

# Virginia Cooperative Extension



## Farm Business Management Update October – November 2005

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 (<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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## **AgEcon Welcomes a New Department Head**

By [Herbert Stoevener \(stoevener@vt.edu\)](mailto:stoevener@vt.edu), Professor Emeritus, Department of Agricultural & Applied Economics, Virginia Tech

The most important good news for the Department is our hiring a new Department Head. Dr. Kevin Boyle, former Chair of the Agricultural Economics Department at the University of Maine and an accomplished researcher and teacher, will assume his duties as our Department Head on October 1, 2005. His coming is also good news for me personally, as it will allow me to return to full-time retirement. As some of you may know, I assumed the duties as Interim Department Head on a part-time basis on April 1, 2004. I was happy to help the Department get through this period of transition. For additional information on Kevin's productive career please view his site at <http://www.aaec.vt.edu/aaec/PeopleFacultyBoyle.htm>.

## **First Bank and Trust Co. Gives \$60,000 to David M. Kohl Chair**

By [Lori Greiner \(lgreiner@vt.edu\)](mailto:lgreiner@vt.edu), Communications Manager of University Relations, College of Agriculture and Life Sciences, Virginia Tech

Virginia Tech's College of Agriculture and Life Sciences received a \$60,000 contribution from First Bank and Trust Company, headquartered in Lebanon, Va., to assist in establishing the David M. Kohl Chair in Agribusiness Management and Finance. Holder of the David M. Kohl Chair will direct the Center for Farm and Agribusiness Management that seeks to address the needs of farmers, agribusiness, and rural entrepreneurs in the areas of management, marketing, taxation, and legal issues.

This is the second major contribution from a Virginia agricultural lending institution to the endowment fund for the chair.

“First Bank and Trust’s gift brings us one step closer to expanding and strengthening our responsiveness to the educational and research needs of rural communities in the areas

of management and marketing,” said Sharron Quisenberry, dean of the College of Agriculture and Life Sciences. “It is critical that we are able to provide individuals in our rural and



**Figure 1:** Pictured from left to right: Sharron Quisenberry, Dean of the College of Agriculture and Life Sciences; David M. Kohl, Professor Emeritus, Department of Agricultural and Applied Economics; and William H. Hayter, President and CEO, First Bank and Trust.

agricultural communities with the management and entrepreneurial skills necessary to survive and succeed in today's business climate."

I think there is no better way to demonstrate our support for the college, our farmers, and our community than to participate in this initiative. The center will benefit the community we serve by giving valuable research knowledge back to the community to help agriculture continue as a viable industry," said William H. Hayter, president and CEO of First Bank and Trust.

The endowed chair within the center is being named after David M. Kohl, professor emeritus of agricultural and applied economics. Kohl taught more than 10,000 agri-finance and agri-business entrepreneurship students during his 25-years at Virginia Tech. He is a two-time recipient of the prestigious American Agricultural Economics Association Outstanding Teacher Award. He has also received 14 public service awards and has published more than 400 articles on financial and business-related topics in journals and extension, and popular publications.

"First Bank and Trust Company based its business model upon linking traditional values to cutting-edge initiatives in the agricultural and rural communities of Virginia. The company's investment in the center will help continue to enhance the creativity and innovation needed to keep Virginia's agricultural and rural communities competitive in the global marketplace," said Kohl.

The center will financially and intellectually support the land-grant mission of teaching, research, and extension in farm and agribusiness management within the Department of Agricultural and Applied Economics. The center also will foster an environment where new knowledge and approaches are created to address underlying problems and opportunities facing the people, businesses, and institutions that serve the commonwealth.

The First Bank & Trust Company offers a wide range of products and services, including free checking and a full compliment of loan products, as well as trust, brokerage and insurance services through its offices in Southwest Virginia, East Tennessee, and the Shenandoah and New River valleys.



**Figure 2:** Pictured from left to right: C.B. Yates, Board of Directors, First Bank and Trust; Gene Copenhaver, Vice President, First Bank and Trust; Gordon Groover, Department of Agricultural and Applied Economics; Sharron Quisenberry, Dean of the College of Agriculture and Life Sciences; David A. Leonard, Board of Directors, First Bank and Trust; Herbert Stoevener, Interim Head, Department of Agricultural and Applied Economics; David M. Kohl, Professor Emeritus, Department of Agricultural and Applied Economics; William H. Hayter, President and CEO, First Bank and Trust; J. Keith Phillips, Vice President, First Bank and Trust; and Ronald L. Barrett, Board of Directors, First Bank and Trust.

Consistently ranked among the top institutions in agricultural research by the National Science Foundation, Virginia Tech's College of Agriculture and Life Sciences offers students the opportunity to learn from some of the world's leading agricultural scientists. The college's comprehensive curriculum gives students a balanced education that ranges from food and fiber production to economics to human health. The college is a national leader in incorporating technology, biotechnology, computer applications, and other recent scientific advances into its teaching program.

## **Conference Held on Impacts of Tobacco Buyout**

By [Dixie Watts Reaves](mailto:dixie@vt.edu), ([dixie@vt.edu](mailto:dixie@vt.edu)), Associate Professor, Agribusiness Management and Marketing, Agricultural and Applied Economics, Virginia Tech

Tom Capehart of USDA's Economic Research Service (ERS) organized a conference focused on the impacts of the Tobacco Buyout held at the ERS facility in Washington, DC to provide an opportunity to discuss impacts on various stakeholders. The conference brought together individuals from industry, government, and academia.

The first session focused on domestic policy implications. Scott Sanford and Bill Coats discussed the impacts of the buyout on the Farm Service Agency (FSA) and Agricultural Marketing Service (AMS), respectively. Sanford detailed the efforts taken by FSA to notify some 600,000 individuals about the Tobacco Buyout. In addition to individual letters, notices were placed in farm publications and on regional radio programs. The primary message was that the Fair and Equitable Tobacco Reform Act terminated the quota and price support program and transitional payments were being made available to producers and former quota holders. Sign-ups took place between March 14 and June 17, and as of September 16, over \$900 million had been paid out. Over a ten-year period, the buyout will disburse a total of \$9.6 billion to producers and quota holders. The remainder of the \$10.14 billion buyout price tag will be utilized for disbursement of stocks held in inventory.

Coats detailed the impacts on AMS, the organization that had previously provided mandatory testing and grading of tobacco. In 2004, AMS employed 169 people. With the Tobacco Buyout, the number of employees dropped to 46. AMS has talked with the industry to determine the demand for services now that inspection and testing is voluntary. They are currently providing testing services on imported tobacco, particularly focusing on pesticide residues. They are also conducting some tests on domestic tobacco for the flue-cured tobacco cooperative. One concern that was raised from the audience is that there will no longer be market news on prices since there is no longer a public auction where buyers bid on tobacco.

Scott Balin with the Alliance for Health, Economic, and Agriculture Development provided a perspective from the health community. He indicated that we are in a new era of tobacco production and that the interests of the public health community, producers, manufacturers, consumers and other stakeholders will continue to converge. Now that Congress dismantled the program that had regulated tobacco, he pointed out the need to discuss tools and incentives to produce tobacco with high quality, health and safety standards. He questioned how and who would monitor tobacco products and where is the science to back up claims of a "safer

cigarette.” He encouraged a continued civil dialog among all stakeholders, reminding participants that without discussions between the health community and producers years ago, there would not have been a buyout.

Discussions then focused on competitiveness of U.S. tobacco in world markets. Kirk Wayne of Tobacco Associates shared his optimism for the U.S. tobacco industry. He felt that the U.S. position as “the world’s most dependable supplier of the best quality leaf” would be enhanced, even though the U.S. may not recapture its once dominant position in the industry. His optimism was generated from the potential in non-traditional export markets, including central and Eastern Europe, the Mideast, and Southeast Asia, where consumers desire mid-range and premium cigarettes that contain U.S. tobacco. Tobacco Associates works closely with manufacturers in other countries to develop cigarette blends utilizing U.S. leaf. To date it has helped to develop 22 new cigarette blends. Tommy Bunn with the Leaf Tobacco Exporters Association shared some of Wayne’s optimism. Bunn, too, indicated that the U.S. position in the marketplace has improved, citing good quality, source diversification, and production stability offered by the U.S.

The next session turned to impacts on growers, quota holders and markets. Smithson Mills with the Center for Assessment and Research Alliances at Mars Hill College discussed the impacts on communities, families, and farmers, indicating that tobacco had traditionally been the foundation of states’ economies. Tobacco supported small farms and rural landowners, with quota often serving as economic security. With the tobacco buyout, there will be major implications for land use. Mills introduced Allen Parnell from the Cedar Grove Institute for Sustainable Communities who detailed a research project that will attempt to track changes in land use over time as a result of the tobacco buyout. Utilizing GIS and working with property parcel data and with assistance from FSA and Farmland Trust, Parnell will track land use in four North Carolina counties to determine the effects of the tobacco policy change. Results can then be used to assist local decision makers in planning with implications for zoning, infrastructure, extension needs, agritourism, etc.

Next in the session were the three pre-eminent university-level tobacco economists in the U.S., all of whom worked closely with tobacco buyout issues as the buyout was being discussed and developed: Blake Brown from North Carolina State University, Will Snell of the University of Kentucky, and Kelly Tiller from the University of Tennessee. Brown provided supply and price estimates for the 2005 season. USDA estimates had the 2005 crop at 389 million pounds, down from 519 million in 2004. Expected prices for flue-cured contracts ranged from \$1.34 to \$1.48 across all stalk positions, with burley contracts ranging from \$1.50 to \$1.56. North Carolina extension agent surveys across 100 counties revealed that producers were generally satisfied with their Philip Morris contracts and that grades and prices were as expected. Feelings regarding Universal contracts were neutral, but there was disappointment with other contracts. North Carolina acreage for 2005 was down, except for Eastern North Carolina. The number of producers decreased in 2005, and Brown expects a large decline in 2006. He pointed out that producers and quota holders will have financial resources from the buyout over the next nine years. He indicated that a key question is how resources will be used to replace tobacco income.

Snell reported that two-thirds of Kentucky quota owners had traditionally leased out their quota. Combining these owners with retirees, noncompetitive producers, and those who cannot find



land or barns to rent, he predicted that 75% of owners and growers would exit the tobacco industry in Kentucky. His estimate was that 50% of growers exited in 2005. With estimated costs of production at \$3,150 per acre, the average yield of 2,100 pounds per acre yields a cost of production of \$1.50 per pound. Thus, the average grower with typical yields will not be able to stay in business with the average actual contract price of \$1.53 per pound. With yields at 2,500 pounds, cost of production drops to \$1.25 per pound. Actual yields in 2005 averaged only 1,800 pounds.

Tiller reported on the impacts on manufacturers and state economies. Combining the assessments placed on manufacturers to fund the buyout, with leaf cost savings due to lower prices, in addition to Phase II savings, the net burden to the industry is between 1.3 and 2.7 cents per pack of cigarettes, or less than 1% of the price of a pack. To measure impacts on manufacturers, Tiller conducted a study that looked at stock market response to various event dates associated with the tobacco buyout. Events were generally viewed as positive for the companies. Tiller estimated the community impacts to be \$4 billion in North Carolina, \$2.5 billion in Kentucky, and between \$600 and \$700 million in Tennessee, South Carolina, Virginia, and Georgia. She is currently conducting an input-output assessment which will determine direct, indirect, and induced effects from the buyout, including impacts on output, employment, and value added.

The final session focused on the future of tobacco cooperatives. Dan Green reported that the Burley Cooperative has set its priorities as managing inventory, grower organization and advocacy, export promotion and market expansion, contracting support, alternative marketing options, production technology, communication, education, research support, and crop insurance. He sees opportunities due to lower post-buyout prices. Kenneth Bopp discussed recent actions undertaken by the Flue-cured Cooperative, including the purchase of a processing facility. He reported that membership in the cooperative dropped from 800,000 members 18 months ago to 3,800 members currently. The processing facility is expected to make a profit in the future, which will be returned to the member-owners.

The conference was an informative session that looked at buyout impacts on a number of stakeholders. The hope is that future research will focus on some of the issues identified during the conference.

## **Hurricanes and Farming**

**By Gordon Groover ([xgrover@vt.edu](mailto:xgrover@vt.edu)), Extension Economist, Farm Management,  
Department of Agricultural & Applied Economics, Virginia Tech**

I have received a number of calls from reporters asking about the impact of the hurricanes on already high energy costs farmers face. The obvious answer is that it is not good. Many of the inputs used in agriculture are derived from petroleum or natural gas produces in the Gulf, for example pesticides, nitrogen, and fuel for machinery and grain drying. One of the main inputs into manufacturing nitrogen is natural gas and the disruptions of the pipelines in the Gulf of Mexico have exacerbated the delivery of natural gas to manufacturing plants. Fall harvest

season is a time when tractors, trucks, choppers, combines, and dryers consume a majority of the year's fuel on many farms.

Q: What do you get when you mix Katrina, Rita, diesel fuel, petrochemicals, and nitrogen together? A: Besides human suffering - higher production costs for all farmers. To help answer what's in store for farmers and to set the stage for a few alternatives to higher costs, I've included a section from the *Agricultural Economic and Policy Perspectives* a newsletter from the Ag Economics Department of Mississippi State and authored by Gregg Ibendahl about the impact of this summer's hurricanes on agriculture in the Mississippi  
<http://www.agecon.msstate.edu/research/farmpolicy/newsletter/200509.pdf>

...The most obvious impact of the hurricanes is the dramatic increase in fuel prices. Fuel prices were already at record levels even before the hurricane came. The year plus run-up in fuel prices can be attributed to an increase in world demand from countries such as India and China. However, the hurricane added a temporary price spike of around \$0.30 for diesel fuel. This hurricane increase is moderating but may still affect prices to a degree at least through the winter. Overall, diesel prices have increased by over a \$1.00 a gallon since January 2004.

Compounding problems for farmers is the increase in natural gas prices. Because much of the U.S. natural gas comes directly from the gulf, the hurricane effects are even greater than on diesel or gasoline. Natural gas prices have increased around 60% since August. The natural gas hurricane price increase is also likely to persist longer than the hurricane diesel price increase. Unlike diesel fuel and gasoline, the greatest demand for natural gas is the winter months. Thus the hurricane effect on natural gas is magnified due to the greater disruption in supply and the normal seasonal increase in demand.

This increase in natural gas prices is important to farmers because natural gas is the key ingredient in nitrogen fertilizer. There is a 0.79 correlation between natural gas prices and the price of nitrogen. It is not unreasonable to expect a 50% increase in fertilizer prices for the coming year. Much of this increase can be attributed to the hurricane...

OK, now what? As you plan for the future, consider

1. Forage producers, expecting to see a 50% increase in nitrogen prices over historically high rates now, should prepare for overseeding with clovers in their pasture and hayfields this winter and abandon using nitrogen except on the most productive soils.
2. Substituting crops that require less nitrogen inputs - soybeans instead of corn grain or cotton.

3. Producing crops that require less machinery hours (use less total fuel per acre) and pesticide inputs like soybeans instead of cotton or peanuts.
4. Rethinking making hay and managing intensive grazing and stockpiling fescue to reduce the amount of hay harvested.
5. Rethinking your nitrogen fertilizer rates, currently your comfort zone for nitrogen rates are based on \$0.25-\$0.30 per lb. If N prices double next year, then you'll need to use less, maybe a lot less. Consider this true story from a dairy producer in 1983 (I'm showing my age) responding to the requirements of the Omnibus Budget Reconciliation Act of 1982 to reduce milk production to be eligible for a \$0.50 per cwt refund. The farmer began reducing feed to the milking herd and then reduced it a bit more, and more, and more before he saw any appreciable change the bulk tank. He finally had to dump some milk to meet the mandated reduction to receive the refund. The take away point is that many inputs make be used way beyond their point of economic benefit, or exceeding the point of diminishing marginal returns. Is nitrogen used beyond its point of economic benefit to your farm? At \$0.50-\$0.60 per lb - yes.
6. Using split applications of nitrogen on non-irrigated crops based on crop conditions. This change requires a trade-off between fuel and nitrogen. If Greg Ibendahl is correct, then diesel fuel maybe less than N.
7. That poultry litter is a good substitute for all fertilizers, yet hauling a bulk product over long distances with high fuel costs can reduce the benefits. Push the pencil on N benefits vs. hauling costs. Make sure you get the details about the Virginia Poultry Litter Application Cost-Share Pilot program – For more information call Scott Ambler at (804) 786-2235.
8. Leaving grains in the field a little longer to reduce drying costs. The tradeoff is increased harvest loss and less grain to sell vs. the reduced energy costs.
9. Interested in the reasons behind the dramatic spikes in energy prices? Take a look at an article title *The Energy Market Situation and Outlook*, by Matthew C. Roberts, Ph.D., Agricultural, Environmental, and Development Economics, The Ohio State University. The article can be found on the October-2005, Ohio Ag Manager web site at <http://ohioagmanager.osu.edu/news/index.php>.
10. Finally, if you are interested in tracking fuel and gas prices to time your call to fill up the tanks a good source of data is the “Petroleum Navigator” supported by the Energy Information Administration (EIA) a statistical agency of the U.S. Department of Energy [http://tonto.eia.doe.gov/dnav/pet/pet\\_sum\\_top.asp](http://tonto.eia.doe.gov/dnav/pet/pet_sum_top.asp).

## **Can I Make Money Farming?**

By [Keith Dickinson](#), ([Keith.Dickinson@vt.edu](mailto:Keith.Dickinson@vt.edu)), Extension Agent, Farm Business Management, Northern District

One of the most common questions by random folks calling local extension offices these days always seems to begin with the phrase “I just bought X (number) acres of land...” This initial phrase is followed with several options such as

“... and it has a pond on it, and I don't how to manage it.”

“... and I want to find someone to farm it for me.”

“... and I'd like to create a horse pasture on it.”



Any of the above statements / requests for information is pretty easy to handle. The one that makes most Extension Agents cringe is the one that goes something like this:

“...and I want to become a farmer... and I’d like to make \$50,000 per year doing it... and I can spend up to 15 or 20 hours a week working on the farm... and I need half the acreage for my house, my horse pasture, and half the rest is wooded.”

For a variety of reasons, it seems that folks with wide-eyed dreams of a simpler lifestyle, are moving to the more rural places in the Northern Piedmont of Virginia and buying pieces of land. Unfortunately, these people are often quite disappointed when reality sets in. Farming is not a business with abundant profit opportunities, particularly on a small scale. According to the most recent U.S. Census of Agriculture, about two-thirds of the farm operations and individual farm operators in the Northern Piedmont Region have an annual net loss (Tables 1-3), and the vast majority of farms in the region have annual sales of less than \$10,000 (Figure 1).

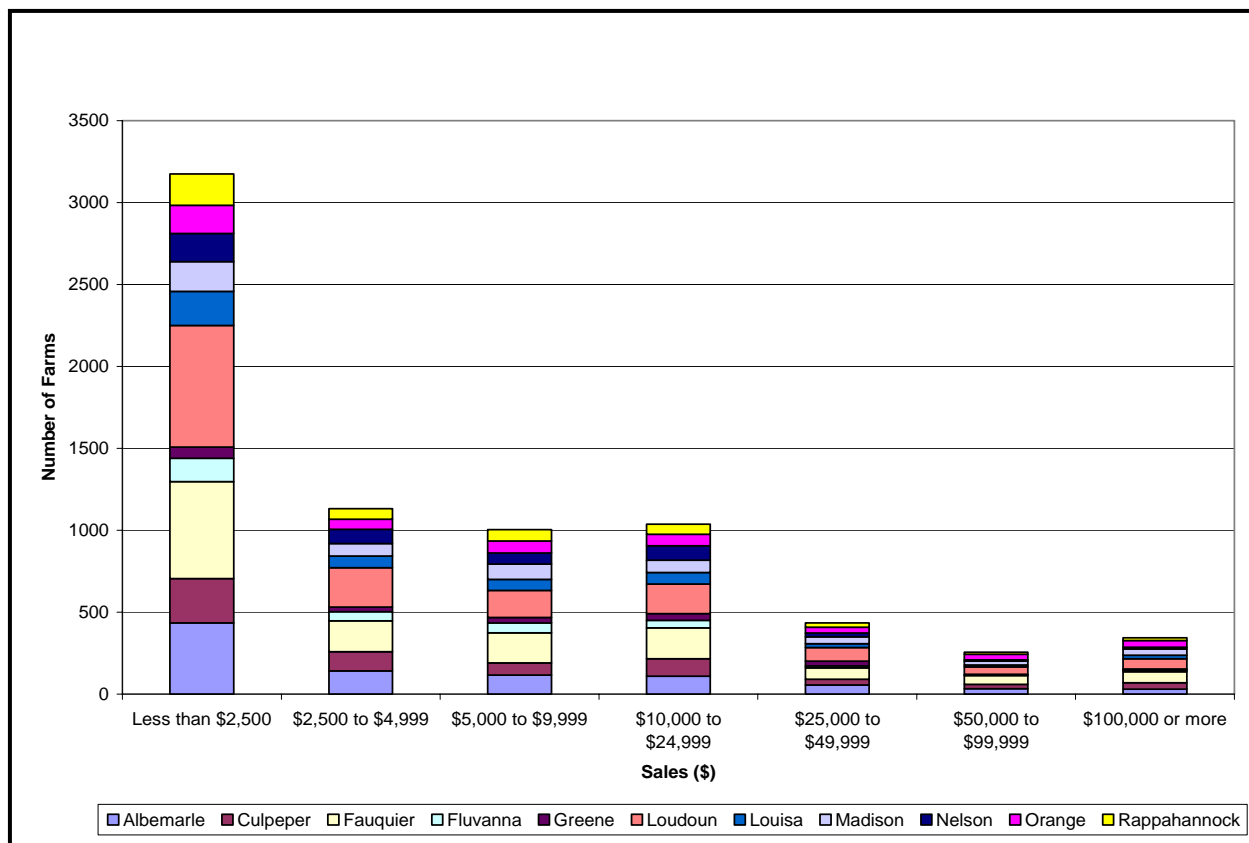
Table 1: Average Net Cash Income for Farm Operations and Operators in N. Piedmont Region		
County	Net Cash Income Per Farm (Operations <sup>1</sup> )	Net Cash Income Per Farm (Operators <sup>2</sup> )
Albemarle	-\$2006	-\$1,818
Culpeper	\$7115	\$7,571
Fauquier	-\$2126	-\$3,995
Fluvanna	-\$1098	-\$2,656
Greene	\$7835	\$6,234
Loudoun	\$3123	\$3,592
Louisa	\$2609	-\$179
Madison	\$2964	\$2,242
Nelson	-\$312	\$53
Orange	\$15,041	\$11,129
Rappahannock	-\$2,985	-\$2,837
Source: 2002 United States Census of Agriculture		

<sup>1</sup>**Net cash farm income of the operations.** This concept is derived by subtracting total farm and farm related expenses from total sales, government payments, and other farm-related income. Net cash farm income of the operation includes the value of commodities produced under contract by the contract growers. For publication purposes, farms are divided into two categories: 1. Farms with net gains (includes those operations that broke even) and 2. Farms with net losses.

<sup>2</sup>**Net cash farm income of the operators.** This value is the operators’ total revenue (fees for producing under contract, total sales not under contract, government payments, and farm-related income) minus total expenses paid by the operators. Net cash farm income of the operator removes the value of contract commodities produced and acknowledges the income the operators received for services performed for the contractor. Net cash farm income of the operators is a new concept for the 2002 census. For publication purposes, farms are divided into two categories: 1. Farms with net gains (includes those operations that broke even) and 2. Farms with net losses.

Table 2: Average Net Gains and Average Net Losses of Farms Operations in N. Piedmont Region						
County	Farms with Net Gains		Average Income per Farm: Farms with Net Gains	Farms with Net Losses		Average Loss per Farm: Farms with Net Losses
	Number	Percent		Number	Percent	
			\$			\$
Albemarle	285	31	17,121	632	69	10,631
Culpeper	237	35	38,527	431	65	10,158
Fauquier	414	31	23,758	923	69	13,737
Fluvanna	99	30	14,115	230	70	7,646
Greene	116	54	18,229	99	46	4,344
Loudoun	616	41	26,815	901	59	13,075
Louisa	165	35	26,339	310	65	10,022
Madison	211	40	21,468	321	60	9,199
Nelson	164	36	9,331	293	64	5,710
Orange	209	43	54,629	282	57	14,299
Rappahannock	157	36	11,021	285	64	10,700
Source: 2002 United States Census of Agriculture						

Table 3: Average Net Gains and Average Net Losses of Farms Operators in N. Piedmont Region						
County	Farm Operators with Net Gains		Average Income per Operator: Operators with Net Gains	Farm Operators with Net Losses		Average Loss per Operator: Operators with Net Losses
	Number	Percent		Number	Percent	
			\$			\$
Albemarle	301	33	16,429	616	67	10,734
Culpeper	238	36	39,568	430	64	10,139
Fauquier	426	32	17,026	911	68	13,825
Fluvanna	99	30	9,034	230	70	7,688
Greene	118	55	14,891	97	45	4,297
Loudoun	643	42	26,835	874	58	13,508
Louisa	183	39	16,583	292	61	10,684
Madison	211	40	19,640	321	60	9,195
Nelson	183	40	8,952	274	60	5,890
Orange	208	42	46,673	283	58	14,996
Rappahannock	170	38	10,516	272	62	11,184
Source: 2002 United States Census of Agriculture						



**Figure 1: Farms by Value of Annual Sales**

While opportunities in small scale agricultural operations can provide a rural landowner some “back to nature” experiences as well as a modest income, they generally require a great deal of hard work, skill, and investment of time, labor, and capital. The opportunities that provide a consistently high income (>\$25,000 / year) are rare. That magical enterprise that can provide a profit of several thousand dollars per acre with little up front investment, no experience, and with little labor requirements simply does not exist.

Some may ask why so many farms in this region are losing money. Several factors contribute to this issue; however, an easy trend to spot is that sales per farm for most counties in this region have not increased significantly, while the cost of production has increased (Figures 2 and 3).

There are, of course, exceptions to every trend, which can be seen when reviewing the trends in the previous tables and figures for Culpeper and Orange counties. These two counties show a higher average net income than surrounding counties and have had a significant increase in the average sales per farm. These trends can be directly attributed to the influence of a handful of large greenhouse and nursery operations that have been established in these counties recently. Before everyone draws the conclusion that starting a greenhouse business is “the answer,” be sure to take a close look at Figure 3. While these two counties showed a substantial increase in sales, it should be noticed that they also showed a substantial increase in cost of production. One should also note in tables 2 and 3 that these two counties have the same relative breakdown on the percentage of farms with gains and losses.

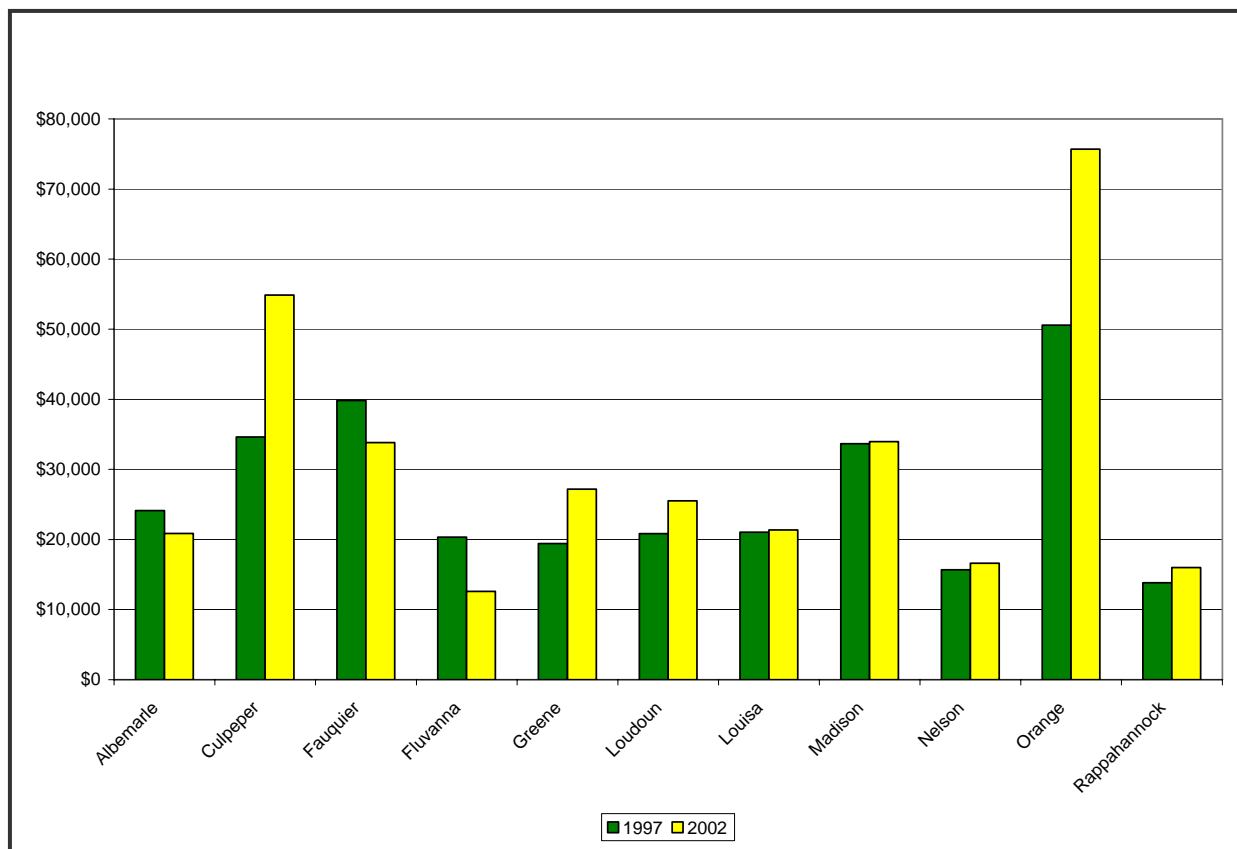


Figure 2: Average Sales per Farm

Questions that a rural landowner needs to ask before considering an agricultural enterprise include

- What do I want to get out of the experience? (Goals)
  - Financially?
  - Lifestyle?
  - Management of the land? (for profit vs. aesthetics)
  - Tax break?
- What do I have to offer?
  - Land capability? (soils, etc.)
  - Infrastructure of my property (barns, fences, etc.)?
  - My skills?
  - Time to spend at this every week?
- What can I afford to invest up front?
- More importantly, how much could I afford to lose each year? (risk tolerance)
- What other options do I have?
- Would I be happy leasing the land to another farmer?

If landowners can spend time thinking over and even answering a majority of these questions, an extension agent or farm consultant could help guide them through the process of choosing a direction for the management of their land. Landowners need to be realistic in their expectations

for what they can do with their land and what sort of income it will provide. If farming was a high return industry, more than 2 percent of our nation's population would be involved in it!

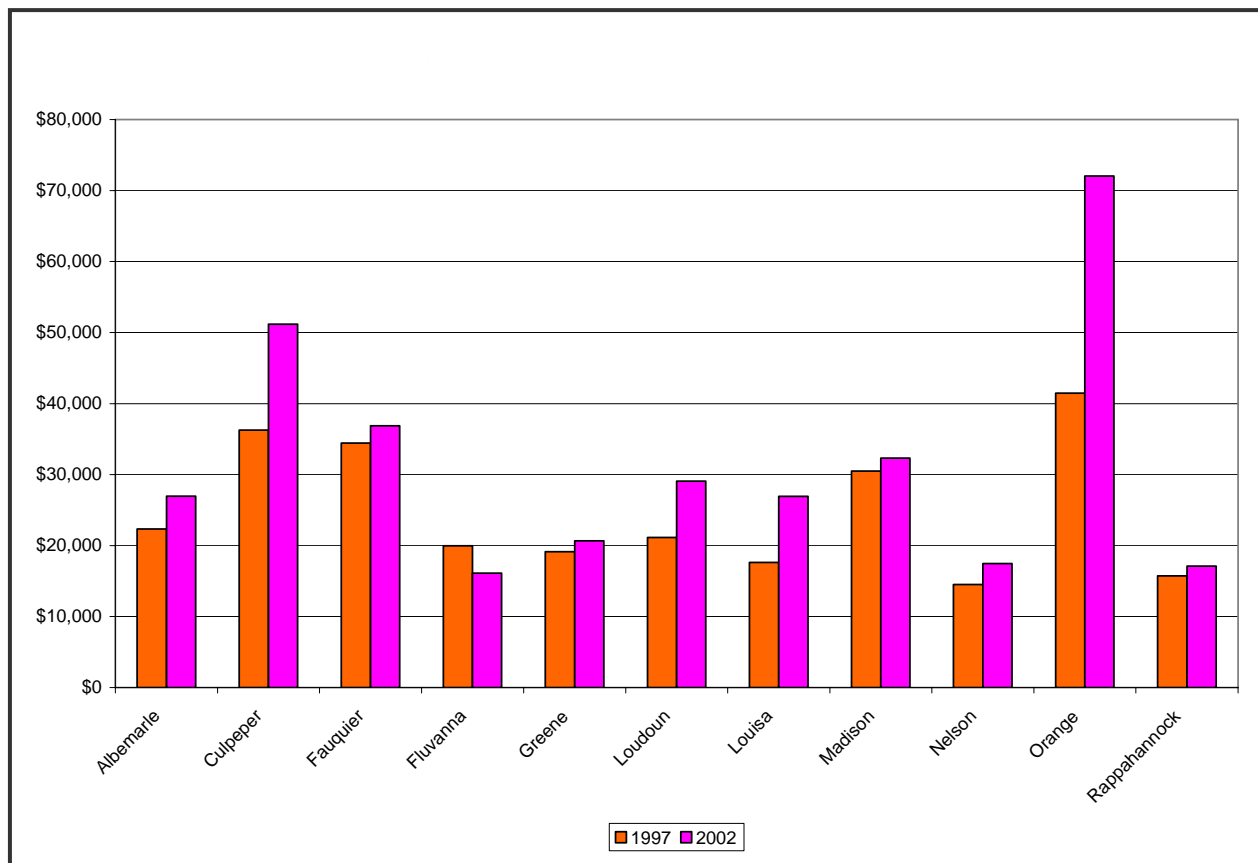


Figure 3: Average Production Expenses per Farm

## The Management Calendar

By **Gordon Groover** ([xgrover@vt.edu](mailto:xgrover@vt.edu)), Extension Economist, Farm Management,  
Department of Agricultural & Applied Economics, Virginia Tech

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

- Once the crops are harvested, get the farm financial records summarized, updating the third-quarter cash flow and comparing it to your projections. Watch for problems. Actual inflows or outflows that differ from your projections may not signal a problem, but understanding why you have differences helps you understand changes in the farm business.
- Using the last three quarters of cash flow and financial records, estimate total farm expenses, income, and capital purchases and sales. Then make an appointment with your tax advisor to plan year-end tax management strategies. Be sure to estimate crop

insurance payments and any government payments that will appear on this year's taxes. To take full advantage of year-end tax management strategies, farmers must make decisions before December 31, 2005. Be sure to review changes to state and federal tax laws with your tax advisor to make sure you have not missed deductions and/or credits.

- Farm business managers should never lose sight of the two objectives of tax management: 1) all decisions, including tax management, should be made to improve the long-term survivability and profitability of the businesses, and 2) tax management tools are used to level out the year-to-year swings in reported income and subsequent taxes paid. You can use the multitude of tools and techniques written into the tax code for farmers and all businesses to manage income and expenses to even out the wide swings in annual profits and losses that many farmers experience. Leveling out the income tax liabilities year-to-year will lead to lower total taxes being paid.
- Be sure to keep crop records up-to-date during harvest: include yields, machine times and equipment used, weed problems, and differences in hybrids. If you're moving up in the information age, consider the fully integrated record keeping systems using yield monitors, GPS, handheld computers, and management software on your office computer. One example of this whole farm system (includes accounting, personnel, and livestock records add-ons) is FarmWorks at <http://www.farmworks.com>.
- Be sure to keep livestock records up-to-date during fall sales. At a minimum, include weight, grade, sale prices, and identification numbers of all calves sold and/or purchased.
- Be sure to check on crop insurance policies. A list on agents in your area can be found at the following site: <http://www3.rma.usda.gov/apps/agents/>. Check the following web site for closing dates for all insurance policies:  
<http://www.rma.usda.gov/data/sales-closing-dates/>

## **Life is Full of Difficult Choices: A Tale of a Financial Management Decision**

By [Keith Dickinson](#), ([Keith.Dickinson@vt.edu](mailto:Keith.Dickinson@vt.edu)), Extension Agent, Farm Business Management, Northern District

I loved my 2002 Dodge Ram Pickup. Notice that I said "loved"... past tense. The pickup is gone. I now drive a 2002 Nissan Sentra. Talk about your dramatic changes! I'm not so crazy about driving this small car. It's small... not at all intimidating on the road like that big old Dodge was. Why, but why, you might ask, did I ever sell that truck, if I enjoyed it so much?

The answer to this question is simple. I concluded that I could save myself nearly \$4,000 a year by making the switch. Although I loved driving that truck, (I think that I actually enjoyed *owning* the truck more than I did driving it!) that enjoyment was not worth \$4,000. My savings will primarily come from the savings in gas, but also from a reduction in monthly debt payment, insurance costs, and even personal property taxes.

Farm managers are faced with rising costs of operation. Fuel, fertilizers, equipment, pesticides and other inputs are rising substantially in price. Unfortunately, commodity prices are not keeping pace. Therefore, farm managers need to find ways to trim costs to remain (or once again become) profitable. The solutions that managers come up with may be complex and could have a significant impact on the way that they operate their farm. Two key questions to ask are



1. What impact will a change to one part of a farming operation have on another part of the operation?
2. Will the savings from a change be offset by a reduction in income or an increase in costs somewhere else in the operation?

In my example, I was certainly not operating a farm business with my pickup truck, but it was my main method of transportation to and from work, as well as to client's farms, etc. To evaluate the impact of my decision to switch to a compact car, I needed to think about everything that I used my truck for on a regular basis and whether or not a compact car could accomplish those same tasks just as effectively. With the exception of needing to change my landfill schedule (I own several garbage cans, so that I can delay that job as long as possible), I realized that my normal use would be satisfied with the car. A plus is that I'm no longer on the "short list" for assistance when an acquaintance moves!

Farm managers should look carefully at what impact a decision to change a part of their farming operation will have on the rest of their businesses. For example, it would be very tempting to reduce the rate of fertilizer applied next spring, but the obvious negative consideration is that crop yield is likely to be reduced. However, since most crop yields have diminishing yield returns to additional fertilizer applications once a certain point has been reached, it may be appropriate to analyze very closely the fertilizer program and see if indeed areas can be trimmed. A local extension agent or nutrient management specialist can help evaluate fertility programs and give recommendations for adjustments.

A more complex example of the impact of a cost reduction decision on the farming operation could be if managers decided to eliminate making their own hay and relied on purchasing hay. The managers would need to evaluate whether the purchased hay would be of the same quality, and if not, if it would supply their livestock with adequate nutrition. Otherwise, a reduction in performance could occur that might lead to a loss in income.

The more important aspect of my decision was the savings vs. cost question. I used a modified form of a partial budget to make my decision. A partial budget can be a very useful tool for making a management decision. In a partial budget, the positive financial effects of a decision are listed in one column, and the negative financial effects of the same decision are listed in another. The net result is a positive or negative number, which leads the manager to the "bottom line" of the decision. See my example below.

Partial Budget: Sell Truck and Buy Car	
<b>Positive Effects</b>	<b>Negative Effects</b>
Decreased Fuel Consumption = 28,000 miles / year divided by 14 MPG (Dodge) = 2,000 gallons / year times \$2.60 / gallon = \$5,200 MINUS 28,000 miles / year divided by 30 MPG (Nissan) = 933 gallons / year times \$2.60 / gallon = \$2,425 = <b>\$2,774 Net Savings / Year</b>	Loss of personal enjoyment of owning a pickup truck = <b>\$789 (my estimated value)</b>
Decreased Insurance Cost = <b>\$ 500 / Year</b> (approximately)	
Decreased debt payment = <b>\$720 / Year</b> (+ payoff will occur 8 months earlier)	
<b>Total Positive Effects = \$3,994</b>	<b>Total Negative Effects: \$789</b>
<b><u>Net Benefit = \$3,205</u></b>	

Increasing costs and limited returns will create challenging financial times for many farm managers in the coming months and years. Changes may need to be made to production systems to maintain viability. The use of sound financial tools and advice are critical in making good business decisions. Farm managers should consult with their local farm business management agent, lender, accountant, or other financial advisors prior to making major changes to the business, in order to properly evaluate impact of decisions.

## Computer Usage by Virginia Farmers

By Gordon Groover ([xgrover@vt.edu](mailto:xgrover@vt.edu)), Extension Economist, Farm Management, Department of Agricultural & Applied Economics, Virginia Tech

August 2005, the National Agricultural Statistics Service (NASS) reported on national computer usage by U.S. farmers. The questions about computer usage were added to the June NASS survey to estimate acres of crops, grain in storage, livestock inventories, and land values. Responses to the computer usage questions were summarized from 32,500 farms.

Virginia's computer usage in the four categories survey by NASS were below the U.S. average. Computer usage by all states as compared to the U.S. shows that 54 percent of Virginia's farmers have access to a computer as compared to the national average of 58 percent and Virginia's rate declined from 65 percent since 2003. In 2005, only 51 percent of Virginia's farmers own a computer compared to 55 percent for the U.S.

Access to or ownership of a computer does not insure the computer will be used in the farm business. In 2005, 28 percent of Virginia's farmers who own a computer use it in their farm business, down from 34 percent two years ago. Farmers nationwide report usage of 31 percent in 2005 compared to 30 percent in 2003.

Access to the Internet showed the lowest overall adoption rate from 2001-05. Virginia farmers used the Internet to purchase inputs at a rate of 9 percent in 2001 and increased to 13 percent in 2005; the national average during those same times were 6 and 9 percent, respectively. Virginia farmers used the Internet to conduct agricultural marketing activities 5 percent of the time in 2001 and increased to 8 percent in 2005. The national trend followed a similar pattern with an increase from 6 to 9 percent.

How farmers accessed the Internet maybe the most interesting. Seventy-nine percent of Virginia farmers with Internet access use a dialup service (slowest access speed), followed by 5 and 4 percent using a DSL and cable, respectively. Wireless (1 percent) and satellite (1 percent) are used by very few farmers. NASS reported that 10 percent of respondents did not know the type of service used to access the Internet. National usage rates show similar trends with the majority of farmers using dial up service (69 percent), DSL (13 percent), cable (6 percent), satellite (4 percent), and wireless (3 percent).

What does this mean for Virginia and the South? NASS reported computer access and use based on region and gross farm sales showing that the South, as a whole, lagged behind all other regions. The economic class of farmers (less than \$99,999 in gross sales) nationwide had the lowest level of computer access and use. Thus, with approximately half of Virginia's farmers having access to a computer and internet (albeit dialup). A large number of farmers still rely on traditional means of communication to access information from extension, state, federal, and local government agencies.

A complete copy of this report can be obtained from NASS at the following URL:

<http://usda.mannlib.cornell.edu/usda/reports/nassr/other/computer/>

## **2005 Virginia Tech Income Tax School -- 2 Seminars, 12 Virginia Locations -- Scheduled October through December**

By [L. Leon Geyer \(geyer@vt.edu\)](mailto:geyer@vt.edu), Professor, Agricultural Law, Department of Agricultural & Applied Economics, Virginia Tech

This year is the 45th year that Virginia Cooperative Extension, Virginia Tech's Department of Agricultural and Applied Economics, the Virginia Department of Taxation, and the U.S. Internal Revenue Service (IRS) have cooperated in bringing programs to the people who assist taxpayers in preparing and filing federal and state income tax returns. The Income Tax Seminar is Virginia's largest workshop for tax practitioners.

Faculty from Virginia Tech, staff from the IRS, private tax practitioners, and the Virginia Department of Taxation will examine new tax laws and their implications and will examine case studies to interpret new regulations.

The Virginia Tech Income Tax Seminars are scheduled at ten Virginia locations this year. The seminars will occur in November and December 2005. They feature an intensive study of tax law and regulations governing individual, farm, and small business taxes. They are designed for people with income tax experience who assist taxpayers in preparing and filing income tax returns. Preparation of both federal and state taxes will be covered. The topics for general session and special sessions on farm and forestry taxation can be found in the following pages.

This year we are offering a new seminar covering the basics. The "Introductory Tax Preparation Seminar" is designed for those who are new or returning to tax preparation and want a course in basic preparation. Dr. Guido van der Hoeven, North Carolina State University, presents the seminar. This seminar will be offered in October at two locations: Richmond and Falls Church.

Brochures for the seminars have been mailed to tax practitioners, CPAs, lawyers, Commissioners of the Revenue, and other past attendees. Brochures are also available in Extension Unit and District Offices. Registration forms can be duplicated, or the tax seminar registrar assistant can be contacted. Our web site (<http://www.tax.vt.edu>) includes all seminar information and an online registration form that can also be printed to mail or fax. Participants can complete the optional online registration using a credit card via our secure server at <https://www.conted.vt.edu/ssl/tax/index.lasso> for Income Tax Seminar or <https://www.conted.vt.edu/ssl/taxprep/index.lasso> for Introductory Tax Preparation Seminar.

**Contact the Income Tax School Registrar at the Continuing Education Center:**

Phone: (540) 231-4084

Fax: (540) 231-3306

E-mail: [vttax@vt.edu](mailto:vttax@vt.edu) for registration information.

Web: [www.tax.vt.edu](http://www.tax.vt.edu)

For further information, please contact one of the following:

Program Director: (540) 231-4528 E-Mail: [geyer@vt.edu](mailto:geyer@vt.edu)

**Income Tax Seminar**

Income Tax Seminar Continuing Education Credit (for Accounting, CPA, EA): 17-21 hrs - 2 hr is Ethics, CLE: 12 hrs, CE Insurance: 16 hrs, CFPTM CE: 17-21 hrs.

Pre-registration and pre-payment are required. The registration fee includes a textbook, reference material, refreshment breaks, two luncheons, and the farm and forestry sessions. Lodging is not included. The Income Tax Workbook is a comprehensive study manual used in more than 30 states. It is written and reviewed by CPAs, tax attorneys, IRS agents, and tax practitioners.

**Farm and Forestry Session**

The special farm tax sessions are available to registered participants. Farm sessions take place from 5:00 – 7:00 p.m. at locations listed below. Virginia Tech's agricultural lawyer, Leon Geyer, teaches the farm tax sessions. He will address

- Tobacco buyout issues
- Farmer providing house, phone, and electric for farm worker and family

- Exchange of dairy cows for beef cows
- Exchange of I.R.C. §1245 property for bare land
- I.R.C. §179 recapture issues
- Reforestation rules
- Income tax consequences of demolishing a farmstead
- Expenses for cleaning up after a disaster
- Selling grain in year after retirement: effect on SS benefits

#### **2005 Farm location:**

- Richmond I – November 7
- Staunton/Harrisonburg Area – November 9
- Bristol – November 14
- Roanoke – November 16
- Lynchburg – November 21
- Fredericksburg – November 30
- Williamsburg – December 5
- Chesapeake – December 7

#### **General Topics for Income Tax Seminar**

The Income Tax Seminar general sessions will run each day from 8:15 a.m. until 5:00 p.m. Experienced CPAs, EAs, IRS employees, and Virginia Department of Taxation employees, teach the general topics. They will address

#### New Legislation *Including 2005 Energy Bill impacts on consumers*

2005 legislation and other prior legislation; Update deduction for domestic production activities; Provisions from prior legislation that first become effective in 2005.

#### Rulings and Cases

Selected current rulings and cases issued in 2005.

#### Related Party Issues

Tax rules impose special restrictions on related parties; Definition of related parties among the various tax provisions; Interest income and deductions; Sale of assets at a loss; Like-kind exchanges; Renting to a related party.

#### Financial Distress

Income tax consequences of financial distress for both the debtor and the creditor; Repossessions of property; Other discharged debt; reporting requirements; Comparison of offers in compromise with bankruptcy as a means of dealing with tax liability.

#### Information Reporting

Information reporting requirements; Form 1099; Schedules K-1 rules; new forms and schedules.

#### Casualty Gains and Losses

Hurricane damage and other natural disasters; Income tax consequences and reporting requirements for property that was damaged or destroyed; Property that was sold or repaired as a result of the disaster.

### Tax Elections

Key income tax elections; Regulations that allow an extension of time to make most elections; Table of the due dates; Table of method for all elections that are commonly made by practitioners.

### Employment Tax Issues

Employment tax rules from both the employer's and the employee's point of view; Treatment of undocumented resident aliens.

### Annual Income Tax Planning

Management of tax information in the practitioner's office to assure that all reporting and record keeping requirements are met and that the client receives effective tax planning advice; Planning tools that can be used before the end of the tax year and after the end of the year.

### Exempt Organizations

How to apply for tax-exempt status for an organization; Organizations that do not qualify for exempt status; Employee compensation issues; Unrelated business income; Form 990 issues; Ministers; Religious organizations.

### Alternative Minimum Tax

What practitioners need to know to properly input information so that the computer program gets the right answer; Planning options to reduce tax liability-including the effect of the AMT credit; Supplement computations done by computer software.

### Income Taxation of Trusts and Estates

(Common income tax issues that tax practitioners face as they prepare income tax returns for their clients) When and how to use trusts; How to identify abusive trusts; Grantor trusts that do not need to file a Form 1041; Form 8855 Election to Treat a Qualified Revocable Trust as Part of an Estate; Effect of a trust on income tax basis, I.R.C. §121 exclusion; Like-kind exchange from trust to an LLC.

### Education Planning and Gifts to Minors

(Various options for claiming tax benefits for the costs of education) I.R.C. §529 plans; Education credit v. deduction; Table of education provisions.

### Income Tax Aspects of Health Care Costs

Compare & Contrast income tax aspects of the income tax provisions for health care costs with an emphasis on health savings accounts; New guidance from the IRS.

### Individual Taxpayer Issues

Tax treatment of time-shares; Implications of household employees; Charitable contributions; Tax reporting of items sold on internet.

### Business Issues

(Business income and deductions) Net operating losses; Repairs v. capitalization; Meal deductions; Form 3115; Start-up costs & other I.R.C. §197 expenses.

### Business Entities

This chapter is the first in a three-year cycle. This year covers the tax issues in forming a business entity: Issues in forming an LLC; Single member LLCs taxed as a disregarded entity; LLCs taxed as a partnership; C corporation or S corporation. (2006 book will cover operation of a business entity, and 2007 book will cover the dissolution of a business entity.)

### IRS Issues

Key issues on which the IRS wants practitioners to be informed; IRS enforcement efforts; IRS taxpayer awareness issues.



### Retirement Issues

Required minimum distribution rules; Taxation of distributions; Retirement savers credit; Comparison of tax-deferred retirement savings with investing after-tax dollars in investments that will result in capital gains.

### Ethics

(Ethical issues tax practitioners face as they advise clients and prepare tax returns) How to research an issue to decide what position to take on a tax return (including the role of substantial authority and reasonable basis); Representing clients before the IRS; Liability for tax planning that fails; Charitable contributions.

### Tax Rates and Useful Tables

Tax rates; Standard deductions; Exemptions deductions; Applicable interest rate; Table of credits that reports the amount of the credit; Refundable or not; Whether or not in can be used to reduce the AMT.

## **Dates and Locations of Virginia Tech Income Tax Seminars**

November 7-8 *Farm Session Nov. 7th*

### **Richmond I (West)**

Richmond Marriott West  
4240 Dominion Blvd.  
Phone: (804) 965-9500

November 9-10 *Farm Session Nov. 9th*

### **Staunton / Harrisonburg**

Pleckert Center  
Blue Ridge Community College  
Route 11, Weyers Cave  
Phone: (540) 234 9261

November 14-15 *Farm Session Nov. 14th*

### **Bristol**

Holiday Inn Hotel  
Suites & Convention Center  
3005 Linden Drive  
Phone: (276) 466-4100

November 16-17 *Farm Session Nov. 16th*

### **Roanoke**

Holiday Inn Tanglewood  
4468 Starkey Road SW  
Phone: (540) 774 4400

November 21-22 *Farm Session Nov. 21st*

### **Lynchburg**

Holiday Inn Select  
601 Main Street  
Phone: (434) 528 2500

November 28-29 *Maryland Session Dec. 28th*

**Dulles**

Hyatt Dulles  
2300 Dulles Corner Blvd.  
Phone: (703) 793 6887

November 30-December 1 *Farm Session Nov. 30th*

**Fredericksburg**

Holiday Inn Select  
2801 Plank Road  
Phone: (540) 786-8321

December 5-6 *Farm Session Dec. 5th*

**Williamsburg**

Crown Plaza Williamsburg  
Route 60 East  
Phone: (757) 220 2250

December 7-8 *Farm Session Dec. 7th*

**Chesapeake**

Holiday Inn (Greenbrier Parkway)  
725 Woodlake Drive  
Phone: (757) 523-1500

December 12-13

**Richmond II (South)**

Holiday Inn Select Koger Center  
1021 Koger Center Blvd.  
Phone: (804) 379 3800

**Introductory Tax Preparation Seminar**

Introductory Tax Preparation Seminar Continuing Education Credit (for Accounting, CPA, & EA): 8 hrs CPE, CFPTM CE: 8 hrs

Pre-registration and pre-payment are required. The registration fee includes a workbook (problem set included), Problem Set Solution, refreshment breaks, and one luncheon. Lodging is not included.

**General Topics Introductory Tax Preparation Seminar**

The Introductory Tax Preparation Seminar is a one day seminar. Guido van der Hoeven, Director, N.C. State Income Tax School, will cover federal topics. Virginia topics will be covered in written form. Topics will cover

- Income-taxable or not
- Introduction to schedule F
- Expenses-deductible or not
- Ordinary vs. capital gains income
- Self employment
- Introduction to schedule C
- Virginia filing

### **Virginia Tech Introductory Tax Preparation Seminar Locations**

October 13: Richmond, Virginia Tech Richmond Center, 2810 Parham Road, Suite 300; Phone: (804) 662-7288. Check-In: 8:00 AM; Start: 8:30 AM; End: 4:45 PM

October 14: Virginia Tech, Northern Virginia Center, 7054 Haycock Road, Falls Church; Phone: (703) 538-TECH, tty: (703) 538-8314. Schedule: TBA

Augusta County Office  
P.O. Box 590 Verona, VA 24482  
Ph.540-245-5750 Fax 540-245-5752 stanleyt@vt.edu  
September, 2005

## **“A Comprehensive Approach to Farm Business Succession Planning”**

**Friday, October 14, 2005  
Evers Restaurant, Mt Crawford, VA**



*followed by:*

### **The Farm Transition Management Workshop Series Five Consecutive Mondays: Oct. 24, Oct. 31, Nov. 7, Nov. 14, Nov. 21, 2005**

Virginia Cooperative Extension, in cooperation with NC State University Cooperative Extension, Virginia Tech and the North Carolina Farm Transition Network, Inc, will conduct a **one day seminar** addressing farm business succession planning on **October 14<sup>th</sup> at Evers Restaurant** in Mt. Crawford.

This seminar will provide an overview of the farm transition process for farm family members interested in learning more about the efficient transfer of farm operations between generations. The **seminar will be followed by a five-part series of in-depth workshops** for those who would like to develop a farm transition plan for their farm business.

**People who would like to develop a Farm Transition Plan specifically for their farm are encouraged to attend the one day seminar AND all of the five-part workshop series that will be held on consecutive Mondays from October 24 – November 21.**

**Driving Directions are on the last page.**

#### **AGENDA: Oct. 14<sup>th</sup> “A Comprehensive Approach to Farm Business Succession Planning” Seminar**

- 9:00 Registration and Coffee
- 9:30 Welcome and Introduction to Farm Succession Planning and Risk Management
- 10:00 Initiating the Process – Communication, retirement, disability and estate planning
- 11:00 Evaluating the Business – How many will it support?
- Noon Lunch
- 1:00 Farm Transition Stages – Sharing income and transferring assets and management
- 2:00 The Business Structure – Which one to choose and when?
- 3:00 Tying it all together
- 3:30 Adjourn

Support for this program provided by: Virginia Farm Bureau, Southern Region Risk Management Education Center, Virginia Department of Agriculture and Consumer Service, and the North Carolina Farm Transition Network.

***Please See the Enclosed For Information on the Workshop Series and Registration.  
Registration Deadline is October 7, 2005.***



Tom Stanley, Extension Agent  
Farm Business Management, PD 6  
PD 7



Bill Whittle, Extension Agent  
Farm Business Management,

[www.ext.vt.edu](http://www.ext.vt.edu)

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Registration for:

“Comprehensive Approach to Farm Business Succession Planning”

And the five-part

“Managing the Farm Transition” Workshop Series

To Register, Complete the form below and mail with your check to:

Farm Transition

c/o Extension Office

P.O. Box 590

Verona, VA 24482

Space is limited so register today!

Registration Deadline October 7, 2005

Name or Farm Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-Mail (Only for communications about this program): \_\_\_\_\_

If attending as a group representing a farm, please list each person who plans to attend:


All participants in the Monday Workshop sessions are strongly encouraged to attend the

October 14 introductory overview to be held at Evers Restaurant in Mt. Crawford from

9AM to 3:30PM

Session	Number planning to attend	Cost Per Person*	Cost Per Farm (3 – 5 people)*	TOTAL	
October 14 Seminar <b>ONLY</b> Evers Restaurant		\$10	\$35		<div> <div>Make Checks Payable To:</div> <div>VCE–Augusta County</div> </div>
Verona Workshop Series + Oct. 14 Seminar. Workshop on consecutive Mondays <b>10:30AM – 2:30PM</b> from Oct 24 – Nov 21 Augusta Government Center		\$35	\$100		
Edinburg Workshop Series + Oct. 14 Seminar. Workshops on consecutive Mondays <b>5PM – 9PM</b> from Oct 24 – Nov 21 Creekside Plain & Fancy		\$35	\$100		

\* We encourage farm families to attend together. If you wish to attend as a group representing a farm, sign-up for the reduced rate. If there are more than 5 people who wish to attend from your farm, please contact Tom Stanley at the Augusta Extension Office for specific rate information.

If you wish to attend as an individual or as a couple, please pay the per person rate. Your registration Fee for the Monday sessions includes the cost of attending the General Overview Session at Evers Restaurant on October 14. We encourage you to attend all the sessions.

Session fees include meals and program materials. Because of the need to prepare meals and materials in advance, there will be no refunds.

If you are a person with a disability or have special requirements in order to participate in this program, contact Tom Stanley at 540-245-5750 by October 1, 2005.

# *Your Farm's Future!*



## **“Managing the Farm Transition” Workshop Series**

***This is your opportunity to develop a Farm Transition Plan for YOUR FARM!***

***The Older Generation: Have you planned on how you will transfer your farm to the next generation?***

***The Younger Generation: Have you planned how to successfully receive the farm and continue its profitability?***

This program will help farm owners and the “next generation” to plan for the successful transfer of the farm land and business. Some of the topics that will be included in this program are:

- Goals for the Future of your Farm
- Farm Profitability
- Retirement Planning
- Planning for Long Term Health Care of Farm Owners
- Estate Planning – Planning the Future of your Farm Estate
- Tax Management Issues
- Business Organization
- Selling or Leasing the Farm
- Farmland protection tools: Are they right for your farm?
- Tax Basis in Property and Sale of Farm Assets
- Equal versus Equitable: Consideration of the heirs
- Adjusting to the Transition

“Managing the Farm Transition” is a six part program that consists of the all day overview, “A Comprehensive Approach to Farm Business Succession Planning” on October 14<sup>th</sup> and an in-depth, five part, hands-on workshop series designed to provide participants with the information they need to develop their farm transition plan.

The October 14<sup>th</sup> meeting is open to everyone interested in beginning the process of developing a transition management plan. However, the five-part in-depth workshop series has limited space and is designed to help farm families develop transition plans for their farm. We strongly encourage anyone interested in the workshop to attend the all day session. This will provide you and your family with a strong overview and allow the workshop to delve deeper into important transition issues.

The speakers for these programs are individuals who are familiar with the legal issues, tax ramifications, and farm profitability concerns surrounding the farm transition issues that Valley farm families must consider every day. They include Jesse Richardson, Dr. Leon Geyer, and Dr. Alex White of Virginia Tech and Andrew Branan of the NC Farm Transition Network.

If you are a person with a disability or have special requirements in order to participate in this program, contact Tom Stanley at 540-245-5750 by October 1, 2005.



*The five-part workshop series will be held at two different locations but will feature the same topics and speakers:*

**Workshop Series**

	<u>Verona</u> <u>Augusta Government Center</u>	<u>Edinburg</u> <u>Creekside Plain &amp; Fancy</u>
Oct 24	10:30 AM-2:30 PM	5:00 PM-9:00 PM
Oct 31	10:30 AM-2:30 PM	5:00 PM-9:00 PM
Nov 7	10:30 AM-2:30 PM	5:00 PM-9:00 PM
Nov14	10:30 AM-2:30 PM	5:00 PM-9:00 PM
Nov 21	10:30 AM-2:30 PM	5:00 PM-9:00 PM

*Space for the Workshops is limited so sign-up today. Each farm is encouraged to bring both the older and younger generation to the series.*

***Registration Deadline is October 7, 2005***

Your registration fee provides for:

- A Farm Transition Guidebook
- Guidance as you begin the process of developing all aspects of your farm transition plan, including your retirement plan, will, power of attorney, advance medical directives and more.
- Meal and refreshments with each session

Please fill out the registration form and return it with your registration fee. The all day overview, “A Comprehensive Approach to Farm Business Succession Planning” on October 14 is open to everyone. Space available for the Workshop Series is limited and we strongly encourage the 5-part Workshop- participants to attend the all day October 14<sup>th</sup> session.

*For more information call:*

***Tom Stanley at the Augusta Extension Office: 540/245-5750***

*Or*

***Bill Whittle at the Page Extension Office: 540/778-5794***

Presented by Virginia Cooperative Extension in cooperation with:  
Shenandoah Valley Resource Conservation & Development  
Council,  
Virginia Farm Bureau,  
North Carolina State University Cooperative Extension,  
North Carolina Farm Transition Network,  
The Southern Region Risk Management Education Center,

**Directions to the one day seminar:**

**Evers Restaurant** is located on Rt. 11 North of Mt. Crawford. From Interstate 81, take Exit 240, go ½ mile west to the intersection with Rt.11, turn north (right), and travel ¼ mile to Evers Restaurant on the right.

**Directions to Augusta Government Center, Verona:**

From I-81 take Exit 225. Turn West onto Rt. 275, drive to stoplight turn right (North) on Rt.11, drive 1.5 miles and turn right into Augusta County Government Center. Cross railroad tracks, turn right, and drive to the far (southern) end of Government Center and look for signs directing you to the Transition Seminar.

**Directions to Creekside Plain & Fancy, Edinburg:**

From I-81 take Exit 279 to Edinburg.. Go into town to stop sign. Turn left (north) on Rt.11. Go approximately ¼ mile. Creekside Plain & Fancy is located in the middle of Edinburg on Rt. 11 North (main street). Parking is available on the street or in the Shentel parking lot about one block south of Creekside Plain & Fancy.

## Calendar of Events

### October

- 13 Virginia Tech Introductory Tax Preparation Seminar, Virginia Tech Richmond Center, Richmond, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 14 Virginia Tech Introductory Tax Preparation Seminar, Virginia Tech Northern Virginia Center, Falls Church, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 14 A Comprehensive Approach to Farm Business Succession. Evers Restaurant, Mt. Crawford, VA. Contact Andrew Branan at (919) 782-1705 or Jesse Richardson at (540) 231-7508 or e-mail [jessej@vt.edu](mailto:jessej@vt.edu).

### November

- 7-8 Virginia Tech Income Tax Seminar, Richmond Marriott West, Richmond, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 9-10 Virginia Tech Income Tax Seminar, Pleckert Center, Blue Ridge Community College; Weyers Cave, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 14-15 Virginia Tech Income Tax Seminar, Holiday Inn Hotel Suites & Convention Center, Bristol, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 16-17 Virginia Tech Income Tax Seminar, Holiday Inn Tanglewood, Roanoke, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 21-22 Virginia Tech Income Tax Seminar, Holiday Inn Select, Lynchburg, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 28-29 Virginia Tech Income Tax Seminar, Hyatt Dulles, Dulles, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 30-12/1 Virginia Tech Income Tax Seminar, Holiday Inn Select, Fredericksburg, VA. Contact Seminar Registrar at (540) 231-4084 or e-mail [vttax@vt.edu](mailto:vttax@vt.edu) or Leon Geyer, Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).

## December

- 5-6 Virginia Tech Income Tax Seminar, Crown Plaza Williamsburg, Williamsburg, VA.  
Contact Seminar Registrar at (540) 231-4084 or e-mail [yttax@vt.edu](mailto:yttax@vt.edu) or Leon Geyer,  
Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 7-8 Virginia Tech Income Tax Seminar, Holiday Inn (Greenbrier Parkway), Chesapeake, VA.  
Contact Seminar Registrar at (540) 231-4084 or e-mail [yttax@vt.edu](mailto:yttax@vt.edu) or Leon Geyer,  
Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).
- 12-13 Virginia Tech Income Tax Seminar, Holiday Inn Select Koger Center, Richmond, VA.  
Contact Seminar Registrar at (540) 231-4084 or e-mail [yttax@vt.edu](mailto:yttax@vt.edu) or Leon Geyer,  
Program Director at (540) 231-4528 or e-mail [geyer@vt.edu](mailto:geyer@vt.edu).