



"The work of an unknown good man is like a vein of water flowing hidden underground, secretly making the ground green." ~Thomas Carlyle

Greetings from the Wisconsin Farm Center!

We are pleased to provide you with this first edition of our semi-annual newsletter. Our goal is to provide you with news of current events, trends, information and details concerning the work and programs being carried out by the Wisconsin Farm Center. This is a collaborative effort by the Farm Center staff in an effort to reach out to our volunteers and fellow agriculture professionals during these volatile times.

We hope this newsletter increases your awareness of the important work the Farm Center engages in daily and strengthens our partnership with you in the future. Please feel free to offer comments and suggestions.

Thank you and enjoy!

~The Wisconsin Farm Center

DATCP's Farm Center Ready to Assist in Year-End Planning



By Dan Smith

Wisconsin farmers have put the equipment away and wrapped up one of the best growing seasons many have seen in decades...

Sharply rising commodity prices and near-perfect harvest conditions helped many end the year on a positive note. That is, of course, if you are a seller of commodities, not a purchaser.

So with the bins and barns full, fodder stacked, and fall tillage done, now is the time to dig into the real work - analyzing your farm business financial records and planning for 2011. You know your lender will be asking for these records soon, but just as importantly, you need an in-depth understanding of them yourself before you can really take control of your business.

You can't know where you are going tomorrow unless you know where you are today. Begin with a year-end balance sheet which lists the values of all your assets and liabilities. This is your report card, which shows your present equity position. Track trends by comparing this year's balance sheet with those of the past five years. Is your equity position strengthening or declining? How is your working capital (current assets minus current liabilities)? A farm lacking in working capital may experience difficulty covering monthly expenses.

Add to this a cash flow analysis drawn from actual 2010 earnings. Where did your cash come from and where did it go? Calculate your cost of production per unit sold. Identify areas of high expenses and determine family living costs. The final question has to be - is this farm profitable or am I just trading dollars?



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Wisconsin Farm Center

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Once you have compiled your 2010 financial records, compare them to previous years in order to reveal trends. Is one enterprise losing money and pulling the other enterprises down with it? What mistakes have you made over the past few years and what are your areas of strength? Knowing this will allow you to begin the goal setting process leading into 2011.

At the Wisconsin Farm Center within the Wisconsin Department of Agriculture, Trade and Consumer Protection, we are asked by hundreds of Wisconsin farmers to help them analyze their farming operations each year. In 2009 alone, we took calls from more than 1,000 Wisconsin farm families, many of whom were experiencing severe economic hardship due to the decline in milk prices. Our analysis begins with the same process outlined above, with a review of the farm financial records, beginning with balance sheets and cash flow records.

It is obvious in our evaluations that many Wisconsin farmers lost a considerable amount of equity over the past 24 months. This occurred due to the run-up of unpaid accounts and increased borrowing to meet cash operating expenses. While milk prices have recovered somewhat, they have not risen to a level high enough to recover past losses.

"Among those hit hardest by the volatile agriculture economy are those who have been farming the longest."

Indeed, even \$14 per hundredweight milk is below the cost of production for most Wisconsin dairymen, especially those purchasing higher priced grain and protein to feed their herds. While higher commodity prices have provided welcomed cash injection for those with grain to sell, livestock producers have been and will continue to feel the impact of higher feed costs.

Wisconsin is home to a broad array of farm operations, each as different from one another as they are similar. Among those hit hardest by the volatile agriculture economy are those who have been farming the longest. This aging farm population, with many nearing the age when their bodies are telling them to slow down, have seen their debt loads rise and their retirement assets diminish. In some cases, the farm will no longer support their financial needs in retirement. At The Wisconsin Farm Center, we are hearing from many of these farm couples, who often feel they have no choice but to keep on farming later in life, even at the risk of their personal and financial health.

The Wisconsin farm that seems so pastoral to the casual passer-by is actually a complex economic and social system most often built over generations on the broad shoulders of farm families. As farmers begin their year-end reviews and look ahead to 2011 and beyond, the Wisconsin Farm Center stands ready to assist with a dedicated staff of qualified advisors. This free service is available by calling at 800-942-2474 or emailing farmcenter@wi.gov

For more than 30 years, Dan Smith operated his own dairy farm near Freeport, Illinois, first as a confinement dairy and later as a grazing operation. In 2007, Smith and his wife, Cheryl decided to retire from farming and relocated to a small farm west of Madison. Smith works as agriculture program specialist with The Wisconsin Farm Center, offering consultation on farm finances, business and estate plans. In his work, Smith emphasizes both the business and emotional impact farming places on farm families.

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Farm Rewiring and Electrical Equipment Replacement: Safe, Efficient and Modern

By Roger Kasper

The wiring on a substantial number of farms was installed 20 to 30 plus years ago, and in some cases, wiring has been subject to alteration by people who were not necessarily qualified electricians. Often work was only done as an “emergency replacement” of broken down equipment using similar older technology that was already in use. Correct farm wiring and equipment selection is essential for energy efficiency, minimizing stray voltage, and ensuring safety. Advance careful review and selection of replacement equipment as well as



creating an upgrade plan can save a lot in future equipment replacement cost and energy bills.

A majority of Wisconsin’s electric utilities and electric cooperatives are offering farm rewiring cost-sharing programs to reduce livestock farmers’

out-of-pocket costs for rewiring of their farms. All of the programs require the work be inspected and done by a certified electrician. The initial low cost or no cost inspection will provide you with a prioritized work plan for the farm and the approximate cost to plan on for future needs, if making upgrades in steps. Also, upgrading equipment at this time is often very cost effective.

Wisconsin Focus on Energy’s Farm Assessment Toolkit or farm specialists can help a wide range of agricultural operations assess whether there are energy saving opportunities. They collectively have lots of experience on technologies that would cost-effectively lower energy bills or improve production efficiency. In some cases, incentives are available to lower the cost of implementing energy saving technologies. Changes can be done as an investment in the future or as part of a plan to replace critical equipment as needed with more efficient technology. All farmers have access to Focus on Energy’s extensive library of case studies, fact sheets, and other technical information.

Contact info: Toll-Free: 800.762.7077

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By Mike Exum

Beginning Farmer and Farm Asset Owner Tax Credit

The Wisconsin Department of Agriculture, Trade and Consumer Protection, in collaboration with the Wisconsin Department of Revenue is implementing a State of Wisconsin tax credit that provides incentive for beginning farmers to complete a farm financial management program and provides incentive for established farmers to lease depreciable assets to a beginning farmer. A beginning farmer is eligible for up to \$500 credit towards the cost of a financial management course and the established farmer is eligible for credit equal to 15% of the lease amount received from a beginning farmer over the course of a three year lease. For more information about the Beginning Farmer and Farm Asset Owner Tax Credit, contact the Farm Center at 800-942-2474 or visit: <http://www.revenue.wi.gov/taxpro/news/101207.html>.

Future Fields

In collaboration with the Workforce Development Board of South Central Wisconsin and the Wisconsin Agricultural Education Foundation the Farm Center obtained Workforce Investment Act funds to continue the Future Fields program. Future Fields assists financially stressed farmers develop supplemental, off-farm income opportunities. Services provided include career development counseling, job search assistance and scholarships to attend Wisconsin Technical College job skill enhancement classes. For more information contact the Wisconsin Farm Center at 800-942-2474.

Don't Get **BURNED** by Biomass Crop Contracts!

By Roger Kasper

There is lot of excitement for the future of biomass crops such as switchgrass, corn stover, and short-rotation poplar. While farmers may consider harvesting these new crops for proposed energy projects, everyone should know early innovators across the country have not always had positive results. Unlike corn and soybeans, Wisconsin's agricultural producer security program does not protect farmers from financial defaults by those purchasing the producer's biomass crops. The newness of the industry allows for many creative considerations in price contracting that helps to cover initial investment to establish the new crops. However, the non-standard crop considerations of these

Do You Know What Your Stray Voltage Status Is?



By Roger Kasper

You can't afford not to know your stray voltage status, and since a stray voltage analysis is available for FREE from your power provider, there is no reason not to know. The Rural Electric Power Services (REPS) program recommends that ALL dairy farms have their farmstead tested every year or every other year to catch any changes in stray voltage or power quality issues before they cause a problem with the animals or equipment. Having a trend history can also help troubleshoot a problem if one ever develops. All you need to do to check your stray voltage status is call your power provider and ask your agriculture account representative to schedule the test visit. Please let them know if it is a routine re-visit or urgent call. Urgent calls require a more immediate response that is not needed if you are just doing a routine retest.

Call 1-800-942-2474 for assistance from the Farm Center - REPS team if you have questions or concerns with the utility's test report, assistance or recommendations.

new contracts are very unlike traditional crop sales. If not understood in advance, various unexpected risks for the farmer and buyer can exist. In summary, it is truly a seller and buyers beware of contingencies, definitions of quality parameters and terms of the contract used. To assist the emerging industry, the Wisconsin Office of Energy Independence (OEI) had the following boiler plate contracts and parameter explanations developed: *Sample contracts for Producer Selling to Aggregator, or Aggregator Selling to End User.*

Farm Mediation Program Update for Fiscal Year 2011

By Roger James

The Farm Mediation and Arbitration Program closed 17 mediation cases in the first quarter of the Federal Fiscal Year 2011. Of those cases, 15 were closed successfully or had a positive outcome.

The Program opened 20 new cases in the same quarter. Of these 13 were farm financial cases involving agricultural credit issues, six cases involved USDA program issues, and one landlord/tenant case.

We are currently seeing a number of financial counseling cases coming into The Wisconsin Farm Center. Many involve several creditors, banks, suppliers, Farm Service Agency, etc. A number of these cases may be in or headed to bankruptcy proceedings.



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Upcoming Events in 2011

Networking Opportunities for Wisconsin Farm Women Planned

*H*earth of the Farm-Women in Agriculture is offering nine conferences in January, February and March for Wisconsin farm women. The workshop series is a University of Wisconsin-Extension program committed to addressing the needs of farm women by providing education on farm business topics, connecting them with agricultural resources, and creating support networks.

Topics in the upcoming workshops include: generational differences on the farm, improving communications with family and employees, using social media to promote agriculture in general or your farm, writing a business plan, planning for farm succession, balancing farm and family, crop insurance, and farm assessments to build trust on animal welfare issues.

The meetings are being planned for the following dates and locations:

January 27: Jefferson County UW-Extension Office. Call 920-674-7295.

January 28: Iowa County Extension-Health and Human Services Building, Dodgeville Call 608-930-9850.

February 2: The Lodge at Crooked Lake, Siren. Call 715-635-3735.

February 25: Sauk County West Administration Building, Baraboo. Call 608-355-3257.

February 25: The Colonial Bowling & Banquet Center, Sparta. Call 608-269-8722.

March 3: Heyde Center, Chippewa Falls. Call 715-726-7950.

March 3: Cotton Patch, Cecil. Call 715-526-6136.

March 4: LaSure's Banquet Hall, Oshkosh. Call 920-232-1970 or 920-832-5119.

March 11: Lincoln County UW-Extension Office, Merrill. Call 715-539-1072.



Left to right: Roger James and Duke, Frank Friar, Dan Smith, Kathy Schmitt, Paul Dietmann, John Dupuis, Roger Kasper. Not pictured: Mike Exum, Dave Hansen, DVM John Marks, DVM John Roberts and Mel Zech