tax advisor is aware of these changes.
- Using last year's financial and production records, develop projected budgets, cash flow, and income statements for 2003.
- Depending on the type of farm, begin working on a marketing plan for 2003 by collecting information on prices and world market situations. Be sure to check with your local Farm Service Agency for changes in government programs and signup deadlines. Check with your crop insurance agent for changes in crop insurance coverage and signup deadlines for your county.
- After the first of the year, work on projected budgets and cash flow.
- Closeout and summarize livestock and/or crop records for 2002 noting problems that must be addressed when making cropping, feeding, and breeding decisions during 2003. Compare 2002 records to previous years looking for strengths and weakness.
- Review 2002's crop, hay, and livestock records for labor problems, bottlenecks, and down times. Include all employees in spotting and planning to correct labor bottlenecks. Draw up a labor flow chart listing estimated times and identify employees who will be responsible for major tasks.
- Schedule regular meeting with all workers and family members to discuss work activities as you gear up for the spring push. Make sure all workers feel free to suggest ways to improve efficiency.

Take Charge Program Expands into Three Eastern Virginia Counties
By Pam Gibson

An innovative partnership between Virginia Cooperative Extension's "Take Charge" and Blacksburg Electronic Village's "BEV in a Box" program has been fostered by a Technology Opportunities Program (TOP) grant, funded by the *U.S. Department of Commerce* (http://www.ntia.doc.gov/top/index.html). This grant is the driving force behind the effort to "Get Rural Virginia Connected." BEV's staff will work closely with local and regional Extension agents to bring the participating counties a broad combination of technical expertise from Virginia Tech.

Through a pilot program in Carroll County, leaders found that by teaming the components of the two processes – planning actions and information technology – communities could make powerful and meaningful changes to improve their future. Through this grant, the *Blacksburg Electronic Village* (www.bev.net) and Virginia's ***Cooperative Extension (VCE) Service*** (www.vce.vt.edu) are working together to help rural communities in Virginia move into the Information Age. BEV will provide technical expertise and community network systems, while VCE provides extension agents in each community for leadership and institutional support. The purpose of the grant is to set up these communities with a community network, and guide them in using it as a tool to improve local economic conditions and community involvement in decision-making. More information is available in the *grant summary* (http://top.bev.net/summary.php)

Take Charge

Change in rural America presents many challenges to rural decision-makers. In the midst of change, however, are opportunities for community betterment. Rural America can take charge of its future by recognizing these opportunities, organizing efforts, and mobilizing resources to take action.

The Take Charge Program is an educational program designed to enable rural leaders, decision-makers, and residents face the future. It helps them to objectively analyze their community, consider alternatives, develop and maintain consensus, strategize, and take action for community development. It helps rural residents take charge of their community's destiny.
Take Charge programs are being held in the following counties in 2003:

- **King and Queen County**, January 9, 16, and 23
- **Northampton County,** January 15, 22, and 29
- **Accomack County,** February 11, 18, and 25

Objectives of the Take Charge Program

- Assemble a broad cross-section of people with various positions and interests from the community and enhance communication among these people.
- Help communities explore short- and long-term development strategies and gain a consensus vision of their own future.
- Gain broad community involvement and support through the empowerment of local citizens.
- Assist communities in analyzing their strengths and vulnerabilities and choosing the most appropriate development opportunities.
- Develop strategies to realize community residents' vision for the future.
- Utilize and build upon existing financial, physical, social, human, civic, and natural resources (assets) to help realize the vision.
- Implement an action plan whereby the community the community can begin to take charge of their future.

The Take Charge Program Workshops

The Take Charge Program begins with three, three-hour workshops. These workshops are designed to foster collaboration among the citizens of each community, to move the group toward consensus, and to provide a framework for creating a vision for the county.

Workshop #1 - Where are we now?
Examine historical and current trends and characteristics of the community (community indicators) and consider implications of the future. Self-examination of the community's strengths and financial, social, human, and natural asset vulnerabilities.

Workshop #2 - Where do we want to be?
Develop a collective vision for the future of the community. Assess the opportunities for and threats to achieving that vision.

Workshop #3 - How do we get there?
Identify and frame overarching development issues. Identify existing resources to help address these issues. Explore alternative ways to organize the community for action.

Benefits of the Take Charge Program

- Increased level of participation and ownership in the community decision-making process.
- Increased general level of understanding of the community and its strategic position in the global economy.
- Expanded pool of leadership and entrepreneurial talent.
- More support for crucial decisions on strategic community issues.
- Enhanced utilization of local resources.

For more information on the TOP Program and Take Charge, go to www.top.bev.net

AgEcon/NAMA Club Offers Successful *AgExperience* for State Fairgoers in 2002

By Dixie Watts Reaves, Alyssa Ennis, and Jessica Hynson

For the fifth consecutive year, the AgEcon/NAMA Club teamed with Atlantic Rural Exposition and a number of sponsors from the agribusiness industry to provide an educational and interactive agricultural exhibit for state fairgoers. The 2002 exhibit, located in the Old Dominion Livestock Center and entitled the *AgExperience*, was co-chaired by Agricultural and Applied Economics students Alyssa Ennis and Jessica Hynson. With the assistance of AgEcon/NAMA club members and faculty advisors, they created an educational display that focused on both crop and animal agriculture in Virginia. During the ten days of the fair, over 30 different Virginia Tech students and faculty members greeted fairgoers at the educational booth. Dressed in bright orange polo shirts and termed Ag Ambassadors, these individuals provided fairgoers with basic agricultural facts about Virginia and U.S. agriculture.

The *AgExperince* was included in the 2002 educational exposition field trip planning guide and was well-received by both students and teachers. This year's booth utilized a cut-out of a giant slice of pizza to help booth visitors make the connection between the foods they eat and the farm products from which the come. To further indicate the diversity of agriculture in Virginia, a large map of the state of Virginia displayed pictures of commodities in the areas where they are most prevalent in the Commonwealth. Two new additions greeted this year's fairgoers: a question and answer board offered an interactive way for booth visitors to learn about different grains produced in Virginia, while the "Hokie Economy," a water flow model, demonstrated the impacts of supply and demand on market prices.

The biggest draw of the *AgExperience* exhibit, as in years past, was a hands-on activity, geared to youth but enjoyed by fairgoers of all ages. Building on the concept of sand art, fairgoers created their own grain art in plastic honey jars, which they could take home as *AgExperience* souvenirs. Ingredients for this year's grain art included corn, wheat, soybeans, barley, and cottonseed. Over sixty-seven hundred grain art jars were created by fairgoers during the ten days of the fair. As they prepared to leave the exhibit, visitors were provided with a sticker declaring, "I'm *AgExperienced*!" with a picture of the Virginia Tech Hokie Bird driving a tractor. Additionally, fairgoers were provided with informational brochures with the *AgExperience* logo and Hokie Bird picture on the front and a list of sponsors on the back. Sponsors for the 2002 Ag Experience were

Platinum (at least $5,000):	Virginia Farm Bureau Federation
Silver ($1,000 - $2,499):	Virginia Agribusiness Council
Orange ($1 - $499):	Cooperative Milk Producers Association
	Virginia Council of Farmer Cooperatives
	Delmarva Poultry Industry
	Virginia State Dairymen's Association
	Department of Agricultural & Applied Economics

The exhibit included a sponsor display board, where these organizations were recognized for their contribution to the 2002 *AgExperience.* For additional information about the *AgExperience*, or to become involved next year, contact Dixie Watts Reaves at dixie@vt.edu or (540) 231-6153.

Mid-Atlantic Direct Marketing Conference

By Charlie Coale

The Mid-Atlantic Direct Marketing Conference (MADMC) is scheduled for February 19-22, 2003 at the Holiday Inn Select, Timonium, Maryland. The theme of the conference is "Are You Ready to Follow the Winds of Change?" The program consists of workshops, tours, conference, and trade show. Ginny Rosenkranz, Extension Agent, Maryland is co-chair along with Joanne Webber, President of the Maryland Direct Marketing Association. More information will be available on the Extension intranet in December or on the web at http://www.madmc.com.

New Association Forms

By Charlie Coale

A new association, Virginia Grown Conference, has been formed in Virginia to bring comprehensive programming to fruit growers, specialty crops growers, and direct marketers. A concurrent meeting format will offer attendees the opportunity to select sessions of interest. A trade show will feature over 70 exhibitors and sessions for all three groups. The subject matter of the program will be published in December. The program is scheduled for January 27-29, 2003, at the Sheraton West, Richmond, Virginia. Please contact the Virginia State Horticulture Society, P.O. Box 2445, Winchester, VA 22604, or call Liz White at (540) 667-9101 for program information.

New Publications from the Agricultural and Applied Economics Department

By Karen Mundy

On the REAP website (http://www.reap.vt.edu) are three new REAP Reports: *Price Risk Management in December Corn Futures* by Wayne Purcell; *Price Risk Management in July Wheat Futures* by Wayne Purcell; and *Are Extension Programs Effective? Impacts of a Program to Assist Limited Resource and Socially Disadvantaged Farmers* by Ebere Akobundu, Albert Essel, George Norton, and Abebayehu Tengene.

The *Price Risk Management* reports by Wayne Purcell target those producers and processors already using the futures market to help control price risk. In these reports, Purcell describes the problems with technical chart analysis using trend lines. He then discusses how various moving averages perform.

From their research, the authors of *Are Extension Programs Effective?* conclude that "The Small Farm Program for socially disadvantaged and limited-resource farmers appears to significantly increase participants' net farm income, given sufficient participation. . . . The findings clearly suggest a rationale for increasing the level of participation before broadening the program to include more participants (p. 8)." The authors' reasoning is that more visits by program agents reinforces the learning that must take place for the program to be effective.

Inconvenience: We regret that only *Horizons* will continue to be printed and mailed. Due to state budget cuts we cannot continue to print and distribute copies of other REAP publications. If you are unable to print the publication you need, please contact the REAP office by phone: (540) 231-9443; by email: reap01@vt.edu; or on the web at http://www.reap.vt.edu, and we will send you a hard copy.

Calendar of Events

December

9-10 2002 Virginia Tech Farm and Small Business Income Tax Conference, Fort Magruder Inn, Route 60 East, Williamsburg. Contact: Income Tax Conference Registrar at the CEC by phone at (540) 231-2008, fax: (540) 231-3306 or e-mail: vttax@vt.edu for registration information.

11-12 2002 Virginia Tech Farm and Small Business Income Tax Conference, Holiday Inn Greenbrier, 725 Woodlake Drive, Chesapeake. Contact: Income Tax Conference Registrar at the CEC by phone at (540) 231-2008, fax: (540) 231-3306 or e-mail: vttax@vt.edu for registration information.

16-17 2002 Virginia Tech Farm and Small Business Income Tax Conference, Richmond Marriott West, 4240 Dominion Blvd. (Innsbrook), Richmond. Contact: Income Tax Conference Registrar at the CEC by phone at (540) 231-2008, fax: (540) 231-3306 or e-mail: vttax@vt.edu for registration information.

January

9, 16, 23 Take Charge Program, King and Queen County. Contact: Pam Gibson by phone at (540) 231-9405 or e-mail pgibson@vt.edu

15, 22, 29 Take Charge Program Northampton County. Contact: Pam Gibson by phone at (540) 231-9405 or e-mail pgibson@vt.edu

27-29 Virginia Grown Conference, Sheraton West, Richmond. Contact the Virginia State Horticulture Society, P.O. Box 2445, Winchester, VA 22604, or call Liz White at (540) 667-9101 for information.

February

10 Farm Leasing School, Floyd. Contact: Tom Covey by phone at (540) 382-5790 or e-mail covey@vt.edu

11, 18, 25 Take Charge Program Accomack County. Contact: Pam Gibson by phone at (540) 231-9405 or e-mail pgibson@vt.edu

13 Farm Leasing School, Fincastle. Contact: Tom Covey by phone at (540) 382-5790 or e-mail covey@vt.edu

19-22 Mid-Atlantic Direct Marketing Conference (MADMC), Holiday Inn Select, Timonium, Maryland. More information will be available December at http://www.madmc.com.

24 Farm Leasing School, Marion. Contact: Daniel Osborne by phone at (276) 783-5175 or e-mail daosbor3@vt.edu.