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DAIRY PIPELINE

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Farming Survivor

—Andy Overbay, Extension Agent & Unit Coordinator, Smyth County; aoverbay@vt.edu

"The passing of a farm owner-operator can bring an avalanche of problems for the unprepared. ...Many of these problems could be resolved by having an early, frank and honest discussion among the family, but this happens too infrequently."

Nearly every month, I receive a call from the spouse or child of a farm owner who has inherited a farm and has no real knowledge or experience to continue the operation. The passing of a farm owner-operator can bring an avalanche of problems for the unprepared. The stress of dealing with transition in ownership can lead many surviving family members to poor decisions that can ruin the business and their personal finances. Many of these problems could be resolved by having an early, frank and honest discussion among the family, but this happens too infrequently. Following are just a few considerations to think about before events force the hand of the farm survivor.

Start early. The time to start planning the continuation or liquidation of your estate is yesterday. There is no "one size fits all" plan and conditions vary state by state. Even smaller estates take time to disperse and some actions taken to manage the continuation of a large estate may take decades to handle without burdensome tax implications.

Seek professional help. Laws and regulations involving the passage of an estate are constantly in a state of flux. It is nearly unthinkable to consider that a lay person could keep track of all the possible changes to the tax code that might affect them.

If it's not in writing, it doesn't exist. Mom or Dad may have always said that they wanted you to have the farm when they passed, but if that isn't conveyed clearly in writing, you can just about bet it will be challenged. In all cases, an estate plan already exists for the farm; the issue is whether the plan is the result of the family's wishes or your state's legal system. It has been said that the difference between a dream and a plan is that a plan is written down. Write your estate plan down and have it notarized and recorded!

Let's be fair? Often, estate plans of sole proprietors get bogged down because the farming parent sees no real way to make things equal. Two words: forget it. There is no fair solution because there is no need for a fair solution. The estate belongs to the owner and the wishes of the owner need to be followed. Spouses have legal rights but children do not (in most cases), so carry out the wishes that will allow the ultimate goal of the owner to be fulfilled. In most cases that wish would be for the farm to survive and thrive after he/she has passed. Do remember one thing: liquidity. Many times a farming child will inherit the farm and off-farm siblings will receive cash. Please make allowances to maintain liquidity of the farm accounts. Depleted cash accounts may leave the farm without operating capital, leaving the farming child in worse shape due to the inheritance (and in many cases, decades of dedicated service). What's fair about that?

What's that worth? One thing that a farm survivor will need is an accurate fair market value of the machinery, buildings and other depreciable items. Again, tax laws are subject to change but many survivors do not realize that at the time of their inheritance depreciation schedules return to even the oldest tractor or implement. A reasonable fair market value will allow the heir to deduct depreciation from their tax liabilities for several years, saving precious cash resources as they learn their new role as owner. Assigning value to the estate also helps in thinking about how much cash will be needed to service the operation and provide for the repair and replacement of necessary assets when the time comes.

Share the estate plan with everyone affected. One of the most terrible losses after an estate is settled is the loss of family ties. Arguments over settlements can drag on for years and result in the one thing no parent wants, the splitting of the family. The best way to limit hurt feelings is to communicate your wishes clearly with your heirs. Dropping this responsibility on your estate's executor may only lead to your estate becoming the property of lawyers representing

DAIRY SCIENCE

Upcoming Events

See VTDairy for details.

September 29—October 8, 2017
Virginia State Fair

October 3-8, 2017
Bus trip to Fair Oaks Farm and World Dairy Expo

October 3-7, 2017
World Dairy Expo

November 8-9, 2017
Southeast Quality Milk Initiative Annual Meeting
Opryland, Nashville, TN

February 14-15, 2018
Virginia State Feed Association Convention & Virginia Tech Nutritional Management "Cow College"

If you are a person with a disability and require any auxiliary aids, services or other accommodations for any Extension event, please discuss your accommodation needs with the Extension staff at your local Extension office at least 1 week prior to the event.

For more information on Dairy Extension or to learn about current programs, visit us at VT Dairy—Home of the Dairy Extension Program on the web at: www.vtdairy.dasc.vt.edu.

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your heirs. Make sure everyone knows the plan, where documents are housed and who is the executor of your estate.

Keep a journal. Some may not have an on-farm heir, but wish to leave the farm to a family member just the same. Do not leave them with an operation management void. If left to fend for themselves, heirs may fall victim to one of two things, bad decisions or no decisions at all. This can be solved to some extent by simply using a calendar to write down a note or two about the day's events. At least they will have an idea about when to start to think about seasonal chores or have an idea about where livestock are and how many are in that location.

Have no fear! Dr. Jessie Richardson, an attorney and faculty at Virginia Tech shares, "The uninitiated may view the estate probate process as impossibly complex. Indeed, many complicated issues may arise. However, the typical estate does not involve unmanageable problems. Thankfully, personnel at the local clerk's offices are very helpful." In addition, Dr. Richardson stated that many State Bar Associations have publications dealing with the administration of decedent's estate. "Personal representatives should not approach the probate process with feelings of dread. Instead, feel privileged to be able to provide one last service to the deceased."

Does more expensive corn silage translate into higher feeding costs?

—Gonzalo Ferreira, Extension Dairy Scientist, Management; gonf@vt.edu

When evaluating feeding programs on dairy farms, many managers ask me if using sorghum silage would decrease feeding costs relative to using corn silage. My first reaction to this question is to respond that using corn or sorghum for silage would depend on several factors, such as environmental conditions, financial situation of the farm, production system, and production level to mention a few. My second (and maybe most important) reaction is to say *"please don't limit your decision based on the seed cost, but decide based on a more holistic analysis."* This holistic analysis is like putting together a puzzle. You look at individual pieces, but you keep an eye on the whole or big picture.

Corn seeds are typically much more expensive than sorghum seeds. Managers who consider the cost of the seeds as an isolated piece of the puzzle can easily decide to plant sorghum instead of corn. However, those who pay attention to other pieces of the puzzle (e.g., nutritional perspective) will appreciate that the nutritional composition of corn silage is different from the nutritional composition of sorghum silage (i.e., sorghum silage typically has more fiber and less starch than corn silage). Therefore, comparing corn silage to sorghum silage is like comparing apples to oranges. Because they are different nutritionally, it is more important to do a holistic analysis considering several pieces, always keeping an eye on the whole or big picture.

> "… what seems to be cheaper when looking at the small pieces might end up being more expensive when looking at the big picture."

An analysis by our research team concluded that even though the inputs for producing corn silage are higher than the inputs for producing sorghum silage, the differential cost of the resulting silages can be marginal. Another conclusion was that even though the silage cost per cow was 110% more expensive for corn silage than for sorghum silage, the final cost of the diet ended being 20% more expensive for the diet containing sorghum silage than for the diet containing corn silage. There are at least two reasons for this: 1) the final price of the silages did not differ much, and 2) because of the higher fiber concentration of sorghum silage, additional concentrates are needed to obtain a similar ration. Prices for concentrates are typically higher than those for forages, which can lead to an overall higher ration cost. Another analysis from our research team concluded that, in general terms, sorghum silage should be approximately 30% cheaper than corn silage to actually increase income over feed costs.

In summary, performing a more holistic analysis should help you make better decisions. Do not make decisions exclusively on tangible items, such as the seed costs. Keep in mind that what seems to be cheaper when looking at the small pieces might end up being more expensive when looking at the big picture.