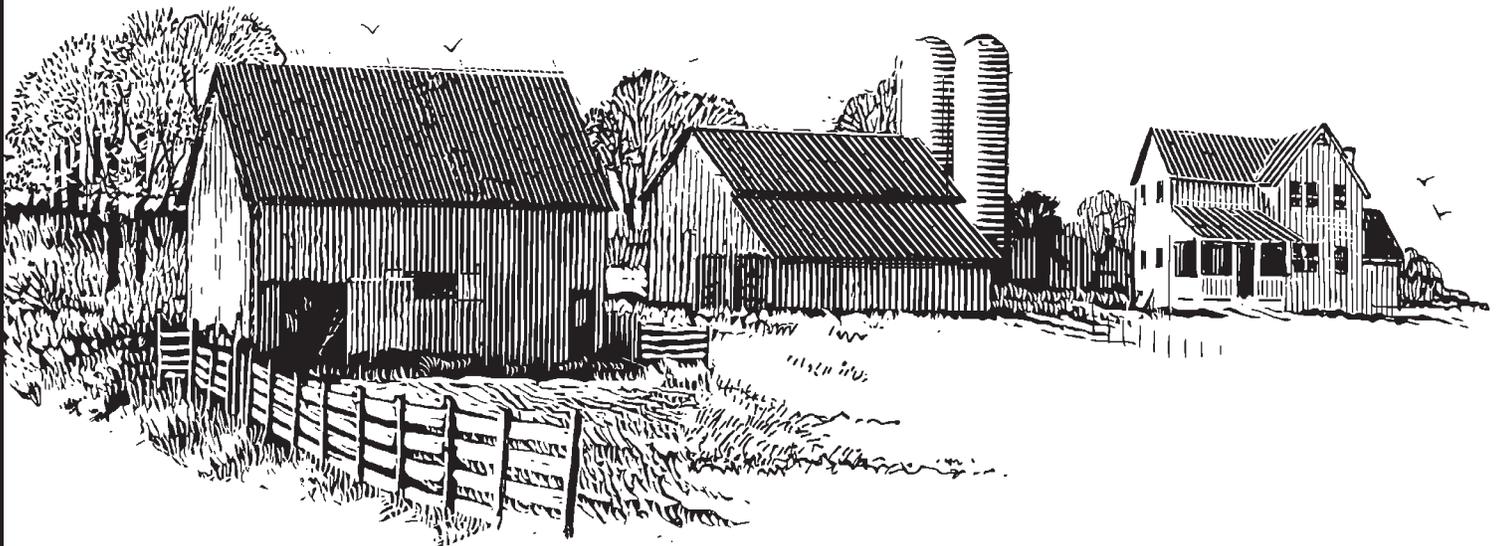


# **A Resource Guide for Beginning Farmers in Oklahoma**



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# Part 1. What Do You Hope to Achieve with the Farm?

If you are considering becoming a farmer or rancher in Oklahoma, then you are about to embark on a journey. As with any long trip, your first step is to plan where you will go and how you will get there. The Oklahoma Cooperative Extension Service (OCES) at Oklahoma State University has developed this resource guide to help beginning farmers understand the steps needed to achieve the dream of having their own farm.

The first and most important step you should take in beginning a farm is to carefully research the property and planned enterprises before investing. Attend educational meetings (such as Cooperative Extension programs) before properties are purchased. Become acquainted with professionals such as the local Extension Educator–Agriculture, who can help. The OCES website, <http://www.oces.okstate.edu/>, provides links to county offices, publications and many other resources.

Buyers often grossly underestimate the technical difficulties of farming and ranching. People mistakenly think, “Anybody can do it.” This is far from true. Farmers and ranchers need to know about growing crops and forages (fertilization, management), managing livestock (nutrition, health, genetics), marketing, general business management (accounting, taxes), legal issues and more. Furthermore, farmers and ranchers need reliable sources of information. Prospective landowners often get advice from the wrong people. It is important to seek assistance from unbiased sources who are not selling something or taking advantage of the inexperienced person.

While conducting research about the physical property and possible enterprises, consider your family and business values along with the mission and goals for the farm. What is it that you are setting out to do? Is it to become a landowner, building a land base on which you can retire? Is it to generate more income? How much? Or, do you want to become a noted livestock producer regardless of the cost? Your goal for a new farm may be to enjoy a rural lifestyle that provides an opportunity to work outdoors plus have more space for hobbies and projects without expecting to generate additional income. Or, your goal may be to establish a business operation that is intended to grow to support one or more families over time. Developing specific realistic goals can help the beginning farmer in several ways.

1. Goals provide the framework for developing more detailed plans, including identifying the resources needed to have a successful outcome.
2. Having a well thought out plan is important for communications with persons providing financing for the operation, whether a commercial lender or family member.
3. Goals can serve as reference points to help you monitor progress once a business plan is implemented.
4. When faced with uncertainty, goals can assist you in decision-making.
5. Goals can serve as tools for motivating your family or farm management team toward success.

Because the farm business often involves the whole family, it is best for the goal setting process to involve each member of the family. The family and the business are generally intertwined; thus, family goals and business goals should be set jointly. Goals should be challenging, yet achievable and specific enough that you can write them down and measure your progress toward them.

The fact sheet *Goal Setting for Farm and Ranch Families* outlines some basic steps for goal setting and includes a goal setting worksheet. This publication, as well as others relating to farm and ranch management, is located online at the following address: <http://pods.dasnr.okstate.edu/docushare/dsweb/View/Collection-343>. All documents are available to download free of charge in PDF format. If you are interested in a more comprehensive guide, an excellent



#### Goal Sheet:

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1674/AGEC-244web.pdf>

OSU Extension  
Publication: AGEC-244

 **MISA:** <http://www.misa.umn.edu/vd/bizplan.html>

 **MISA Guide:**  
<http://www.misa.umn.edu/publications/bizplan.html>

resource is *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*. It can be downloaded in whole (<http://www.sare.org/publications/business/business.pdf>) or in part from the Minnesota Institute for Sustainable Agriculture website, [www.misa.umn.edu](http://www.misa.umn.edu).

## Part 2. Selecting Appropriate Enterprises

Before you go much further, it is crucial to identify the type of farming enterprise you want. While Oklahoma is known as a wheat and cattle state, Oklahoma Agricultural Statistics Service (OASS) data shows more than 18 commodities with sales of more than \$2 million each in 2007. Table 1 identifies the rank and value of production for Oklahoma commodities for 2007. Table 2 shows livestock inventory numbers for Oklahoma for 2004 through 2007. Table 3 presents crop acreage, yield and production for Oklahoma for 2007. The 2008 bulletin from the OASS is available online at [www.nass.usda.gov/ok/Binder1.pdf](http://www.nass.usda.gov/ok/Binder1.pdf). In addition to commodity specific data, the bulletin contains information such as average rainfall, average temperature and pasture condition.

In terms of acreage harvested, all hay varieties was the “top crop,” followed by winter wheat. Figure 1 charts wheat production by county in Oklahoma in 2007. For 2007, winter wheat averaged 28 bushels per acre, and all hay averaged 2.2 tons per acre. Crop yields and stocking rate vary considerably from county-to-county, due to differences in soils and climates and from year-to-year as weather and other conditions change. In livestock numbers, chickens totaled about 4.7 million head, all cattle and calves totaled 5.4 million head, and all hogs and pigs totaled 2.34 million head in 2007. In value of production, cattle and calves ranked first in the state with a production value of \$2.022 billion. All hay ranked second in the state with a production value of \$652 million.

These statistics may leave you asking yourself what to produce. What is appropriate will certainly depend on the land resource base you are considering, including soil type, geographical location, climate and past use. It may also depend on the human resources (labor and management) that are available to you. The availability of a market for your product and the ability to finance operations are also critical.

Economists at Kentucky Cooperative Extension Service, Tim Woods and Steve Isaacs, emphasize that new or expanding enterprises should not focus on *what to produce*, but should instead concentrate on *how to select the right enterprise*. They advocate a more thorough approach because, in their experience, success or failure often depends on a lot more than just the choice of what to produce. They suggest these six factors to drive the decision: profitability, resources, information, marketing, enthusiasm and risk. *A Primer for Selecting New Enterprises for Your Farm*, by Woods and Isaacs, is available online at [www.uky.edu/Ag/AgEcon/pubs/ext\\_aec/ext2000-13.pdf](http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf). The publication contains descriptions of the six decision factors, as well as detailed worksheets to help the new farmer/rancher raise some important questions regarding their potential new enterprise. The authors suggest printing multiple copies of the PRIMER so that you can work through the worksheets for more than one type of enterprise.

If profitability is a goal for the operation, consider developing a budget for individual enterprises (for example, stockers, goats or grapes) that maps out the resources needed, as well as projected income and expenses. Oklahoma State University offers spreadsheets to generate budgets for the following enterprises: alfalfa, annual forage, barley, corn, corn silage, cotton, cow-calf, grain sorghum, grapes, improved pecans, native pecans, oats, peaches, peanuts, perennial forages, rye, soybeans, stockers, watermelon and wheat.

 **2008 Bulletin:**  
[www.nass.usda.gov/ok/Binder1.pdf](http://www.nass.usda.gov/ok/Binder1.pdf)

**Table 1. Rank and value of production,  
Oklahoma commodities, 2007.**

<b>Rank</b>	<b>Item</b>	<b>Value (\$ Millions)</b>
1	Cattle and Calves	2,022
2	All Hay	652
3	Poultry and Eggs	633
4	Winter Wheat	617
5	Hogs and Pigs	549
6	Milk Production	239
7	Corn for Grain	159
8	Cotton and Cottonseed	107
9	Grain Sorghum	50
10	Soybeans	40
11	Floriculture	30
12	Pecans	27
13	Peanuts	12
14	Rye	7
15	Watermelon	6
16	Sheep and Lambs	3
17	Oats	1
18	Peaches	1

Source: Oklahoma Agricultural Statistics Service 2008.

**Table 2. Livestock inventory for Oklahoma,  
January 1, 2004 – January 1, 2008.  
(Presented by 1,000 Head)**

<b>Year</b>	<b>All Cattle &amp; Calves</b>	<b>Beef Cows</b>	<b>Milk Cows</b>	<b>All Sheep &amp; Lambs</b>	<b>All Hogs &amp; Pigs (1)</b>	<b>Chickens (1), (2)</b>
2004	5,100	1,970	80	75	2,380	5,654
2005	5,350	2,015	75	70	2,390	4,747
2006	5,450	2,075	75	80	2,370	4,588
2007	5,250	2,000	70	80	2,330	4,481
2008	5,400	2,053	67	80	2,340	4,752

(1) December 1 previous year.

(2) Excludes commercial broilers.

Source: Oklahoma Agricultural Statistics Service 2007.

**Table 3. Crop acreage, yield and production; Oklahoma, 2007.**

<b>Commodity</b>	<b>Planted Purpose Acres</b>	<b>Harvested Acres</b>	<b>Yield</b>	<b>Production</b>	<b>Price per Unit</b>	<b>Value of Production Dollars</b>
Field & Misc Crops	10,805,000					1,676,539,000
Hay All (Dry)		3,180,000	2.2 tons	7,044,000 tons	112.000 dols/ton	651,692,000
Wheat Winter All	5,900,000	3,500,000	28.0 bus	98,000,000 bus	6.300 dols/bu	617,400,000
Wheat All	5,900,000	3,500,000	28.0 bus	98,000,000 bus	6.300 dols/bu	617,400,000
Hay Other (Dry)		2,800,000	2.0 tons	5,600,000 tons	79.500 dols/ ton	445,200,000
Hay Alfalfa (Dry)		380,000	3.8 tons	1,444,000 tons	143.000 dols/ton	206,492,000
Corn For Grain	320,000	270,000	145.0 bus	39,150,000 bus	4.050 dols/bu	158,558,000
Cotton Upland	175,000	165,000	945.0 lbs	39,150,000 bus	0.587 dols/lb	91,572,000
Sorghum For Grain	240,000	220,000	58.0 bus	12,760,000 bus	6.950 dols/cwt	49,662,000
Soybeans	185,000	175,000	24.0 bus	4,200,000 bus	9,600 dols/bu	40,320,000
Cotton Seed				116,000 tons	135.000 dols/ton	15,660,000
Peanuts For Nuts	18,000	17,000	3,400.0 lbs	57,800 lbs	0.202 dols/lb	11,676,000
Rye	300,000	60,000	18.0 bus	1,080,000 bus	6.100 dols/bu	6,588,000
Oats	80,000	15,000	31.0 bus	465,000 bus	3.100 dols/bu	1,442,000
Corn for Silage		30,000	20.5 tons	615,000 tons		
Sorghum For Silage		12,000	5.0 tons	60,000 tons		
Cotton All	175,000	165,000	945.0 lbs	325,000 bales		
Alfalfa & Alfalfa Mixtures - New Seedings	65,000					

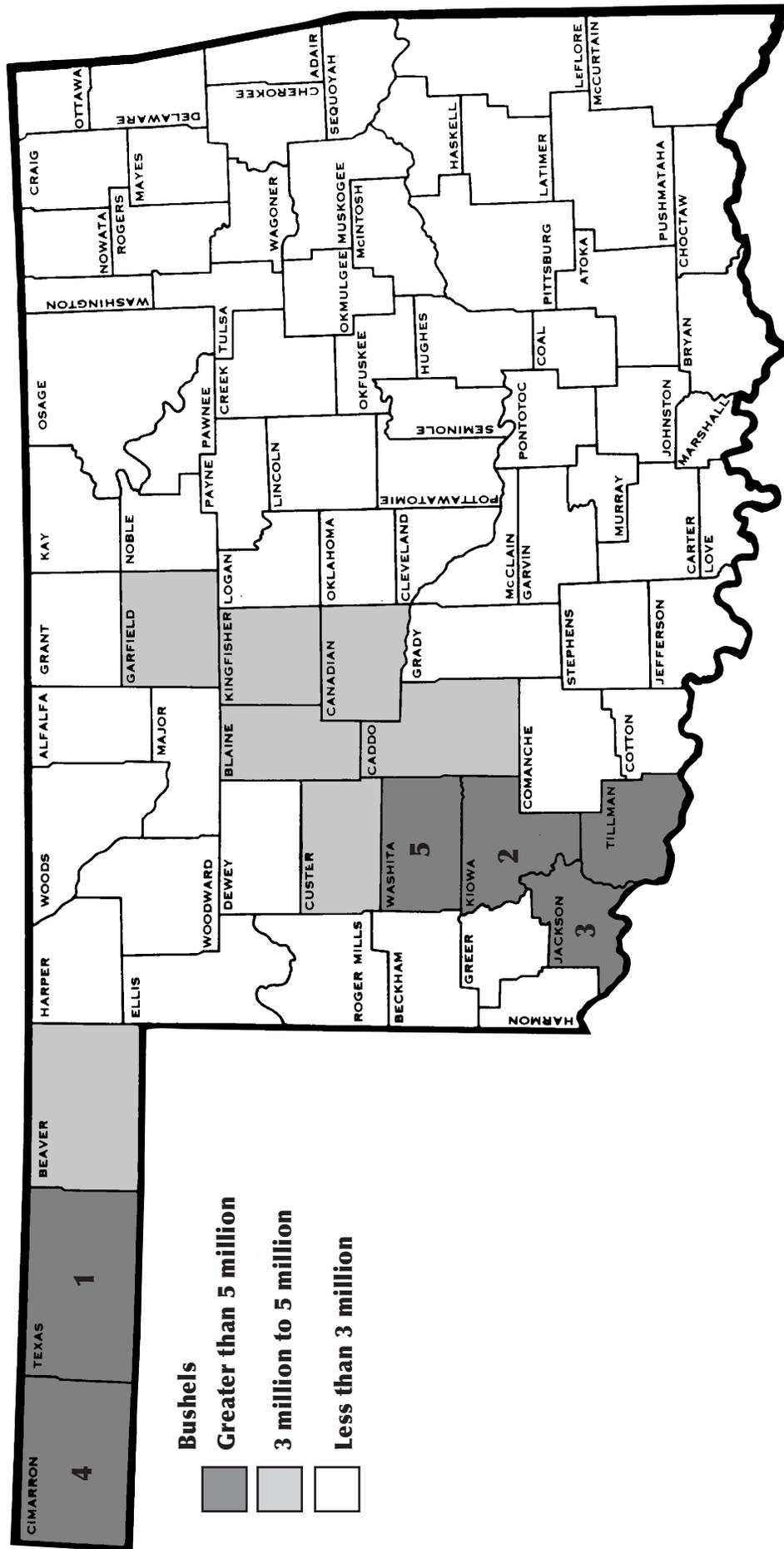
Source: Oklahoma Agricultural Statistics Service 2008.



**A Primer for  
Selecting  
New Enterprises  
for Your Farm:**

[http://www.uky.edu/Ag/AgEcon/pubs/ext\\_aec/ext2000-13.pdf](http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf)

Figure 1. All wheat production, Oklahoma 2007.



Source: Oklahoma Agricultural Statistics Service 2008.

# Part 3. Financial Planning for the New Farm

One of the most basic issues you must address if you are considering farming is how much you expect the farm to contribute to your family's living expenses.

- Farm will not contribute to family's living expenses. (Off-farm income required.)
- Farm will provide a portion of the family's living expenses. (Off-farm income required.)
- Farm will provide all of the family's living expenses.

Land purchasers frequently overestimate the income potential from agricultural enterprises. If you do not yet have a handle on your farm's financial potential, then you need to assemble a financial plan for your operation. In most cases, a sound financial plan is a prerequisite to obtaining loans. A typical financial plan will include the following:

1. budgets for individual enterprises (for example, cow-calf, wheat and stocker);
2. cash flow plan;
3. income statement; and
4. balance sheet.

Fact sheets are available to assist producers in developing financial plans and interpreting financial statements. All of the following publications are free of charge at local Extension offices. They are also available online at <http://pods.dasnr.okstate.edu/docushare/dsweb/View/Collection-343>.

- AGEC-751, *Developing a Cash Flow Plan*
- AGEC-752, *Developing a Balance Sheet*
- AGEC-753, *Developing an Income Statement*
- AGEC-790, *Evaluating Financial Performance and Position*
- AGEC-935, *Capital Leases*

Other OSU fact sheets that may be helpful in developing a business plan include:

- AGEC-243, *Using Enterprise Budgets in Farm Financial Planning*
- AGEC-302, *Financial Record-Keeping for Farmers and Ranchers*
- CR-205, *Oklahoma Farm and Ranch Custom Rates*
- CR-216, *Oklahoma Pasture Rental Rates*
- CR-230, *Oklahoma Cropland Rental Rates*
- AGEC-215, *Developing Share Lease Agreements for Farmland*
- AGEC-214, *Developing Cash Lease Agreements*

The data in Tables 4 and 5 are presented to assist you in forming realistic financial expectations. In 2007, the number of farms in the state totaled 86,565 (Census of Agriculture). Sixty-six percent of the farmers reported they had at least some off-farm work for the year, and 58 percent reported farming was not their primary occupation. In terms of value of sales, 78 percent of the farms reported farm sales of less than \$25,000. The average market value of sales per farm, for all agricultural products, was \$69,491. The average expense for total production per farm was \$60,340. Net cash farm income statistics show that in 2007, 61.6 percent of farms experienced a loss.

Other farm financial data are available from the Economic Research Service of the U.S Department of Agriculture (ERS) (<http://www.ers.usda.gov/>). For example, Table 5 presents costs and returns for wheat production and cow-calf production for the Prairie Gateway Region (western two-thirds of Oklahoma plus Kansas, southern Nebraska, eastern Colorado, eastern New Mexico,



**Fact Sheets:**  
[osufacts.okstate.edu](http://osufacts.okstate.edu)

 **(ERS):** <http://www.ers.usda.gov/>

and much of Texas) for 2008. For wheat production in 2008, the gross value of production was \$276.68 per planted acre. Total operating costs were \$124.63 per planted acre; total costs were \$259.83 per planted acre. The value of production less operating costs equaled \$152.05 per planted acre; the value of production less total costs equaled \$16.85 per planted acre. For cow-calf production in 2008, the gross value of production was \$671.44 per bred cow. The value of production less operating costs equaled -\$43.98 per bred cow. The total costs were \$1220.17 per bred cow, for a value of production less total costs of -\$557.73 per bred cow. Averages mask the variability in costs and returns that occur on individual farms. However, the averages do point out that agricultural enterprises are not always profitable.

### ***Business Planning Assistance***

Oklahoma farmers and ranchers can call on IFMAPS (Intensive Financial and Management Planning Support) personnel to receive free, confidential assistance in farm business planning, including analyzing the potential for a new farm business. Contact your local county Extension office, call the IFMAPS Center at 1-800-522-3755, or e-mail [IFMAPS@okstate.edu](mailto:IFMAPS@okstate.edu). Trained financial specialists work with families one-on-one to develop financial statements and evaluate alternative plans. The plans typically include budgets for the farm enterprises, a cash flow plan, income statement, balance sheet, debt worksheet and financial measures. For more information, see OSU AGEC-239, *IFMAPS: A Partner in Farm Financial Planning* available in local Extension offices or at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1649/AGEC-239web.pdf>.

### ***Enterprise Budget Software***

OSU Enterprise Budgets are Excel spreadsheets designed to help estimate production costs and returns while representing the management practices typical of an area. The software provides users access to important agricultural references during an "interactive" budget-building process. Spreadsheets incorporate historical data and specialist recommendations while allowing modification by the user. Examples of historical data include area yields and average prices. Examples of specialist recommendations include fertilizer requirements for specified forage or grain yields. Links to Internet databases and references point users to additional information.

Figures 1-3 show sample budgets for wheat, cow-calf and stocker enterprises. Note: actual income and expenses may vary greatly from operation to operation. Hence, it is important to customize budgets to match individual situations. The budget report summarizes key production items and prices, operating and fixed costs, and break-even prices and yields.

 **IFMAPS**  
**Center:**  
1-800-522-3755,  
**e-mail:**  
[IFMAPS@okstate.edu](mailto:IFMAPS@okstate.edu)  
**website:**  
<http://agecon.okstate.edu/IFMAPS>

 **A Partner in Farm Financial Planning (OSU Extension publication AGEC-239):**  
<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1649/AGEC-239web.pdf>

 **OSU Enterprise Budget Website:**  
<http://agecon.okstate.edu/budgets/>

**Table 4.**  
**Data from 2002 and 2007 Census of Agriculture for Oklahoma.**

	<b>2007</b>	<b>2007</b>	<b>2002</b>	<b>2002</b>
	<b>% of Total</b>		<b>% of Total</b>	
	<b>Farms</b>		<b>Farms</b>	
Number of Oklahoma farms	86,565	100%	83,300	100%
<i>Off Farm Work</i>				
Farmers with no off-farm work	29,750	34%	34,931	42%
Farmers with some off-farm work	56,815	66%	48,369	58%
Farmers with 200 or more days off-farm work	37,167	43%	36,671	44%
<i>Operator by Primary Occupation</i>				
Farming	36,052	42%	46,053	55%
Other	50,513	58%	37,247	45%
<i>Number of Farms by Value of Sales</i>				
Less than \$2,500	34,669	40%	29,927	36%
\$2,500 to \$4,999	9,059	11%	9,925	12%
\$5,000 to \$9,999	10,731	12%	12,452	15%
\$10,000 to \$24,999	13,494	16%	12,833	15%
\$25,000 to \$49,999	6,886	8%	7,373	9%
\$50,000 to \$99,999	4,563	5%	4,340	5%
\$100,000 to \$499,999	5,326	6%	5,256	6%
\$500,000 or more	1,837	2%	1,194	1%
<i>Average Market Value of Sales per Farm</i>				
All agricultural products sold	\$67,072		\$53,498	--
Crops (including greenhouse)	\$13,719		\$9,833	--
Livestock/poultry & products	\$53,352		\$43,665	--
<i>Selected Farm Expenses, Average per Farm</i>				
Total production expenses	\$60,340		\$48,849	--
Livestock/poultry purchased	\$16,907		\$14,938	--
Feed	\$15,105		\$11,015	--
Fertilizer, lime, soil conditioners	\$3,315		\$2,021	--
Gasoline, fuel, oils	\$3,656		\$2,087	--
Hired farm labor	\$2,946		\$2,847	--
Interest Expense	\$3,317		\$2,925	--
Chemicals	\$1,041		\$728	--
<i>Net Cash Farm Income of Operations</i>				
Average per farm/dollars	11,885		8,220	
Farms with net gains <sup>1</sup> /number	33,709	39%	36,375	44%
Average per farm/dollars	51,479		31,559	
Farms with net losses/number	52,857	61%	46,907	56%
Average per farm/dollars	13,364		9,878	

<sup>1</sup> Farms with total production expenses equal to total of market value of agricultural products sold, government payments, and farm-related income are included as farms with gains.

Source: 2002 and 2007 Census of Agriculture – State Data, [http://www.agcensus.usda.gov/Publications/2007/Full\\_Report/Volume\\_1\\_Chapter\\_1\\_State\\_Level/Oklahoma/index.asp](http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1_Chapter_1_State_Level/Oklahoma/index.asp).

**Table 5.****Costs and returns for wheat production and cow-calf production,  
Prairie Gateway Region.\***

<b>Cow/Calf Production</b>	<b>2007</b>	<b>2008</b>	<b>Wheat Production</b>	<b>2007</b>	<b>2008</b>
<i>Gross value of production</i>			<i>Gross value of production</i>		
Steer calves	200.39	183.11	Primary product: Wheat grain	142.13	265.78
Heifer calves	108.86	99.99	Product: silage/straw/grazing	9.19	10.90
Yearling steers	182.13	178.39	Total, gross value of production	151.32	276.68
Yearling heifers	96.38	96.05	<i>Operating costs</i>		
Other cattle	102.51	105.28	Seed	6.87	10.89
Total gross value	698.54	671.44	Fertilizer 2/	31.04	54.84
<i>Operating costs</i>			Chemicals	4.03	4.37
Purchased cattle	143.23	140.77	Custom operations	6.50	7.49
<i>Feed</i>			Fuel, lube, and electricity	24.41	31.72
Concentrates and other feed	43.54	58.68	Repairs	13.94	14.12
Supplemental feed	9.84	14.15	Irrigation water and baling	0.08	0.08
Harvested forages	167.71	159.05	Interest on operating inputs	1.95	1.12
Cropland pasture	31.38	34.85	Total, operating costs	88.82	124.63
Private pasture	99.01	110.39	<i>Allocated overhead</i>		
Public land	1.53	1.75	Hired labor	2.51	2.60
Total feed costs	353.01	378.87	Opportunity cost of unpaid labor	26.11	26.99
Other: veterinary and medicine, fuel, repairs, interest, etc.	177.72	195.78	Capital recovery of machinery/equipment	51.82	55.89
Total operating costs	673.96	715.42	Opportunity cost of land	33	36.12
<i>Allocated overhead</i>			Taxes and insurance	5.73	6.46
Hired labor	3.36	3.49	General farm overhead	6.95	7.14
Opportunity cost of unpaid labor	213.33	221.04	Total, allocated overhead	126.12	135.20
Capital recovery cost of Machinery/equipment	164.41	176.69	Total, costs listed	214.94	259.83
Opportunity cost of land	1.8	2.07	Value of production less total costs listed	-63.62	16.85
Taxes and insurance	34.73	36.26	Value of production less operating costs	62.50	152.05
General farm overhead	72.25	74.20	<i>Supporting information</i>		
Total allocated overhead	489.88	513.75	Yield (bushels per planted acre)	28.2	33.6
Total costs listed	1,163.84	1,229.17	Price (dollars per bushel at harvest)	5.04	7.91
Value of production less total costs listed	-465.3	-557.73	<i>Supporting information</i>		
Value of production less operating costs	24.58	-43.98	Bred cows (head) 1/	78	78
<i>Supporting information</i>			Calves weaned (head) 1/	66	66

\* Includes most of Oklahoma.

Source: Economic Research Service, U.S. Department of Agriculture.

Supporting reports, such as fertilization or feeding practices specified, may also be printed.

In addition to estimating the full economic costs and returns for an agricultural production activity, OSU enterprise budget software may be used to generate cash flow budget files for whole farm plans developed with Integrated Farm Financial Statements (IFFS) software, the program used by IFMAPS personnel. This compatibility provides an integral link to whole farm and ranch financial statements and plans.

Additional information on the budget software is on the OSU Enterprise Budget website: <http://agecon.okstate.edu/budgets/>.

## Part 4. Acquiring the Capital for Your New Farm

Whether farming is your hobby or your business, there is no doubt that it can be expensive. Capital is required to purchase or lease assets and to pay for operating expenses. For example, you may need capital to buy or lease land, buildings, machinery or livestock. You will also need funds for operating expenses including labor, feed costs, fuel and equipment, repairs and maintenance, utilities, veterinary expenses, seed, fertilizer, etc. Obviously, this is not an exhaustive list. The important question is, *How will you acquire the assets for your farm?* Buyers often purchase either too much or the wrong type of equipment, and they think it's necessary to own a new pickup, trailer, tractor, ATV, etc. These vastly increase the cost of production and eliminate potential for profit. Also, owners tend to overlook the cost of hired labor. Carefully consider every purchase. Make sure it is really needed. If it is, can it be rented or borrowed instead of bought? Be frugal.

Trying to make land payments with income generated by a farm is rarely realistic. Table 6 shows annual loan payments for a range of land prices and interest rates. In 2008, Oklahoma farm real estate values averaged \$1,110 per acre for cropland and \$1,000 for dryland pasture (<http://www.nass.usda.gov/ok/binder1.pdf> or see [www.agecon.okstate.edu/oklandvalues](http://www.agecon.okstate.edu/oklandvalues) for local information). Cattle may require 5 to 10 acres per head for native or improved pasture, depending on the size of the cattle, type of forage, rainfall, etc.

**Table 6. Annual loan payments (\$/a) with alternative loan amounts and interest rates assuming a 20-year repayment period.**

Loan amount (\$/a)	Interest rate		
	6%	8%	10%
600	52.69	61.84	71.68
800	70.26	82.45	95.58
1,000	87.82	103.07	119.47

Leasing farmland offers a way to begin farming or ranching without committing large sums of money to asset purchases up front. Midwest Plan Services offers a variety of free lease forms on its website, <http://www.mwps.org/>. Cropland cash rental rates typically fall in the \$30-\$45 range per acre per year, depending on the region and productivity of the tract. Native pasture often rents for \$8-\$12 per acre with Bermuda and other improved pasture renting for more. (Additional rental rate information is available in CR-230, *Oklahoma Cropland Rental Rates* at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-5994/CR-230web08-09.pdf> and CR-216, *Oklahoma Pasture Rental Rates* at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-5991/CR-216web08-09.pdf>).

Similarly, custom hiring can help make farm plans financially feasible until an operation has grown to the size needed to justify machine ownership. Oklahoma farm and ranch custom rates are reported in OSU CR-205 available at the same website as rental rate reports.

Sources for financial capital may include:

- personal savings,
- agricultural loans,
- combination of savings and loans, and
- a private lender (e.g., parent, grandparent, owner).



### Real Estate Averages:

<http://www.nass.usda.gov/ok/bulletin03/page091.pdf>



### Midwest Plan Service:

<http://mwps.org/>



### Oklahoma Rental Rates/ Cropland:

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2813/CR-230web04-05.pdf>

### Pasture (OSU Extension Publication

**CR-216):** <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-5991/CR-216web08-09.pdf>

### Custom (OSU Extension Publication

**CR-205):** <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-4924/CR-205%202007-2008web.pdf>

 **OBA Website:**  
oba.com

 **Order Form:**  
[http://www.oba.com/  
usr\\_uploads/2009  
Orderform.pdf](http://www.oba.com/usr_uploads/2009Orderform.pdf)

 **Farm Service Agency:** <http://www.fsa.usda.gov/pas/>

Chances are good that at some point you will need to seek out agricultural loans to finance a portion of your needs. The following is a list of financial sources and programs, some with lending programs aimed directly at agriculture and some specifically designed for beginning farmers.

1. **Commercial Banks.** You may be the most comfortable approaching your local commercial lending institution, especially if you already have a good credit history with the institution. However, not all commercial banks make agricultural loans. If you do not have an established relationship with a local lender, the Oklahoma Bankers Association (OBA) website lists more than 130 financial institutions at <http://www.oba.com/bankers/index.php>. You will need to pursue the services of each individual bank to determine if they provide agricultural lending. The OBA also publishes a Directory of Financial Institutions for Oklahoma each year. To print the order form, go to [http://www.oba.com/usr\\_uploads/2009Orderform.pdf](http://www.oba.com/usr_uploads/2009Orderform.pdf). The price is \$35 for non-OBA members.
2. **Farm Service Agency (FSA),** <http://www.fsa.usda.gov>. The mission of the USDA's Farm Service Agency includes stabilizing farm income, helping farmers conserve land and water resources, providing credit to new or disadvantaged farmers and ranchers, and helping farm operations recover from the effects of disaster. The FSA makes direct loans for both farm ownership (FO) and farm operations (OL), and also guarantees loans made by conventional lenders. FSA has targeted loan funds to beginning farmers and socially disadvantaged applicants who are unable to obtain financing from commercial credit sources. The law requires FSA to reserve or target loan funds for exclusive use by beginning farmers as follows: direct operating, 50 percent; guaranteed operating, 40 percent; direct farm ownership, 75 percent; and guaranteed farm ownership, 40 percent. Funds are targeted for beginning farmers in the guaranteed program until April 1 of each fiscal year. In the direct programs, funds are targeted for beginning farmers until September 1 of each fiscal year. Below is a description of loan programs in FSA and other programs that may benefit beginning farmers. Look for an FSA office in your county by searching "Your Local Office" in the left sidebar of the FSA website or in the phone book under U.S. Government.
  - a. **Direct FSA Loans.** Applicants should be aware that a limited amount of funds is available for each state each year for direct loans. Funds are appropriated each year based on the government's fiscal year, which begins October 1. The FSA encourages applications even if they are out of funds for the current fiscal year, so the producer gets in the queue for funds when they become available.
    - i. *Direct Farm Ownership Loans.* As of June 2009, the maximum loan amount for direct farm ownership loans is \$300,000 for up to 40 years. Rates are based on agency borrowing costs, but there are temporary limited resource interest rates available for those unable to repay at regular rates. The proceeds may be used to purchase land, construct buildings or other improvements, or to engage in soil and water conservation activities.
    - ii. *Direct Operating Loans.* The maximum loan amount is \$300,000 for 1 to 7 years. Rates are based on agency borrowing costs, but—again—there are temporary limited resource interest rates available for those unable to repay at regular rates. The proceeds may be used toward the purchase of livestock, poultry, equipment, feed, seed, farm chemicals, supplies, and soil and water conservation activities. Proceeds may also be used to refinance indebtedness with certain limitations.
    - iii. *Loans for Beginning Farmers.* A beginning farmer or rancher is an individual or entity who (1) has not operated a farm or ranch for more than 10 years; (2) meets the loan eligibility requirements of the program to which he/she is applying; (3) substantially participates in the operation; and (4) for FO loan purposes, does not

own a farm greater than 30 percent of the median size farm in the county. Note: all applicants for direct FO loans must have participated in business operation of a farm for at least 3 years.

iv. *Loans to Socially Disadvantaged Applicants.* Terms and use of the funds are the same as described for direct farm ownership loans. To qualify, the applicant must be a member of a socially disadvantaged (SDA) group such as women, African Americans, Native Americans, Alaskan Natives, Hispanics, Asians or Pacific Islanders. In the FO loan program, the percentage of loan funds targeted for SDAs is based upon the state percentage of the total rural population made up of SDA groups, and the statewide percentage of total farmers who are female. To qualify for FSA's regular farm loan program assistance, the applicant must meet the following requirements:

- Have a satisfactory history of meeting credit obligations.
- Have sufficient education, training, or at least 1 year of experience in managing or operating a farm or ranch within the last 5 years for a direct operating loan. Or, for a direct farm ownership loan, the applicant must have participated in the business operation of a farm or ranch for 3 years.
- Be a citizen of the U.S. (or a legal resident alien), including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Island Trust Territories.
- Be unable to obtain credit elsewhere at reasonable rates and terms to meet actual needs.
- Possess legal capacity to incur loan obligations.

v. *Down Payment Farm Ownership Loan Program.* FSA has a special down payment FO loan program to assist beginning farmers and ranchers and SDA farmers. To qualify, an applicant must make a cash down payment of at least 5 percent of the purchase price. FSA may provide up to 45 percent of the purchase price or appraised value, whichever is less, up to \$500,000. The term of the loan is 20 years at a fixed interest rate which is the greater of the direct FO rate less 4 percent or 1.5 percent. The remaining balance may be financed by a private party or commercial lender. FSA can provide up to a 95 percent guarantee if financed by a commercial lender and participating lenders do not have to pay a guarantee fee.

vi. *Sale of Inventory Farmland.* Eligible beginning farmers or SDA applicants are given first priority to purchase acquired property at the appraised market value for the first 135 days after a property is acquired. If more than one beginning farmer offers to purchase the property, the buyer is chosen by a random drawing.

vii. *Joint Financing Plan.* Beginning farmers may also participate in a joint financing plan that is available to other applicants. In this program, FSA lends up to 50 percent of the amount financed and charges a reduced interest rate on the loan.

**b. Guaranteed FSA Loans.** Farmers interested in guaranteed loans must apply to a conventional lender, which then arranges for the FSA guarantee. FSA guaranteed loans provide lenders (e.g., banks, Farm Credit System institutions, credit unions) with a guarantee of up to 95 percent of the loss of principal and interest on a loan.

i. *Guaranteed Farm Ownership Loans.* As of June 2009, the maximum loan amount is \$1,094,000 for up to 40 years. Rates will not exceed those charged by the lender's average farm customers. The proceeds may be used to purchase land, construct buildings or other improvements, or to engage in soil and water conservation activities. Proceeds may also be used to refinance debts.

- ii. **Guaranteed Operating Loans.** The maximum loan amount is \$1,094,000 for 1 to 7 years. Rates will not exceed those charged by the lender's average farm customers. An interest rate reduction of 4 percent is available for those unable to repay at regular rates with certain limitations. The proceeds may be used toward the purchase of livestock, poultry, equipment, feed, seed, farm chemicals, supplies, and soil and water conservation activities. Proceeds may also be used to refinance indebtedness with certain limitations. To qualify for either type of FSA guaranteed loan, the loan applicant must:
- Be a citizen of the U.S. (or legal resident alien), which includes Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and certain former Pacific Island Trust Territories.
  - Have an acceptable credit history as determined by the lender.
  - Have the legal capacity to incur the obligations of the loan.
  - Be unable to obtain a loan without a guarantee.
  - Not have caused FSA a loss by receiving debt forgiveness on more than 3 occasions on or prior to April 4, 1996 or on any occasion after April 4, 1996.
  - Be the owner or tenant operator of a family farm after the loan is closed. For an OL, the producer must be the operator of a family farm after the loan is closed. For an FO Loan, the producer also needs to own the farm.
  - Not be delinquent on any Federal debt (income taxes, student loans, etc).

**3. Farm Credit Services (FCS), [www.farmcredit.com](http://www.farmcredit.com).** The Farm Credit System (Farm Credit) is a nationwide network of borrower-owned financial institutions and specialized service organizations. Farm Credit consists of six Farm Credit Banks and one Agricultural Credit Bank, which provides funding and affiliated services to more than 100 locally owned Farm Credit associations and numerous cooperatives nationwide. The fundamental purpose of this network of Government-sponsored enterprises created by Congress in 1916 is to provide American agriculture with a source of sound, dependable credit at competitive rates of interest. Farm Credit provides credit and related services to farmers, ranchers, producers and harvesters of aquatic products, rural homeowners, certain farm-related businesses, agricultural and aquatic cooperatives, rural utilities, and to certain foreign or domestic entities in connection with international agricultural credit transactions.

Below are the addresses of the seven Farm Credit agencies in Oklahoma.

Ag Preference  
 3120 N. Main  
 Altus, OK 73521  
 580-482-1107  
[news.agpreference.com](http://news.agpreference.com)

Farm Credit Services of East/Central Oklahoma  
 601 E. Kenosha  
 Broken Arrow, OK 74012  
 918-251-8596  
[www.farmcreditecok.com](http://www.farmcreditecok.com)

Chisholm Trail Farm Credit  
805 Chisholm Trail  
Enid, OK 73701  
580-237-2535  
[www.chisholmtrailfc.com](http://www.chisholmtrailfc.com)

FLBA of Ponca City  
1909 Lake Road  
Ponca City, OK 74604  
580-765-5690

Farm Credit of Central Oklahoma  
Mission and Georgia  
Anadarko, OK 73005  
405-247-2421  
[www.farmcreditloans.com](http://www.farmcreditloans.com)

FLBA of Western Oklahoma  
3302 Williams Ave.  
Woodward, OK 73802  
580-256-3465  
[www.fcwestok.com](http://www.fcwestok.com)

Farm Credit of Enid  
1500 W. Garriot Rd.  
Enid, OK 73703  
580-233-3489  
[www.fcenid.com](http://www.fcenid.com)

- 4. Oklahoma Beginning Farmer Loan Program (OBFLP).** The state has a program called “Aggie Bond” that allows lenders to earn federally tax-exempt interest income on loans to eligible beginning farmers and ranchers. The credit decisions and financial risks remain with the local lending institutions. However, the tax-savings allows the lenders to provide the loans at a reduced interest rate to the beginning farmer. In Oklahoma, the Oklahoma Development Finance Authority administers this program.

For the OBFLP, the term beginning farmer is specifically defined based on previous land ownership. The beginning farmer (including spouse and children) must not have:

- Owned land equal to 30 percent or more of the median farm size in the county where the property is located.
- Owned land exceeding a fair market value of \$125,000 at any time.
- A net worth (value of assets less total liabilities) that exceeds \$200,000.

Furthermore, the beginning farmer must:

- Reside in Oklahoma.
- Be at least 18 years of age or have a cosigner who is 18 years or older.
- Be the principal operator of the farm.
- Find an eligible institution willing to make the loan.
- Demonstrate the need for and the ability to pay the loan.
- Certify the land will be used for agricultural purposes.
- Document sufficient education, training and experience in the type of farming operation for which the loan is requested.
- Participate in an approved farm management program for at least the first 5 years of the loan, including IFMAPS.
- File a conservation plan with the USDA Natural Resource Conservation Service.
- Fulfill any other requests of the Oklahoma Development Finance Authority.

 **The Farm Credit Service:** <http://www.farmcredit.com/index.html>

Additional information about the program can be found in a fact sheet by Oklahoma State University at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1807/AGEC-234web.pdf>.

To participate in this program, request an application form and complete the application with a participating lender or contract seller to negotiate the terms of the loan or contract sale. Obtain the application form by contacting,

Oklahoma Development Finance Authority  
5900 N. Classen Blvd.  
Oklahoma City, OK 73118  
Phone: 405-842-1145

The OBFLP application process can take 2 to 3 months to complete. Interim financing should not be obtained prior to application approval. Following approval, additional financing can be obtained to proceed with the project. Interim financing must be paid with the proceeds of the note when issued.

**5. The Oklahoma Agricultural Linked Deposit Program (OALDP)** is administered by the Oklahoma State Treasurer's Office: [http://www.ok.gov/treasurer/Linked\\_Deposit\\_Programs/Agricultural\\_Linked\\_Deposit\\_Program/](http://www.ok.gov/treasurer/Linked_Deposit_Programs/Agricultural_Linked_Deposit_Program/). OALDP is an economic development program aimed at reducing debt service costs to Oklahoma farmers and ranchers. The linked deposit loans are available to at-risk farm or ranch operations or to producers adding alternative enterprises who are Oklahoma residents and whose business operation is located in this state. The state treasurer invests in certificates of deposit with a commercial lender or in bonds, notes or securities for the Federal Farm Credit Service. The lender or owner-financer assumes the risk of the loan.

An at-risk farm or ranch may request funding of up to a maximum of \$350,000. For an at-risk farm or ranch to be eligible for an Agricultural Linked Deposit Loan, the following criteria must be met.

- The percent of gross income from farming must have been 60 percent or more in at least one out of the two previous tax years.
- The consolidated business/family debt-to-asset ratio must be at least 55 percent.
- The linked deposit loan must be for the purpose of operating the business or for refinancing loans made to operate the business.

To be eligible to obtain a Linked Deposit Alternative Agricultural Products loan, the farm, ranch or agri-business must certify in the loan application that the loan will be used for expanding or starting the production, processing or marketing of a product named as an alternative agricultural product. The Department of Agriculture determines what qualifies as an alternative agricultural product. The maximum funding for an alternative agricultural products operation is \$1 million.

Additional information about the program can be found in a fact sheet by Oklahoma State University at <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1785/AGEC-235web.pdf>. The contact information for this program is:

Oklahoma State Treasurer's Office  
Agricultural Linked Deposit Program  
2300 N. Lincoln Blvd., Room 217  
Oklahoma City, OK 73105  
Phone: 405-521-3191  
<http://www.treasurer.state.ok.us>

- 6. Life Insurance Companies.** Life insurance companies have a history of investing in farm real estate mortgages. According to the Economic Research Service, these companies tend to prefer larger loans that are well secured and are intermediate to long-term in maturity. Furthermore, in recent years, they have begun to prefer agri-business loans over traditional farm loans. According to ERS, six of the most prominent lenders in this category are: AEGON USA, Citigroup Investments AgriFinance Group, Lend Lease Agri-Business, Metropolitan Life, MONY Life Insurance and Prudential.
- 7. Private Individuals – Land Installment Contracts.** A long-term installment land contract is both an instrument of transfer and a method of finance. An owner-financed loan can be beneficial for both buyer and seller. Sometimes it allows a person who does not qualify for a loan with a lending institution to purchase farm assets. Friends or family members may be willing to finance a portion of a farming venture. In an installment contract, the buyer agrees to pay the seller a small down payment, and a series of principal and interest payments. Considerations in preparing an installment land contract include identification of the seller and buyer, an adequate description of the property, purchase price or other consideration, escrow agreement, abstract of title and title insurance, type of deed, transfer process, recording the deed, responsibility for expenses, method and time of payment (down payment, continuing payments, time and place, prepayments, grace period, default, crop and livestock liens), operation and use of property, costs and income, and defaults and remedies. With respect to operation and use, items such as possession, reservation of use, inspection of the premises, seller's right to participate in management, condition of improvements and assignments should be agreed upon. Likewise, rents and other income, taxes and special assignments, risk of loss and insurance, injuries to or by third parties, and condemnations should be considered. The contract may include the seller maintaining the deed until the purchase is complete. There may be tax advantages for the seller involved in an installment contract. Both buyers and sellers of property are encouraged to seek legal counsel before entering into an installment agreement. A bulletin, *Long-Term Installment Land Contracts*, NCR-56 is available from Midwest Plan Services at [www.mwps.org](http://www.mwps.org).

 **Oklahoma  
Beginning  
Farmers Loan  
Program Fact Sheet  
(OSU Extension  
Publication AGEC-  
234):** <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1807/AGEC-234web.pdf>

 **Oklahoma  
Finance Authority**  
5900 Classen Blvd.  
Oklahoma City, OK  
73118  
405-842-1145

 **OALDP  
Fact Sheet  
(OSU Extension  
Publication AGEC-  
235):** <http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1785/AGEC-235web.pdf>

 **Oklahoma  
State Treasurers  
Office  
Agricultural Linked  
Deposit Program**  
2300 N Lincoln Blvd.  
Room 217  
Oklahoma City, OK  
73105  
(405)521-3191  
<http://www.treasurer.state.ok.us>

# Part 5. Finding Opportunities for Education and Training

Even if you grew up on a farm or have spent years working on a farm, there are always new things to learn. If your farming experience is limited, you definitely will want to take advantage of educational opportunities and technical assistance available to farmers. Joining a trade association is another way to gain access to market-specific information, and to meet and talk with other producers.

## *Education and Outreach Organizations*

**Oklahoma Cooperative Extension Service/Oklahoma State University**, [www.oces.okstate.edu](http://www.oces.okstate.edu) or [www.dasnr.okstate.edu/extension](http://www.dasnr.okstate.edu/extension): Cooperative Extension Educators are housed in every county, where they work side-by-side with residents to address local issues and concerns. County personnel can call upon State, District, and Area Extension Specialists who develop programs based on research-proven, objective information to help Oklahomans solve problems, promote leadership and manage resources wisely. County Extension offices often host educational workshops on topics that cover a wide variety of production and management practices for a variety of crop and livestock enterprises. Example programs include record keeping, beef cattle breeding, marketing outlook, soybean production, pecan management, grape production, pest management and more. Contact your county office for more information about programming in your area. For a list of county offices, see <http://countyext.okstate.edu/>. In addition, an entire library of Extension fact sheets is available online at <http://osuextra.okstate.edu/>. Following is a very small sample of titles:

- PSS-2072, Blister Beetles and Alfalfa
- PSS-2774, Cheat Control In Oklahoma Winter Wheat
- HLA-6201, Pecan Varieties for Oklahoma
- ANSI-3022, Ranchers' Guide to Custom Cattle Feeding
- ANSI-3158, Embryo Transfer in Cattle
- ANSI-8202, Poultry for the Small Producer

**Oklahoma Food and Agricultural Products Research and Technology Center/Oklahoma State University**, [www.fapc.okstate.edu/](http://www.fapc.okstate.edu/). The primary goal of the center is to help producers, processors and entrepreneurs add value to Oklahoma's food and agricultural processing industries. The center hosts a basic training workshop for food business entrepreneurs on every third Thursday of each month (excluding December). Other workshops offered by the center include financial management, marketing, the food industry, food safety and master canner.

Contact information:

Oklahoma Food and Agricultural Products Research and Technology Center

148 FAPC

Oklahoma State University

Stillwater, OK 74078-6055

Phone: 405-744-6071

Fax: 405-744-6313

[fapc@okstate.edu](mailto:fapc@okstate.edu)

 **Long- Term  
Installation Contract:**  
<http://www.mwpsdq.org>

**Agriculture Business Management Program/Oklahoma Career Technology Centers**, [http://www.okcareertech.org/aged/aged\\_index.htm](http://www.okcareertech.org/aged/aged_index.htm). The main objective of the Agriculture Business Management program is to help agricultural families achieve their business and family goals through improved management, organization and efficiency practices. The program is offered at 17 of 29 career tech centers across the state. Visit the website shown above for a list of the participating tech centers with telephone numbers.

**Kerr Center for Sustainable Agriculture**, <http://www.kerrcenter.com/>. The Kerr Center publishes educational materials on a wide range of topics in sustainable farming and ranching. The Kerr Center also sponsors and organizes educational events such as workshops, short courses and conferences, including their series on "What to Grow and How to Grow It." Visit their website for a calendar of upcoming events.

Contact Information:

Kerr Center for Sustainable Agriculture

P.O. Box 588

Poteau, OK 74953

Phone: 918-647-9123

E-mail: [mailbox@kerrcenter.com](mailto:mailbox@kerrcenter.com)

**Natural Resource and Conservation Service (NRCS)/U.S. Department of Agriculture**, <http://www.ok.nrcs.usda.gov/>. NRCS and its partnering agencies administer a broad range of conservation programs to assist farmers, ranchers and other landowners in conserving natural resources. These programs provide incentives such as technical and cost-sharing assistance to install conservation practices. The NRCS website also contains some technical resources such as a soil report for every county in the state.

Contact information:

United States Department of Agriculture

Natural Resources Conservation Service

100 USDA, Suite 206

Stillwater, OK 74074-2655

Phone: 405-742-1204

TTD Access: 405-742-1007

**Oklahoma Department of Agriculture, Food and Forestry**, <http://www.state.ok.us/~okag/>. Visit this website for a discussion of Oklahoma's top commodities, daily commodity prices and market news. As the Department of Agriculture is also responsible for overseeing some agricultural regulations, you will also find a schedule for public hearings that will be conducted as well as any other events. The Oklahoma Agriculture Enhancement and Diversification Program provides funds in the form of loans or grants for the purpose of expanding the state's value added processing sector and to encourage farm diversification. The department also publishes a hay directory online.

Contact information:

Oklahoma Department of Agriculture

2800 N. Lincoln Blvd.

Oklahoma City, OK, 73105-4298

Telephone: (405) 521-3864



**Oklahoma Cooperative Extension/OSU:**  
[www.dasnr.okstate.edu/extension](http://www.dasnr.okstate.edu/extension)



**Listing of County Offices:**  
<http://countyext2.okstate.edu/>



**OSU Fact Sheets:** [osufacts.okstate.edu](http://osufacts.okstate.edu)



**Contact Information:**

Oklahoma Food and Agricultural Products Research and Technology Center  
148 FAPC  
Oklahoma State University  
Stillwater, OK 74078-6055

Phone: (405) 744-6071  
Fax: (405) 744- 6313  
Email: [fapc@okstate.edu](mailto:fapc@okstate.edu)



**Oklahoma Agricultural Business Management:** [http://www.okcareertech.org/aged/aged\\_index.htm](http://www.okcareertech.org/aged/aged_index.htm)



**Kerr Center:**  
<http://www.kerrcenter.com>  
Address:  
Kerr Center for Sustainable Agriculture  
P.O. Box 588  
Poteau, OK 74953  
Phone: (918)647-9123  
Email: [mailbox@kerrcenter.com](mailto:mailbox@kerrcenter.com)

**NRCS:**

http://  
www.nrcs.usda.gov/  
Address:  
US Dept. of Agriculture  
Natural Resources  
Conservation Service  
100USDA, Suite 206  
Stillwater, OK 74074-  
2655  
Phone: (405)742-1204  
TTD Access: (405)742-  
1007

**ODAFF:** http:

//www.oda.state.ok.us/  
Address:  
Oklahoma Dept. of  
Agriculture  
2800 N. Lincoln Blvd.  
Oklahoma City, OK  
73105-4298  
phone: (405)521-3864

**Risk  
Management**

**Agency:** http://  
www.rma.usda.gov  
Address:  
Risk Management  
Agency/USDA  
Oklahoma City Regional  
Office  
205 NW 63rd Street,  
Suite 170  
Oklahoma City, OK  
73116  
Phone: (405)879-2700  
E-mail:  
rsook@rma.usda.gov

**Noble  
Foundation:** http:

//www.noble.org/  
Address:  
Samuel Roberts Noble  
Foundation  
2510 Sam Noble Pky.  
Ardmore, OK 73401  
Phone: (580)223-5810

**Small Farmer  
Outreach:**

Address:  
Langston University  
Center for Outreach  
Program  
Technical Assistance  
Project  
P.O. Box 730  
Langston, Oklahoma  
783050  
Phone: (405) 466-9896  
Fax: (405) 466-9937

**Risk Management Agency/U.S. Department of Agriculture,** <http://www.rma.usda.gov>.

The Risk Management Agency leads a comprehensive educational program that assists producers and agribusinesses in understanding their increased risk exposure and responsibility in the current economic environment; to understand and make effective use of risk management tools and strategies; and to integrate these strategies in decisions that meet their business, personal and community goals. Educational workshops and seminars, often in partnership with Extension, are scheduled year-round across the nation including some workshops in Oklahoma. Topics include grain marketing, dairy risk management, employee management, and futures markets for beef cattle, etc. Visit their website for a calendar of training events.

Contact information:

Risk Management Agency/USDA  
Oklahoma City Regional Office  
205 NW 63rd Street, Suite 170,  
Oklahoma City, OK 73116  
Phone: 405-879-2700  
E-mail: rsook@rma.usda.gov  
<http://www.rma.usda.gov/>

**Samuel Roberts Noble Foundation,** [www.noble.org/](http://www.noble.org/).

The Noble Foundation Agricultural Division is a knowledge-based resource providing guidance to people in the pursuit of conservation and responsible management of renewable natural resources, focusing on southern Oklahoma and northern Texas. To help agricultural producers and other stewards of natural resources achieve their financial, production and quality-of-life goals, they provide decision support through consultation and other educational activities. They have demonstration farms, conferences and workshops plus newsletters and other publications. They also collaborate frequently with other organizations and producers to encourage responsible and effective land management and agricultural pursuits. The Noble Foundation website is home to the eCattlelog—a free, online listing service for cattle producers. On the site you will find a long listing of agricultural titles available online. Information concerning public educational events is also listed. These include seminars such as beef quality assurance training and deer management field day. For more information about public education events, call 580-223-5810.

Contact information:

Samuel Roberts Noble Foundation  
2510 Sam Noble Pky.  
Ardmore, OK 73401  
Phone: 580-223-5810

**Small Farmer Outreach Training and Technical Assistance Project,** Langston Uni-

versity, in cooperation with the USDA-NRCS, provides free assistance to small and underserved farmers, ranchers and other rural residents in the State of Oklahoma. This assistance is designed to help alleviate the financial problems confronting these producers. The areas of assistance include:

- bookkeeping skills,
- farm management skills,
- farm marketing skills,

- USDA loan applications,
- USDA cost share applications,
- alternative enterprises, and
- soil and water management.

Contact information:

Langston University  
 Center for Outreach Programs  
 Technical Assistance Project  
 P.O. Box 730  
 Langston, OK 73050  
 Phone: 405-466-9896  
 Fax: 405-466-9937

### *Agriculture Related Associations*

- 1. Ayrshire Breeders' Association of Oklahoma.**
- 2. Brown Swiss Breeders' Association of Oklahoma.**
- 3. Holstein Breeders' Association of Oklahoma.**
- 4. Oklahoma Agribusiness Retailers Association,** <http://www.oklahomaag.com/>. Enid, Okla. Phone: 580-233-9516.
- 5. Oklahoma Angus Association,** [www.oklahomaangus.com](http://www.oklahomaangus.com). An organization of those who own or who are interested in Angus cattle. Phone: 580-764-3450.
- 6. Oklahoma Aquaculture Association.** Phone: 405-377-0092; e-mail: cgebhart@ionet.net.
- 7. Oklahoma-Arkansas Association of Milking Shorthorn Breeders.**
- 8. Oklahoma Beef Council,** [www.oklabeeff.org](http://www.oklabeeff.org). An organization supporting the Oklahoma beef industry. Phone: 405-840-3777; toll free: 800-235-5403.
- 9. Oklahoma Bison Association,** [www.okbison.com](http://www.okbison.com). An organization with a mission to promote the bison industry in Oklahoma through seminars, newsletters, and the annual show and sales. Phone: 918-225-2260.
- 10. Oklahoma Cattlemen's Association,** [www.okcattlemen.org](http://www.okcattlemen.org). The primary focus of the OCA is to be represent the interests of Oklahoma's cattlemen at the Oklahoma Legislature. The OCA has continued an aggressive course of action supporting proactive legislation and challenging anti-industry legislation and regulations. The OCA has a recognized presence at the Oklahoma Legislature and the U.S. Congress. Phone: 405-235-4391.
- 11. Oklahoma Cattlewomen's Association,** <http://okcattlemen.org/cattlewomensassociation.aspx>. The Oklahoma Cattlewomen's Association, Inc. mission is to involve and support its members in promoting beef and the beef cattle industry. Phone: 405-235-4391.
- 12. Oklahoma Christmas Tree Association,** [www.okchristmastrees.com](http://www.okchristmastrees.com). The Oklahoma Christmas Tree Association members grow fresh, real Christmas trees on farms in Oklahoma. Phone: 405-527-5873.
- 13. Oklahoma Cotton Council,** [www.okiecotton.org](http://www.okiecotton.org).

- 14. Oklahoma Crop Improvement Association, [www.okcrop.com](http://www.okcrop.com).** Oklahoma Crop Improvement Association (OCIA) is a non-profit association of seed producers and others interested in the production and distribution of high quality planting seed. OCIA is designated by OSU as the Seed Certifying Agency for the state of Oklahoma in accordance with the Oklahoma Seed Laws. The agency is responsible for the development and distribution of rules, regulations and standards for all certification of seed and other propagating materials in the state.
- 15. Oklahoma Farm Bureau, [www.okfarmbureau.org](http://www.okfarmbureau.org).** Farm Bureau is an independent, non-governmental, voluntary organization of farm and ranch families united for the purpose of analyzing their problems, and formulating action to achieve educational improvement, economic opportunity, and social advancement and thereby, to promote the national well-being. There is a Farm Bureau office in every county of Oklahoma. Check their website or your phone book for a location.
- 16. American Farmers and Ranchers, [www.americanfarmersandranchers.com](http://www.americanfarmersandranchers.com).** American Farmers and Ranchers was organized in 1905 to help the family farmer while America was courting the Industrial Revolution. Today, with nearly 120,000 family memberships across the state of Oklahoma, they use a portion of the insurance premiums generated from American Farmers and Ranchers Mutual Insurance Company to support family agriculture and rural Oklahoma. Check their website or your phone book for your local Farmers Union agent.
- 17. Oklahoma Grain and Feed Association, [www.oklahomaag.com](http://www.oklahomaag.com).** Enid, Okla. Phone: 580-233-9516.
- 18. Oklahoma Greenhouse Growers' Association, [www.ogga.org](http://www.ogga.org).** The Oklahoma Greenhouse Growers Association comprises growers and marketers of floriculture crops such as bedding plants, potted flowering plants, cut flowers, garden perennials, herbs, foliage plants, patio plants, groundcovers and hanging baskets. The association also includes those involved in related areas as well as students of horticulture. Phone: 405-942-5276.
- 19. Oklahoma Haflinger Association, [www.geocities.com/odhma/odhma.html](http://www.geocities.com/odhma/odhma.html).** The Haflinger horse is the result of the mating of native Austrian mountain mares with a part-Arabian stallion. The Oklahoma association is centered in Vinita, Okla. Phone: 918-542-8507.
- 20. Oklahoma Meat Goat Association.** Earlsboro, Okla. Phone: 405-382-1901.
- 21. Oklahoma Nursery and Landscape Association, [www.oknla.org](http://www.oknla.org).** More than 300 member companies including garden center retailers, landscape firms, wholesale nursery growers, manufacturers and distributors of horticultural products are served by the ONLA. Telephone: (405) 942-5276; e-mail: [info@oknurserymen.org](mailto:info@oknurserymen.org).
- 22. Oklahoma Pecan Growers' Association, [www.hortla.okstate.edu/pecan/opga](http://www.hortla.okstate.edu/pecan/opga).** The Oklahoma Pecan Growers' Association strives to provide educational opportunities and support for its members with the objective of cost effective production and marketing of high quality pecans.
- 23. Oklahoma Peanut Commission.** Phone: 405-275-5994.
- 24. Oklahoma Pork Council, [www.okpork.org](http://www.okpork.org).** OPC provides consumers with current information regarding food safety, nutritional value and preparation tips for pork products. This includes recipes, cookbooks, and educational materials for classrooms and promotional materials. OPC also provides producers with the latest research regarding management practices, nutrition needs of swine, odor management, nutrient material and educational programs dealing with other producer concerns. Toll Free: 888-SAY-PORK (729-7675).
- 25. Oklahoma Quarter Horse Association, [www.okqha.com](http://www.okqha.com).** Edmond, Okla. Phone: 405-348-1035.

- 26. Oklahoma Sorghum Commission**, [www.sorghumgrowers.com](http://www.sorghumgrowers.com). Producer checkoff dollars are working to increase profitability for Oklahoma sorghum growers. Phone: 806-749-3478; e-mail: [oklahoma@sorghumgrowers.com](mailto:oklahoma@sorghumgrowers.com).
- 27. Oklahoma Soybean Association**. This organization is an affiliate of the American Soybean Association—a nonprofit, farmer-controlled organization working to strengthen soybeans as a viable crop. Phone: 918-343-2326.
- 28. Oklahoma Wheat Commission**. In 1965, the Oklahoma Wheat Resources Act established the Oklahoma Wheat Commission, and with it a framework for Oklahoma wheat producers to invest in the promotion of their product, hard red winter wheat. The mission of the Oklahoma Wheat Commission is to promote and further develop the marketability and utilization of Oklahoma wheat through international and domestic market development, research and education. Phone: 405-521-2796.
- 29. Oklahoma Wheat Growers Association**, [www.owga.org](http://www.owga.org). The Oklahoma Wheat Growers Association, a member of the National Association of Wheat Growers, is a nonprofit partnership of U.S. wheat growers who—by combining their strengths, voices and ideas—are working to ensure a better future for themselves, their industry and the general public. Phone: 580-234-3464.
- 30. Southwest Dairy Farmers**, [www.southwestdairyfarmers.com](http://www.southwestdairyfarmers.com). The Southwest Dairy Farmers is an alliance of dairy farmers from Texas, New Mexico, Arkansas and Oklahoma. These producers have pooled their resources to provide consumer education in nutrition, promote dairy product use and provide dairy product information. Phone: 903-439-6455.

This is not an exhaustive list of associations, and appearance on this list should not be viewed as an endorsement by the Oklahoma Cooperative Extension Service or Oklahoma State University.

## Part 6. Locating Land for Farming

You may already own some farmland, or maybe know of some nearby land for sale. If not, you are going to have to start from scratch. This is especially true if you are thinking of purchasing land in parts of the state that you are not already familiar with. Local real estate offices, local producers and ag lenders are likely to be good resources. Another way to get information about available farmland is to use a real estate locator on the Internet. These land locators are generally very easy to use. Most sites work in a similar fashion. On the home page, you indicate you are interested in farmland in Oklahoma. On one of these sites, this search yielded 47 properties from Newkirk to Hugo, and from Poteau to Cheyenne. Most listings have photographs and will list contact information for a local real estate agent. Below is a list of online real estate locators that you may want to browse as a starting point.

[www.uslots.com](http://www.uslots.com)

[www.elandusa.com](http://www.elandusa.com)

[www.dairyrealty.com](http://www.dairyrealty.com)

[www.farmlandforsale.net](http://www.farmlandforsale.net)

[www.landandranchsales.com](http://www.landandranchsales.com)

[www.loopnetland.com](http://www.loopnetland.com)

[www.unitedcountry.com](http://www.unitedcountry.com)

[www.thefarmandranch.net](http://www.thefarmandranch.net)

[www.farmandranchrealestate.com](http://www.farmandranchrealestate.com)

### *Evaluating Land*

Certainly, some tracts of land are more aesthetically pleasing than others. However, unless you are planning to market the land based on its beauty (camping, hiking, etc.), aesthetics is not necessarily the most important factor. Livestock operations, for example, must utilize land that has the potential for good forage production. For these operations, as more forage is utilized, relative to hay or purchased supplements, winter feeding costs are reduced and net return is increased (other costs being equal).

Careful consideration should be given to the key elements of forage production when choosing land for a livestock operation. These elements are precipitation, soil and the existing forage base. Obviously, precipitation and soil qualities are important in crop production as well as livestock.

Precipitation levels vary throughout Oklahoma. If you are considering two tracts of land in two parts of the state, the tract that receives the most precipitation may be more profitable. However, actual rainfall received is only part of the story. A tract that receives less precipitation but has better soil texture may produce more when compared to a site with more precipitation but poorer soil conditions.

Soil texture is a major factor in determining soil's water retention. Fine textured soils that contain high percentages of clay and silt hold more water than coarse-textured soils such as sands. Fine-textured soils are generally higher in fertility than coarse-textured soils. For forage production, the best choice is generally a medium-textured soil such as loams, sandy loams or silt loams.

Soil depth is also an important factor to consider. Shallow soils have less water-holding capacity than deeper soils. This will reduce the site's ability to produce forage. See Table 6 for soil productivity as affected by depth. Shallow soils may be either naturally occurring or a result of past mismanagement and erosion of the topsoil. Contact the local USDA Natural Resource

Conservation Service office, [www.ok.nrcs.usda.gov](http://www.ok.nrcs.usda.gov), for information about soil characteristics of a specific site. Oklahoma has a Standard Soil Survey for all 77 counties with detailed information regarding the precipitation, soil texture, soil depth and the suitability of sites in the county for forage production, wildlife production and crop production.

To the untrained eye, many pastures appear similar. However, there can be great differences in the existing forage base and the ability to stock livestock. Identifying key forage species can help determine if the site has been overgrazed. Plus, some species are more important to the overall goals of the ranch than others. County Extension personnel can provide further advice on the forage production capabilities of land you may wish to purchase.

**Table 6. Soil productivity rating as affected by depth.**

<b>Soil Depth Usable by Crop Roots (feet)</b>	<b>Relative Productivity (%)</b>
1	35
2	60
3	75
4	85
5	95
6	100

Source: So You Want to be a Rancher? Oklahoma Cooperative Extension Service.

***Other considerations—a checklist***

- Access to property—crossing another person’s property, quality of roads.
- Wetlands or archeological sites.
- Zoning and other land use restrictions—pesticide use, burning, etc.
- Existing easements.
- Flood potential and drainage.
- Old dumpsites on or around property that may contain hazardous waste.
- Groundwater contamination.
- Population growth potential.
- Uncontrolled hunting and fishing.
- Low pH, high salt content or low organic matter in soils.
- Parcel has the right number of acres required.
- Parcel has the right combination of land—tillable versus pasture.
- Property is convenient with regard to accessing markets.
- Property is convenient with regard to accessing support services.
- Land’s location fulfills your family’s needs—close to family, friends, and off-farm employment.
- Land is located in a farm-friendly community.
- Site is zoned for agricultural use.
- Property is accessible—good roads, easements, etc.
- Easements on the property will not limit your farming goals.

# Part 7. Understanding Land Use Regulations and Restrictions

 **ODAFF Website:**  
<http://www.oda.state.ok.us/cps-groundwater.htm>

## *Water Quality*

Water quality issues are an important set of regulations impacting Oklahoma farmers. The Oklahoma Department of Agriculture, Food and Forestry (ODAFF) is the primary regulatory agency of agriculture in the state. In particular, ODAFF's Division of Agricultural Environmental Services works with producers and concerned citizens to protect the Oklahoma environment. See their website for more information (<http://www.oda.state.ok.us/cps-groundwater.htm>). Below are some of the programs administered by the Division of Agricultural Environmental Services.

## *Concentrated Animal Feeding Operation Program*

There are three cases under which a permit may be required for an animal feeding operation. The Agricultural Environmental Services Division of the Oklahoma Department of Agriculture issues licenses in these situations and inspects the operations to protect water quality:

1. Large CAFO: Animals are confined in an area without growing vegetation—including under roof—for more than 45 days in a 12-month period, and the operation houses more than the following number of animals:

1,000	beef cattle or heifers
1,000	veal calves
700	mature dairy cattle
2,500	swine weighing more than 55 pounds
10,000	swine weighing less than 55 pounds
5,000	ducks with liquid manure handling system
30,000	laying hens or chickens with liquid-manure handling system
30,000	ducks with dry-manure handling system
82,000	laying hens with dry-manure handling system
125,000	meat chickens with dry-manure handling system
55,000	turkeys
10,000	lambs or sheep
500	horses

2. Medium CAFO: Animals are confined in an area without growing vegetation—including under roof—for more than 45 days in a 12-month period, a stream or man-made conveyance drains the confinement area, and the operation houses more than the following number of animals:

300	beef cattle or heifers
300	veal calves
200	mature dairy cattle
750	swine weighing more than 55 pounds

3,000	swine weighing less than 55 pounds
10,000	ducks with liquid-manure handling system
37,500	laying hens or chickens with liquid-manure handling system
1,500	ducks with dry-manure handling system
25,000	laying hens with dry-manure handling system
37,500	meat chickens with dry-manure handling system
16,500	turkeys
3,000	lambs or sheep
150	horses

3. Designated CAFO: An agent of the federal or state regulatory agency has inspected the operation and determined that it is causing water quality degradation, regardless of animal numbers.

In addition, Swine Operations with more than 2,500 animals larger than 55 pounds or 10,000 animals less than 55 pounds, fall under the State Licensed Managed Feeding Operation, or LMFO program. This program is also administered by the Agricultural Environmental Services Division of the Oklahoma Department of Agriculture.

### ***Registered Poultry Feeding Operators and Applicators Program***

The Registered Poultry Feeding Operations Program is designed to help control nonpoint source runoff and discharges from poultry waste application of poultry feeding operations. This program monitors poultry waste application to land or removal from these operations and assists in ensuring beneficial use of poultry waste while preventing adverse effects to the waters of the state of Oklahoma. All poultry farmers whose farms create more than 10 tons of litter per year are required to become licensed in this program.

People who apply poultry litter must apply for a second poultry applicators license. There are two applicator classifications: 1) a private applicator, and 2) a commercial applicator. A private applicator is anyone who applies poultry litter on his or anyone else's property, but does not receive monetary compensation for the application. Note: a poultry operator who applies litter on his own property must also be licensed as a private applicator. Commercial applicators are people who receive monetary compensation for their services. The main difference in the two types of applicators is the amount of the license fee.

All poultry operators, private and commercial applicators, must receive 9 hours of initial poultry waste management training within one year of starting their business. Every year thereafter, they must receive 3 hours of update training. The Oklahoma Cooperative Extension Service conducts this training program. Contact your county agricultural Extension educator for more details.

### ***Pest Control***

The ODAFF's Plant Industry and Consumer Services division ensures and enforces quality standards for agricultural products and regulates pesticide use. The laws regulated by this division impact the goods and services associated with Oklahoma's apiary, ag-lime, ornamental plant, vegetable plant, feed, seed, fertilizer and pesticide industries. See their website for more information [www.oda.state.ok.us/pio-archives.htm](http://www.oda.state.ok.us/pio-archives.htm). Here are some examples of the programs this division administers.

 **Plant  
Industry and  
Consumer Service**  
**Website:** [http://www.  
oda.  
state.ok.us/](http://www.oda.state.ok.us/)

### ***Pesticide Applicators Law***

The use of pesticides in Oklahoma is governed by the Pesticide Applicators Law, covering not only agricultural applications such as crop spraying and fumigating of grain bins, but also regulating the pest control industry, including the control of termites, weeds, roaches, etc.

### ***Oklahoma Insect Pest & Plant Disease Law***

The Oklahoma Insect Pest & Plant Disease Law provides for ongoing routine inspection of nursery and floral stock, with the goal of minimizing the spread of insect pests and plant diseases in such products' commercial distribution. The law requires the licensing of anyone engaged in the business of selling such products called the Nursery & Dealers Certificate. You do not need a license if you sell only cut flowers or cut Christmas trees.

### ***Oklahoma Noxious Weed Law***

The Oklahoma Noxious Weed Law designates three plants—musk thistle, Scotch thistle, and Canada thistle—as noxious weeds. Upon written complaint, this division will inspect the type of thistle infestation, assess the nature and extent of the thistle infestation on the property, and determine the most appropriate treatment, control or eradication method.

### ***Food Safety***

ODAFF's Food Safety division assures the citizens of Oklahoma the food supply derived from meat, poultry, eggs and milk is safe, wholesome and properly labeled. Food Safety is divided into programs for dairy, meat, organic food, and poultry and egg. See their website for more information [www.oda.state.ok.us/food.htm](http://www.oda.state.ok.us/food.htm).

For example, in the dairy section, inspectors collect samples of milk from the dairy farms and from each product packaged by the processing plants at least four out of each six-month period. The samples are analyzed to determine if the milk or packaged dairy products meet the required federal safety standards. The meat section warns that this is a time of great change in the field of meat inspection. Producers should do their best to keep up with emerging new regulations. The poultry and egg section provides inspection and certification of poultry, eggs, egg products and organic foods to ensure customer satisfaction and safety at all levels.

 **Food Safety  
Division**  
**Website:** [http://  
www.oda.state.ok.us/  
food-home.htm](http://www.oda.state.ok.us/food-home.htm)

## Part 8. Gaining Access to Markets

In terms of getting your product into customer hands, most Oklahoma farmers will choose from three options:

1. **Direct Marketing**—sell products directly to customers, such as through a farmers market or a cattle sale.
2. **Cooperative Membership**—sell products to a cooperative that handles the marketing, often the primary method for grain and fluid milk sales.
3. **Agreements with Processors/Distributors**—sell products to companies who process and/or distribute the products. A dairy farm may sell to a processor who also retails products or a cattle producer might sell to a meat packing facility.

However it is accomplished, the producer needs a marketing plan. The marketing plan outlines what you will sell to whom, where and for how much. Some basic components of a marketing plan will answer the following questions:

1. How much time and effort do I personally want to put into the marketing of my product?
2. Do I have the skills to deal effectively with customers?
3. Who is my customer? Individuals? Companies? Cooperatives? Government?
4. Do I need to store my product past harvest? How will this be done?
5. Does my product need to be specially packaged? What about labeling?
6. How will I transport my product to market?
7. Will I need product liability insurance?
8. What are the regulations that apply to the sale of my product?
9. What is my pricing strategy?

### *Direct Marketing*

Some products may lend themselves to direct marketing more than others. For example, not many individuals purchase wheat grain for final use. Consumers might like to purchase raw milk from dairies, but government regulations are strict regarding processing of milk for consumption. Processing is probably too expensive for most family-owned dairies. Pumpkins, melons and gourds, on the other hand, are popular consumer commodities in the fall. In fact, families often like to pick their own pumpkins right out of the pumpkin patch. According to the USDA, the most popular farm products that are sold through direct marketing include fruits, vegetables, nuts, honey, meats, eggs, flowers, plants, herbs, spices, specialty crops, Christmas trees and value-added products such as maple sugar candies, cider, jellies, preserves, canned food and firewood.

If you like the idea of direct marketing and think your product is a good candidate for it, research your customers.

- Who are your customers? How old are they? Are they male or female?
- How do customers use your product? When and where do they use your product?
- How much disposable income do your customers have to spend on your product?
- Are your customers willing and able to come to you or do you need to go to them?
- What will your customers expect in terms of quality product and quality service?
- Will you need to educate your customers about your product?

You will also need to determine where your product will be sold.

- Farmers market
- Roadside stand
- Sales/Auctions
- Restaurants
- Your field (pick your own operation)
- Internet

Farmer Direct Marketing, a special division of the USDA, provides some resources for farmers engaged in direct marketing. One service they provide is a directory of farmers markets listed by state. Their website and this directory may be accessed at <http://www.ams.usda.gov/AMSV1.0/>. Contact information for 35 farmers markets in Oklahoma is currently listed in this directory.

### ***Cooperative Membership***

Oklahoma is home to 68 local agricultural cooperatives. Most of them are involved in grain handling, marketing and cotton ginning. Some also buy peanuts. Most of them are also involved in farm supply retail sales and fuel sales. In addition, there are three agricultural processing cooperatives in the state: Producers Cooperative Oil Mill (PCOM) in Oklahoma City produces cottonseed oil, Oklahoma Cotton Cooperative Association Compress (OCCAC) in Altus processes baled cotton, and Value Added Products (VAP) in Alva produces frozen dough.

Cooperatives are owned by their members. Like other businesses, cooperatives strive to achieve a profit for their owners. Unlike other businesses, profits are returned to owners/members based on how much they use the cooperative, and not on their share of ownership. Cooperative profits are distributed to members, most of who reside in the local community.

Even if you've decided to become a member of an agricultural cooperative, you still have a number of questions that your marketing plan must answer.

1. Should product be sold at harvest for cash?
2. Should product be held in on-farm storage for sale at a later date?
3. Should product be stored in a commercial elevator for sale at a later date?
4. Should product be sold in a cash forward contract?
5. Should product be sold with delayed pricing?
6. Should product be sold with a basis contract?

According to the OSU fact sheet CR-480, *Grain Producer Marketing Alternatives*, marketing decisions may be improved by following a set procedure.

1. The target price should be calculated based on production costs and cash flow needs.
2. Marketing alternatives available in the area should be determined.
3. The price each alternative is offering should be calculated.
4. The risk involved with each alternative, relative to the producer's risk-bearing ability, should be considered.

### ***Agreements with Processors/Distributors***

In Oklahoma, more than 1.1 billion pounds of milk were produced in 2007. Most dairy farmers belong to dairy cooperatives, but others sell to dairy manufacturing firms including Braum's, Farm

Fresh, Hiland, Gilt Edge, and others. Some of these plants, like Braum's, are vertically integrated and have their own dairy operation. Even so, they will still buy from other producers, typically through exclusive contracts.

As for fed cattle, a growing number are marketed through marketing agreements and contracts, participation in an alliance or membership in a cooperative. A strategic alliance can increase revenues and/or reduce costs through vertical affiliations. Several producer groups have worked to secure marketing agreements with beef packers and make them available to beef cattle producers. Breed association-sponsored, commercial, and natural/implant-free alliances may be available to producers. A recent Extension fact sheet provides updated information about alliances, AGEC-563, *Beef Industry Alliances and Vertical Arrangements* (Ward and Raper 2008). Producers should contact the Alliance Program in advance to determine the specific requirements of the alliance. Many alliances are available for producer participation but differ in the program's basic requirements. Advantages of participating in a strategic alliance are that the market is established by the demands of the alliance, delivery dates and location are negotiable, producers know ahead of time of what type of product they need to produce, and the cattle prices are based on the retail value of the final product. Some disadvantages include the need for larger lots and specific breeds or breed types with very specific nutrition and health programs. Producers will need to make initial plans several months ahead.

The poultry industry is highly vertically integrated. For instance, nearly all broilers grown in Oklahoma are produced under some contract between a poultry company and the grower. The poultry company furnishes chicks and feed, and supervises growth of the broilers through a service person. The grower provides the broiler house, equipment, labor and normal operating expenditures. The grower is paid per pound of usable broiler produced. The largest poultry processing and distribution companies may own, or mostly own, the enterprises involved in hatching and growing. The pork industry is also moving in this same direction.

Below are a few OSU Cooperative Extension fact sheets related to agricultural products marketing:

- AGEC-569, *Marketing and Pricing Alfalfa Hay*
- AGEC-581, *Marketing Oklahoma Peanuts*
- AGEC-585, *Cattle Feeders' Marketing and Pricing Practices*
- CR-480, *Grain Producer Marketing Alternatives*
- AGEC-519, *Wheat Marketing Plan*

# Part 9. Tax Considerations

 **IRS Website:**  
<http://www.irs.gov>

As with any for-profit business, there are a number of tax issues to consider when you start farming. A good resource for farm tax information is Internal Revenue Service (IRS) publication 225, *The Farmer's Tax Guide*. This guide explains the need for good records and other information needed to better begin a farm business and is available on the IRS website, [www.irs.gov](http://www.irs.gov). For new farmers and ranchers, the most likely problems related to taxes include

1. Payroll Taxes
2. Self-Employment Tax
3. Hobby versus Business Losses
4. Property Tax and Tax-Exemption

 **SS-4 Form:**  
<http://www.irs.gov/pub/irs-pdf/fss4.pdf>

 **SS-4 Instructions:** <http://www.irs.gov/pub/irs-pdf/iss4.pdf>

 **Agricultural Employer's Guide:**  
<http://www.irs.gov/pub/irs-pdf/p51.pdf>

## Payroll Taxes

If an employee is paid more than \$150 per year or total payments to all employees exceed \$2,500 per year, the business must get a federal ID number and report payroll taxes. In this case, the following actions must be taken.

- A taxpayer identification number (TIN) must be obtained by filing form SS-4 with the IRS. A printable copy of this form can be downloaded from the IRS's website and is located at [www.irs.gov/pub/irs-pdf/fss4.pdf](http://www.irs.gov/pub/irs-pdf/fss4.pdf). A publication with instructions for completing the form is located at <http://www.irs.gov/pub/irs-pdf/iss4.pdf>. (This form and all IRS publications shown here may change each tax year. If you are in doubt as to whether you have the latest version of a form or publication, start out on the IRS homepage, [www.irs.gov](http://www.irs.gov), and then find the forms through their search engine.)
- Federal and State Income Tax and Social Security and Medicare taxes must be withheld and deposited.
- Forms W-2 (wage and tax statement), W-3 (transmittal of wage and tax statements), and 943 (employers annual federal return form for agricultural employees) must be filed by January 31 for the previous calendar year. The IRS Publication 51, *Agricultural Employer's Guide*, will explain your responsibilities as an agricultural employer. The most recent version of this publication can be found on the IRS website at <http://www.irs.gov/pub/irs-pdf/p51.pdf>. Among other things, the publication discusses the following topics:
  - Social Security and Medicare taxes,
  - Income tax withholdings,
  - Form 943 Employer's Annual Federal Tax Return for Agricultural Employees,
  - Records you should keep, and
  - Income tax withholding tables.

Four IRS Taxpayer Assistance Centers are located in the state. Contact the one nearest you for answers to your tax questions.

Enid IRS Taxpayer Assistance Center  
601 S. Harding  
Enid, OK 73703  
580-234-5417

Oklahoma City IRS Taxpayer Assistance Center  
55 N. Robinson  
Oklahoma City, OK 73102  
405-297-4057

Lawton IRS Taxpayer Assistance Center  
2201 SW A Ave.  
Lawton, OK 73501  
580-357-5492

Tulsa IRS Taxpayer Assistance Center  
1645 S. 101st East Ave.  
Tulsa, OK 74128  
918-622-8482

### **Self-Employment Tax**

Individuals who are in business for themselves must report income and expenses from that business on IRS Schedule C (Profit or Loss from Business – Sole Proprietorship) or Schedule F (Profit or Loss from Farming), if the net income is at least \$400. This net income is subject to a 15.3 percent self-employment tax rate. For 2009, the maximum amount of net self-employment tax earnings, subject to the social security portion of the self-employment tax, is \$106,800 and is subject only to a tax rate of 12.4 percent. There is no maximum limit for the 2.9 percent rate for Medicare tax. For more information, refer to Publication 225, *Farmer's Tax Guide*, located on the IRS website at [www.irs.gov/pub/irs-pdf/p225.pdf](http://www.irs.gov/pub/irs-pdf/p225.pdf). Other requirements:

- Self-employment taxes are in addition to income tax due when net income for self-employment is combined with the individual's income from other sources on Form 1040.
- Self-employed individuals must make quarterly deposits of estimated income tax to avoid tax penalties.

If more than two-thirds of total gross income for all sources is from farming or ranching, quarterly estimated tax payments are not required if the individual's tax return is filed by March 1. For more information, refer to Publication 505, *Tax Withholding and Estimated Tax*, located on the IRS website at [www.irs.gov/publications/p505/index.html](http://www.irs.gov/publications/p505/index.html).

It is important to pay self-employment tax to ensure that an individual has social security coverage for old age, disability, survivor benefits and hospital insurance benefits (Medicare). The farm optional method for paying self-employment allows farmers and ranchers to voluntarily pay self-employment taxes and acquire social security coverage in low income years. For additional information covering self-employment taxes, please refer to the most recent version of Publication 225, *Farmer's Tax Guide*, located on the IRS website at [www.irs.gov/pub/irs-pdf/p225.pdf](http://www.irs.gov/pub/irs-pdf/p225.pdf).

Farmers and ranchers must be insured under the social security system before they can begin receiving social benefits. To be eligible for disability benefits, an individual must have the required quarters of coverage. For the latest explanation of the number of credits needed to be insured and the benefits available to a farmer and the family under the social security program, visit the local Social Security Administration (SSA) office or visit the SSA website at [www.ssa.gov](http://www.ssa.gov).

### **Hobby versus Business Losses**

If a business shows no intent to make a profit, the IRS assumes the activity is a hobby and will disallow deductions for expenses in excess of income. The general test to measure profit motive is whether the activity has generated a profit in any three out of five consecutive tax years. This "hobby loss" test does not determine that a business must be considered a hobby, but only allows the IRS to look at the business in more detail. The actual decision of whether a business should be considered for profit is based on nine factors set forth in IRS regulations. According to the OSU Extension fact sheet CR-546, *Farm Losses or Hobby Losses: Farmers and Business Owners Must Plan Ahead*, [osuxtra.okstate.edu/pdfs/CR-546web.pdf](http://osuxtra.okstate.edu/pdfs/CR-546web.pdf), taxpayers can protect themselves by keeping good records that indicate a profit motive based on those nine factors.

1. Does the producer look like a business? For instance, good books and records are kept. Also, methods of operation are changed if they are not working, and techniques that hope to improve efficiency are attempted.

 **Publication 533:** <http://www.irs.gov/pub/irs-pdf/p533.pdf>

 **Publication 505:** <http://www.irs.gov/pub/irs-pdf/p505.pdf>

 **Farm/Hobby Loss fact sheet (OSU Fact Sheet CR-546):**  
<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-1706/CR-546web.pdf>

2. Can the producer take advice? Show evidence that experts have been consulted and their advice has been followed. Read books, took classes, attended workshops, paid advisers, etc.
3. Does the producer spend time on the farm? Expending time and effort on the farm is an indicator of profit motive. Employing competent persons to run activities on the farm may also indicate profit motive.
4. Is anything on the farm worth money? An increase in land value, cattle, or other assets could point to expected profit—even if current operations or practices are not showing a profit.
5. Has the producer done this before? If the producer has a history of turning unprofitable ventures into profitable ones, a profit motive could be assumed.
6. What has been happening on the farm? Are the losses mainly a start-up situation? Have there been unforeseen circumstances such as drought, fire, theft, depressed market conditions, etc.?
7. Has the producer made any money? An occasional small profit offset by persistent high losses would probably indicate there is no profit motive.
8. Is the producer making money doing anything else? If there is no substantial income from other sources, the profit motive is probably indicated. However, the existence of other income might just show good planning and would not necessarily negate the profit motive.
9. Is the producer having fun? The presence of personal pleasure or recreation in an activity can be used by the IRS to claim the activity as a hobby, but the other eight factors listed here must also be taken into account. The fact that a person enjoys a business is not sufficient to disallow the profit-making motive.

 **Statewide Property Tax Rates:** <http://www.rd.okstate.edu/> (choose Publications, Local Government Training and look for the appropriate AdValorem Mill Levy Report)

### ***Property tax and sales tax exemption***

Agricultural land and property in Oklahoma are taxable. Individual counties determine the acreage needed to be deemed agricultural status. Forty acres or more will normally qualify. Some counties allow a smaller acreage. Individual counties also determine property tax rates and listings for agricultural machinery, equipment and/or livestock. That is each school district, career technology district, county government and other units of government using a property tax will set its rate from year-to-year within the limits set by law. In addition, each county has the authority to vote to exempt all household personal property and livestock in support of a farm family from property tax. Many counties have passed this exemption. However, when such an exemption is passed by the voters, there is a one-time adjustment of property tax rates to offset the reduction in revenue to local government bodies. Property tax rates statewide are catalogued in a publication found at [www.rd.okstate.edu/](http://www.rd.okstate.edu/); choose Publications, Local Government Training, then look for the appropriate Ad Valorem Mill Levy report.

A homestead exemption can provide a reduction in property tax. Persons who own homes in the county are eligible for a homestead exemption provided the home is their actual permanent residence and they are citizens of Oklahoma. A homestead is exempt from ad valorem taxation up to \$1,000 of the assessed value (the property's taxable valuation less \$1,000). An additional homestead exemption is allowed to any homeowner who is eligible for a homestead exemption and whose gross household income is \$20,000 or less for the preceding year. You must file for the homestead exemption at your county assessor's office. It is not automatic. The assessment date is January 1st, so it is a good idea to file by that date in the year in which you first acquire your home. Periodically thereafter, the assessor will contact you to confirm your homestead status.

Agricultural producers are able to file for agricultural sales tax exemption. Sales tax exemption applies to certain farm supplies and machinery and equipment purchases. The exemption form must be filed with the county assessor. You must remain in compliance with property taxes

 **County Assessor Offices:** <http://oklahoma.usassessor.com/> (Select County on the sidebar)

to maintain this status. Oklahoma county assessor offices and the sales tax exemption form are available at <http://oklahoma.usassessor.com>, then Select County on the sidebar. Sales tax exemption forms and assistance in filing them are available at the county assessor's office.

Motor fuel for farm tractors or stationary engines is exempt from fuel taxes. The exempt sale of motor fuel for farm tractors or stationary engines owned or leased, and operated by any person and used exclusively for agricultural purposes is perfected by a refund claim filed by the consumer. The refund claim must be received by the Tax Commission within three (3) years following the last day of the calendar month in which the tax was paid. Refund claims for agricultural use of gasoline shall be less the two and eight one-hundredth cents (\$0.0208) levied under the Motor Fuel Tax Code for gasoline used or consumed for agricultural purposes.

## Part 10. Government Programs

The Food, Conservation and Energy Act of 2008, which was signed into law in June 2008, governs Federal farm programs through the 2012 crop year. The bill includes 15 titles and is administered by the Farm Service Agency. Basic information about the 2008 Farm Bill can be found on the USDA's website, <http://www.usda.gov/farmbill/>, and also on the FSA webpage, <http://www.fsa.usda.gov/pas/farmbill/>. Major provisions include:

- Retains provisions for direct payments and counter-cyclical payments (CCP).
- Optional revenue-based counter-cyclical program, Average Crop Revenue Election (ACRE), beginning in the 2009 crop year. Producers have the option to receive ACRE as an alternative to receiving CCP payments.
- Pulse crops (dry peas, lentils, small chickpeas and large chickpeas) are included as covered commodities beginning in the 2009 crop year. However, they are not eligible for direct payments.
- Payment acres for direct payments reduced to 83.3 percent of base acres for 2009-11 crop years.
- Ad Hoc Disaster Assistance Program replaced with permanent disaster assistance program—Supplemental Revenue Assistance Payments (SURE) Program; Livestock Forage Disaster Program (LFP); Livestock Indemnity Program (LIP); Tree Assistance Program (TAP); Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish (ELAP) Program.
- Adjustments to Long-Standing Crop Insurance Program.
- Additional provisions for beginning and socially disadvantaged farmers and ranchers.
- Producers with adjusted farm gross income more than \$750,000 (averaged over previous 3 years) are not eligible for direct payments.
- Producers with adjusted gross nonfarm income more than \$500,000 are not eligible for DP, CCP, ACRE, marketing loan gains or LDP's, noninsured crop insurance, milk income loss contract program payments, or disaster assistance payments or benefits.
- Producers with adjusted nonfarm gross income of more than \$1 million are not eligible for conservation, supplemental agricultural disaster assistance, and agricultural-risk-management assistance unless 66.66 percent or more of total income is average adjusted gross farm income—includes the sale of equipment used for farm/ranch/forestry operations and the provision of production inputs and services to farmers/ranchers/foresters' operation.
- Income for a husband and wife may be allocated as if they had filed separate returns.
- Additional titles for horticultural crops, organic agriculture, livestock and poultry sectors.
- Additional funding and programs for organic agriculture.
- Expansion of livestock mandatory reporting.
- New rules governing hog and poultry production, as well as food safety at meat and poultry plants.
- Expansion of conservation provisions related to land conservation and environmental practices. New Conservation Stewardship Program, which expands the previous Conservation Security Program.
- Reauthorizing wetland restoration and farmland preservation programs, as well as land retirement programs. Funding levels for these programs are reduced.
- Reauthorizing the Conservation Reserve Program and changes the acreage cap from 39.2 million acres to 32 million acres starting Oct. 1, 2009. Special treatment of CRP land transitioning from a retired farmer or rancher to a beginning or socially disadvantaged farmer or rancher.
- Credit Title adds new conservation loans, while the Forestry Title includes additional provisions for emergency private forest restoration.

- Increased benefits and eligibility for the Food Stamp Program, which was renamed the Supplemental Nutrition Assistance Program in 2009.
- Increased funding for the Fresh Fruit and Vegetable Program, farmers' market and food distribution programs.
- Enhanced provisions for international food assistance.
- New National Institute for Food and Agriculture to coordinate agricultural research, education and Extension programs.
- Energy Title provides expansion of programs encouraging biofuels production.
- Additional tax provisions for biofuels. Temporary production tax credit for cellulosic biofuels. Reduction in ethanol tax credit after the Renewable Fuel Standard (RFS) is reached. Duty of ethanol imported for fuel use extended through 2010.

**Direct Payments**

Farmers may receive annual direct payments for wheat, corn, barley, grain sorghum, oats, upland cotton, rice, soybeans, other oilseeds and peanuts. The local FSA office will be able to provide current crop base and program payment information. The amount of the payment is the payment rate of the applicable base crop, times the payment acres—83.3 percent of base acres for 2009-2011, and 85 percent for 2012—and the payment yield for the farm. For example, the payment for an individual corn farmer is as follows.

$$DP_{\text{corn}} = (\text{payment rate})_{\text{corn}} \times (\text{payment yield})_{\text{corn}} \times ([\text{Base acres}]_{\text{corn}} \times 0.833)$$

To receive payments on crops covered by the program, a producer enters into annual agreements for crop years 2008 through 2012. Participating producers are permitted to plant all cropland acreage on the farm to any crop, except for some limitations on planting fruit and vegetables. The land must be kept in agricultural uses, and farmers must comply with certain conservation and wetland provisions. The payment limit on direct payments is \$40,000 per person per crop year. Producers with adjusted gross farm income (AGI) of more than \$750,000 are not eligible for payments. AGI is computed as the average of the three taxable years preceding the most immediately preceding completed taxable year for which benefits are requested (for 2009 payments, use AGI from 2005-2007). Producers with adjusted gross nonfarm income more than \$500,000 are not eligible for direct payments. See Table 7 for direct payment rates by commodity.

**Table 7. 2008 Farm Bill direct payment rates.**

Commodity	Unit	Payment Rate
Wheat	Bushel	\$0.52
Corn	Bushel	\$0.28
Grain Sorghum	Bushel	\$0.35
Barley	Bushel	\$0.24
Oats	Bushel	\$0.024
Upland Cotton	Pound	\$0.0667
Long-grain rice	Hundredweight	\$2.35
Medium-grain rice	Hundredweight	\$2.35
Soybeans	Bushel	\$0.44
Other Oilseeds	Hundredweight	\$0.80
Peanuts	Ton	\$36.00

Source: Economic Research Service, United States Department of Agriculture.

 **Direct Payments:** <http://www.ers.usda.gov/Briefing/FarmPolicy/DirectPayments.htm>

 **FSA E-Form Search Page:** <http://forms.sc.egov.usda.gov/eForms/searchAction.do?pageAction=BrowseForms&MenuAction=Yes>

### Counter-Cyclical Payments

CCPs are continued in the 2008 Farm Bill. Payments are based on historical production and are not tied to target production. These payments are issued when effective prices fall below target prices set in the Farm Bill. The payment amount is equal to the payment rate times the payment acres (85 percent of base acres) times the payment yield. To receive payments on crops covered by the program (wheat, corn, grain sorghum, barley, oats, rice, upland cotton, soybeans, other oilseeds and peanuts), a producer enters into annual agreements for crop years 2008 through 2012. CCPs are available for dry peas, lentils, small chickpeas and large chickpeas beginning in the 2009 crop year. CCPs will be made as soon as practicable after the end of crop year for the covered commodity. The payment limit on CCPs is \$65,000 per person per crop year, excluding peanuts. For producers participating in ACRE, the sum of CCPs and ACRE is limited to \$65,000 plus the reduction in the direct payment limit. Producers with adjusted gross income of more than \$750,000 (averaged over previous 3 years) are not eligible for payments. See Table 8 for target prices by commodity.

**Table 8. Target prices for counter-cyclical payment program, 2008-2012.**

<b>Commodity</b>	<b>Unit</b>	<b>2008</b>	<b>2009</b>	<b>2010-2012</b>
Wheat	Bushel	\$3.92	\$3.92	\$4.17
Corn	Bushel	\$2.63	\$2.63	\$2.63
Grain Sorghum	Bushel	\$2.57	\$2.57	\$2.63
Barley	Bushel	\$2.24	\$2.24	\$2.63
Oats	Bushel	\$1.44	\$1.44	\$1.79
Upland Cotton	Pound	\$0.7125	\$0.7125	\$0.7125
Long-grain rice	Hundredweight	\$10.50	\$10.50	\$10.50
Medium-grain rice	Hundredweight	\$10.50	\$10.50	\$10.50
Soybeans	Bushel	\$5.80	\$5.80	\$6.00
Other Oilseeds	Hundredweight	\$10.10	\$10.10	\$12.68
Peanuts	Ton	\$495.00	\$495.00	\$495.00
Dry peas	Hundredweight	NA	\$8.32	\$8.32
Lentils	Hundredweight	NA	\$12.81	\$12.81
Small chickpeas	Hundredweight	NA	\$10.36	\$10.36
Large chickpeas	Hundredweight	NA	\$12.81	\$12.81

Source: Economic Research Service, United States Department of Agriculture.

### ACRE

Producers can elect to participate in the ACRE program for all covered commodities and/or peanuts on the farm. Producers enrolled in ACRE must remain in ACRE for the duration of the 2008 Act and will receive no CCPs, a 20 percent reduction in DP and a 30 percent reduction in marketing assistance loan rates. The ACRE program was established to protect against both price and yield risk. For ACRE payments to be made, both a state and farm level trigger must be met. For the state trigger to be met, the State ACRE Guarantee must be greater than the Actual State Revenue (Figure 1). For the farm trigger to be met, the Farm ACRE Guarantee must be greater than the Actual Farm Revenue (Figure 2). Payments are made on 83.3 percent of planted acres or

considered planted to covered commodities/peanuts for the 2009-11 crop years (Figure 3). For the 2012 crop year, payments are made on 85 percent of planted acres.

Producers' planted acres eligible for ACRE payments must not exceed total base acreage for the covered commodities/peanuts on the farm. ACRE payments can be triggered by either a decline in state yields or a decline in the national average market price.

**Figure 1. State Trigger**

<b>State ACRE Guarantee</b>		<b>Actual State Revenue</b>
90% <i>times</i> Benchmark State Yield <i>times</i> ACRE Guarantee Price	MUST EXCEED	Actual State Planted Yield <i>times</i> Higher of: National Average Market Price or 70% of Price Support Loan Rate

**Figure 2. Farm Trigger**

<b>Farm ACRE Guarantee</b>		<b>Actual Farm Revenue</b>
Farm Benchmark Yield <i>times</i> ACRE Guarantee Price Plus Producer-Paid Crop Insurance Premium (per acre)	MUST EXCEED	Actual Farm Yield <i>times</i> Higher of: National average Market Price or 70% of Price Support Loan Rate

**Figure 3. ACRE Payment Calculation**

$$\begin{aligned}
 &\text{Farm Payment} = 83.3\% \text{ (85\% for 2012) of farm's planted acres} \\
 &\quad \text{times} \\
 &\quad \text{Farm Benchmark Yield} \\
 &\quad \text{Benchmark State Yield} \\
 &\quad \text{times} \\
 &\quad \text{Lesser of:} \\
 &\quad \text{(State Acre Guarantee – Actual State Revenue)} \\
 &\quad \text{or} \\
 &\quad \text{(State ACRE Guarantee times 25\%)}
 \end{aligned}$$

**SURE**

The SURE (Supplemental Revenue Assistance Payments) program was designed to assist with farm revenue losses due to natural disasters. To qualify for a SURE payment, the farm must be located in a county (or contiguous county) covered by a qualifying national disaster declaration by the USDA Secretary, or the whole farm must have a 50 percent loss in expected revenue—planted acres times adjusted Actual Production History (APH) or CCP yield times the insurance price guarantee. The farm must also suffer at least a 10 percent eligible production loss on at least one crop of economic significance. For SURE purposes, the farm includes all land in the farmer's farming operation, not just a single FSA farm number. In addition, producers must purchase either private crop insurance or FSA's Noninsurable Crop Disaster Assistance Program (NAP) coverage

for all mechanically harvested crops—planted or intended—that are of economic significance. Producers must also meet Adjusted Gross Income (AGI) limits. The SURE payment is equal to 60 percent of the difference between the Disaster Program Guarantee and Total Farm Revenue. Total Farm Revenue is equal to the sum of:

- Harvested acres *times* estimated actual yield *times* national average market price
- 15 percent of direct payments
- All CCP and ACRE payments and ML benefits
- Any prevented plantings payments
- Crop insurance indemnities and NAP payments
- Any other Federal related natural disaster payments

The Disaster Program Guarantee is calculated differently for insured crops (Figure 4) and uninsured crops (Figure 5).

$$\begin{aligned}
 &\text{Insured Crops: Disaster Program Guarantee} = \\
 &\quad 115\% \\
 &\quad \textit{times} \\
 &\quad \text{crop insurance price election} \\
 &\quad \textit{times} \\
 &\quad \text{acres planted (or prevented)} \\
 &\quad \textit{times} \\
 &\quad \% \text{ crop insurance yield elected} \\
 &\quad \textit{times} \\
 &\quad \text{Greater of: Adjusted APH or CCP yield}
 \end{aligned}$$

**Figure 4. Program Guarantee for Insured Crops**

$$\begin{aligned}
 &\text{Noninsured Crops: Disaster Program Guarantee} = \\
 &\quad 120\% \\
 &\quad \textit{times} \\
 &\quad \text{NAP Price} \\
 &\quad \textit{times} \\
 &\quad \text{acres planted (or prevented)} \\
 &\quad \textit{times} \\
 &\quad \text{Greater of: NAP yield guarantee or CCP yield}
 \end{aligned}$$

**Figure 5. Program Guarantee for Uninsured Crops**

## Dairy Program Payments

Dairy price support is provided through purchases of cheddar cheese, butter and nonfat dry milk at specific prices (Table 9).

**Table 9. Dairy Price Supports**

<b>Product</b>	<b>Price/Unit</b>
Cheddar Cheese in blocks	≥ \$1.13/lb
Cheddar Cheese in barrels	≥ \$1.10/lb
Butter	≥\$1.05/lb
Nonfat Dry Milk	≥\$0.80/lb

Source: Economic Research Service, United States Department of Agriculture

The Milk Income Loss Contract (MILC) Program compensates dairy producers when domestic milk prices fall below a specified level. MILC payments will occur in months when the price of Class I milk in Boston under the Northeast Milk Marketing Order falls below \$16.94/cwt. Payment rates will be a specific percent of the difference between \$16.94 and the Boston Class I price for that month (Table 10). The \$16.94 price will be adjusted by the percentage that the National Average Dairy Feed Rations Cost exceeds \$7.35/cwt for any month from Jan 1, 2008 through August 31, 2012. Starting on Sept. 1, 2012, the target cost of feed rations increases to \$9.50/cwt. The payment caps on marketed milk vary based on the time frame (Table 11).

**Table 10. MILC Payment Rates**

<b>Period</b>	<b>%</b>
10/01/07 – 09/30/08	34%
10/01/08 – 08/31/12	45%
09/01/12 and thereafter	34%

Source: Economic Research Service, United States Department of Agriculture.

**Table 11. MILC Caps**

<b>Period</b>	<b>Million lbs/fiscal year</b>
10/01/07 – 09/30/08	2.400
10/01/08 – 08/31/12	2.985
09/01/12 and thereafter	2.400

Source: Economic Research Service, United States Department of Agriculture.

The 2008 Farm Bill establishes a permanent program for the Dairy Forward Pricing Program. Milk producers and cooperative associations of producers are authorized to voluntarily enter into forward price contracts with milk handlers.

### ***Other Programs Providing Producer Assistance***

- Peanut Program
- Conservation Payments
- Crop Insurance Indemnity Payments
- Livestock Indemnity Payments
- Livestock Forage Disaster Program
- Emergency Assistance for Livestock, Honey Bees and Farm-Raised Fish

### ***Signing Up for Payments***

The sign-up period for 2008-2012 is from October 1 to June 1 of the applicable fiscal year. The CCC-509 form, *Direct and Counter-Cyclical (DCP) Contract, and Average Crop Revenue Election (ACRE) Contract*, includes base acres, payment acres, payment yields, producer payment shares, advance direct and counter-cyclical payment selections, and signatures of the producer and county FSA office representative.

The CCC-509 must be submitted by June 1 of the fiscal year. All owners and operators who will share in the payments on the farm must sign the CCC-509 by the June 1 deadline.

Farm producers must apply on an annual basis and can opt out of participating in the Direct and Counter-cyclical programs for any year if they so choose. Once enrolled in ACRE, producers must remain in ACRE for the remainder of the farm bill.

The following documents are required and applicable determinations must be made before the county committee can approve a producer's share on the CCC-509 for payment:

- a farm operating plan (CCC-902 and related forms),
- an average adjusted gross income certification (CCC-526), and
- a certification of compliance with highly erodible land and wetland conservation provisions (AD-1026).

A certification of the acreage of all cropland on the farm (FSA-578) is needed before final payments can be issued. To find these forms online, go the FSA's e-form search page at [http://forms.sc.egov.usda.gov/eForms/searchAction.do?pageAction=BrowseForms&\\_MenuAction=Yes](http://forms.sc.egov.usda.gov/eForms/searchAction.do?pageAction=BrowseForms&_MenuAction=Yes) and search for the applicable form number. All forms are available to download. For more information, contact the local Farm Service Agency office in your county.

## Appendix

See <http://agecon.okstate.edu/budgets/> for information on OSU Enterprise Budget Software.

### Cow-Calf Enterprise Budget – 100 Cow Unit Size (sample only)

February calving percentage - 86.1 percent, calf death loss - 3.8 percent

Livestock prices based on 2004-08 OKC data

Revenue projections based on current market information instead of historical price data may produce different profitability outcomes.



PRODUCTION	Wt.	Unit	Price/Cwt	Quantity	Total	EXTENSION
Steer Calves	529.5	Lbs.	\$123.31	41.41 Hd.	\$27,040	\$270.40
Heifer Calves	501.8	Lbs.	\$114.49	16.41 Hd.	\$9,430	\$94.30
Cull Cows	1,150.0	Lbs.	\$49.13	12.00 Hd.	\$3,390	\$33.90
Cull Replacement Heifers	825.0	Lbs.	\$94.77	12.00 Hd.	\$9,382	\$93.82
Cull Bulls	1,750.0	Lbs.	\$63.61	1.00 Hd.	\$—	\$—
Other Income		Head	\$—	1.00	\$—	\$—
<b>Total Receipts</b>					<b>\$49,243</b>	<b>\$492.43</b>

OPERATING INPUTS	Unit	Price	Quantity	Total	\$/Head
Pasture	Head	\$49.20	1	\$4,920	\$49.20
Hay	Head	\$39.31	1	\$3,931	\$39.31
Grain	Head	\$—	1	\$—	\$—
Protein Supplement	Head	\$49.18	1	\$4,918	\$49.18
Salt	Head	\$3.25	1	\$325	\$3.25
Minerals	Head	\$5.70	1	\$570	\$5.70
Other Feed Additives	Head	\$—	1	\$—	\$—
Vet Services/Medicine	Head	\$6.12	1	\$612	\$6.12
Vet Supplies	Head	\$1.16	1	\$116	\$1.16
Marketing	Head	\$8.81	1	\$881	\$8.81
Mach/Equip Fuel, Lube, Repairs	Head	\$23.12	1	\$2,312	\$23.12
Machinery/Equipment Labor	Hours	\$9.85	2.65	\$2,610	\$26.10
Other Labor	Hours	\$9.85	3.00	\$2,955	\$29.55
Other Expenses	Head	\$—	1	\$—	\$—
Annual Operating Capital	Dollars	7.00%	144.64	\$1,012	\$10.12
<b>Total Operating Costs</b>				<b>\$25,162</b>	<b>\$251.62</b>
<b>Returns Above Total Operating Costs</b>				<b>\$24,081</b>	<b>\$240.81</b>

FIXED COSTS	Unit	Rate	Total	\$/Head
Machinery/Irrigation				
Interest at	Dollars	7.25%	\$453	\$4.53
Taxes at	Dollars	1.00%	\$114	\$1.14
Insurance	Dollars	0.60%	\$38	\$0.38
Depreciation	Dollars		\$1,028	\$10.28
Livestock				
Interest at	Dollars	7.25%	\$6,687	\$66.87
Taxes at	Dollars	1.00%	\$1,049	\$10.49
Insurance	Dollars	0.60%	\$553	\$5.53
Depreciation	Dollars		\$2,028	\$20.28
Land	\$/Acre			
Interest at	Dollars	0.00%	\$—	\$—
Taxes at	Dollars	0.00%	\$—	\$—
<b>Total Fixed Costs</b>			<b>\$11,950</b>	<b>\$119.50</b>
<b>Total Costs (Operating + Fixed):</b>			<b>\$37,112</b>	<b>\$371.12</b>
<b>Returns Above All Specified Costs</b>			<b>\$12,131</b>	<b>\$121.31</b>

Payne County-Central Oklahoma Used machinery complement

25 percent heifer replacement rate with 1 purchased and 24 raised.

Primary forages - Native, Native-leased

▲ For more information on OSU Enterprise Budget Software see: <http://www.agecon.okstate.edu/budgets/>

See <http://agecon.okstate.edu/budgets/> for information on OSU Enterprise Budget Software.

## Stocker Enterprise Budget — 150 Steers (sample only)

October purchase - 500 lbs., February sale - 747 lbs.

Livestock prices based on 2004-08 OK data

Revenue projections based on current market information instead of historical price data may produce different profitability outcomes.



PRODUCTION	Wt.	Unit	Price/Cwt	Quantity	\$/Head
Stockers	747	Lbs.	100.47	0.980 Hd.	\$735.40
Other Income		Head	\$ —	0.980 Hd.	\$ —
<b>Total Receipts</b>					<b>\$735.40</b>
OPERATING INPUTS	Wt.	Unit	Price/Cwt	Quantity	\$/Head
Stockers	500	Lbs.	125.00	1	\$625.00
Pasture		Head	\$76.80	1	\$76.80
Hay		Head	\$8.10	1	\$8.10
Grain		Head	\$ —	1	\$ —
Protein Supplement		Head	\$ —	1	\$ —
Salt		Head	\$0.14	1	\$0.14
Minerals		Head	\$0.17	1	\$0.17
Other Feed Additives		Head	\$ —	1	\$ —
Vet Services/Medicine		Head	\$3.88	1	\$3.88
Vet Supplies		Head	\$0.71	1	\$0.71
Marketing		Head	\$5.54	1	\$5.54
Mach/Equip Fuel, Lube, Repairs		Head	\$11.60	1	\$11.60
Machinery/Equipment Labor		Hours	\$9.85	1.11	\$10.93
Other Labor		Hours	\$9.85	1.50	\$14.78
Other Expenses		Head	\$ —	1	\$ —
Annual Operating Capital		Dollars	7.00%	221.95	\$15.54
<b>Total Operating Costs</b>					<b>\$773.19</b>
<b>Returns Above Total Operating Costs</b>					<b>(\$37.79)</b>
FIXED COSTS	Unit	Rate			\$/Head
Machinery/Equipment					
Interest at	Dollars	7.25%			\$1.69
Taxes at	Dollars	1.00%			\$0.41
Insurance	Dollars	0.60%			\$0.14
Depreciation	Dollars				\$3.53
Land	\$/Acre				
Interest at	Dollars	0.00%			\$ —
Taxes at	Dollars	0.00%			\$ —
<b>Total Fixed Costs</b>					<b>\$5.77</b>
<b>Total Costs (Operating + Fixed):</b>					<b>\$778.96</b>
<b>Returns Above All Specified Costs</b>					<b>\$(43.56)</b>

Caddo County - Central Oklahoma

Stocker phase - 135 days

Average daily gain - 2 lbs. - 2 percent death loss

Primary forages - small grain

Break-even (B-E) Analysis			
Break-Even Purchase Price (\$/cwt.)		Break-Even Selling Price (\$/cwt.)	
Above Operating Costs	\$117.44	Above Operating Costs	\$105.63
Above Total Costs	\$116.29	Above Total Costs	\$106.42

See <http://agecon.okstate.edu/budgets/> for information on OSU Enterprise Budget Software.

## Dryland Wheat Enterprise Budget – Grain only

1,000 acres farmed, 160 acres for this budget

Lo-till rotation

2009 marketing year price projection



				<b>Total</b>
<b>PRODUCTION</b>	<b>Units</b>	<b>Price</b>	<b>Quantity</b>	<b>\$/Acre</b>
Wheat	Bu.	\$ 5.25	33.22	\$ 174.41
Small Grain Pasture	Acre	\$ —	1	\$ —
Other Income	Acre	\$ —	1	\$ —
<b>Total Receipts</b>				<b>\$174.41</b>
<b>OPERATING INPUTS</b>	<b>Units</b>	<b>Price</b>	<b>Quantity</b>	<b>\$/Acre</b>
Wheat Seed	Bu./Acre	\$16.00	2.00	\$16.00
Fertilizer	Acre	\$30.00	1	\$30.00
Custom Harvest	Acre	\$ —	0	\$ —
Pesticide	Acre	\$3.62	1	\$3.62
Crop Insurance	Acre	\$7.00	1	\$7.00
Annual Operating Capital	Dollars	7.00%	50.53	\$3.54
Machinery Labor	Hours	\$8.35	0.79	\$6.60
Custom Hire	Acre	\$ —	1	\$ —
Machinery, Fuel, Lube, Repairs	Acre	\$29.25	1	\$29.25
Other Expense	Acre	\$ —	0	\$ —
<b>Total Operating Costs</b>				<b>\$96.01</b>
<b>Returns Above Total Operating Costs</b>				<b>\$78.40</b>
<b>FIXED COSTS</b>	<b>Units</b>	<b>Rate</b>		<b>\$/Acre</b>
Machinery/Irrigation	\$/Value			
Interest at	Dollars	7.25%		\$6.75
Taxes at	Dollars	1.00%		\$1.41
Insurance	Dollars	0.60%		\$0.55
Depreciation	Dollars			\$9.99
Land	\$/Acre			
Interest at	Dollars	0.00%		\$ —
Taxes at	Dollars	0.00%		\$ —
<b>Total Fixed Costs</b>				<b>\$18.70</b>
<b>Total Costs (Operating + Fixed):</b>				<b>\$114.71</b>
<b>Returns Above All Specified Costs</b>				<b>\$59.70</b>

Garfield County - North Central Oklahoma

Owner-Operator

Custom field equipment - owned harvest equipment

Used machinery complement

<b>Grain Break-even (B-E) Analysis</b>			
<b>B-E Yield at Bu.</b>	<b>5.25</b>	<b>B-E Price at bu./acre</b>	<b>33.22</b>
Above Operating Costs (bu.)	18	Above Operating Costs	\$2.89
Above Total Costs (bu.)	22	Above Total Costs	\$3.45

Break-even yield is the yield needed to cover costs given the expected price, pasture income, and other income such as government payments. Break-even price is the price needed to cover costs given the expected yield and other income.

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