NUTS & BOLTS

A PUBLICATION OF THE NFRBMEA

John Hest, Editor

VOLUME 3 - NUMBER 2

November 1, 1989

THAT TIME

It's that time of year again when your Farm or Ranch Business Management Education clients will be thinking (or should be thinking) about their income tax obligations for 1989. Here's where you, with the help of your computer, can give them lots of educational advice. Farmers and ranchers generally think that the only time they need tax planning is when they have a "big" year. You know that isn't so. A "bad" year is just as important when income from stored crops can be pushed into a year of little income and large amounts of expense.

Many teachers have developed spreadsheet templates to aid in the process and will give, or for a small charge, make these available to fellow teachers. Ask around. If you don't have any luck, drop me a line and I'll ship one back to you. Duane Lemmon, a brother teacher from down the road at Detroit Lakes, MN and I put this together for Lotus 1-2-3 several years ago. Drop in a check for $3.00 to cover the cost of the disk and postage.

PRINCIPLES

Even though I'm retired and supposedly didn't need the training sessions held at our conference in Greeley in June, I attended several anyway. One of them, conducted by Dr. Ed Persons, University of Minnesota in St. Paul, made such an impression on me that I decided that his ideas should be shared with those of you who weren't able to attend the conference or his session. An exerpt of his presentation follows:

Some Basic Analysis Principles:

Farm analysis only makes sense if it is done using an accrual system of accounts. It must take inventory change into consideration and it must accommodate both expenditures and incomes that have not been converted to cash. Without these accrual adjustments, a one year picture of the farm business is more apt to be erroneous than it is to be correct. The basic assumption for an analysis of any business, farm or otherwise, is that the record is accurate and this it is an accrual account that represents the true costs and returns from the business enterprise.

Given the assumption that the rules for data origin are carefully followed - there is a complete and accurate farm record - there are three cardinal principles that a good business analysis must meet.

1. Validity: The business analysis must measure what it intends to measure. If it is supposed to measure returns over feed costs per cow, then it should measure return over feeds costs per cow and not something else. Validity in farm record analysis is obtained by careful attention to detail and to definition. Validity is an important concept when one considers the allocation of overhead costs. Analysis systems that use unsubstantiated dollar values as the assigned overhead costs or allow the assignment of costs without some logical basis for determining how costs get assigned have questionable validity. They do not measure what they claim to be measuring.

2. Reliability: To be reliable, a business analysis must measure the same things, the same way each time. Computed today, I should get the same answers I will get tomorrow, if I use the same data. The formula for analysis must be fixed and unchanging. To be reliable, the analysis should also be non-manipulative.

3. Non-Manipulative: The farm family should not be able to manipulate the results of the analysis so that some more favorite enterprises are more profitable than others less favored. While adjustments in some costs are necessary to reflect reality (power costs, for example, when an enterprise is organized to utilize little power and machine expense), these adjustments need to be reality based and limited to those instances where logic and practice suggest that adjustments are necessary.

We Don't Want To Lose Sight Of:

1. The common threads that tie new information to our existing data base so there is opportunity to establish a solid perspective of what each new piece of information might mean and how we will interpret it for the improvement and education of the farm family.

2. The usefulness of an aggregate data base in informing us of what the state of the art is for farm businesses of various kinds in various locations. A set of "averages" is a valuable reference by which farm families can gauge the adequacy of their progress.

3. The need for uniformity within a state. Farm record analysis must mean the same thing from school to school if we are to maintain a program of farm management education. It is not possible to convince decision makers that we have a system of farm management education if we ourselves do not have a system we strongly support for uniformly summarizing and analyzing farm business records. This is not to suggest that all states have to have the same system , but if it is possible to use the analysis system designed especially for farm management instruction, then it gives strength to your management plan. Within a state there is no room for divisiveness in a program that rests on the fragile good will and support of legislative bodies.

4. Compliance with the accepted principles of farm management. We need to be careful not to discard some essential features of our analysis just because they may not be always understood by teachers or our clients. It is our job to learn and to teach, not to ignore and discard. For example, the rules of analysis suggest we consider all resources regardless of ownership. That means that the whole business is the entity we are responsible for managing, not just the piece we happen to own. It is a basic rule that is related to our use of resources. Good managers maximize the returns to their scarcest resource. All of these kinds of "rules of thumb" or adages about management are based upon the premise that all resources are considered - not just those you own. There are other less global measures that include only the parts you own, but to examine a whole business on the basis of operator ownership is like putting together a jigsaw puzzle with essential pieces missing: you never do get the true picture of the managers capabilities or progress.

How Not to Loosen Ear Wax

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It was just a few minutes before 4 on the afternoon of April 8, 1987 when it happened. I was reaching for the phone when, all of a sudden, there was an almost indescribably loud noise and I found myself on the floor in my office. I got under my desk because I could hear things fall from the ceiling. After some time (no one knows how long because we were temporarily stunned and speechless), Al Dalen asked if everyone was okay. After we all responded, I remember Al saying, "Let's get out of here before it blows again."

There were four of us in the Farm Management Department when the explosion occurred. Esther Mattson, our secretary, had just left her desk just a few moments before and walked over to assist Lori Keller, our work study student, with something; Al Dalen was in the office adjoining mine and I (Don Johnsen) was reaching for the telephone.

I remember that it was dark as night because all the lights were knocked out and there is only one window in the department area. We all made it to the exit and everyone was coughing because of all the years of collected dust which had fallen along with the tiles from the ceiling.

Verne Spengler, our area coordinator, had left the office earlier than usual because he had an evening appointment at another school. The explosion occurred in an area just beyond the wall in Verne's office. It pretty much ended up on Esther's desk, along with several concrete blocks from the wall. I shudder to think about what would have happened had Esther and Verne been at their desks when it happened. When we saw the wreckage the next morning, there seemed to be a path cleared to the door so we could get out of the room. There is no doubt in my mind that the Lord cleared the way and for this we are

very thankful.

Al received a cut on his head which required stitches, but outside of that, the rest of us only received minor bruises and severely ringing ears. I'm going to let Al Dalen continue on with this story.

Let there be no doubt about the explosive power of acetylene gas when mixed with air. John Hest (ye editor) wanted us to relay the events of our experience in the hope that someone somewhere might avoid a similar or a more disastrous experience. Our office is (was) located in an area converted from a former shop area. A small cement structure, measuring 4 x 6 x 7 feet, was located in the corner of the complex with no opening to the outside. A steel entrance door to this area opened from the outside and ventilation louvers in the upper and lower part of the door. Acetylene gas was stored in this room and two tanks were attached to a manifold system and piped through a 12 inch block wall into the adjoining welding shop.

A welding supply truck had delivered a fresh supply of tanks that day. After the welding class adjourned for the day, a work-study student checked the manifold system and decided new tanks should be installed to be sure of not running out of gas during the class the next day. This was approximately 3:30 p.m. He returned to the shop and was involved in cleanup and maintenance work in the area. At about 3:50 he decided to light a torch at a bench located just below where the manifold pipe entered the welding shop. As he lit the torch he heard a puff and found himself lying under the welding bench about 20 feet away with 12 inch cement blocks lying all around him.

The force of the explosion blew the steel entrance door off, through a heavy mesh security fence located about 40 feet away and on for another 100 yards. People up to a mile away told us they had pictures cocked on their walls. The 12 inch block wall had a hole about 8 feet wide and 10 feet high. The walls of the small cement room were scattered over the entire office complex. The fortunate part was that those walls tended to go straight out and the occupants of the room were located in a spot on the diagonal. Frame paneled walls were completely removed by the force of the flying cement, taking office fixtures with them. A typewriter, setting on a desk about 15 feet away, was thrown another 15 feet, against a far wall. A row of 8 steel filing cabinets in line with the front of the cement room were tipped at about a 45 degree angle and heavily damaged.

The entire false ceiling came down, along with some of the fluorescent light fixtures and parts of the overhead heating ductwork and grills. In short, four people were very fortunate to walk out with no more than bruises, sore ears and a superficial cut on the head (me) from a falling ceiling grate. The young lad in the welding shop was apparently saved by the high-backed welding table which moved in front of the wall, taking him with it.

The cause of the gas leak was determined to be a defective shut-off valve on one of the partially filled tanks removed from the manifold system. The fire investigator found that of the tanks had less gas left and was still leaking when it was removed. The valve could not be shut enough to keep it from leaking. The wind currents were apparently just right to prevent the gas from leaking through the louvers in the door allowing it to build up to the level of the pipe which went through the wall to the welding shop. The explosion must have completely burned the gas as there was no evidence of any fire following the explosion. Whether all of the destruction was caused by the force of the explosion, or was aided by the vacuum created by it, with an implosive force, we will never know for sure, but some of the things that took place tempt us to believe that both forces were involved.

The above procedure is not recommended as a way to loosen hard ear wax, although it did prove to be effective.

Where Am I Supposed To Be?

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Where the devil am I going? Maybe the more correct question or questions should be, where am I at? Or, where am I supposed to be? We have all heard many times that farming has changed, is changing dramatically. Is the job of the farm management instructor changing too along with the changes in farming? It seems it is, in probably several hundred directions. And that brings up the question again: Where the devil am I going? Many years ago it was generally agreed that good farm records were the foundation of a good farm operation. Farm management instructors taught farmers this skill. The

resulting farm record analysis gave the farm family the information they needed to make decisions concerning their farm operations that would enhance reaching their family goals. Our job seemed rather simple and rather straightforward.

But simple won't do it anymore. In recent years, probably because of the farm financial crisis more than anything, we have countered with a new and improved analysis, the joyous FINPAC, endless surveys by and for the state department and the emergence of a farm financial analysis package filled with ratio's and related indicators that confuse both the farm family and the instructor.

The reaction of us farm management instructors to the "changes" we have faced the past several years is a little like the reaction of several hundred chickens startled by a loud noise: a noisy scattering in all directions. As far as the farm families are concerned that "scattering" will be of no consequence if each instructor does his or her job of helping that family reach their goals.

But it is not in the best interests of the organization that we may be going off in many different directions as this not only impacts our credibility, but our job security. What seems to be a major stumbling block here in Minnesota is the question as to which analysis can or should be used with our farm management program. Will it be the SDS or the FinanX. Maybe both. Time will take care of that question. I am quietly hoping that SDS will prevail for reasons that are too lengthy to write here. A much smaller stumbling block is the proliferation of ratio's and indicators alluded to above. It seems to me we have just bought a new car but now don't really know how to drive it. I have heard the same question many times: "What does this or that really mean?" Did it occur to anyone that we should all get some very intensive driving lessons so that we all know how to drive that new car. I think not.

Most of this new material has merit, some more and some less. In order to utilize these new-found wonders so that we can better help our farm families, it would seem prudent that we all interpret their meaning and usefulness the same way.

Having a somewhat unified interpretation of the new data is reasonable quest. Does this observation mean that everyone is on the same track with the old data? Not really. I have noted in recent months that there are numerous interpretations involving the old data. No one is necessarily right or wrong, only different. And some are adamantly firm that their particular interpretation is correct, which causes one to feel that maybe his interpretation is wrong and has been wrong for years. Some of us older instructors tend to be guilty of inflexibilities in some of these matters, right or wrong. We're too darn smart to be confused by anything.

Maybe the time is about right for us all to put our heads together and start discussing questions that might be bothering others besides myself; where the devil are we at, what are we doing and where should we be going?

Big Trip

Jerry Kalinowski, Alexandria Technical College instructor, informs NUTS & BOLTS that their department is sponsoring an agricultural tour of Germany and Switzerland July 8-21, 1990. More information can be obtained by calling 1-800-253-9884 or 1-612-762-4490 and ask for Jerry or Jan Doebbert.

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