Northern Michigan FruitNet 2013
Northwest Michigan Horticultural Research Center

Weekly Update
February 26, 2013

EASTERN APPLE PRECISION ORCHARD MANAGEMENT SUMMIT
The apple industry is challenged by a changing weather climate, increased national and international competition, higher production costs and labor shortages. The Cornell Program Work Team is calling for an "Eastern Apple Precision Orchard Management SUMMIT" to be held **March 14-15** at the Ramada Geneva Lakefront, Geneva, NY.

The Northern Grapes Project Webinar Series
Vineyard Nutrition
Paul Domoto, Iowa State University
Carl Rosen, University of Minnesota

Nutrient management is one of many cultural practices used to balance vine growth and fruiting, and to achieve optimum grape production and quality. Soil testing is a recommended procedure to determine what soil amendments might be needed prior to planting a vineyard. Once in production, growers should use tissue analysis to assess the nutritional status of their vines prior to nutrient supplementation. This webinar will cover basic procedures for collecting both soil and petiole samples, and interpretation of the results.
Tuesday, March 12th, 2013
Noon Eastern (11:00 AM Central) and 7:00 PM Eastern (6:00 PM Central)

NEW THIS YEAR! We have switched to a different platform, so no longer have space restrictions during webinar sessions. Therefore, once you have registered for one Northern Grapes webinar, you will always receive an email the Friday before the webinar containing the web address (URL) for both webinar sessions as well as connection instructions. If you are receiving this email directly from Chrislyn Particka or Tim Martinson, you have registered for a past webinar and can safely assume you will get the URL and connection instructions. **If you have received this email from someone other than Chrislyn Particka or Tim Martinson, you need to register via the link below.**
To Register: Registration is free. Fill out the online form posted at:
https://cornell.qualtrics.com/SE/?SID=SV_3WToOsRa5Ik9BZ3

Registration will be open through 8am (Eastern) on Friday, March 8th.

Further Northern Grapes Project information is available on-line at http://northerngrapesproject.org/
The Northern Grapes Project is funded by the USDA's Specialty Crops Research Initiative Program of the National Institute for Food and Agriculture, Project # 2011-51181-30850.

CLASSIFICATIONS AND EXEMPTIONS – MAKING THE MOST OF YOUR WORKFORCE
An upcoming workshop that may be of interest to any ag employer – **"Classifications and Exemptions – Making the Most of Your Workforce" is** scheduled for **March 19th at the Hagerty Conference Center in Traverse City from 8:00 a.m. - Noon**. Some topics of interest to growers

may be how your employees are classified (contract vs. non-contract, exempt vs. non-exempt, temporary etc.). The **attached flyer** has more details.
For additional information, contact:

Kevin Benson, Agriculture Employment Specialist
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Workforce Development Agency, State of Michigan
(231) 922-3729 or BensonK@michigan.gov

FOOD SAFETY MODERNIZATION ACT
Dear Michigan Food and Agriculture Industry members:

The Food Safety Modernization Act, the most sweeping reform to food safety in more than 70 years, was signed into law in early 2011. On January 16, 2013, the U.S. Food and Drug Administration (FDA) published proposed rules for two sections in FSMA. These proposed rules cover Produce Safety and Preventive Controls for Human Food. The publishing of these proposed rules marked the start of a 120-day public comment period, which ends May 16, 2013.

On April 24, the Michigan Department of Agriculture and Rural Development will host a listening session for the Food Safety Modernization Act proposed Produce Safety Rule and Preventive Controls Rule. A "Save the Date" flyer is attached. Presenters from FDA will be on hand to discuss the rules and answer questions. **If you are interested in receiving details about this listening session, please send your name, affiliation, phone number and email address to MDA-FoodDairyInfo@michigan.gov**

Since seating at the listening session is limited and the goal is to get input from as many producers and processors as possible, there will be an opportunity to participate in the listening session via webinar.

MDARD is working with industry partners and Michigan State University Extension to have satellite locations available around the state for those who may not have high-speed Internet capabilities.

You are encouraged to visit the FDA website at www.fda.gov/fsma to review the FSMA fact sheets prior to the listening session. Please note that this is a listening session, not a formal hearing. If you are interested in providing formal comments to FDA about the proposed rules, you will need to post them to the federal register. Go to the FSMA website atwww.fda.gov/fsma, click on the fact sheet about the proposed rule for which you wish to post comments and then click on the Docket Number for that rule.

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FARMERS SEE TAX CHANGES IN ANNUAL REPORTING IN 2012

Farms will see several changes that will impact when and how they report 2012 income taxes.

Posted on **February 19, 2013, MSUE News,** by **Dennis Stein**, Michigan State University Extension

The fiscal cliff created the opportunity for a number of changes in the tax rules regulating when a farm must complete and file their annual income tax returns. For 2012, farm income tax returns have received a deadline extension from the normal March 1, 2013 date to file their tax returns without penalty, if they have not made estimates. With the tax deadline extended, Farm producers now have until **April 15, 2013** to file their tax returns without a penalty.

Farms that elect to delay completing and filing their tax returns after March 1, 2013 will need to include a Form 2110F as part of their returns. The Form 2110F is a waver that was part of the enactment of the American Taxpayer Relief Act (ATRA). To qualify, at least two-thirds of the taxpayer's gross income must be from farming in either 2011 or 2012. Much of the guidance from the IRS is still in process due to the late enactment of ATRA after the end of 2012.

Some of the changes and a major point that may impact farms as they prepare their 2012 income tax returns:

- The 179 expense election for 2012 was set at $500,000 retroactively because of the ATRA. This allowance provides an option for accelerated depreciation on new or used machinery or equipment purchases for the year of its purchase. There is a dollar-for-dollar phase-out if your farm purchased more than $2 million of depreciable capital assets during 2012. This change is a major increase from the $139,000 that was originally stated in the 2012 rules.
- In addition, a farm has a 50 percent bonus depreciation of adjusted basis after the 179 expensing. This option only applies to new property placed in service during 2012 that has a depreciable recovery period of 20 years or less. Your farm can take the bonus depreciation or can select the election to opt out of having the 50 percent bonus applied to all new property this is grouped by class (3, 5, 7, 10, 15 or 20 year property) but everything within a class must be treated the same. Your tax professional can help you consider what will work best for your farm situation:
- Long-term capital gains and qualified dividend income now has a new 20 percent tax rate for individuals in the higher tax brackets. Capital gains are still taxed at a 0 percent rate for individuals in the 10 or 15 percent tax bracket. Those in the middle brackets (above the 15 percent tax bracket but below the 39.6 percent bracket) will pay 15 percent capital gains taxes. While those in the top income bracket (incomes above $400,000 for individual or $450,000 for married filing jointly) have a new 20 percent capital gains tax level.
- The annual individual retirement account contribution is $5,000 for 2012 or $6,000 for individuals 50 years or older.
- Crop insurance proceeds, if received in 2012, may be deferred to 2013 if you qualify. You must use cash accounting and show that, under normal business practices, the sale of damaged crops would occur in a future tax year.
- Income averaging is still available to qualifying farmers who can elect to compute their current tax liability by averaging all or part of the current year elected farm income. They would then average their 2012 income over the prior three-year tax rates, using up unused lower tax brackets in 2009, 2010 and 2011 period. This calculation is done on Schedule J.

Information on agricultural tax topics can be found in the Farmers Tax Guide, publication 225. You can also find this publication and other IRS forms by calling the IRS directly at (800) 829-1040.

Several tax related articles are available on Michigan State University Extension's Telfarm Farm Accounting systems websiteand additional helpful links can be found on my website by looking under the Tax Information Resource tab.

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RISK MANAGEMENT PLANS INCLUDES CROP INSURANCE

Many farms look to crop insurance as a key component of their risk management plan.

Posted on **February 17, 2013, MSUE News,** by **Dennis Stein**, Michigan State University Extension

The farming community in Michigan is starting the New Year feeling the long lasting effects of last year's drought with very volatile commodity prices and uncertain conditions which may impact yields.

When developing a plan to manage the negative impacts of these risks, most farms will look to comprehensive crop insurance program to insure a reasonable level of farm income. With the current high cost and high reward in today's farming environment, farms need to evaluate just how much of a negative financial hit their farm can sustain. Farms now recognize that high input and land rental costs can put a farm into a serious cash flow crunch. Not being able to have the cash to cover higher and higher land rental cost can push a farm out, resulting in the loss of production acres and impacting the farm's cost of production. Fewer acres means higher fixed costs for the remaining production acres.

As a Michigan State University Extension farm management educator, I have worked with farms that are including crop insurance within their risk management plans. Many farms consider a good crop insurance program will provide them with the assurance to develop a commodity marketing plan. Taking advantage of pre-planting markets can provide the opportunity to lock in profitable commodity prices. Spending some time with a good crop insurance professional can help you to understand the numerous options that the current crop insurance programs have to offer. Your farm's production history and the record detail that you have kept can have a major impact on your farm's total insurable value. If you have participated in the past, your farm should have built a production record. Keeping good records of your farm's production numbers can be very beneficial because your yields can be much higher than the county average yield which ends up being the default when there is a lack of production records history.

Crop production records by field can provide farms an opportunity to insure their crops by individual units, providing coverage more directly linked to the unit by unit production levels. Farms that use production units have a much higher record keeping requirements which could be a challenge for some farms. Having field by field records can often provide value. They give you the ability to protect multiple units if your farm has variable yields across its production base.

Farms may want to look to one of the online worksheets that are now available to evaluate how your farm production system would work with different crop insurance options. The *Crop Insurance Calculator for Corn and Soybeans* allows you to enter your farm's data and the program will generate projected values using historic values for Michigan and other Midwest states. This may not be the perfect system but can provide a farm with the ability to develop several what if scenarios using different insurance options and protection levels. Every farm has its own risk tolerance level but for the majority of farms, the use of some level of crop insurance is part of that plan.

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FARM TRANSITION AND SUCCESSION – WHAT IS INVOLVED?

Most farms recognize the importance of a farm business transition and succession plan to pass the farm on to the next generations, but they don't understand how to formulate a good plan.

Posted on **February 17, 2013, MSUE News,** by **Craig Thomas**, Michigan State University Extension

As a Michigan State University Extension dairy farm business management educator, I have observed that it is nearly unanimous among all farms that the most important goal of the producer is to pass along the farm business to the next generation. Despite this intense desire, as pointed out in a previous article most farms fail to make adequate plans to achieve this important goal. Formulating a viable farm transition and succession plan can be a daunting task as it involves a wide variety of topics and requires a great deal of frank and honest communication among family members. Like most such tasks the hardest part is getting started. To assist farmers in formulating a viable farm transition and succession plan Michigan State University Extension offers workshops and direct one-on-one assistance. You can contact your local Michigan State University Extension office to get more information.

A farm transition and succession plan is a continuous process that involves transferring knowledge, skills, labor, management, control and ownership from one generation to the next. Even though it involves estate planning, it goes far beyond the mere transfer of assets to your heirs and includes all aspects of the farm business from the legal and tax angles to the day-to-day management and operation of the farm business. At a minimum it involves decisions regarding asset ownership, choice of business entity, estate planning, retirement planning, tax planning, and transfer of labor and management. It is important to realize that formulating a viable transition and succession plan is not a one-time affair to be completed, encased in glass and labeled, "Open only in case of the owner's death." You should begin formulating your farm business transition and succession plan at least 5-10 years before your anticipated retirement. In fact, transition and succession planning is a process that should begin the day you take control of the farm business and continue throughout your life. Farm business transition and succession is a continuous and dynamic process. As you move through life your situation, family needs and business will constantly change and require you to make changes in your transition and succession plan to keep it viable and relevant.

As you begin the task of developing a viable farm business transition and succession plan it is important to consider the most basic elements of a successful family farm business. This involves three entities: individuals, the family and the business. In order to succeed all family farms must successfully blend and accommodate the values and goals of each individual with the shared values and goals of the family. The business then uses inputs and produces outputs that allow the expression of these values and the achievement of these goals. The process is not perfect as economics and human relationships place limitations on the ability of the business to completely align every value and achieve every goal. However, the closer the business comes to meeting these wants and needs the greater is its chance of surviving from one generation to the next.
A successful farm transition and succession plan will transfer the human, business and financial capital to the next generation in a process best suited to achieve success and will necessarily involve the following elements:

Retirement Plan - This aspect of the plan will determine the needs of the exiting generation during their retirement years and how the farm business will meet those needs. It is important that the retiring generation be insured an adequate retirement income that does not present such a drain on the farm business as to endanger its chances of future success.

Estate Plan - Ultimately the exiting generation will pass on and the plan must specify how farm assets will be distributed among the heirs upon the death of the owner(s). It is critical that this aspect of the plan treat each heir fairly while simultaneously maximizing the opportunity for the farm business to succeed in the future. The estate plan also seeks to minimize the tax burden of the heirs.

Transition Plan - This aspect of the plan focuses on strategies to transfer ownership, management and control of the farm business to the next generation. Transferring management is an often overlooked or inadequately considered aspect of the plan that leads to the failure of many transitions. Transferring management requires a great deal of time, communication and patience on both the exiting and inheriting generations.

Business Plan - This aspect of the plan focuses on the future business goals of the farm and formulates strategies to achieve those goals. It is an important exercise to critically and honestly evaluate the farm business to determine what direction is best for the future. Most farmers make the mistake of just maintaining the status quo rather than using the transition as an opportunity to make substantive and needed changes to the farm business (e.g., dropping unprofitable enterprises).

Land Use Plan - This aspect of the plan focuses on the current versus future, potential uses of the farmland. This may include a decision on whether to keep the land in agriculture or sell it for development, or sell the development rights in a farmland preservation program, etc.
These are the parts every viable farm business transition and succession plan should consider. Many professionals (e.g., accountants, lawyers, consultants, extension educators, etc.) are available to help you put together a viable plan. However, the most important aspect of a well-designed and viable plan will be the communication among the individuals affected by the plan. It is impossible to stress this aspect enough, because communication is key. Everyone affected by your plan must be able to honestly and openly communicate their wants, needs, values and goals. Developing your plan will not happen overnight, thus, through every step everyone involved must be able to give their honest and open input. The pathway to a successful plan is impossible without this important aspect.

Related article:
- Farm transition and succession – Why bother?

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FARM TRANSITION AND SUCCESSION – WHY BOTHER?

Nearly all farms aspire to pass the farm on to future generations, but many fail to make adequate plans to do so.

Posted on **February 17, 2013, MSUE News,** by **Craig Thomas**, Michigan State University Extension

In my work with farm families for nearly thirty years, as a Michigan State University Extension dairy farm business management educator, I have observed that it is nearly unanimous among all farms that the most important goal of the producer is to pass along the farm business to the next generation. Despite this intense desire, various research studies and surveys indicate most farms fail to make adequate plans to achieve this important goal. For example, a *Farm Journal*survey found 80 percent of surveyed farmers plan to transfer control of their operation to the next generation, but only 20 percent of them were confident their succession plan would achieve that goal. A study conducted by Iowa State Universityshowed that 50 percent of farmers did not have an estate plan and 71 percent of retiring farmers had not identified a successor.

With these statistics in mind, it is not surprising the Small Business Administration reports less than 33 percent of family-owned businesses survive the transition from the first to the second generation and only half of those making the first transition survive the transition from the second to the third generation. This means that only about 16.5 percent of family-owned businesses successfully survive to the third generation. One USDA study also predicts that about 70 percent of the farm land in the U.S. will change hands within the next two decades. Further, the average age of the U.S. farmer is

now over 57 years old. From 2002 to 2007, the number of U.S. farmers age 55 and older increased by 17 percent while the number under age 45 decreased by nearly 21 percent. In essence, more and more farms will be transitioning to the next generation soon.
The landscape is also changing a variety of factors that impact passing the farm on to the next generation such as inheritance and tax laws, an increasing variety of estate planning tools, new types of business entities, skyrocketing land values dramatically increasing estate values, fewer farm children choosing to return to operate the home farm, increasingly stringent environmental rules and regulations, and the fact that many retirees in this day and age will spend a quarter or more of their life in retirement. All of these factors increase the importance of farmers formulating a farm transition and succession plan.

There is no doubt that formulating a viable farm transition and succession plan is a major undertaking. Formulating a viable plan is a challenge because it requires farmers to wade through a wide variety of laws and regulations and involves something we all resist: change. Perhaps the greatest challenge is that it involves and requires communication between family members about topics that many find very hard to discuss in an open fashion: death and finances. Given the emotional stress involved it is no wonder there is a great deal of resistance by many farmers to develop a transition and succession plan.

The stakes are just too high not to formulate a plan. Make no mistake about it, upon your death your estate will be passed on. Even if you plan on your heirs continuing to operate the farm business, if you don't formulate an adequate transition and succession plan your heirs may be doomed to failure as they are forced to liquidate assets in order to pay taxes and fees. Or, you might be setting them up for failure as they are forced to partition assets to satisfy the desire of non-farming heirs to "cash in" their share of the farm business. Another forgotten aspect of the plan concerns the capability of the next generation to operate the business on a day to day basis. If your transition and succession plan is not preparing them in this important aspect failure is almost certain. A written farm transition and succession plan is also an important instrument for your lender(s). Lenders are much more likely to lend needed funds if your farm has a written and well-thought out plan. Finally, farm transition and succession is undoubtedly a potential source of conflict among family members. Many farm families have been torn apart as the farm was passed from one generation to another. The existence of a written farm transition and succession plan may not prevent this from happening. However, the more time and effort you spend in allowing all of your heirs to provide input to your transition and succession plan the more likely that transition and succession will be a triumph rather than a tragedy.

Related article:

- Farm transition and succession – What is involved?

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EXPLORING IRRIGATED CROP PRODUCTION

Water issues have received increasing attention in many Midwestern states following recent droughts. Michigan State University Extension is offering an educational trip to Wisconsin March 11-12 to further explore issues of managing water in agriculture.

Posted on **February 25, 2013, MSUE News,** by **Jon Zirkle**, Michigan State University Extension

Agriculture Census shows that 9.1 percent of Michigan farms had irrigated land, an increase from the 2002 Census.Michigan State University Extension irrigation educator Lyndon Kelley expects the upcoming 2012 Agriculture Census will show these figures have grown dramatically. Kelley states that numerous irrigation companies in the region have seen sales double since 2006. Furthermore, the higher crop yields made possible in part by irrigation have surely contributed to agriculture's growing role in the Michigan economy.

While Michigan has an abundance of groundwater and surface water, the amount of precipitation the state receives during summer months is inadequate to meet the needs of some field crops during their period of greatest evapotranspiration. According to a January 2012 report from the Michigan Department of Agriculture and Rural Development, Michigan is the driest state east of the Mississippi River during July and August. With irrigation as a management option, crop water demands can be met during summer months, providing a safety net for farmers who could otherwise lose a crop. Contract production operations for seed corn, potatoes, snap beans, pickles and other specialty crops have become established in regions of Michigan with sufficient potential for irrigation for this very reason.

Given the attention to water issues in the past year, MSU Extension is offering a bus tour to the heart of central Wisconsin's sandy, irrigated production region on March 11-12 to explore the topic of water use in agriculture. Joining the tour is still possible, and we welcome registrations. Participants will gain insight on what a nearby state that faces similar though unique water challenges is doing to keep agriculture strong in the face of extreme weather, new water withdrawal regulations and competition from other industries for water usage. Find out more information and register today.

The two-day tour will feature stops at a number of farms, the University of Wisconsin Hancock Research Station, and talks with farmers, irrigation professionals, municipal officials involved with water management and University of Wisconsineducators, faculty and researchers. Attendees will have opportunities to learn about irrigated field crops, potatoes, snap beans and cranberries, as well as discuss tillage, cover cropping and irrigation technicalities along the way. The trip involves one overnight stay in Stevens Point, Wis. A registration fee covers bus fare, meals, lodging, fees and snacks for the ride to and from Wisconsin. Departure will be from the Kalamazoo, Mich., area on early Monday morning.

The 2012 growing season presented challenges for crop irrigation and recreation in ways rarely seen. Parts of Cass, St. Joseph, Branch and Hillsdale counties reached the U.S. Drought Monitor's Extreme Drought (D3) rating in late July, historic drought levels that prompted such measures as opening of Conservation Reserve Program acreage for emergency haying under certain conditions and time constraints to potentially ease deficits in forage supply. Conflicts emerged in many drought-stricken communities in southern Michigan based on differing opinions about why surface waters declined. Some pointed to crop irrigation withdrawals while others sited evapotranspiration as being a greater contributor after record-breaking March temperatures and summer heat waves coupled with reduced rainfall. Also, while rainfall levels increased by late summer and into early fall, precipitation levels this winter are being watched closely with high hopes that surface waters will return to normal levels and that soil profiles have adequate moisture for the upcoming growing season.

Michigan is certainly not alone in dealing with water challenges in agriculture this year. Much of the Midwest is still in the grip of drought, according to the U.S. Drought Monitor. More than 88 percent of Wisconsin remains rated in some sort of drought status as of Feb. 12, 2013, compared to 40 percent of Michigan land area. The far western areas of the Corn Belt are far more drought-stricken states like Michigan and Wisconsin, though some much needed recent snowfall may provide relief to parched areas of Kansas, Nebraska and Iowa.

Consider joining MSU Extension on this exciting tour to learn more about water and agriculture, water conservation practices, and to meet leaders in irrigated crop production. See further details including online registration. For questions, contact Jon Zirkle in the St. Joseph County MSU Extension office at 269-467-5510.

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WEBSITES OF INTEREST

Insect and disease predictive information is available at:
http://enviroweather.msu.edu/homeMap.php

60 Hour Forecast
http://www.agweather.geo.msu.edu/agwx/forecasts/fcst.asp?fileid=fous46ktvc

Information on cherries is available at the new cherry website:
http://www.cherries.msu.edu/

Fruit CAT Alert Reports have moved to MSU News
http://news.msue.msu.edu