



Farm & Field

Chippewa Valley Agriculture Newsletter

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Good Day!!

Last month I mentioned that there seemed to be some renewed activity in the dairy markets. As I write this column on March 20, the Class III Dairy Futures Markets were “limit up” for summer and fall months this week. We have fewer dairy cows nationwide and milk prices seem to be reflecting those trends.

We have spent a lot of time talking about fertilizer prices during the winter months at a number of meetings. We still have nitrogen prices in the 70 cents per pound of product range and phosphorous and potash prices in the 75 cents per pound of product range. This is definitely the year to look carefully at soil test results, field yield potential, input costs and alternative crops. First year corn following a legume crop with moderate amounts of manure should have a real advantage for many of you.

Our second annual Rural Living Day will be held on Saturday, April 18 at Beaver Creek Reserve. Why not bring your new neighbors to the event? More information is included in the newsletter.

Mahlon Peterson

Mahlon Peterson
 UW-Extension Agricultural Agent

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Calendar

April

- 3 Beef Meeting at Equity Altoona Auction Barn
- 3 & 4 Sheep and Swine weigh-in for county fair—Expo Center
- 12 *Easter Sunday***
- 18 Rural Living Day - Beaver Creek Reserve
- 20 MAQA session - Ag & Resource Center

Please call our office for more details, registration information, etc.

BEEF CATTLE SEMINAR AT EQUITY ALTOONA ON APRIL 3

A special beef cattle seminar will be held at the Equity Altoona Auction Barn on Friday, April 3 as part of their Customer Appreciation Day. The day's schedule follows:

- 9:30 - Registration
- 10:00 - Benefits of a vaccination program
- 10:45 - Age & Source Verified cattle
- 10:55 - COOL
- 11:05 - Badger Vac 45 program
- 11:30 - BQA session
- 12:30 Lunch
- 1:00 - Feeder Cattle Auction

Speakers will include Extension educators and Equity personnel. There is a \$15.00 fee to become Beef Quality Assurance (BQA) certified.

For more Extension Information go to our website:
www.uwex.edu/ces/cty/eauclaire/

Something To Chew On . . .



Mahlon Peterson Ag Agent
Eau Claire County

“Rural Living Day is April 18”

Rural Living Day, a program designed to provide rural landowners with pertinent information on the many aspects of country living and property management will be held on Saturday, April 18 beginning at 9:00 AM with check-in and exhibits. The event will be held at Beaver Creek Reserve which is located 3.5 miles north of Fall Creek on County Highway K.

Three different breakout sessions will be held with the following topics:

9:30 AM Breakout Sessions

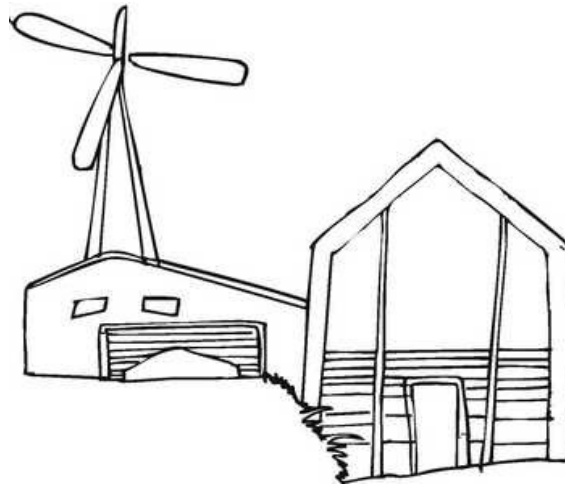
On-Site Energy Production
Organic Gardening
Private Wood Lot Management

11:00 AM Breakout Sessions

Large and Small Scale Prairies
Learning About Your Land
Wild Country Critters

1:30 PM Breakout Sessions

Small Livestock Operations
Earning a Living on the Land
Rain Barrels and Rain Gardens



Lee Christianson, an Eau Claire County entrepreneur and landowner will describe how he makes the most of his country life following the catered lunch.

There is a \$25.00 registration fee for the event, which includes lunch and admission to Beaver Creek Reserve for the day. Registrations are due to the Eau Claire County UW-Extension by Wednesday, April 25, 2009. The registration form can be access and downloaded from our website at www.uwex.edu/ces/cty/eaucnaire/

Rural Living Day is sponsored by: Beaver Creek Reserve, Eau Claire County Land Conservation Division, Eau Claire County Farm Service Agency, Natural Resources Conservation Service, River Country Resource Conservation and Development Council, Inc., US Fish & Wildlife Service, Wisconsin Department of Natural Resources, and the Eau Claire County UW-Extension Office.

Questions may be directed to the Eau Claire County UW-Extension office at 715.839.4712.

**The series of articles that follow are part of UW-Extension’s Response to Managing in Difficult Times. More articles will be featured in coming months.

Mahlon

Managing in Difficult Times: Balance Sheet Can Help Signal Which Way to Turn

With so much uncertainty about the depth and length of this current recession, not to mention the sudden and dramatic effect it's had on agricultural markets, farmers should review financial statements carefully looking for signs regarding additional investment or refinancing decisions going forward according to Greg Blonde, University of Wisconsin-Extension Waupaca County agriculture agent.

While profitability and liquidity are essential for any business to succeed, solvency measures, calculated from the balance sheet or net worth statement, can provide a good indication of the farm business to withstand financial challenges over time. Farms with strong or stable financial positions have a much greater capacity to survive economic downturns because of larger net worth and/or earning capacity. Farms with less owner equity (net worth) and limited cash flow are much more vulnerable. The balance sheet can provide a starting point to look for signs regarding status, direction and even financing options available to each farm business.

Those farms with seventy percent or more owner equity (thirty percent or less debt-to-asset ratio) might see a "green light" when considering additional borrowing. But, with economic uncertainty, and the possibility of further decline in asset values, any additional borrowing will need to improve their earnings in order to help build back equity and

maintain a strong financial position in the future. Also, keep in mind that assets are often discounted or depreciated, sometimes as much as fifty percent or more, when added to the balance sheet, which can have a bigger impact on owner equity than initially expected. For example, the cost of a new barn or milking parlor may be discounted as much as fifty percent or more as an asset on the balance sheet to reflect its "current market value" if the operation were sold.

Although farms with 30-70% owner equity, or debt-to-asset ratio, may very well be financially stable, consider this a "yellow" caution sign when considering any additional borrowing. Even refinancing from this position may actually make the situation worse over the long run if the farm has not been able show profitability over time. An alternative to additional borrowing is to talk with your lender about deferring principal and/or interest payments temporarily to help improve cash flow. If the operation has a history of weak earnings, more debt will likely only make the situation worse down.

For those with less than thirty percent owner equity (seventy percent or more debt-to-asset ratio), the farm is technically insolvent and may not be able to cover all of the current debt if the assets were liquidated, depending on how accurate the assets on the balance sheet reflect current market values. Consider this a "red light" or stop sign when it comes to borrowing more money, because most lenders definitely will. Exceptions may include those relatively new to the business with

exceptional production and profitability performance. Most often however, the best solution in this situation is to liquidate and preserve whatever equity is still available. In the long run, doing nothing, deferring existing payments or even refinancing, will usually only make the situation worse and more painful for everyone involved.

So, make it a point to sit down with your lender and determine what signs are coming from your financial statements.

To access more information and/or tools to help analyze your situation, link to the Extension Responds web page at: www.uwex.edu/ces/ag/farmingindifficulttimes.html

For assistance in making these tough decisions, contact your UW-Extension county agent, your Farm Business and Production Management Instructor in the Technical College or the DATCP Farm Center at 1-800-942-2474.

Managing in Difficult Times:
Commodity Storage

You may have recently read recommendations of "consider increasing on-farm fuel storage capacity to take advantage of current prices" and "consider adding feed storage, so that as feed prices drop, you can stock up on supplies." These recommendations should be considered very carefully according to University of Wisconsin-Extension specialists and agriculture agents.

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William Edwards, Agricultural Economist from Iowa State University in an article "Managing Through a Recession: options for farm operators" on their Ag Decision Maker web site recommends, "Defer capital purchases. When margins are narrower, replacing machinery, putting up new storage bins, or bidding on more land may have to wait. Replacement parts and overhauls are cheaper in the short run."

UW-Extension specialists note that building storage generally requires large expenditures of capital, which should be budgeted over a long period. In many cases, these investments do not pencil out with a one-time price opportunity. For the one-time price opportunity, consider using existing storage or low cost storage alternatives. Renting space at the coop or from a neighbor can also be considered. Another opportunity is to purchase futures contracts or buy options (to reduce price risk) for the commodity.

Remember one important cost of storage is loss of quantity (shrink) and/or quality while in storage. Care must also be taken to assure you are getting a high quality commodity when buying in bulk at a "reduced price."

Since commodities represent a major component of input costs, increasing management to minimize the loss of quantity and/or quality of these inputs can pay big dividends. For example, improved management of forage in storage can reduce the losses of dry matter and feed quality.

Managing grain in storage helps maintain quality. This extra care of what you have can reduce the quantity of feed that must be purchased to replace that which is lost. Often times, the extra management has a relatively low cost to implement with a high return on investment.

Knowing your current supplies of forage, grain, and fuel as compared to your future needs can provide opportunities. Doing a periodic inventory of stocks shows what commodities are in excess and what need to be purchased. Knowing this in advance allows you to sell the excess, generating cash, and purchasing needed supplies when the opportunity is right. Even though cash may be tight, paying cash can also reduce the purchase price depending on your supplier's discounts.

If you had been considering a new storage structure and are in a financial position to do so, then now may be a good time to buy. Interest rates are low, and prices may be attractive.

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Managing in Difficult Times: Farm Succession

With margins in agriculture shrinking, 2009 may not seem like the year or the economic circumstances to consider transferring the farm to the next generation of farmers. However, depending on the goals of everyone involved and how far the farm transfer has progressed, there might be opportunities to consider in 2009 and 2010 regarding the transfer of assets to the next generation. In any case, changing circumstances should trigger a review of the plan and a discussion with the farming partners to review financial concerns, personal and business goals, and timelines for the process according to University of Wisconsin-Extension specialists.

The current economic conditions may warrant a review of the business's ability to meet the family living needs of the farming partners. If the farm's financial carrying capacity is reduced, the entering generation may need to keep the off-farm job or jobs longer than anticipated. On the other hand, because this economic crisis is widespread and affects more than just agriculture, the entering generation's off-farm job may disappear. This may provide an opportunity to incorporate much needed labor and management into the operation, giving the exiting generation fewer responsibilities and a chance to have time away from the business.

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responsibilities and a chance to have time away from the business. Both situations call for a review of the numbers and clear, honest communication of the farm's financial situation and each partner's expectations.

If the succession plan calls for the incoming generation to purchase livestock or other assets from the current owners, there may be opportunities to minimize or eliminate taxes on those transfers in 2009 and 2010. For example, the exiting generation may be able to take advantage of the zero percent income tax rate on certain capital gains that are still available in 2009 and 2010 if the seller's taxable income is low enough. Low milk prices may reduce the exiting generation's taxable income to the point that part or all of the capital gain on the sale of raised breeding or dairy livestock qualifies for the zero percent income tax rate. Accelerating sales of livestock into 2009 and/or 2010 could save some income taxes but should be done only if those sales are consistent with the farm succession plan.

A business owner may consider selling non-productive or underused assets to infuse capital into the operation and pay off some bills. The income tax impact of these sales can be minimized by selling assets with the highest income tax basis relative to the sale price. For example, land that was purchased or inherited when land values were high will trigger less capital gain than land that was purchased or inherited when

the value of land was low. Machinery that was depreciated rapidly is likely to trigger more gain when it is sold than machinery that was depreciated more slowly.

Minimizing taxes should not be the only or even the most important goal driving a farm succession plan. A succession plan addresses the transfer of labor, management and assets of the farming business. A well-developed plan begins with each person involved developing his or her own vision and goals of the transfer and the farming business. These are used to develop the mission, vision, and goals of the business as it moves forward with all the farming partners involved. Once these steps are completed it becomes easier to choose the business structure and asset transfer methods, which leads to strategies to minimizing taxes. Above all, open, honest communication among the farming partners and with non-farming family members is the foundation for a solid farm succession plan.

Following are some resources about farm succession:

-- UW-Extension FARM Team Farm Succession Resources
<http://www.uwex.edu/ces/farmsuccession/>

-- *AgVentures* Business Arrangements and Farm Transfers
<http://www.cdp.wisc.edu/BusinessArrangements.htm>

-- Family Estate Planning in Wisconsin (B1442)
<http://learningstore.uwex.edu/>

[pdf/B1442.PDF](#)

-- Who Will Get Grandpa's Farm – Communicating about Farm Transfer (Purdue University)
<http://www.ces.purdue.edu/farmtransfer/index.htm>

To access more information and/or tools to help analyze your situation, link to the Extension Responds web page at:
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Greenhouse Gossip . . .

Erin LaFaive

Eau Claire County Horticulture Educator



Multi Colored Asian Lady Beetles

Phil Pelitteri, Insect Specialist from UW Madison describes some history and control methods of Asian lady beetles.

It has become common to see large numbers of lady beetles clustered around homes and other buildings during the fall. The species involved in this phenomenon (*Harmonia axyridis*) is native to eastern Asia and is called the multicolored Asian lady beetle. Lady beetles are usually considered beneficial insects, but multicolored Asian lady beetles can be a nuisance as they congregate by the thousands on the sides of buildings, and if given the opportunity, move inside. Fortunately, multicolored Asian lady beetles are harmless, although repeated exposure has been reported to cause allergic reactions in a small number of people.

The multicolored Asian lady beetle has only been recorded in large numbers in Wisconsin since 1994. It is not known exactly how this insect became established in the United States, but there have been numerous attempts (from 1916 until 1985) to establish this species as a biological control agent for pecan aphids (the multicolored Asian lady beetle is an important predator of scale and aphid pests on trees in Asia). The first specimens recovered in the US were collected in Louisiana during 1988. Since then the beetle has increased its distribution to include all states east of the Mississippi.

Multicolored Asian lady beetles congregate on homes or other buildings in search of overwintering sites. They usually select the west or southwest side of a building as the initial congregation area. Many of these beetles leave these sites on their own by nightfall, and most of the beetles move into leaf litter, underneath boards or logs, or to other protected areas after the first frost. Some however, may move inside buildings.

As with many insect pests, prevention is the key to keeping multicolored Asian lady beetles from getting into homes. One of the best ways to limit unwanted intrusions by insects is to deny them entry -- a procedure known as pest proofing. Many pests seek refuge in homes and other buildings in response to changes in weather, such as extended periods of rain or drought, or the onset of cooler temperatures in autumn. Taking steps to block their entry before they end up inside can greatly reduce the chances of



Multicolored Asian lady

future sightings.

Make certain doors are tight fitting. Install door sweeps or thresholds at the base of all exterior entry doors. While lying on the floor, check for light filtering under doors. Gaps of $\frac{1}{16}$ inch or less will permit entry. Apply caulk (see #2 below) along bottom outside edge and sides of door thresholds to exclude ants and other small insects. Gaps under sliding glass doors can be sealed by lining the bottom track with $\frac{1}{2}$ to $\frac{3}{4}$ inch-wide foam weather stripping. Repair gaps and tears in door screens.

Make certain windows are properly sealed. Caulk cracks around windows (as well as around doors, fascia boards, etc). Use a good quality silicone or acrylic latex caulk. Although

somewhat less flexible than pure silicone, latex-type caulks clean up easily with water and can be painted. Caulks that dry clear are often easier to use than pigmented caulks since they don't show mistakes. Repair gaps and tears in window screens.

Seal utility openings. Check where pipes and wires enter the foundation, and siding around outdoor faucets, gas meters, clothes dryer vents, and telephone/cable TV wires for gaps. These are common entry points for such pests as rodents, ants, spiders and yellow jackets. Holes can be plugged with caulk, cement, urethane expandable foam, steel wool, copper mesh (Stuffit), or other suitable sealant. Ventilation openings in attics should also be screened or sealed as needed.

If lady beetles cannot be excluded by pest proofing, there are a number of insecticide sprays that can be applied to the outside of buildings during late September or early October to kill and repel the beetles before they get in. The most effective sprays are various synthetic pyrethroids such as permethrin, cypermethrin, cyfluthrin, deltamethrin and lambda-cyhalothrin. Concentrate applications of these products along doors, windows, and overhangs on the south, west and east sides of the structure. Two or more gallons of spray may be needed to get thorough coverage. You may wish to hire a professional pest control company to make the application.

When all else fails, a vacuum cleaner or broom is often the best response once beetles have come indoors. Beetles can also be collected by hand and released outside. Lady beetles defend themselves by bleeding from their joints. Therefore, if handled too roughly they can stain carpets, walls or curtains.

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