

Family Farm Business Arrangements Are Ideal

D. E. WARD
Farm Management Specialist
P. E. I. Department of Agriculture

It has been said that the farmer of today produces enough food to feed himself and thirty other people. Mechanization, the results of research and other such practices has enabled him to do this with a reduced labor force to the point that labor, or rather the scarcity of labor, has become quite a problem on many farms.

Perhaps one factor which has contributed to this situation on family farms is the lack of any form of farm business arrangements - such things as father-son agreements, business arrangements between brothers and so on. Many young people have a sincere desire to farm, to remain on the home farm and participate in its operation and management. And most parents have the wish that their farm will stay in the family. With the amount of capital necessary to establish a farm unit in this day and age, there seems to be little doubt that taking over the farm affords the most desirable route to farm ownership for the average farm boy.

As soon as the son has reached maturity in thought and judgment, has completed his education and has made the decision to farm, a business agreement should be made. While the son is still going to school he no doubt would have some responsibilities and receive a wage for his work. But once schooling has been completed, which should include a year or two at an agricultural college, working for wages is a poor substitute for joint proprietorship. Sometimes a son will receive his income from one particular enterprise. But each co-partner should have a stake in the whole farm business and all income and expense should be pooled. In other words the farm business agreement should cover the joint operation of the whole farm business. Profits for each co-partner would then be distributed in relation to the amount that each contributed to the business.

In the case of father-son agreements initially the father provides all the assets. As time goes on, it is desirable in most cases for the son to get into the position of contributing half the movable capital as soon as possible. Movable capital means livestock, equipment, feed and supplies.

There are many advantages to this. As the son's contribution increases, his share of income increases. The problem of ownership and natural increase in livestock is simplified. Each owns a half-interest, therefore all revenue and natural increase is shared. Joint ownership of machinery simplifies the problems of purchase and upkeep. Repairs and depreciation will be shared.

Naturally, a careful appraisal of all livestock and equipment will have to be made to determine a fair value of a half-share. If the son has worked at some for several years, the father - if he is able, may wish to give the son some gifts or concessions. Through a period of time the son may begin to buy the remaining portion of movable capital.

Usually the father retains the title to the real estate until the time of his retirement. Naturally here is the problem of who should be responsible for the expense of permanent improvements to buildings. Ordinary repairs would be classed as a current expense. If the son wishes certain improvements made, with the expectation that the property will some day be his, then it is expected that he would share in the capital cost.

A necessary part of any type of farm business arrangement is a complete farm records. These records must show in detail all sources of income and the amount and purpose of all expenditures. In the case where several persons involved in the farm business receive and pay out money, it is easy to see what a mess there would be with a systematic accounting.

Then, too, it is necessary to have a clear understanding as to how profit is determined. You will naturally say that the difference between receipts and expenses is profit. Well, there are cash receipts and non-cash receipts, such as food consumed in the home; current expenses such as feed, seed, fertilizer taxes and so on are no problem. But depreciation is an expense. In most types of agreements, each partner is paid a wage, which is included in current expenses. Also, included is interest on the investment that each has in the business. The difference then between total receipts and total expenses is divided according to the contribution that each has made to the business.

As well as the keeping of records business arrangements require sound methods of handling receipts and expenditures of cash. Probably the simplest way to keep things straight is to open a joint farm bank account - a current account. All income is deposited into the bank account. All farm expenses, with the exception of petty items, are paid for by cheque. Items paid for in cash are supported by receipts or other vouchers. Each partner in the firm should maintain his own personal bank account.

Your will is considered to be by many authorities as the most important document of your life. A will, in simple terms, is the document in which you state in legal form your wishes

for disposal of your assets after your death. The making of a will is most important in the case of all farm operators, and especially if one or more sons are engaged in farming with the father and other children in off-the-farm occupations.

Many sons, in fact, spend a good portion of their working life on the farm and operating the farm only to find at the father's death, no will has been made. Without a will, the estate is passed along to beneficiaries according to the laws of the province. This seldom is in accordance with the wishes of the deceased person.

In Prince Edward Island, if you die without leaving a will and are survived by a wife and two or more children, one-third of your estate goes to your wife and the remaining two-thirds is divided equally among the children. If you leave a wife and one child one-half of the estate goes to your wife and one-half to the child. If you leave a wife and parent but no children, the first eight thousand dollars goes to your wife, of the remaining value of your estate one-half goes to the wife and one-half to the parent.

The matter of making a will is a critical factor in father-son agreement and so on. Any time that more than one person is involved in running the farm a will should definitely be made.

In the process of making a will

it is necessary to make an inventory of your worth, not just of the farm business but personal worth as well. This includes such things as stocks, bonds, life insurance and so on. With farm size increasing, capitalization increasing and personal worth getting larger, many thousands of dollars are involved. Many people are not aware of the extent that estate taxes have on their estate.

The Canada Estate Tax Act provides a deductible exemption of \$60,000 if the wife survives and a further deductible exemption of \$10,000 is provided for each surviving minor child. In every estate there is a deductible exemption of at least \$40,000 and there is no estate tax on any estate of \$50,000 or less.

Some people may wish to reduce the value of their estate by transferring a portion of the farm as a gift to the son. Some basic exemptions under gift tax are allowable and if a parent plans to transfer farm property to a son in this way, he should do so over a period of years to avoid substantial gift tax.

At the present time a father may make a gift of up to \$4,000 per calendar year to his son and up to \$1,000 a year to each of any number of persons without being subject to gift tax. As an additional once-in-a-lifetime gift to his son of up to \$10,000 in farm property is permitted free of gift tax, providing the son is operating the farm.

P.E.I. Birth Rate Drops Sharply

OTTAWA - For the first nine months of this year, Prince Edward Island's birth rate showed the largest per centage decline of any province, the Dominion Bureau of Statistics reports.

To the end of September, the rate was off 19.6 per cent from the three-year average and was down 14.3 per cent from the figures for 1965.

In September alone, births totalled 204 compared to 230 in September 1965 and for the nine month period they totalled 1,662 compared to 1,940 to the end of September last year. In Canada as a whole, the rate is off 7.8 per cent from last year and 12.9 per cent from the average of 1963 to 1965.

The P.E.I. marriage rate is up, however, rising to 546 this year compared to 527 to the end of September last year.

There were only 59 deaths registered in P.E.I. in September compared to 89 in September 1965. But for the first nine months of the year, deaths totalled 804 compared to 747, an increase of 7.6 per cent.

Film On ReflectORIZED Plates Shown

A film and commentary on the value of reflectORIZED license plates for motor vehicles was given in the Provincial Administrative Building this morning, by Norman A. LeBlanc of Minnesota Mining and Manufacturing of Canada Limited, and William D. Ball, a government technical service representative.

Minnesota Mining and Manufacturing is the company that processes the material from which reflectORIZED license plates are made. ReflectORIZED plates for Prince Edward Island are manufactured in New Brunswick, Nova Scotia. Last year there were over 100 sets of these plates issued through the P.E.I. Motor Vehicle Department on a trial basis for two years.

ACCIDENT TOLL
Prince Edward Island last year recorded 25 deaths due to traffic accidents, according to Mr. LeBlanc who said the total number of accidents for this province during 1965 numbered 1,556.

Attending the film showing were: Premier Alex Campbell, Hon. T.E. Hickey, provincial treasurer, secretary, Supt. R.P. Harrison, Sgt. H.A. MacKenzie, Staff Sgt. W.L. Bigelow, all of the Charlottetown RCMP detachment, Lorne Monkey and Earle Kennedy, both from the department of the provincial secretary J.A. Gallant, registrar of motor vehicles, Andrew Wells, private secretary to the Premier, and W.R. Brennan of the public utilities commission.

MOTOR REWINDING & REPAIRS
Storey Electric Ltd.
136 Prince St., Charlottetown

Island News Page

2 The Guardian, Charlottetown, Wed., Nov. 2, 1966.

Summerside Rotary Club at noon today, and is scheduled to speak at Tignish tonight to the Catholic Women's League and the Regional High Home and School Association.

On Wednesday noon the Scout official will speak to the Island clergy at Scout Headquarters in Charlottetown and in the evening meet with scout leaders and group committee personnel.

Mr. Mortlock leaves on return to Ottawa on Friday.

Traffic Court Fines

John Percy Giddings, Cambridge, appeared before Justice of the Peace Albert Dennis in Traffic Court yesterday morning on a charge of speeding and was fined \$15 and costs for four days.

A Newton man, Gerald S. McKenna, paid \$10 and costs for four days for having more than two adults in the cab of his truck.

Francis Roderick Carr, Southport, pleaded not guilty to a charge of failing to have the registration on his vehicle transferred and the case was set down to November 7.

EVERYONE EATS
The United States exported \$1,000,000,000 worth of wheat in 1965.

New Home Recipe Reducing Plan

It's simple how quickly one may lose pounds of unsightly fat right in your own home. Make this home recipe yourself. It's easy, no trouble at all and costs little. Just go to your drug store and ask for four ounces of Naran Concentrate. Pour this into a pint bottle and add enough grapefruit juice to fill the bottle. Take two tablespoons full a day as appetizer and follow the Naran Plan.

If your first purchase does not show you a simple easy way to

lose bulky fat and help regain slender more graceful curves; if reducible pounds and inches of excess fat don't disappear from neck, chin, arms, abdomen, hips, calves and ankles just return the empty bottle for your money back. Follow this easy way endorsed by many who have tried this plan and help bring back alluring curves and graceful slenderness. Note how quickly bloot disappears - how much better you feel. More alive, youthful appearing and active.

Pos'n Tammy Doll 11 1/2" teenage doll, bendable body can be posed in different positions. EACH 88c

Pos'n Pepper Doll Bendable 9" doll. EACH 88c

Assorted Outfits For Tammy and Pepper. EACH 88c

Tractor Trike Sturdy polyethylene construction with steel axles. SPECIAL, EACH 10.99

Racing Car Set Contains 14 ft. of track, over pan supports, transformer, 3 only 1/24 scale cars. SPECIAL, SET 19.98

YOUR ATTENTION PLEASE



2nd ANNUAL MAMMOTH SALE

Sponsored by the
CHARLOTTETOWN LIONS CLUB
AND
PARKDALE LIONS CLUB

Donations and collections for this "Mammoth Sale" will be starting on November 5th., and will continue until November 19th.

Persons or business firms etc., who may wish to contribute articles, or items, any and all types, such as:

**CLOTHES, FURNITURE, HARDWARE, JEWELLERY,
GROCERIES, NOVELTIES, CHINA & SUNDRIES,
TOYS, ATHLETIC EQUIPMENT, ETC.**

Please call 894-9533 between the hours of 9:00 a.m. - 12:00 a.m. or 2:00 p.m. - 4:00 p.m. on Saturday, November 12th. or

SAME HOURS ON SATURDAY, NOV. 19th.

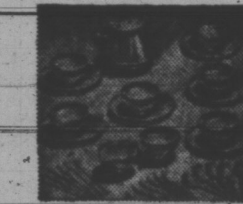
Arrangements through your phone calls, will be made for picking up your kind contributions and donations, all thankfully received by your Charlottetown and Parkdale Lions Clubs.

EATON'S

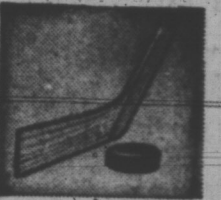
Shop Thursday and Friday until 9.30 p.m.

Toyland

OPEN THURSDAY TOY SPECIALS .88



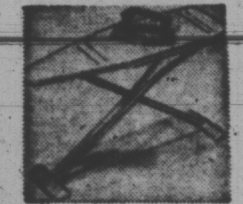
Treasure Chest of Puzzles
Contains 10 picture puzzles set 88c



HOCKEY STICK AND PUCK
Junior size. 88c

Plastic Tea Set Service for 6. SET 88c

See a Show, Stereo Viewer
Contains viewer, 35 scenes, 3 complete shows. set 88c



Bingo Bed
Swing over type sturdy wooden frame and mallet. each 88c



SOFT CUDDLE BEAR EACH 88c

Ironing Board and Iron Metal and plastic construction. SET 88c

Army Vehicle Set
Contains 6 plastic vehicles set 88c



Wooden Village Set
Contains buildings, animals, trees etc. set 88c



Slinky Toys
Walking spring toys. each 88c



MUSICAL TOPS EACH 88c



Plastic Cars and Trucks
Sturdy construction. each 88c



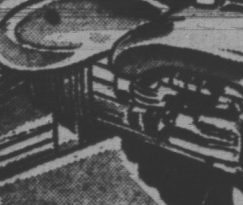
Cowboy on Horse
Wind up toy. each 88c



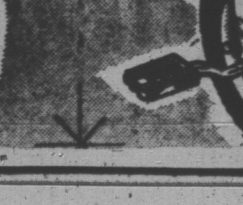
8" Kick Ball
Sturdy vinyl. each 88c



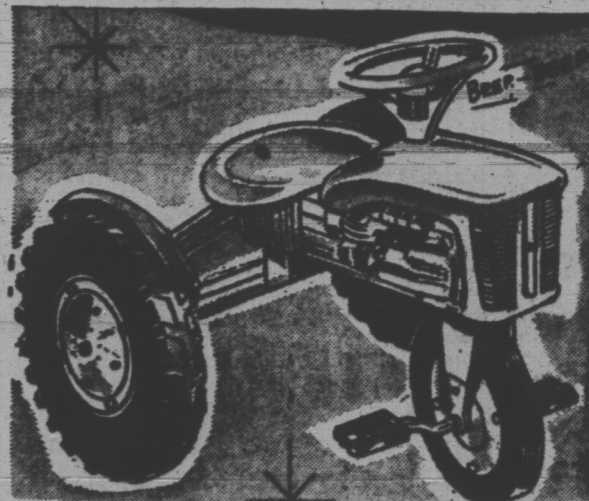
ASSORTED GAMES Tic-tac-toe, shuffleboard, etc. 88c



Plastic Model Kits
Includes birds, planes etc. each 88c



MANY OTHER TOYS each, or set 88c



Transistorized Walkie-Talkie

You can communicate anywhere within a range of a 1/2 mile! Three-transistor walkie talkie complete with 9-volt battery has 10 section telescope rod antenna which extends to 46 1/2". Strap to easy carrying, about 5 1/4" x 3 1/4" x 1 1/4". Packed individually.

Sale 2 in set 16.88

Sale one only 8.88

EATON'S

Pre-Christmas

CONTINUES UNTIL CLOSING TIME THURSDAY, NOV. 3

Check the 8 page Circular delivered to your door for bargain details. You will find hundreds of specially priced items for home and family.

SALE