

James Valley Multi-District Career/Technology Center
910 12th Ave NE
Jamestown, ND 58401-6513

FARM BUSINESS MANAGEMENT

A COOPERATIVE EDUCATIONAL PROGRAM TO ASSIST
FARMERS WITH MANAGEMENT DECISION-MAKING

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Income Tax Management for Ag Producers

A Farm Management meeting has been scheduled as follows:

Date: November 15, 2006 (Wednesday afternoon)
Time: 4:00 PM
Place: James Valley Career/Technology Center

Craig Hanson, CPA and owner of Hanson's Tax and Accounting in Jamestown, will be guest speaker talking on Income Tax Management for Ag Producers. This meeting will provide an excellent opportunity for agricultural producers to learn and ask questions about tax management alternatives while there is still time to implement year-end tax management decisions.

Crop Marketing

The markets have been wild ---nobody knows how long this rally will continue or how high prices will rise. It does give the grain producers some very excellent pricing opportunities. However basis levels continue to be wide and probably will not improve until the futures prices start to decline. A lot of 06 wheat has already been sold. With the market actions of the last 3-4 weeks, corn and soybeans are being priced as well. Look at the deferred months for the 06 crop (Mar-July of 07). Depending on taxes, cash flow, storage, etc pricing the crop now and storing into the spring of 07 may be an option.

The following are today's futures prices (10 am-Nov.6) for 2007 new crop prices and probable local prices at harvest:

	Futures price	Possible basis	Local price at harvest
Sept. 07 wheat	\$4.80	\$.40	\$4.40
Nov. 07 soybeans	6.96	.75	6.21
Dec. 07 corn	3.48	.55	2.93

How do these prices look to you? Would contracting 10-20% of your 2007 production at these levels be a good level to start selling? Look at the 07 deferred months as well. Holding wheat into March of 2008 would give you an additional 20 cents for storage. Corn and soybeans show some "carry" but not as much.

Crop Enterprising

Please find enclosed a crop data sheet that can be used to help compile your 2006 cropping histories. I would like to get a lot of the **crop enterprise information inputted into the computer in November and December**, thus giving us more time after January 1 to complete your analysis and discuss the results of your 2006 farming operation. When you get your crop data information complete give me a call. I will also be calling to set up appointments.

Every successful farm needs to look at its crop enterprises and look at items such as: gross returns, net returns over direct expenses, cost of production and break-even yield. I have a spreadsheet that will help in finding those answers and should help in determining the right crop rotations for 2007.

Livestock Markets

What will higher corn prices do for the cattle market? As a general rule a 10 cent raise in corn prices will decrease the calf prices by \$1/cwt. As cattle barn numbers have increased the past few weeks it appears prices are down some from last year's highs--but still at some real nice profit levels. Check with your local sale barn rep.

Other items and upcoming meetings:

---If you had a revenue product federal crop insurance policy for soybeans you could collect at a higher yield--use **1.05** for a factor. The harvest price will come in lower than the spring price. If you are close to collecting contact your agent.

---I have a spreadsheet for doing income tax estimates. As always, some planning in November and December could be very profitable.

---Carrington Farm Business Management is sponsoring a marketing workshop on Nov. 16 at 7:30 pm. Speakers will be George Flaskerud, NDSU, and Randy Martinson of Progressive Ag. Everyone is welcome.

---Income Tax Management for Ag Producers will be Wednesday, Nov. 15 at 4 pm here at the Career/Tech Center in Jamestown. Speaker will be Craig Hanson, CPA. I will be sending out more information on this later. Everyone is welcome.

---Enclosed find charts looking at both 2006 and 2007 marketing opportunities

ASSISTANCE

If you need any assistance, please feel free to call or stop in at the Career/Technology Center. Since I will be making farm visits I will not be in the office all the time, but leave a message and I will get back to you.

