

## **Keynote Address**

### **Biographical Information:**

*Lt. Governor Greg Bell*

Greg Bell has served as Utah's seventh Lieutenant Governor since September 1, 2009. He has been involved in state and local government for over 20 years serving as a city councilman and then mayor of Farmington (Utah), followed by his service as a State Senator representing central Davis County. He was in the Leadership of the Utah State Senate and has been the chair of Envision Utah, an internationally recognized land use and transportation planning organization.

Born and raised in Ogden (Utah), he graduated from Weber State University and University of Utah's College of Law. He specialized in real estate law and has had extensive experience with real estate development, land use and finance.

Lt. Governor Bell and his wife, JoLynn, currently reside in Fruit Heights (Utah) and are the parents of six children and have 18 grandchildren.

## **Potential Alternative Crops for Utah**

### **Biographical Information:**

*Earl Creech*

Earl Creech is the Extension Agronomist for Utah State University. Earl grew up on a family livestock and crop production farm near Logan, Utah and received his B.S. and M.S. degrees from Utah State University before acquiring his Ph.D. from Purdue University. As the Extension Agronomist, his role is to develop educational programs and conduct applied research to address critical agronomic issues facing Utah's farmers and ranchers.

### **Session Description:**

This session will discuss potential new crops for Utah, including teff, soybean, flax, yellow mustard, and others.

## Differentiate Your Products

### **Biographical Information:**

*Brandon Foote*

Brandon Foote has worked for Redmond for close to 8 years. He has a Business Administration Degree from Utah State University and is currently working on his Masters Degree. He began working for Redmond when asked to come to the business to research and develop a diversified farming operation that specializes in the production of grass based food products including raw milk, beef, eggs, cheese and pork. Those value added products are marketed through 4 farm owned retail locations. Brandon now focuses most of his time on sales and marketing of Redmond Minerals products in the Western United States.

### **Session Description:**

Redmond Inc. focuses on the production and marketing of value added products in the market place. What started out as a salt mine primarily selling into agriculture, now sells to markets ranging from cosmetics and food, to industrial applications.

Redmond Inc. History

Redmond Inc. Products

How Redmond differentiates its products in the marketplace

Selling on price vs. selling on value

## **Successful Start in a Food Business**

### **Biographical Information:**

*Cini Baumhoff*

I spent ~20 years as part owner/operator of Dorothy's LLC, a small specialty food processing company, before joining the Univ. of Idaho. The past 4 years I have been the Plant Supervisor for the FTC Commercial Kitchen and Plant Technician in the Processing Pilot Plant. The FTC Commercial Kitchen is a fully equipped, certified facility that for the past 6 years has offered start-up food processing companies an affordable place to learn and build their company with minimal fixed overhead expenses and a knowledgeable staff to address technical processing issues in conjunction with business incubator support for financial planning and marketing.

### **Session Description:**

A very brief description of how much is involved in starting any food processing business with emphasis on what strategies have lead to success and what common pitfalls have contributed to failures. Attempt to convey the realistic challenges that small food companies face and how important education and planning are to success.

## Successful Start in a Food Business

**Cini Baumhoff**  
University of Idaho  
Food Technology Center  
Caldwell, Idaho • 208-795-5331  
baumhoff@uidaho.edu

<http://www.cals.uidaho.edu/ftc/index.htm>

## Presentation Outline

1. FTC Info and Programs
2. Food Processing Basics
3. Best Practices for Getting Started in a Food Business

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## UI Food Technology Center

- ▶ The University of Idaho Food Technology Center is a 7000 ft<sup>2</sup> certified food processing facility located in Caldwell, Idaho.
- ▶ A portion of the FTC is a certified commercial kitchen available for rent by the day or hour.
- ▶ Our MISSION ... *is to provide a facility and/or resources to assist food companies with food related issues that involve processing, R&D, packaging, marketing, industry education & business strategy.*

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## FTC Services

- ▶ **Commercial Kitchen Program**
  - Small-scale processing of specialty products
  - Demonstration
  - Food industry education & licensing
    - Developing your Food Product Idea
  - Package and Label Assistance
  - Business Planning and Marketing Assistance with Business & Technology Incubator

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## FTC Services

- ▶ **Pilot Plant Program**
  - Short run processing and packaging
  - Test/pilot run production
  - Process setup and development
  - GLP Processing
  - Custom projects

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## Food Processing Basics

- ▶ The objective of food processing is to add value to and/or preserve a given agricultural commodity. To extend the shelf life of a food product by applying **processes** or **preservatives** (chemicals) that control or prevent bacterial or chemical degradation.
- Important food quality/safety terms:
  - pH – acid content
  - Aw – water activity (free water)
  - Moisture content
  - Shelf life

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## Food Industry Regulation

Determining Factors -- What type of food; How it is processed; Where it is processed; Where you plan to distribute; Special Certification/Training?

- ▶ Food and Drug Administration
- ▶ Department of Agriculture
- ▶ Department of Commerce
- ▶ State Public Health Departments
- ▶ State Department of Agriculture
- ▶ Bureau of Alcohol, Tobacco and Firearms



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## Why Food Safety?

- ▶ U.S. Centers for Disease Control
  - Est. 76 million cases of food borne illness annually
    - 325,000 hospitalizations
    - 5000 deaths
  - Known pathogens account for
    - 14 million illnesses
    - 60,000 hospitalizations
    - 1800 deaths
  - Costs estimated at billions/yr.
    - Lost wages, medical costs



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## Why Food Safety?

1. Ensure Customer Satisfaction
2. Maintain Quality Objectives
3. Ensure Compliance with Regulatory Requirements
4. Moral & Ethical Obligation
5. Prevention of Major Financial Impact



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## Food Safety Prerequisites

1. Cleaning & Sanitation – SSOP's
2. Good Manufacturing Practices
3. Pest Control
4. Chemical Control
5. Allergen/Raw Ingredient Control
6. Product Traceability/Record Keeping
7. Employee Food Safety Training

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## Record Keeping

- ▶ Important to maintain all records for quality and recall purposes.
  - Phone & E-mail correspondence
  - All product development information
  - Recipe sheets
  - In-process measurements (cook temp., pH, etc.)
  - Lot numbers of raw materials.
- ▶ Product coding for recall purposes.
  - Done for each batch of product.
  - Codes placed on each container.

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## Purchasing Equipment for Small-Scale Operations

- ▶ Make sure the equipment can be justified.
- ▶ Used equipment is available and affordable
  - Inspection should not be overlooked.
  - Stay away from scales and electronics without inspection.
  - Most mechanical can be dealt with.
    - Hydraulics, pneumatics, conveying
    - Should be sized for your scale of operation
  - Know the equipments specifications and know your facilities electrical and steam capabilities.
  - Shop around as much as possible. If a deal sounds "too good" is probably is!

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## Scaling-Up Your Process

- Convert all recipes/ingredients to weight measurements (Including liquids)
  - Volumetric measurements are inexact!
  - To convert small measures (like ¼ teaspoon) do multiples and take an average weight
  - DO NOT confuse fluid ounces with net weight oz

$$\text{Conversion Factor} = \frac{\text{Desired yield}}{\text{Original yield}}$$

$$75 \text{ gal} / 5 \text{ gal.} = 15 \qquad 200 \text{ lb.} / 5 \text{ lb.} = 40$$

- Take baby steps...Start with a quadruple sized test batch and evaluate look, taste, texture and shelf life. Adjust ingredient sources and process steps until satisfied!
- Re-set conversion factor, batch-up as needed.

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## Food Packaging Function

- Advertisement – Possibly your most valuable marketing investment!
- Protect the food over its pre-determined shelf life.
  - Mechanical/physical damage
  - Climatic influences
  - Contamination
  - Tampering & Adulteration



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## Food Package Design

- Packaging Considerations – Best to decide before you prepare your process!
  - Is the product visible?
  - Does the package provide contamination barrier?
  - Is the shape of the package distracting?
  - How easy can I apply a label to this package?
    - Manual, Fully Automated or Semi-Automated Packaging?
  - Is the package easy to use?
  - How will the package stack for shelf display?
  - Is the cost of the package prohibitive? Label application vs. pre-printing?

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## General Label Requirements are Company Responsibility NOT Graphic Designer

- FDA Food Labeling Guide  
[www.cfsan.fda.gov/~dms/2lg-toc.html](http://www.cfsan.fda.gov/~dms/2lg-toc.html)  
[www.fda.gov/Food](http://www.fda.gov/Food)

- Components
  - Principal Display Panel (PDP)
    - Common name & Net Wt Statement
  - Information Panel (IP)
    - Ingredients and contact information
  - Nutritional Panel & Allergen Labeling
  - Type size and font



DESIGN TIP: Format your label and leave white boxes for nutrition panel and UPC to be added at a later date.

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## Best Practices for Getting Started

*Plan, Plan and Plan Some More*

*Know Your Market*

*Know Your Costs*

*Price Your Product Correctly*

*Educate Yourself and Use Available Resources*

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## Business Plan

- Developing a business plan is the only way to comprehensively evaluate the potential of your idea.
- Where do I start
  - Why do you want to do this and what are your goals?
  - Evaluate your idea against the current market.
  - Identify the demographic for your product.
  - Analyze processing, packaging and distribution.

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## Start-up Considerations

### Product characteristics

- Consumability
- Seasonality
- Perishability
- Distribution Requirements



How easy/difficult is the product to produce?  
 How easy/difficult is the product to package?  
 Are raw materials and supplies reasonably available?  
 Are there special time and temperature considerations for production & distribution?

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## Where to Market?

### ► Specialty Market/Direct Sales

- Farmers markets, gift market
- Direct Sale – Single unit sale
- Will pay your retail price and shipping

### ► Local Retail

- Food co-ops, health/specialty food stores
- Direct Sale - Case unit sale
- Will pay your wholesale price and shipping
- Generally includes commission to Sales Rep.



### ► Retail Grocery

- Wal-Mart, Albertsons, Whole Foods, etc.
- Product placed by distributor – Sale by pallet or truckload
- Discounted pricing (~30%) – fees to broker, warehouse, etc.

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## What to Market?

- Buy Local/Sustainable
- Fresh
- Organic
- Ready to Eat
- Green Packaging/Recyclable
- Low Sugar
- All Natural
  - "Natural" is not an actual quantifiable category but is still a common adjective used in marketing specialty foods



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## Things to Consider Before Choosing "Your" Market

- Where do products like mine currently sell? Retail? Grocery? Direct?
  - Who is my consumer, and where do they buy my competition?
- Can I enter Retail and then move into Grocery?
  - Typically many retail accounts will drop your line because Grocery sells on a lower margin.
- How can Direct Sales impact other Markets?
  - If you sell direct at a very low price you siphon customers away from your accounts and sales can drop.
- How will I accomplish Sales & Distribution?

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## Major Costs of Food Businesses

- Fixed Costs – Overhead
  - Building Lease/Payment
  - Liability Insurance
  - Salaried employees
  - Equipment Loan/Lease
  - Maintenance
- Variable Costs
  - Raw Materials
  - Packaging
  - Utilities
  - Hourly Workers



► TRY TO BUILD YOUR BUSINESS ON VARIABLE COSTS!

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## Pricing Considerations

- Pricing will depend on the market you pursue and your fixed vs. variable costs.
  - Try to make as many costs variable as possible.
  - Know the costs of sales reps & distributors before you set wholesale pricing.
  - Your direct retail price should not be less than retailers price.
  - Know where you will get breaks on materials.
  - Always know your "break-even" point!!!!
  - What will the consumer pay for your product?
  - You are an employee always count your time into cost and Pay Yourself!
  - Leave room to reinvest in your business – at least 10%

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## Additional Resources & Education

- ▶ SBA & SCORE
- ▶ Public Institutions and Agencies
  - Community Colleges
  - Health Departments
  - Agriculture Departments
- ▶ Land Grant Universities
  - Food Science Dept.
  - Business Dept.
  - Extension Services
- ▶ Existing businesses
- ▶ Shared Use Processing facilities/Food Incubators
- ▶ Food Business Organizations, Associations and Literature

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## Challenges Unique to Food

- ▶ Food manufacturing is product specific = expensive and harder on start-ups.
- ▶ It may be great or even “Gourmet” but it’s still food and must be affordable enough for consumption.
- ▶ Success rate beyond local/regional distribution is only ~ 3%; Hard to measure the variable scales of success in smaller local niche markets.
- ▶ Food can be very personal - i.e. family history, ethnicity, personal preference, health and vitality

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## A 25 Year Perspective

- ▶ **Every Business Includes these 4 divisions: Marketing – Production – Distribution – Operations**
  - Most people can do 2 of the above, some can do 3 but most cannot do all 4 well... Decide which you are best at and hire someone for the rest.
- ▶ Pay yourself every month. Even if you can't cash the check... write it...and cash it when you can.
- ▶ Make sure to re-invest 10% in product development and/or marketing every year. (set it aside each month)
- ▶ Use a computer system to invoice and pay bills, but do the books yourself at least in the beginning to get the best understanding of your companies viability.
- ▶ Take advantage of Educational opportunities...

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## Keys to Success

- ▶ Drive, Determination and Persistence
- ▶ Product Uniqueness – Differentiable
- ▶ Active Marketing Program
- ▶ Adequate Financing for Start-up Goals with Careful Financial Business Planning?
- ▶ Patience
- ▶ Flexibility to Product Changes
- ▶ Willing to take Advice and Learn



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**Unfortunately, there is no GPS for starting/operating a Food Business!**



But here are some good examples to learn from....

nutter Flavor  
**melt**

- ▶ Original company name was Prosperity Organic Foods – Hailey, ID
- ▶ Started in Fall 2005 from a very unique Idea
- ▶ Produced at FTC for 2 years – Then moved to a co-packing facility in 2007
- ▶ Picked up by Investment firm in 2008
  - Re-branded
  - National launch in 2009 – 6000 stores

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- ▶ Allergen Free Baking Mix and Ingredient Company
  - Coeur d' Alene, ID
  - Started in 2000 in shared use facility
- ▶ Relocated manufacturing to Co-pack facility in 2008
- ▶ Currently maintain national and international distribution
- ▶ Over 1.5 million units annually
- ▶ National Sales Force

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- ▶ Started in 2009- Boise, ID
- ▶ Currently utilizing UIFTC for manufacturing needs.
- ▶ Preparing for New Facility - USDA Certification
- ▶ Strong awareness of Product Distribution
  - Gyms, fitness centers, health food kiosks & coffee franchises
- ▶ Investors prepared for national launch in 2011

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## **Is It Family or Is It Business? The Recipe for a Successful Family Business**

### **Biographical Information:**

*Victor Nelson*

Victor Nelson is a marriage and family therapist who started consulting with family-owned businesses in 1997. He has co-authored a book about family business, *Minding Our Own Business*, and has been a guest on talk radio shows, written newspaper columns on family business, and continues to help solve problems unique to family businesses. Victor has worked with family businesses in Utah, Colorado, Idaho, Iowa, Indiana and Montana.

### **Session Description:**

This session will help family business owners identify the most common trouble spots encountered in family businesses and how to overcome them. Participants will identify key aspects and turning points within family businesses in order to evaluate where their own business is heading. Victor Nelson will also teach strategies that increase success and satisfaction in both their families and their businesses.

## **Is It Family or Is It Business?**

### **The Recipe for a Successful Family Business**

## **Session Objectives**

- Identify the most common mistakes made by family businesses—and how to avoid them
- How and when to involve children in the business
- The Do's and Don'ts of Succession Plans
- Develop a "TO DO" List for your Family Business

## **Common Mistakes**

- Poor Boundaries
- Conflict Strategies
- Inadequate Succession Plan
- Foggy or Blurry Vision
- Insufficient Operating Procedures

## **Boundaries**

- Protect and Serve
- Reduce Overlap between family and business
- Maintain Balance

## **Conflict Strategies**

- Four Horsemen of the Apocalypse
- Build Relationships Through Conflict

## **The Four Horsemen**

- Criticism
- Defensiveness
- Contempt
- Distance

## **Building Relationships**

- Listen to Understand
- Value/Show Appreciation
- Compassion

## **Succession Plan**

- **Time and Planning**
  - Less than 2 Years
  - 2 to 10 Years
  - More than 10 Years
- **How and When to Involve Children**
  - Interest
  - Training
  - Experience

## **Vision: The Map for a Family Business**

- Where Are You Headed?
- How Do You Plan to Get There?
- Write It Down
- Memorize It

## **Operating Procedures**

When all else fails....

- Job Descriptions
- Organizational Chart
  - Authority
  - Accountability

## **The "TO DO" List**

- Identify Problem Areas or Potential Problem Areas
  - **Family Business Checkup**
  - **Use a Consultant to Assess family business**
- Prioritize
- Develop Response Plan

## **Choosing a Consultant**

- Address Relationship Aspects AND Business Aspects
- Focus on PROCESS, not only CONTENT
- Victor Nelson, 435-994-0024

victor.sandstonesolutions@gmail.com

## Using Technology to Gain New Markets

### **Biographical Information:**

*Tyson Roberts*

Roberts's farm was homesteaded in the 1850's in what is now known as West Layton, Utah. Tyson grows roughly 30 different types of vegetables each year that are marketed at various farmers' markets in Northern Utah, at the farm stand and through various wholesale channels. To ensure earlier product for these markets, they began growing in high tunnels in 2006. In addition to the vegetables, the farm also produces alfalfa and wheat that serve as rotational crops.

### **Session Description:**

In addition to describing the operation of Robert's Farm, Tyson will discuss how social media (facebook, twitter and instant messaging) is used to keep his customers abreast of farm activities and produce availability.

## **Using Tourism to Enhance Your Operation:** **Tapping into the Existing Resources and Tourists**

### **Biographical Information:**

*Kevin Arrington*

Kevin Arrington, Sevier County Tourism and Events Director. Mr. Arrington has served as the Tourism and Events Director for Sevier County for the past 10 years. Prior to that time, he worked as the Zoo, Arts and Parks Director for Salt Lake County, as a Congressional Aid for Congresswoman Enid Greene and as a Lobbyist in Washington, DC. Kevin has a Masters degree from Utah State University with an emphasis in Public Policy and a Bachelors degree from the University of Utah in Political Science. Kevin lives in Richfield with his wife Lisa and their three daughters.

### **Session Description:**

This session will provide an overview of where tourism in Central Utah is at as well as what resources local tourism offices have that can be used to enhance your operation. Kevin will be able to talk about the types of tourists that are currently visiting the region and what they are looking for. Kevin will also cover the programs that are available to help local businesses including ranches tap into tourism markets for whatever services your operation might provide. Kevin will also talk about the current situation and changing US Forest Service regulations that affect the ability to access UTV and ATV trails.

## **From Recipe to Sellable Product**

### **Biographical Information:**

*Karin Allen*

Karin Allen is the food quality & entrepreneurship specialist at Utah State University Extension. Her programs include the development of extension programming to assist small businesses and entrepreneurs with production and processing of quality foods. She also coordinates academic and outreach services of the on-campus Food Innovation Laboratory and Incubator Kitchen. She also helps people meet the labeling requirements to meet State and/or Federal regulations.

### **Session Description:**

This session will look at how to take a recipe and rework it so that you can make a product that is both consistent and safe. Information on the food safety regulations including what products comply with less rigorous rules (cottage industry) and how to comply with more strict rules. This session will also talk about packaging option from simple packaging you can do on your own as well as others in the state that can co-package your product. She will also cover what you can and cannot put on a label. This session is a good primer and will also provide information on places to go for further information.



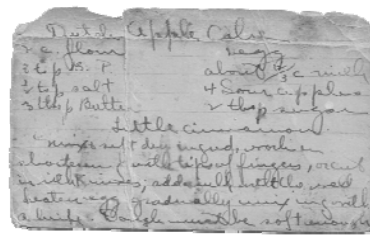
## From Recipe to Sellable Product

U.S.U. Extension Food Quality & Entrepreneurship  
Karin Allen, Ph.D.

Diversified Ag Conference  
February 21, 2011  
Richfield, UT



## You Have The Best Recipe...



## That You Have Carefully Converted...



## But *Where* Can You Sell It?



## Requirements Differ



## Farmer's Markets & Stands

- Do not require registration with UDAF
- Only fresh, raw, whole, unprocessed foods



## Farmer's Markets & Stands

- Cannot cut, process, prepare, or package produce
- Greens cut through main stalk only can be rinsed
- Eggs must be 45°F or below
- Must be sold by the grower/producer



## Outdoor Markets & Stands

- Market & vendors must register with UDAF
- Can sell most types of processed foods



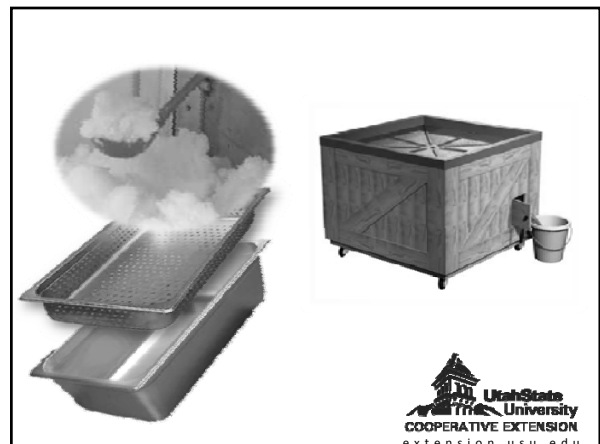
## Processed Foods Include:

- Cut leafy greens
- Peeled, cut, or washed produce
- Packaged fresh herbs
- Dried or dehydrated produce



## Outdoor Markets & Stands

- Refrigerated foods must be 41°F or lower
  - Meat, fish, cheese, salsas, hummus, juice, yogurt, etc.
- Ice storage allowed
  - Properly packaged foods only
  - Ice must be constantly draining into another container



### Processing Options: Cottage Food Production

- Home kitchen, certified by UDAF
  - No pets
  - Separate storage
  - Food handler’s permit
- Must state “Home Produced” on label
- Cannot sell to restaurants or other food establishments



### Allowed Cottage Foods

- Air cooled hard boiled eggs (shell intact)
- Foods with  $A_w \leq 0.85$
- Foods with  $pH \leq 4.6$
- Properly canned acid foods
- Other foods deemed non-hazardous



### Not Allowed! Potentially Hazardous Foods

- Any food of animal origin (raw or heat treated)
- Food of plant origin that is heat treated
- Products containing raw sprouts
- Cut melons and tomatoes
- Non-acidified garlic and oil mixtures



### Processing Options: Certified Food Establishments

- Commercial facility, State / Local certification
  - Incubator kitchens, restaurant kitchens
- Potentially Hazardous Foods can be produced, but must be approved
- Can sell to restaurants, food establishments
- Must meet general labeling requirements

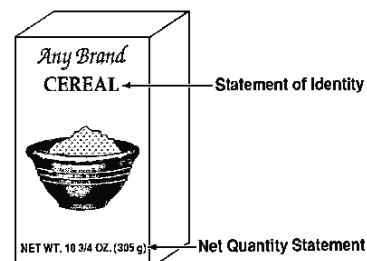


### Processing Options: Contract Packaging – “Co-Packers”

- Certified food production facilities
  - Will package your product in their down-time
- Each co-packer has different requirements, capabilities & minimum runs
- Can sell to restaurants, food establishments
- Must meet general labeling requirements



### Required Label Components *Primary Display Panel*



## Statement of Identity

- Many foods have a legally established name that must be used [21CFR§101.3]
- All others must use “common or usual name”
- Other requirements include:
  - Form of food (e.g. sliced, cubed, crushed)
  - “Imitation” if lower protein, vitamins, minerals
  - “\_\_\_% Juice” for any drink showing fruit or vegetables on the label

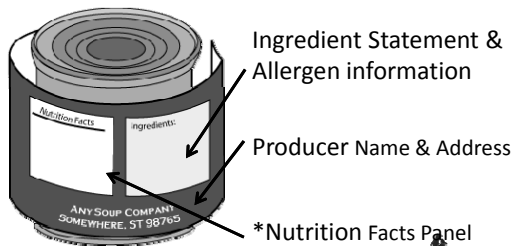


## Title 21 Lists Standards of Identity for:

- § 131 Milk & cream
- § 133 Cheese
- § 135 Frozen desserts
- § 136 Bakery products
- § 137 Cereal flours
- § 139 Macaroni & noodles
- § 145 Canned fruit
- § 146 Canned fruit juice
- § 150 Jellies & preserves
- § 152 Fruit Pies
- § 155 Canned vegetables
- § 156 Vegetable juices
- § 158 Frozen vegetables
- § 160 Eggs & egg products
- § 161 Fish & shellfish
- § 163 Cacao products
- § 164 Tree nuts & peanuts
- § 165 Beverages
- § 166 Margarine
- § 168 Sweeteners & syrups
- § 169 Dressings & flavoring



## Required Label Components Information Panel



## Ingredient Statement

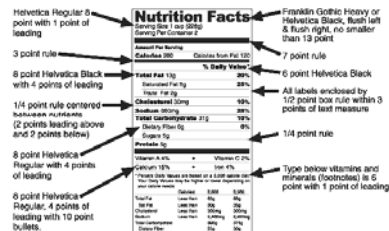
- Ingredients must be listed in order by weight
- Must list function of any preservatives
  - “Ascorbic Acid to promote color retention”
- “Spices”, “Natural Flavor” or “Artificial Flavor” can be grouped to save space
  - *Except:* onion/garlic/celery items, salt, and MSG
- Certified colors must be specified
  - “Red 40” or “FD&C Red 40”



## Allergen Statement



## Nutrition Labeling





## “100% Organic”

- Must contain only organic ingredients (not including water and salt)
- Must list certifying agency information
- Can use USDA and/or certifying agency seal



## “Organic”

- Must contain 95% organic ingredients
- Cannot contain sulfites
- Must list certifying agency information
- Can use USDA and/or certifying agency seal



## “Contains Organic \_\_\_\_\_”

- Must contain 70% organic ingredients
- Cannot contain sulfites (except wine)
- Must list certifying agency information
- Can use certifying agency seal, but not USDA



## “Natural”

- No specific legal definition
- Cannot contain artificial or synthetic ingredients
  - Colors
  - Flavors
  - Preservatives



## UDAF Certification Resources

- Cottage Production Certification  
Rebecca Nielson, (801)538-7152
- Food Establishment Certification  
Jay Schvaneveldt, (801) 538-7149
- Organic Certification  
Rob Hougaard, (801)538-7187



## Food Safety Resources

- U.S.U. Extension Food Safety  
Brian Nummer, PhD, brian.nummer@usu.edu (435)797-2116
- FDA Food Code  
<http://www.fda.gov/Food/FoodSafety/RetailFoodProtection/FoodCode/default.htm>
- Food Safety portal  
[www.FoodSafety.gov](http://www.FoodSafety.gov)



## Labeling Resources

- U.S.U. Food Quality & Entrepreneurship  
Karin Allen, PhD, karin.allen@usu.edu, (435)797-1768
- UDAF Labeling Compliance  
Rebecca Nielsen, rjnielsen@utah.gov, (801)860-7075
- “Guidance for Industry: A Food Labeling Guide”  
<http://www.fda.gov/Food/GuidanceComplianceRegulatoryInformation/default.htm>



## Questions?



## **A Comparison of Futures, Options and LRP Insurance for Feeder Cattle**

### **Biographical Information:**

*Dillon Feuz*

Dillon Feuz has been an agricultural economics professor at the Utah State University since 2006. His primary focus areas are in Livestock Marketing, and Farm & Ranch Management. He received his B.S. in Agribusiness in 1984 and his M.S. in Agricultural Economics in 1986 from the University of Wyoming and he received his Ph.D. in Agricultural Economics in 1990 from Colorado State University. He spent six years at South Dakota State University teaching marketing and conducting research on livestock production and marketing issues. He then worked for the University of Nebraska-Lincoln for ten years analyzing various cattle management and marketing strategies and evaluating consumer's willingness-to-pay for flavor preferences for beef steaks. Dillon was raised on a cattle ranch in western Wyoming.

### **Session Description:**

Feeder cattle markets are volatile. This presentation will compare using the futures market, options market of LRP feeder cattle insurance to help manage the volatility in feeder cattle prices.



## **Cowboy Poetry- Braden and Caib Brian**

Born and raised in Loa Utah these two cowboys have lived and worked on a ranch their whole lives. Braden is 14 years old and Caib is 12. About 9 years ago their dad picked up a flyer at a local western store inviting young cowboys to enter a youth cowboy poetry contest. Intrigued by this their Mother sat down and using the experiences of her two young cowboys wrote a cowboy poem for Braden to recite. Caib, who had just turned four, was determined that he was big enough to recite a poem, too, and sure enough, equipped with a poem written for him by his mother he won their very first cowboy poetry contest. Since then both boys have recited their mother's cowboy poetry and some of their own poetry on the stage each year. They've both won numerous contests and have performed in pre opening shows for Baxter black. As each additional Child came along, in turn, they to began to recite cowboy poetry. We have added Aubree, 8; Chance, 5; and Oaklee who is two years old. We own a small cow calf operation, with about 500 head of sheep as well, where our poems and experiences have come from.



## **Native American Dancing- Emery Polelonema**

Emery Polelonema has worked for The Six County Association of Governments (SCAOG) since 1986. A native of Moencopi, Arizona and an active resident of Richfield, Utah since 1980; He served as a Deputy Executive Director, Planning Director, Community Block Grant Program Administrator, Geographic Information Specialist, and Regional Planner for the SCAOG; His educational endeavors included earning a Bachelor of Science in Engineering Technology from Northern Arizona University, Master of Social Science in Human Resource Management—Utah State University (USU); served on the Executive Board Six County Economic Development District (SCEDD), member of the National American Planning Association, member of the Utah Chapter Planning Association, Member of APA's Indigenous Planning Association, Utah Native American Chamber of Commerce board member: Award received from Small Business Administration's Utah's Minority Business Champion of the Year 2005, Six County Regional Economic Development Award 2006.

## **Excel in Agriculture: Decision Support Tools Made Easy**

### **Biographical Information:**

*Brett Crosby*

Brett Crosby is a 5<sup>th</sup> generation rancher, based in north-central Wyoming's Big Horn Basin. Brett holds an MBA from Brigham Young University and is a certified rural appraiser in both Wyoming and Montana.

### **Session Description:**

CAS' "*Excel In Agriculture*" program serves to introduce agricultural producers to Microsoft's Excel desktop application and its use in farm management. Many established and even young producers shy away from using such technology to manage farm operations and as a decision support tool, preferring instead to follow more traditional farm management practices. *Excel in Agriculture* provides real world scenarios where Excel can and should be used.

## Horsin' Around on ATVs

### **Biographical Information:**

*Nathan Marshall*  
*Martine Marshall*

Nathan Marshall is from Southern Nevada. He has lived in Marysville, Utah for the past six years with his wife and three children. He manages Rose Ranch Resort with his wife Martine, which offers cabins, ATV rentals and horse trail rides to tourists from all over the country.

### **Session Description:**

How our business went from an idea to a reality.

- 1) Creating ideas in changing markets
- 2) Developing the idea
- 3) Making it happen
- 4) Keeping up

## **Preserving Historic Downtown**

### **Biographical Information:**

*Lorraine Gregerson*

Lorraine Gregerson is currently serving as Executive Director for the Richfield Area Chamber of Commerce and Main Street Enhancement. In that capacity she administers a program to emphasize area economic growth and improve the well being of area businesses. She acts as the on-site staff person responsible for coordinating all organization activities. She is also currently serving on the Board of Directors for the Utah State Chamber of Commerce. She has been Branch Manager at SOS Staffing Services and Regional Coordinator for Panoramaland Travel Region under the direction of the Six County Association of Governments. She has served on various local and State Boards and Committees.

*Woody Farnsworth*

Woody attended Brigham Young University where he received his Masters Degree in Public Administration. While attending BYU Woody Farnsworth met and married his wife, Linda Nielson of Richfield. They have resided in Richfield since 1972. Woody started his professional career in Richfield with the Six County Association of Government serving as its employment training director. He began his employment with Richfield City in 1977 where he served 32 years as City Manager. Woody recently retired from his employment with the City in December of 2009. He has received profound satisfaction and gratification for his involvement in numerous worthwhile city projects. He served on the Utah State Fire Prevention and State Capital Preservation Boards. He also enjoyed serving on several local boards and is currently serving on the New Horizons Crisis Board. He enjoyed working with elected officials, business and community leaders and local residents. He has participated in several service and civic organizations over the years and has enjoyed his involvement in a wide variety of city activities.

## *Mike Langston*

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Mike Langston was born in Richfield, Utah and served an LDS mission in France. He received his Bachelors Degree from Utah State University in Accounting and a Business Management Minor. He worked for a CPA firm for three years and was hired as an accountant for Richfield City in 1986. Mike became the Financial Director in 1989 and took over as City Manager in 2010.

Mike is married and has three boys- two are married and one is on an LDS mission. He likes to golf, fish, and ride wheelers.

## *Tristan DeMille*

Tristan DeMille has been a principal of Jones & DeMille Engineering for the past 29 years and currently serves as President. He has over 32 years of experience in infrastructure projects. He also has extensive experience with transportation and enhancement projects throughout the State of Utah. Tristan serves as Design Committee Chairman for the Richfield Main Street Committee. He has worked for 12 years with this committee, which has been involved with Main Street enhancements, downtown development and improvement of parking areas.

### **Session Description:**

In its early days, downtown grew and developed around the needs of the community, serving as the primary source of goods and services for residents. Even as national retailers like Penney's located on Main Street they served as anchors drawing customers to downtown. Downtown reflected the community's history and the streetscape was oriented to pedestrians.

The great change in downtown was initiated by widespread highway construction following World War II. Customers could now drive to do business and shopping malls, discount mass merchandisers and strip mall started being built outside the downtown area. Just like many other downtowns Richfield

businesses started trying to look like the shopping centers by covering their buildings and putting up large signs in an attempt to attract passing motorists.

Years ago Richfield City recognized the importance of the downtown to the community. It is the heart of the City and reflects the image of business in Richfield. The City recognized the need for parking in the downtown area and began purchasing property and developing parking behind the buildings. The businesses invested in the parking lots and developed back entries into their businesses from the new parking lots.

Many of the businesses have taken down their false fronts and remodeled the outside as well as the inside of their buildings. Richfield City recently completed a new streetscape which includes bulb outs with trees, vegetation, pots with flowers, benches and new lighting, taking Main Street back to a pedestrian friendly atmosphere.

On the tour, we will be visiting some of those businesses who will discuss with you what their building remodel has meant to their business as well as how they have become successful in Richfield.

## **About the Rules and Regulations of What You Need to Do to Start a Business**

### **Biographical Information:**

*Keith Church*

I work for Snow College as Assistant Director to the Small Business Development Center and Custom Fit Training. My background is Banking, Finance, and Administration (30 yrs.). I have worked for Snow College now for 4 years as a Certified Business Analyst.

### **Session Description:**

I want to start a business, how do I do it?

Defining Entrepreneurship

What's a Business Concept?

Setting Financial Goals

Planning the Product or Service

Researching and Analyzing the Market

Building the Organization/Team

Cash flow and Seeking Funds

## **CSAs- Marketing Outlet for Produce and More**

### **Biographical Information:**

*Dale Allred*

Dale Allred is a Utah farm boy. He earned degrees in engineering and agriculture from USU and spent the next 25 years in production, processing, and distribution of nearly every kind of commercially grown fruit, vegetable, fiber, and nut in association with many of the largest and most important farms in the United States, Latin America, and Europe. From this he has come full circle back to his roots and is the owner of Jacob's Cove, a Utah family farm.

### **Session Description:**

Jacob's Cove farm offers a diverse variety of vegetables to the Utah County community. With the construction of several large and innovatively designed tunnels, the farm can supply early and late season vegetables to the members of Jacob's Cove, Community Supported Agriculture (CSA). Dale will discuss the makeup of the farm, the product line used on the CSA, and other aspects of growing a variety of fruits and vegetables.



## **Creative Ways to Expand Your Market**

### **Biographical Information:**

*Ashley Steck*

*Sabrina Steck*

In the heart of central Utah in Piute County lies the small town of Circleville. This is home to Forest Creations. Our company was established in the summer of 2002 by a retired school teacher and family members. Forest Creations product line has expanded to many home décor items including signboards, clocks, wooden decorative letters, canvas art, and their famous series of decorative frames called Full of Memories.

Our products are designed to fit most home décor with fun, inspiring, thoughtful sayings. Forest Creations currently ships to all 50 states including the four providences of Canada. Also new accounts this past year include companies in Panama and Venezuela. They currently employ eleven full and part-time employees.

Forest Creations attends gift shows in Los Angeles, Las Vegas, Portland, Dallas, Seattle, Denver, Chicago, Boston and Atlanta. These shows are held semi annually.

Forest Creations primarily markets to retailers, catalog companies, and online stores. Some of their customer base includes companies such as Deseret Book, Tai Pan, Hallmark Stores, USA Baby Stores. Some catalog companies include Deseret Book, Current, Country House, Signals, and Kookabear Kids.

### **Session Description:**

This session will discuss ways to expand your market, drawing on the experience of what Forest Creations has done.

## **You Can Farm/You Can Ranch: Creative Ways to Begin Farming or Ranching Businesses**

### **Biographical Information:**

*Brett Crosby*

Brett Crosby is a 5<sup>th</sup> generation rancher, based in north-central Wyoming's Big Horn Basin. Brett holds an MBA from Brigham Young University and is a certified rural appraiser in both Wyoming and Montana.

### **Session Description:**

CAS' "You Can Farm!/You Can Ranch!" program serves to provide ideas to beginning and low income agricultural producers in ways they can achieve ownership of their own farm or ranch operation.

## **Rockin R Ranch Tour**

### **Tour Description:**

Tour the Rockin R Ranch, a real old west working Utah dude ranch with a herd of 500, where cowboys brand cattle, grow and harvest crops, and know how to have fun when the work is done. Eighty-six-year-old Burns Black, clearly destined to own a ranch with a name like Rockin R, bought the ranch in 1970. It was just a cattle ranch then. Three years later, when disease killed a third of his herd, he saw an opportunity to chase a long-harbored dream: open a working cattle ranch where noncowboys could learn the ranching life. Most of its business today is showing visitors what it means to have 500 head. Many ranches claim to offer an authentic cowboy experience, but Rockin R is one of the few that is the real deal. It is in a perfect location: Utah's fabled red rocks are less than an hour south and the soaring snow-capped mountains a few hours north. Guests experience one of the last remaining strongholds of the American West! They can soar back in time for a few days or an entire week.

<http://www.rockinranch.com>.

## **Redmond Salt Mine Tour**

### **Tour Description:**

Redmond Mineral salt mine is located north of Richfield. They produce animal salt and minerals as well as table salt marketed under the Real Salt label (<http://www.realsalt.com/>). This tour will include a tour of the operations and discussion of their mix of products and markets.

Lunch will be at historic Mom's café in Salina. In 1996, National Geographic article said, "The Old West is served hot and fresh daily at Mom's Café in Salina, where travelers and townspeople stop for chicken-fried steak and mashed potatoes."

## **Richfield's Historic Downtown Businesses Tour**

### **Itinerary:**

Meet in parking lot between 100 South and 200 South, behind the store, 9:45  
Expressions by Design at 10:15  
The Big Bun Bakery at 10:45  
Gary's Shoes at 11:15  
Lunch at Little Wonder at 12:15  
Christensen's at 1:00  
The Diamond Store at 1:30

### **Tour Description:**

#### **Expressions By Design**

Expressions By Design has evolved from a small home office space providing custom interior design services and home furnishings to a couple dozen clients a year to 3000 square feet of showroom space and design library servicing not only our own community but clients nationwide. We work closely with every customer to provide them with award winning interior design service and unique home decor items as well as a few personal gifts and beautiful fresh flowers for all occasions. No project is too small or too big for our experienced staff or designers and assistants. We can do everything from floor plans to accessorizing a new home or a remodeled home. As well as coordinating and arranging for beautiful events such as weddings and large gatherings. We specialize in providing an experience for each and every customer we have. From the beginning of Expressions By Design it has been our goal to offer a service and products that would fill a niche in our community and surrounding areas. We have aimed to provide a service that left our customers feeling overjoyed with the experience at Expressions By Design. It is our goal to have every customer feeling uplifted and fulfilled in a way they have never felt before. We work hard to personally know each client or customer individually knowing their needs in a way we can educate and guide them to make the very best decisions on their purchases. We love what we do and the people we do it for. It's a pleasure living in such an incredible community with such gracious friends and clients to serve.

#### **The Big Bun Bakery**

The Big Bun Bakery, named for the cinnamon rolls, located on Main street in Richfield, UT, is a unique bakery and quickly becoming the go- to spot in town. Everything is made from scratch from family recipes by the baker/owner, Julie Marsh. Cream pies are a popular sell-out item as are the filled cupcakes. The bakery also offers espresso, smoothies and Italian sodas. The signature item, the big bun (cinnamon roll), the bakery touts as the "best in the business". With a claim like that, one must go in and check them out.

### **Gary's Shoes**

Gary's Shoes was opened August 8<sup>th</sup> 1958. Gary's is now a 3<sup>rd</sup> generation business with the 4<sup>th</sup> generation learning the business as well. Through the efforts of the Utah main street program we remodeled the front of our store 10 years ago thanks to a grant from that program. Richfield city has also stepped up to the plate by building parking lots and improving the looks of our downtown with trees, bulb outs and planters. At this time we are very lucky to have the support of many local businesses such as the Sufco coal mine, trucking companies and many outdoor schools for troubled youth. We are also very fortunate to have places such as UDOT, USG, Pacific Corp, BLM and Forest Service offices in the area. Without some of these local offices we would no longer be the shopping hub for our many consumers. Thanks to all of the mom and pop shops that we currently have in this town we are able to create traffic for each other so that we can continue to make an honest living in a wonderful valley with many wonderful people.

### **The Little Wonder Cafe**

The Little Wonder Cafe is a quaint little corner cafe located at 100 South and Main in Downtown Richfield. It is the local's favorite for hometown cooking. You can sit at a booth where famous people have sat through the many years of it's operation. The daily specials and home made desserts are something that you will not want to miss.

### **Christensen's**

Christensen's began operations in Feb. of 1929, at 165 N Main (about where the Huish theater is now) by Alten Christensen. It was located in a small building that was about 550 sq ft. After 3 years, they moved to the corner of Main and Center in the building known as the Young Block. In 1934, they moved to our present location. The only building at that time on the block was the post office. Over the years as other businesses have come and gone, we have expanded into their space. Our Richfield location now as about 25000 sq ft. The sons of Alten (Clark, David and Alan) have followed in their father's footsteps and are involved in the retail operation. In 1983, they began to expand and now also have stores in Cedar City and St. George.

### **The Diamond Store**

The Diamond Store specializes in unique and exquisite gifts of love with a lifetime guarantee. Our professional service includes expert guidance, on-site goldsmithing, and laser engraving. In addition, The Diamond Store Boutique offers the latest fashion jewelry, handbags, and clothing.

## **IPM on Small and Diversified Farms**

### **Biographical Information:**

*Diane Alston*

Diane is an Extension and research entomologist at Utah State University. Her program focus is development and validation of integrated pest management technologies for fruit and vegetable crops in Utah. Diane has worked for Utah State University for 22 years. She is a native of southern California and attended graduate school in North Carolina. She lives in Richmond with her family and menagerie of animals.

*Dr. Dan Drost*

Dan Drost grew up on a small diversified farm in western Michigan. He graduated from Michigan State University with a master's degree in Horticulture with an emphasis on vegetable production and physiology. He earned his PhD from Cornell University in Vegetable Crops. Prior to arriving in Utah, he taught horticulture in New Zealand and has worked for Utah State University since 1992. In addition to his research work with vegetables, Dan is interested in small farm production systems, organic agriculture, the creation of efficient farm systems, and intensive farm and land management.

### **Session Description:**

Dan Drost and Diane Alston will introduce a USDA funded project to develop and validate insect, disease, and crop health sampling and management options for small vegetable farms in Utah. Due to their diverse nature, small farms have advantages and disadvantages in management of pests. Often, more labor intensive techniques such as mechanical exclusion and mass-trapping can be effective to reduce pests on small farms. In addition, attraction of beneficial insects, called natural enemies, can be effective on farms with high plant diversity. They will demonstrate online pest management resources and share relevant pest fact sheets and related information.

## **Growing Small Business: The Key to a Healthy Rural Economy**

### **Biographical Information:**

*Linda Clark Gillmor*

Linda Gillmor is the Economic Development Director for Millard County. She and her husband Jamie are the owners of S.T. Gillmor Sheep Company, a third-generation ranching outfit located in Morgan and Millard Counties. In 2001 Jamie and Linda started Morgan Valley Lamb LLC, a direct marketing company to sell their lambs at grocery stores, restaurants and farmer's markets. Linda served on the Buy Local First Utah board and is a current member of the Governor's Rural Partnership Board.

### **Session Description:**

Data show that 85% to 95% of rural jobs come from existing businesses. This session will look at various resources which exist in our rural and urban communities to support small business growth. Whether your business is on Main Street or on the farm, local community support of existing businesses is a critical element of small business success. When we buy from our local businesses, we not only support those businesses directly, we also create indirect benefits like providing local jobs and keeping the sales tax dollars at home.



# Advantages

## of Small Businesses to the Economy

1. The key to economic recovery: On a national level, small firms have generated **60% to 80% of new jobs annually** over the last decade and employ almost **half of all private-sector employees**. According to economists, in **each of our past recessions, small business growth has been pivotal in economic recovery**.

2. National studies confirm benefits of local:

- Studies in Austin and Mid-coast Maine tell us every time you spend a dollar in a locally owned independent business (LIB), **three times as much of that dollar stays in the local economy** (in the form of wages paid to local workers and goods and services purchased from other local businesses) than is the case with chains.
- Studies in San Francisco and Grand Rapids show that **a shift of just 10%** in shopping habits from chains to local would generate on average well over **\$100 million dollars in new local economic activity and create around 1500 new jobs**.
- Studies in Andersonville, Ill., U. of CA Irvine and Berkeley, U. of Missouri show that **LIBs spend a larger share of their revenue on local labor**, and that **chains eliminate jobs** (for every new retail job created by Wal-Mart 1.4 jobs in existing businesses are lost) and **drive wages and benefits down**.
- Studies at Loyola, U. of Chicago, U. of Iowa and Vermont State Environmental Board show **big boxes drive existing LIBs out of business and do not increase overall retail sales or sales tax revenue**.

3. Cost to cities of commercial big box development:

- A study in Massachusetts by Tischler & Associates found that the annual cost of providing city services to traditional downtown and neighborhood business districts was \$786 per 1,000 square feet of retail space. **Big-box stores were 30% more costly**, requiring \$1,023 in services per 1,000 sq. ft., while **strip malls were even more expensive** at \$1,248.
- Studies in Ohio, Illinois, Massachusetts, and New Hampshire have found that **big-box development projects often do not generate enough tax revenue to cover their much higher public services costs, resulting in a net shift of the tax burden to residents and small businesses**.
- A St. Louis study of \$2 billion in tax incentives given for large shopping-centers and big-box development showed only a modest net gain in jobs and **no net increase in tax revenue**. The subsidized projects created 32,550 jobs but caused a loss of 27,150 jobs at existing businesses, for a net gain of just 5,400 jobs **at a cost of \$370,370 per job**. Other research indicates that programs that focus on community development and small business growth produce jobs at much lower taxpayer cost.
- An ITF study in Texas and Oklahoma shows that supercenters of 200,000 sq. ft. generate on average **42% more traffic** than the rate listed in the Institute of Transportation Engineers Trip Generation manual that traffic engineers, developers, and city officials use to estimate the traffic impact of development projects.
- A New Rules study of big-box vacancies in 2008 showed a dramatic rise, with chains planning to **close more than 6,500 outlets by year's end**—one can only guess what the figure would be a year later in this failing economy. Between 1990 and 2005 **retail space per capita doubled** while per capita **consumer spending increased only 14%**. This pandemic of abandoned big boxes not only negatively affects the tax base (especially if subsidies are involved) but is an environmental and social catastrophe for cities.

**None of this begins to address the environmental and social costs to cities if LIBs disappear or diminish—the cost to charities and boards, to social services and to the community at large. Cities need flourishing locally owned independent businesses, downtown, in their neighborhoods, on their outskirts. Cities cannot prosper without us because we are the very backbone of community, economically, culturally, socially, and in every other way.**



White Paper

**Economic Gardening:**

**Creating Jobs by Growing Rural Businesses**

**A Workable Economic Development Strategy for Rural Utah**

July 27, 2010

Governor's Rural Partnership Board  
Economic Gardening Sub-committee

## **Economic Gardening**

### **Creating Jobs by Growing Rural Businesses**

#### **A Workable Economic Development Strategy for Rural Utah**

##### **Rural vs Urban Economic Development**

Rural economic development is different from economic development in urban areas. The primary focus of economic development in the state's urban areas is business recruitment. While finding and pitching sites, and putting together incentive packages for businesses looking to relocate is common-place in the Wasatch Front cities of the state, it is a rare occurrence for rural economic developers.

Because of distances to markets, airports, rail, customers and suppliers, and because of the limited size of the workforce, many businesses are not very well suited to a rural location.

The State of Utah, and many communities, rightfully invest a lot of money and resources into business recruitment, but this investment provides little return for the rural communities of the state.

Successful rural economic development demands a different approach. It requires that state and local resources be directed in a different direction.

##### **Hunting vs Gardening**

Rather than pursuing a strategy of "Hunting," for new jobs (recruitment), rural communities are better served by "Gardening" strategies. This means targeting economic development resources toward existing businesses with potential for growth and expansion. Data show that 85% to 95% of rural jobs come from existing businesses. These businesses not only create new jobs, but they are also the businesses that have paid the taxes and supported community events over the years. They are committed to the communities where they reside, and are not likely to leave town to chase and grab the next incentive package.

##### **Economic Gardening: Creating Jobs by Growing Rural Businesses**

Economic gardening concentrates on growing existing local businesses. It has been used in many areas of the country with great success. It is an entrepreneurial approach to economic development.

Effective economic gardening programs are focused on taking direct action to develop and help local entrepreneurs successfully fast-track sustainable expansion of their businesses. It identifies and targets viable existing business people with the desire and capacity to grow and expand, then provides them with a package of professional business assistance. At the heart of this program is access to tools and data – which typically are out of reach of a small business – that can increase the competitiveness and intelligence of the businesses, leading to a much higher likelihood for success.

In its purest definition, economic gardening is very targeted (more on this later), but for purposes of a rural economic development strategy, economic gardening needs to be defined broadly. It includes support for business start-ups, business expansion and retention programs, business incubators, connecting local business to international markets, e-commerce support and “Buy Local First” programs.

Fortunately, many key components for economic gardening already exist in rural Utah, even though they may be scattered and/or disconnected, and need to be better coordinated and supported to build a legitimate economic gardening strategy. These include:

1. Small Business Development Centers
2. Business Resource Centers
3. Business Expansion and Retention Programs
4. Economic Development Offices
5. Business Expansion and Retention Programs
6. Department of Workforce Services Offices
7. Vocational Rehabilitation Offices
8. USU Extension Offices
9. The Utah Manufacturing Extension Partnership
10. GOED International Marketing Program
11. Procurement and Technical Assistance Centers (PTAC)
12. Custom Fit Training/UCAT
13. Associations of Government Offices

In developing a state-wide strategy for rural economic development, the first two components – business support resources and business expansion & retention – are critical, and form the foundation for identifying and targeting the “sweet spot” businesses that will be discussed later in this paper.

### **Business Expansion and Retention (BEAR)**

The first step to growing (or saving) rural jobs by growing rural businesses is to make a connection with rural businesses. This means meeting with them face-to-face to learn about their needs, challenges, and opportunities. Based on this understanding of specific businesses and their specific situations, resources can be tapped, networking can be facilitated, business to business alliances can be formed, and the possibility of

improving the health of these businesses can be increased. This is the essence of a Business Expansion and Retention (BEAR) program, and it's the heart and soul of a successful economic gardening strategy.

BEAR programs meet face-to-face with businesses. BEAR programs learn first-hand about the concerns and opportunities of local businesses and of the business community. BEAR programs make businesses aware of resources that can help them address their concerns and seize their opportunities. BEAR identifies specific company needs and provides a real macro view of the local economy. BEAR programs recognize that the life's blood of a rural economy is small business, and that these businesses are the key to job creation – not government programs.

BEAR programs also buys a lot of good-will for local politicians and economic development offices. The positive connection between “the government” and a more successful business brings a strong political upside to those responsible for BEAR outreach programs.

### **The Sweet Spot – The Fertile Ground of Economic Gardening**

The term “Economic Gardening” was coined by Chris Gibbons, and describes a very targeted initiative that was pioneered in Littleton, Colorado. The thrust of the Littleton model is to identify second phase businesses. Second phase businesses are businesses that have grown to 3 to 9 employees in size. These are businesses that have grown beyond sole proprietor or mom and pop size, and often have the potential for significant future growth. These businesses are the “sweet spot” of economic gardening.

Once these phase-two business are identified, the Littleton model determines their desire and potential for growth. If the desire and potential are present, the businesses are given access to an array of sophisticated tools and technical support to help them maximize their ability to grow and expand.

The primary tools used to assist these sweet-spot businesses are the same databases that Fortune 500 Companies use to analyze markets and competitors, and to develop their marketing strategies. Because of the high cost to access these databases, and because of the technical expertise needed to mine these databases, access to this information is well beyond the reach of a small business. To bridge this gap, the public sector is stepping in to acquire the databases, then helping small businesses mine them to provide market and product intelligence that would otherwise be unattainable.

Some databases are currently available through the SBDC, but not those referenced in this paper. The true impact comes not just from having the databases, but in providing the direct connection between the individual company and the data.

These databases can be expensive, but fortunately, licenses to use these databases

can be obtained at significant discounts if they are purchased through an institution of higher education.

### **The Wyoming Approach**

Perhaps the best example of how to connect businesses to these databases at a low cost is provided by the Wyoming Business Council (WBC). The WBC partners with the University of Wyoming to license the databases – sometimes paying 75% below the private sector rate. In Wyoming, all businesses are invited to use these databases to do market research. The WBC uses Small Business Development Centers to screen and refine the data requests from Wyoming businesses. From there, the requests are submitted to the Wyoming Market Research Center (MRC).

The MRC has 3 full-time employees who are skilled in data base mining and market research, and dedicated to providing Wyoming businesses with sophisticated market intelligence. Within 10 days of receiving the requests, the MRC produces a report that includes such things as:

- Marketing Lists
- Competitive Intelligence
- Industry Trends
- Industry Financial Data
- Mailing Lists/Labels
- Local, State and National Demographics and Trends

Using this report, along with the technical assistance of the local SBDC, a business can move with confidence to develop market strategies, create a business plan, secure financing, and move into new markets with their products – expanding their companies and creating new jobs in the process.

This is economic gardening at its best, and it all begins with the face-to-face visits of a good BEAR program.

Other areas of the country that have successfully used this approach to economic gardening include Littleton, Co., Oregon (Oregon Microenterprise Network), Beaverton, OR, and Bellingham, WA.

### **Making it Happen**

Executing a legitimate rural economic gardening program in Utah will require coordination and integration of programs and resources at both the state and local level. It begins with the business visitation and data collection of a local BEAR initiative, and must be coupled with the business expertise of a Business Resource Center or Small Business Development Center. To be sustainable, it will require funding for BEAR outreach personnel and software.

It will also require working in partnership with higher education to license the market research databases, and to provide a staff of skilled data miners and analysts to provide the market research needed to help businesses expand their operations with confidence.

BEAR surveys will also reveal opportunities for expansion into foreign markets – one of the few growth sectors of the current economic recession. International marketing expertise will be critical to helping rural businesses understand the processes of reaching these markets.

The information collected from a BEAR program can be very useful to a number of existing state agencies, and has the potential to dramatically improve their operating results and achievement of their agency missions.

### **The Role of GOED in a Rural Economic Gardening Strategy**

To make all of this happen, the Governor's Office of Economic Development must be an active partner and play a critical role in developing a rural economic gardening strategy. GOED can also take the lead in bringing together and coordinating the state, local, and higher education resources necessary to make the strategy successful.

The first step is for GOED to join with rural economic development professionals in recognizing economic gardening as the most effective approach to rural economic development, and to join with rural Utah in developing a comprehensive rural economic development strategy centered around economic gardening.

This strategy will require participation on the part of the Governor, the Legislature, GOED, Workforce services, the Small Business Administration, the Utah System of Higher Education, and other state and federal programs and resources. GOED should take the lead in bringing these entities together to work with rural Utah in support of an economic gardening strategy.

GOED must also play a critical role in facilitating the pooling of resources from various partners and state agencies to fund the BEAR outreach activities.

### **GOED and BEAR**

Economic gardening begins by visiting and surveying businesses through a local BEAR program. Because many small rural communities do not have the capacity to launch and sustain a viable BEAR initiative, rural Utah will need support from GOED.

Much has been learned from the very successful BEAR program in Carbon and Emery Counties. First, a BEAR effort requires a robust software program to collect the data and to connect businesses to the technical assistance resources they need. Currently Carbon, Emery, Iron, Juab, Millard, Piute, San Juan, Sevier, Summit, Tooele, Wasatch,

and Wayne counties have access to the Executive Pulse software program. GOED can help additional rural counties acquire the needed software and develop the business surveys to ensure state-wide consistency.

GOED's involvement will keep the process transparent, ensure accountability, and provide assistance in addressing needs that are beyond the capacity of local entities. GOED can also play an important role in reviewing that data platforms of various stakeholders, and determine if a standardized platform can be agreed upon. This would lead to seamless collection of data and uniformity of reporting across agencies.

Second, and most importantly, a BEAR program requires trained full-time outreach specialists to conduct the visitations and surveys. The outreach specialists are trained to discuss the needs, problems and challenges facing the businesses they visit in a conversational format. The outreach specialists do not solve the problems or answer the questions, but instead refer a professional expert to the business. Rural BEAR programs need help in obtaining the funding to support the business visitation components of an on-going BEAR effort.

Rural Utah is interested in adopting the Pennsylvania model for funding these business visits. Using this model – which has been used successfully for 10 years in Pennsylvania – the various partners interested in the information and relationships established through a BEAR program pool their funding to support the outreach.

Some of the partners who have expressed interest include the Department of Workforce Services (DWS), Vocational Rehab, USU Extension Services, SUU Regional Services, and Small Business Development Centers. Ideally, each of these partners would pay a agreed upon amount to the local BEAR program for each visit conducted. As part of this arrangement, the partners would be able target the types of businesses that would be surveyed (via NAICS codes), and the frequency of the visits. They would also have access to most of the data collected.

Rural Utah looks to GOED and the Governor's Office to play a lead role in bringing these partners, and others, to the table to talk with rural Utah about the possibilities of this approach and how to make it a win-win arrangement for all parties.

### GOED and Business Support Services

Business visitation is meaningless if there is no ability to respond to the concerns raised by the businesses surveyed. Responding to business needs and opportunities will be the primary responsibility of existing Business Resource Centers and Small Business Development Centers. Because a BEAR program will significantly increase the demand for services, and because technical support resources are very limited in small rural communities, it is imperative that these entities not only remain strong, but that they orient their efforts to support economic gardening activities, and that they receive the state-level support and funding to do so.



GOED can ensure that rural Business Resource Centers and SBDCs are funded at adequate levels, and that they have administrative support to be active partners in economic gardening initiatives. GOED can make sure that funding levels are maintained and augmented as needed in the Governor's Budget and in presentations to legislative appropriations committees.

### GOED and International Marketing

While the U.S. economy has been mired in economic recession for months, global growth is projected to be at 4.5 percent, in large measure due to strong economic performance in China, India, Africa, and Latin America. Brazil's projected growth rate is 7.2 percent for the coming year. Exports have been an engine of U.S. growth, up 17 percent in the first four months of 2010 from the same period in 2009.

Rural businesses have very little access to the mentoring and guidance necessary to enter foreign markets. GOED should plan to focus technical assistance toward rural businesses to assist them in entering foreign markets as these opportunities are identified in BEAR surveys.

### GOED and PTAC

Rural businesses have great need for the mentoring and guidance necessary to compete for government contracts. GOED should plan to focus increased technical resources toward assisting the Procurement Technical Assistance Centers to be able to respond to the increased workload from opportunities that will be generated by the BEAR surveys.

### GOED and Market Research Tools

The capstone of a serious economic gardening effort is giving businesses with growth potential access to the market research databases that can take them to the highest level of market plan development. GOED is the logical entity to work with higher education institutions in obtaining licenses to use these critical tools, and to field a research team to mine the data and produce the resulting reports. The databases listed in this paper are not currently available to Utah SBDCs.

As mentioned earlier, using an state college or university to purchase the licenses can reduce the cost significantly. It is recommended that GOED meet with the Wyoming Business Council, and/or other states, to learn from their successful efforts and adapt them to Utah's needs and business environment. A list of many of these databases is attached.

### **Attachments**

Attachment 1: Market Research Databases.

Attachment 2: Spreadsheet on the potential rural business market.

Attachment 3: Spreadsheet with proposed budget and projected impacts.

# The Local Multiplier Effect

## HERE'S THE IDEA

Buying local products at locally owned businesses keeps money circulating closer to where you spend it. This creates a ripple effect as those businesses and their employees in turn spend your money locally. Corporate chains send most of your money out of town.



For every \$1 spent at a local business ...

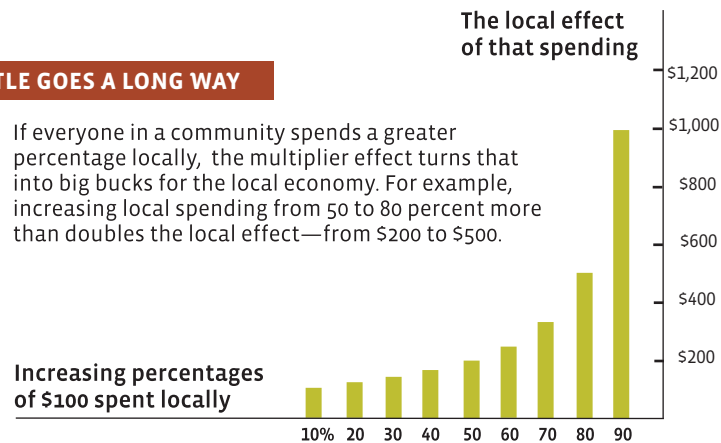


For every \$1 spent at a corporate chain ...



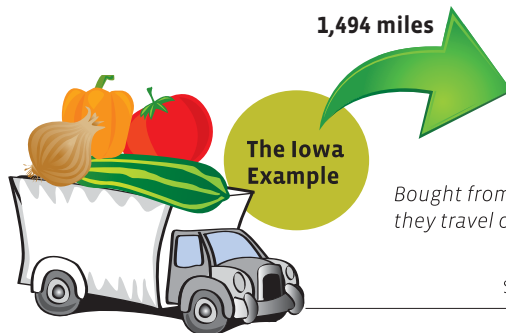
## A LITTLE GOES A LONG WAY

If everyone in a community spends a greater percentage locally, the multiplier effect turns that into big bucks for the local economy. For example, increasing local spending from 50 to 80 percent more than doubles the local effect—from \$200 to \$500.



## AND A BONUS!

By buying local goods, you maximize your money's impact and minimize fuel use and CO<sub>2</sub> production. Produce from the supermarket travels up to 92 times farther than produce grown locally.



**The Iowa Example**

1,494 miles

A study by the Leopold Center found that 16 common crops that grow in Iowa travel an average of 1,494 miles to reach chain groceries there.

Bought from local growers, they travel only **56 miles**.

Sources: Sustainable Seattle; Civic Economics.

YES! MAGAZINE GRAPHIC 2007



Find out more about local living economies in the Winter 2007 issue of YES! Magazine, **Go Local**. Back copies at [YesMagazine.org/store](http://YesMagazine.org/store).

Online version and printable PDF of **The Local Multiplier Effect** at [YesMagazine.org/multiplier](http://YesMagazine.org/multiplier).

Related articles at [YesMagazine.org/GoLocal](http://YesMagazine.org/GoLocal).





A grant from the USDA to Snow College has made the Rural Business Outreach Program (RBOP) possible. This program is designed to enhance economic development in each county of the six-county region of central Utah.

### RBOP Grant Details:

- Amount: \$97,999
- Source: USDA Rural Development
- Type: Rural Business Enterprise Grant
- Recipient: Snow College Foundation on behalf of the Utah SBDC at Snow College
- Period of program: Twelve-month program with estimated start date of October 2010
- Purpose: To encourage economic improvement and job creation by providing more accessible business counseling, training and resources throughout the six-county region, with an emphasis on outlying communities.

### Key Elements:

The RBOP grant provides funding for four key elements as indicated below:

<p><b>Business Outreach Specialists</b></p>		<p>A contracted business outreach specialist located in each county will provide basic business counseling, resource referral, promotion of training programs, etc. on behalf of the Utah SBDC. Because these services are closely aligned with the regular function of the county economic development directors, it is proposed that the SBDC contract with each county for these services to be provided by the county economic development directors in the course of their regular duties. This component applies to the four counties where a local SBDC office does not already exist, <u>namely Juab, Millard, Piute, and Wayne</u> counties. Additionally, it is proposed that the SBDC contract with the AOG for these same services through a roving business outreach specialist, <u>namely the Revolving Loan Fund administrator</u>, whose responsibilities already require travel throughout the region to meet with businesses who have utilized funding.</p>
<p><b>Media Resource Center</b></p>		<p>A media resource center containing instructional business books, magazines, software and other audio/visual resources will be provided for placement in <u>each of the six counties</u>. It is proposed that these be placed at or near the county economic development office.</p>
<p><b>Online Resources</b></p>		<p>A repository of resources to enhance business assistance services will be made available to business outreach specialists. Additionally, online resources and a directory of business service providers and services will be developed and <u>made available for public access</u>. Further, the <u>Business Expansion And Retention (BEAR)</u> program will be supported by the RBOP efforts.</p>
<p><b>Collaboration</b></p>		<p>Innovative improvements to communication processes will be implemented for the purpose of enhancing collaboration among the SBDC, county economic development offices, business outreach specialists, and other resource partners. This will include the purchase of necessary hardware and software in strategic locations (likely business outreach specialist offices).</p>

Alan K. Christensen of the Utah SBDC will be in contact with each potential contracting entity (counties and AOG) in the next two weeks to discuss acceptable terms for contract funding, which is on a quarterly reimbursement basis.

## **Farm Service Agency is The Lender of First Opportunity**

### **Biographical Information:**

*Korry L Soper*

I grew up in Panguitch, Utah. I owned and operated my own livestock operation consisting of sheep and hogs until I went to college in 1984. I liquidated the assets from that operation and used the funds to put myself through school. Presently I live in Manti, UT. I graduated from Utah State University in 1989 with an Agribusiness Degree and minor in Business Administration. I began my career with USDA working for the Farmers Home Administration in Blackfoot, Idaho. I transferred to the Farm Service Agency in Manti, Utah in 1998. Currently, I am the Farm Loan Manager for the Sanpete County FSA office and the Sevier County FSA office. These offices provide farm loan assistance and guarantees to Sanpete, Sevier, Piute and Wayne county producers.

*Travis Cartright*

Travis grew up in rural Arizona and in Ephraim, Utah. Growing up, he worked for an individual where part of his responsibilities was working on a hay farm. Travis attended and graduated from Utah State University with two bachelor degrees; One in Management and one in Finance. Travis has been working for Farm Service Agency since 2001. Travis resides in Ephraim, Utah where he is raising his family and runs a small hay farm.

*Dallen Quarnberg*

Dallen currently serves as District Director in Southwestern part of Utah. He has been an FSA employee for 35 years involved in administering FSA programs including all farm programs and farm loan programs. He also owns and operates a farm and ranch cow/calf operation in Millard County.

**Session Description:**

Farm Service Agency is the Lender of First Opportunity for those desiring to start a farming or ranching operation. Farm Service Agency has the needed tools and available financing options to help many beginning farmers get a start and to help those who have fallen on difficult financial times.

FSA makes direct and guaranteed farm ownership and operating loans to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA loans can be used to purchase land, livestock, equipment, feed, seed, and supplies. Our loans can also be used to construct buildings or make farm improvements.

FSA loans are often provided to beginning farmers who cannot qualify for conventional loans because they have insufficient financial resources. FSA also helps established farmers who have suffered financial setbacks from natural disasters, or whose resources are too limited to maintain profitable farming operations.

## **Bar 10 Ranch: A New Old Direction**

### **Biographical Information:**

*Kelly Heaton*

Kelly Heaton grew up with ranching. He is married to Heidi and they have five children. He and his family work to preserve the heritage of the Bar 10 ranch.

### **Session Description:**

For over 100 years, the Heaton family has been raising cattle on the Arizona Strip. They have always felt like they raised a superior calf, but would sell that calf at auction for the same price that everyone else received. From the time it was sold at auction to the time it reached the consumer's plate, they didn't ever know where that calf went, or how it was treated. In recent years, with the industrialization of beef and the distrust created by inhumane animal treatment and food borne illnesses, the decision was made to start providing consumers directly with safe, high quality, gourmet all natural grass fed beef. Now, the Bar 10 Ranch controls how the cattle are treated from beginning to end. The Bar 10 Ranch has a rich history of generations of Heatons working on the cattle ranch on the North Rim of the Grand Canyon. When the ranch needed to make changes to preserve that history, they looked to their past to plan their future. While the new changes are a departure from what they did in the past, in some ways it was a return to their distant past. This session will look at the "New" "Old" way of doing things.

## **BAR 10 RANCH**

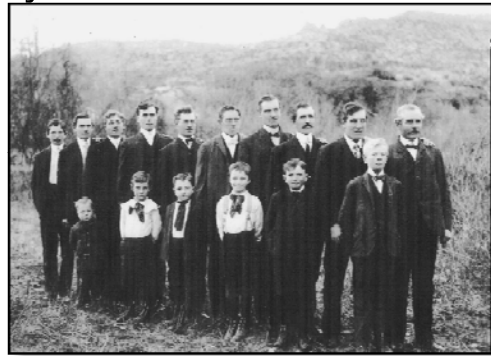
A new direction

## **History of Bar 10 Ranch and Beef on the Arizona Strip**



## **Pipe Springs 1860**

### **Jonathan Heaton and Gilbert Heaton**



### **Income shifts from on ranch to off ranch income, or diversification**

Tony and Ruby Heaton



### **Bar 10 lodge 1983**

Open for business



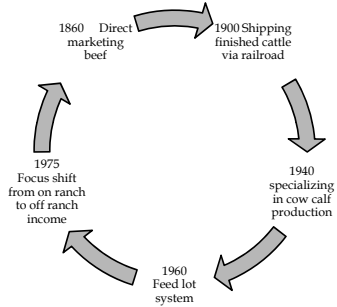
**Our love has always been ranching**



**Bar 10 ranch a new "old" direction**

**History of cattle ranching on the Arizona strip**

The Bar 10 has come full circle in cattle ranching

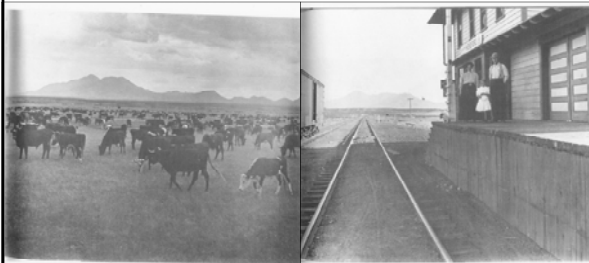


**History of cattle on the Arizona Strip**

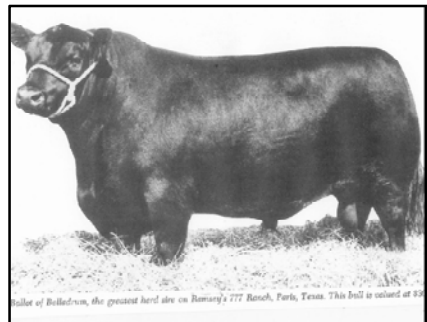
1860 Direct marketing era



**1900----1940 shipping finished cattle via railroad**




**1940—1960 concentrated gene pools specializing in the production efficient grass type calves**





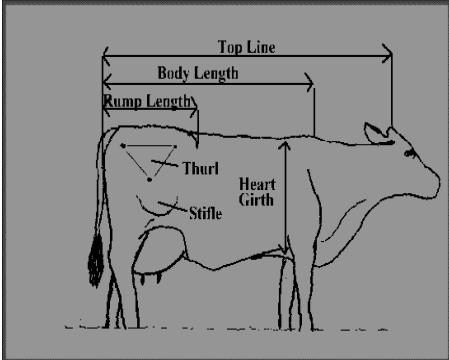
**1960-----2000**  
**feedlot era- bigger is better no matter how inefficient.**  
**Fads and crossbreeds**



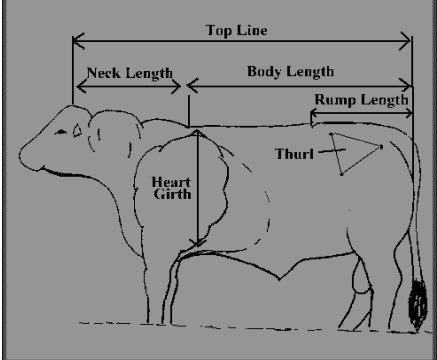
**Three years of study, travel, and observation**

- found that the cattle across the country are very similar
- Found that these cattle will not work in a gourmet grass-fed system.
- Realized to produce a repeatable product our gene pool must be closely connected.
- Realized that a grass-fed type animal will be a more productive, profitable mother cow.
- Realized the importance of identifying the top 5% of our mother cows and their value in creating the ideal herd
- Learned how to linearly select cattle for efficiency and tenderness and found that our top 5% of mother cows fit within these measurements.

**Linear Measurement Female**




**Linear Measurement Male**



**Benefits of Linear measurements**

- More Efficient grazers by as much as 15%
- More fertile
- More butterfat
- More Tolerant to weather conditions
- More docile even tempered
- Beef product is more tender with more intramuscular fat
- More saleable beef product
- Current system does not reward us fairly for a superior product



**There has never been a better time than now to develop your niche markets in the beef business!**

- There is a major shortage of high quality beef.
- The commodity market can't compete with us on quality.
- There is more demand than supply of grass-fed genetics (seed stock producers).
- The current corn-based model is due for a major overhaul.
- More than ever, people are willing to pay a premium for safe and healthy and humane food supply.



## "First things First"

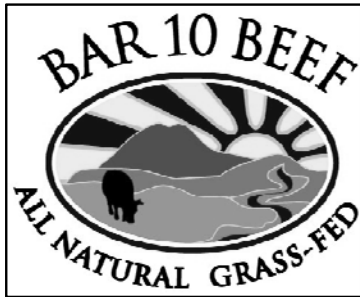
### The right cattle and the right customers

▫ We needed cattle that would thrive on our ranch (linear measurements).

▫ We needed cattle that would produce gourmet beef (Red Devon).

▫ We needed a herd that would give us a repeatable product.

▫ We needed to learn more about our customer. Who they are and where they live.



## THE RED DEVON

"The right cattle for grass"

## "Rotokawa" Red Devon's

▫ Origin of the Red Devon's.

▫ The Rotokawa Devon's.

▫ Importance of hide color.

▫ Tight genetic gene pool.



## Who is our customer?

**Health conscious, even vegetarians**

**Beef connoisseur**

**Urbanites seeking a connection to the land and their food**

**Environmentalists**

**Soccer Moms**

**They are the 1% of the population that is willing to go out of their way to buy their beef direct from the producer**



## Opportunities and Challenges We See in the Future

▫ Developing Market

▫ Allows us to be more independent in our management decisions

▫ More sustainable business model

▫ Could be better for the local economy

▫ Lack of USDA slaughter houses

▫ Finding the 1% of the population that is looking for our product

▫ Lack of gourmet quality grass genetics



## **Diversified Agriculture Conference Success Story- The Cedar Livestock and Heritage Festival**

### **Biographical Information:**

*Chad R. Reid*

Chad has a MS from the University of Nevada, Reno in Genetics and a BS from Southern Utah University in Biology. Currently he is the Iron County Extension Agent in Cedar City, Utah and coordinator for the Cedar Mountain Initiative. Before that he worked as Extension Agent in Uintah County, Utah, and Weston County, Wyoming. Research interests include: Aspen ecology and survival on Cedar Mountain; Repeat historic photograph website, Barn Owl population enhancement for rodent control; Hybrid poplars as alternative crops; Windbreak effects on alfalfa production; Pasture grass production using effluent water; Phosphorus fertilization of alfalfa; Downey Brome and Rabbitbrush control on rangelands. Chad is Chairman of the Cedar Livestock and Heritage Festival. In addition, Chad is the Past President of the Utah Section of the Society for Range Management, Co-Chairman of the Rangeland Reference Committee for the Utah Section of the Society for Range Management; Past President of the Utah Association of County Agricultural Agents, Past President of Utah Weed Control Association and Past President of Epsilon Sigma Phi, Iota Chapter.

### **Session Description:**

The history, impact and success of the Cedar Livestock and Heritage Festival that was developed as a direct result of the Diversified Agriculture Conference

## Cedar Livestock and Heritage Festival

The Cedar Livestock and Heritage festival is operated by the Western Heritage inc a 501c3 corporation. The festival includes a premier stockdog competition, in 2010 people as far away as Missouri and Alaska came to watch the event, 46 dogs from several states competed for 7,000 dollars in prize money. Our competition has quickly earned the reputation as one of the best in the country; this is due to the fact that we use lambs that have just come off the mountain and are in very good condition; they have never been worked by dogs and have not been used in other stock dog competition. This makes them exceeding hard for the dogs to control; Therefore quickly separating the good dogs and handlers from the other contestants. This and the fact we have a very large field that requires the dogs to work at long distances makes our contest one of the toughest if not the toughest in the country, therefore all the top handlers and dogs in the country want to come and see how they stack up against our lambs and conditions. This was evidenced by the fact that although we did not advertise the event we immediately had 46 entries (the maximum amount we could handle in two days) just by word of the mouth.

The parade down Main Street is reported by many long time residents as the best parade they have ever seen. With over 30 sheep wagons, several semi trucks and trailers, a bag pipe band, several youth groups, antique tractors, horses and wagons and 1200 sheep the parade was a sight to behold. There is only one other event similar to this anywhere in the United States, making our festival truly unique.

We have also partnered with the Quilt Guild and the SUU Arts department to have a large quilt and student art show as part of the Festival as well as a headliner music act Grammy nominated Don Edwards.

Other events included a very popular Dutch oven cooking contest, live music and entertainment, heritage crafts and displays, educational booths and vendors and an antique tractor pull and show. Due to our success last year the Southern Utah Antique Machinery Association has decided to make our festival a major event for their association. They are again planning a Kids tractor pull, an antique tractor pull and show and other events. Last year they had over 70 tractors compete in the pull making it one of the largest pulls in Utah. In addition we have merged with Cedar City Cowboy Gathering adding world class cowboy poetry and music with a campfire program and a Jam Session and Cowboy Church on Sunday as part of the festival. This year we have added a Vintage car show and a Backyard Barbeque Contest to the festival. This festival has a bright future, educates the public about agriculture and our heritage, adds to community spirit and has positive impact on the local economy.

In 2010 this event was attended by people from as far away as Alaska and Missouri. This year we mailed out over 1800 postcards inviting people to the festival. Also we are targeting a good portion of our advertizing out of the local area In 2007 a reporter from the New York Daily News attended the event and wrote it up for the paper; the circulation of the paper is over 2 million.

Cedar City Corporation's impact formula estimated the economic impact of our festival over 1 million dollars in 2008. In addition the festival was named to the Best of the West list in the February/March 2011 edition of the American Cowboy Magazine.

## **Revolving Loan Fund; Ways to Finance New Businesses and Expansions**

### **Biographical Information:**

*Brian Florang*

I manage the Six County Revolving Loan Fund (RLF) and Business Outreach Programs. The RLF is used to provide micro-lending and gap financing for business start-up or expansion within the six county region. I've been with the Six County AOG since 2009.

### **Session Description:**

Overview of the RLF and the loan programs that are available.

Who the financial partners are that Six County has worked with.

What the requirements are for getting financing.

What other services for business are available through the Six County.

## **NRCS Programs Available to Agricultural Producers**

### **Biographical Information:**

*Blake Walbeck*

Currently an area programs specialist for USDA-NRCS Area II, which covers 11 counties in the southwest portion of the state. A (proud) USU Aggie, with a degree in Range Science.

NRCS is currently in our 75<sup>th</sup> year of service to the people of the US.

Our motto is: Helping People Help the Land.

### **Session Description:**

A brief overview of conservation and easement programs available to agricultural producers through the Natural Resources Conservation Service.

## **Listening Session on IPM Use on Farms**

### **Biographical Information:**

*Diane Alston*

Diane is an Extension and research entomologist at Utah State University. Her program focus is development and validation of integrated pest management technologies for fruit and vegetable crops in Utah. Diane has worked for Utah State University for 22 years. She is a native of southern California and attended graduate school in North Carolina. She lives in Richmond with her family and menagerie of animals.

*Dr. Dan Drost*

Dan Drost grew up on a small diversified farm in western Michigan. He graduated from Michigan State University with a master's degree in Horticulture with an emphasis on vegetable production and physiology. He earned his PhD from Cornell University in Vegetable Crops. Prior to arriving in Utah, he taught horticulture in New Zealand and has worked for Utah State University since 1992. In addition to his research work with vegetables, Dan is interested in small farm production systems, organic agriculture, the creation of efficient farm systems, and intensive farm and land management.

### **Session Description:**

Dan and Diane will solicit input from small and diversified farm producers on their needs and priorities for pest management technologies. Which pests are the most problematic for you? Which types of pest management techniques are best suited to your operation? What is your preference for accessing pest management information? What types of information formats do you prefer? Dan and Diane will conduct a listening session and iClicker interactive survey to gather information on pest management needs for small farm producers in Utah.

## **Planning and Marketing to Grow Business in Rural Areas**

### **Biographical Information:**

*Milo Medley*

40 years of accounting and financial management. Owned, operated and started several businesses. Active in Chambers of Commerce. Chairman of Marysvale Planning and Zoning Commission. Past member of Monroe City council. Past member of Sevier County Planning Commission. Currently operating an RV Park and ATV rentals companies in Marysvale and a computer store in Richfield. Manage and maintain 2 large computer networks in Richfield. Financial and Accounting consulting for Richfield businesses. Married with 9 children, 23 grandchildren and 2 great-grandchildren.

### **Session Description:**

Items to consider and steps to take for successful business in rural areas.

Activities that work and those that don't.

Inventory your assets.



## **Farm Income Taxes 101: What You Need to Know About Income Taxes and New Farm Businesses**

### **Biographical Information:**

*Ruby Ward*

Dr. Ruby Ward was raised on a farm and ranch in South-eastern Idaho. After graduating from Ricks College, she received a BS in Agricultural Economics and Accounting from Utah State University. From Texas A&M University she received an MBA and a PhD in Agricultural Economics. Dr. Ward joined the faculty at Utah State University in 1998 and was tenured in 2005. Ward is currently an associate professor and extension specialist at Utah State University in the Department of Applied Economics. Her current assignment involves all three areas emphasized at a land grant University—teaching, research and extension. She teaches agricultural finance and community planning. Ward is the committee chair for the Diversified Agricultural Conference. Ward is the project leader for the Rural Tax Education website and Co-chair of the National Farm Income Tax Extension Committee. Ward works primarily in the area of rural development focusing on regional economics and agriculture entrepreneurship.

### **Session Description:**

There are unique tax issues for farms and ranches. This session will cover some basics that you need to know about farm and ranch federal income tax issues. It will also cover self-employment taxes, hobby loss rules, and Form 1099 Informational returns. Self-employment taxes are often unexpected for a new farm or business operation. They are often bigger than federal income taxes. This will cover what to expect. Hobby loss rules are what the IRS uses to determine if your operation is a hobby or a business. Form 1099s were created so that the IRS could match them up with income reported on tax returns. You may receive them for income that you receive and you may also be required to issue them for others from whom you purchase services. This session will cover all of this as well as discuss RuralTax.org a website for federal farm income tax educational materials. The handouts for this session come from that website.

## Introduction to Agricultural Federal Tax Issues\*

*Ruby Ward, Extension Specialist*

*Department of Applied Economics, Utah State University*

### Introduction

Essentially all farmers, ranchers and other agricultural producers must file a federal tax return and pay federal income and/or self-employment taxes on their net profit. [Farm, Farming and Who's a Farmer for Tax Purposes](#) provides information about IRS definitions of a farm and farmer filing income tax returns. There are special rules on filing dates for those producers that qualify as a farmer (i.e., one who receives more than two-thirds of his or her net income from farming). [Filing Dates and Estimated Tax Payments](#) provides more details regarding qualifications and estimated tax payments.

### Income

Each producer needs to file a *Form 1040 U.S. Individual Income Tax Return* (Form 1040). Agricultural producers may have income from their farming business included on multiple attachments to their 1040 return. The Income section on page one of Form 1040 has lines for reporting wages and salaries and many other sources of income. For other income sources, a specific form or schedule that includes both revenue and expenses needs to be filed. *Schedule F: Profit or Loss From Farming* includes all of the income and expenses from operating the farm or ranch. Any net income or loss is included in the income section of the Form 1040 line 18. Forms and schedules that relate to a farm, ranch or other agricultural operation are discussed below.

\* In cooperation with the participating land-grant universities, this project is funded in part by USDA-Risk Management Agency under a cooperative agreement. The information reflects the views of the author(s) and not USDA-RMA. For a list of participating land-grant universities, see RuralTax.org.

- **Schedule F.** This schedule is used to calculate the net income from the farming operation. Part I of the schedule has lines to report the various sources of income or revenue. Part II of Schedule F is used to record expenses using agriculturally appropriate categories, for example: fuel, seed, repairs, etc. Depreciation is an expense that requires its own form for income tax purposes. In general, a producer cannot include in expenses the cost of purchasing assets that will be used over time. Instead the cost of the asset is spread out over multiple years and a [depreciation](#) expense allows a portion of the cost to be deducted each year. The depreciation topic is separated into multiple parts. See RuralTax.org for a list of the depreciation topics.
- **Form 4797 (Sale of Business Property).** When business assets, such as equipment, are sold, any gain from the sale has special tax treatment. See [Sale of Business Assets](#) for more information. The [involuntary conversion](#) of farm assets is also reported of Form 4797. Sometimes business assets are exchanged rather than sold. [Like-kind Exchange \(Trade\) of Business Assets](#) provides more information about trades.
- When livestock are sold due to acts of God, like weather, there are special rules that allow the livestock to be replaced and the sale proceeds do not need to be included on the return. However, the proceeds must be used to replace the livestock within a designated period. See [Weather Related Sales of Livestock](#) for more information.
- **Form 1099s** are informational returns only and are not filed by the individual with his or her Form 1040. The IRS uses the forms to match income reported on the forms with the income the taxpayer reports on his or her tax return. Producers may receive Form 1099s and may also be required to issue them. For a more complete discussion, see [Form 1099 Informational Returns](#).
  - In general a Form 1099-MISC must be issued to any unincorporated business from whom they have purchased more than \$600 worth of services.
  - Producers receiving a Form 1099 will normally report the amount in the income section of Schedule F.
  - Producers will receive Form 1099's for agricultural program payments and for cooperative distributions. Some of the reported payments and distributions may not be taxable. However, they must be reported on the non-taxable income lines included on the Schedule F.

## Losses

There are several considerations if losses occur. Losses can be used to offset income from other sources to reduce the income tax obligation in the year of the loss. The losses can also be carried back to reduce taxes in prior years and/or carried forward. [Choices for Your Farm Operating Loss](#) discusses these options. There are also rules if the producer is not [“actively participating”](#) in the business. If the producer is not actively participating, losses may be passive losses and

cannot be used to offset other income. Another consideration is whether the producer is “at risk”. The at-risk amount is the amount of the producer’s investment in the business. Deductible losses are limited by the amount “at risk”. [How Do the At-Risk Rules Apply to a Farm Business](#) discusses the at-risk issues.

If a farm has losses over an extended period, the IRS may classify this operation as a hobby activity rather than a business. [Farm Losses vs. Hobby Losses](#) discusses the tests on which the IRS bases their determination. The document also discusses the records that can be used to prove it is a business.

## **Self-Employment Tax**

Employers withhold FICA and Medicare from their employee’s wages or salary. They then match the withheld amount and send it to the IRS. A producer however, pays the full amount as self-employment tax. This is their contribution to social security and Medicare. Unlike income tax which allows a deduction for either the standard deduction or the itemized deductions in calculating taxable income, self-employment tax is paid on all net income earned from the business. The total rate is 15.3%. Because this is paid on all the earnings, it can often be a larger expense than federal income taxes. [Self-Employment Tax](#) discusses this issue in more detail.

## **IRS Publications**

To access Form 1040 or other publications referenced in this paper, go to [www.irs.gov](http://www.irs.gov) and click on “Forms and Publications.” Then click on “Publication number” under “Download forms and publications by:” Type the publication number in the find box to search for the publication. Publications may be viewed online or downloaded by double clicking on the desired publication.

**IRS Publication 225, Farmer’s Tax Guide.** This publication covers a wide variety of farm related income tax issues.

## **Additional Topics**

This fact sheet was written as part of Rural Tax Education, a national effort including Cooperative Extension programs at participating land-grant universities, to provide income tax education materials to farmers, ranchers, and other agricultural producers. For a list of universities involved, other fact sheets and additional information related to agricultural income tax please see [RuralTax.org](http://RuralTax.org). All of the fact sheets referred to in this document are listed under Fact Sheets.

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This information is intended for educational purposes only. You are encouraged to seek the advice of your tax or legal advisor, or other authoritative sources, regarding the application of these general tax

principles to your individual circumstances. Pursuant to Treasury Department (IRS) Circular 230 Regulations, any federal tax advice contained here is not intended or written to be used, and may not be used, for the purpose of avoiding tax-related penalties or promoting, marketing or recommending to another party any tax-related matters addressed herein.

The land-grant universities involved in Rural Tax Education are affirmative action/equal opportunity institutions.

Label (See instructions.)

Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign

For the year Jan 1 - Dec 31, 2009, or other tax year beginning , 2009, ending , 20
Your first name MI Last name William F Rosso
Your social security number 543-00-2111
If a joint return, spouse's first name MI Last name Barbara J Rosso
Spouse's social security number 543-00-1222
Home address (number and street). If you have a P.O. box, see instructions. Apartment no. 4427 East Lake Road
City, town or post office. If you have a foreign address, see instructions. State ZIP code Wilson, NY 14172
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund? (see instructions) [ ] You [ ] Spouse

Filing Status

Check only one box.

1 [ ] Single
2 [X] Married filing jointly (even if only one had income)
3 [ ] Married filing separately. Enter spouse's SSN above & full name here.
4 [ ] Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here
5 [ ] Qualifying widow(er) with dependent child (see instructions)

Exemptions

If more than four dependents, see instructions and check here [ ]

6a [X] Yourself. If someone can claim you as a dependent, do not check box 6a.
6b [X] Spouse.
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) [X] if qualifying child for child tax credit (see instrs)
d Total number of exemptions claimed 2

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7 10,908.
8a Taxable interest. Attach Schedule B if required. 8a 595.
8b Tax-exempt interest. Do not include on line 8a. 8b
9a Ordinary dividends. Attach Schedule B if required. 9a
9b Qualified dividends (see instrs). 9b
10 Taxable refunds, credits, or offsets of state and local income taxes (see instructions). 10
11 Alimony received. 11
12 Business income or (loss). Attach Schedule C or C-EZ. 12
13 Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here. [ ] 13 -1,224.
14 Other gains or (losses). Attach Form 4797. 14 1,175.
15a IRA distributions. 15a b Taxable amount (see instrs). 15b
16a Pensions and annuities. 16a b Taxable amount (see instrs). 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E. 17
18 Farm income or (loss). Attach Schedule F. 18 61,539.
19 Unemployment compensation in excess of \$2,400 per recipient (see instructions). 19
20a Social security benefits. 20a b Taxable amount (see instrs). 20b
21 Other income. 21
22 Add the amounts in the far right column for lines 7 through 21. This is your total income. 22 72,993.

Adjusted Gross Income

23 Educator expenses (see instructions). 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ. 24
25 Health savings account deduction. Attach Form 8889. 25
26 Moving expenses. Attach Form 3903. 26
27 One-half of self-employment tax. Attach Schedule SE. 27 4,348.
28 Self-employed SEP, SIMPLE, and qualified plans. 28
29 Self-employed health insurance deduction (see instructions). 29 7,042.
30 Penalty on early withdrawal of savings. 30
31a Alimony paid b Recipient's SSN. 31a
32 IRA deduction (see instructions). 32
33 Student loan interest deduction (see instructions). 33
34 Tuition and fees deduction. Attach Form 8917. 34
35 Domestic production activities deduction. Attach Form 8903. 35 3,696.
36 Add lines 23 - 31a and 32 - 35. 36 15,086.
37 Subtract line 36 from line 22. This is your adjusted gross income. 37 57,907.

**Tax and Credits**

**Standard Deduction for -**  
 • People who check any box on line 39a, 39b, or 40b or who can be claimed as a dependent, see instructions.  
 • All others:  
 Single or Married filing separately, \$5,700  
 Married filing jointly or Qualifying widow(er), \$11,400  
 Head of household, \$8,350

38	Amount from line 37 (adjusted gross income)	38	57,907.
39a	Check if: <input type="checkbox"/> You were born before January 2, 1945, <input type="checkbox"/> Blind. <b>Total boxes checked</b> <input type="checkbox"/> <b>39a</b>		
	<input type="checkbox"/> Spouse was born before January 2, 1945, <input type="checkbox"/> Blind.		
	b If your spouse itemizes on a separate return, or you were a dual-status alien, see instrs and ck here <b>39b</b>		
40a	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40a	15,000.
	b If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here (see instructions) <b>40b</b>		
41	Subtract line 40a from line 38	41	42,907.
42	Exemptions. If line 38 is \$125,100 or less and you did not provide housing to a Midwestern displaced individual, multiply \$3,650 by the number on line 6d. Otherwise, see instructions	42	7,300.
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	35,607.
44	Tax (see instrs). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	44	3,561.
45	Alternative minimum tax (see instructions). Attach Form 6251	45	0.
46	Add lines 44 and 45	46	3,561.
47	Foreign tax credit. Attach Form 1116 if required	47	
48	Credit for child and dependent care expenses. Attach Form 2441	48	
49	Education credits from Form 8863, line 29	49	
50	Retirement savings contributions credit. Attach Form 8880	50	
51	Child tax credit (see instructions)	51	
52	Credits from Form: a <input type="checkbox"/> 8396 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 5695	52	
53	Other crs from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	53	
54	Add lines 47 through 53. These are your total credits	54	
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-	55	3,561.

**Other Taxes**

56	Self-employment tax. Attach Schedule SE	56	8,695.
57	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	57	
58	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	58	
59	Additional taxes: a <input type="checkbox"/> AEIC payments b <input type="checkbox"/> Household employment taxes. Attach Schedule H	59	
60	Add lines 55-59. This is your total tax	60	12,256.

**Payments**

If you have a qualifying child, attach Schedule EIC.

61	Federal income tax withheld from Forms W-2 and 1099	61	1,435.
62	2009 estimated tax payments and amount applied from 2008 return	62	
63	Making work pay and government retiree credit. Attach Schedule M	63	800.
64a	Earned income credit (EIC)	64a	
	b Nontaxable combat pay election <b>64b</b>		
65	Additional child tax credit. Attach Form 8812	65	
66	Refundable education credit from Form 8863, line 16	66	
67	First-time homebuyer credit. Attach Form 5405	67	
68	Amount paid with request for extension to file (see instructions)	68	
69	Excess social security and tier 1 RRTA tax withheld (see instructions)	69	
70	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> 4136 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885	70	350.
71	Add lns 61-63, 64a, & 65-70. These are your total pmts	71	2,585.

**Refund**

Direct deposit? See instructions and fill in 73b, 73c, and 73d or Form 8888.

72	If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you overpaid	72	
73a	Amount of line 72 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	73a	
	b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number <input type="text"/>		
74	Amount of line 72 you want applied to your 2010 estimated tax	74	

**Amount You Owe**

75	Amount you owe. Subtract line 71 from line 60. For details on how to pay, see instructions	75	9,671.
76	Estimated tax penalty (see instructions)	76	

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete the following.  No

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Joint return? See instructions. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature <input type="text"/>	Date <input type="text"/>	Your occupation <input type="text"/>	Daytime phone number <input type="text"/>
Spouse's signature. If a joint return, both must sign. <input type="text"/>	Date <input type="text"/>	Spouse's occupation <input type="text"/>	<input type="text"/>

**Paid Preparer's Use Only**

Preparer's signature  Self-Prepared  Date  Check if self-employed  Preparer's SSN or PTIN

Firm's name (or yours if self-employed)  EIN

address, and ZIP code  Phone no.

**SCHEDULE F**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Profit or Loss From Farming**

▶ **Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.**  
▶ **See Instructions for Schedule F (Form 1040).**

OMB No. 1545-0074

**2009**

Attachment  
Sequence No. **14**

Name of proprietor <b>William F Rosso</b>		Social security number (SSN) <b>543-00-2111</b>
A Principal product. Describe in one or two words your principal crop or activity for the current tax year. <b>Milk</b>		B Enter code from Part IV ▶ <b>112120</b>
C Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual		D Employer ID number (EIN), if any <b>91-1234567</b>

E Did you 'materially participate' in the operation of this business during 2009? If 'No,' see instructions for limit on passive losses.  Yes  No

**Part I Farm Income – Cash Method.** Complete Parts I and II (Accrual method. Complete Parts II & III, & Part I, line 11.)  
Do not include sales of livestock held for draft, breeding, sport, or dairy purposes. Report these sales on Form 4797.

1 Sales of livestock and other items you bought for resale.....	<b>1</b>	<b>13,596.</b>	
2 Cost or other basis of livestock and other items reported on line 1.....	<b>2</b>	<b>6,523.</b>	
3 Subtract line 2 from line 1.....	<b>3</b>		<b>7,073.</b>
4 Sales of livestock, produce, grains, and other products you raised.....	<b>4</b>		<b>263,018.</b>
5a Cooperative distributions (Form(s) 1099-PATR).....	<b>5a</b>	<b>1,145.</b>	<b>5b Taxable amount.....</b>
6a Agricultural program payments (see instructions) ..	<b>6a</b>	<b>6,781.</b>	<b>6b Taxable amount.....</b>
7 Commodity Credit Corporation (CCC) loans (see instructions):			
a CCC loans reported under election.....	<b>7a</b>		<b>665.</b>
b CCC loans forfeited.....	<b>7b</b>		<b>7c Taxable amount.....</b>
8 Crop insurance proceeds and federal crop disaster payments (see instructions):			
a Amount received in 2009.....	<b>8a</b>		<b>8b Taxable amount.....</b>
c If election to defer to 2010 is attached, check here. ▶ <input type="checkbox"/>		<b>8d Amount deferred from 2008....</b>	<b>8d</b>
9 Custom hire (machine work) income.....	<b>9</b>		<b>1,258.</b>
10 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)..... <b>See Statement 1</b>	<b>10</b>		<b>142.</b>
11 <b>Gross income.</b> Add amounts in the right column for lines 3 through 10. If you use the accrual method to figure your income, enter the amount from Part III, line 51..... ▶	<b>11</b>		<b>280,082.</b>

**Part II Farm Expenses – Cash and Accrual Method.** Do not include personal or living expenses such as taxes, insurance, or repairs on your home.

12 Car and truck expenses (see instructions). Also attach Form 4562.....	<b>12</b>	<b>1,090.</b>	25 Pension and profit-sharing plans.....	<b>25</b>	
13 Chemicals.....	<b>13</b>	<b>8,055.</b>	26 Rent or lease (see instructions):		
14 Conservation expenses (see instructions).....	<b>14</b>	<b>6,781.</b>	a Vehicles, machinery, and equipment.....	<b>26a</b>	
15 Custom hire (machine work).....	<b>15</b>	<b>3,879.</b>	b Other (land, animals, etc.).....	<b>26b</b>	<b>9,660.</b>
16 Depreciation and section 179 expense deduction not claimed elsewhere (see instructions).....	<b>16</b>	<b>35,958.</b>	27 Repairs and maintenance.....	<b>27</b>	<b>13,504.</b>
17 Employee benefit programs other than on line 25.....	<b>17</b>		28 Seeds and plants.....	<b>28</b>	<b>5,872.</b>
18 Feed.....	<b>18</b>	<b>50,814.</b>	29 Storage and warehousing.....	<b>29</b>	
19 Fertilizers and lime.....	<b>19</b>	<b>6,544.</b>	30 Supplies.....	<b>30</b>	<b>7,433.</b>
20 Freight and trucking.....	<b>20</b>	<b>2,906.</b>	31 Taxes.....	<b>31</b>	<b>3,201.</b>
21 Gasoline, fuel, and oil.....	<b>21</b>	<b>6,216.</b>	32 Utilities.....	<b>32</b>	<b>5,504.</b>
22 Insurance (other than health).....	<b>22</b>	<b>3,362.</b>	33 Veterinary, breeding, and medicine....	<b>33</b>	<b>8,508.</b>
23 Interest:			34 Other expenses (specify):		
a Mortgage (paid to banks, etc)....	<b>23a</b>	<b>3,175.</b>	a <u>Dues, Commissions, Fees</u> .....	<b>34a</b>	<b>347.</b>
b Other.....	<b>23b</b>	<b>7,738.</b>	b <u>Milk Assessments</u> .....	<b>34b</b>	<b>807.</b>
24 Labor hired (less employment credits)...	<b>24</b>	<b>26,368.</b>	c <u>Office Expense</u> .....	<b>34c</b>	<b>287.</b>
			d <u>Travel and Meals</u> .....	<b>34d</b>	<b>534.</b>
			e.....	<b>34e</b>	
			f.....	<b>34f</b>	
35 <b>Total expenses.</b> Add lines 12 through 34f. If line 34f is negative, see instructions..... ▶	<b>35</b>				<b>218,543.</b>
36 <b>Net farm profit or (loss).</b> Subtract line 35 from line 11. Partnerships, see instructions. • If a profit, enter the profit on both <b>Form 1040, line 18</b> , and <b>Schedule SE, line 1a</b> ; on <b>Form 1040NR, line 19</b> ; or on <b>Form 1041, line 6</b> . • If a loss, you <b>must</b> go on to line 37.	<b>36</b>				<b>61,539.</b>

37 If you have a loss, you **must** check the box that describes your investment in this activity (see instructions).  
 • If you checked 37a, enter the loss on both **Form 1040, line 18**, and **Schedule SE, line 1a**; on **Form 1040NR, line 19**; or on **Form 1041, line 6**.  
 • If you checked 37b, you **must** attach **Form 6198**. Your loss may be limited.

**37a**  All investment is at risk.  
**37b**  Some investment is not at risk.



## Form 1040, Page 1

Mr. Rosso is filing a joint return with his wife.

**Line items.** He fills in all applicable items on page 1 of Form 1040.

**Line 7.** Mrs. Rosso worked for Mr. Rosso on the farm during 2009. He enters on line 7 her total wages, \$10,908, as shown on the Form W-2 that he gave her.

**Lines 8a and 9a.** He did not actually receive cash payment for the interest he listed on line 8a (\$595). It was credited to his account so that he could have withdrawn it in 2009. Therefore, he constructively received it and correctly included it in his income for 2009.

He received patronage dividends from farmers' cooperatives based on business done with these cooperatives. He does not list these dividends here, but properly included them on Schedule F (Form 1040), Part I, lines 5a and 5b.

He did not receive more than \$1,500 in interest or \$1,500 in dividend income and none of the other conditions listed at the beginning of the Schedule B (Form 1040) instructions applied, so he is not required to complete Schedule B (Form 1040).

**Lines 13, 14, and 18.** He previously entered the following items.

- His capital loss on line 13 from Schedule D (Form 1040), line 21, \$-1,224.
- His other gain on line 14 from Form 4797, line 18b, \$1,175.
- His net farm profit on line 18 from Schedule F (Form 1040), line 36, \$61,539.

**Line 22.** He adds the amounts on lines 7 through 21 and enters the total, \$72,993.

**Line 27.** He has already entered one-half of his self-employment tax, \$4,348, which he figured on Schedule SE (Form 1040).

**Line 29.** He paid health insurance premiums of \$7,042 during 2009 for coverage for himself and his family and qualifies for the self-employed health insurance deduction. He figures the part of his insurance payment that he can deduct by completing the Self-Employed Health Insurance Deduction Worksheet (not shown) in the instructions for Form 1040. He enters the result, \$7,042, on line 29.

**Line 35.** He enters \$3,696 on line 35 from Form 8903, line 23.

**Line 36.** He adds the amounts on lines 23 through 31(a) and 32 through 35 and enters the total, \$15,086, on line 36.

**Lines 37 and 38.** He subtracts line 36 from line 22 to get his adjusted gross income and enters the result, \$57,907, on line 37 and also on line 38 of page 2.

## Form 1040, Page 2

Mr. Rosso fills in the following lines on page 2 of Form 1040.

**Line 40.** He enters \$15,000 from his Schedule A (1040) because the total of his itemized deductions is larger than the \$11,400 standard deduction for his filing status (married filing jointly).

**Lines 41, 42, and 43.** He subtracts the \$15,000 on line 40 from the \$57,907 on line 38 and enters the result, \$42,907, on line 41. He enters \$7,300 ( $2 \times \$3,650$ ) on line 42 and subtracts this amount from the amount on line 41 to get a taxable income of \$35,607 on line 43.

***After he completes his Form 1040 through line 43, he will use the Schedule J (Form 1040), Income Averaging for Farmers and Fishermen, to determine if it yields the lowest tax.***

**Line 44.** He enters \$3,561 from Schedule J (Form 1040), line 23. The information on how he figured his tax using income averaging, is from Schedule J (Form 1040), Income Averaging for Farmers and Fishermen, below.

**Lines 47 through 53.** Mr. Rosso determined that he and his wife do not owe alternative minimum tax (line 45). Therefore, he enters on line 46 the same tax shown on line 44. Nor is he claiming any of the credits on lines 47 through 53, so the same tax is also shown on line 55.

**Line 56.** He has already entered the \$8,695 self-employment tax he figured on Schedule SE (Form 1040).

**Line 60.** He adds the amounts on lines 55 through 59 and enters \$12,256, which is the total tax for 2009.

**Line 61.** He enters the income tax withheld from Mrs. Rosso's wages, \$1,435, as shown on her Form W-2. He attaches a copy of her Form W-2 to the front of Form 1040.

**Line 62.** Mr. Rosso is a qualified farmer for purposes of the estimated tax rules because his income from farming was at least two-thirds of his and Mrs. Rosso's total income for 2008 or 2009. In accordance with the special estimated tax rules for farmers, Mr. Rosso did not have to make a 2009 estimated tax payment (which would have been due on January 15, 2010) because they intend to file their tax return and pay the tax in full by March 1, 2010.

**Line 63.** He enters \$800 from Schedule M (Form 1040), line 14. For information on how he figured his credit, see the instructions to Schedule M (Form 1040), Making Work Pay and Government Retiree Credits.

**Line 64a.** The Rossos are not entitled to claim the earned income credit on line 64a because their adjusted gross income exceeds the maximum for claiming the credit.

**Line 70.** Mr. Rosso enters his credit for \$350 of federal excise tax on gasoline used in 2009. He checks box "b" and attaches Form 4136 to his return, showing how he figured the credit. He must report the credit as other income on his Schedule F (Form 1040) for 2010 because his deduction for the total cost

of gasoline (including the \$350 of excise taxes) as a farm business expense on Schedule F (Form 1040) reduced his 2009 taxes.

**Line 71.** He adds the amounts on lines 61 through 70 and enters the total, \$2,585, on line 71.

**Lines 75.** He subtracts the line 71 figure from the amount on line 60 and enters the balance, \$9,671, on line 75.

## Schedule F (Form 1040), Profit or Loss From Farming

The first step in preparing Mr. Rosso's income tax return is to determine his net farm profit or loss on Schedule F (Form 1040). The income and expenses shown on this Schedule F (Form 1040) are taken from his farm receipt and expense records. Data for the depreciation and section 179 deductions are taken from Form 4562, Depreciation and Amortization, and the illustrated depreciation worksheet that follows the tax return. Mr. Rosso has filed all required Form 1099 information returns. Since the principal source of farm income is from dairy farming he writes the number "112120" on line B, from the list of Principal Agricultural Activity Codes on page 2 of Schedule F (Form 1040).

### Schedule F (Form 1040) - Part I (Income)

Mr. Rosso keeps records of the various types of farm income he receives during the year. He uses this information to complete Part I of Schedule F (Form 1040).

**Line items.** He fills in all applicable items of farm income.

**Line 1.** In 2009, he sold steers he had bought for resale. He enters sales of \$13,596.

**Line 2.** He enters the original cost of the steers, \$6,523. He has kept a record of the cost of the livestock he bought and is careful to deduct the cost of each animal in the year of its sale.

**Line 3.** He subtracts his cost on line 2 from the sales on line 1 and reports the difference, \$7,073, as his profit on line 3. Had he sold any other items he bought for resale, he would combine the sales and costs of these items with the sales and costs of the steers and report only the totals on lines 1, 2, and 3. He does not report sales of livestock held for draft, breeding, sport, or dairy purposes here. These and other assets used in the business are reported when sold on Form 4797, Sales of Business Property.

**Line 4.** He enters the income he received during 2009 from sales of items he raised or produced on his farm. His principal source of farm income is dairy farming. The amount reported on this line, \$263,018, includes sales of all of the following.

Milk (including any premiums received)	\$233,874
Steers and calves he raised*	2,914
Miscellaneous vegetables he grew	1,457
Corn (\$7,286), hay (\$8,944), and wheat (\$8,543) he raised	24,773
<b>Total reported on line 4</b>	<b>\$263,018</b>

\* Raised other than for draft, breeding, sport, or dairy purposes.

**Lines 5a and 5b.** He reports the \$1,145 he received from cooperatives on line 5a. Since this is the dollar amount of a qualified written notice of allocation paid as part of a patronage dividend, he enters \$1,145 as the taxable amount on line 5b.

**Lines 6a and 6b.** He received Farm Service Agency (FSA) cost-sharing payments of \$6,781 on a soil conservation project (diversion channels) completed in 2009. He received the income as materials and services paid for by the government and reports it on both line 6a and line 6b. The Department of Agriculture (USDA) generally reports such payments to the recipient on Form 1099-G. The entire \$6,781

has been included on Schedule F (Form 1040), line 14, as a conservation expense. He did not receive any cost-sharing payments this year that he could exclude from his farm income.

**Line 7a.** He reports the \$665 loan he received from the Commodity Credit Corporation (CCC) because he elected in a previous year to treat these loans as income in the year received. If he had elected not to report his CCC loan as income in the year received and forfeited the loan in a later year, he would report the loan as income on lines 7b and 7c in the year of forfeiture.

**Line 9.** He reports the \$1,258 of income he received from custom harvesting.

**Line 10.** On his 2008 income tax return, he claimed a credit of \$142 for excise taxes on gasoline used on his farm. He includes the entire \$142 in his 2009 income on line 10 because he deducted the total cost of gasoline (including the \$142 of excise taxes) as a farm business expense in 2008.

## **Schedule F (Form 1040) - Part II (Expenses)**

Mr. Rosso records his farm expenses during the year for tax purposes and summarizes these expenses at the end of the year. This gives him his deductible expenses, which he enters in Part II of Schedule F (Form 1040).

**Line items.** He fills in all applicable items of farm expense deductions.

**Line 12.** He uses his trucks 100% for his farming business and the actual cost (not including depreciation) of operating the trucks in 2009 was \$1,090, which he enters on line 12. (Depreciation is reported on line 16.)

**Line 13.** The \$8,055 on this line is the amount he paid for all chemicals purchased during the year.

**Line 14.** He deducts the \$6,781 spent on diversion channels in 2009. The amount listed here includes the full cost of the government cost-sharing project, which he has reported as income on line 6b. He continues the policy elected in previous years of deducting annual soil and water conservation expenses. The expenses are consistent with a conservation plan approved by the Natural Resources Conservation Service of the USDA. The amount was not more than 25% of Mr. Rosso's gross income from farming, so the entire amount is deductible.

**Line 15.** The \$3,879 on this line is the amount he paid a company for spraying his crops. He made the payment to a corporation, so he did not need to file a Form 1099-MISC to report the payment.

**Line 16.** He enters the \$35,958 depreciation from Form 4562. (See discussion below.)

**Line 18.** He enters the \$50,814 cost of feed bought for consumption by his livestock in 2009. He did not include the cost of feed bought for livestock he and his family intend to consume. He also did not include the value of feed grown on his farm.

**Line 19.** He enters \$6,544. This is the amount paid for fertilizer and lime.

**Line 20.** He deducts the \$2,906 he paid for trucking and milk marketing expenses. He chose to itemize the \$807 government milk assessment and lists it separately on line 34a.

**Line 21.** He deducts the \$6,216 cost of gasoline, fuel, and oil bought for farm use, other than amounts he included on line 12 for car and truck expenses. He did not deduct the cost of fuel used for heating, lighting, or cooking in his home.

**Line 22.** He deducts the \$3,362 cost of insurance on his farm buildings (but not on his home), equipment, livestock, and crops. He did not deduct the entire premiums on 3-year and 5-year insurance policies in the year of payment, but deducts each year only the part that applies to that year.

**Lines 23a and 23b.** He deducts on line 23a the \$3,175 interest paid on the farm mortgage for the land and buildings used in farming. He deducts on line 23b the \$7,738 interest paid on obligations incurred to buy livestock and other personal property used in farming or held for sale. He deducts his home mortgage interest on Schedule A (Form 1040), Itemized Deductions.

**Line 24.** He enters the \$26,368 in wages he paid during the year for labor hired to operate his farm, including wages paid to his wife and children. He did not include amounts paid to himself. He has no employee credits that would reduce the amount of wages entered. For those wages paid that were subject to social security and Medicare taxes, he included the full amount of the wages before the reduction for the employee's share of those taxes, or other amounts withheld. His share of the social security and Medicare taxes is included in the total taxes deducted on line 31.

**Line 26b.** He enters only the \$9,660 cash rent paid for the use of land he rented from a neighbor, Mr. Green. He did not deduct rent paid in crop shares. He completed a Form 1099-MISC for the rent paid to Mr. Green and sent Copy A to the IRS with Form 1096. He gave Mr. Green Copy B of the Form 1099-MISC.

**Line 27.** The \$13,504 he enters includes \$12,982 for repairs to farm machinery and \$522 for repairs to farm buildings. He did not include the value of his own labor or the cost of repairs on his home. He prepared Form 1099-MISC for the farm machinery repairs because the repair shop is not a corporation. He sent Copy A to the IRS with Form 1096 and gave Copy B to the owner of the repair shop. If the repair shop had been a corporation, Mr. Rosso would not have had to file a Form 1099-MISC. He does not have to file a Form 1099-MISC for the building repair because he paid less than \$600.

**Line 28.** He enters the \$5,872 cost of seeds and plants used in farming. He deducts these costs each year. He did not include the cost of plants and seeds purchased for the family garden.

**Line 30.** He enters the \$7,433 paid for livestock supplies and other supplies, including bedding.

**Line 31.** He enters \$3,201 for taxes paid during 2009, including state and local taxes on the real estate and personal property (\$1,184) used in farming. He did not include the sales tax paid on farm supplies because this tax was included in the cost for supplies he deducted on line 30. He also did not include the gasoline tax on the gasoline bought for farm use, including the gasoline used in his trucks for farm business, because these taxes were included in the costs for gasoline he deducted on lines 21 and 12. He included his share of social security and Medicare taxes (\$2,017) paid for agricultural employees. He filed Form 943, Employer's Annual Federal Tax Return for Agricultural Employees (not shown), in January 2010, reporting these taxes for calendar year 2009.

He does not deduct, on Schedule F (Form 1040), his state income tax or the taxes on his home and any portion of his land not used for farming. He deducts these taxes on Schedule A (Form 1040). He cannot deduct any federal income tax paid during the year.

**Line 32.** He enters \$5,504 for the cost of water, electricity, gas, and telephone service used only in farming. He cannot deduct personal utilities. He also cannot deduct the cost of basic local telephone service (including any taxes) for the first telephone line to his home.

**Line 33.** He enters \$8,508, the total paid during 2009 for veterinary fees (\$3,607), livestock medicines (\$2,402), and breeding fees (\$2,499). He does not prepare Form 1099-MISC for the veterinarian and the supplier of breeding services because both are incorporated.

**Line 34.** He enters other farm business expenses. These include: \$347 for commissions; \$807 government milk assessment, dues, and fees; \$287 for financial records and office supplies; and \$534 for farm business travel and meals. Farm business travel includes expenses for the State Forage Tour and for attending the farm management conference at State University. He included only 50% of the cost of meals in the deduction.

**Line 36 - Net farm profit.** To arrive at his net farm profit, he subtracts the amount on line 35 (\$218,543) from the amount on line 11 (\$280,082). His net farm profit, entered on line 36, is \$61,539. He also enters that amount on Form 1040, line 18, and on Schedule SE (Form 1040), Section A, line 1. Because he shows a net profit on line 36, he skips line 37.

## **Renewable Energy and Value Added Producer Grants**

### **Biographical Information:**

*Richard McEntire*

I am a Business and Cooperative Specialist. I process loan guarantees for rural businesses and help facilitate grant applications for various business programs.

### **Session Description:**

This presentation will discuss eligibility of ag producers and some of the uses of funding.



## **Low Water Use Crops**

Sponsored by WSARE

### **Biographical Information:**

*Kynda Curtis*

Dr. Kynda Curtis is an Associate Professor and Extension Agricultural and Food Marketing Specialist at Utah State University. Dr. Curtis works with agricultural producers to assist them in developing new markets for their products and assessing the feasibility of new food and agricultural products and value-added processes.

*Carol Bishop*

Carol Bishop is an Assistant Professor and Extension Educator in East Clark County. She holds a M.S. degree in Resource and Applied Economics. Her expertise includes researching, understanding and educating producers about the economic feasibility of alternative crops in Nevada.

*Staci Emm*

Staci Emm is an Associate Professor and an Extension Educator for Cooperative Extension in Mineral County, Nevada. Emm holds a M.A. degree in Agriculture. Her outreach program experience includes

agricultural entrepreneurship, agricultural issues related to water rights (social attitudes and water leasing) and invasive weed control.

**Session Description:**

Evaluating Alternative Low-Water-Use Crops for the Great Basin is a Western Region Sustainable Agriculture Research and Education (WSARE) professional development curriculum that addresses the needs of agriculture producers regarding the following: 1) the economic, political and environmental benefits of reducing water use in agriculture; 2) the basic agronomics of alternative crops available to producers in the Great Basin; and 3) the components of evaluating the economic feasibility of low water use crops. The curriculum features five separate modules, each of which includes a rationale, set of objectives and central topic. The modules include water, agronomics, marketing, selection and implementation.

# **Post-Conference Workshop February 23, 2011**

## **Evaluating Alternative Low Water Use Crops for the Great Basin**

Diversified Agriculture Conference  
Sevier County Fairgrounds  
Richfield, UT  
8:00 am to 3:00 pm  
Lunch provided!

### **Who Should Attend?**

Those interested in western water issues or anyone working with and/or providing programs to agricultural producers such as NRCS, FSA, BLM, RD and other agency personnel, Extension personnel, conservation or water district personnel, and tribal staff. This workshop is meant to be a train-the-trainer opportunity.

### **What Will I Learn?**

Issues surrounding water use in the Great Basin including state water law, assessing the production potential and market opportunities for low-water use crops, selecting profitable crops for implementation and crop implementation assistance programs.

### **Why Should I Attend?**

Enhance awareness of economic, political, and environmental benefits of reducing water use in agriculture, increase understanding of basic agronomics and markets for alternative crops in the Great Basin, increase understanding of the components used in evaluating the economic feasibility of low water-use crops, and improve ability to communicate and provide assistance to agricultural producers.

For information or questions about the workshop contact Kynda Curtis at 435-797-0444 or by email at [kynda.curtis@usu.edu](mailto:kynda.curtis@usu.edu). Registration is included with registration for the Diversified Agriculture Conference. Please bring your laptop for use in the workshop.



## **Business Plans**

### **Biographical Information:**

*Beverly King*

Beverly King has worked for the Small Business Development Center at Weber State University since 1992. Beverly holds a Master's Degree in Professional Accountancy from Weber State University. In addition to her job as Director of the Small Business Development Center, she has taught as an adjunct faculty member for the University's Accounting Department and Business Administration Department. Previous work experience includes financial accounting for Sears and cost accounting for Thiokol. Beverly's background in small business stems from growing up in a family owned grocery store in Willard, Utah.

Beverly has been married to Larry King for over 35 years. They enjoy two sons, two grandchildren, and numerous animals.

### **Session Description:**

This session will focus on understanding the elements that should be included in a good business plan.

## **Ways to Evaluate Your Business to Make Better Decisions to Lower Risk and Increase Profits**

### **Biographical Information:**

*Jay Olsen*

Mr. Olsen was raised on a family farm and ranch in Manti Utah. He has cowboied, farmed, and ranched in Utah, Florida and Idaho. For the past 15 years, Mr. Olsen has worked with farmers and ranchers in south central Utah as the Farm/Ranch Management Instructor at Snow College Richfield. He has taught and advised over 200 farm families in farm business management. This past year he had 48 farm families enrolled in the Farm/Ranch Management program. Every month Jay visits each farm family and teaches financial and production record keeping and analysis, using their financial and production records.

Mr. Olsen developed a case study instruction book for teaching farm accounting using Quicken or QuickBooks that is currently used by USU Extension. Each year Jay teaches four to five night classes for farm families and small businesses in the use of QuickBooks for their farm accounting. Mr. Olsen also teaches Agriculture Business at Snow College.

Nationally, Mr. Olsen has served on the Uniform Farm Management Project committee, the National Farm Management Benchmarking committee and secretary and President Elect on the National Farm Ranch Management Education Association board. Mr. Olsen graduated from BYU with a B.S. degree in Ag. Economics (Farm/Ranch Management), and a M.S. degree in Animal Science (Reproduction and Physiology).

*Ron Patterson*

Ron has degrees in accounting, horticulture and agricultural education. He has been with Utah State University since 1985. He taught Farm Business Management for 6 Years at Eastern Idaho Technical College.

Dr. Ruby Ward was raised on a farm and ranch in South-eastern Idaho. After graduating from Ricks College, she received a BS in Agricultural Economics and Accounting from Utah State University. From Texas A&M University she received an MBA and a PhD in Agricultural Economics. Dr. Ward joined the faculty at Utah State University in 1998 and was tenured in 2005. Ward is currently an associate professor and extension specialist at Utah State University in the Department of Applied Economics. Her current assignment involves all three areas emphasized at a land grant University—teaching, research and extension. She teaches agricultural finance and community planning. Ward is the committee chair for the Diversified Agricultural Conference. Ward is the project leader for the Rural Tax Education website and Co-chair of the National Farm Income Tax Extension Committee. Ward works primarily in the area of rural development focusing on regional economics and agriculture entrepreneurship.

**Session Description:**

This workshop will go over how to use tools that when you leave you can begin examining your business. If you can understand what is currently happening better, you can then determine how changes you will make can decrease risk or increase profits. In particular this session will cover

- Doing Breakeven Analysis – what will it take to cover your cost of production?
- Cash flow analysis – understanding how changes will affect your cash flows
- Lease vs. Purchase – determining which is better under your circumstances
- Benchmarking your business – comparing your business to others to find your strengths and weaknesses and where can I improve.
- What does your banker see when looking at your business that you don't; what do you want to show your banker

# **Record Keeping Basics: Things You Need to Know to Develop a System that Works for You**

## **Biographical Information:**

*Ron Patterson*

Ron has degrees in accounting, horticulture and agricultural education. He has been with Utah State University since 1985. He taught Farm Business Management for 6 Years at Eastern Idaho Technical College.

## **Session Description:**

This session will cover basic accounting terminology and financial statements. We will discuss how to think about your business so that you can set up a recordkeeping system that works for you. This workshop will be hands-on as much as possible. It will show you how to record different transactions and think about the type of information you need to both put into your system and what do you need to get out of it.

## **Questions, Exercises, and Problems**

### **Questions**

1. State the accounting equation.
2. Define assets and give three examples.
3. Define liabilities and give two examples.
4. Define Owner's equity.
5. Define double-entry accounting.

## Exercises

1. Complete the following equations by calculating the missing items, so each line balances.

Assets	=	Liabilities	+	Owner's equity
a. \$25,000	=	\$10,000	+	
b. \$35,000	=		+	\$18,000
c.	=	\$25,000	+	\$40,000
d. \$55,000	=	\$20,000	+	
e. \$60,000	=		+	\$42,000

2. Justin Case is a farmer and on December 31, he has the following property: Cash, \$2,500; Supplies, \$1,200; Machinery and Equipment, \$120,000; Land, \$250,000. On this date he also owes MT Bank, \$30,000; US 1<sup>st</sup> Mortgage, \$125,000. Calculate the following:

Assets \$ \_\_\_\_\_ = Liabilities \$ \_\_\_\_\_ + Owner's Equity \$ \_\_\_\_\_

3. Describe a transaction that will do the following:
- Decrease an asset and decrease a liability.
  - Decrease an asset and increase an asset.
  - Increase an asset and increase a liability.
  - Increase an asset and increase owner's equity.



## Problems

1. Polly Tishun started a new business to write speeches for elected officials. During the month of November Polly's business had the following transactions:
  - a) Polly deposited \$10,000 in the bank in the name of the business.
  - b) Bought office supplies for use in the business, paying cash, \$500.
  - c) Bought a new computer on account from Office Min for \$2,500. (Office Equipment)
  - d) Bought a new desk at Budget Office Furniture and paid cash, \$650. (Office Equipment)
  - e) Paid Office Min \$1,000 as part payment on the computer.
  - f) Bought a used car from Fairly Reliable Jim and paid cash, \$5,000

### Instructions

Record the transaction in the accounting equation layout, using plus and minus signs, and show the balance after each transaction. Remember the total on each side of the equation must be equal. Create a balance sheet for Polly Tishun.

	<b>Assets</b>				=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
	Cash	+ Office Supplies	+ Office Equip	Vehicle	=	Accounts Payable	+	Polly Tishun, Capital
a					=		+	
b					=		+	
Bal.					=		+	
c					=		+	
Bal.					=		+	
d					=		+	
Bal.					=		+	
e					=		+	
Bal.					=		+	
f					=		+	
Bal.					=		+	
<b>Total</b>					=			

2. Doug Pitts decided to start a backhoe business called Pitts 4U. The following transactions occurred during the month of June:
- Doug deposited \$10,000 in Z 1<sup>st</sup> Bank in the name of the business.
  - Doug invested his personal backhoe in the business. The backhoe has a value of \$45,000. (This transaction is similar to transaction (a), except it is equipment instead of money. Add \$45,000 to equipment and to Doug Pitts, Capital)
  - Paid cash for supplies, \$650.
  - Bought additional supplies on account, \$475.
  - Bought a shop for cash, \$7,995.
  - Made partial payment for supplies on account, \$300.

**Instructions**

Record the transaction in the accounting equation layout, using plus and minus signs, and show the balance after each transaction. Remember the total on each side of the equation must be equal. Create a balance sheet for Doug Pitts.

	<b>Assets</b>				=	<b>Liabilities</b>	+	<b>Owner's Equity</b>
	Cash	+ Supplies	+ Equipment	+ Shop	=	Accounts Payable	+	Doug Pitts, Capital
a					=		+	
b					=		+	
Bal.					=		+	
c					=		+	
Bal.					=		+	
d					=		+	
Bal.					=		+	
e					=		+	
Bal.					=		+	
f					=		+	
Bal.					=		+	
<b>Total</b>					=			

3. Krystal Waters has a natural spring in her backyard and decided to start bottling and selling the water. The business is called Krystal Klear. The following transactions occurred during the month of May:
- a) Krystal deposited \$25,000 in the bank in the name of the business.
  - b) Paid cash for supplies, \$1,500.
  - c) Bought equipment with cash, \$5,000
  - d) Bought additional supplies on account, \$775.
  - e) Bought a shop and paid cash \$9,575
  - f) Made partial payment for supplies on account, \$500.

**Instructions**

Record the transaction in the accounting equation layout, using plus and minus signs, and show the balance after each transaction. Remember the total on each side of the equation must be equal. Create a balance sheet for Krystal Klear.

	<b>Assets</b>				<b>=</b>	<b>Liabilities</b>	<b>+</b>	<b>Owner's Equity</b>
	Cash	+ Supplies	+ Equipment	+ Shop	<b>=</b>	Accounts Payable	<b>+</b>	Krystal Waters, Capital
a					=		+	
b					=		+	
Bal.					=		+	
c					=		+	
Bal.					=		+	
d					=		+	
Bal.					=		+	
e					=		+	
Bal.					=		+	
f					=		+	
Bal.					=		+	
<b>Total</b>					<b>=</b>			

4. The owner, Barry Wise, has just established Wise Choice Software Company. The following transactions occurred during the month of April:

- a) Barry deposited \$35,000 in Risk-E Bank in the name of the business.
- b) Purchased a small building downtown for cash, \$25,000.
- c) Purchased software for sale with cash, \$5,000. (This will be recorded as Inventory)
- d) Bought supplies on account, \$750.
- e) Paid insurance for the year, \$1,000.
- f) Made partial payment for supplies on account, \$545.
- g) Paid cash for equipment, \$2,500.

**Instructions**

Record the transaction in the accounting equation layout, using plus and minus signs, and show the balance after each transaction. Remember the total on each side of the equation must be equal. Create a balance sheet for Wise Choice Software Company.

	Assets						=	Liability	+	Owner's Equity
	Cash	+ Prepaid Insurance	+ Supplies	+ Inventory	+ Equip	+ Building	=	Accounts Payable	+	Barry Wise, Capital
a							=		+	
b							=		+	
Bal.							=		+	
c							=		+	
Bal.							=		+	
d							=		+	
Bal.							=		+	
e							=		+	
Bal.							=		+	
f							=		+	
Bal.							=		+	
g							=		+	
Bal.							=		+	
<b>Total</b>							=			

## Questions, Exercise, and Problems

### Questions

1. Define revenue.
2. Define expenses.
3. Define investment.
4. Define withdrawal.
5. Define accounts receivable.
6. Is owner withdrawal an expense?
7. What are the components of an income statement?
8. What four things affect owner's equity?
9. What are the components of a balance sheet?

### Exercise

1. In respect to accrual accounting, use the column to **left** and label each of the following accounts as asset (A), liability (L), owner's equity (OE), revenue (R), or expense (E):

a. Supplies on hand		f. Land
b. Sale of hay		g. Accounts Payable
c. Prepaid rent		h. Loan on Pickup
d. Fuel expense		i. Sale of livestock
e. Rent expense		j. Draw

## **Communication is the Key to Succession Planning and Tools to Transition the Business to the Next Generation**

### **Biographical Information:**

*Jay Olsen*

Mr. Olsen was raised on a family farm and ranch in Manti Utah. He has cowboied, farmed, and ranched in Utah, Florida and Idaho. For the past 15 years, Mr. Olsen has worked with farmers and ranchers in south central Utah as the Farm/Ranch Management Instructor at Snow College Richfield. He has taught and advised over 200 farm families in farm business management. This past year he had 48 farm families enrolled in the Farm/Ranch Management program. Every month Jay visits each farm family and teaches financial and production record keeping and analysis, using their financial and production records.

Mr. Olsen developed a case study instruction book for teaching farm accounting using Quicken or QuickBooks that is currently used by USU Extension. Each year Jay teaches four to five night classes for farm families and small businesses in the use of QuickBooks for their farm accounting. Mr. Olsen also teaches Agriculture Business at Snow College.

Nationally, Mr. Olsen has served on the Uniform Farm Management Project committee, the National Farm Management Benchmarking committee and secretary and President Elect on the National Farm Ranch Management Education Association board. Mr. Olsen graduated from BYU with a B.S. degree in Ag. Economics (Farm/Ranch Management), and a M.S. degree in Animal Science (Reproduction and Physiology).

### **Session Description:**

This session will cover basic family issues surrounding the challenge of business succession planning. Family communication is key to making a plan that will help a business succeed in moving the business to the next generation. An on online succession planning resource for transitioning the business will be introduced.