

OSU EXTENSION

NORTHEAST OHIO AGRI-CULTURE ELECTRONIC NEWSLETTER **Tuesday, November 4, 2014**

It is Election Day! Make sure you take time to vote. A lot of important races are being held. Make sure to make your vote count! Last week, I attended our farm bill training at Ohio State. Over the next few months, we will be offering workshops to help producers learn what tool fits their farm the best. I will be authoring articles on some of the decision points in this newsletter. I am working with our FSA offices to schedule our in-person workshops (of course we will wait until harvest is completed!).

David Marrison, AG Educator

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Inflation Adjustments for 2015 Announced by IRS

The IRS has announced the inflation adjustments for 2015. Some of the more important items for farmers are:

- The personal exemption will increase from \$3,950 to \$4,000
- The lifetime exemption amount for taxable estates begins at \$5,430,000, up from \$5.34 million
- The annual gift amount remains at \$14,000
- Persons contributing to a 401(k) plan can put in \$18,000, up from the current \$17,500. Additionally, if you are age 50 or older, you can put in an additional \$6,000, up from \$5,500 for a total of \$24,000
- IRA contributions remain at \$5,500 plus \$1,000 for the age 50 and over catch-up contribution

More information can be found at:

<http://www.irs.gov/uac/Newsroom/In-2015,-Various-Tax-Benefits-Increase-Due-to-Inflation-Adjustments>

What is a Fair Rental Price for Farm Buildings?

Farm buildings and livestock facilities often outlast their owner's need for them, but can still provide usable service. Other farmers in the community may wish to use these buildings instead of investing in new facilities. Both parties can benefit from a leasing arrangement. However, they must agree on the amount of the rental payment and the use and care of the property. However, information about common rental rates for farm buildings is not easily obtainable. To help provide information for farmers, a survey was recently conducted by the North Central Farm Management Extension Committee. The survey was conducted across the Midwest and was completed by farm operators, farm owners, professional farm managers and rural appraisers.

The survey assumed that building tenants would provide labor and management and pay the cost of utilities and minor upkeep. Owners would generally be responsible for major repairs and insurance coverage. Individual rental rates will vary according to the age, condition, size, location and efficiency of the particular building being rented. The results of the survey:

Type of Building	Number of Responses	Unit on Which Rent is Paid	Average Rent Paid	Range of Rents Paid	Average Capacity of Building
Beef					
Finishing, open lot & shed	9	\$/head/day	\$.12	\$.03 – .33	282 head
Dairy					
Milking parlor and cow housing	9	\$/cow/mo.	\$12.16	\$6.25 – 16.67	177 stalls
Heifer housing					
–no labor, no feed					
–with labor, no feed	3	\$/head/day	\$.67	\$.56 – .85	
–with labor and feed	3	\$/head/day	\$2.28	\$2.15 – 2.40	
Swine					
Farrowing	5	\$/crate/year	\$360	\$165 – 660	30 crates
Nursery	7	\$/pig through	\$4.09	\$1.33 – 6.00	1,350 spaces
Finishing	16	\$/ pig finished	\$12.93	\$6.00 – 19.00	1,334 spaces
Machinery Storage					
Machine shed, all	75	\$/sq. foot/year	\$.45	\$.02 – 1.65	3,845 sq. ft.
–with concrete floor	26	\$/sq. foot/year	\$.53	\$.06 – 1.65	3,927 sq. ft.
–without concrete floor	36	\$/sq. foot/year	\$.40	\$.08 – 1.50	3,445 sq. ft.
–with high doors	35	\$/sq. foot/year	\$.52	\$.10 – 1.65	4,474 sq. ft.
–without high doors	27	\$/sq. foot/year	\$.40	\$.06 – 1.50	2,513 sq. ft.
–over 10 years old	60	\$/sq. foot/year	\$.43	\$.02 – 1.65	3,928 sq. ft.
Grain Storage					
Grain bin, all	11	\$/bushel/month	\$.027	\$.015 – .05	30,635 bu.
Grain bin, all	78	\$/bushel/year	\$.14	\$.05 – .25	26,919 bu.
Up to 10,000 bu.	43	\$/bushel/year	\$.13	\$.05 – .25	8,005 bu.
Over 10,000 bu.	34	\$/bushel/year	\$.16	\$.07 – .25	25,000 bu.
Hay Storage					
Small square bales	4	\$/bale	\$.12	\$.07 – .25	4,825 bales
Large square bales	5	\$/bale	\$2.81	\$1.50 – 3.50	225 bales
Large round bales	3	\$/bale	\$5.24	\$5.00 – 5.71	423 bales
Rural Housing					
House on farm, all	110	\$/month	\$568	\$100 – 1,300	
–1 to 50 years old	24	\$/month	\$598	\$300 – 1,000	
–more than 50 years old	56	\$/month	\$509	\$100 – 1,200	
–2 bedrooms	12	\$/month	\$435	\$100 – 700	
–3 bedrooms	40	\$/month	\$499	\$150 – 850	
–4 or more bedrooms	22	\$/month	\$626	\$200 – 1,200	

A printable version of the building rental survey results can be found at: <http://aglease101.org/DocLib/docs/NCFMEC-07.pdf>.

For more information about determining rental rates and terms, farmers can access a 17 page publication titled "Rental Agreements for Farm Buildings and Livestock Facilities (NCFMEC-04)

at: <http://aglease101.org/DocLib/docs/NCFMEC-04.pdf>. This publication examines the major considerations in developing rental agreements for crop and livestock buildings and facilities from both the owner's and operator's points of view. Three different approaches to determining a cash rental rate will be presented. Finally, several other important considerations for developing a lease agreement will be discussed. A sample lease is also included in this publication. A sample building lease form is available (NCFMEC-04A, "Farm Building or Livestock Facility Lease.") at: <http://aglease101.org/DocLib/docs/NCFMEC-04A.pdf> More information about agricultural leases can be found at: <http://AgLease101.org>

U.S. Dairy Markets and Policy Update

[Dr. Cameron S. Thraen](#), Associate Professor and OSUE State Dairy Markets and Policy Specialist, Department of Agricultural, Environmental and Development Economics, The Ohio State University
Policy Update: Margin Protection Program (MPP)

On August 28, 2014, USDA Secretary Vilsack officially announced the start of the new Margin Protection Program (MPP). By the time you are reading this issue of BDN, you will have had the opportunity to participate in a workshop or conference detailing this program. I will take this opportunity to repeat a few of the program's key features.

Item 1: If you elect to participate, you will be required to establish a production history (PH) based on the highest annual production from the calendar years 2011, 2012, or 2013. Once established, your production history will be increased each year by the U.S. average production growth. There is no penalty for increasing production over this level other than the stipulation that extra production will not be eligible for the coverage under the MPP.

Item 2: Selecting coverage above the lowest level of \$4/cwt will require you to pay a premium. Premiums follow a two tier schedule. For a production base at 4 million pounds or less, there is one schedule, and for those farms with a production history over 4 million pounds, there is a second more expensive schedule for production over 4 million pounds.

Item 3: For producers whose annual production is at or below 4 million pounds, the cost of coverage all the way up to \$6.50 remains very reasonable, only becoming more expensive at the \$7 to 8 levels. For a producer whose annual production base is above the 4 million pounds, the cost is still modest up to the \$5 level, but then increases rather significantly above that point.

Item 4: You will not be allowed to simultaneously use Livestock Gross Margin (LGM) Insurance and this MPP program. There are rules in place that spell out very clearly how MPP and LGM-dairy will coexist. You can continue to use all other tools, such as futures and options and forward pricing, through your cooperative to provide price risk management.

Item 5: To participate, you must register with your local USDA Farm Services Agency (FSA) and complete forms CCC-781 to establish eligibility and production history and also form CCC-782 make program selections for 2014 and 2015. You must complete and submit these signed forms at your FSA County Office no later than the end of business November 28, 2014.

Item 6: At the time of registration, you will be able to elect a coverage percentage (25 to 90%, 5% increments) and a coverage level (\$4 to 8, 50 cent increments). During this initial period, you will be able to make this selection for the

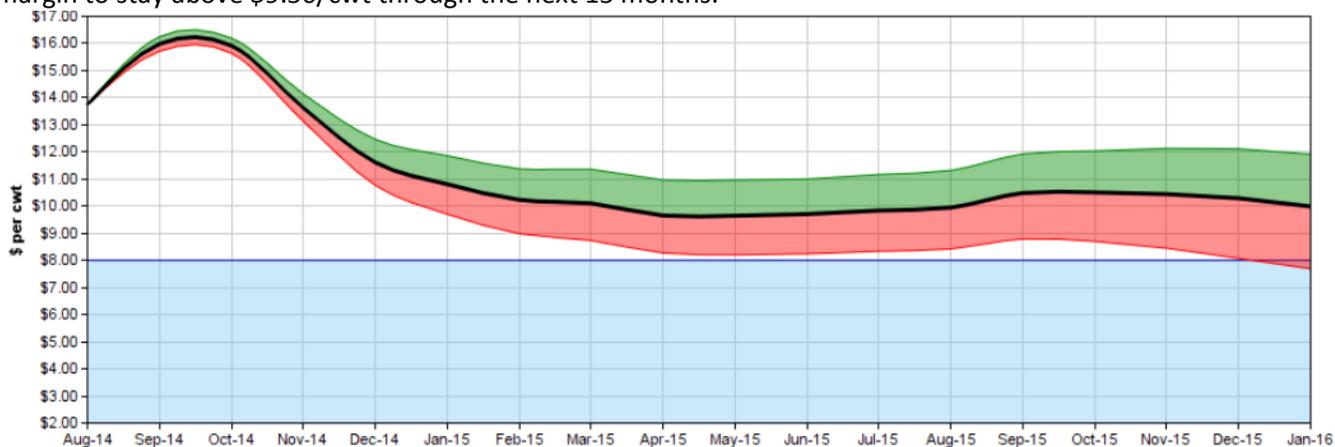
remainder of 2014 and all of 2015. A producer does not have to make this decision now but can wait until the following registration period. However, once the decision is made to register and participate in the program, you are obligated to pay the \$100 administrative fee each year through 2018. Election of coverage percentage and coverage level are made each year and can be changed during the enrollment period for each year. After November 28, 2014, the enrollment period will occur from July through September for calendar years 2016, 2017, and 2018.

National U.S. Dairy Margin Update

At the time of this issue of BDN, the concern looking forward is the falling U.S. cheese, butter, and skim milk powder prices and the likely impact on the MPP in the coming year. At the end of 2014, U.S. dairy commodity prices are realigning with lower world prices, and it is natural to assume that this realignment will result in dramatically lower income over feed costs (IOFC) margins for 2015. While it is correct that lower commodity prices will pull down the U.S. All Milk Price, this does not translate into a significantly lower IOFC margin. Why? Because the feed price side of the MPP margin has experienced an even greater decline with record grain harvest in the U.S. To pull the U.S. All Milk Price low enough to trigger significant MPP payments, my analysis suggests that Class 3 and Class 4 prices would have to fall by at least \$1.50/cwt over what the futures market is currently forecasting for 2015. This would require U.S. dairy commodity prices falling below world prices quite early in 2015 - an outcome not very likely.

Margin Protection Program Forecast:

A look at the current MPP margin forecast based on the futures market prices as of October 24, 2014 shows the margin to stay above \$9.50/cwt through the next 15 months.



The colored bands show the middle 50% probability interval for forecast margins. There is a 25% chance that the margin could be above the green band and a 25% chance that the margin could be below the red band. The graph data and probabilities are calculated from futures market data available on 10/24/2014.

The table below shows that the probability of the MPP margin falling below each of the program trigger prices for each of the critical 2-month periods. At this time, the probability that there would be a payment is quite low at the \$8.00/cwt level for all of the 2015 production year. At trigger price levels below this mark, the probabilities are even smaller. Remember, at trigger levels above \$6.50/cwt, the cost of margin protection becomes relatively expensive regardless of the magnitude of the production history.

Margin Level	Sep-Oct 2014	Nov-Dec 2014	Jan-Feb 2015	Mar-Apr 2015	May-Jun 2015	Jul-Aug 2015	Sep-Oct 2015	Nov-Dec 2015
Expected	\$15.95	\$12.62	\$10.52	\$9.88	\$9.68	\$9.89	\$10.50	\$10.37
< \$8.00	-	-	5%	16%	20%	19%	14%	21%
< \$7.50	-	-	2%	10%	13%	12%	9%	15%
< \$7.00	-	-	1%	5%	8%	7%	5%	10%
< \$6.50	-	-	-	2%	4%	3%	3%	6%
< \$6.00	-	-	-	1%	2%	1%	1%	4%
< \$5.50	-	-	-	-	1%	1%	-	2%
< \$5.00	-	-	-	-	-	-	-	1%
< \$4.50	-	-	-	-	-	-	-	-
< \$4.00	-	-	-	-	-	-	-	-

This table shows the expected margin and probability of a Payment in the two-month intervals protected by the insurance levels in the Margin Protection Plan. The Expected Margin and Probabilities are calculated from futures market data available on 10/24/2014.

If you wish to follow the Dairy Markets and Policy DPMPP margin forecast, go to the DmaP website and click on MPP Decision Tool. The information shown in the figure and the table are updated daily. (<http://dairymarkets.org/MPP/>)

You can also access this information on the USDA FSA website: http://www.fsa.usda.gov/FSA/pages/content/farmBill/fb_MPPDTool.jsp

If you would like to read or hear more about the MPP program, link into the Dairy Markets and Policy website (<http://dairymarkets.org/MPP/>), where you will find a wide assortment of support information on this new program.

Quick Status on the Margin Protection Program (MPP)

[Dr. Cameron S. Thraen](#), Associate Professor and OSUE State Dairy Markets and Policy Specialist, Department of Agricultural, Environmental and Development Economics, The Ohio State University

MPP Months in 2015	Cam's Forecast ¹ Margin (\$/cwt)	USDA/FSA Forecast ¹ Margin (\$/cwt)	Expected Net Payment from the
January – February	9.93	10.42	Negative at all Coverage Levels
March – April	9.10	9.66	Negative at all Coverage Levels
May – June	8.66	9.46	Negative at all Coverage Levels
July – August	8.94	9.71	Negative at all Coverage Levels
September – October	9.19	10.38	Negative at all Coverage Levels
November – December	9.04	10.24	Negative at all Coverage Levels

¹Cam's margin forecast and USDA/FSA margin forecast are based on alternative statistical models. Both forecasts shown use futures data available on 10/27/2014.

The information shown in this table is updated each Tuesday. If you would like to receive an email copy of this table each week, please send a request to thraen.1@osu.edu. Type 'MPP Table Request' in the subject line.

USDA Extends Dairy Margin Protection Program Deadlines

Agriculture Secretary Tom Vilsack, speaking at the National Milk Producers Federation annual meeting on October 29 announced extended deadlines for the dairy Margin Protection Program. Farmers now have until Dec. 5, 2014, to enroll in the voluntary program, established by the 2014 Farm Bill. The program provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the farmer.

"We want dairy producers to have enough time to make thoughtful and well-studied choices," said Vilsack. "Markets change and the Margin Protection Program can help protect dairy producers from those changes."

Vilsack encouraged producers to use the online Web resource at www.fsa.usda.gov/mpptool to calculate the best levels of coverage for their dairy operation. "Historical scenarios also can be explored to see how the Margin Protection Program would function should poor market conditions occur again in the future," said Vilsack. The secure website can be accessed via computer, smartphone or tablet.

The U.S. Department of Agriculture (USDA) also extended the opportunity for public comments on both the Margin Protection Program and the Dairy Product Donation Program until December 15, 2014. "USDA is committed to creating strong opportunities for the next generation of farmers and ranchers. When dairy producers bring new family members into the business, these changes could affect safety net coverage," said Vilsack. "If our current rules hinder intergenerational changes or if improvements are needed in these programs, then we want to hear from dairy producers." Comments can be submitted to USDA via the regulations.gov website at <http://go.usa.gov/GJSA>.

Winterize Your Farm Equipment in 5 Steps

By Ben Potter, AgWeb.com- Social Media and Innovation Editor

Adapted from: <http://www.agweb.com/article/winterize-your-farm-equipment-in-5-steps-ben-potter/>

When harvest is finished (which will take quite some time this year) doesn't mean the work is done. After harvest, farmers should take the necessary steps to winterize their farm equipment. AGCO has introduced an acronym, FARMS, to help farmers more easily remember five important steps to protect their equipment. But without taking time this fall to care for their tractors and other implements, farmers are risking a costly delay come spring. The five-step FARMS process is one of the easiest and most affordable ways to extend the life of equipment.

1. **Fill Tanks** – Condensation often occurs when weather warms in the spring, which can cause water to enter empty tanks. Top off fuel and hydraulic oil tanks to eliminate this problem. Store DEF in its original container during winter. Plug the tank vent and keep the container away from heat and direct sunlight.
2. **Adequately Lubricate** – Consult the operator instruction book and lubricate as recommended. Grease unpainted metal parts (ex. hydraulic cylinder rods) to protect them from the elements.
3. **Repair Damage** – Fix any damage that occurred the past season. This ensures that broken parts don't further degrade or rust during the winter. It also ensures faster access to equipment when it's needed next spring or summer.
4. **Maintain and Clean** – Remove dust and debris from both inside and outside of farm equipment. Change oil and fluids, and check tire air pressure regularly. Protect the air inlet and exhaust from humidity. Lower each linkage fully to avoid pressure buildup in hydraulic rams. If possible, slacken the engine accessories' belt tensioner. Remove the battery and store in a dry location.
5. **Store Equipment** – Keeping equipment under a roof is the best way to protect equipment, but this is not always possible. If left outdoors, cover equipment and protect computerized mechanisms with a cloth. Using water-resistant products such as wax can further protect equipment from rust and premature wear.

FARMS provides general guidance on winterizing equipment, but farmers should always consult the operators manual for instructions regarding their specific equipment. Taking care of equipment in the off-season will ensure that it will run optimally when it's time to roll in the fields next season. By taking just a small amount of time this winter to make sure tractors and hay equipment are properly stored, farmers can rely on them for many growing seasons to come.

Northeast Ohio "Snow Bird" Private Pesticide Applicator Re-Certification Session & Commercial Fertilizer Application Certification to be held on Tuesday, November 25 in Burton, Ohio.

Do you head south for the winter? Does your Private Pesticide Applicator's License expire on March 31, 2015? If so, OSU Extension in Northeast Ohio has planned his session with you in mind! This workshop will be held on Tuesday, November 25, 2014 at Geauga County Extension Office, 14269 Claridon-Troy Road, Burton, Ohio 44021

This workshop will offer 3 credits for re-certification for CORE and All Categories (1-7). Private Pesticide Applicators from any county in Northeast, Ohio are welcomed to attend this session. This session will be held from 9:00 to 12:00 noon. A special afternoon session will be held from 1:00 to 3:00 p.m. for private applicators who would like to complete their Commercial Fertilizer Application Certification. Due to Ohio's new legislation, any producer who applies commercial fertilizer to 50 or more acres must be certified by no later than September 30, 2017. Attend this session to complete your certification. This session is open only to current licensed private pesticide applicators who wish to become certified.

The registration fee is \$35/per person for the morning private pesticide applicator re-certification. There is no fee for the afternoon fertilizer certification session. A hearty farmers lunch will be provide for those who are staying for the afternoon session for \$15/person. Pre-registration is required by November 17, 2014. An additional late registration fee of \$25 per person will be added for any registration received after November 17, 2014. Make checks payable to OSU Extension and mail to OSU Extension-Gauga County, PO Box 387, Burton, Ohio 44021. More information can be obtained by calling the Geauga County Extension office 440-834-4656. Additional private pesticide re-certification and commercial fertilizer certification sessions will be held in 2015 on January 16 (Williamsfield), January 30 (Burton), February 9 (Cortland) and February 26 (Perry).

Improving Your Woodland Workshop to be held on Saturday, November 15 in Kirtland, Ohio

We all own our woodlands for a variety of reasons. Understanding how your goals and objectives relate to your woods is part of what will be explored for the day. What can a landowner do to ensure a healthy and productive woodland into the future? OSU Extension is pleased to be hosting an "Improving Your Woodland" Workshop on Saturday, November 15 at the Holden Arboretum in Kirtland, Ohio. Attend this workshop to learn what items should be on a landowners radar when it comes to their woodland. How can our goals and objectives best be accomplished? We will spend the morning inside exploring these issues and the afternoon outside putting those ideas to work! The registration fee for this program is \$35 per person. Lunch and materials are included in the class fee. This class will also cover some information on sugar bush management - how traditional forestry tools can be utilized to keep the forest healthy and thriving. This class is worth 4 credit hours for the Ohio Forest Tax Law Program. The Holden Arboretum is located at 9500 Sperry Road in Kirtland, Ohio. Registration is requested by November 10. More information can be found at: <http://woodlandstewards.osu.edu/classes/events/improving-your-woodland> or by calling 614-688-3421.

Ashtabula County Master Gardener Volunteers Sought

If you have a strong interest in gardening and enjoy helping others, you are invited to apply to become an Ohio State University Extension Master Gardener volunteer for Ashtabula County. The main purpose of the Master Gardener Program is to help meet the horticultural needs of Ashtabula County.

To become an OSU Extension Master Garden volunteer, you must attend 11 training sessions held from January to April 2015 and volunteer 50 hours of horticultural service to the community through Extension educational programming. Such service could include teaching 4-H youth gardening, planting and maintaining Extension demonstration gardens, answering gardening questions from the public, judging flower and vegetable projects at local fairs, and assisting community garden participants. As a benefit of becoming a



Master Gardener, you will increase your knowledge and understanding of such varied horticultural topics as best cultural practices for growing flowers and vegetables, house plant care, plant disease, and insect pest identification and control and much, much more.

Course topics include: history of OSU Extension, plant physiology, soils, composting, fertilizers, herbs, houseplants, plant propagation, plant pathology, diagnostics, entomology, integrated pest management, vegetables, lawns, woody ornamentals, fruits, landscape maintenance, and making effective presentations.

Three informational meetings will be held for those interested in being selected for the 2015 training program. These meetings will be Tuesday, October 7, 2014 from 6:30 to 7:15 p.m.; Tuesday, October 21, 2014 from 12:00 to 12:45 p.m. and Wednesday, November 5 6:30-7:15 p.m. in the downstairs meeting room of the OSU Extension office at 39 Wall Street in Jefferson. Specifics with regards to the application process, training schedule, course fee, and fingerprinting requirements will be shared at this meeting. It is recommended that applicants attend this orientation meeting.

The dates for this year’s training program are: January 22 & 29; February 12, 19, & 26 and March 5, 12, 19 & 26 and April 16. This program is taught in conjunction with the Lake County Master Gardener program. Five of the sessions will be taught at the Ashtabula County Extension Office in Jefferson and five will be taught in Lake County. All courses will be taught from 9:00 a.m. – 4:00 p.m. There is a \$200 course fee that covers course materials, refreshments, and speaker travel costs. Registration is limited and all applications are due by November 24, 2014. Please call the Ashtabula County Extension Office at 440-576-9008 for more information or for a complete application packet.

PLEASE SHARE...this newsletter with farmers or others who are interested in agricultural topics in Ashtabula & Trumbull Counties. Past issues can be located at: <https://go.osu.edu/ag-news>. Please tell your friends and neighbors to sign up for the list. CONTACT: marrison.2@osu.edu

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