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ASK THE
AG EXPERT

Patricia Hansen

QUESTION:

How would an equipment lease, this time of year, affect my taxes?

ANSWER:

With a properly structured lease, you can deduct 100% of each lease payment (unlike a loan) as an expense, allowing you to write off the financing of leased equipment faster. This means, of course, a lease can give you a larger tax deduction for the year than a loan. If you have maxed out your allowable depreciation for the year, a lease can provide a means to further reduce your taxable income.

Patricia Hansen is an AgDirect Leasing Specialist for Farm Credit Services of America.

Submit your ag financing question to www.AskTheAgExpert.com



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Energy projects grow businesses

By DARIN LEACH

THIS past year, 167 rural businesses and farmers across Iowa received nearly \$11.3 million in guaranteed loans and grants from a federal program to produce renewable energy and become more energy efficient.

"We are pleased Iowans continue to be very successful at receiving funding through our renewable energy and energy efficiency program," says Mark Reisinger, USDA Rural Development state director in Iowa. "With the constant rise in energy costs, it is important that businesses continually look for ways to become more efficient."

A popular use of the program is to assist farmers in purchasing more efficient grain-drying systems. A total of 280 farmers and businesses have received \$11.6 million in guaranteed loans and grants for this specific purpose during the past six years.

Less propane to dry grain Berg Pork Ltd.

In 2006, Roger Berg, owner of Berg Pork Ltd. near Harper in southeast Iowa, received a \$21,168 grant to help purchase a new grain dryer. Berg's farm includes around 1,500 acres of row crops and an 800-sow farrow-to-finish operation. The corn Berg grows is dried and stored until it is ground into feed for the hogs.

In 2005, prior to his new grain dryer, Berg used 9,824 gallons of propane to dry 84,000 bushels of corn, or an average of 8.5 bushels per gallon. With his new dryer in 2006, he used 12,540 gallons to dry 140,000 bushels of corn, averaging 11.1 bushels per gallon.

Last year Berg, averaged 11.3 bushels per gallon of propane to dry 160,000 bushels of corn. He typically harvests corn at 18% to 24% moisture.

He estimates he saved around 8,200 gallons of propane over the past two years with his new drying system. With propane running an average of \$1.48 per gallon in 2006 and \$1.75 per gallon in 2007, the new system reduced his

Key Points

- Rural businesses and farmers can get USDA energy grants or loans.
- Rural Development program helps fund energy projects.
- Contact USDA Rural Development for information about loans and grants.

costs by more than \$13,000.

According to the Iowa Department of Natural Resources, 8,200 gallons of propane is equivalent to about 7,544 therms of natural gas, or enough energy to meet the heating needs of eight average-sized homes for a year.

With his new system, Berg changed from batch drying to a continuous flow dryer. "Being able to dry corn more efficiently has benefited our operation greatly," he says. "We are able to dry the crop faster using less propane and now have a continuous harvest once we start." With propane running around \$2 per gallon this year and a crop that didn't dry as well in the field, Berg is seeing significant grain-drying benefits again this fall.

Geothermal systems for farms JRT Focus Farms Ltd.

Farmers have also turned to geothermal systems for another on-farm use of this finance program.

JRT Focus Farms Ltd., near Rock Rapids in northwest Iowa, used the USDA program to install a geothermal system in the operation's new farm headquarters and repair shop. The farm received a \$37,267 loan guarantee and \$37,266 grant from Rural Development.

JRT Focus Farms worked with their electrician to put together the technical report for the application, and their banker helped them with the guaranteed loan information.

"The energy application was not hard," says Thadd Knoblock, one of four brothers associated with the fourth-generation farm. "It took a little time and organization to get everything put together and, kind of like a puzzle, it all came together at the end."

Businesses save energy Third Base Restaurant

A number of rural businesses have also used the program in many ways to assist with lowering energy costs.

On Feb. 29, 2008, the small northwest Iowa town of Lester lost its only restau-

ENERGY SAVER: In two years of use, Roger Berg's new grain dryer has saved enough energy to heat eight homes for a full year. "With our new drying system, we've been able to dry 2.5 more bushels of corn per gallon of propane," he says.



HELPING HAND: Darin Pottebaum worked with USDA to rebuild his restaurant after fire destroyed it last February. Local residents provided over 800 volunteer hours to help reopen the town of Lester's only restaurant.

rant in a fire. With full support of local residents and businesses providing more than 800 volunteer hours to repair and remodel the building, the restaurant opened again in November.

Darin Pottebaum, owner of the newly named Third Base Restaurant, worked with USDA Rural Development and received funding totaling \$201,810 in loan guarantees to People's Bank in Lester and a grant to rebuild the restaurant and install a geothermal heating system.

"Being able to reopen our business so soon after the fire has been a true community-wide effort," says Pottebaum. "Six different businesses assisted with the project, all the paneling inside the restaurant is reclaimed wood from local farmers, and the roof was installed with all volunteer labor."

Leach is a public information coordinator for USDA Rural Development in Iowa.

Program awards over \$50 million to assist Iowans

DURING the past six years, nearly 400 projects in Iowa have received \$51.8 million in USDA grants and guaranteed loans to help purchase renewable-energy systems powered by wind, the sun, geothermal sources, biodiesel, ethanol, anaerobic digesters or hydrogen; and make a wide variety of energy-efficiency improvements to facilities.

Some of the improvements include new insulation; automatic lights; new motors; and new refrigeration, ventilation and electrical systems. A popular use of the program has been to assist in the purchase of new, more efficient grain-drying systems.

Restaurants, grocery stores, bakeries, greenhouses, cold storage businesses, ethanol plants, manufacturing facilities, as well as any other business that requires a large amount of energy to operate, may benefit from an energy-efficiency upgrade that these funds can help finance.

Costs incurred before submitting an application for both grants and loan guarantees aren't eligible. Also, funds are not available for residential use.

■ For information, contact USDA Rural Development at 515-284-4663 or www.rurdev.usda.gov/ia.

