



# UMPQUA VALLEY Hort News

Horticultural Newsletter for The Umpqua Valley

November & December 2008

**Oregon State**  
UNIVERSITY

**Extension  
Service  
Douglas County**

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*Layout, Design,  
& Distribution*  
Mary Hoffmann

Agriculture, 4-H Youth, Family & Community Development, Forestry, and Extension Sea Grant Programs. Oregon State University, United States Department of Agriculture, and Douglas county cooperating. The Extension Service offers its programs and materials equally to all people.

Please note: The contents of this newsletter are provided for educational purposes, and are not intended to be taken as strict recommendations for treatment of any orchard pest or condition. ALWAYS READ THE MATERIAL LABEL PRIOR TO APPLICATION.



## Calendar of Coming Events



**November 4 Master Gardener Registration Day.** If you have an interest in joining our program that starts January 6, come to the Extension office from 11:30am to 12:30pm. At this session we will review the course class list, materials we will cover, and give you your book. This is a good time to ask any questions you might have about our program before we begin classes. Remember, this program includes volunteer activities for people who would like to become Master Gardeners. This program is also available to people from the nursery and landscape industry who want to attend classes but who don't have time to do the volunteer activities. Talk to Steve at the Extension office for details.

**November 19 Pesticide Use Reporting System Class.** The Oregon Department of Agriculture will hold a free class for anyone needing one-on-one help and instruction to maintain their pesticide reporting record. The class will be at UCC from 6pm-8pm. You can contact Sunny Jones of the ODA for further information. 503-986-6472.

## Certified Oregon Landscapes

I have created a worksheet for homeowners, and landscape professionals to follow called the Landscape Sustainability Checkup. The simple one page (two sided) worksheet is broken into nine sections. The sections include using water efficiently, mulching, recycling yard waste, wildlife habitat and management, yard pests, putting the right plant in the right place, fertilization, stormwater runoff, and stream side management. Each of these nine categories has from 3-8 statements below the header that people score themselves on to see how sustainable their landscape methods are. If a homeowner can score 50 points or more on the worksheet, OSU Extension will recognize their landscape as a Certified Oregon Landscape. The Extension agent and Master Gardeners will be the certifying organization. Homeowners will get a sign or certificate after certification.

The whole idea of the project is to educate people about the best management practices to maintain a nice landscape while minimizing practices that can degrade water quality, fill up landfills, use excess resources, and cause excessive labor. I have begun conversations with the Oregon Landscape Contractors Association to share this project with their members. This worksheet is the first step in what I hope will become a state-wide project with many partners. Give me a call for more details or to get worksheets for your clients.

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## Estate Planning, A Critical Step for Farm Families

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I recently attended an Extension agents meeting where a number of topics were discussed. One of the topics presented had to do with successful programming aimed at helping farm operations transition from one generation to another. As the average age of a farm operator in Oregon recently hit 54 years old, I thought this topic is pretty timely and I wanted to share material from a couple other programs. This material is meant to get you interested and talking about the subject. Please follow up with estate planning specialists to ensure the proper steps are taken for your situation in Oregon.

According to Wayne A Hayenga, an attorney and veteran Texas A&M Extension economist, good estate and financial planning can save you a bundle. A good estate plan can save farm and ranch families thousands of dollars in estate taxes, income taxes and administrative fees. "Many people only worry about estate planning if they hear of a friend's 'problem' in settling an estate or paying estate taxes," says Hayenga. Many farmers wait too long to begin their financial and estate plans. Giving much thought with attention to detail is essential in estate planning. Here's Hayenga's checklist of some estate planning tools:

- Will
- Pour-over wills
- Standby trusts
- Account title review/change
- Deeds with retained life estate
- Lifetime planning
- Declarations of guardian
- Powers of attorney/escrow letter
- Management trust
- Directive to physician
- Health-care power of attorney
- Planning for children
- Guardian
- Uniform transfers to minors
- Minor's trust
- Life Insurance
- Tax planning beneficiary designation
- Ownership review
- Policy review
- Charitable gifts
- Foundations
- Gifts
- Limited partnerships
- Split interests
- Parents' wills
- Premarital agreements
- Installment sales

These tools may or may not fit your estate goals. This list can be used as a springboard for conversations with your spouse, business partners, heirs and financial advisors in order to draft your estate plan.

*Adapted from information presented during a seminar series by Dr. Wayne A. Hayenga, Texas Cooperative Extension economist and attorney at Texas A & M University*

### Ten Rules of Successful Farm Transition

The issue of family business generational transition is a major topic of discussion as farm businesses position themselves for success. Growth is the primary reason why businesses fail, and this is because of under-capitalization, inadequate preparation in human relations and communications, and insufficient income generation. Sixty percent of all farm and small businesses that enter bankruptcy were profitable in previous years. The following are some rules that are generally used in successful business transitions.

#### Rule 1: Revenue/Net Income

Bringing in a new partner takes an estimated \$150,000 to \$250,000 in gross revenue, or \$40,000 to \$70,000 of net profit for a successful business transition. Violate this rule and you set yourself up for guerilla warfare, where family members or partners fight over scarce resources (including net income) to meet their standard of living.

#### Rule 2: Three-to-Five-Year Rule

Agricultural business transitions are twice as likely to be successful when the family member or potential business partner works for someone else for three to five years. Allow them to make mistakes with someone else's money! A recent study found that the farm businesses that allowed entering partners to work for others for three to five years found their business to be four times more profitable. A college education is not part of this experience; however, military and summer work experiences are part of the experience base.

#### Rule 3: Six-Year Rule

If a new partner is brought into the business, make sure you allow him/her to move into management and decision-making within six years. Farms and businesses that fail to do so are twice as likely to have an unsuccessful business transition and are less profitable. This past winter in a seminar in Wytheville, an 85-year-old gentleman, after the

seminar, indicated that he needed to turn the books over to his boy. Well, his boy was 65 years old! The old adage is you either teach or share with the younger generation, or you destroy the business.

#### **Rule 4: Ripple Effect**

When making changes to a growing business, you should over-estimate capital needs by at least 25 percent to avoid being short on working capital due to unexpected costs. For example, if you need \$200,000 to expand the business, then \$250,000 should be estimated and used to determine whether or not the growth is financially feasible. It is also wise to over-estimate the time needed to complete the change by 25 percent.

#### **Rule 5: Don Shula Rule**

Many managers and owners stay too long before turning over the business. The optimal time for ownership and management of a business is 30 to 35 years. Owners and managers who fail to heed this rule run into the trap of continuing to do "business as usual" without changing for the times. In order for managers to maintain the cutting edge, they must either follow this rule or surround themselves with new members who will bring renewed energy and new resources into the business.

#### **Rule 6: You Can't Treat All Children Equally, But You Can Treat Them Fairly and Equitably**

One of the most profound challenges in estate planning and transition management for farm businesses today is what to do with children who move away from the business. Usually, they have little interest in the operation. When the parents die, the business interests of the children who have moved intensify because proceeds from the estate can be used to pay off mortgages or fund their children's college educations. The most successful transition plans have the business assets transferred to the child managing the business, and insurance policies to cover estate settlement costs and cash settlements for children who are not interested in the business. This strategy allows the children involved with the farm to continue to function without requiring them to buy out the non-farm children's shares, and also have sufficient cash to pay estate settlement taxes. This strategy is simple and objective.

#### **Rule 7: Non-Business Spouse**

An increasing challenge in businesses is incorporating the non-business spouse into the family and business management process. Many more families are finding this incorporation a challenge because there are more non-business or non-agricultural spouses, and that these spouses frequently do not understand erratic business schedules, time management, and prioritization

problems that can occur. An operations agreement including time expectations, goals, responsibilities, and accountability can resolve many of these issues.

#### **Rule 8: Getting Out of Business**

A plan that covers dissolution of the business is critical in establishing a family business transition. Included in such a plan is an operations agreement, a buy/sell agreement, and a time line for an orderly transition. Partners who are not willing to discuss these issues often find that getting out of business is more difficult than getting into business.

#### **Rule 9: Transition Team**

All businesses need to have a list of advisors or a transition team. This team includes a lender, a lawyer, an accountant, a financial planner, both spouses, and all partners. Annual team meetings with all members present are critical. Outside professionals need to be placed on retainer rather than on an hourly fee structure.

#### **Rule 10: The Nike Principle**

Just do it! The biggest concern with family business transition plans is procrastination. Day-to-day matters frequently take priority over the planning process. A transition plan often takes two to three years to formulate, and must be updated at least twice a decade.

*Written by David M. Kohl, Alex White, Dixie Reaves, and Amanda Wilson, Farm Management Update, June 1996*

Visit Virginia Cooperative Extension "Ten Rules of Transition Management," <http://www.ext.vt.edu/news/periodicals/fmu/aaec-310.html>

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### **Viticulture Lecture Series— Winter 2009**

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This coming winter, OSU Viticulture Extension Specialist Dr. Patty Skinkis will teach a grapevine physiology course offered throughout the state as a distance education course. The Viticulture Lecture Series will cover many aspects of whole grape vine physiology and how they relate to practical vineyard management. Lectures will be held twice-weekly from January 6 through March 12, 2009. The lecture will be broadcast to the OSU Extension Service Office in Hood River for participants in the Mid-Columbia area. For more information, fees, and registration, go to: <http://hort.oregonstate.edu/ViticultureWorkshops>.

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