



MANAGEMENT NEWS

Growth Tax Relief Reconciliation Act of 2003

President Bush signed the Growth Tax Relief Reconciliation Act of 2003 into law on May 27, 2003. The bill includes tax reductions of \$320 million, plus aid to states and increased child tax credits, putting the total cost at \$350 million. Most of the bill provides tax relief for individual taxpayers. However, there are some provisions specifically targeted to business that will be advantageous to agricultural producers.

The Section 179 expensing deduction for first year depreciation increases to \$100,000, beginning January 1, 2003, for the years 2003, 2004, and 2005. This is an increase from \$25,000 in 2002. The new provision means that taxpayers can expense up to \$100,000 of equipment purchases in the first year. This Section 179 Depreciation Allowance is scheduled to be phased out after 2005. The “bonus” depreciation on new equipment goes from 30% to 50%. The 50% bonus is for new equipment only. However, machine sheds and other multi-purpose buildings that do not qualify for the Section 179 deduction do qualify for this allowance. New property purchased and placed in service after May 5, 2003 qualifies for the 50% allowance. Property purchased prior to May 6, 2003 still qualifies for the 30% allowance.

Tax rates on dividends from stocks and mutual funds will be reduced to 15% maximum. This does not apply to patronage dividends. Long-term capital gains are also lowered to 15%. For taxpayers in the 10% or 15% tax brackets, rates on dividends and long-term capital gains will be reduced to 5%. Short-term capital gains will be still taxed at ordinary tax rates.

Check with your tax preparer regarding the effect of these new changes on your tax situation.

Wheat Planting Time

Wheat planting time is upon us. There has been an increasing interest in intensively managed wheat systems the last few years. Intensively managed wheat requires a higher level of management than conventional managed wheat and is most successful on better producing wheat ground. It also requires a higher level of inputs which means a higher yield is needed to breakeven. It can offer a higher return per acre. I have put together a comparison of conventionally managed wheat and intensively managed wheat and posted it on the Lauderdale County web site at <http://lauderdale.tennessee.edu>. Click on publications and scroll down to find it. If you would like me to mail you a copy, please call my office.

In summary, the conventionally managed wheat has on a per acre basis, variable cost of \$105.41, fixed cost of \$31.88 and labor cost of \$8.76 for a total of \$146.05. Intensively managed wheat per acre has variable cost of \$142.55, fixed cost of \$42.23, and labor of \$12.48 for a total of \$197.26. Based on a 3 year trial from 1997-1999 in Franklin County, TN, intensively managed wheat yielded 87.3 bushels per acre. If we compare that to 60 bushels per acre at \$3.40 bushel, then the intensively managed wheat returned \$41.61 an acre more than conventionally managed wheat. It also had a 15-bushel higher breakeven yield. Intensively managed wheat can provide additional returns, but also requires an additional investment and certainly a higher level of management and risk. Not all wheat ground or wheat producers are suitable or have the potential for intensively managed wheat. Whether it is owned ground,

share rent or cash rent, some land costs will need to be calculated as well as operator labor and management. Look particularly close at share rented ground. The economics of wheat production tend to work better on cash or owned ground. This information should be used only as a guide in making decision regarding wheat production. If we can assist you in making an informed decision on wheat production, please contact your County Extension office.

2003 Second Picking of Cotton

Ever year we get questions on how many pounds of cotton per acre does it take to justify the second picking of cotton. That decision depends on what it costs to run your picker, price of cotton, and the speed you pick. Using the University of Tennessee budgets as a guide, we can estimate how many pounds of cotton it takes to breakeven or cover your variable cost. For older equipment, variable costs would increase and you would need more lbs. of cotton to cover your cost.

	Pounds of Cotton Lint/Acre To Breakeven Over Variable Cost					
	4 Row Cotton Picker			6 Row Cotton Picker		
Picker Speed (MPH)	3	4	5	3	4	5
Variable Cost per Acre (a)	\$41.95	\$31.46	\$25.17	\$34.94	\$26.20	\$20.96
Price Lint/Lb. (\$)						
.35	120	90	72	100	75	60
.40	105	79	63	87	66	52
.45	93	70	56	78	58	47
.50	84	63	50	70	52	42
.55	76	57	46	64	48	38
.60	70	52	42	58	44	35
.65	65	48	39	54	40	32

(a) Includes variable cost for cotton picker, boll buggy, and module builder. Please note that if Fixed Cost (depreciation, interest) were included lbs/acre would be doubled. Need to at least cover variable costs (fuel, repairs, labor). These numbers should be used only as a guide or rule of thumb. For an assessment of your operation on second picking or harvest systems economics, please give me a call at 731-635-9551 or email at scdanehower@utk.edu .

If we can assist you in making farm financial planning or marketing decisions, please contact your local county Extension office or call the toll - free MANAGEment Information line at 1-800-345-0561 or myself at 731-635-9551.

Sincerely,



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County Extension Offices	
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