

Virginia Cooperative Extension



Farm Business Management Update February – March 2008

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.”

Gordon E. Groover
Extension Economist, Farm Management
and Farm Management Coordinator

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Developing the Next Generation Manager

By Bill Whittle (wwhittle@vt.edu), Extension Agent, Farm Business Management, Page County

Most farmers dream of passing the legacy of a successful farm to their children, allowing them to earn a decent living and raise a family. For this dream to become a reality, the successful transfer of the farm to the next generation should be treated as a multifaceted event that requires planning. A lynchpin of that successful future is a Nex-Genner (i.e. Next Generation) who is adequately prepared to be manager. Good managers are not born but develop through good training or, more often than not, by trail and error. Historically, this Nex-Genner is knowledgeable and capable in production farming, but ill-prepared as a financial manager, personnel director, marketing agent bookkeeper, and time manager.

The lack of managerial skill development in a Nex-Genner is often caused by a lack of dedication on the part of the current manager to develop a training program that encompasses all of the needed skills, or because the Nex-Genner focuses on production rather than other managerial skills. The potential manager doesn't learn how each component helps create a successful operation and is not equipped to make important decisions while dealing with the day to day activities that can demand so much attention.

The question then becomes how to train the next generation to be a complete manager. Formalized programs such as 4-H, FFA, Young Farmers, and college are great teaching arenas but none teach all management skills. Unless you intend for the Nex-Genner to rely on the trial and error method, it is up to the current manager to devise a training program that will lead to success. The first step is for the current manager to critically rate his own skills in each managerial area and to rate his ability to teach those skills. Next, determine what the formalized programs bring to the table and how your Nex-Genner will use them. Step three is to then develop a training program integrating the components that will give your Nex-Genner the best chance for future success.

Most youngsters are unsure of what they want to do for the rest of their lives, so it may be best to provide multiple and varied opportunities for the Nex-Genner to explore whether they want to farm or not. The production skills are always the fun part, but they need to be exposed to all aspects of production; how to do a job, why the job is being done, and the consequences of a poor job. Show your Nex-Genner the financial records; how they are kept, why you keep them, and how you use them to manage the farm. If you fail to expose the kids to the financial picture, they will never have a true understanding of what is necessary to keep your farm successful and prosperous. Assist them in developing a relationship with your management team: your lender, the Farm Service Agency, Extension, and others you regularly work with. They should go to the equipment dealer, not to kick the tires, but to see how financing of equipment actually works.

A final component of your training program is to get your manager trainee off your farm and into a different farming situation for six months to a year where they can be exposed to different ideas, methods of farming, and management styles. The time spent as a hired hand on another farm will either reinforce or eliminate their desire to farm the home place.

The final step in developing a manager is to assign some responsibility when the training program is successfully completed. It should be noted that a training program that lasts forever is a sure way to lose your Nex-Genner.

Southern Virginia Land Lease Survey

By Eric Eberly (eeberly@vt.edu), Extension Agent, Farm Business Management Agent, Central District

Southern Virginia farmers were mailed a land lease survey in the fall of 2007 and the results were summarized by Extension's Central District Farm Business Management agent, Eric Eberly. A total of 186 landowners and tenants representing 386 separate lease agreements responded to the survey from 21 counties. There were more landlord respondents than tenants with 61.7% landowners and 38.3% tenants. Several respondents indicated that they were both a landlord and a tenant.

This information is not intended to be a specific recommendation for rental rates but should be used by landowners and tenants as a reference point in determining the fair market rental value for land. Farmers, agricultural lenders, and others can use this information in developing budgets and the viability of expansions. This information is also useful for estate management during a farm transition in conjunction with Section 2032A of the IRS code, which requires knowledge of lease rates.

Terms of leases vary greatly from contract to contract: 27.1 percent of those answering the survey said that their lease agreements were written documents, while 72.9 percent said that their leases were oral. In many situations, individuals had both oral and written lease agreements. Of the 84 written leases, 33 were for longer than one year ranging from two to ten years. Two-thirds of these contracts were for five years.

The Table 1 summarizes results of the 2007 survey. It provides the average rental rate and length of lease for use of land. However, averages tell only part of the story. Knowing the range in lease rates and length of the lease that has been negotiated is valuable. These data are also available from Table 1.

Averages are reported by Planning District and Southern Virginia. All averages are weighted averages, meaning that larger tracts of land rented at a given rate have more influence on the overall average rate than a small parcel of land. Rental rates are reported for the following categories: Pasture per acre; Good Cropland and Average Cropland as determined by soil productivity groupings and farmer management in a typical year (Good Cropland = Class 1 & Class 2 and Average Cropland = Class 3 and Class 4 land - these categories also include hay land); and Whole Farm leases.

The reliability of the average figures reported increases as the number of responses increase. Table 1 show the number of responses providing data for a specific category. To maintain the confidentiality of the survey, no data were reported for a District unless at least three lease agreements were reported.

Within the rental category, the very high rental rates were generally for adjoining parcels of land, and the very low rental rates often had other circumstances involved, such as the desire by landowner to maintain Land Use Valuation on the parcel or a family relationship between landowner and tenant. There were also what appeared to be unique circumstances for a parcel of land that met very specific needs of the tenant.

Barter agreements are complex and difficult to compile as an average and range because each barter situation is different. Past surveys have indicated that a notable number of leases use barter. Though difficult to determine averages because of their complexity, most barter rentals involved hay and pasture on small acreages. Generally, the tenant has to keep the farm in good working order by maintaining fences and soil fertility. The tenant is compensated by keeping at least two-thirds if not all of the hay that is cut. There were no 50:50 splits on hay land, which was a common practice in the 1990's. There were only a few arrangements where the landlord provided herbicides and fence building materials. The two primary reasons given for participating in a barter agreement were to keep the land maintained in a productive state and to be eligible for land-use taxation rates.

Table 1: Rental rates in Central Virginia by Planning District

PD 11¹	Number of Responses	Acreage \$	Minimum \$	Maximum \$	Weighted Average \$
Pasture	21	2267	5.00	20.00	10.60
Good Cropland	8	268	10.00	30.00	21.36
Average Cropland	8	250	10.00	20.00	13.03
Whole Farm	10	1400	8.33	26.00	18.21
PD 12²					
Pasture	11	1060	10.00	27.50	17.38
Good Cropland	17	847	15.00	50.00	39.52
Average Cropland	13	869	7.27	50.00	23.58
Whole Farm	1	*	*	*	*
PD 13³					
Pasture	7	992	10.00	24.00	15.10
Good Cropland	7	238	10.00	25.00	19.94
Average Cropland	11	333	5.71	33.33	14.13
Whole Farm	2	298	*	*	11.07
PD 14⁴					
Pasture	30	2708	3.75	25.00	15.08
Good Cropland	14	645	15.00	33.33	21.32
Average Cropland	5	176	12.00	30.00	15.41
Whole Farm	4	188	11.00	30.00	23.00
Southern Virginia⁵					
Pasture	77	7897	3.75	27.50	13.90
Good Cropland	50	5012	10.00	50.00	32.84
Average Cropland	41	1934	5.71	50.00	19.51
Whole Farm	17	2116	8.33	30.00	16.84

¹. Planning District 11 includes Amherst, Appomattox, Bedford and Campbell Counties.

². Planning District 12 includes Franklin, Henry, Pittsylvania Counties.

³. Planning District 13 includes Brunswick, Halifax and Mecklenburg Counties

⁴. Planning District 14 includes Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway and Prince Edward Counties.

⁵. Southern Virginia includes the four planning districts above and any surveys where the county was not identified.

* Data not reportable at the Planning District level.

The Management Calendar

By Gordon Groover (xgrover@vt.edu), Extension Economist, Farm Management,
Department of Agricultural and Applied Economics, Virginia Tech

Listed below are the items that need to be included on the farm business managers' calendar for the first quarter of 2008.

- **Taxes and related items:** Make sure your federal taxes are mailed by March 1 unless you pay estimated taxes, then the deadline is April 15. Virginia income tax returns must be postmarked by May 1.
 - Need to find out more information about federal taxes? The Farmers Tax Guide IRS Publication 225 is online and can be found at: <http://www.irs.gov/pub/irs-pdf/p225.pdf>.
 - A summary of changes and basic federal income tax information is published annually by George F. Patrick in the Department of Agricultural Economics at Purdue University. Look for the publication titled "Income Tax Management for Farmers" at <http://www.agecon.purdue.edu/extension/pubs/taxplanning.asp>.
 - Decide how much you'll contribute to an IRA for 2007 and set goals for 2008. If you use a certified financial planner (CFP), consider his/her usefulness in helping plan for retirement, college, insurance coverage, and other items. Visit the web site for the CFP organization to get information on services and standards required for planners. You can search for a CFP in your area at <http://www.cfp.net/>.
- Motor Vehicle Cost is a topic in the Iowa State Ag Decision newsletter. Authors Don Hofstrand and William Edwards discuss information needed and methods to determine the costs of operating a car or semi. This article can be found at <http://www.extension.iastate.edu/agdm/crops/html/a3-40.html>.
- Want detailed information on farm-based recreation (agri-tourism) in the U.S.? Then take a look at a recent USDA Economic Research Service publication titled Farm-Based Recreation: A Statistical Profile. The paper can be found at <http://www.ers.usda.gov/Publications/ERR53/>
- Get the farm's 2007 financial records closed out: Post all income and expenses paid during 2007 in your record book or accounting software. You still have time to conduct an end-of-the-year inventory of all the farm assets and liabilities to provide data for the farm's net worth statement.
- Need another copy of the Farm Record Book: Annual Expenses and Receipts Virginia Cooperative Extension publication 446-017? Contact your local extension office and ask for the request 446-016. The price is \$12.00.
- Using your 2007 records to develop an itemized list of income and expenses. The categories found on the IRS Schedule F can serve as a starting point for estimating net income for the farm business. Compare your results to previous years, looking for both weakness and strengths.
- Seek assistance from Virginia Cooperative Extension's farm business management agents, lenders, or your accountant to develop a detailed financial analysis of your farm business, including the major 16 financial ratios. These ratios and a detailed financial analysis can be generated by using the Center for Farm Financial Management program

FINAN. FINAN and other computer programs can be purchased annually for approximately \$100 or the whole analysis and planning package of three computer programs for \$395. Details are at <http://www.cffm.umn.edu/Software/FINPACK/>.

- Using last year's financial and production records, finalize your projected budgets, cash flow, and income statements for 2007. If you use Quicken® or QuickBooks® make use of the budget section to create a 2008 budget based on 2007 records. 2008 budget entries can all be modified to reflect anticipated changes in 2008, like higher feed fertilizer costs.
- Take your 2007 financial records and 2008 projected whole-farm budgets and cash flow statements to your lender to discuss line-of-credit needs and plans for 2008. Using the FINPACK programs or your Quicken® or QuickBooks® can help with this process.
- Grain and livestock producers should have their marketing strategies/plans in place for 2008 marketing year. Be sure to check with your local Farm Service Agency for changes in government programs and signup deadlines. Be sure to visit the Weekly Roberts Agricultural Commodity Market Report for market updates. The report is posted at <http://www.ext.vt.edu/news/periodicals/roberts/>.
- The end of February and March 15 are the cutoff dates for signing up for most crop insurance policies in Virginia (dates depend on insurance product and where you live). Details on crop insurance are best discussed with a local crop insurance agent. You can locate a local agent by visiting the following web site <http://www3.rma.usda.gov/apps/agents/>.
- Interested in finding a listing of all types of agricultural software? Then the best place to look is our neighbor to the north, Alberta Agriculture and Food. They have the most comprehensive listing of computer software designed for farm and agribusiness on the web <http://www.agric.gov.ab.ca/app68/agsoft>.

New Publications from the Agricultural and Applied Economics Department

By Denise Mainville (mainvill@vt.edu), Assistant Professor, Agricultural Marketing, Department of Agricultural and Applied Economics, Virginia Tech

Publication 448-520, Organic Feed-grain Markets: Considerations for Potential Virginia Producers, by Denise Mainville, Megan Farrell, Gordon Groover, and Karen Mundy has been published to the VCE public website at <http://www.ext.vt.edu/pubs/agecon/448-520/448-520.html>

Publication 448-505, Using the Internet for Direct Marketing, by Denise Mainville, Susan Sterrit, and Karen Mundy, has been published to the VCE public website at: <http://www.ext.vt.edu/pubs/agecon/448-505/448-505.html>

Workshop Series on Direct Marketing

By Denise Mainville (mainvill@vt.edu), Assistant Professor, Agricultural Marketing, Department of Agricultural and Applied Economics, Virginia Tech

Throughout the months of February, March and April, a series of workshops on direct marketing will be offered throughout Virginia. The workshop series is intended for both current and

potential producers and will focus on the post-harvest aspects (i.e. marketing, management, legal and liability, business planning, merchandising, etc.) of direct marketing agricultural products to consumers.

The following workshops are planned (see the Calendar of Events for contacts and location information).

<u>Direct Marketing Beef</u>	<u>February 13, Weyers Cave</u>
<u>Topics</u> <ul style="list-style-type: none"> • Direct Marketing Opportunities for Beef • Your Cattle & Product Quality • Processing & Marketing Logistics • Food Safety, Laws & Regulations for Selling Beef • Tax Rules & Regulations for Direct Marketers of Beef • Financial Aspects of Direct Marketing Beef for Profit • Producer Panel: How we Direct Market our Beef 	
<u>Direct Marketing Fruits & Vegetables</u>	<u>February 20, Franklin</u>
<u>Topics</u> <ul style="list-style-type: none"> • Direct Marketing Opportunities for Fruit & Vegetable Producers • From Small to Not-so-small: Scaling-up Issues for Fruit & Vegetable Producers • Post-harvest Management of Fruits & Vegetables for Optimum Safety & Quality • Weights, Measures & Labeling for Fruit & Vegetable Sales • Producer Panel: How we Direct Market our Fruits & Vegetables 	
<u>Direct Marketing Fruits & Vegetables</u>	<u>February 23, Christiansburg</u>
<u>Topics</u> <ul style="list-style-type: none"> • Direct Marketing Opportunities for Fruit & Vegetable Producers • Opportunities to Innovate! Product and Market Outlook for Fruits & Vegetables • Going Organic with Fruits & Vegetables: Market-side Considerations • Legal & Liable—What you should know • Protecting your Self, your Family, and your Farm through Proactive Security • Protecting yourself and your Customers through Good Agricultural Practices • Producer Panel: How we Direct Market our Fruits & Vegetables 	

Business Skills for Farmers' Market Vendors March 12, Weyers' Cave

Tentative Agenda

- Where the Money is: Emerging Opportunities for Farmers' Market Vendors
- Setting Goals and Making Plans to Meet them: A Business Planning Exercise
- From Small to Not-so-small: Scaling-up Issues
- Cheap, Attractive & Effective Farmers' Market Displays: A Demonstration
- Legal & Liable—What you should know
- Making the Grade through Good Weights & Measures
- Discussion: Vendor Challenges and Issues

Leadership Skills for Farmers' Market Managers April 3, Charlottesville

Topics

- Market Managers as Leaders
- Balancing Interests through Effective Meeting Facilitation
- Addressing and Resolving Conflicts in the Marketplace
- Understanding and Working with Different Cultures

The workshops are being presented by Virginia Cooperative Extension with support from the Virginia Department of Agriculture & Consumer Services, and funding from the Southern Risk Management Education Center.

Direct Marketing Beef
Wednesday, February 13, 2008
8:30AM - 4:PM

Weyers Cave Community Center
Less than 2 hours from Richmond and Roanoke!

\$10, payable at the door if you pre-register by Monday February 11

Otherwise: \$15, payable at the door

Register by Calling - 540-245-5750, Augusta County Extension Office or via the
internet at:

<https://survey.vt.edu/survey/entry.jsp?id=1201208139107>

Agenda:

- 8:30AM Registration**
- 9:00AM Direct Marketing Opportunities for Beef** – *Denise Mainville, Marketing Specialist, VA Tech*
- 9:45AM Your Cattle and Product Quality – the right kind of cattle for your consumer**
– *Scott Greiner, Livestock Specialist, VA Tech*
- 10:30AM Break**
- 10:45AM Producer Panel-“How we direct market beef”** – *panel of producers from around the region*
- Lunch**
- 1:00PM Processing and Logistics – moving your product from the field to the consumer**
– *Denise Mainville, Marketing Specialist, VA Tech*
- 1:30PM Food safety, laws and regulations for selling beef**
– *Kate Weakley and Barry Jones, VA Dept of Ag & Consumer Services*
- 2:30PM Break**
- 2:45PM Tax Rules and Regulations for people direct marketing beef**
– *Bill Whittle, Ext Agent, Farm Business Management*
- 3:15PM Understanding Finances: Direct Marketing Beef for Profit**
– *Gordon Groover, Farm Business Management Specialist, VA Tech*
- 3:45PM Discussion and Wrap-Up.**



Sponsored by Virginia Cooperative Extension and the Southern Region Risk Management Education Center.

Directions: Take I-81 Exit 234, go EAST at the top on the ramp on Rt 256, straight through the light at the village of Weyers Cave. Community Center will be on the left ½ mile after the light.

If you are a person with a disability and desire any assistive devices, services or other accommodations to participate in this activity, please contact Tom Stanley at (540)-245-5750* during business hours of 8 a.m. and 5 p.m. to discuss accommodations by Friday February 8, 2008.

***TDD number is (800) 828-1120.**



Direct Marketing Fruits & Vegetables

Wednesday, February 20, 2008
8:00AM – 5:00 PM



Franklin Workforce Development Center

\$10, payable at the door if you pre-register by Monday Feb. 18th

Otherwise: \$15, payable at the door

Register by calling, 757-657-6450 ext. 414, Tidewater AREC or via the internet at:

<http://survey.vt.edu/survey/entry.jsp?id=1202139763814>

Tentative Agenda:

8:00 AM Registration

9:00 AM Direct Marketing Opportunities for Fruit & Vegetable Producers

– Denise Mainville, Marketing Specialist, VA Tech

10:00 AM Producer Panel: How we Direct Market our Fruits & Vegetables

– Panel of fruit & vegetable producers selling through diverse outlets

12:00 PM Lunch

1:00 PM From Small to Not-so-small: Scaling-up Issues for Fruit & Vegetable Producers – Leanne Dubois, Virginia Cooperative Extension

2:00 PM Weights, Measures & Labeling for Fruit & Vegetable Sales

–Speaker TBA

3:00 PM Break

3:15 PM Post-harvest Management of Fruits & Vegetables for Safety & Quality

– Rob Williams, Food Safety Specialist, VA Tech

4:15 PM Discussion & Wrap-Up – Janet Spencer, Virginia Cooperative Extension

If you are a person with a disability and desire any assistive devices, services or other accommodations to participate in this activity, please contact Janet Spencer at (757) 657-6450 ext. 414* during business hours of 8:00 am and 4:30 pm to discuss accommodations by Friday February 15, 2008. *TDD number is (800)828-1120.

This workshop is supported by USDA/CSREES under Award Number 2004-49200-03126.

SCHEDULE AT A GLANCE

DIRECT MARKETING FRUITS AND VEGETABLES

Saturday, February 23, 2008
Christiansburg, VA

Grower Producer Workshop

8:30-9:00	Registration
9:00-9:10	Welcome
9:10-10:00	Opportunities to Direct Market Fruit and Vegetables Dr. Denise Mainville, Virginia Tech
10:00-11:30	Southwest Virginia Grower Showcase Moderated by Wythe Morris
11:30-12 Noon	Protecting Yourself, Your Family and Your Farm through Proactive Security TBA
12:00-1:00	LUNCH
1:00-1:30	2008 Fruit and Vegetable Market Outlook Wythe Morris, VCE Horticulture
1:30-2:30	Legal and Liability Issues for Direct Marketers Dr. Jesse Richardson, VT Urban Affairs & Planning Virginia Tech
2:30-2:45	BREAK
2:45-3:15	Direct Marketing Organic Products Catherine Cash, VDACS Organic Certification Specialist
3:15-4:15	Protecting Yourself and Your Customers through Good Agricultural Practices Dr. Joell Eiffert, Food Science & Technology Virginia Tech
4:15-4:45	Discussion and Questions Wythe Morris

Calendar of Events

February

- 13 Workshop on Direct Marketing Beef. Weyers Cave. Weyers Cave Community Center. For more information or to register, contact Tom Stanley at (540) 245-5750 or register via the internet at: <https://survey.vt.edu/survey/entry.jsp?id=1201208139107>. (You may have to copy and paste this URL into your browser window.) Registration is \$10 if you pre-register by Monday, February 11; otherwise \$15, payable at the door.
- 20 Workshop on Direct Marketing Fruits & Vegetables. Franklin. Paul D. Camp Workforce Center. For more information or to register, contact Janet Spencer at (757) 657-6450 or register via the internet at: <https://survey.vt.edu/survey/entry.jsp?id=1202139763814>. (You may have to copy and paste this URL into your browser window.) Registration is \$10 if you pre-register by Monday, February 18; otherwise \$15, payable at the door.
- 23 Workshop on Direct Marketing Fruits and Vegetables. Christiansburg. Montgomery County Government Center Building. For more information or to register, contact Barry Robinson at (540) 382-5790 or register via the internet at: <https://survey.vt.edu/survey/entry.jsp?id=1201291770339>. (You may have to copy and paste this URL into your browser window.) Registration is \$10 if you pre-register by Thursday, February 21; otherwise \$15, payable at the door.

March

- 12 Workshop on Business Skills for Farmers' Market Vendors. Weyers Cave. Weyers Cave Community Center. For more information or to register, contact Amber Vallotton at (540) 564-3080 or register via the internet at: <https://survey.vt.edu/survey/entry.jsp?id=1202251159634>. (You may have to copy and paste this URL into your browser window.) Registration is \$10 if you pre-register by Wednesday, March 12; otherwise \$15, payable at the door.

April

- 3 Workshop on Leadership Skills for Farmers' Market Managers. Charlottesville. Albemarle County Office Building. For more information or to register, contact Peter Warren at (434) 872-4580 or Matt Benson at (540) 341-7961, or register via the internet at: <https://survey.vt.edu/survey/entry.jsp?id=1202161873631>. (You may have to copy and paste this URL into your browser window.) Registration is \$10, payable at the door. Please pre-register by Tuesday, April 1.