



*Your local link to MU for ag extension and research information*

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**Considerations for End of Year Tax Planning**

Many areas of Missouri have had severe drought this year. Drought conditions can affect tax planning. The Internal Revenue Service (IRS) has some disaster related code provisions which may be helpful to crop and livestock producers. The provisions are related to sales and reporting income.

There are two weather-related federal tax provisions in the Internal Revenue Code (IRC) associated with livestock sales.

- 1) IRC Section 451(g) deals with the sale of livestock (including poultry) in excess of normal because of weather conditions such as drought or flood and the producer desires to postpone recognizing the gain from the disposal sales until the following year.
- 2) The second provision is IRC Section 1033(e), which deals with the sale of livestock held for breeding purposes (other than poultry) in excess of normal due to drought or flood and the producer desires to postpone reporting any gain and will replace the livestock at a later time.

**Breeding Livestock**

The IRS allows livestock producers two years from the end of the year in which the disaster occurred to replace breeding livestock (except poultry) without reporting the gain. For federally declared counties the time period is four years to replace breeding livestock. There are guidelines that must be followed. The postponement is only for livestock sold in excess of normal practices. The replacement livestock must be used for the same purpose as those disposed, which means beef for beef or dairy for dairy. It does not allow selling beef cows and replacing with sows.

For example, John Doe normally sells 15 cows from his beef herd each year and in 2023 due to drought and extreme dry pasture conditions and lack of feed sold 35 raised cows. If he plans to replace the cows sold, the gain from 20 cows (the excess of normal sold, 35 minus 15) may be deferred and the gain would not have to be recognized if the proceeds are used to purchase replacement beef cows (that cost as much or more). Note: If only 19 replacement cows are purchased, then the gain from one head must be reported on an amended return for the year of the sale.

**Non-Breeding Livestock**

Livestock producers can elect to defer the income of certain livestock sold due to weather-related conditions, for one tax year. The area must be federally recognized and declared as eligible to receive federal assistance. It is not required the animals be raised or sold in the declared disaster area, just that a weather-related event caused the area to receive federal disaster designation and caused the sale of the animals. Only livestock sales in excess of normal business practice qualify for deferral. The animals are not replaced, and the elected gain is simply put off to the next year.

For example, Sam Smith normally sells 50 head of raised beef calves each year. Due to the drought, this year sells 80 calves and realized \$80,000 from the sale. If he meets the requirements of IRC Section 451 (g), he can elect to postpone \$30,000 of the income on 30 head (80 minus 50) to next year.

### **Taxation of Crop Insurance and Disaster Payments**

The IRC Section 451(f) provides a special deferral provision for insurance proceeds received as a result of destruction or damage to crops, for crop producers reporting on the cash method of accounting. Farmers who meet the requirements may elect to include crop insurance and disaster payments in the income of the tax year following the taxable year of crop destruction or damage.

All of these special IRC provisions have guidelines that taxpayers must meet, and the election must be made. Professional tax preparers can provide advice. This is a year to be sure tax planning is done prior to the end of the year.

A helpful tool in tax planning is IRS publication 225 Farmer's Tax Guide. It will be available in every county extension center sometime from late November to early December.

**Source:** *Mary Sobba, ag business specialist*

University Extension will be offering **Farm Tax Workshops** for farmers and ranchers on **Dec. 12** evening & will be repeated on **Dec. 13** in the afternoon. There will be some in-person locations and online. For exact locations or more information call 573-581-3231.

## **Growing Lavender in Missouri Update**

The Growing Lavender in Missouri grant project has officially come to an end. University of Missouri Extension horticulture specialists spent the past three years growing lavender to determine the best cultivars for the different regions of the state. Data was collected on stem length, flower color, winter hardiness and drought tolerance. Using a distiller, oil was distilled from the flowers and given to the researchers and volunteers. Flowers were used to make various desserts including lavender cupcakes, angel food cake and cookies. Lavender syrup was made and used on ice cream, chicken and other dishes. Flowers were also used to make craft projects like wreathes, wands and sachets which were given out at workshops and programs.

Regional workshops were held to present data collected, numerous presentations were given on the regional, state and national level to various audiences, posters were created and presented, and researchers did radio and TV interviews. A lot was learned from the project. Data collected will be used to write guides for growers and gardeners throughout the state.

In total, from 2021-2023, 22 cultivars of lavender were grown at the Adair County Extension Center, but not all are recommended for growers and gardeners. Some cultivars struggled or died during drought conditions, and some died during the winter even when covered.

Flower harvest started in late May each year. Flowers were harvested at least twice a week throughout the month of June and was wrapped up by the second week of July. The flowers were weighed and stem length recorded after each harvest. The flowers were bundled and hung upside down on a drying rack to dry. It takes about two weeks for the lavender to completely dry.

Of the cultivars grown only a few are recommended for northeast Missouri, particularly the Kirksville area since that is where the research project took place. 'Grosso' was the largest producer of flowers each year with 16-18" stems. 'Phenomenal' and 'Super' were the next highest producers with 16-21" stems. In regard, to flower color, 'Melissa' produced white flowers, while Betty's Blue and Hidcote produced really dark purple flowers.

Overall, based on data collected, the recommendations for northeast Missouri are: 'Grosso', 'Phenomenal', 'Super', 'Melissa', 'Betty's Blue' and 'Sachet'.

Hidcote and Dutch Mill were grown at all the sites (Kirksville, Ste. Genevieve, and Springfield), and Hidcote can be found at most garden centers. But why are they not recommended? Irrigation was set up in the plot, and the plants were watered during dry times and drought conditions, but not overwatered. Both, Hidcote and Dutch Mill struggled for weeks and then died in the Kirksville plot even with a lot of attention. Moisture was the biggest issue with these two cultivars. They survived the winter under cover just fine, but they were hard to get established in dry and wet weather. 'Phenomenal' is easily found in garden centers and nurseries, and is the cultivar recommended for gardeners if buying local. The other recommended cultivars can be found at large nurseries around the state or ordered from out of state nurseries.

**Source:** *Jennifer Schutter, horticulture specialist*

## Make Pasture Pay

The 2023 growing season has been tough in Missouri with abnormally dry to extreme drought conditions. In combination with higher input costs and higher interest rates, producers are experiencing tighter cash flow. Many producers are out of pasture and looking for alternative feed, selling calves early and reducing herd size. The drought has led to widespread pasture damage which may take more than just rain to recover.

Though it is difficult to look to the future while in survival mode, it is necessary in order to stay in production agriculture. To address these concerns, producers should consider management intensive grazing (MiG) systems. This is a system of rotational grazing where animals are only allowed in one section or paddock at a time until forage is eaten to a certain level. Then the animals are moved to the next area giving the paddock just grazed a rest period.

The potential benefits of MiG:

- Increased forage utilization
- Extended grazing season
- Better weed control
- Reduced fertilizer costs
- Reduced feed costs
- Better cattle handling
- Improved animal gains (ADG)
- Increased stocking rates

The drawbacks to implementing MiG:

- Higher fencing cost
- Increased watering system cost
- More management or labor cost
- Greater animal investment per acre

No two operations will pencil out the same, but there are several factors which affect profitability. The first is economies of scale. Costs per acre for fence and water systems decrease with additional acres. For example, the cost per acre is less in a system that has ten paddocks of twenty acres versus ten paddocks with ten acres each.

Second, the more the animal can respond to improved forage productivity and quality, the more likely MiG development costs will be covered. Growing and finishing animals will have the most response to improved forage quality. Whereas calf gains will be impacted by cow's milking ability and respond less to improved forage quality.

Third is pasture productivity. The goal is to utilize

existing forage so higher yielding pastures justify higher development costs. The level of grazing intensity is largely dependent on productivity. It makes more sense to develop a MiG system on soil that has higher yielding potential.

Forth is the ability to establish and maintain improved forage species. The length of the grazing season will depend on the variety and persistence of the species. A balance of different forage species will level out productivity throughout the growing season.

Fifth is feed budgeting. This means matching the needs of the animals to the growing forage. Pasture costs less than five cents per pound of dry matter and is the least costly feed source. While the most expensive is concentrate feed delivered to the bulk bin usually costing 10 to 15 cents per pound of dry matter. Since feed cost is the largest component of a cow/calf budget, lower cost of production is achieved by better pasture management.

The final factor affecting profitability is management. This is crucial and why it is called management intensive grazing. It is bringing the pieces together in a sustainable manner. Management involves utilizing financial and technical resources that can be found through the Soil and Water Conservation Districts (SWCDs), Natural Resource Conservation Service (NRCS), and University of Missouri Extension (MU Extension). MiG schools are held every year, opening the door to cost-share opportunities, and providing education which can improve the bottom line.

Source: *Darla Campbell, business and community specialist*

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## Funding Innovative Farm Ideas

A challenge in agriculture is sufficient funds to try something new. North Central Region Sustainable Agriculture Research and Extension (SARE) has a grant program for farmers and ranchers. The purpose of the grant program is to explore innovative sustainable agriculture solutions to production, marketing, labor and other issues.

Sustainable Agriculture Research and Extension began with funds from the U.S. Congress in 1988. The work began to test and develop fundamental approaches for sustainable practices such as cover crops, rotational grazing and composting. In the 1990's SARE formed a national office, produced print materials and began funding farmer-led research. SARE continues funding farmer research grants, as well as many other programs and projects.

Since the program began in 1992 more than 1,200 grants have been awarded. A sample of funded projects include alternative grain crops as animal feed, alternative uses for CRP land, land access, water quality, energy alternatives, electric tractors, food grade millet, black walnut syrup, educating/mentoring the next generation of farmers/ranchers, safety of employees and many others.

This year the deadline for the Farmer Rancher grant program is December 7, 2023. Any farmer /rancher, team or group of farmers/ranchers who farm or operate a farm in the North Central Region may apply. The North Central Region includes Missouri along with Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. This is a competitive grant program to explore sustainable solutions to problems through on-farm research, demonstration and education projects.

North Central Region SARE defines a farmer/rancher as someone who raises crops or livestock, especially as

a business. There is no land requirement or income requirement. Applicants should explain in the application personal skills and knowledge to successfully complete the project.

The guidelines state Farmer/Rancher grants are offered as individual grants (\$15,000 maximum) or teams of two or more farmers/ranchers working together (\$30,000 maximum). The time for the project is up to twenty-three months. Typically, about 40 projects are funded each year. For details, go to <https://northcentral.sare.org/> then click on grants. The call for proposals, some ideas for projects and the grant application system can be found on the website.

## **Missouri Livestock Symposium**

**Dec. 2 & 3**

Kirksville, MO

<https://missourilivestock.com/>