

For more information,
contact your local
University of Missouri
Extension Center:

- **Audrain County**
(573) 581-3231
- **Benton County**
(660) 438-5012
- **Boone County**
(573) 445-9792
- **Callaway County**
(573) 642-0755
- **Carroll County**
(660) 542-1792
- **Chariton County**
(660) 288-3239
- **Cole County**
(573) 634-2824
- **Cooper County**
(660) 882-5661
- **Howard County**
(660) 248-2272
- **Moniteau County**
(573) 378-5358
- **Morgan County**
(573) 378-5358
- **Osage County**
(573) 897-3648
- **Pettis County**
(660) 827-0591
- **Saline County**
(660) 886-6908

University of Missouri,
U.S. Department of Agriculture
& Local University Extension
Councils Cooperating

Equal Opportunity /
ADA Institution



Your link to the Universities for ag extension and research information.

Flexible Lease Agreements and Government Programs

Leasing farmland in Central Missouri is a common practice. Traditionally there are two types of crop leases — cash rent and crop share rent. The agreements have been straightforward: **cash rent** – the tenant pays the landowner a set amount of cash, and **crop share** the landowner pays a percentage of expenses and receives a percentage of the crop and same percentage of the government payment.

Over the past few years, a new type of lease has been emerging called flexible cash lease. This lease is usually set up so there is a base rent, then depending on certain other conditions, the rent changes. The agreement specifies the conditions that must happen to vary the rent. The more common conditions are bushels harvested per acre, price and gross revenue. These types of arrangements have gained popularity mainly due to above average prices the past few months. History indicates the price levels will not stay at levels we are seeing, or that weather conditions will cause either a bumper crop or a small crop. The flexible cash lease has provisions to take those conditions into consideration.

The flexible lease is not the magical cure to all situations. Earlier this year the Farm Service Agency put out a notice that certain flexible agreements could affect the Direct and Counter-Cyclical Program (DCP) payments. The reasoning behind the notice is that the DCP payments are designed to protect whoever has production or price risk in the crop being grown on the farm.

Who gets the DCP payment with a flexible cash lease? Right now it is dependent upon what conditions are used to vary rent. If the rental payment is based on actual production or actual crop proceeds, then it is considered a share lease agreement for DCP purposes since both parties have risk. However, if the rental payment is based on external farm factors, then it is considered a cash lease agreement for DCP purposes, since the landlord has no risk in the actual crop being grown on the farm or actual revenue from that crop. If rent is set as a certain amount of bushels based on a future market value, then it would be a cash agreement for DCP purposes.

The U.S. Department of Agriculture has recognized that flexible leasing is growing and the definitions are a key issue now and in the future. They are seeking input regarding their rulemaking on the treatment of lease agreements under the USDA programs. Their goal is to establish a standardized treatment of leases with flexible provisions for the USDA programs.

Flexible leasing can be a great tool to manage varying conditions. If you have a flexible cash lease, check with USDA to determine how you stand. Hopefully, USDA can come up with reasonable definitions to make it easier to develop and use the leases and continue to be in compliance with USDA programs.

Author: Mary Sobba, Agriculture Business Specialist

Soybean Rust Sentinel Plot Monitoring As of October 9, 2007

Missouri has been participating in the Soybean Rust Sentinel Plot Program for the 2007 season. The 26 soybean sentinel plots located throughout the state have been monitored by Extension Regional Personnel and University Research Center Personnel. Four of the sentinel plot sites are on University Research Centers (Southwest Center, Hundley-Whaley Research Center, Greenley Memorial Research Center and Bradford Research and Extension Center). Three different maturity group soybean varieties were planted at each of the Research Centers. The remaining 22 soybean sentinel plots are in commercial fields and are being monitored by Extension Regional Specialists. In addition, two Extension Regional Agronomists are submitting kudzu samples.

Samples of 100 leaflets per plot were collected every other week through the vegetative stages of growth. As plants moved into reproductive stages of growth, sampling has been on a weekly basis. In addition to the soybean sentinel plots this year, several kudzu patches are also being scouted on a regular basis. Kudzu leaf samples have been submitted from two counties on a regular basis since the kudzu greened up in the spring. See the USDA website at www.sbrusa.net for up-to-date information on sentinel plot results from Missouri and the rest of United States.

Sentinel plot scouts are continuing to send in samples from sentinel plots. If the original sentinel plots have progressed beyond R6 (full sized seed in the top four nodes), sentinel plots are being switched to fields in an earlier growth stage. Individuals in the southwestern and southeastern parts of the state have been sending in multiple samples from commercial fields as well as their sentinel plots in an effort to determine if soybean rust is present in a county and if so how widespread and severe soybean rust is.

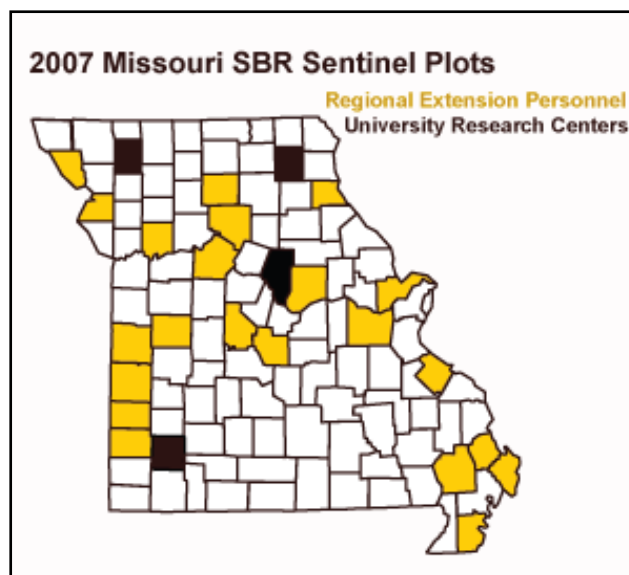
On September 25, soybean samples from Pemiscot and Scott Counties (both in southeastern Missouri) were confirmed positive for soybean rust. Incidence and severity were low in both samples (three infected leaflets out of 100 and two infected leaflets out of 100).

On September 28, soybean samples from Lawrence and Vernon Counties (both in southwestern Missouri) were confirmed positive for soybean rust. Incidence and severity were low in both samples with only a few pustules present on a few leaflets in each sample.

Since September 28, soybean rust has been confirmed in Jasper and Barton Counties in southwestern Missouri and in Dunklin, New Madrid, Mississippi, Stoddard and Butler Counties in southeastern Missouri. Incidence ranged from quite low to moderate in one Stoddard County field. Growth stage varies from R4/R5 in southwestern Missouri to R6 and beginning to drop leaves in southeastern Missouri. On October 11 rust was reported in Bates County in Missouri.

Over the last few days there have been reports of soybean rust in counties in Nebraska, Kansas, Kentucky, Tennessee and Illinois as well as additional counties in Arkansas, Oklahoma and Louisiana. Incidence and severity appears to be low at most of these sites although some sites have reported active sporulation on infected plants. Current model forecasts show a risk for soybean rust throughout much of the Midwest. Bottom-Line: Soybean rust has now been confirmed in eleven counties in southeastern and southwestern Missouri. Continued scouting may result in additional positive finds. However, at the slow rate that the disease appears to be moving and building up, the risk of significant losses from soybean rust decreases each day. Author: Laura Sweets, Extension Plant Pathologist, SweetsL@missouri.edu

Soybean Rust Sentinel Plot Monitoring As of October 9, 2007



Taxation of Crop Insurance and Disaster Payments

Weather variability is one of the largest sources of risk in agricultural production. Congress has recognized the impact of weather variability on crop production and the resulting variability to farm income by implementing a special tax provision dealing with crop insurance and disaster payments.

Code Section 451(d) provides that under certain circumstances crop producers reporting on the cash method of accounting may elect to report crop insurance and disaster payments as income of the tax year following the taxable year of crop destruction or damage. To qualify for this election, the taxpayer must establish that the income from the destroyed or damaged crop would have been included in income for a taxable year following the year of destruction or damage under normal business practices.

Additionally, crop disaster payments received from the federal government qualify for Code Section 451(d) election if a natural disaster prevents a farmer from planting crops, or destroyed or damaged crops that had already been planted.

(continued on page 4)

Alternative Feeds for Beef Cattle

Many areas in Central Missouri are short of hay, and producers are interested in alternative feedstuffs. Corn stalks and milo stubble are a tempting feedstuff, but their quality is generally poor. Samples of corn stalks baled this year show crude protein was 4.2 and 5.6 percent and total digestible nutrients (TDN) was 43 and 40 percent on a dry matter basis. Grazing these crop residues soon after harvest should provide much more nutrition than these baled samples indicate, but protein, phosphorus and vitamin A should probably be supplemented. Baling should be a last resort in utilizing these feedstuffs and a lot of additional supplementation will be required.

Fortunately, there are several by-product feeds at our disposal in this part of the world. The primary supplement ingredients are corn, soybean meal, corn gluten feed, distillers grains and soybean hulls. Nutrient content of these feeds is listed below.

Table 1: Nutrient Content of Selected Feeds on a Dry Matter Basis. NRC, 7th Edition, 1996							
	% DM	Lbs. DM/T	% Crude Protein	Lbs. CP/T	% TDN	Lbs. TDN/T	% Fat
Corn	88	1760	9.8	173	88	1549	4.3
Corn Gluten Feed	90	1800	23.8	428	80	1440	3.9
Distillers Dried Grains, Dry	89	1780	30	534	83	1477	9
Distillers Dried Grains, Wet	30	600	32.5	195	90	540	10
Soybean Hulls	91	1820	13	237	80	1456	3
Soybean Meal	89	1780	49	872	84	1495	2

A few discussion points about the information in the table are in order. First, we must take water out of consideration when pricing different feed ingredients. Wet distillers grains are cheaper per ton, but may not be the best buy when compared to dry distillers grains on a cost per pound of nutrient supplied on a dry matter basis. Using the above chart, you can take the cost per ton of each ingredient and divide it by the pounds of each nutrient supplied (on a dry matter basis) to determine the cheapest source of protein or energy. For example, if corn gluten feed costs \$105 at the plant, the cost per pound of protein is \$0.245 per pound ($\$105 / 428 \text{ lbs protein per ton} = \$0.245 \text{ per pound of protein}$). Be sure to figure in transportation and storage costs when pricing different ingredients. Wholesale prices of by-product feeds may be obtained at <http://agebb.missouri.edu/dairy/byprod/index.htm>

A second point is that you must know what nutrients you need to supplement your animals with. Soybean hulls are an excellent, cheap energy source, but are a poor, expensive source of protein. The same is true for corn grain. Corn gluten feed, and wet and dry distillers grains are excellent sources of both energy and protein. If energy is needed in the ration, you risk overfeeding protein if using these products exclusively in your supplement.

The best way to compare feeds is to have someone balance rations. That is the most accurate way to compare different feed ingredients or blends of ingredients. Be sure to include all costs when pricing your feedstuffs. Forage testing is also desired because that information allows for fine tuning the feeding program to the quality of feedstuffs that you have available. It is also a good idea to sample the by-product feeds as well, since considerable variation can exist from one plant to another or from batch to batch within a plant. Your area livestock specialist can assist you with ration formulation for your specific situation.

Author: Gene Schmitz, Livestock Specialist

(continued from page 2)

Example: John Farmer operates a grain farm and uses the cash method of accounting. During 2007 John received the following amounts of insurance proceeds for the damage caused to his crops by a June 20 hail storm: corn, \$25,000; soybeans, \$20,000; and wheat, \$5000.

If John can establish that under normal business practices he would have reported a substantial amount of the income from the 2007 crops in a subsequent tax year—he may report the insurance proceeds as 2007 income of which he can elect to defer the entire \$50,000 of insurance proceeds to 2008.

Observations:

- Substantial portion of the crop is considered to be more than fifty percent.
- Since the insurance proceeds in the example above are attributable to crops representing a single trade or business, John may elect to defer all or none of the insurance proceeds. He may not allocate the proceeds between the two years.
- Taxpayers receiving insurance proceeds in the tax year following the tax year of destruction or damage, include the proceeds as income in the year of receipt without needing to make the Section 451(d) election.
- To qualify for deferral, the insured must suffer an actual — not a contingent— loss. An important note with this point is that the insurance proceeds based on a county average yield or revenue insurance based on decline in price, such as Group Risk Insurance Plan (GRIP) , will not qualify for income deferral since the proceeds are not based on your actual crop damage.
- Feed assistance and payments received under the Disaster Assistance Act of 1988 do not qualify for deferral under Code 451(d).

If you have or anticipate receiving crop insurance proceeds or disaster payments, consulting with a professional tax advisor prior to the end of your tax year could pay substantial dividends.

Author: Parman Green, Agriculture Business Specialist



AG CONNECTION

Ag Connection is published monthly for Central Missouri Region producers. Ag Connection can be found in the Internet at:

<http://extension.missouri.edu/agconnection/index.htm> .

Editorial Board: Don Day, Managing Editor; Parman Green, Mark Stewart, Jim Jarman, Todd Lorenz, Wendy Flatt, Mary Sobba, Gene Schmitz, Wayne Crook, Randa Brunkhorst and Jim Quinn.

Please send your comments and suggestions to the editor at:

University of Missouri Extension

1012 North Highway UU

Columbia, MO 65203

E-Mail: daydr@missouri.edu

UNIVERSITY OF MISSOURI
 Extension

"Equal opportunity is and shall be provided to all participants in Extension programs and activities, and for all employees and applicants for employment on the basis of their demonstrated ability and competence without discrimination on the basis of their race, color, religion, sex, sexual orientation, national origin, age, disability or status as a Vietnam-era veteran. This policy shall not be interpreted in such a manner as to violate the legal rights of religious organizations or military organizations associated with the armed forces of the United States of America."