NUTS & BOLTS

A PUBLICATION OF THE NFRBMEA

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VOLUME 4 - NUMBER 4

May 15, 1991

TO TEACH BY BEING FUNNY

After my request that you people send me your newsletters was made at the past two national conferences, I've had quite a few hit my mailbox. I've appreciated that a whole lot, and, in fact save almost all of them because most contain some very good ideas that I can "steal" and pass on. One of my favorites is put out by Wayne Pike, who hangs out in the Leroy-Ostrander area of Minnesota. He does a heckuva lot of teaching with his newsletter, but does it with lots of humor. One of the pieces hit me as I read it in the post office. This, I said, is going to be used in a future NUTS & BOLTS and should be shared with our readers. So, here it is:

What, Me Worry?
Wayne Pike
Adult Farm Business Management Instructor
LeRoy-Ostrander, MN

Many of you, like me, spent a portion of your wasted youth reading that icon of the literary world which is aptly named Mad Magazine. I still read it if I happen to pick it up in the doctor's or dentist's waiting room and I'll bet you do too. Those old perversities die hard. In any case, I'm sure you recognized the quote of Alfred E. Newman, chief spokesidiot of Mad and staunch supporter of mindlessness, whose Dumbo-like ears made his face resemble, as my wife would say, "a Mack truck coming at you with both doors open."

Even as a boy I realized that Alfred E. had not the mental capacity to worry about anything. I, on the other hand, being of mostly German ancestry, had been trained in the art of worrying since babyhood. If you aren't in control of the situation, I had been led to believe, then you should worry about it until such time as the situation changed for the better. Then it was good that you worried because obviously your concern made all the difference, or if the situation got worse, your worry was justified and you could go around saying, "I told you so" to all your friends in the Kaffee Shoppe or Rathskeller or wherever Germans sit around doing damage to their kidneys, bladders, livers and neighbors.

Certainly it was Germans who invented ways to control things that were never before controlled. Didn't they artificially set a date for the end of our working lives (retirement) so we could worry about having enough money to live on when we quit working? Didn't the Germans invent government so that we could worry about letting it get out of control, and then demonstrate what could happen when it does go out of control? Didn't Germans invent savings and loan institutions, which worked fine when they were under control, but which went bellyup and handed the bill to you and me when they were uncontrolled, and therefore not subject to our worry? Even our food supply, monitored by the government to insure our safety, has been threatened to the point of knee-jerk public panic more in the past five years than in the previous 5,000 years. I can't figure where the Germans fit into that one.

We grow up with the assurance that every aspect of our lives can be controlled and guaranteed worry-free if we work hard and are clever and are rich enough to take advantage of all the tools and methods on the market. It isn't necessarily the truth. I worry about things I have no control over and I worry most about things I have most control over.

What, me worry? Nobody does it better. I wonder if the collapse of the Berlin Wall will affect global warming?

NATIONAL CONFERENCE

I just received my packet from the 1991 conference headquarters in WA. Sounds like one of the better national meetings. Send in your sign-up sheet with your check. Looks like the quickest way to save 25 bucks around. I've made two trips to that state. Take my advice: tie your yearly vacation to the conference and give yourself the yearly uplift that you get from associating with other people who are in your profession. See you there.

MORE SUNFLOWER SEEDS

In the last issue, due to lack of space, I had to cut Mike Lockhart's article on the use of sunflower seeds as a dairy feed. Mike has used the feed with his own dairy calf feeding operation for some time, quite successfully. But let's hear, in Mike's own words, of his experiences feeding calves:

Innovations In Feeding Dairy Calves
Mike Lockhart
Farm Business Management Instructor
Ulen-Hitterdal-Mahnomen, MN

When dairy farmers in my management group began using sunflower seeds in milking cow rations, I decided to try the feed for the dairy calves that our family has been raising for some time. I've used it several ways. I mix it with calf starter at one part sunflower seeds to four parts starter. As a creep feed on range I've been mixing one part sunflowers to four parts of grain. Here I have used oats, corn and barley, very successfully. I've found that using sunflower seeds has cut down on milk replacer costs. I've made comparisons with some of my management clients and apparently our replacer costs are about 1/3 of what most of them are spending. One of the ways of making money is to cut down on the expenses. Here's an example of that.

I've noticed that many of the farmers with whom I work have had trouble starting baby calves. I've found a product that seems to cut down on that sort of difficulty. One of the brands of feed here in northern MN is one called "Supersweet." A product they sell is called "Microbial Feed Pak" which contains viable natural micro-organisms in a dry form. These are commonly found in a cow's stomach. This feed pack contains dried lactobacillus bacteria. I've observed that it seems to start the stomach working the first day. Should manure (e. coli bacteria, which can cause scours) get in the calves' system from sucking each other, gates or whatever. This product seems to prevent a scour problem.

Supersweet sells their product in a five pound bag and costs about $6.00 per bag. It's fed at the rate of two grams per day which is about a teaspoon. This calculates to a cost of about 1/4 cent per day to feed. This is added to the milk at the very first feeding. A side effect of feeding this bacteria is that the calf will eat "anything in sight," which is great. I usually feed this product daily until the calf is off milk (3-4 weeks of age). By that time the calf is eating a 2 1/2 quart pail of grain mix, plus free-choice hay. Other farmers in my management group are feeding similar products sold by other manufacturers. It's also found in some brands of silage preservative.

Using sunflower seeds and the bacterial product has proven to be a good investment in our baby calf business. We're able to take newborn dairy, bull calves from birth to 300 pounds in three months. Death loss is about 2% and the feed costs are less than $50.00 per calf. Feeding calves has become a "fun," as well as a profitable business for us. We're believers! My own experience has helped me advice my cooperators too and has helped them to make more net profit. And nowadays they need all the help they can get!

NEW WAY

Ever so often, someone comes up with an idea that's a new way to look at things. Kurt Schoephoerster, who teaches at Dawson, MN., mailed me an article that fits that category:

Rate of Return on Equity
or
(The Most Important Measure of Progress Not Found in the SDS Analysis)
Kurt Schoephoerster
Adult Farm Business Management Instructor
Dawson, MN

During our annual NFRBMEA conference that we held last June in Red Wing, Minnesota, it was noted that our newsletter is mailed out to almost 400 farm and ranch business management education teachers. Most of these members, we would hope, have at least some expertise in interpreting a farm business analysis, whether it be one produced by Specialized Data Systems, or from some other company of one put together from a computer printout. Each of us, whether we admit it or not, has a favorite management measure (or measures) that we like to use with our clients. It might be "Return to Operator's Labor and Management" or "Enterprise Statement of the Farm Business." I too have my favorite but if one uses the SDS analysis, we can't find it. The "Rate of Return on Equity" is what I call this measurement method. Or should I say, methods since I calculate it for the operator as well as for the lender.

When our farm or ranch client sits down on January 1 to invest the equity he has added to past accumulations from the past year's business, he may think about various other ways to invest it. He might think about investing it in blue chip stocks, a nice, safe bank CD or even buying a share in the local night spot where he celebrated the night before. Likely though, he will choose to invest the equity earned back into the farm or ranch business.

It might show that his equity (or net worth) was $175,000 at the beginning of the year (line 23, Table 5.2 SDS). At that time he had $75,000 invested in a beef herd, $90,000 worth of crops and machinery and he has $150,000 tied up in range and crop land. This adds up to $315,000 but the money he owes reduces it to $175,000. During the year, he planted his crops, his cows calved and he harvests his crops. At the end of the year he finds by looking at the bottom figure on his balance sheet that his net worth has climbed by $25,000 (line 24, Table 5.2 SDS). If he was a client of mine I'd add another step to his analysis and figure the rate of return on his equity. Divide the $25,000 gain, by the beginning equity, $175,000. The result: 14.3% Rate of Return on Equity. So what! What does that number really mean?

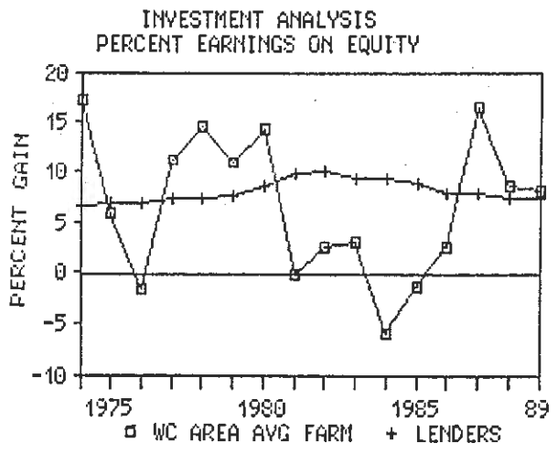
A very good friend of mine has a story about the value of comparing things. When people ask him how his wife is, he says, "Compared to what?" If he compares her to Bo Derek or to a plain looking lady, the answer would be different.

Last year the farmer had given some thought to investing his money in a CD that advertised a rate of 6.5%, and lucky for him that he hadn't invested in his New Year's party pub because it closed. Instead he'd chosen to invest it with his partners, his lenders, whether they be his banker, the FmHA or his dad who holds his contract for deed on the land. How does the lenders' return on equity look? That's easily calculated by dividing the total interest he paid, $11,500 by the beginning debt, $140,000 (the lenders' investment, owed by the operator to all of the above). The result: 8.21% Lenders Return on Equity.

What can the farmer interpret from these percentages? Anytime the operators return on equity is greater than the lenders answer, he's in good shape. In this case we're comparing 14.3 to 8.21. This looks like true financial progress. When this occurs, more "shares" of the farm business are turned over to the operator.

In summary, the Rate of Return on Equity for the operator seems to be a great "equalizer," pitting the high equity, low debt, sometimes passive farmers, against the low equity, higher debt, more aggressive farmers. This measure shows no respect for how large or small the farm equity.

Accompanying this article is a chart I've prepared showing the Rate of Return on Equity for the average operator and lender in the West Central Coordinating area of Minnesota (app. 550 farms) during the years 1974-1989. Notice the number of years the operator's equity was below (or even negative) relative to the lenders' line. This shows how the early to mid 80s treated the farm operator.



HOT NEWS - JUST OFF THE PRESS

One of our own has made it! Harvey Link, member of NFREMEA since it began, was elected to the post of president elect of the American Vocational Association. He will take office as president, July 1, 1992. Harvey is dean of Arts and Science at the North Dakota College of Science in Wahpeton, ND. Congratulations Harvey for being the first ND president of AVA. We're proud.

A COMPUTER BIT

You people are lucky! Almost always when I come up with a computer tip for my readers, it's because I goofed up somewhere along the line since the last publishing date of NUTS & BOLTS. This time is no exception to the rule.

A couple of weeks ago I looked at my hard disk directories and remembered some writer in a computer magazine telling his readers the many ways and costs of data storage. "Ah ha," I said, "I recall the author telling me the cheapest way to gain more storage is to clean out the garbage."

My wife calls me a packrat because I keep everything in sight (not just computer stuff) and it's a good thing she never looks at my computer files or she'd give me up as a lost cause. Because it's so easy to save and I always have the fear that I'll have to prove something to somebody, I tend to save everything. Now that's fine and I'm sure that most of you will agree with me on that. It's the "cleaning house" process that I never get around to.

To get back to my story. When I do clean I get downright vicious; I have no mercy and this got me into trouble when I recalled that article. I went through each directory with a fine tooth comb and must have gained about 500,000 bytes. If I'd let it go at that I'd been okay but I decided to clean out my root directory where my batch files reside (I use this instead of a menu program). To save time, of course, I reverted to the master time saver (but dangerous), the asterisk "wild card." All of a sudden I found that I had no batch files on my root directory. Panic hit until I remembered that I'd done this once before and thought I'd saved those reconstructed batch files to a floppy. I found it and copied the files back to the hard disk. That laborious typing job didn't have to be repeated. What a relief. Phew!

There must be a better way though that could "protect me from myself." There is: I have a program that I got free by subscribing to a computer magazine a few years ago. It's called: "Help," and it's devoted to help one wade through IBM DOS commands. There's a DOS command named "attrib" and it can be used to lock a program so it can be read but that's it. One can't write to it and it can't be deleted. And the command is so simple: Just type ATTRIB +R MYFILE.TXT (where MYFILE.TXT is the name of the file you want to lock). I have DOS in the path on my hard disk autoexec batch file, but for those of you who don't have a hard disk, ATTRIB is on your DOS disk. If you need to write to a file, just type ATTRIB -R MYFILE.TXT (note: it doesn't have to be in caps. I did that to make the command stand out). Now you can write to the file and when you're done, put back the protection just the way it was before. It really works!

Now, don't procrastinate. Begin the ATTRIB process now. Remember the law according to Murphy: What can happen, will. Don't let it happen to you.

CAUTION: ATTRIB DOESN'T PROTECT FROM FORMATTING. So don't get careless.

LOGO CONTEST

If you don't have a logo designed yet, get busy and send it to contest manager, Wally Payne, Farm Business Management Instructor, Paynesville, MN 56362. He'll be reporting to our meeting in Washington.

Somebody will be richer by winning the top award. Remember, it's worth the effort because the prize is $100.

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