

Lancaster Farming

OPINION

Farming Trends

Recently a meeting of the monthly Ag Issues Forum in Lancaster helped identify certain trends in the ag industry that are worth noting.

Our thanks go to Mike Brubaker for sending this description of the major critical issues facing agriculture:

- **Consolidation.** Consolidation is occurring at all levels of agriculture starting at the farm and progressing through the supply and demand chains. Numbers of farms, animal units, and agribusiness entities are declining rapidly, production per unit is increasing, and new markets are emerging.

- **Government and regulatory influence.** These powerful forces are exacting various pressures on all of agriculture, which result in losses to profitability and declining global competitiveness. As these changes occur, there will be ongoing influence by all levels of government and additional regulations and compliance requirements are certain. This influence will have an impact on the industry's ability to remain competitive on a global scale.

- **Globalization.** Advanced communications, technology, transportation, and trade incentives as well as "disincentives" have created an environment whereby "globalization" is occurring. Locally, our agriculture has an impact on the world; similarly, the world has an impact on our agriculture.

- **Niche markets.** Market and consumer demand for specialty products, such as organic and ethnic foods, is continuing to grow. This demand will be supplied by producers who see an opportunity to fulfill a philosophical goal and/or profit from a growing segment in the marketplace.

- **Technology advances.** Science and industry will continue to develop tools for all aspects of agricultural production that will contribute to a more efficient and competitive agriculture. These advances will also provide tools to trace agricultural products from the field to the table.

- **Capital/finance.** Agriculture will not be exempt from the pressures faced by other businesses/industries. As financing opportunities become more challenging for the production farmer and industry, agriculture will utilize precision-like management and intensify capital. Financial sources will continue to increase the minimum business operating standards of agriculture to qualify for capital and encourage competitive rates of return when compared to nonagricultural businesses.

- **Animal welfare.** Agriculture continues to make animal welfare advances to enhance consumer confidence, provide continued access to global and local markets, and to remain competitive. Animal agri-

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❖ FARM CALENDAR ❖

Saturday, December 13

Pa. Cattlemen's College, Toftrees Resort and Conference Center, State College, 9 a.m.-4 p.m., (814) 863-3661.

Monday, December 15

Lancaster Dairy Cow College, Lancaster Farm and Home Center, thru Dec. 16, 9 a.m.-3 p.m., (717) 394-6851.

Future of Agriculture in York County, Extension Office,

Pleasant Acres, 7:15 p.m. Ohio State Extension's Upper Olentangy Watershed Action Planning Team Workshop, Crawford County Courthouse, 8:45 a.m., (614) 247-7876.

Tuesday, December 16

4-Day Workshop on Management Essentials for Dairy Success, Holiday Inn Express,

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❖ FARM FORUM ❖

Editor:

On Nov. 17, the much-publicized milk hearing was conducted at Keystone College. Dairy farmers came from as far away as Buffalo, N.Y. to make their sincere concerns known.

In addition to aides from Congressmen Sherwood and Kanjorski's offices, Senator Specter's office was duly represented. State Senator and Pennsylvania Minority Leader Bob Mellow thought the hearing was important enough to send his administrative assistant to the event.

Others attending the hearing included Larry Breach, president of the Pennsylvania Farmers Union; Ron Williams, former Wyoming County commissioner who serves as a regional director of the Pennsylvania Department of Agriculture; Jim Conners, the former mayor of Scranton, represented Gov. Ed Rendell's office; and Gordon Hiller, a former regional director of the Pennsylvania Department of Agriculture

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Now Is The Time
By Leon Ressler
Lancaster County Extension Director

To Explore The Formation Of A Pennsylvania Manure Applicators Association

Increased public pressure has led to, and will continue to produce, regulatory measures that directly affect the manure application industry.

On Dec. 16 a meeting will be conducted at the Dauphin County Agriculture and Resource Center in Dauphin to discuss forming a Pennsylvania Manure Applicators Association. The event will begin at 5:30 p.m. This will follow the Pennsylvania Manure Hauler Certification Course which will be taught that day at the same location.

An association for the hauling industry would enable the industry to have a voice in the development of these regulations. It could also provide other benefits such as relationship building with regulatory agencies and insurance packages. Discussion that evening will be directed toward the steps that could be taken to form and implement this association. Presenters will be Robb Meinen, Penn State University and Walt Peechatka, PennAg Industries.

An optional dinner will begin at 5 p.m. for those interested in the applicator association. Please preregister for the dinner. There is no cost to at-

tend the meeting but there is a \$15 charge for the meal. To register, contact Robb Meinen, Penn State University, at (814) 865-2987 or rjm134@psu.edu.

To Complete Year-End Tax Planning

With the New Year just around the corner, Regional Farm Management Agent Roland Freund reminds producers to complete year-end tax planning. Prudent farm managers will take steps to save taxes, know if they have accounted for finances accurately, and collect the information needed to accurately measure 2003 business performance. There are a number of essential tasks for the year-end "to-do list."

First one should pay all bills that are due. This is a good business practice, and it simplifies the task of preparing the list of accounts payable if there are none! Each dollar spent could save you 47 cents or more in taxes.

Second, Freund suggests producers should count their blessings and review their charitable giving. There is much to be thankful for this year, even for those who had some struggles. While milk prices have not been great, crops have done reasonably well and the egg and beef industries are having an exceptional year. At this season, give generously to your church and charities. Not only will you share your blessings, but also contributions give you the same tax break as advance purchases of feed or supplies.

Another important year-end step is to complete farm records. Next year starts a new record period for most farmers. Confusion reigns when two sets of books are used simultaneously, so it is important to get all available transactions recorded promptly. It should be possible to close the books within a few weeks when bank statements give you the amount of interest and principal to record.

The end-of-year inventory is essential for analysis. For accuracy it should be completed before you retire New Year's Eve, but that can be difficult! If it is done carefully every year, balance sheet changes can be calculated for the 2003 accrual adjustments. This must be done if you wish to know your cost of production.

Bank balance-sheet forms can be used to record the information. Computerized systems should have them built in. If you need a worksheet or spreadsheet, call (717) 240-6500 or e-mail rfreund@psu.edu. The "Dairy Farm Feed Cost Control" spreadsheet can help with silo capacity and such computations. Go to <http://capitaldairy.cas.psu.edu/>, click on "Dairy Management Tools," and scroll down to download it.

The "Current Assets" section of the inventory includes "Growing Crops." Enter the value of seed, fertilizer, and fuel invested. Record "Crops for Sale and Feed" including feed in mill storage and pre-purchases. Significant supplies of fertilizer, chemicals, and semen must be listed and valued. Feeder livestock and growing heifers should be included. "Accounts receivable" (milk check, crop/livestock sales, etc.) and "Cash Balance" (checking + savings + under mattress) must be accurately recorded to make any cash flow check reliable.

Feed and livestock inventories should be valued at a conservative farm-gate value. That means market price less commission, less the cost of getting them to the selling point. If the auction sells a single ton of hay for \$150, buyers might only offer \$110 for each of your 1,000 tons of hay equivalent at your farm.

Your accountant needs information on sales and purchases of all capital assets to maintain the depreciation (basis) record. But you need to do your own Fair Market valuation annually.

Unless you are planning to sell out, avoid wild fluctuations in dairy cow values, and don't escalate land values annually. These gimmicks can seriously distort analysis. Aim to reduce the value of equipment in inventory by 15 to 20 percent, and dairy buildings and structures about 10 percent annually.

Finally, you need to update your liabilities list and plan to pay taxes. Using debt to finance tax avoidance (that is, taking out a loan to finance prepaids or capital investments) can create extreme economic hardship in the future.

Quote Of The Week:
"Being a President is like riding a tiger. A man has to keep riding or he is swallowed."

— Harry Truman

THE BIBLE SPEAKS
BY LAWRENCE W. ALTHOUSE

SEEING THE BIGGER PICTURE

Background Scripture: Isaiah 40:3-11.

Devotional Reading: Luke 1:5-80.

Last week, we saw how the purely personal concern of Hannah became the means whereby God was able to convey a bigger, deeper message. Hannah's anxiety over her childlessness was transformed into a proclamation of thanksgiving, not only for God's vindication of Hannah, but for the greater salvation that God promised to his people Israel.

We see a variation on this same theme in Luke 1, when Zechariah, overwhelmed with gratitude for the birth of his son John (later, John the Baptist), is "filled with the Holy Spirit" and proclaimed the role his son would play in an even greater drama of salvation: "And you, child, will be called the prophet of the Most High; for you will go before the Lord to prepare his ways..." (1:76). For a proud father on the day of his son's long-delayed birth, to acknowledge that his son would be the forerunner of one even greater is no small feat.

It was, however, a recognition that would be echoed in his son John's own response to Jesus of Nazareth: "I baptize you with water for repentance, but he who is coming after me is mightier than I, whose sandals I am not worthy to carry..." (Mt.3:11) and "He must increase, but I must decrease" Jn. 3:30).

The World 'Out There'

When we are born into this life, there is no world beyond our immediate milieu, and everything or person "out there" exists solely for our own nourishment and care. Maturing — which is not the same as getting older — takes place as I realize that I am only part of that world, which once I believed began and ended with me.

Sadly, it would appear that some people never grow to that realization, including, sometimes, those who regard themselves as followers of Jesus Christ.

In Luke 1 we are confronted with the concept of vocation. John the Baptist's father, Zechariah, makes several allusions to it. First, he alludes to the calling of Israel to a special relationship with God and mission for God. This was a calling originally "promised to our fathers," a reminder of "the oath which he swore to our father Abraham, to grant us that we, being delivered from the hand of our enemies, might serve him without fear..." (1:72-74). They were part of a much bigger picture than that of their own lives.

Zechariah also recognizes that his son, John, has been called/vocated by God to be the forerunner of another. "And you child will be called the prophet of the Most High; for you

will go before the Lord to prepare his ways" (Lk. 1:76). Some of us will be tempted to think, well, good for John; he had a vocation. He was called to be and do something important in God's scheme of things.

Making A Difference

Christian vocation, however, is not just a concern for specially gifted or specially recognized Christians. All of us are called to make a difference in this world.

In one or more of millions of different ways are called by God "to give knowledge of salvation to his people in the forgiveness of their sins... when the day shall dawn upon us from on high to give light to those who sit in darkness and in the shadow of death, to guide our feet unto the way of peace" (1:77-79). Zechariah's description of John's calling is no different than God's calling to each of us.

If you are in any way intimidated by the Baptist's calling, remember what Jesus said in Like 7:28: "I tell you, among those born of women, none is greater than John; yet he who is least in the kingdom of God is greater than he." This is not a put-down of John the Baptist, but an elevation of the Christian vocation to which God calls each of us who would follow his Son. Each of us is called to something very special in God's service. Our failure to recognize and respond to that call and see the big picture does not diminish it one bit.

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