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Farm Business Management Update
August – September 2012

Farm Business Management Update is a joint effort of the Agricultural and Applied Economics faculty and the area farm management educators. Subject matter areas include timely information on farm management, marketing, tax management, finance, credit, labor, agricultural law, agri-business, estate planning, 4-H economic education, natural resources, and CRD. Please feel free to reproduce any article. However, please cite the title, author(s), date, and this newsletter.

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AAEC's New Staff and Faculty

Steve Blank (scblank@vt.edu), Department Head, Agricultural and Applied Economics, Virginia Tech

The past six months have been filled with change for the Agricultural and Applied Economics Department. Between March 1st and August 1st, the entire administrative staff of five elected to retire from the university after many years of service. This prompted the department to launch a recruitment effort influenced greatly by new and more stringent fiscal realities. Only four new positions could be filled, so the content of the positions had to be redefined. Complicating the situation was the fact that normal faculty turnover continued, making it necessary to hire one new Instructor before the start of the Fall 2012 semester and to launch another recruitment for two different faculty positions.

All four of the new staff positions were successfully filled due to the excellent work of a single search committee. That committee included faculty members George Davis, Mike Ellerbrock, Gordon Groover, Mary Marchant, and Kurt Stephenson. They undertook the four recruitments one at a time, in rapid succession.

The first new position to be filled was the Undergraduate Program Professional Advisor. Frenda Wall came to AAEC from another position on campus to take on the challenge. Starting in March, Frenda has been organizing all aspects of the undergraduate teaching program. She will also be advising the new students starting in the Fall term.

In April, Stephanie Sarver began as the department's Business Manager. She also had campus experience, which helped as she took responsibility for all financial and personnel operations in the department. That involves using the university's computer systems to process and keep track of all department financial transactions as well as personnel records.

In June, Ashley Clark became the department's new Graduate Program Professional Advisor. Being an alumnus of Virginia Tech smoothed the transition as Ashley came to AAEC from a position off campus. Her new duties involve managing the department's graduate program. This includes a range of activities from student recruitment and advising to program management.

Finally, Rose Jeter begins her duties as Communications Manager for the department in August. An AAEC graduate, she returns to Virginia Tech after working off campus for a few years. Her new position will involve facilitating the department's efforts to disseminate information from our research programs to audiences off campus and, at the same time, to gather feedback from stakeholders for use by our faculty.

The faculty is excited by the potential of our new staff. The many professional skills of our four new colleagues will enable us to improve the quality of our efforts, and thus better serve the people of Virginia.

We are also very happy to have Kelly Lange joining us as a new Instructor in August. She will teach undergraduate courses in agribusiness and financial planning. Her background includes training in agricultural economics, business administration, and financial planning. She comes to us from Lubbock, Texas and will bring along two horses that will have to adjust to the sight of trees and land that is not flat.

Our year of transition will end when we hire two faculty members to teach and conduct research in agribusiness and finance. The positions will strengthen our programs in agribusiness and financial planning. They will also enable us to expand our outreach efforts in those topics. Combined with our new staff, we expect our new faculty to help us bring new programs to stakeholders across the state.

Comparison of Current House and Senate Conservation Proposals

Jim Pease, Professor (peasej@vt.edu), Department of Agricultural and Applied Economics Virginia Tech

The Senate passed the Agriculture Reform, Food and Jobs Act (ARFJ) of 2012 (S.3240) on June 21, 2012, just a bit more than 3 months prior to the expiration of the 2008 Farm Bill. The House Agriculture Committee passed the Federal Agriculture Reform and Risk Management Act (FARRM) of 2012 (HR. 6083) on July 11, but it is unlikely that the full House will act on the measure before the session adjourns for the August recess. Conservation titles of the two bills are similar, and have been praised by multiple conservation organizations, which seems somewhat surprising, considering that many programs will be repealed and $1.756 billion was cut from Title II programs over 2013-2017. However, the Congressional Budget Office (CBO) estimates conservation spending will total a hefty $57.7 billion over 2013-2017 under the Senate bill. Even with a cut of approximately 11% over the next ten years, it is likely that many environmental organizations feared worse, and were (relatively) happy that the Conservation Title cuts were no larger than those developed during the failed Super-committee budget-cutting attempt of late 2011.

The following is a brief comparison of the conservation provisions in the new bills. Both bills consolidate 23 conservation programs into 13 programs, as noted below. Although many existing programs were repealed, most of their functions were rolled into a few new programs. Although programs have been reshuffled, renamed, and consolidated, the basic Conservation Portfolio categories of Land Retirement and Easements, Working Lands, Conservation Compliance and other programs still exist.

Land Retirement and Easements

Land retirement programs provide payments to landowners in exchange for limits on farmland use, practices or development. Easement programs differ only because the land-use restriction is permanent. In the 2008 Farm Bill, these programs included the Conservation Reserve Program and its sub-programs the Conservation Reserve Enhancement Program; the Farmable Wetlands Program; the Wetlands Reserve Program and its sub-program the Wetlands Reserve Enhancement Program; the Grasslands Reserve Program and the Farmland Protection Program.

Conservation Reserve Program (CRP)

CRP offers annual rental payments to farm land owners who agree to temporarily retire environmentally sensitive land from production and establish/maintain a conserving use on the land. CRP enrollment authority has declined during the past years as high commodity prices gave producers compelling incentives to return CRP land to production. Both the House and Senate responded to this opportunity for budget cutting (expenditures for CRP contracts total approximately $2 billion/year) by stepping down the enrollment authority from the current 32 million acres to 25 million acres by FY2017. The Congressional Budget Office (CBO) scores the budget savings as $1.32 billion over the 2013-2017 expected life of the 2012 Farm Bill. The Grasslands Reserve Program is repealed, but CRP is amended so as to allow enrollment of similar land. The maximum grasslands enrollment is limited to 1.5-2 million acres under the Senate or House provisions. The Farmable Wetlands program is re-authorized and made a permanent program, but receives a reduced 750,000 acre enrollment cap under CRP.

Agricultural Conservation Easement Programs (ACEP)

All USDA conservation easement programs are repealed (Wetland Reserve Program, Farmland Protection Program, Grasslands Reserve Program and Farm Viability Program), but their program objectives and functions are consolidated under the new Agricultural Conservation Easement Program. In the Senate bill, the CBO estimates spending in the new program at $809 million more than the existing programs would spend over 2013-2022.

Working Lands Programs

Environmental Quality Incentives Program (EQIP)

EQIP provides cost-share and incentive payments for adoption of conservation practices or structures on agricultural land that remains in production. EQIP has been the largest Working Lands program under the 2008 Farm Bill, with budget authority of $7.325 billion between FY2008-FY2012. EQIP is re-authorized for 2013-2017, but with reduced budgets. Under the Senate Bill, EQIP budget authority shrinks by nearly $1 billion over the next 10 years, but the House Bill does not reduce funding authority from its current $1.75 billion annual level. Both bills target 5% of funding for funding wildlife habitat protection practices in a manner similar to those of the repealed Wildlife Habitat Incentives (WHIP) program.

Conservation Stewardship Program (CSP)

CSP is a "green" payment program, a working lands program designed to reward producers who achieve and maintain above–benchmark standards of conservation management. The program is re-authorized for 2013-2017 in both House and Senate proposals. The bills establish a priority consideration for land with expiring CRP contracts. Enrollment caps are reduced by 19% in the Senate bill and 30% in the House bill, yielding an expenditure reduction of $452 million annually over 2013-2017.

Conservation Compliance

Since 1996, participants in the federally subsidized crop insurance program are not subject to loss of benefits if they produce an agricultural commodity on highly erodible land without an approved conservation plan or qualifying exemption, or convert a wetland to crop production. The Senate bill revokes this provision, but the House bill does not.

Other Programs

Regional Conservation Partnership Program (RCPP)

Several federal partnership programs are also repealed and their functions are consolidated under the banner of the Regional Conservation Partnership Program, which partners with state and local governments, native American tribes, farmer coops and other organizations to leverage funds on a regional or watershed scale. Both bills repeal such programs as the Agriculture Water Enhancement Program, the Great Lakes basin program, the Chesapeake Bay Watershed program, and the Cooperative Conservation Partnership Initiative and roll all under the RCPP. For the Senate bill, the CBO estimates total budget expenditures for RCPP as $36 million less than the existing programs over 2013-2022.

In addition, certain small but popular programs were re-authorized for 2013-2022. These programs are the Voluntary Public Access, Habitat Incentive Program and Terminal Lakes Assistance programs.

Conclusion

The Conservation Titles of the Agriculture Reform, Food and Jobs Act (ARFJ) of 2012 (S.3240) and the Federal Agriculture Reform and Risk Management Act (FARRM) of 2012 (HR. 6083) are quite similar. Both bills make organizational changes in the structure of conservation programs and reduce overall conservation spending by 11% over 2013-2022, but given the deficit-cutting fervor in Congress, the legislative results could have been much more severe for conservation programs. Whether the 2012 Farm Bill will be enacted in 2012 is still anyone's guess, but it is likely that the bi-partisan consensus of the House and Senate conservation proposals will be approved in the final reckoning.

Managing Beef Profits

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

In March 2012 the prices of feeder cattle reached record highs. Recently I spoke with a cow/calf producer who stated "..last week I sold seven weight heifers for the same price as steers. In all my years of raising cattle, I have never received such high prices." The management of profits generated during periods of high prices will impact the long term viability of the business. Agricultural prices are highly cyclical.

There is the old adage "the cure for high prices is high prices". This means that during periods of high prices, producers will increase production to cash in on the high prices. The increased production will result in additional products sold in the market place, which will reduce demand for the products and depress prices for producers. The July 1, 2012 United States Department of Agriculture (USDA) Cattle (Inventory) Report stated that beef replacement heifer numbers were equal to the July 2011 report (1).

Fundamental economic principles dictate that at some time in the future, beef replacement heifer numbers will increase, which will expand the national beef cow herd. This will increase the number of fat cattle being slaughtered and increase beef supplies. Consequently, the larger supplies of beef available in the market place will lower prices of feeder and fat cattle as well as profit margins. The decisions that producers make during periods of high profits margins can impact the long term profitability and viability of their businesses.

Beef cattle producers should start to take steps to position their businesses to weather the future decline in profit margins. It is crucial that producers maintain open lines of communication with their lenders during periods of high prices and profit margins. Remember that your lender is your business partner. I would encourage producers to contact their lenders during the summer and fall of 2012 to keep them abreast of farm production and risk management strategies that are being used to lock in profits. Likewise, I suggest that producers sit down with their lenders and develop strategies for coping with the upcoming decline in cattle prices.

When profit margins start to decline; the producer and lender need to prioritize and develop a list where the profits will be spent to generate the highest returns. During the times of high prices, the producer should have replenished and built up cash reserves. First, producers need to set aside reserves that will enable them to keep operating accounts (feed, fuel, equipment repairs etc.) current for several months. Suppliers charge interest rates of one and a half to two percent per month on open accounts, which correlates to annual interest rates of 18-24 percent. The cash reserves can be used to pay off lines of credit and pre-pay on operating (cattle, equipment) and real estate loans. Next the producer should consider investing in income producing assets that will generate the highest returns.

Seed, soil fertility, fencing, and equipment repairs are areas that will yield long benefits to a farm. The frost seeding of legumes into grass pastures will provide nitrogen that will reduce purchased nitrogen inputs. Soil testing is an excellent way to determine soil fertility and develop a budget for planned fertilizer purchases. Maintaining soil fertility is crucial to sustaining high crop yields and long term farm profitability.

In the past several years fertilizer prices have been volatile. Fertilizer prices are influenced by grain prices and demand from China and India. When making fertilizer purchases, I would suggest that producers stay in close contact with their suppliers for information about prices and world supply changes.

Feed and fertilizer costs can be reduced by investing in fencing that will enable a producer to implement rotational grazing systems on their farm. Rotational grazing systems can increase forage utilization efficiency up to 75% compared to conventional grazing's 30—35% percent efficiency.(2) Missouri researchers estimated that grazing animals recycle 75-85% of forage nutrients consumed.(3) When grazing is managed, nutrients are recycled back where they came from. By having the cattle harvest their forage during more months of the year, producers are able to use less machinery and reduce their overhead costs. Due to reduced machinery requirements, producers may be able overhaul tractors to extend their use. Buying a newer model tractor will increase the farm's fixed or sunk costs e.g. depreciation, insurance, repairs, taxes.

During times of high profits, many producers succumb to "new paint disease" where they purchase new pick-up trucks and farm equipment that has bright and shiny paint. The decisions to replace and upgrade machinery will increase fixed and variable costs (fuel, labor) that raise total production costs (fixed + variable). These choices will have long term implications regarding farm profitability.

Many Virginia cow/calf producers own a line of hay making equipment (e.g. haybine, rakes, and baler) that is used to harvest hay which is used to feed the herd during the winter. Prior to the increase in feeder calf prices in April 2010, the average Virginia producer had an average ~ $100 profit per calf. The USDA Cattle Report stated that in January 2012 the average Virginia cow calf herd had 30 brood cows (4). Many producers incorporate stockpiling forage into their rotational grazing systems as a way to eliminate the need to bale hay to feed their animals during the winter months. The fixed costs of owning hay making equipment places producers in an uncompetitive position because their high production costs are unsustainable. Due to narrow profit margins, producers will not be able to generate sufficient profits to replace the hay equipment.

The strategic investment of profits generated from recent record feeder cattle prices will lay the foundation for the long term viability of cow/calf producers. By working together with their lenders, producers can develop a plan to prioritize the investment of profits into the farm's infrastructure that will maximize returns to their land, labor and capital in the cyclical beef industry.

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1. Cattle Report. July 2012. United States Depart of Agriculture, National Agricultural Statistics Service.
2. Coblentz. B. 2004. Rotational grazing benefits pastures. Mississippi Agricultural News.
3. Lory, J. and C. Roberts. 2000. Managing nutrients in pastures to improve profitability and water quality. In: G. J. Bishop-Hurley, S.A. Hamilton, and R. Kallenbach (eds.) Missouri Dairy Grazing Manual. Missouri University Extension. University of Missouri. Columbia, MO.
4. Cattle Report. January 2012. National Agricultural Statistics Service.

The Management Calendar

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As we approach fall harvest season, the prospects of low yields and high feed prices abound across much of the U.S. Virginia crop conditions as a whole are better than the Midwest yet as can be seen from the Drought Monitor site (http://droughtmonitor.unl.edu/monitor.html) we still have regions of Virginia in mild to moderate drought conditions. A few quick comments on dealing with drought from the farm management side:

- There are federal tax provisions for weather-related sales of livestock (see Peter Callan's article in this issue titled *Drought Tax Laws May Benefit Livestock Producers in 2010*) http://pubs.ext.vt.edu/news/fbmu/2010/08/article_4-fbu_08-10.html. Also, check with your tax consultant or CPA for advice.
- If you have crop insurance or other risk management products, make sure you check with your crop insurance agent before plowing under a crop or selling livestock.
- Droughts add additional financial stress to a series of turbulent years. To help evaluate alternatives become familiar with enterprise budgets and how to use them. See the VCE enterprise budgets at http://pubs.ext.vt.edu/category/enterprise-budgets.html.
- Take a look at the Agricultural and Applied Economics web site for an explanation of using a partial budget to compare alternatives: www.extension.agecon.vt.edu/word%20docs/Partial%20Budgets%20definition%202007.doc.

Listed below are a few items that might be of interest to farm business managers:

- A must read for all of us involved in agriculture is the current issue of "Choices," published by the Agricultural and Applied Economics Association and can be found at http://www.choicesmagazine.org/choices-magazine. In this issues are two themes:
    - Public Sector Options for Creating Jobs. In the current jobless recovery policymakers often feel pressure to create jobs within their communities. Yet there are important limits to what policymakers can actually accomplish, and policies are sometimes oversold. This theme issue reviews promising approaches as well as limits to alternative job creation strategies. There are six article detailing this theme
    - Immigration and Agriculture. Over half of the hired workers employed on farms, and a significant share of workers employed in food processing and meat packing, are not authorized to work in the United States. The four papers in this themed issue deal with the effects of immigration and immigration policy on the agricultural and food processing industries, and on rural communities. Martin sets the stage, explaining the characteristics of crop workers.
- USDA's Disaster and Drought Assistance Web site. USDA agencies have been working for weeks with state and local officials, as well as individuals, businesses, farmers and ranchers, as they begin the process of helping to get people back on their feet. USDA offers a variety of

resources for states and individuals affected by the recent disasters. For additional information and updates about USDA's efforts, please visit www.usda.gov/drought.

- Interested in knowing more about agroforestry? Then take a look at a USDA handbook that with information on establishing, managing and marketing agroforestry products. The handbook, *Profitable Farms and Woodlands,* is written for underserved and limited resource farmers and woodland owners living in the Southeast and includes five main agroforestry practices: alley cropping, forest farming, riparian buffer strips, silvopasture and windbreaks. A PDF version can be found at http://nac.unl.edu/profitable_farms.pdf.
- Dealing with drought stressed corn and deciding to harvest as grain or silage? If yes, you should take a look at the lead article in July issue of *Economic and Policy Update* from the University of Kentucky tilted "Value of Drought Stressed Corn Silage for 2012" (author Greg Halich). Web site http://www.ca.uky.edu/agecon/index.php?p=209.

Farm business managers should consider the following activities for their management calendars in August-September.

- As you start into harvest season, be sure to think about your crop records. Make sure you get information on yields, machine times, and equipment used (this information will help with next year's budgeting); identify weed problems and differences in varieties. In addition to recording information on weeds, etc., think about labor constraints and bottlenecks slowing down tasks during the harvest season. Have employees and family members record problems and successes (maybe give them a cash payment for each problem identified). When the crunch is over, spend a couple hours reviewing notes on what can be done next year to solve the problems and duplicate the successes. Family business meetings should focus management discussion on how to resolve problems, not who to blame. Also take a close look at the yield potential of each field; with input costs at their current levels, some fields may no longer provide a sufficient profit margin during periods of drought – changing crops may provide that hedge against a major loss.
- Always pay close attention to cash flow needs as you generate cash reserves during fall harvest, and get ready for real estate and personal property taxes this winter. Almost all computerized recordkeeping software, e.g. Quicken® and accounting software, e.g. QuickBooks® or FarmWorks, create cash flow reports that assist in managing cash available for debt service, family living, and cash expenses. Compare this year's cash flow to the budgeted amount and highlight deviations. If you did not develop a budget for this year, compare your inflows and outflow to last year's August totals. Make sure you have a series of possible plans to address any projected cash short falls.
- The time to make tax management decisions is quickly approaching. Make sure that you have set aside a few days in October to summarize all farm and family financial records, and make an appointment now with your accountant to work on end-of-year tax management strategies. As the forms and publications for the 2012 tax year become available, they can be obtained from the Internal Revenue Service site. www.irs.gov/formspubs/index.html. Consider attending one of the farm tax workshops conducted by the Virginia Tech Income Tax School, see the article below titled *Virginia Tech Income Tax School.*

- Livestock producers should develop a feed budget for the next 12 months. Make use of the feed budget just like you would a projected cash flow statement. Chart out deficits and develop strategies to fill in the deficits using local sources at harvest or planned purchase during the next 12 months.

Should I exit the Cow/Calf industry?

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

In March 2012, the prices of feeder cattle reached record highs. By mid July 2012, the severe drought in the Midwest and the Plains has caused soybean and corn prices to reach record high prices. Feeder cattle prices have declined due to the record grain prices and forced liquidation of herds due to drought. Many producers are contemplating their future in the industry. Should they hang on and purchase feed or exit the industry? What will feeder cattle prices be in 2013? Who makes this decision? The owner? The bank? Will health issues force the dispersal of the herd? Sometimes producers are forced to sell their herds ASAP when they are faced with life threatening health issues. Does the owner want to stay in business and perhaps lose all his hard earned equity?

In my opinion, I feel that psychology plays a prominent role in the decision making process to exit the industry. For many producers, the operation of a cow/calf herd is both a life style and a business. Many producers have the attitude that "The beef industry has always had times of high and low prices. We have had low prices before and stayed in business. We just have to "dig in" and keep going. Eventually prices will increase. They always have before. When we decide to sellout there are always farmers who want to expand and buy more land and cattle. We will be ok. There is nothing to worry about."

The owner's pride interferes with making sound economic decisions. In addition, fear of the unknown plays a major part in deciding to stay on the farm and continue raising cattle. Where will we live? Who is going to hire a middle aged man who has always raised cattle and farmed for a living? Human nature says that people like security and do not want to leave their comfort zone. Thus producers decide to hang on and the losses in equity mount as feeder cattle prices decline.

All businesses will be sold to either a family member or an outside party. We do not live forever. Many producers have made minimal contributions to social security. Consequently, they will receive minimum payments of social security benefits in their retirement years. The proceeds from the sale of cattle, equipment and land fund retirements. What happens when a producer sells assets and after debts are repaid and taxes are paid, the producer has few if any funds to show for a life's work? What will the producer live on their retirement years? Do producers want to live in poverty in their retirement years? What is your farm's exit strategy?

On many farms, the younger generation is not interested in taking over. On these final generation farms, the big question is timing the sale of the beef herd and the farm. A well known auctioneer stated that the best time to sell out is when prices are high. To most people, this statement is common sense. With the average age of American farmers around 58 years old, many farmers contemplate retiring and selling their farms in five to ten years. What levels will feeder cattle prices be at when they decide to exit the industry?

Does the beef producer gamble that beef prices will be on the upward trend in the beef cycle when he makes the decision to sell his beef herd? Fundamental economic principles dictate that at some time in the future, replacement heifer numbers will increase which will expand the national beef cow herd. This will increase the number of fat cattle being slaughtered and increase beef supplies. Consequently, the larger supplies of beef available in the market place will lower prices of feeder and fat cattle and profit margins. Beef prices are cyclical.

Although feeder cattle prices have declined due to the drought, current prices are relatively high compared to historical prices. Prior to the increase in feeder calf prices in April 2010, the ten year average price for Virginia producers was approximately $1.00 per pound for feeder steers.[(1)] For farmers who plan to sell their farms in the next five to ten years, this may be an excellent time to disperse their herds since current prices are well above the ten year average. The bottom line is as follows: does the producer want to remain in control of his business and decide to sell the farm on his time frame (maintaining equity for retirement) or will he let others (e.g. bank, doctors) make these decisions for him?

On the other hand, producers who elect to stay in business for the long run need to position their businesses to remain competitive for the inevitable decline in feeder cattle prices. In the coming years, the cow/calf producers who survive and remain competitive (maintain and increase equity) are the ones who have the lowest production costs in a volatile world market place. Maximizing profit per unit of production (cwt.) can be achieved by year round grazing. Many producers incorporate stockpiling forages into their grazing systems as a way to eliminate the need to bale hay to feed their animals during the winter months. By having the cattle harvest their forage year round, producers are able to use less machinery and reduce their overhead costs.

Sometimes producers may need to reduce stocking rates in order to have enough acreage for the animals to graze year round. This is an excellent time to cull marginal animals from their herds and cash in on above average fat cattle prices.

In previous years, producers have occasionally liquidated their entire herds during periods of high prices. Then these producers took their profits and restocked their herds in the future when cattle prices were significantly lower. By pursuing the policy of selling herds at high prices and restocking at low prices, some of these producers have generated significant increases in their saving accounts! In addition they were able to take vacations and not worry about who was caring for their herds!

The recent record high prices of feeder cattle are presenting cow/calf producers the opportunity of their lifetimes. The old adage “On the plains of hesitation bleach the bones of countless millions” can be used to describe the opportunities that are presented by the recent record high prices of feeder and fat cattle. For producers contemplating retirement in the next five to ten years, the sale of their cow/calf herds at current prices will increase the size of their retirements. For younger producers who have made the decision to remain in the industry for the “long haul” (10-15 years), these near record prices provide them the opportunity to position their businesses to weather the inevitable decline in prices. Consequently, producers need to make the decision to exit or remain in the cow/calf industry before there are further declines in feeder cattle prices. Otherwise they will squander a prime opportunity that has the potential to significantly increase the size of their bank accounts.

Reference : Virginia Market News Service. Virginia Department of Agriculture and Consumer Services.

2012 Custom Work Rate Guide – Valley & Alleghany Region

Tom Stanley (stanleyt@vt.edu), Extension Agent, Farm Business Management, Northern District.

This survey of farmers that performed or hired others to perform custom farm work was conducted in the Valley and Alleghany Highlands region of Virginia and encompassed all the counties from Rockbridge to Clarke and west of the Blue Ridge. There is considerable variation within each operation so these prices should only be used as a reference point. For example, round bale hay operations do not distinguish between those respondents that use net wrap and those that use twine. Also, appropriate charges for different operations will vary with the distance the custom operator must travel to reach the work site and the size of the task. Many respondents offered useful and informative comments about the work that was done but this information could not be summarized in a numeric format.

This survey was conducted and summarized by Tom Stanley, Extension Agent , Farm Business Management. You may contact Tom Stanley through the Rockbridge County Extension Office at 540-463-4734

Operation	Units	# Responses	Low	High	Average
Rotary Mower ('bush hog')	Acre	*	*	*	25.00
	Hour	7	15.00	75.00	55.71
Mow Hay	Acre	*	8.00	35.00	18.40
Mow and Condition Hay	Acre	8	9.00	18.00	13.75
	Hour	*	*	*	65.00
Tedder	Acre	*	3.00	9.00	5.60
Rake	Acre	*	4.00	9.00	6.25
Small Square Baling	Bale	*	*	*	1.00
Large Square Baling (6 - 1000#)	Bale	*	5.00	8.00	6.95
Round Bale 800#	Bale	22	4.00	12.00	7.99
Round Bale 1100#	Bale	11	5.50	10.00	7.82
Cut, Rake, Bale Sml Squares	Bale	7	1.05	2.25	1.84
Cut, Rake, Bale 800# Rd Bale	Bale	9	14.00	25.00	17.67
Cut, Rake, Bale 1100# Rd Bale	Bale	*	*	*	14.75
Bale Wrapping (Equip & Operator)	Bale	18	4.00	10.00	6.18

Operation	Units	# Responses	Low	High	Average
Subsoiling	Hour	*	*	*	15.00
Tandem Disk/Soil Preparation	Hour	*	*	*	15.00
	Acre	*	*	*	23.50
Corn Planting	Acre	25	15.00	30.00	21.84
Soybean Planting	Acre	11	12.00	30.00	20.50
Small Grain Planting	Acre	10	7.00	24.00	15.75
Grass/Clover No-Till Seeding	Acre	*	8.00	19.00	13.60
Pick Corn	Acre	*	30.00	60.00	40.00
Combine Corn	Acre	24	30.00	55.00	37.48
Combine Soybeans	Acre	15	28.00	45.00	35.03
Combine Sm. Grains	Acre	17	28.00	55.00	35.38
Haul Grain	Hour	*	*	*	300.00
	Bushel	10	0.15	0.45	0.24
Harvest Corn Silage	Ton	*	*	*	3.00
	Hour	*	350.00	375.00	366.67
Haul Silage	$/Ton/Mile	*	*	*	2.50
	Hourly Rate	*	65.00	105.00	75.00

Jim Gerrish of American GrazingLands Services to Speak at the 2013 Winter Forage Conferences

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

Kicking the Hay Habit: Increasing the Profitability of Virginia's Ruminant Livestock Operations is the theme for the Virginia Forage and Grassland Council (VFGC) and Virginia Cooperative Extension winter forage conferences. Hay costs purchased or homegrown are at record highs driven by high input costs. Producers will have an ideal opportunity to gain an understanding and the details needed to determine if a "kicking the hay" habit and year round grazing system make ¢ents for their livestock operations.

This year's keynote speaker is Jim Gerrish of American GrazingLands Services LLC a international national known expert on forage-livestock systems. He has 20 years of systems research and outreach while on the faculty of the University of Missouri, as well as 20 years of commercial cattle and sheep production on their family farm in northern Missouri. The University of Missouri - Forage Systems Research Center rose to national prominence as a result of his research leadership. His research encompassed many aspects of plant-soil-animal interactions and provides foundation for many of the basic principles of Management Intensive Grazing. It is a pleasure to welcome Mr. Gerrish back to Virginia. In his morning presentation, he will cover matching your calving season to your forage resources and environment, inventorying and budgeting forages resources, selecting the right cow-type for extended grazing systems, and winter grazing options. After lunch, Mr. Gerrish will discuss the practical points of how to successfully graze winter pastures including pasture utilization and rumen function, supplementation on winter pastures, and tools and tips for getting the job done.

Participants will also hear from Dr. Greg Halich, Associate Professor and Extension Specialist, Agricultural Economics, University of Kentucky, and J.B. Daniel, Forage & Grassland Agronomist, USDA-NRCS. Dr. Halich will provide famers with knowledge of profitability differences of grazing systems including spring verse fall calving and the cost of grazing verses making and feeding haying. Mr. Daniel will help farmers understand how to plan and develop farm infrastructure to support grazing systems and learn the details of NRCS/costs- share programs.

This year, VFGC will also feature local livestock producers at each workshop site to discuss "How I've extended the grazing season on my farm." These producers will provide conference participants with real insight on the challenges and benefits of implementing grazing systems that reduce the need for conserved forage.

The daylong conference will be repeated at four locations:

- Tuesday, January 22, Warren County Community Center, Front Royal
- Wednesday, January 23, Weyers Cave Community Center. Weyers Cave
- Thursday, January 24, Wytheville Meeting Center, Wytheville
- Friday, January 25, Southern Piedmont AREC, Blackstone

The conferences will run from 8:30 am to 3:15 pm.

For more information or to register for the conference, contact Margaret Kenny (makenny@vt.edu) at (434) 292-5331. The $35 early registration fee must be postmarked by Jan. 3, 2012. After the New Year, the registration fee is $50 per person. The U.S. Department of Agriculture Natural Resources Conservation Service are also sponsoring the conference.

Please visit the VFGC web site (http://vaforages.org) for additional details and registration information.

Agenda - 2013 VFGC Winter Forage Conferences

8:30 am	Registration
9:00-10:15	Planning for year-around grazing - Jim Gerrish
10:15-10:45	Break - Visit Sponsors
10:45-11:45	The ¢ents of grazing and hay feeding – Greg Halich
11:45-12:00	VFGC Business Meeting – Robert Shoemaker **VFGC President**
12:00 -1:15	Lunch —Visit Sponsors
1:15-1:45	How I've extended the grazing season on my farm? – local producer Local Producers
1:45-2:15	Developing your farm's infrastructure to support grazing – J.B. Daniels
2:15-3:15	Successfully grazing winter pastures - Jim Gerrish
3:15	Adjourn

Virginia Tech Income Tax School

By L. Leon Geyer (geyer@vt.edu), Professor, Agricultural Law, Department of Agricultural and Applied Economics, Virginia Tech

This fall we offer two different seminars: 1) RTRP Exam Preparation Seminar and 2) General Income Tax Seminar.

1. RTRP Exam Preparation Seminar

Three 1-day seminars offered as live instruction while space is available. RTRP Exam Prep are scheduled for three locations and held in September 2012 (Table1). These RTRP Exam Preparation Seminars are designed for those who wish to prepare tax returns for others, and must receive RTRP certification from the IRS for 2013. The course will provide practitioners with a comprehensive test-prep workbook, a bank of 1400 test questions, and unlimited practice exams for any who register, even those who do not register in time for live instruction. The course will provide online-testing tips, test strategies for the RTRP exam, and information about CE requirements for RTRP's.

Table 1. RTRP Exam Preparation Seminar

Site	**Date**	**Time**
Roanoke	September 26, 2012	7:00-3:30
Falls Church	September 27, 2012	7:45-4:30
Richmond	September 28, 2012	7:45-4:30

2. General Income Tax Seminar

Two days of general sessions of intensive study with farm tax, Maryland tax, and ethics sessions at selected locations (see Table 2). This course is a certified for RTRP Continuing Education credits by the IRS (15 hours Federal Tax + 1 hour VA Tax). All details can be found by visiting www.tax.vt.edu or contacting

Income Tax School Registrar, Continuing and Professional Education
702 University City Blvd., Virginia Tech, Mail Code 0272
Blacksburg, VA 24061
Fax: (540) 231-3306 Phone: (540) 231-5182
Email: vttax@vt.edu Web Page: www.tax.vt.edu

Topics Covered in the Agricultural Session

Agricultural Issues
- Wineries and vineyards
- Like-kind exchange of equipment and livestock
- Timber farming, sales at farmer's markets

Topics Covered in the General Sessions

2011 and 2012 Legislation

- A brief summary of each provision
- Cross-references to other chapters
- IRS guidance
- A table of effective dates

Rulings and Cases

- Rulings and cases from September 2011 through August 2012.

Individual Taxpayer Issues

- Gifts to family and Elder care
- Taxation of Social Security benefits
- Savings bonds and Homeowners

Ethics

- Case-study of common ethical issues
- Advising clients regarding tax scams
- Conflicts of interest
- Disclosure of tax return information
- Privacy Act notification
- Circular 230 issues, ethics for CPA's

Tax Practice

- Sample client questionnaire
- EIC due diligence questionnaire
- Form 1099 due diligence questionnaire follow-up

Fiduciary Tax Issues

- Types of trusts; including special needs trust
- Explanation of why numbers are on Schedule K-1 (From 1041)
- Grantor trust filing requirement

Gifts and Inheritances: Estate and Gift Taxes

- Gift splitting: documentation
- Lifetime gifting v. inheritance tax implications for donor and recipient
- Family limited partnerships

Business Assets

- Depreciation and Form 4797
- Fast v. slow cost write off; real estate basis reduction, cancellation of debt
- Effect of state law that does not follow federal depreciation and I.R.C. § 179 rules
- Deed in lieu of foreclosure

Loss Limitations

- Comparing passive loss and SE tax rules
- Sale of rental/business real property to related party

Business Issues

- Simple 125 plans
- Fringe benefits

- Information returns for non-employee compensation
- Schedule C issues
- Health insurance credit
- Repair v. capitalization new regulations

Agricultural and Natural Resource Issues

- Improvements by a tenant
- Depletion
- Form 2099-K reporting on Schedule F (Form 1040)
- Income in respect of a decedent

Retirement

- How to withdraw from retirement plans for maximum savings
- Types of investments allowed in plans, non-qualified plans

Business Entities

- Controlled groups; distributions from an entity
- Personal service corporations: identify
- Abandonment of interest in business entity (how to show you abandoned it)
- I.R.C. § 1244

IRS Issues

- CP 2000 process; consultant v. return preparer
- Innocent and injured spouse
- Form 2848, Power of Attorney and Declaration of Representative, changes
- Limits on RTRP representation
- Form 1099 requirements for small businesses
- Form 8938, Statement of Specified Foreign Financial Assets

Tax Rates and Useful Tables

Table 1. General Sessions Dates and Locations

Site	Date General Session 16 hrs.	Farm Session 2 hrs.	Maryland Session 2 hrs.	$25 extra Ethics Session 2 hrs.
Richmond I	October 29-30	Day 1	none	Day 2
Weyers Cave	Oct. 31- Nov 1	Day 1	none	Day 2
Abingdon	November 5-6	Day 1	none	Day 2
Roanoke	November 7-8	Day 1	none	Day 2
Lynchburg	November 12-13	Day 1	none	Day 2
Falls Church	November 14-15	none	none	none
Dulles	November 26-27	none	Day 1	Day 2
Fredericksburg	November 28-29	Day 1	none	Day 2
Williamsburg	December 3-4	Day 1	none	Day 2
Chesapeake	December 5-6	none	none	Day 1
Richmond II	December 10-11	none	none	Day 1

Calendar of Events

October

29-30 Income Tax Seminar. Richmond I. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

31- Nov. 1 Income Tax Seminar. Weyers Cave. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

November

5-6 Income Tax Seminar. Abingdon. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

7-8 Income Tax Seminar. Roanoke. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

12-13 Income Tax Seminar. Lynchburg. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

14-15 Income Tax Seminar. Falls Church Express. General Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

26-27 Income Tax Seminar. Dulles. General Session and Maryland Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

28-29 Income Tax Seminar. Fredericksburg. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

December

3-4 Income Tax Seminar. Williamsburg. General Session and Farm Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

5-6 Income Tax Seminar. Chesapeake. General Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.

10-11 Income Tax Seminar. Richmond II. General Session. Contact Income Tax School Registrar by phone at (540) 231-3306 or by email at vttax@vt.edu.