Virginia Cooperative Extension

Farm Business Management Update
December 2003 – January 2004

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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The "Why" of Record-High Cattle Prices and Background for Longer Term Strategic Planning

By Wayne D. Purcell

Background

The last half of 2003 has seen astonishing developments in the cattle and beef markets. Producers who bought cattle before the surge in prices occurred are reaping a profit bonanza. Behind the scenes, however, a supply-demand picture is developing that suggests producers need to be thinking about expanding their breeding herd or in other ways making adjustments in a longer term strategic planning context. The volatile and record-high prices get in the way of the basics behind the scene and we need to sort out the "why" of the record prices to get back to looking at the things that are legitimate and will last over time.

The Record Prices

In general, the current situation started in late May 2003 when the BSE was discovered in Canada, and the Canadian border was closed to shipments of live cattle, and in particular, to shipments of slaughter cattle. The slaughter cattle that were coming across the border into the United States for slaughter and processing amounted to about 9% of our available supply of fed steers and heifers that make up the bulk of the supply of high-quality beef. A lot of pundits who write about this say that this entire surge in price has been due to a dramatic increase in demand, but that is not correct and is not based on facts or good research. We know something about the demand for cattle at the live animal level and about a property of that demand called elasticity. Basically, our research shows elasticity of demand at the farm level for live slaughter cattle to be about -0.5. Price will move in the opposite direction of any changes in supply or quantity being supplied, and the magnitude of the price move will be essentially double the magnitude of the quantity change. In other words, if we have an increase in supply of 1% in fed cattle numbers, we would expect fed cattle prices to go down about 2%, assuming the demand for fed cattle derived from what's going on in demand at the consumer level is constant and not shifting. The elasticity measure is technically percentage change in price divided by percentage change in quantity.

We can build a graphic framework to demonstrate this. In Figure 1, we have a negatively sloping demand curve that looks like most empirically derived demand curves we work with. It has some curvature to it then starts to flatten at the bottom price levels: the expected normal shape. We can put in a supply curve and, for purposes of this illustration, let's put it in as a vertical line and call it supply (SS). What has happened is the supply curve has shifted to the left virtually overnight when the Canadian border was closed. This new position we labeled $S'S'$. There are some differing estimates as to what percentage of our slaughter numbers the Canadian cattle made up. If we go to recent numbers on fed steers and heifers and think about the Canadian cattle, which are predominantly fed steers and heifers when they come into the U.S. for slaughter, shipments from Canada made up about 9% of our available supply. It's fairly easy to suggest that we would have seen about an 18% increase in price, given the -0.5 elasticity, if nothing had happened except the short-term and dramatic reduction in supply of market-ready, fed cattle. The BSE announcement came in late May, and western Kansas fed steer prices for the week ending May 31, 2003, were $80.02 per hundred weight. If we take an $80 market price and add 18% because of the dramatic reduction in supply, we get $94.40. That price estimate is the first we could generate that would be an estimate of what we could expect to occur with the 9% reduction in supply.

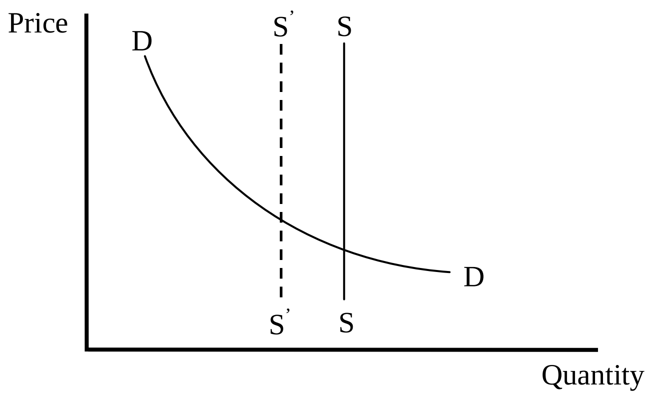

Figure 1. Basic Supply-Demand Economics

The fed cattle market has actually moved above the $94 to $95.   The packers have been trying to keep the doors open and keep their business operating at a level somewhat near the planned and designed level for their plants. The packers were also caught with contract commitments to retailers. As the cattle numbers started to tighten through the summer months and into the early fall, the packers scrambled and bid up the cattle on occasion to try to meet those commitments. Interestingly, they were able to do it, at least partially, because the box beef cut out values went up as fast, or faster, than did live cattle prices. To put this in context, Figure 2 shows weekly western Kansas fed steer prices and weekly box beef cut out values for the 600-750 lb. boxes as a percentage of their respective prices for the week ending May 31, 2003. The peak price for the fed steers (as of the date of this paper) was $106.68 which occurred the week ending October 18, 2003; up 33% from the $80.02 in late May. The highest weekly price for the Choice box beef cut out values was $194.32 for the week ending October 18, 2003; up 31.5% from the $147.78 recorded the last week in May.

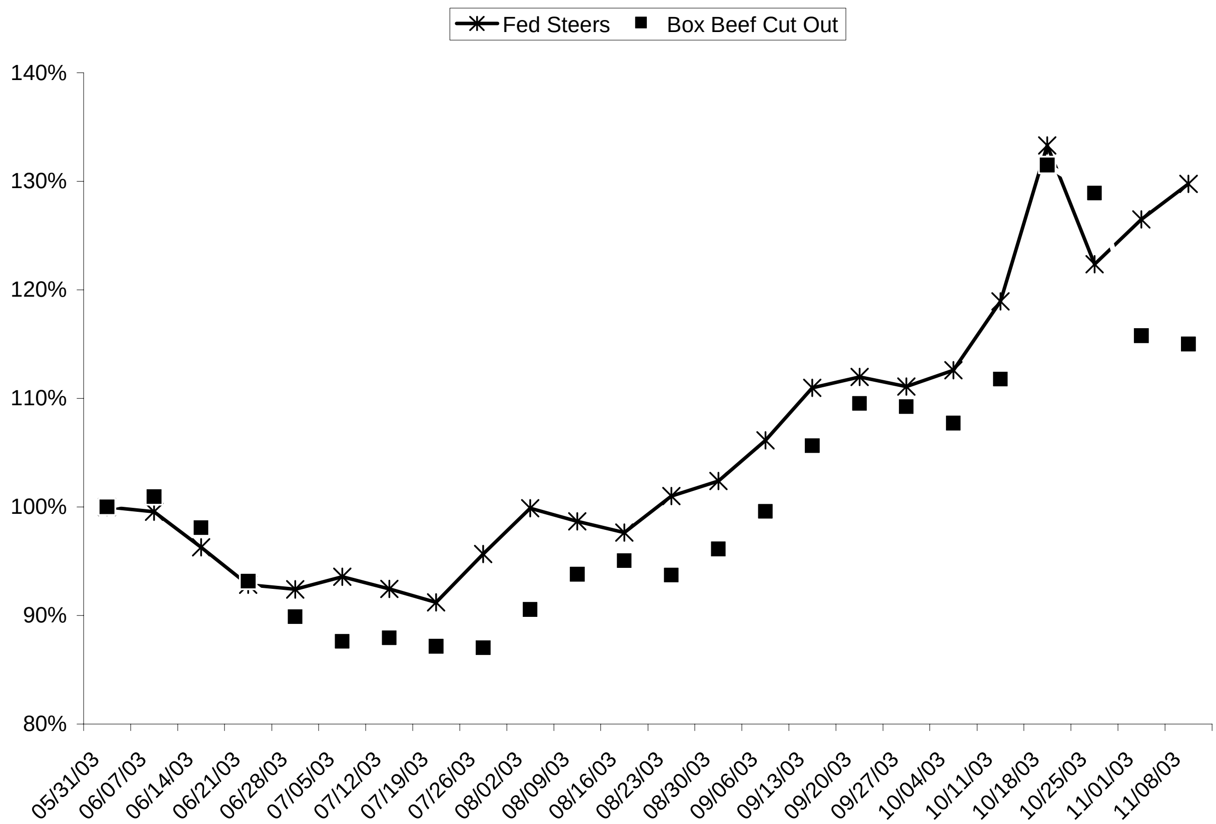

Figure 2. Weekly Fed Steer Prices and Box Beef Cut Out Values
As a Percentage of Their Respective Prices for May 31, 2003

To this point, it's fairly easy to see why, in general, packers were able to pay prices above $100 per hundred weight on a live-weight basis for cattle. The operating margins were largely being protected because the box beef values were going up essentially as fast as the cattle prices. When we look at the levels of those plots for the most recent weeks in November, it's easy to see why this market started to show some topping action and became very volatile. After reaching a peak of $194.32 in box beef cut out values in mid-October, those values leveled off to the point that the average for the week ending November 1, 2003, was $171.09 - a substantial decline in the selling price or revenue stream for the packers. Their reaction was to reduce the slaughter levels and go to a four-day work week to try to get some relief from substantial negative margins that were showing up as we moved into November. During November, weekly beef production is declining significantly.

The discussion in the local and national media about sticker shock in beef prices started to heat up in early November. If we look at the numbers, it's not difficult to see why. No weekly prices for beef at retail are available, and monthly prices come out with a bit of time lag. If we look at the September price for Choice beef at retail, it was $3.71 lb. (up about 3% from the $3.61 lb. average price for May). Through September, little, if any, of the price increases that have been occurring in the live cattle and box beef markets had been passed up to the consumer. That is why I've said in many forums that this is not a demand phenomenon, because, at least through September, demand had never really been tested. The consumer had never seen the higher prices, and now those higher prices are starting to work up through the system in October and into November. The October price for Choice beef at retail was $3.93 lb. (up about 9% compared to May). The sticker shock is, in fact, starting to happen in restaurants and institutions as well as in the fresh beef market in our local food stores.

What we have is a very unusual shock to the supply side of the market. I've worked through the numbers assuming demand is constant and stable, which is not exactly the case. Obviously, demand is not going to shift 9% overnight as the supply curve did, but we have some evidence that suggests demand is continuing to move higher, which accentuated the price phenomenon. Table 1 shows the quarterly demand index for beef that I maintain and post on the internet at www.aaec.vt.edu/rilp. We're showing 1980 and 1998 as base years in these numbers. We built the demand index with 1980 as a base. Notice that by 1998 these numbers generally show that demand had declined in a cumulative fashion almost 50%. I rescaled the indexes and set 1998 as 100. We can look at the latest number in the quarterly demand index, third quarter 2003, for example, and say that demand since the third quarter 1998 is up about 16.5%, given that the index for quarter three is 116.492.

The situation is also clear if we look at the prices being discovered for live cattle futures. The record-high prices we are seeing are a temporary phenomenon. Prices for all the futures months are volatile, but we've seen the nearby contracts like the October and November trade above $100. December had traded above $98. If we look out to June as we move through mid-November, we find it trading in the mid-$70's and August is lower still. This is a very well-informed and very intelligent price discovery process that is going on in the Chicago Mercantile Exchange. We can assume, quite correctly, that the people trading this market know as much as they possibly can about when the Canadian border is likely to open again. It's rather apparent that they expect to see it open by the late spring and early summer months next year, and something unexpected would need to happen in the policy negotiations that are now on-going to keep that from happening.

Looking Ahead

I'm not sure we need to go back down to the mid-$70's as the June futures are showing when the border reopens and things start to come back to a more normal set of supply-demand conditions. With the continued improvement in demand and the fact that we are likely to start to hold some heifers for herd building purposes as we move through mid 2004, I suspect an $80 market is a more reasonable projection from a mid to late November vantage point. That still leaves the same point intact: these record-high prices we've seen are coming from a supply-side shock, they are not going to be sustained, we will go back to a more normal set of conditions when the Canadian border reopens. We must keep in mind that some disruption of cattle production in Canada has occurred. I'm not suggesting that when the border opens, we will immediately see an equivalent of about 9% of our normal slaughter levels come back across the border. It's probably going to be more of a hit-and-miss proposition, and we'll have to work back toward normality. It may take most of the year for that to occur, but the key point will be that the opening of the border and the move back into our supply channels of a significant number of fed cattle and slaughter cattle coming out of Canadian feedlots will move us back toward more nearly normal prices.

Table 1. Quarterly Beef Index 1980-2003

Quarter 1			Quarter 2			Quarter 3			Quarter 4		
Year	***1980=100***	***1998=100***	***Year***	***1980=100***	***1998=100***	***Year***	***1980=100***	***1998=100***	***Year***	***1980=100***	***1998=100***
1980	100.000	208.336	1980	100.000	188.619	1980	100.000	195.550	1980	100.000	203.752
1981	93.750	195.315	1981	92.901	175.230	1981	101.814	199.097	1981	88.691	180.710
1982	83.420	173.794	1982	90.391	170.495	1982	93.253	182.356	1982	84.881	172.947
1983	82.855	172.618	1983	90.189	170.113	1983	90.941	177.836	1983	81.008	165.056
1984	82.052	170.945	1984	85.929	162.078	1984	82.801	161.918	1984	81.029	165.098
1985	76.309	158.980	1985	85.232	160.764	1985	82.910	162.130	1985	73.105	148.954
1986	72.059	150.125	1986	81.649	154.005	1986	81.413	159.204	1986	71.490	145.663
1987	66.917	139.412	1987	73.815	139.229	1987	74.090	144.884	1987	66.829	136.166
1988	67.028	139.644	1988	73.976	139.533	1988	72.448	141.673	1988	64.780	131.991
1989	63.242	131.756	1989	69.344	130.797	1989	66.528	130.096	1989	64.197	130.802
1990	60.926	126.930	1990	69.910	131.863	1990	65.575	128.233	1990	62.930	128.222
1991	60.385	125.803	1991	67.835	127.951	1991	64.588	126.303	1991	58.533	119.263
1992	57.207	119.183	1992	63.496	119.766	1992	60.843	118.978	1992	56.362	114.839
1993	55.818	116.290	1993	61.711	116.399	1993	59.951	117.235	1993	55.435	112.950
1994	54.459	113.459	1994	59.364	111.971	1994	56.891	111.250	1994	53.733	109.482
1995	52.765	109.930	1995	57.729	108.888	1995	57.320	112.089	1995	52.830	107.642
1996	52.470	109.314	1996	56.953	107.424	1996	52.848	103.344	1996	50.847	103.601
1997	48.373	100.779	1997	54.416	102.639	1997	51.625	100.953	1997	48.606	99.036
1998	47.999	100.000	1998	53.017	100.000	1998	51.138	100.000	1998	49.079	100.000
1999	47.682	99.340	1999	55.053	103.841	1999	53.178	103.989	1999	51.483	104.897
2000	50.428	105.059	2000	56.579	106.720	2000	55.635	108.795	2000	51.413	104.755
2001	52.339	109.041	2001	59.888	112.960	2001	57.357	112.161	2001	54.799	111.655
2002	51.760	107.834	2002	59.795	112.786	2002	55.944	109.398	2002	53.844	109.709
2003	53.371	111.191	2003	61.491	115.984	*2003*	*59.571*	*116.492*			

The Changing Marketplace

The short-run price distortions will come back to more normal circumstances during 2004, but change in the marketplace will continue. Any long-run strategic planning by producers needs to be carried out in a way that reflects how the livestock marketplace will function.

Across the past 10 to 15 years, the market has moved away from price as a coordinating mechanism and an instrument of quality control. During the same time period, we have seen a series of legislative initiatives by Congress to stop or slow the trend. Cow-calf producers in particular need to understand what is happening and why.

A detailed coverage of what is happening and why can be found in *Contracts and Captive Supplies in Livestock: Why We Are Here, Implications and Policy Issues* at www.aaec.vt.edu/rilp. This is a version of my testimony at the USDA forum in Denver in September 2000. A less detailed treatment of the topic on why we are seeing a move away from price-driven systems to contracts, captive supplies, and vertical alliances is located on the same website and is entitled *Questionnaire Regarding Livestock Marketing: House Committee on Agriculture.* This effort provides my answers to a series of questions raised by then Chairman, Larry Combest, from the House Ag Committee. His questions revolved around the "why" of the move away from price-driven systems and whether we should enact legislation to slow or stop the trend. Briefly, the move away from price-driven systems in cattle has come for a number of reasons.

- A policy failure in quality grades. Some 20 to 25 percent of fresh beef cuts in Select and Choice grades are too tough for an acceptable eating experience. The price system could not send signals to producers to prompt needed change because product attributes like tenderness were not identified, measured, and brought into the grading process.

- At least partly because of the outdated quality grades, demand for beef declined each year from 1980 through 1998 with the cumulative decline approaching 50 percent. Per capita numbers dropped from 95 lbs. in 1976 to 63 lbs. in the 1990's as the sector lost over 30 percent of its market share.

- In the presence of a pricing system struggling with outdated grades and weak product performance at the consumer level, most of the large packers continued a business model of being low-cost commodity processors. Very little money was spent on product development efforts to correct product performance problems, especially the toughness problem. With a lack of effective quality control, processors were hesitant to brand fresh beef, show the company name on the product, and stand behind it.

During the 1990's, moves away from the price-based systems gathered momentum the moves were often initiated and encouraged by producers who recognized the problems associated with all cattle selling at one price each week. Contracts, pricing grids, vertical alliances, and even vertical integration where packers own the cattle during the feeding phase started to grow in frequency. With the ability to specify or control cattle types to support new and branded fresh beef lines, the large packers changed the commodity-oriented business models and spent billions on new products. A first step in most vertical alliances was to guarantee tenderness. High-cost technologies during fabrication are being employed to ensure tenderness when the genetics of the cattle still offer variable performance.

The dollars were not spent on new products until quality control via non-price means was realized. Quality assured, pre-cooked, and microwavable entrees are major contributors to the growing demand for beef. The beef sector is poised to regain market share if profits can be sustained over the next 5 to 6 years to accomplish herd expansion and to realize the resulting eventual increases in per capita production and, therefore, in per capita supplies.

Producers are sometimes in a dilemma. It appears the moves away from price-driven systems brought increases in packer spending on product development work. Pending Congressional initiatives that would ban packer ownership, ban contracts and marketing agreements, or even require a certain percentage of slaughter cattle be bought in a "competitive market" could stop that product development work. Not allowing any food processor to control the raw material to fit the needs of the new branded product line will surely discourage development of those branded lines, but the move away from the price-driven systems in cattle is very controversial.

Producers should do long-term strategic planning with these policy and market intervention issues in mind. The papers by Ward and by Bailey at www.aaec.vt.edu/rilp under *Market Interventions* deal with the pros and cons of "packer ban" legislation and focus attention on the inevitable, unanticipated consequences of Congress' efforts to legislate solutions to economic problems. The next few years could be volatile due to all this, but I suspect the eventual result is that non-price means of coordination and quality control will be allowed in some form because they are proving to be so important to demand growth which is, in turn, critically important to every cattle producer.

Longer Term Strategic Planning

The beef sector faces a positive future if the increases in demand since 1998 can be sustained. Increasing demand takes money and new investments. Consequently, it is important that processors' interests not be influenced by excessive market regulation. Even if we get to that balanced posture and don't fall into a trap of regulation, producers must consider a number of fact-based issues.

- Building the herd will cause a decrease in per capita consumption. That decrease will happen when heifers are bred and pulled out of slaughter channels, but the decrease should not be seen as a negative. Per capita consumption measures market share, but per capita consumption does not measure demand. If prices continue to increase because demand is increasing, expansion will be for legitimate profit-based reasons. We have to expand the herd to get to a bigger industry with more market share in future years.

- The marketplace and what it needs <u>will</u> be different. As the herd is expanded, each producer should make decisions on genetics that support what the branded and high-value (and high-priced) product lines will need in future years. Generally, what the marketplace will be looking for are carcasses that "marble" well to get to the High Choice grade with carcass weights not too high, usually below 900 lbs.

- Market access needs to be protected by looking for an alliance or other opportunity to fit within a coordinated supply chain to provide the modern marketplace the needed cattle. Changing genetics is likely, as is giving up some independence to ensure market access.

- Individual animal valuations and pricing are a must. The talk about a national ID system will be pushed forward by disease and security issues and possibly by the Country of Origin Labeling (COOL) program. Retained ownership through the feed lot or participation in an alliance will usually provide information on performance of each animal. That information is critical to decisions on genetics and on efforts to provide cattle that are the correct "raw material" for branded and quality-assured fresh beef product lines.

The herd building phase of the cycle could last 5 to 6 years longer if demand continues to increase at the same time. Producers should spend some time to be well informed and make objective decisions. The www.aaec.vt.edu/rilp website has papers by leading Land Grant University researchers on COOL, on extension of Mandatory Price Reporting, and on Packer Ban legislation under the heading *Market Interventions*. A publication by Hudson and Purcell under *Publications* shows the results of research on margin sharing, premiums and how premiums might be divided, and compensation guidelines for vertical beef alliances. Fact-based decisions and awareness of what the research literature is saying about the continuing changes in the marketplace will be a necessary base of information for all producers. If we keep the incentives right and don't get caught trying to block changes that are being prompted by basic rules of economics and by profit-based opportunities along the supply chain, the beef market should be kind to cow-calf producers for years to come.

Virginia Use Value Trends

By Beth Ann Pelletier

A synopsis of section 58.1-3229 of the Code of Virginia 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 assessment of eligible land in any of these categories to be based upon the land's value in *use* (use value) as opposed to the land's fair market value. 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 latest use values for agricultural, horticultural, and orchard sectors indicate a fifth straight year of declining values. Tax year 2004 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 $215 per acre for tax year 2004. The average use value was $60 less than the use value reported in October 2002, a 22 percent decrease. Of those jurisdictions with changes, over 52 percent had changes of less than $50 per acre. Orchard use values also saw continued declines for tax year 2004. For example, an average apple orchard acre with Type 3 soil classification and no risk in Virginia had a use value of $75 for tax year 2004. These values show a decline of $20 per acre, or 20 percent compared to tax year 2003 values released in October 2002.

Another year of use value declines raises two obvious questions. First, why are the values declining? Second, will the values continue to decline? The use values continue to decline in large extent due to the cumulative results of several years of drought in the Commonwealth. The largest declines in use values over the past several years can be closely correlated with the listing of those primary and secondary jurisdictions eligible for drought relief assistance. 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 the drought, the collapse of grain prices, the 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 second question is, "Will land values continue to decline?" Although values may remain stagnant for tax year 2005, the most recent crop season indicates the likely answer is "no." Crop yields for several years prior to 2003 were, in general, much lower than long-term averages. Results from the 2003 crop season indicate that many crops had better than average or average yields this growing season. Crops such as tobacco and cotton, were hurt by the large amounts of rainfall in the summer of 2003, but other major crops such as corn, soybeans, and hay all had better than average yields. Low interest rates and government income support provide positive influences on land values as well. 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.

Recent years have seen increasing development pressure on many localities using use value taxation. Heavy losses by agricultural producers coupled with low interest rates have caused some producers to cease operations and sell off their properties. At the same time opportunities for expansion have occurred and some producers have increased their operation size. These events could become less likely in the future with several years of average or better than average yields which would result in greater stabilization of Virginia use values.

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

The Management Calendar

By Gordon Groover

Selective information available from the Economic Research Service of USDA that might be useful:

- Agricultural Data: Many people involved in agriculture get requests for data or need to locate base data for a talk or to understand market condition. The "Data page" developed by USDA-ERS of USDA (www.ers.usda.gov/data/) has been enhanced to support multiple users. The new, improved page showcases the scope and breadth of data available from ERS in an easy-to-navigate format. An indicators section gives key facts and figures; a calendar of releases lets you know what will become available when. A resource area provides easy access to plugins and readers for working with data, as well as mapping programs, the archive collection, Information Quality Guidelines, and a sign-up for notifications of new releases. The page is also designed to provide quick access to the most popular and to featured ERS data products.
- Agricultural resources and environmental indicators (AREI) database and mapping tool is a web-based tool providing maximum flexibility in data access with the latest, on-the-fly, GIS mapping and database retrieval technologies (http://maps.ers.usda.gov/AgResources/). It is intended to eventually serve as one-stop site access to both primary source and value-added data used to generate summaries, statistics, and graphics in a broad range of ERS publications on agricultural resources and environmental indicators.

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.
- 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 and 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 2004.
- Depending on the type of farm, begin working on a marketing plan for 2004 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 on crop insurance policies by visiting the Risk Management Agency web site at http://www.rma.usda.gov/ to find an agent and to view the multitude of policies that are available in your area.
- After the first of the year, work on projected budgets and cash flow.
- Closeout and summarize livestock and/or crop records for 2003 noting problems that must be addressed when making cropping, feeding, and breeding decisions during 2004. Compare 2003 records to previous years looking for strengths and weakness.
- Review 2003'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.
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AgEcon/NAMA Club Offers Successful *AgExperience* for State Fairgoers in 2003

By Dixie Watts Reaves

For the sixth 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 2003 exhibit, located in the Old Dominion Livestock Center and entitled the *AgExperience*, was co-chaired by Agricultural and Applied Economics students, Jessica Hynson and Meg Kyger. 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 these Ag Ambassadors provided fairgoers with basic agricultural facts about Virginia and U.S. agriculture.

The *AgExperience* was included in the 2003 educational exposition field trip planning guide and was well-received by both students and teachers. To 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. A question and answer board offered an interactive way for booth visitors to learn about different grains produced in Virginia.

As in years past, a big draw of the exhibit 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. Approximately 5,000 grain art jars were created by fairgoers during the ten days of the fair.

A new addition to this year's *AgExperience* was an animal petting area. Ag Ambassadors accompanied children of all ages as they enjoyed petting Boer Goats from South Africa and a tame turkey, nicknamed "Hokie" by the Tech students. For many people, it was the first time they had ever touched either type of animal. Common questions included whether the goats were boy goats or girl goats and what the red thing was on the turkey's beak. Most expressed amazement at how soft the turkey was.

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 2003 Ag Experience were

Platinum (at least $5,000):	Virginia Farm Bureau Federation
Maroon ($500 - $999):	Virginia Agribusiness Council
Orange ($1 - $499):	Cooperative Milk Producers Association Virginia
	Council of Farmer Cooperatives
	Delmarva Poultry Industry
	The 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 2003 *AgExperience.*

Because a hurricane had passed through the previous week, causing many schools to close and changing plans to attend the fair, the turn-out of grade school children was lower in 2003 than in years past. However, fair-goers of all ages expressed appreciation for the hands-on learning opportunity provided by the *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.

Calendar of Events

December

1-2 2003 Virginia Tech Farm and Small Business Income Tax Conference, Dulles, Va. Hyatt Dulles; 2300 Dulles Corner Boulevard. Contact: Tax Seminar Registrar at (540) 231-2008 or e-mail: vttax@vt.edu

2 Leasing School, Lebanon, Va. Town Hall, 6:30-9:30 PM. Contact: Daniel Osborne at (276) 783-5175 or e-mail: daosbor3@vt.edu

3-4 2003 Virginia Tech Farm and Small Business Income Tax Conference, Fredericksburg, Va. Holiday Inn Select; 2801 Plank Road. Contact: Tax Seminar Registrar at (540) 231-2008 or e-mail: vttax@vt.edu

8-9 2003 Virginia Tech Farm and Small Business Income Tax Conference, Williamsburg, Va. Fort Magruder Inn; Route 60 East. Contact: Tax Seminar Registrar at (540) 231-2008 or e-mail: vttax@vt.edu

9 Leasing School, Catawba, Va. Catawba Community Center, 7:00-9:00 PM. Contact: Tom Covey at (540) 382-5790 or e-mail: covey@vt.edu

10 Leasing School, Pulaski, Va. Board of Supervisors Room at the Pulaski County Court House, 7:00-9:00 PM. Contact: Tom Covey at (540) 382-5790 or e-mail: covey@vt.edu

10-11 2003 Virginia Tech Farm and Small Business Income Tax Conference, Chesapeake, Va. Holiday Inn Greenbriar; 725 Woodlake Drive. Contact: Tax Seminar Registrar at (540) 231-2008 or e-mail: vttax@vt.edu

15-16 2003 Virginia Tech Farm and Small Business Income Tax Conference, Richmond, Va. II. Richmond Marriott West; 4240 Dominion Boulevard (Innsbrook). Contact: Tax Seminar Registrar at (540) 231-2008 or e-mail: vttax@vt.edu

February

24-25 Virginia Agriculture Summit, Charlottesville, VA. Charlottesville Omni Hotel. Contact: Chris Cook 804-290-1110 or visit the web site at http://www.agsummit.com.