



NUTS & BOLTS

A PUBLICATION OF THE NFRBMEA

John Hest, Editor



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RED FACE

Is my face red! You'll recall that the first newsletter that came to your doorstep from this editor, declared a list of winners from last June's election at our association's convention in Worthington, MN.

Well, it seems that I proclaimed the wrong winner in the vice-president spot. Loel Nelson, Bismarck ND State College adult farm & ranch management instructor, won the election and is actively serving your association. My apologies to Loel. This only goes to prove the old adage pertaining to retired ag teachers: "My memory is good, only it's short."

Here are Loel's vital statistics: Loel has taught farm management for 14 years at Bismarck State College. Prior to that time he served as a high school vo-ag teacher. He farmed full time for 12 years until his land became part of the Garrison Reservoir when the Garrison dam was built on the Missouri river north of Bismarck. His degree was earned at NDSU in Fargo, ND.

He is married to Alma, who is a home economics teacher in Bismarck. The couple have 3 sons, the oldest a high school vo-ag teacher at Hebron, ND, the middle son who attends college at the U. of MN in St. Paul, and is majoring in agricultural education, and the youngest lives in the state of Virginia, doing construction work.

Loel restores cars as one of his hobbies and a 1908, brass era Buick, is one of his favorites.

APOLOGIES

As long as I'm confessing, I might as well make a clean breast of it and apologize for this newsletter being a little over a month late in coming off the press in Moorhead, MN. A round trip to Japan, a round trip to Seattle, all within a month, and other family complications have made "editing" really difficult. Enough of that! On to the rest of this edition.

PUMPED UP BY CONFERENCE

I hope that you're planning to attend the National Farm & Ranch Business Management Education Association conference in Lincoln, NE, June 13-16, 1988. According to Wayne Erickson, who is the conference chairman, "1988 The New Era" is the theme for this 16th meeting of our group. From my experience, this is an opportunity to get "pumped up" about your job of educating farm and ranch families. If you've never attended, make your plans now to be with other people who are doing the same thing that you are. The Villager Motel, 5200 "O" Street, Lincoln, will be the headquarters motel. Watch for the next mailing from the Nebraska instructors. If for some reason you're not on the mailing list (you should have received the first letter during the second week of February), let me know and I'll see that you get it. I hope to see you at this professional meeting of your association.

NEW MEMBERS - A NEW IDEA by President Vic Richardson, Owatonna, MN

The by-laws of our organization indicate that the objective and purpose of the National Farm and Ranch Business Management Education Association shall be to promote farm and ranch business management education. Many professional workers in the field of agriculture can readily identify with such a purpose. It should not be limited to only instructors and administrators of farm and ranch business management education. Many folks in the area of extension, agricultural economics and related fields have similar objectives. Each of us can probably identify such professionals in our respective part of the country. The Executive Council of our organization would like to see some of these other professionals become interested in supporting our common goal of business management education.

Therefore, we are asking you to identify some of these folks in your area. Send their names and addresses to the 1988 NFRBMEA conference chairman, Wayne Erickson, Box 763, Wisner, NE 68791. He in turn will make sure they receive the mailing for our annual conference.

At the same time it would be good if you also invited these individuals to attend our conference and to consider joining as affiliate members. We have a very beneficial event conducted in the form of a conference and we have a most worthy objective as an organization. Let's not hide it under a bushel basket!

MANAGEMENT ARTICLE

In the last issue I challenged each of you to send an article relating to the teaching of management for publication in NUTS AND BOLTS. I didn't expect to be deluged with submitted articles, but I did expect to get more than the one I received from Loel Nelson. I think that you'll agree with me that "it's a good one." It certainly reflects my philosophy of farm management education.

FARM MANAGEMENT IS EDUCATION by Loel Nelson

I am very proud to be a teacher of Farm Business Management. Every now and then I remind myself that as a management teacher it is my job to teach families to upgrade existing skills and/or to develop new skills to the end that occupational opportunities are enhanced.

The main difference between farm management being education vs service is that in education we teach the farm family to apply the skills taught, whereas in the service area we may do the work for the family. It may be easier and faster to do their work than to teach them to do it. It is very easy to dazzle the family with the computer, new income tax rules, ASC rules, etc., and create a need for them to depend upon us for survival. Doing too much of that might cause a family to fail financially because we haven't taught them the skills necessary to survive and prosper in the present farm economy. And that possibility is scary!

Our goal, when we leave a farm home visit should be that the family knows more about their business when we leave than when we arrived. What we've taught them during the visit should better help them solve the problems associated with their farm business.

My question is: Are we teachers or are we service agents? It seems to me that we teachers should ask ourselves that question when we leave for work each morning. If we're not doing that, we shouldn't be called teachers. Which kind are you?

HELP! HELP! HELP!

As long as we're on the subject, I'm still in need of articles for future issues of NUTS & BOLTS. If I don't receive some soon it's going to be difficult to publish the next issue which should come off the press about May 10. If you have an idea or gripe you'd like to share with your fellow management teachers, why don't you sit down today and bang it out on your computer or typewriter (or if you're writing is good enough so I can read it, I'll take that too).

If you're one of the people to whom I made a special appeal, again, Help! Help! Help!

Article idea: "My Successes and Failures in Farm Management and Why." This could easily become an on-going column for NUTS & BOLTS. It certainly would have been a big help to me during my teaching years, and, I imagine would be for all of you farm management teachers out there. So, c'mon drown me with your correspondence.

Article idea #2: "Innovative Ideas on Use of Farm Business Analysis."

Article idea #3: "Tricks of The Trade."

TAX TIPS

It seems that each year, of late, the IRS is throwing up roadblocks for farmers, making it more difficult for them to come out with TRUE net profit (the amount left over after all taxes are paid). This year is no exception according to recent rulings from that government department. Prior to tax year 1988, farmers could legitimately pay their wives and children who are under 18, without the necessity of paying social security taxes on them.

Not so, commencing Jan. 1, 1988. Social Security (FICA) must be deducted from those checks in the amount of 7.51%. Then the farm business must pay a like amount to Uncle Sam, for a total of 15.02%. The farmers' employment tax on that amount, if not paid as wages, would be 13.02%.

Rules for paying social security tax on other farm help have changed too, beginning tax year 1988. It used to be that the tax need not be paid if the employee earned less than \$150 per year and who worked less than 20 days per year. The 20 day rule has been eliminated and the \$150 exemption applies if the farm's total payroll for the year is less than \$2500 per year.

When I began teaching farm families in the late 40s, IRS rules were few and far between and the teacher's income tax knowledge could be gleaned from the tax filing instruction sheet and he could quite easily help the farmer file his own tax forms. But no more. If the teacher doesn't attend income tax seminars each year he/she is short changing the farm family students. The teacher is many times the only tax resource open to the farm family so the advice had better be right on the money. But I believe the days of business management instructors filing, or even helping to file, the tax returns are pretty well over.

10 COMMANDMENTS REVISITED

I picked this out of *AG WEEK*, a farm weekly published in Grand Forks, ND. The 10 Commandments may not be the version that some of us learned in church, but still good for all of us. Brother farm management instructor, Duane Jaenicke hails from Roseau, MN. Roseau, the home of Polaris snowmobiles, sits almost on the border between Canada and the United States. Here's a copy as sent to *AG WEEK* by Duane:

Roseau, MN - In my work with farmers involved with the farm management program offered through the local school district, I get into close contact with many farmers on a daily basis. I get to find out, first hand, many of the problems and dilemmas that they face on a day-to-day basis. One day I sat down and wrote what I called "10 Commandments for Farming in the 80s."

- I. Thou shalt visit the ASCS office frequently.
- II. Thou shalt not tear hair out and beat head against wall while trying to decipher ASCS regulations.
- III. Thou shalt follow ASCS regulations to the letter but be able to forgive Uncle Sam for changing his mind at any time.
- IV. Thou shalt be able to pass by dealers' lots full of new machinery without crying, knowing you can never afford them.
- V. Thou shalt be able to spend long hours at auctions, trying to buy more junk to add to your own line of junk.
- VI. Thou shalt possess cash before visiting the local farm supplier.
- VII. Thou shalt possess the ability to prepare two balance sheets, one for the lender, the other for IRS.
- VIII. Thou shalt be able to present next year's proposed cash flow to lender, with a straight face.
- IX. Thou shalt understand that oil at \$12 a barrel is too cheap, while \$3 wheat is too expensive.
- X. Thou shalt be able to plan next year's reduced plantings while watching starving children on TV.

LEFT OVER FROM GENE

In the last issue of *NUTS & BOLTS* Gene Francis, Blooming Prairie, Mn. instructor, wrote an excellent article on how farm families view Table B in the farm business analysis program. Last September when Gene answered my plea for an article in this publication, he also sent along some fact sheets that he'd taken out of some *FARMAMERICA* literature. They look like they're the kinds of things that farm management teachers cut out and put into their book

of facts, the proverbial 3-ring notebook, to be kept for posterity and future use:

COSTS TO PRODUCE MILK IN SEPTEMBER 1987:

Interest on breeding stock: \$900 value x 11%	99.00
Depreciation: Breeding stock \$900 - \$450 salvage \$450 /3 yrs life in herd	150.00
Risk: 1.5% x \$900 value	13.50
Bldgs & Equip (deprec, int, rpr, taxes, ins) (could easily be \$400-\$500 on all new facilities)	235.00
Power: (tractor, truck, electricity)	185.00
Other Cash Costs (vet, breed fees, cust, ins, misc)	244.00
Feed: (corn @ \$1.40, suppl @ \$270, alf \$60/T, (corn silage @ \$14/T)	595.00
Labor: 65 hours @ \$7.00	455.00
	<u>455.00</u>
	Total Costs \$1,976.00
	Total Costs/16,000 # milk 12.35
	Without labor & management 9.51

COSTS TO PRODUCE PORK IN SEPTEMBER 1987:

Interest on breeding stock: \$160 value x 11%, \$17.60/14 pig/sow/year	1.25
Depreciation: breeding stock \$160 - \$120 salvage = \$40/2 yrs = \$20/14 pigs	1.50
Risk: 2% x \$160 value = \$3.20/14 pigs	.23
Bldgs & Equip: (dep, int, rpr, taxes, ins) (could easily be \$18 on all new facilities)	10.00
Power: (tractor, truck, electricity)	6.50
Other cash costs: (vet, cust wrk, insur, misc)	6.17
Feed: (corn @ \$1.40, suppl @ \$270)	46.32
Labor: (2.25 hours @ \$7.00)	16.00
	<u>16.00</u>
	Total Costs, 220 lb mkt hog 87.97
	Total Cost/cwt live hog (230#) 38.25

COSTS TO PRODUCE CROPS (CORN AND SOYBEANS) (1987):

	<u>CORN</u>	<u>SOYBEANS</u>
Fertilizer: broadcast, starter + nitrogen)	33.00	5.00
Chemicals: (herbicides & insecticides)	22.50	22.50
Seed:	21.50	10.00
crop insur, crying, gas & hired labor	22.00	13.00
Power & Mchy (fuel, depr, rpr, int, ins, (custom work)	65.50 (82% of corn ^)	52.50
Storage & Handling:	15.00	5.00
Int on oper expense & utilities	12.15	8.00
Land Cost: (int, taxes & upkeep)	65.00	65.00
Cost without labor & management	256.65	181.00
Labor & Management (\$7/hour (5.5 hrs corn, 4.5 hrs. s.b.))	38.50	31.50
Total Cost	295.15	212.50
Expected Yield (105-110% of recent 5 yrs)	126	38
Cost per Bushel (with labor & management)	2.34	5.59
(without labor & management)	2.04	4.76

Note: Labor Costs for all, calculated: \$21,000 (ave. family living)
\$21,000/3,000 productive hours = \$7.00/hour
Cost estimates from MN ADULT FARM MGT ANALYSIS REPORTS

You may not agree with Gene's final figures, but you should get some good ideas to plug into the figures from your own analysis reports.

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