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Management Hints for Tornado Victims

Purdue University Cooperative Extension Service
MANAGEMENT HINTS FOR TORNADO VICTIMS

The Palm Sunday tornadoes brought terror, tragedy, personal suffering and financial loss to thousands of people. Expressions of sympathy and offers to aid have poured in from throughout the state, the nation and from many foreign lands. Of course there is no way to completely remove the burden of such tragedy from the victims. Their own courage, faith and wisdom must provide most of the support. But in the traditions of a free and independent people each family must now start to pick up the pieces and start anew--a new business--a new home--a new life.

After the storm passed the first problem was to provide for the needs of the family. To care for the dead and injured. To provide shelter, clothing, food and comfort for those in terror and shock. Next came the livestock and providing for their confinement, shelter and feed. Next came emergency repairs to buildings, fences, water supply and power sources.

With immediate emergencies under control, it is now important to take stock of the more far reaching problems. Here is where the difference between good and poor management will be great. The family that rushes headlong into replacing what was destroyed may compound and prolong the tragedy. But those who think through the problems and carefully plan for the future may be able to turn tragedy into an opportunity to modernize--to change a stumbling block to a stepping stone.

What are the major problems that must be faced? What are their relative importance? In what order should they be attacked? One way to help answer these questions is to make a list and assign priorities. Another is to set up classifications, then arrive at orders of importance and timing.

The following is a reminder list of problems and possible solutions arranged under a number of major headings.

1. Family Housing and Homestead Layout.
   Families whose homes have been destroyed will have two kinds of problems:

   Q. What are the short run alternatives for family housing?

   a. Live with friends or relatives until permanent arrangements can be made. Usually suitable only for short time.

   b. Live elsewhere and rent a house or build a new house.

2. Getting the farm business in gear
   a. Handling the livestock in 1965
   b. Raising the 1965 crops

3. Longer range changes in organization
   a. Adjusting the farm business
   b. Farm building and fencing

4. Emergency provision
   a. Financing considerations
   b. Tax considerations
   c. Government programs

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Rent a home for a while? May not be available, or may not be convenient to the farm business.

Use a trailer or tent? Usually temporary.

Build a new home? May reduce needed working capital.

Buy a home nearby? May be a good solution in some cases.

Move a house from another location? There are surplus houses in some rural communities. Any of the last three solutions usually require several weeks of planning in order to gain satisfactory results.

Q. What are the long run housing considerations?

What are the probable long range needs of the family? Is it growing or shrinking? How long will the house be needed?

Where should the home be located? Consider location in reference to the business, schools, trade center, social and community facilities.

What will be its resale value? Will it depreciate or appreciate? Will it add to the value of the farm more or less than its cost? If need be, can it be separated from the rest of the farm?

Where can help be obtained on building plans and home or farmstead layout? Call your County Cooperative Extension Office.

2. Getting the Farm Business in Gear—Immediate Adjustments

A. Handling the livestock in 1965.

Q. What are the alternatives for handling livestock in the short run? There are at least four that should be considered.

Sell the livestock currently on hand if this can be done without unwarranted discounts.

Rent facilities from a neighbor on an emergency basis.

Build temporary facilities.

Lease livestock to another farmer.

Q. Which one of the above alternatives looks best? The answer to this depends on the individual situation.

Selling out may be best particularly for market animals if the livestock is only average and can be replaced with as good or better animals later. This is particularly true if the feed supply has been lost. Also, grain prices are relatively high and are likely to increase slightly before the 1965 corn crop is harvested.

Selling may not be the answer for breeding herds that have been built up over a long period. If facilities are available which can be rented, this may be the best alternative provided they are reasonably close by so a lot of time is not spent going to and from the livestock.

Lease livestock to other farmers. For other than feeder animals on contract this is not widely done.

Q. What should be considered when thinking about temporary facilities?

How much are they going to cost?

What will their salvage value be?

How much time for constructing them is going to be taken away from getting fields cleared and the crops in? A day spent on getting crops in on time on most farms will return far more than a day spent on working on livestock facilities.
Q. What kind of temporary facilities should be considered for different kinds of livestock?

Purchases should not be elaborate or expensive until sufficient time has been spent in determining the future place of various livestock enterprises on the farm, and the over-all farm organization.

Feeding hogs can get by with little more than a temporary sunshade until next winter. If you have been feeding hogs on concrete floors these probably were not seriously damaged. Here it is necessary to provide temporary fencing and feeders.

Farrowing operations can be moved to pasture with temporary fencing and portable buildings. This may require purchase of some portable buildings.

Cattle feeding can be continued without buildings for any cattle now on hand. Feed bunks, feed handling equipment and fences are the main considerations.

Cow herds can be moved to pasture and will need few facilities.

The dairyman has more difficult problems. Temporary facilities are generally not satisfactory for meeting dairy code standards. Thus, renting facilities or selling the herd may be about the only alternatives available. It may be possible to lease your cows or use the neighbor's milking parlor in combination with green chop produced on your farm.

B. Raising the 1965 crops.

Q. How important is it to do a good job on 1965 crops?

A high percentage of the net income on most Indiana farms is made from crops. The crop planting season is upon us, yet timely operations in crop production are a must if there is to be any chance for profit this year. During the next 30 to 60 days spending the necessary time to do a good job on crops is likely to pay a higher net return than anything else that can be done in the farm business.

Q. What are some problems likely to arise in raising 1965 crops and what are some possible alternative solutions?

The first problem is in getting the land cleared of debris. This must be done quickly. Volunteer help has been a partial solution on many farms. Cost sharing payments from ASC should not be overlooked. Perhaps some of the more littered fields can be put into the Feed Grain Program for 1965.

Q. What crops should be raised in 1965?

If buildings, fences and/or livestock were lost it might be wise to increase the acreage of grain crops—at least for 1965. Corn and soybeans are the highest profit field crops on most Indiana farms. Modern cropping practices allow us to grow more of these high profit crops; so perhaps this is an opportune time to switch to a higher profit rotation.

If you have been growing hay on land that is capable of more row crops—and your hay making equipment and/or hay storage facilities have been destroyed, this is a good time to consider a switch to corn silage in place of hay.

Q. What are the alternatives if power and equipment were destroyed?

Buy new equipment to replace the old—it's nice but expensive.

Buy used equipment to replace old.

Buy only part of needed equipment and rent or borrow other equipment or swap work with neighbors.
. Hire part or all of crop work done on custom basis.

. Rent out the land to a neighbor.

. Sell the land.

Q. What should be considered before making sizeable investments in machinery and equipment?

. With farms increasing rapidly in size is this the time to get somewhat larger power and/or equipment?

. With possible reduced meadow acreage, can you afford to own hay making equipment?

. Can you afford to own grain harvesting equipment? On smaller farms it is often less expensive to hire the grain handling done on custom basis than to own harvesting equipment.

. Should you continue to harvest ear corn? The trend is rapidly toward shelled corn harvest.

Q. Are there any expenses that can be cut or deferred in 1965 crop production without reducing net income?

. It's usually not good economics to buy other than good seed, skimp on needed weed or insect control measures, fertilizer, etc. These have contributed greatly to yield increase.

. If you have been using phosphate and/or potash liberally in recent years, you might cut back slightly on these for 1965.

. Most farmers can't afford to reduce nitrogen applications below recent usage.

3. Longer Range Changes in Organization

A. Adjusting the farm business.

Q. Is your farm business big enough to be competitive in the years ahead?

. Farms which provide effective 1 1/2 to 2 1/2 man labor loads are usually more efficient than either larger or smaller farms.

. Although volume of business can be increased by intensive livestock operations, maintaining a large land base usually permits more effective use of resources.

. Because smaller farms are at a cost disadvantage, many farms with less than 200 tillable acres will be combined into larger units within the next five to ten years.

Q. How can you increase your volume of business?

. Intensify cropping programs.

. Produce more livestock.

. Add land to an existing unit either through purchase or rental.

. Move to a larger farm--either owned, rented or part owned and part rented.

Q. What are other choices in adjusting your business?

. Many people supplement farm earnings by non-farm sources of income--either full or part time off-farm work.

. Many older people retire, rent the farm and live elsewhere.

. Sell out and find other employment.

Q. Where can help be obtained in developing plans for the future?

. A specially trained farm management agent is available to help the tornado victims of this county. To get his help contact your County Cooperative Extension Service.
B. Farm buildings and fences.

Q. What questions should be considered before replacing farm buildings and improvements?

. Will the improvement add more or less than its cost to the farm?

. Will the improvement add enough to farm earnings to more than cover all other costs? If so how long will it take to pay out? 3 years? 5 years? 10 years? 20 years?

. Is a new method likely to come along and make it obsolete before it pays out?

. Is it flexible enough to be adapted to other uses (four walls and a roof)? Or is it highly specialized (milking parlor)?

. Is it located so it could be used for other purposes?

Q. What are some other general considerations in replacing buildings?

. Recognize that it hardly ever pays to build buildings that last 30-40 years. Technology changes so rapidly that buildings soon become out of date and either stand idle or continue in use as high-cost inefficient units. Pole-type and open structured prefabricated buildings have decided advantages. They are less expensive to build, are more readily converted to alternative uses and can be built so that tractors and equipment can be used inside the buildings. This reduces labor involved in handling of materials or manure.

. Are the necessary resources available to make the livestock facilities work? Capital? Livestock skill? Reasonable assurance of continued good business management?

. Highly specialized, mechanized livestock facilities can often add to farm earnings if the above requirements are met, but more conventional systems are also competitive.

Q. Where is information and assistance available in planning grain handling systems and farmstead layouts?

. See your County Extension Agent or your Area Management Agent for information. They have publications, building plans and can get help from Purdue University specialists.

Q. What are the factors to consider in rebuilding fences?

. On many farms with good flat land where continuous corn is moving in, fences are actually coming out. This permits larger fields with less land wasted and permits use of 4, 6, and 8-row equipment.

. Livestock grazing of fields is becoming less important as the shift is more to corn combines with smaller field losses.

. The shift away from meadow in the rotation cuts down on the amount of fences needed for livestock.

. It may actually be cheaper to let some stubble and stalk fields go to waste than to provide fences and keep small livestock enterprises. However, it pays to fence a limited amount of meadow on hog farms where it is utilized by the breeding herd.


A. Financing considerations.

Q. What is the first step in securing financing for the operation and reorganization of the home and business?

. Contact the leading organization with which you regularly do business. It is quite likely it can meet your financial requirements
with commercial funds, if not completely, at least partially. If it cannot it will be able to refer you to agencies lending public funds.

Q. If financing is not available from conventional lenders, what are some of the agencies that can help?

. The Farmers Home Administration.
. The Small Business Administration.
. The Federal Housing Administration.

. Under specific circumstances these agencies may be able to loan money with little security and low interest rates. Other agencies may later be empowered to provide assistance.

Q. Are there other possible sources of funds?

. ASC--grain storage facility loans are available -- contact local ASC Office before beginning construction.
. Red Cross--Grants not loans where need exists.

B. Tax considerations.

Q. Can casualty losses suffered in the Palm Sunday tornado reduce income taxes paid in 1964 and can a refund be obtained?

. Most farmers can claim casualty losses against 1964 taxes if the loss occurred before April 15 and an amended return is filed before July 15, 1965, provided a casualty loss can be established. If the loss is not claimed in 1964, it can be claimed on the 1965 return.

Q. What information is needed to establish a casualty loss?

. Nature of casualty and when it occurred.

. That loss was direct result of casualty.
. That you were owner of the property.
. Cost or other basis of property, evidenced by purchase contract, deed, etc. (improvements should be supported by checks, receipts, etc.).
. Depreciation allowed or allowable if any.
. Value before and after casualty.
. Amount of insurance or other compensation received or expected to be received for damages, including the value of repairs, restoration, and cleanup provided without cost by disaster relief agencies or others.

Q. What is a casualty?

. It is the complete or partial destruction of property (buildings, fences, trees, machinery, and certain other personal property) resulting from an identifiable event of sudden, unexpected or unusual nature, such as a tornado.

Q. If a casualty is established, how is a claim for refund of taxes made?

. The 1964 return can be amended by filing an amended return 1040 for the year 1964 using a 1964 form plus supporting 1964 schedules (C, D, F and others where appropriate). Print or write the words, "Amended Return" at the top of page 1. The amended return will serve as a claim for a refund.

. If you do not elect to amend your 1964 return, the loss can be taken on the 1965 return.

Q. If the casualty losses exceed income in the year reported, may they be applied against taxable income of other years?
If casualty losses (business and non-business) exceed income in the year reported, the excess may be carried back as a "net operating loss."

Q. What are some of the considerations in deciding whether to amend the 1964 return or to wait until 1965 to claim the casualty losses?

- Taxes paid on 1964 income.
- Time preference for cash.

Q. Are all casualty losses the same?

No. Casualty losses may be either business or personal. Different rules apply to each type of property.

Q. If, because of lack of feed and facilities as a result of the tornado, livestock is sold that has been used for draft, dairy or breeding purposes, is tax due on any gain?

- You may elect to postpone tax on any gain realized if you use the entire proceeds of the sale to purchase replacement stock before December 31, 1966.

Q. How may help be obtained in claiming a casualty loss?

- Contact your local tax consultant and/or Internal Revenue Service.

Q. Are publications available that discuss casualty losses?

- The following publications are available from your local Internal Revenue office or Superintendent of Documents, Washington, D.C. 20402.

- IRS Document No. 5174 (12/64) "Disasters, Casualties and Thefts"
- IRS Publication No. 225--1965 "Farmers Tax Guide"
- IRS Publication No. 17--1965 "Your Federal Income Tax"

C. Government programs 1/

Q. Is it possible to get emergency feed from CCC holdings?

- If you have livestock, but are out of grain and are financially handicapped, you may be eligible for up to a 30-day supply of free grain from CCC holdings.

Q. Is it possible to get reimbursement from ASC for cleanup of debris?

- ASC will pay up to 80 percent of the cost for cleaning up debris on tillable land including tillable pasture.
- To the extent that cleanup is done by volunteer help the farmer could not be reimbursed.
- But the farmer will receive cost share payments for any hired help or for his own labor or costs involved in cleanup of debris.
- This cost share would apply to those not participating in various farm programs as well as those participating.
- A record of man hours, machine use and other costs will be necessary for claiming reimbursement.

Q. Can farmers get cost sharing Government payments for rebuilding fence destroyed by the tornadoes?

1/ Check at your county ASC office for verification and further detail.
Farmers may receive reimbursement for up to 80 percent of materials and construction costs for interior fences.

Currently, boundary fences are not eligible for cost sharing, but this may be changed.

Q. What if growing wheat was destroyed—how may these acres be used in 1965?

If you are participating in both the Wheat Certificate program and Feed Grain program the destroyed wheat land may be planted to soybeans and you would still be eligible for Wheat Certificate payments.

If you are participating in the Wheat Certificate program but not the Feed Grain program, then you could put destroyed wheat acres into corn as well as soybeans or other crops if desired and still get wheat certificate payments.

Q. Is it possible that Feed Grain program signup might be reopened so that tornado victims might retire land in 1965 which they are unable to farm due to lack of machinery and equipment, debris on land or for some other reason?

This is being discussed, but a favorable decision is highly uncertain at this time. Keep in contact with your local ASC office for latest developments on this and/or other changes in Government programs and cost sharing.