

2007  
NOVEMBER



UW — EXTENSION — LANGLADE COUNTY

# Langlade Ag-Letter

## Seasonal Education Programs Begin

### November 1 — Langlade County Dairy Promotion

10 a.m. Langlade Resource Center. Important meeting for determining work assignments for next year's Dairy Breakfast.

### November 7 or November 13— Pest Management Update Meeting Marshfield & Green Bay

Producers and agribusiness people are invited to attend a Pest Management Meeting to be hosted by UW-Extension. UW specialists will be making the presentations on a variety of weed and insect management and disease control topics. The programs begin at 10 a.m. and conclude at 3 p.m. Informational packets and a meal will be provided. The cost is \$30. November 7th in Marshfield Contact Matt Lippert at 715-726-7950. November 13th, Green Bay, contact Mark Hagedorn, 920-391-4612

### November 15 — WI School for Beginning Dairy & Livestock Farmers Begins

UW-Marathon County, Wausau will once again be a host site for the Wisconsin School for Beginning Dairy and Livestock Farmers. The 16-week curriculum covers a variety of topics from farm selection, design and remodeling, to animal and grass management, to business planning and arrangements. Tuition and fees vary depending on how many credits a student would like to earn. Contact Tom Cadwallader 536-0304 or 261-1240 for more information.

Inside this issue:	
Deferral of Milk Income	2
Langlade Phone Survey	2
Organic Mill Opens Coleman,WI	3
Fire Related Topics	3
Nutrient Management Planning	4

### November 1-16 — NRCS EQIP Sign Up Continues

Note: Earlier deadline this year for EQIP. Generally, conservation practices offered are the same as last year, however payment rates may vary from last year. Contact Christine Marshall, District Conservationist. 715-536-6003

### December 1 — Returning to the Farm *Workshops help farm families plan for farm succession*

Families looking toward the future of their farming operations have many issues to consider, including the creation of a management succession plan. Returning to the Farm workshops help farm families plan for a son, daughter or partner to return to the farm and eventually take over the farm business.

University of Wisconsin-Extension, UW-Center for Dairy Profitability, and UW-Madison and UW-River Falls will host two workshop series beginning in December.

The first workshop series begins in December on the UW-Madison campus. The three sessions will be Saturdays, Dec. 1, 2007, Jan. 12, and March 1, 2008 at the J.F. Friedrich Center. Families are expected to participate in all three sessions.

For more information about the UW-Madison Returning to the Farm program and registration contact Joy Kirkpatrick, UW Center for Dairy Profitability Outreach Specialist at 608-263-3485 or by email [joy.kirkpatrick@ces.uwex.edu](mailto:joy.kirkpatrick@ces.uwex.edu)

### December 6 — Potato Industry Outlook Summit, Branson, MO

For schedule and more information see: <http://www.nationalpotatocouncil.org> or call Hollee Alexander 202-682-9456

### December 6-8 — NPC Seed Seminar Branson, MO

Have a safe and successful hunt!

# Deferral of Income from Milk Sales

*The recent high prices for milk have resulted in some dairy producers wanting to defer income from the sale of milk until the 2008 tax year under the installment sale method.*

By George Patrick<sup>1</sup>  
and Philip E. Harris<sup>2</sup>

## Background

Cash-basis crop and livestock producers commonly defer income by entering into a bona fide arm's-length contract with the buyer that calls for payment to be made in the year following the year of delivery of the farm product. They are not subject to the rule that a sale of inventory cannot be reported on the installment method because the grain, livestock, or other commodity is not required to be inventoried [Treas. Reg. § 15a.453-1(b)(4)]. Therefore, they must report their gain on the sale on the installment method unless they elect out of using that method.

For livestock, the Packers and Stockyard Act (7 U.S.C. § 228a) generally requires packers, market agencies, and dealers purchasing livestock for slaughter to pay for the livestock before the close of the next business day following purchase and transfer of possession. However, 7 U.S.C. § 228b allows the parties to agree in writing before the transaction to payment in a manner other than that generally required by 7 U.S.C. § 228a. To avoid constructive receipt, the contract should be in place before the grain or livestock is delivered to the buyer, and it should

specify that the producer has no right to any proceeds until the following tax year.

## Deferred Sale of Milk

Many farmers sell their milk to a milk-marketing cooperative, and the title to the milk is transferred to the cooperative. The cooperative then sells the milk to milk processors. Some large milk producers may sell directly to a processor. In either case, if the buyer and the producer enter into a written contract before the sale that calls for payment in the year following the year of delivery, then the gain from the sale is reported in the next tax year when the payment is received, unless the producer elects out of installment reporting.

## Example

Payment Delayed until January 2, 2008

On October 31, 2007, I. M. Bull and Dairyland Co-op agree in writing that Dairyland will pick up and purchase the milk that I.M. produces during the period from November 15, 2007, to December 31, 2007. Payment for that milk will be made on January 2, 2008. Their agreement specifies that I.M. has no right to payment until January 2, 2008, so that I.M., a cash-basis farmer, avoids constructive receipt. On January 2, 2008, I.M. is paid \$125,000 for the milk picked up during the November 15

through December 31, 2007 period. I.M. reports the \$125,000 as income in 2008 under the installment-sale method on line 4 of Schedule F (Form 1040), Profit or Loss from Farming.

## Caution—

### Co-op Must Own Milk

If the cooperative or other individual merely sells the milk on behalf of the producer and holds the proceeds until January 2, 2008, the producer is considered to have constructive receipt of the income in 2007.

## Election Out of Installment-Sale Reporting

If a contract qualifies for installment reporting, it must be reported on the installment method unless the taxpayer elects out of installment reporting. A taxpayer elects out simply by reporting the gain from the sale in the year the contract is signed [I.R.C. § 453(d)].

<sup>1</sup> Professor and Extension Economist, Department of Agricultural Economics, Purdue University, West Lafayette, Indiana

<sup>2</sup> Professor and Agricultural Law Specialist, Department of Agricultural and Applied Economics, University of Wisconsin-Madison/Extension.

*My regrets, this came too late to be very useful this year. —AC*

# Community Phone Survey Inquires About Issues

In the upcoming week a phone survey will begin that will give Langlade County residents an opportunity to make a difference on defining issues that face area residents. A total of 250-300 residents will be randomly surveyed in an effort to

outline issues and concerns so that we can fit our programming to meet these needs.

If you are not selected but see an educational need not currently met, contact our department at 627-6236. We appreciate participation in the surveys

as they are valuable for feed back and guiding our institution as we strive to be a non-biased educator. In the words of a fellow colleague, UW Extension is the "University where you live."

# Some Farm Fire Related Topics

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## Make Time for Inspections and Fire Drills

◆ *Invite your local fire department to your farm.*

Let them get acquainted with your facilities and help identify any fire hazards. Ask for their input in making your operation more fire-safe and fire-proof.

◆ *Develop and carry out a fire safety inspection for animal buildings and other buildings.*

Follow a routine preventive maintenance schedule and checklist for fire hazards.

◆ *Conduct regular fire drills, so all family members and employees know what they should do.*

After a drill, hold a meeting to discuss improvements in procedures and equipment. Educate yourself and others about fire safety practices.

◆ *Update and upgrade your farm buildings in accordance with the latest National Electrical Code.*

Use all noncombustible materials. Install a lightning protection system and inspect it periodically.

SOURCE: UWEX Fire on a Farm, [www.uwex.edu/ces/news/info/fire.pdf](http://www.uwex.edu/ces/news/info/fire.pdf)

## Fire Detection Equipment and Warning Systems

Today, a variety of fire detection and warning systems exist. There are two main types of fire detection equipment; heat sensors and smoke sensors or detectors.

Heat sensors are relatively expensive and are used primarily in industry to trigger sprinkler systems. They provide a relatively short warning period.

Smoke sensors or detectors have become extremely popular in recent years owing to their reliability and low cost. They also provide a good warning period. Smoke detectors can also be connected by means of a remote system to a central point, for example a farm house.

In addition, commercial detection equipment can also be used to notify a remote station or initiate an auxiliary control function as a first and early response to fire.

### SOURCES:

[www.farmsafety.ca/factsheets/tips-e/farm\\_fires.pdf](http://www.farmsafety.ca/factsheets/tips-e/farm_fires.pdf)

<http://www.silentknight.com/>

## Potato Shed Fires: Hot and Fast

Dairy barn fires are by far the most common type of farm fire. Most fire prevention bulletins and fact sheets focus on the dairy facilities that so quickly go up in smoke when this tragedy strikes.

Dairies concentrate many more combustibles in comparison to vegetable storages.

Among the several stories I found on potato fires, the common thread was rapid spread and complete destruction.

Some storages are more problematic than others, due to extensive use of lumber and

combustible materials, also the connectivity of storages.

I think we should give some thought to what could go wrong if a fire started in a warehouse on your farm.

How do we quickly contain a fire. Is there a way to mitigate fire

risk due to electrical system compromise, ignition, a fire in the plenum? What controls or emergency procedures do you have now. Have a conversation about it, if you haven't already.

Farm rewiring programs can be a good step for producers desiring to improve fire safety, efficiency, and depreciated and outdated infrastructure. A utility may be aware of additional measures to protect your investment in your farm facilities and crops.

Also talk with your storage facility contractor about measures that can be taken structurally to mitigate risks.



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## Organic Mill Opens in Coleman, WI

To support the fastest growing sector of animal agriculture, Mid-County Cooperative of Shawano has opened an organic feed and supply manufacturing and distribution facility in Coleman, WI. This Organic Feed and Supply Center meets or exceeds the standards of a prominent WI organic certification agency (Midwest Organic Services

Assoc.)

The MOSA-certified facility opened on October 1 for business, but will host the official kickoff to promote organic products and services lines on November 1st.

Wisconsin Secretary of Agriculture, Rod Nilsestuen, will be a special guest speaker at the ribbon cutting ceremony 11:30 a.m.



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# Nutrient Management Plan Deadline

I've been asked by other farmers whether or not they need a nutrient management plan by the official statewide enforcement date of January 1, 2008. Here are the basic guidelines.

1. A producer voluntarily accepts, or is offered, government cost-share dollars for NM or the installation of manure storage. (REQUIRES COST SHARING)

2. A producer voluntarily continues participation in the farmland preservation program (FPP).

3. A producer is regulated under a county manure storage or livestock siting ordinance. (Langlade Co. Ordinance affects storages installed since 2000 and others not grandfathered in.)

4. A producer is regulated under a DNR WPDES. (farms with more than 1000 animal units.)

## My take on this....

If you have received cost sharing for nutrient management, you will need one. If you have or plan on building a manure storage, in most cases you will need to have one.

If you are participating in FPP, the land will have to be in some kind of NMP. If not, the Langlade Co. Land Conservation Committee will determine action.

Operating a profitable agri-business includes a basic plan to use your farms inherent fertility.

The 590 standard is merely a statewide format to put onto paper the best use fertility from crop rotations and animal manures. If you are soil testing and have a rotation plan you are most of the way there anyway.

Our Extension office is not a regulatory agency, this responsibility is through Langlade County Land Conservation, DNR, and DATCP.

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