

NUTS & BOLTS

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John Hest, Editor

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COMPUTER TIDBITS

In previous issues I've promised that I'd pass on computer tips that I've used and that can help you to better utilize your machines, no matter what the brand. Since so many of you use Lotus 1-2-3 as your choice of spreadsheet, I probably lean to pointers that pertain to that program. Here are a couple:

- 1) To change directory, the easy way, without typing the long mumbo-jumbo that goes with hard disk use:
 - a) Hit F (for file);
 - b) Hit R (for retrieve);
 - c) Hit F3 (for directory in force at Lotus 1-2-3 start);
 - d) Hit backspace key (takes you back one directory layer);
 - e) Use your arrow keys to find your new directory;
 - f) Hit enter key.

- 2) For easier grand totals without the laborious process of entering each cell involved, use this example:

	A	B
	SECTION A	
1	Number 1	222.00
2	Number 2	110.00
3		
4	TOTAL A	<u>330.00</u>
5		
	SECTION B	
7	Number 3	555.00
8	Number 4	444.00
9		
10		<u> </u>
11	TOTAL B	999.00
12		
13	GRAND TOTAL	1,329.00

The grand total amount is calculated by the formula @SUM(B1..B11)/2. To make this work, however, there must be subtotals in place. Boot up your computer and try these. You'll discover that they make Lotus more fun.

LEFT OVER FROM LAST ISSUE

The biography of Jim Kelm, the newly elected treasurer of the National Farm and Ranch Business Management Education Association, didn't arrive at press time for the August 1 issue. It arrived a few days later. So here goes:

Jim's home town is Faribault (FAIR-Ih-BO), MN where he graduated from high school. He earned his B. S. degree from the U of MN in 1969 and has done graduate work at the same university.

His teaching career has all been in Red Wing, MN where he taught high school vo-ag during 1969-1974. Since that time he has been involved with teaching adult farm families at the technical college in Red Wing.

Jim and his wife Barb have three daughters Heidi, 18; Gretchen, 16 and Rebecca, 12. According to him the whole family enjoys swimming as a hobby. Jim also golfs and plays racquetball.

To quote Jim, "I'm just an ordinary broken-down FBM instructor who hasn't done anything different in 16 years."

KEEP 'EM COMIN'

Although I've received several newsletters (many of them several issues from the same instructor) I'd like to receive still more. I've gleaned several ideas from them that you'll see in future NUTS & BOLTS. However, compared to the total members of our association, I've seen relatively few.

WHAT DOES IT MEAN?

Long-time farm business management teacher, and now president of NFRBMEA, Gene Francis, recently wrote an article for publication, Farm Business Management Education Program: What Does It Mean? I thought it worthy of reprinting in our newsletter. I'm sure that many of you will get some new insights about the profession to which you're dedicated. Because of the length of the article, I'm publishing it in two parts. You'll get the balance of the article in the February 1, 1991 issue.

Farm Business Management Education Program: What Does It Mean?

Gene Francis

Adult Farm Business Management Instructor

Blooming Prairie, MN

TO THE FARM FAMILIES INVOLVED

1. Having a SURE KNOWLEDGE of their financial picture as they talk to their credit person. (Knowledge of their net worth, cash flow and enterprises).
2. IMPROVED EARNINGS that provide better living standards: a new home, children's education, travel, land and building improvements, better schools and communities.
3. A BETTER UNDERSTANDING of the total workings of the farm business by all members of the family. Round table discussions about the farm business almost invariably involve both husband and wife, and in the case of partnerships, perhaps four to eight family members.
4. A much BETTER GRASP of how their business is progressing, how it compares with others, where improvements are needed and some ways and means to make the needed changes.
5. The accurate COST OF PRODUCTION estimates can be made for each enterprise. It removes much of the guesswork when planning for expansion or reorganization.
6. That FARM PARTNERSHIPS or CORPORATIONS involving parents and sons or others can be formed within a valuable frame of work of reliable records of past performance.
7. The development of a SENSE OF AWARENESS of one's business that creates improved family attitudes, a better self-image and a desire to further improve their abilities and increase their knowledge.
8. The development of a QUESTIONING ATTITUDE by the farm family. To ask HOW and WHY, in addition to WHAT.
9. More INTELLIGENT PURCHASING of equipment, facilities, and farm inputs; and a better understanding of marketing procedures.
10. An opportunity for more families to REMAIN an ECONOMIC FARM UNIT, to raise their family in a rural setting and still enjoy income levels comparable to their city cousins.
11. An opportunity to DISCUSS some of the MAJOR ASPECTS of their farm business with someone who is knowledgeable of their future goals, their past performance and has at hand a wealth of resource data and teaching experience.

TO THE LOCAL COMMUNITY AND THE PUBLIC SCHOOL

1. MORE BUSINESS on main street. Well-managed, profitable farm operations spend more for new equipment, facilities, and production supplies. They pay their bills promptly and can readily secure credit for remodeling, expansion or reorganization.
2. MORE FAMILIES in the community, with more consumer dollars to spend for family living expenses.
3. A LARGER TAX BASE to support schools, roads, and other public facilities.
4. MORE FARM PARTNERSHIPS, more homes to be built, more kids in school, and more young families who remain. The parents are also more apt to remain as retirees in the community if a son and family are operating the home farm.

5. IMPROVED APPEARANCE of farmsteads and homes. New buildings, well tiled fields and windbreaks are more apt to occur if the neighbors are doing similar things.

6. AN **EFFECTIVE PUBLIC RELATIONS PROGRAM** for the local school.

To be continued in the February 1, 1991 issue of NUTS & BOLTS. Gene will conclude his article by presenting his ideas on what the Farm Business Management Program has meant to him after his over 30 years teaching.

FROM COLORADO

The following article arrived about one day too late for the August 1 edition of NUTS & BOLTS, but I determined when it arrived, that it should appear in our Fall edition. The subject is important and often misunderstood by teachers and farm and ranch families alike. Let Bob shed some light:

LEASE OR PURCHASE?

Bob Bragg
Farm & Ranch Business Management Instructor
Cortez, CO

The future looks a little brighter for farmers and ranchers who have survived the havoc of the 80's. With a couple of good years under their belts for a change, many producers have found themselves with some spare cash in their pockets. Some of those producers who have been patching their old and worn out equipment for years are anticipating replacing some of their old junk with either new or nearly new equipment.

As producers contemplate acquiring equipment, they need to consider the options available for financing the machinery. In addition to a credit purchase agreement, producers may find that a leasing company can provide them with an alternative source of credit. However, they may want to discuss the situation with their faithful farm and ranch business management instructor. The following presents a few considerations in relation to leasing versus out right purchase of equipment.

Although the use of leases to acquire capital assets is not very common in agriculture, the majority of capital assets acquired by non-agricultural businesses are leased, according to Tom Timperly, District Marketing director for Industrial Leasing Corporation, Denver, Colorado. Industry leases approximately 85% of the capital acquired each year versus less than 5% on farms and ranches.

David J. Clamage, President of Saulsbury Hill Financial, Denver, a consultant for non-agricultural businesses, believes that operators should buy assets that appreciate, and lease assets that depreciate. However, he understands from his own rural background that agricultural producers have always felt that they should own all of their assets out right, but he argues that may not be the best use of their capital.

A lease involves an agreement between the owner of the equipment, the lessor, and the lessee, the party acquiring the asset. Terms can vary widely, and may or may not end with the lessee assuming ownership of the asset. However, most leases result in the lessee taking possession of the leased equipment, according to Timperley. Leases can be used for new as well as equipment that is less than five years old. Most leases make the lessee responsible for repairs, insurance, and other operating expenses. Many leases provide the option of trading the equipment in for a new leased machine at the end of the lease period, continuing to lease the equipment with new terms, or purchasing the machinery.

"Lease payments are tax deductible, but if the operator buys the equipment at the end of the lease period, the Internal Revenue Service may interpret this to be a conditional sales contract." Said Karen Walek, Graduate Student, Department of Agriculture and Natural Resources, Colorado State University. The IRS lists seven conditions that should be analyzed when determining whether lease payments are tax deductible or need to be capitalized, according to Walek.

Leasing has both pluses and minuses. According to Timperley, conservation of capital is a positive factor. "Leasing doesn't require large capital outlays for a down payments and 100% of the cost of the equipment can be financed. Also, payments can be structured to work into the cash flow." Timperley said. "The reason leasing is growing in popularity is because

people have needed to find alternative financing. Leasing gives agri businessmen a trump card... It introduces them to another company who may loan them money." On the down side, a lease may obligate the lessee for two to six years with very little recourse. "An individual can't turn the equipment back at just any time." Timperley said. "The lessee has obligated himself for a certain number of years, and turning the equipment back to the lessor may not remove that obligation."

Comparing the advantages between leasing equipment and purchasing it out right doesn't show a great advantage for a lease, according to Walek. When she analyzed the acquisition of a \$50,000 tractor either by lease/purchase or credit purchase, the lease showed some small advantage. But she felt that other factors should be analyzed before a decision is reached.

A BIG THANK YOU

Those of you who were at the national conference remember that we passed the hat for one of our brothers Tom Risdal, Barnesville, MN, who has had adversity land on his household. His wife, Joan, had been diagnosed with cancer several months prior to the meeting.

Tom sent a letter of appreciation for the gift of money that was collected in Red Wing. It, however, arrived just a day or two after the July 1 issue of NUTS & BOLTS went to press.

I called Tom last week and he tells me that Joan is home and came through two difficult chemotherapy sessions. Things are looking good now Tom says, although his wife is still a little weak. He again expressed his family's appreciation for the boost that you people gave him at Red Wing.

1991 CONVENTION PLANS

Keith Torgerson, Wahpeton, ND, our NFRBMEA secretary, sent me the minutes of the executive board that with met with Washington instructors, Dennis Kluver, Oliver Kienholz, William Looney, Alan Nelson and Earl Oehlschlaeger. They're involved with the planning of the 1991 conference in Kennewick, WA. The dates, now solid, are June 10-13.

They met on site at our motel, Cavanaugh's, so they got a chance to look over the facilities for our annual get-together. There will be no other conventions going on at the motel when we're there.

As a result of the confusion during conference bidding time the last day of our Red Wing, MN, meeting, the executive board passed a resolution stating that those seeking to host future conventions should have dates and places in hand prior to the bid.

According to Keith, this procedure should be used for bidding at next summer's meeting, for the 1993 event.

Why not circle those June dates on your calendar and make this part of your family vacation.

When in charge, ponder.
When in trouble, delegate.
When in doubt, mumble.

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