

Virginia Cooperative Extension



Farm Business Management Update February – March 2009

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 feel free to reproduce any article however, please cite the title, author(s), date, and this Newsletter.

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 Extension Project Leader

<u>Item</u>	<u>Page</u>
Paperwork and Legal Employees	1
What is a Fair Land Rental Rate?	2
The Management Calendar	4
NRCS/EPA announce Chesapeake Bay Watershed Initiative	6
Rural Lands and Agribusiness Continuing Legal Education Seminars	7
Calendar of Events	8

Paperwork and Legal Employees

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

The agriculture industry often has difficulty locating and retaining quality employees. The farm owner/manager along with other managerial duties usually is also the Human Resource Department and must handle the hiring of employees, and the associated paperwork. One piece of paperwork that is an absolute must for any business to properly complete and maintain is Form I-9 from the US Citizenship and Immigration Services of the Department of Homeland Security. The Form I-9 verification process ensures that employees possess proper authorization to work in the US and that hiring practices do not unlawfully discriminate based on immigration status.

US employers are required by law to verify that all workers hired on or after November 6, 1986, regardless of immigration status, are authorized to work in the U.S. This is accomplished by completing and maintaining Form I-9 on each new employee hired after November 6, 1986. This includes citizens and non-citizens, full-time and part-time employees, minors, uncle and sister. Everyone! The length of hire does not matter, whether it is one day or 30 years. There are no exceptions for not having a properly completed I-9. The employer is the person responsible for ensuring that the Form I-9 is completed and retained for every individual hired.

Rev 06/05/07

Employers must use the most current version (as of 1/31/09 Rev. 06/05/07) of the I-9 when completing the form with new-hires. The latest version is available at <http://www.uscis.gov/i-9>. Employers are not required to update an I-9 on long-term employees just because the version changed. If a long-term employee quits or is terminated, then a new I-9 must be completed if rehired.

Form I-9 must be maintained in the employer's possession. It should not be sent to the USCIS. However, the form must be available for inspection by authorized US government officials (e.g. Department of Homeland Security (DHS), Department of Labor (DOL), and Office of Special Counsel). An I-9 must be kept on each employee for three years after the date of hire or for one year after employment is terminated, whichever is the latest date.

Form I-9 is a four page document. The first two pages are instructions, the 3rd page is the Eligibility Verification Form consisting of three sections that must be filled out and the 4th page is the List of Acceptable Documents.

Important points:

1. Employer is responsible for having the I-9 properly completed in the allotted timeframe and for maintaining the record.
2. Employer must give employees the entire I-9 at time of hire.
3. Employee must fill out Section 1 of the Eligibility Verification Form when hired.
4. Social Security Number for the I-9 is voluntary unless the employer participates in E-Verify.
5. Employers cannot specify the documents they will accept as long as the documents are listed

on the List of Acceptable Documents for the current I-9.

6. Employees must present original documentation (no photocopies). After physically examining the documents, employers must fill out Section 2 within three business days of the date employment begins.
7. It is illegal to discriminate against any individual (other than an alien not authorized to work in the US) in hiring, discharging, or recruiting because of that individual's national origin or citizenship status.
8. An employer is not required to know with absolute certainty if a document is real or fake, but the employer must examine the original documents and make a good faith determination. The document should: 1) appear to relate to the employee, 2) appear to be genuine, and 3) must be included on the Lists of Acceptable Documents. If a document presented is obviously forged (no specific guidelines on how this is determined) you do not have to accept it, but the anti-discrimination provisions warn employers not to be overzealous when rejecting documents.
9. Form I-9 addresses situations when a translator is used by the employee in filling out the form, when a minor is hired for work, and for an employee whose work privilege has an expiration date.

Employers who hire or continue to employ individuals knowing they are not authorized to be employed in the US, or who fail to comply with employment authorization verification requirements may face civil and in some cases criminal penalties.

The US Citizenship and Immigration Service (USCIS) website at <http://www.uscis.gov> offers complete information on the I-9, how to determining employee eligibility and use of the E-Verify system. Instructions for completing the I-9 are provided in great detail in the Handbook for Employers: M-274 (www.uscis.gov/files/nativedocuments/m-274.pdf).

What is a Fair Land Rental Rate?

By Peter Callan (peter.callan@vt.edu), Extension Agent, Farm Business Management, Northern District

Every year both farmers and non-farming landowners call their Extension Office to inquire about current rental rates for farmland and these rates are dependent on several factors. First, soil type determines the potential productivity of the land. Land that is hilly and has limited top soil due to erosion has significantly lower potential yield than deep, well drained soils. Second, what is the current fertility history of the field or farm under consideration? Have previous producers fertilized and maintained the soil or have they “mined” the soil? With fertilizer levels at all time highs, producers are reluctant to pay high rental charges for land that has been drained of nutrients. Third, know the topography of the land. Land with steep slopes is not conducive to crop farming and is limited to being used as pasture. Producers are willing to pay more for land that has the potential to generate higher rates of return (crops or hay). Fourth, appraise the buildings on the property and there usefulness to your farm business. Can they be used for crop storage and/or housing of animals? What is the condition of the facilities? Are the buildings efficient to use in today's agriculture?

In an era of high input costs, land management practices play a dominant role in determining rental values. Who pays, tenant or landlord, for fertilizing the land, bush hogging to eliminate the opportunity for brush and weeds to grow on the land, and maintaining fences are important questions to resolve before signing a lease. Producers that fertilize, bush hog and maintain fence incur major cash outlays to perform these practices on rented land. Charging high rental rates may result in producers cutting back or not performing these essential land management practices. Common sense dictates that producers will not rent the land if they will incur a loss. Producers must generate a profit to stay in business! Land owners must decide how important these land management practices are in the stewardship of their land. Remember all farms will be sold at some point! Will buyers be willing to pay a premium for property that has been poorly maintained?

Real estate taxes saved because the land is taxed for agricultural purposes are a benefit most property owners do not consider. Virginia law includes a use value assessment program for qualified agricultural land. This program preserves agricultural land and encourages its proper use. The program reduces the taxable assessment of qualified land to reduce tax payments for the farmers and landowners.

This land use program has two general categories. First agricultural and horticultural, real estate devoted to the bona fide production for sale of plants and animals or enrolled in a federal government soil conservation program (applies to all categories). There is a minimum of five acres necessary to qualify for land use taxation. Second, forestland devoted to tree growth in such quantity, spaced and maintained as to constitute a forest area under a timber management plan is required. A minimum of 20 acres is required for this activity.

Landowners must provide proof that the land has been used agriculturally for five previous years. Federal schedule F (Profit or Loss from Farming), Schedule E (Supplemental Income and Loss) and lease affidavits and or forest management plan are acceptable means of meeting this requirement. Schedule E has a section for documenting income or loss from rental real estate and royalties. Eligibility, validation, and enforcement are left up to each locality.

There is a huge difference in an owner's real estate taxes when the land is taxed for agricultural or forestry purposes compared to fair market value. The following example can be used to illustrate this point.

We assume that 10 acres of land has a fair market value of \$10,000 per acre, agricultural assessed value \$300/acre, tax rate of \$.60/\$100 (\$0.0060) of assessed valuation. The tax rate for this property is calculated as follows: \$10,000 (fair market value/acre) X tax rate of \$.60/\$100 of assessed valuation X 10 acres = \$600. Taxes paid when the agricultural assessment rate is used are as follows: \$300 (assessed agricultural value) X tax rate of \$.60/\$100 of assessed valuation X 10 acres = \$18. Thus, the landowner saves \$582 in taxes by enrolling his 10 acres in the land use program.

10	Acres of farmland
\$0.0060	Real property tax rate (\$0.60 per \$100 of value)
\$100,000	Fair market value at \$10,000 per acre
\$600	Taxes based on fair market value (\$100,000*\$0.0060)
\$3,000	Agricultural assessed value \$300/acre
\$18	Taxes based on agricultural assessed value(\$3,000*\$0.0060)
\$582	Tax savings (\$600 - \$18)

Land owners need to give serious consideration to the value of land management practices in setting rental rates. A conscientious producer, who fertilizes, performs bush hogging and maintains fences is preserving the value of the landlord's property and saving the owner property taxes. Minimal rental rates encourage producers to conduct value land management practices that will increase the value of your land in the long run. Good rental relationships that are in writing can create win-win situations for both the producer and landlord.

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 2009.

- **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: 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 www.agecon.purdue.edu/extension/pubs/taxplan2008.pdf.
 - If you need federal income tax information for timber landowners then see the latest issue of Jennifer Gagnon's newsletter The Virginia Forest Landowner Update at www.cnr.vt.edu/forestupdate/pages/newsletter.htm.
 - Decide how much you'll contribute to an IRA for 2008 and set goals for 2009. 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/>.
- For diary producers: There is a new MILC program and signup begin December 22, 2008 and will continue through the program's expiration date, September 30, 2012. Dr. Geoff Benson, NCSU suggested that farmers visit the University of Wisconsin website <http://future.aae.wisc.edu/milc.html> for help in timing of their signup decision.

- Enrollment for the 2009 Direct and Counter-cyclical Payment (DCP) Program for farms with base acres begin December 22, 2008 and will continue until June 1, 2009. Visit your local FSA office (www.fsa.usda.gov/FSA/stateOffices?area=about&subject=landing&topic=sao-do-so) or signup online (www.fsa.usda.gov/FSA/webapp?area=online&subject=landing&topic=dcp). Details of the program can be found at www.fsa.usda.gov/dcp.
- Want to keep up-to-date on the renewable energy industry then signup for the Agricultural and Marketing Resources Center newsletter from Iowa State at www.agmrc.org/renewable_energy/agmrc_renewable_energy_newsletter.cfm.
- 2007 Census of Agriculture will be available February 4, 2009. All data for the US and Virginia will be online at www.agcensus.usda.gov/Publications/2007/index.asp.
- Need more than just agricultural census data the visit the USDA Economic Research Service web site titled *State Fact Sheets* (www.ers.usda.gov/StateFacts/) for a summary of agricultural and other population data.
- Get the farm's 2008 financial records closed out: Post all income and expenses paid during 2008 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 form 446-016 or print the order form at www.ext.vt.edu/pubs/agecon/446-016/446-016.pdf. The price is \$12.00.
- Using your 2008 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 2008. If you use Quicken® or QuickBooks® make use of the budget section to create a 2009 budget based on 2008 records. 2009 budget entries can all be modified to reflect anticipated changes in 2009, like higher feed costs and lower prices.
- Take your 2008 financial records and 2009 projected whole-farm budgets and cash flow statements to your lender to discuss line-of-credit needs and plans for 2009. 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 2009 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 Rural Development. 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>.

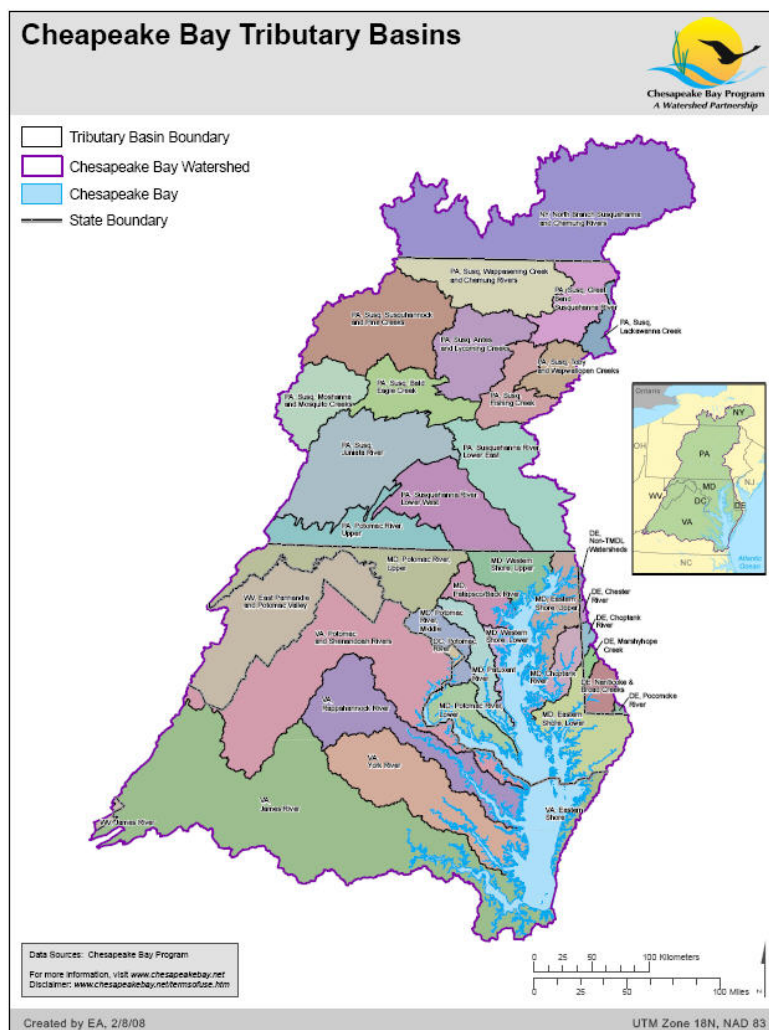
NRCS/EPA announce Chesapeake Bay Watershed Initiative

By Jim Pease (peasej@vt.edu), Extension Economist, Farm Management, Department of Agricultural & Applied Economics, Virginia Tech

In a joint press release on January 15, USDA/Natural Resources Conservation Service (NRCS) and the Environmental Protection Agency (EPA) announced the availability of \$23 million funding in fiscal year 2009 for the new Chesapeake Bay Watershed Initiative (CBWI). The Initiative marks a new stage in cooperation between USDA and EPA in coordination and cooperation to aid agricultural producers in cleanup of the Chesapeake Bay. The program was authorized in the Food, Conservation, and Energy Act of 2008 (the Farm Bill), and funding was also authorized for \$43 million, \$72 million, and \$50 million during the years fiscal years 2010-2012.

CBWI is available to farmers in portions of Virginia, Maryland, Pennsylvania, West Virginia, Delaware, and

New York that lie within the Chesapeake Bay drainage area (see map of tributaries). The Initiative will be administered by NRCS and delivered through the Environmental Quality Incentives Program (EQIP), and all the EQIP requirements will be applied. Producers may not



notice any changes from regular EQIP programs except that more funding will be available to address natural resource issues such as excess nutrients, soil erosion and sedimentation, air quality, wetlands protection, wildlife habitat protection and forest resources.

Rural Lands and Agribusiness Continuing Legal Education Seminars

By Jesse Richardson, Jr. (jessej@vt.edu), Associate Professor, Department of Urban Affairs and Planning, Virginia Tech

These seminars are a continuing legal education program offered to interested professionals that work with rural landowners and farmers on land related issues. Speakers and instructors will include academics and professionals with expertise in specific areas of law and taxes, including: Jesse Richardson, Jr., and L. Leon Geyer of VA Tech; Andrew Branan of the North Carolina Farm Transition Network; Douglas Baumgardner of Baumgardner & Brown; and Lisa Anne Hawkins of Lenhart Obenshain.

The Seminars will be held in three locations:

- Roanoke - Claude Moore Education Center Auditorium, Roanoke Higher Education Center, 108 North Jefferson Street. Roanoke, VA on April 20, 2009
- Weyers Cave - Robert E. Plecker Workforce Center, Blue Ridge Community College, One College Lane Weyers Cave, VA on April 22, 2009
- Richmond - Virginia Farm Bureau, 12580 West Creek Pkwy, Richmond, Virginia on April 27, 2009. The agenda is listed below. For details please contact Jesse Richardson at (540) 231-7508 - or by email at jessej@vt.edu.

Agenda

Start time	Topics
8:00 am	Registration
8:50	Opening Comments
9:00	Farm Transition Legal Issues Overview (Estate Planning, Succession Tools, Elder Law)
9:50	Fence Law
10:40	Break
10:50	Premises/Trespasser Liability Including Agritourism Liability
11:40	Lunch- On Your Own
12:50 pm	Business Entity Establishment, Maintenance, Transfer And Tax Issues (Separating Land And Business)
1:40	Eminent Domain
2:30	Break
2:40	Conservation Easements
3:30	Ethics
4:30	Adjourn

Calendar of Events

February

- 5 Comprehensive Approach to Farm Business Succession Planning and a five- part Managing the Farm Transition Workshop Series. Workshops on consecutive Wednesdays 5:00PM – 9:00PM from February 4 – March 4, Elks Lodge, Charlottesville, VA. Contact Peter Callan by phone at (540) 727-3435 or by email at peter.callan@vt.edu.
- 9 Managing the Farm Transition: A Workshop Series for Farm Families. Rocky Mount; The Franklin Center. 10:00 AM – 2:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.
- 9 Managing the Farm Transition: A Workshop Series for Farm Families. Fincastle; Fincastle Library. 5:00 – 9:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.
- 12 Session 1: Dairy Management Institute. Rocky Mount, VA. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu or Beverly Cox at (540) 483-5161 or by email at becox@vt.edu.

March

- 2 Managing the Farm Transition: A Workshop Series for Farm Families. Rocky Mount; The Franklin Center. 10:00 AM – 2:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.
- 2 Managing the Farm Transition: A Workshop Series for Farm Families. Fincastle; Fincastle Library. 5:00 – 9:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.
- 9 Managing the Farm Transition: A Workshop Series for Farm Families. Rocky Mount; The Franklin Center. 10:00 AM – 2:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.

- 9 Managing the Farm Transition: A Workshop Series for Farm Families. Fincastle; Fincastle Library. 5:00 – 9:00 PM. Cost: \$60 per person or \$100 per couple, or \$50 per person when 3 or more family members are registered at the same time. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu.
- 26 Session 2: Dairy Management Institute. Rocky Mount, VA. Contact Eric Eberly at (434) 292-5331 or by email at eeberly@vt.edu or Beverly Cox at (540) 483-5161 or by email at becox@vt.edu.

April

- 20 Rural Lands and Agribusiness Continuing Legal Education Seminars. Claude Moore Education Center Auditorium, Roanoke Higher Education Center, 108 North Jefferson Street. Roanoke, Virginia Directions: www.education.edu/directions-parking.html (Parking is \$5). Contact Jesse Richardson at (540) 231-7508 - or by email at jessej@vt.edu.
- 22 Rural Lands and Agribusiness Continuing Legal Education Seminars. Robert E. Plecker Workforce Center, Blue Ridge Community College, One College Lane Weyers Cave, Virginia 24486. Directions: www.brcc.edu/wsce/CoverPages/FiveTabs/directions.htm. Contact Jesse Richardson at (540) 231-7508 - or by email at jessej@vt.edu.
- 27 Rural Lands and Agribusiness Continuing Legal Education Seminars. Virginia Farm Bureau, 12580 West Creek Pkwy, Richmond, VA 23238-1110. Directions: www.vafb.com/about_fb/location.htm. Contact Jesse Richardson at (540) 231-7508 - or by email at jessej@vt.edu.