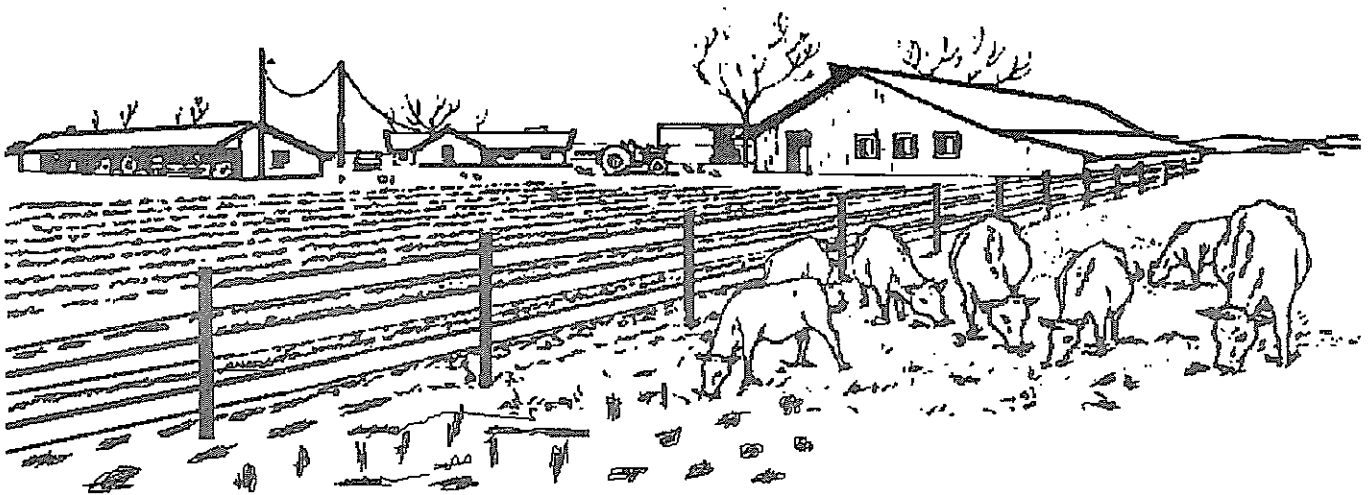


What You Always Wanted to Know About Part-Time Farming

Prepared by

**Southern Extension Public Affairs Committee
Southern Extension Farm Management Committee**



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PREFACE

This publication is prepared in response to County Extension Agents' requests for information to assist part-time farmers evaluate their farm businesses.

Approximately two-thirds of all farms in the U.S. are part-time operations. Many of the operators are new to the profession. Further, many of the long-time operators are continually searching for new enterprises to improve their profits.

While the U.S. farm population currently amounts to near 3% of the total country's population, these entrepreneurs produce a high percentage of the food consumed in this country. In addition, farmers operate under the same economic, environmental and tax rules as do non-farm businesses.

This publication was prepared by a task force of the Southern Extension Public Affairs Committee and the Southern Extension Farm Management Committee. We hope this information will be useful as part-time operators review their direction and profit status.

William Givan, Chairman
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FARMING PART-TIME!

WHY? HOW?

So you want to farm (or are already farming) part-time. If so, you have lots of company.

Approximately two-thirds of the nation's 2.1^m billion farms are classified as part-time, having less than \$25,000 annual cash receipts.

And this farm population is changing:

- ⊠ Farm numbers have declined by one-half since 1960
- ⊠ Farming is generally capital intensive. Farmers today use 50% less labor than 30 years ago but 400% more inorganic fertilizers and chemicals.

If you're thinking of going into part-time farming, or if you're changing your type of operation, this guide is intended to help with your decision.

Farming is a business consisting of food and fiber production. It generates income, and it requires capital to operate.

So one of the goals of a farming operation is to generate enough revenue to cover costs. If you can't cover your expenses, then money has to come from some other source.

Frequently part-time farming does not cover all costs. The 1992 Census of Agriculture indicates that farms with less than \$10,000 annual cash receipts generally showed a loss in their farming operations.

While there are exceptions, this group of farms could not generate income to cover operating costs plus overhead expenses.

Farm planning involves taking available resources and producing commodities that will hopefully cover these costs. It involves finding a market for the output and selling at the best price you can find in this market.

Let's proceed with our planning!

**Distribution of U.S. Farms By Cash Receipts
And Aggregate Net Cash Farm Income, 1991**

Annual Gross Cash Receipts	Percent of Farm Numbers	*Percent of Net Cash Farm Income
	%	mil. dol.
Less than \$20,000	58.4	-0.1
\$20,000 - 39,999	11.4	3.7
\$40,000 - 99,999	14.7	13.2
\$100,000 - 249,999	10.2	22.4
\$250,000 - 499,999	3.3	15.8
\$500,000 - 999,999	1.2	11.3
\$1,000,000 and over	.8	33.8

Source: Economic Indicators of The Farm Sector,
National Financial Summary, 1991, ERS-USDA

*Net does not include payment to farm fixed resources.

WHY ARE YOU FARMING ?

Is it because:

You enjoy being outdoors?

You want to increase your revenue?

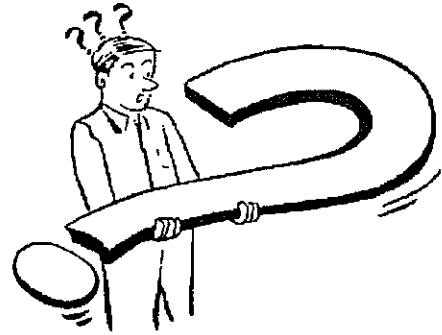
Farming is a hobby without regard for income?

Farming is a hobby with profit as a goal?

You have an expectation of land appreciation?

or

Some combination of these reasons?



Regardless of your reason(s) for farming,

a determination of your resources and how they can be used,

is the first step in planning.

CONSIDER THE FOLLOWING:

What do you know about farming?... Do you have farming expertise?... Are you willing to farm when needed?... Or when it is convenient?

What are your goals?

Do you have a market for selling what you produce?

Are there any zoning or environmental restrictions on your farm plan?... Does your farm produce waste or by-products that may pose problems for disposal?

How much land do you have, or can access?... Is it tillable?... or pasture?... How productive is it?

Is equipment available?... Buildings?... Water supply?... Is irrigation equipment available?

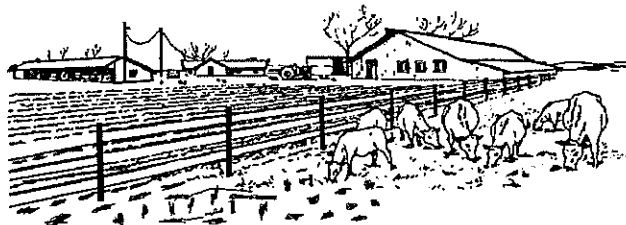
Do you have barns?... Fences?

How much labor is available? Does your present employment provide time to farm?

Finally, how much capital is available?... Do you have money for investment needs?

Do you have collateral should you borrow funds?

Can you survive should you have a series of losses?



CONSIDER YOUR RESOURCES

Your Available Land Is

Tillable Land _____ Acres

Pasture _____ Acres

Other _____ Acres

Equipment Currently On Hand?

	Yes / No		Yes / No
Truck	_____	Sprayer	_____
Tractor	_____	Cultivator	_____
Mower	_____	Plow	_____
Disk	_____	Trailer	_____
Hay Rake	_____	Hay Baler	_____

Is Pasture Land Fenced? Yes _____ No _____

Is Water Available For: Irrigation? Yes _____ No _____
Livestock? Yes _____ No _____

How Much Labor Is Available?

Daily _____ Week-Ends _____
Summer _____ Winter _____

Funds Available For Investment:

Currently \$ _____

In 6 Months \$ _____

In 12 Months \$ _____

HOW DO YOU FARM? Or Plan To Farm?

Be sure you know your costs of operation.

What are production costs? Investment outlays? Your available markets?

HOW DO YOU PLAN (for example) a beef cow-calf herd?

This is a scenic farm enterprise, the goal of many part-time farmers, to have some cows on a green landscape next to a pond with some scattered trees.



Begin your plan by using a cow-calf budget that estimates the costs involved. Use the budget on the next page. If you want to get into production immediately, you would need:

- ① 10 cows
- ② two replacement heifers...
- ③ one bull (or use AI)
- ④ some fences...
- ⑤ other equipment
- ⑥ pasture. (And, don't forget a water supply)!

Investment Cost Items Are...

Estimated to be \$14,777 without land. You may already have some of these items on hand, but the biggest investment item is the cattle (\$8,000 of the \$14,777).

Production Costs Consist Of...

Feed, which is the biggest variable cost, and medicines, labor, etc.

If you provide your own labor, this will not be a cash outlay, but you need to ask yourself, "What else could I do with my time?" If you aren't using it caring for cattle, what would you be doing?

And fixed costs shouldn't be overlooked... things like interest on your investment, property taxes and depreciation.

Total Cost Per Cow Is...

An estimated \$417.80, annually, excluding land.

**Estimated Investment Needed
For 10 Cow-Calf Herd**

Item	Number	Cost/ Unit	Total
Cows	10	\$800	\$8,000
Heifers	2	600	1,200
Bull	1	2,000	2,000
Fences	.8 mile	1,800	1,440
Feed Racks, Corral		1,200	1,200
Pasture establishment	12.5 A	75	937
Total			<u>\$14,777</u>

**Estimated Break-Even Cost
For 10 Cow-Calf Herd**

Item	Total Amount	Dollars /Cwt.	Dollars /Cow
Variable Costs; include Pasture, Hay, Purchased feed, Veterinary Labor	\$2,944		
Less: Value of cull cows:	900		
Net: Variable Cost	2,044	\$61.86	\$204.40
Plus: - Fixed costs for equipment & investment	1,957	59.23	195.70
- Overhead	30	.90	3.00
- Management	147	4.45	14.70
Total	<u>\$4,178</u>	<u>\$216.44</u>	<u>\$417.80</u>

Now check the cattle market... and see if feeder calves will pay their costs.

Look at your cost estimates and analyze your 1) cash costs, 2) your overhead items and 3) the opportunity costs of your resources already in place.

Make sure you cover your "cash costs." This is the first priority. Then look at what is left over, and see if enough is left to pay your overhead. Is your fixed capital where you want it to be, i.e., Would you be happier (would it be more profitable) if it were invested somewhere else?

Other Enterprises Require the Same Analysis

Look at what you have and determine how this will accommodate other farming alternatives.

A summary of the major land, labor and investment needed for selected enterprises for small farmers is shown on the next page.

These resources are shown for an operating unit considered to be large enough to purchase capital items. Larger or smaller units can be, and are frequently produced..... but this provides a starting point for analysis.

To illustrate:

Christmas trees are an enterprise with considerable interest. But it takes 4 - 5 years before they are marketable... and a relatively large investment over this time period.

A market to recover this investment is necessary before getting into this business. Are you thinking of a "choose-and-cut" operation..... or a wholesale tree farm?



Pick-your-own operations are popular. Consider your competition. What percent of the market can you claim? And do you have the labor and management to care for the crop during the harvest season long days for several weeks? How about liability insurance?

So now you have examined your resources, analyzed the markets and estimated the production costs and decide you want to do some more part-time farming.

NOW WHAT?

Major Resource Requirements For Selected Enterprises

Enterprise	Unit	Land Area/ Unit (Acre)	Labor Hours/ Unit	Labor Peak Season	Years To Productivity	Investment Capital Sale* (Dol.)
Cow-Calf	10 Cows	12.5	70	Calving	1	14,775.00
Sheep	50 ewes	12.5	200	Lambing	1	11,000.00
Broilers	20,000	2.0	500	--	7 weeks	100,000.00
Goats, Meat	25 does	6.5	75	Birth	1	8,100.00
Strawberries(PYO)	2 Acres	2.0	575	May Harvest	2	12,600.00
Blueberries	5 Acres	5.0	1000	June-July Harvest	4	18,400.00
Christmas Trees	10 Acres	10.0	2,530	--	5	38,820.00
Turfgrass	10 Acres	10.0	1,850	--	2	40,000.00
Catfish	5 Acres	5.0	210	--	1	29,500.00
Horse Boarding	10 Horses	20.0	325	Winter	--	55,000.00
Tomatoes	2 Acres	2.0	135 Pdn 160 Harvest	Harvest June-July	.5	--
Sweet Corn	5 Acres	5.0	30 Pdn 300 Harvest	Harvest July	--	--
Squash	2 Acres	2.0	60 Pdn 200 Harvest	Harvest June	.25	--

*Does not include cost for land

CAN YOU AFFORD TO FARM PART-TIME?

Of course you can...

If the income exceeds the costs. Measure your farming income, and see if you'll need to add any non-farm income to keep it going.

Annual Cash Receipts:

List in the appropriate spaces on the next page the farm income projected for the calendar year. Multiply your output by the projected prices.

One word of caution here: **be a bit conservative when estimating income.** Then if your estimates are too low, you'll get a pleasant surprise if more income is generated. In cases of multi-year establishment periods, you will have a negative cash flow during the start-up periods.

But list only annual farm income. At this point omit any non-farm receipts. We want to see if the farm will pay for itself.

Annual Cash Expenses:

List the costs here that apply to each enterprise. This is essential if you want to do a break-even analysis of each enterprise.

If you have only one enterprise, consider itemizing these costs by category. This way you will know how much was spent for each item.

In cases where costs cannot be allocated to each enterprise, all the costs can be listed by category. But this will not let you determine which enterprises are showing the most profit... or which ones make the least profit.

But the important point here is to have an estimate of how much money will be going out..... and coming in. Will your receipts pay the bills?

But there are other costs. *Don't forget them!*



Projected Receipts And Enterprise Cash Costs

For Calendar Year 19__

Annual Farm Receipts		Annual Cash Expenses	
Enterprise	Amount	Enterprise	Amount
_____ Units @	\$ ____ = \$ ____	_____	\$ ____
_____ Units @	\$ ____ = \$ ____	\$ _____	
_____ Units @	\$ ____ = \$ ____	_____	\$ ____
_____ Units @	\$ ____ = \$ ____	_____	\$ ____
	↓		
Total	\$ _____	Total	\$ _____

If you have only one enterprise, you may list expenses by item. (See form below)

Fertilizer	\$ ____
Lime	_____
Medicines	_____
Fuel	_____
Pesticides	_____
Herbicides	_____
Hauling	_____
Other:	
_____	_____
_____	_____
_____	_____

DON'T FORGET YOUR FIXED OUTLAYS

Fixed outlays occur regardless of what or how much you grow.

All businesses have these costs, but often they are overlooked, and it isn't until year's end that we realize there are other bills to pay.

These items can be listed on page 13. The most frequent items of this type are:

1. **Land and/or equipment payments.** Include the amount paid for both principle and interest, since they both consume cash flow. These loans are:
 - a) Short-term loans (1 - 3 years),
 - b) Intermediate-term loans (3 - 7 years), and
 - c) Long-term loans (longer than 7 years)
2. **Other loans** (list these)
3. **Taxes, usually property taxes** but can be personal property taxes
4. **Insurance**
5. **Any other type of expense** that is incurred without regard to production

Now total the fixed outlays, and determine how much you have to pay *for each acre of land* you plan to have in your farming program.

This gives an idea of how much income must be earned above current expenses to pay fixed cash costs. In instances of land with large mortgages, fixed costs per acre can be so large that off-farm income is necessary to keep the business solvent until the mortgage is paid.

Projected Fixed Cash Outlays For The Calendar Year

	Annual Payment (Principle plus Interest)
<hr/>	
1. <u>Land and/or Equipment Payments</u>	
a. Short - Term Loans: 1-3 years	\$ _____
b. Intermediate Term Loans: 3-7 years	\$ _____
c. Long Term Loans: longer than 7 years	\$ _____
2. <u>Other Loans (list)</u>	
_____	\$ _____
_____	\$ _____
3. <u>Taxes</u>	\$ _____
4. <u>Insurance</u>	\$ _____
5. <u>Other:</u>	
_____	\$ _____
_____	\$ _____
Totals:	
For the Farm	\$ _____
Per Acre	\$ _____
<hr/>	

Other Receipts

Other receipts often determine whether or not a business succeeds.

You have estimated all receipts from your farm enterprises. Now check to see if you have any more money coming into the business.

This can include:

1. **Government payments**, which can consist of assistance for soil conservation practices, disaster payments, deficiency payments or any other income from government programs.
2. **Any type of tree products sold** from many trees all the way down to an individual tree.
3. **Custom work.** You may do a few odd jobs for a neighbor, maybe bale some hay, haul some items or do large-scale custom work.
4. **Capital items.** This may not occur frequently, but when you sell something like property or unused machinery, the receipts may be a large percentage of your annual farm income.
5. **List your net annual non-farm income here** if you're doing a complete cash flow. Maybe you don't want to mix farm and non-farm income here. But this inclusion is necessary to determine the total amount of income you handle in a year.
6. **Other: "you-name-it."** Any other source of revenue is listed here. Many have sources that are unusual or unexpected. But again, this represents cash flow that helps keep the business going.

Other Receipts

		Annual Amount
1.	Government Payments	\$ _____
2.	Forest Products Sold	\$ _____
3.	Custom Work	\$ _____
4.	Dividends and Interest	\$ _____
5.	Capital Item Sales:	
	a. Livestock Breeding Animals Not Included In Annual Cash Receipts	\$ _____
	b. Land Sales	\$ _____
	c. Machinery Sales	\$ _____
6.	Off Farm Employment (net)	\$ _____
7.	Other (list)	
	_____	\$ _____
	_____	\$ _____
	_____	\$ _____
	Total	\$ _____

WHAT'S YOUR CASH POSITION?

Complete Cash Flow

Now let's do a complete cash flow and see if the business will succeed.

Use the form on the next page.

First look at your receipts:

1. Enter your cash receipts estimated earlier and listed on page 11. Add to this:
2. Any other receipts you may have itemized on page 15. This includes non-farm income, which may be necessary in some cases to get a positive cash flow for the business.

The sum of these two items is:

3. The total cash available to the business.

Next summarize your expenses, which are:

4. Annual cash costs associated with the enterprises you are considering, from page 11, plus:
5. Your fixed cash outlays listed on page 13.

The sum of these items is:

6. Total cash expenses.

Now you are beginning to get an idea how your business will fare. Subtract the amount on line 6 from line 3, and you have an estimate of

7. The cash available for family living and any new investment. This amount will be less than your non-farm income if your farming operation experienced a loss, for recall that we listed non-farm income in item 2, to obtain total cash available.
8. Now subtract what you will spend for family living from item seven (don't be too conservative on this estimate). The amount left over is your residual, or...
9. The amount you have available for new investment -- or for any other venture you may want to try.

What's Your Cash Position?

Cash Receipts

1. Annual Farm Receipts
(from page 11)

\$ _____

-plus-

2. Other Receipts
(from page 14)

\$ _____

-equals-

3. Total Cash Available

\$ _____

Cash Expenses

4. Annual Cash Expenses
(from page 11)

\$ _____

-plus-

5. Fixed Cash Outlays
(from page 13)

\$ _____

-equals-

6. Total Cash Expenses

\$ _____

Total Cash Available

7. Cash Available for Family Living
and Investment (Line 3 less line 6)

\$ _____

-less-

8. Family Living Expenses

\$ _____

-equals-

9. Cash Available for New Investment

\$ _____

WHAT IF YOU HAVE TO BORROW FUNDS?

Then you're not alone. Currently U. S. farmers owe approximately \$136 billion on their farming operations. About one-half this amount is real estate debt...the remainder is for equipment and operating loans.

But debt is not a substitute for income. It has to be repaid, and lenders look closely at repayment ability as well as one's net worth... the ability to sell assets to repay a loan.

Some of the more common sources of funds are:

★ *COMMERCIAL BANKS* --- The most traditional source, and make most all types of loans for land, equipment, and operating loans.

Have made fewer loans to the farming community in recent years, but still are looking for sound loans with a good repayment capacity.

★ *FARM CREDIT* --- Makes loans for both real estate and operating funds.

A part-time farming applicant must carry on a valid farming operation. In most cases farm income must be supplemented by off-farm income to make the business successful.

To qualify as part-time, the farming operation must be on a relatively small tract of land.

★ *FARM SERVICE AGENCY (formerly FmHA)* --- Traditionally referred to as "the lender of last resort" by making loans to farm operators unable to obtain loans from other sources.

Will provide loans for part-time operations, either direct or insured loans. A positive cash flow is a basic criterion for acceptance.

Loans for operating funds are more likely to be approved than for capital purchases.

★ *STATE DEVELOPMENT AUTHORITIES* --- Several states have these types of agencies that make about 90% of their loans to part-time farmers. All types of loans are considered - land, equipment, or operating loans.

Cash flow ability is the major item considered for approval. Outside income and total debt are included in the evaluation.

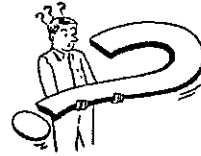
Loans are evaluated by the authority, and if approved, are sold to a bank and insured by the agency.

At this point you have planned production costs, expected revenues and amount of borrowed capital needed.

OFTEN THE MOST LIMITING FACTOR IS LABOR

Why labor?

Let's repeat an earlier question:



"Why do you want to farm?"

If the motive is pleasure, labor may be viewed as recreation...or at least a pleasant activity.

But if profit is the motive, labor is a cost and may be a limiting factor.

And if you have a dual motive, pleasure and profit, a problem may arise. One who wants to have fun and get paid for it may have some difficulty being objective about labor.

So be objective about labor requirements, regardless of your motive. For profit, the labor needs must be known early, and it must have a "cost" assigned so a cost-return budget can be developed.

And recreation can turn to drudgery when unfavorable weather or falling product prices reduce income.

Consider the following questions prior to committing resources to an enterprise or a new farming venture:

- How much time (labor) will this enterprise require?
- How much time am I willing to devote to this enterprise?
- More specifically, how does my available time match that required by this enterprise in specific time periods?

To illustrate labor needs, let's...

Consider the possibility of a pick-your-own strawberry operation.

The customer will do the picking, so this should be easy.

The first year of the operation will require only 86 hours of labor per acre (according to the labor requirements shown on the next page). This is only about 1 2/3 hours per week.



And year two (when the money starts coming in) requires more labor -- 252 hours per acre. But this is only about five hours per week.

Five hours a week is easy. You can grow an acre of strawberries and still have time to hunt, fish, play golf, go camping with the children, or attend PTA meetings. It looks so attractive that you may decide to grow several acres.

But look at labor distribution

Labor requirements the first year look okay when you consider time required by season.

But look at the May - June requirements for years two and three. You will need an average of three hours daily, per acre of berries grown.

This means seven days a week -- Sundays included. Strawberries don't get ripe only on Saturdays. In fact, some days will require much more than three hours of work.

If you plant strawberries, you may have to forget about fishing or golf for several months.

And labor needs for most farm enterprises have some type of seasonal peaks. A summary of labor estimates for some selected enterprises are on pages 27-28.

So before beginning an enterprise, become aware of the labor needs. Use the worksheet on the next page and see how the requirements compare with your available labor.

Estimated Labor Requirements For One Acre Of PYO Strawberries

Enterprise	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total
Strawberries, Yr	2.5	20	53	8	2.5	--	86
Strawberries, Yrs 2&3	1.5	25	175	20	25	5.5	252

LABOR AVAILABLE - Example In Narrative

Source	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total
Operator	60	90	120	100	90	60	520
Spouse							
Children							
Other							
Total							

LABOR SURPLUS OR DEFICIT

Year	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total
One	57.5	70	67	92	87.5	60	434
Two-Three	58.5	65	55	80	65	54.5	268

YOUR ESTIMATED LABOR BUDGET

Labor Required for Enterprise

Enterprise	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total

LABOR AVAILABLE

Source	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total
Operator							
Spouse							
Children							
Other							
Total							

SURPLUS OR DEFICIT

Year	Jan-Feb	Mar-Apr	May-June	July-Aug	Sept-Oct	Nov-Dec	Total
One							
Two							

PART-TIME FARMING TAX LAWS

Part-time farming is subject to the same laws that apply to full-time farmers. But the way in which the part-time operation is conducted may determine how the law is applied.

Profit or Hobby Farming?

Profit must be a motive in the part-time farming operation in order to deduct any losses. *Farming conducted as a hobby is suspect as to a profit motive.* And even when the farmer has a genuine profit motive, the operator must pass the hobby loss rules test (nine of them). **No one factor is decisive, but all are taken into account.** They are:

1. Whether the farm is operated in a business-like manner;
2. Whether time and effort spent on farming indicate an intent to make a profit;
3. Do you depend on income from farming for your livelihood?
4. Are losses due to the start-up phase of farming, or to circumstances beyond your control?
5. Have changes in the method of operation been made in an attempt to improve profitability?
6. Is a profit made in some years? What is the magnitude of this profit?
7. Do you and your advisors have knowledge needed to carry on a successful farming business?
8. Have you been successful in making a profit in similar activities in the past?
9. Is the farming activity for personal pleasure or for recreation?

Deductions are limited if the farming operation is not carried on for a profit.

Profit experienced in three of the last five years presumes a profit motive. For horse breeding, training, racing and showing, there must be profits in two of the last seven years. If the presumption is met, then the IRS must prove the farming operation is not engaged in farming for a profit.

But profits in two of the five years or two of the past seven years are not necessary if you show, through the nine factors (listed above), that you have a profit motive. **However, this puts the burden of proof on the taxpayer.**

If you are just starting to farm, you may wait until after five or seven years of experience to make the presumption. IRS form 5213 is used to make this election.

All Expenses Are Not Deductible

- *The at-risk rules* limit deductions to the amount the taxpayer has at risk. The amount "at risk" includes money contributed to the activity as well as debts for which the taxpayer is personally liable. Losses in excess of the amount-at-risk can be carried forward and used when there is an increase in monies at risk.
- *Land clearing expenses* are not deductible and must be added to the tax basis of the property. However, brush clearing and other ordinary maintenance expenses related to the property already used in farming may be deducted.
- *Soil and water conservation expenses* can be deducted but are limited to 25% of the gross farm income....and must have a qualifying soil and water conservation plan in place. The excess can be carried over to succeeding years.
- *Prepaid farming expenses* are allowed for certain items and are allowed for up to 50% of qualifying deductible farm expenses in the current year.

Other Taxes and Qualifying Status

Self-employment tax (Social Security) must be paid up to an income level of \$61,200 in 1995. The current rate is 12.4%, less credits. The medicare tax is 2.9% with no income ceiling.

But keep records of capital gains, since they are not subject to this tax.

Withholding for Federal Income Tax and Social Security Tax must be withheld for farm employees. If the total wages for the business is less than \$2,500, withholding must be withheld for all employees who make more than \$150. If the total wages are in excess of \$2,500 all employee wages are subject to withholding. But check with your tax advisor, since employees may be exempt in some instances.

The *filing requirement* depends on the percent of gross income that is from farming. If two-thirds or more is from farming, then one files as a farmer. If it is less than two-thirds, then the taxpayer files as a non-farmer. In general, the requirements are:

Qualifying farmer pays all estimated tax by January 16 and files the tax return by April 15 or files the tax return by March 1 and pays all the tax due.

Non-qualifying farmer makes quarterly estimated tax payments and files a tax return by April 15.

Keep Current On Tax Laws

Remember that tax laws are constantly changing. Probably the most important current issue for part-time farmers is whether their operations can pass the profit motive and avoid being classified as a hobby farm. Internal Revenue Service Publication 225, entitled, *Farmers Tax Guide*, is available at county Extension offices to help answer farm income tax questions.



FINALLY, DON'T FORGET OTHER RESTRICTIONS

The same forces affect all farmers, even though part-time farmers are in a majority.

Some of these forces are:

Zoning Laws -- that may limit the type and amount of farming in specific areas. Most states have a "Right-To-Farm" law that allows farmers to continue to operate even though development may be occurring nearby. However, the law does not offer protection to new operators.

Agriculture and non-farm developments frequently do not mix. Factors generated by farming (animal odors, chemical use, or flies) may bring objections from the neighbors.

Farm legislation -- is imposing more restrictions on farming.

Participation in any type of farm program means you cannot cultivate highly erodible land nor drain certain wetlands. More legislation is being written that insures water quality on and around farms remains free from certain materials. This involves careful use and disposal of farm inputs and by-products.

The 1990 farm bill mandates that records be kept on certain chemicals (type, amount, crop, etc.). This is designed to insure proper use of these materials. Also, state regulations affect the sale, use and storage of pesticides as well as the disposal of containers and excess materials.

Other legislation can affect soil movement, such as placement of fill material, ditching, levee, dike and dam construction, land clearing and road construction.

Check with your Farm Service Agency office (Agricultural Stabilization and Conservation Service) to know if you are affected. A plan may not be required if you do not participate in any farm programs.

A tax or license -- may be required for some type of farm business. This may apply if you sell directly to consumers. Again, check with local authorities to determine the status of your business.

Labor regulations -- are seldom a problem for small farms, but some items to remember are:

- ⊠ Producers are exempt from minimum wage if they used less than 500 man days of hired labor during any quarter of the preceding year;
- ⊠ Farmers are exempt from OSHA rules if 10 or fewer workers are employed; but special regulations must be met if migrant or temporary labor is used;
- ⊠ Certain records are required for employees. Check with the Department of Labor for details.

Other forces -- input prices and commodity markets have an effect on farm well-being. Planning a part-time farm involves the same procedures as planning any other business.

Estimated Yield, Production Costs And Break-Even Prices, Selected Enterprises

Enterprise	Unit	Yield	Total Production Costs \$/Unit	Break-Even Price		
				Unit	w/Labor	w/o Labor
Cow-Calf	Cow	470 Lbs.	417.80	Cwt.	\$126.44	106.41
Sheep	Ewe	100 Lbs.	106.03	Cwt.	80.94	63.44
Strawberries(PYO)	Acre	12000 Lbs.	6696.00	Lb.	.56	.44
Blue Berries(PYO)	Acre	5000 Lbs.	2863.00	Lb.	.57	.42
Christmas Trees	Acre	604 Trees	882.00	Tree	6.43	.56
Turfgrass	Acre	3000 Yd.	2250.00	Yd.	.73	.44
Catfish	Acre	3290 Lbs.	2618.00	Lb.	.80	.49
Horse Boarding	Horse	1	1602.00	Mo.	133.50	105.58
Tomatoes	Acre	1600 Ctn.	5364.00	Ctn ¹	5.41	3.03
Sweet Corn	Acre	250 Crt.	1242.00	Crt ²	4.99	4.00
Squash	Acre	350 Bu.	1601.00	Bu.	4.56	3.18

*Excludes cost of land

¹25 lb.

²5 doz.

**ESTIMATED HOURS OF LABOR REQUIRED BY SELECTED
ENTERPRISES BY TWO-MONTH PERIOD**

Hours Required By Two-Month Period

<u>Enterprise</u>	<u>Jan-Feb</u>	<u>Mar-Apr</u>	<u>May-June</u>	<u>July-June</u>	<u>Sept-Oct</u>	<u>Nov-Dec</u>	<u>Total</u>
Strawberries (PYO)							
(1st yr)	2.5	20.0	53.0	8.0	2.5	0.0	86.0
Strawberries (PYO)							
(2nd & 3rd yr)	1.5	25.0	175.0	20.0	25.0	5.5	252.0
Apples							
(1st yr)	--	38.0	2.5	3.0	1.5	--	45.0
(2nd yr)	7.5	4.0	6.5	3.0	2.0	--	23.0
(3rd yr)	14.0	2.5	9.0	4.5	3.0	--	33.0
(4th yr +)	7.5	2.0	6.5	122.0	62.0	--	200.0
Peaches							
(1st yr)	--	10.0	6.0	3.0	1.0	--	20.0
(2nd yr)	3.0	3.5	3.5	2.0	1.0	--	13.0
(3rd yr)	4.0	3.0	15.0	30.0	1.0	--	53.0
(4th yr +)	4.0	4.0	15.0	80.0	1.0	--	104.0
Blueberries (PYO)							
(1st yr)	10.0	30.0	10.0	10.0	10.0	--	70.0
(2nd & 3rd yr)	10.0	10.0	10.0	10.0	5.0	--	45.0
(4th yr +)	10.0	10.0	60.0	110.0	5.0	--	195.0
¹ Christmas Trees	25.0	12.0	91.0	68.0	8.0	16.0	220.0
Sweet Corn (FM)	--	3.0	4.0	33.0	--	--	40.0
Bellpepper (FM)	--	3.5	14.5	42.0	53.0	--	113.0
Pole Beans (FM)	--	5.5	49.0	177.0	--	--	231.5
Cucumbers (FM)	--	1.93	19.1	170.56	--	--	191.6
Okra (FM)	--	3.0	4.0	139.0	72.0	--	218.0
Sweet Potatoes (FM)	4.0	4.0	15.0	2.0	26.5	14.5	66.0
Tomatoes (FM)	--	60.0	197.0	503.0	--	--	760.0
Watermelons	--	2.0	30.0	30.0	6.0	--	68.0
Collards (FM)	--	3.5	15.0	46.0	10.5	--	75.0

**ESTIMATED HOURS OF LABOR REQUIRED BY SELECTED
ENTERPRISES BY TWO-MONTH PERIOD (continued)**

Hours Required By Two-Month Period

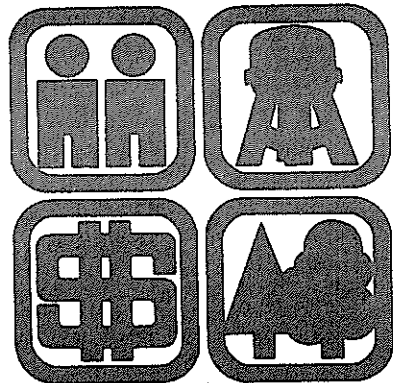
<u>Enterprise</u>	<u>Jan-Feb</u>	<u>Mar-Apr</u>	<u>May-June</u>	<u>July-June</u>	<u>Sept-Oct</u>	<u>Nov-Dec</u>	<u>Total</u>
<u>Alfalfa Hay</u>	--	--	5.0	3.0	3.0	--	11.0
<u>Bermuda Hay</u>	--	.5	2.5	5.0	3.0	--	11.0
Livestock:							
<u>30 Beef Cow-Calf</u>	81.0	41.0	23.0	23.0	44.0	58.0	270.0
<u>25 Stocker Steers (WG + 1%)</u>	19.0	42.0	26.0	--	3.0	23.0	113.0
<u>20 Sows, FF 2.0 litter/yr.</u>	133.0	133.0	134.0	133.0	133.0	134.0	800.0
<u>20 Sows, FP 2.0 litter/yr.</u>	110.0	110.0	90.0	90.0	90.0	110.0	600.0
<u>Purchased Pigs (Market Hogs 100)</u>	13.0	13.0	14.0	13.0	13.0	14.0	80.0
<u>Sheep, 30 ewes</u>	24.0	10.0	2.0	2.0	2.0	8.0	48.0
<u>Broilers, 5.5 batches/yr.</u>	84.0	84.0	84.0	84.0	84.0	85.0	505.0
<u>Layers (61,280)</u>	733.0	733.0	734.0	733.0	733.0	734.0	4400.0
<u>Catfish 5 acre pond</u>	--	18.0	36.0	80.5	36.0	35.0	205.5

¹ One acre, five year rotation total

Labor by year: yr 1- 46 hrs, yr 2-23 hrs, yr 3 - 49 hrs, yr 4- 51 hrs and yr 5 - 51 hrs. A
"Choose and Cut" operation would require 100 hours more supervisory time in November and
December.

NOTE: FM = Fresh Market

The SRDC is one of four regional rural development centers in the nation. It coordinates cooperation between the Research (Experiment Station) and Extension (Cooperative Extension Service) staffs at land-grant institutions in the South to provide technical consultation, research, training, and evaluation services for rural development. For more information about SRDC activities and publications, write to the Director.



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