



NUTS & BOLTS

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JOHN HEST, EDITOR



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Goodbye, Topsy! Goodbye, Daisy!

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Topsy and Daisy were my Dad's last two draft horses. They were huge, brown and very calm. One of my earliest memories is of lying flat on Daisy's back so I wouldn't get brushed off as Dad led her through the seven-foot barn door. It was just a matter of months after that when Topsy and Daisy were traded for a shiny Farmall H.

Topsy and Daisy's trip to the glue factory over thirty years ago signified much more than two less draft horses and one more tractor. Dad planted fewer acres to oats and hay and more acres to corn. There were even acres left over to raise soybeans as a cash crop. Dad raised less inputs and bought more parts, fuel, tires, fertilizer and hybrid seeds.

All of our neighbors were doing the same. In fact, any who wouldn't or couldn't buy the new technology were looked on as being maybe just a little bit backward. My dad and the neighbors didn't know how the new technology was going to affect them and the next generation.

In 1960, the farmer's share of the \$160 billion total U.S. ag income was \$30 billion, or about 20%. The input folks, the ones who sell fertilizer, fuel, seed, and so on, shared 20%, or another \$30 billion. The marketers, packagers, transporters, etc. got the balance of \$100 billion, equal to 60%.

In 1990, just 30 years later, ag income had climbed to over \$300 billion, the input folks still got their 20%, equal to \$60 billion, the marketers' share has skyrocketed to about \$200 billion or over 65% of the total.

That leaves the balance of between 30 and 40 billion dollars to spread out among the farmers that are left. The farmer's percentage has shrunk over the 30 years.

Topsy and Daisy left the farm to be replaced by technology supported by off-farm inputs. Dad, our neighbors and almost every U.S. farmer exchanged their on-farm input system for an off-farm cash input and marketing system. As the numbers show, it has not been a fair exchange. Farmers have supported the input and marketing sectors of the ag economy while they themselves share an ever-diminishing piece of the pie.

When Dad traded his horses, he traded away more than a means of pulling a plow. He traded away part of his business. Every time he adopted some new technology that depended on paying someone else in cash, he was giving away part of what he did as a farmer.

We can't bring Topsy and Daisy back, but maybe we can do something to bring back some of the prosperity which has gone to the marketing and input sectors.

To start, we can make up our minds on a few issues. Do we want more farmers or fewer? Do we need every new technology that comes along? Should we be looking at ways to decrease our reliance on off-farm inputs? Can we do more of the marketing ourselves?

When Topsy and Daisy left the farm they took a lot of farm families and rural communities with them. Maybe we can and should work to reverse that trend.

Taxes: Down Through History

"The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with smallest amount of hissing."

Jean Baptiste Colbert, 1665

"Why does a slight tax increase cost you \$200 and a substantial tax cut save you 30 cents?" - Peg Bracken, 1969

TELLING IT LIKE IT IS (BUT IN A DIFFERENT WAY)

When I opened Dan Persons', Fergus Falls, Mn, May newsletter, the first paragraph struck me. As I read it I thought: "Dan's been re-reading one of Aesop's Fables that his mom read to him when he was just a little shaver." Dan surely made his point to his farmer clients. See if you agree with me as you read it.

"There was an exhausted woodcutter who kept wasting time and energy chopping wood with a blunt axe because he did not have time, he said, to sharpen the blade.

Sharpening axes is exactly what this program is all about. Even the most efficient and prosperous farm gets nicks in its blade and must be honed."

DIFFERENT WAY #2

The following is from the Feb. 1993, newsletter that comes from Norm Fredin and Wally Thomas who ran the farm business management program at the Albert Lea, MN, base of the Mankato Technical College:

As you study your 1992 analysis this winter, think back to that biology experiment you did with the "Frog and Water Temperature" when you were in school. If you recall, when the frog was placed in hot water and you slowly turned up the heat under the pot, "What happened to the frog?" You cooked it to death, right? The question then would be, are there areas of your operation that are/will give your operation a slow death with you as an operator not feeling any pain? Are you in control of your own destiny or is your operation suffering the effects of increased heat?

We feel the trends in the back of your analysis can help prevent the slow death syndrome if these are used and reviewed. On Tuesday, March 2 from 1-4 p.m. we will have a session on business analysis and assessment. We hope to show you ways to identify the strengths and weaknesses in your operations and give you some ideas as to your business. Bring your analysis, a pencil and a calculator.

CHUCKLE OF THE DAY

Life isn't a bowl of
cherries
It is a bowl of raisins
Raisin heck
Raisin kids
And raisin money!

DUNG DEAL

Some marry for love, others for money. And since 1987, some 200 Dutch farmers have wed for dung, according to a Dutch Farmers' union. Holland limits the amount of fertilizer farmers may stock, fearing huge stores will leach into the water table. Ambitious swineherds have two loopholes: marry a pig farmer's child and get manure right as a dowry; or get one's betrothed to open a farm and buy dung rights before you wed. For the second way, it's best to wait a bit to wed so no one sniffs out your skuldungery.

NEWSWEEK: April 5, 1993

Protect Social Security Disability Insurance

(from the Owatonna Jan '93 newsletter)

Ron Van Nurden

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Disability protection from Social Security is not like the retirement benefits. It may be lost if you have not been paying in to the system in the past. In order to be covered you need to have at least four quarters of earning coverage per year for five of the last 10 years. No insurance agent will sell you lifetime disability of close to \$1,000/month coverage for less than \$350/year. That's what Social Security does. Not having this coverage could be one of the biggest mistakes you could make in your life.

For young farm families this may be even more crucial. They must have earnings records for 6 of the last 13 quarters or 13 of the last 26, depending on the worker's age and number of years worked.

In the dangerous business we are in it is important to make sure you are

covered. Losing your ability to produce income could be devastating to your farm business and more importantly, to your family.

If you have not been paying Social Security taxes in the past, you might want to get your earnings records from Social Security and determine if you are still insured. It may also be a good idea to pay in the minimal amount to insure coverage. Young farmers usually don't make that much money and often don't pay any tax. Many young farmers think that Social Security is only for retirement and forget about the disability benefit. Paying this could be one of the smart things you do.

(Editor's note: Sometimes the decisions that we instructors make that aren't directly associated with production or marketing just may be the most important ones we carry out with our clients. Getting the word out to these people about Social Security and the disability provisions of it is one of those. Thanks Ron, for bringing it up for our attention. It may just be saving a family from complete financial ruin.)

HOW NOT TO DO IT

From time to time I run into ways of teaching some of the rudiments of good business management that are not the usual ways. I've run into several variations of these negative ways of stating the case. A potpourri of them:

Ways To Keep From Paying Too Much Income Tax

1. Ignore new developments. What was good enough for dad and grandpa is good enough for me.
2. Be your own expert. Those guys at the college aren't so smart.
3. Don't worry about keeping records. After all figures lie and liars figure don't they?
4. Forget about business analysis.
5. Ignore your mistakes. Things will be different next year.
6. Expand beyond your resources. You have to get bigger! Right?
7. Nah, I don't use DHIA on my cows. I never liked the tester.
8. Cut hay on June 1? That's crazy. It cuts way down on tonnage.
9. Delay making management decisions. Maybe the problem will go away.
10. Blame your problems on something else (government, weather, prices).
11. Planning is just so much paper work and takes too much time. I'm already swamped with work so I don't even have time for that.
12. It's always a good idea to buy machinery. I need the depreciation. I paid way too much income tax last year.

Match The Products With The Cost Per Pound

(From USDA FARMLINE - answers on p.4)

- | | |
|---------------------------------|-------------------|
| _____ 1. Car | A. \$.09/pound |
| _____ 2. Jumbo Jet II | B. \$2,000/pound |
| _____ 3. F-16 Fighter | C. \$15/pound |
| _____ 4. Satellite | D. \$350/pound |
| _____ 5. Groceries (general) | E. \$2/pound |
| _____ 6. Corn (at the farm) | F. \$22,000/pound |
| _____ 7. Soybeans (at the farm) | G. \$5/pound |
| _____ 8. Clothes (off the rack) | H. \$.03/pound |

RADISSON-ARROWHEAD HERE WE COME!

Ever since I got my conference package from the guys in Alexandria, I've been excited about hitting the conference in June. If you've never been to one, think about doing so. It'll charge your batteries like no summer school program will. Just the contact with over 100 of your fellow teachers and visiting with them will make you more eager to get back and work with your farm or ranch families. They need your eagerness and your expertise to help them do a better job. The dates: June 6-7-8. Contact Norm Skarstad.

Staying On Top Of Your In-Basket
Doug Wertish & Ken Stassen
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The in-basket is perhaps one of the most improperly named items in the office. Rather, we should call it the "on" basket, because every day more stuff gets piled on top of the stuff that was there the day before. That is, unless you have learned of the three-option plan for in-basket management:

DO IT		SCHEDULE		CHUCK
	OR	IT FOR	OR	
NOW		LATER!		IT!

Everyday, set up a time to clean up your act and remove as many distractions from the top of your desk as possible. When considering items in your in-basket, follow the plan. If an item would take five minutes or less, or if there is timeliness involved, perform the task right away. If it is something that would take longer, or that you don't want to review just now, schedule it for later by keeping a running "to do" list and file the item by date in some sort of tickler file. Lastly--perhaps the most satisfying option you can select--give it the old heave-ho, hook-shot, or slam dunk be gone with it. You'll find this simple three-step process will manage your time organize your desk quite effectively.

KISS

According to an emcee at a banquet I attended long ago, his wife supposedly told him he should follow the KISS principle when doing his stint, "Keep It Simple Stupid."

An Oklahoma educator, Dr. Kim Anderson, claims that we should all be using the SIP principle when teaching marketing, "Simplicity Increases Profit." He contends that farmers would see more profit if they'd follow the idea and uncomplicate their marketing plan.

Ron Nurden, in his latest newsletter, suggests to his clients that most of their management decisions, besides marketing, should be governed by SIP. For example: Because computers can generate lots of paper, will that report spit out by the printer be used for anything or is it just a waste of paper? IS THE INFORMATION REALLY NECESSARY? DECISION MAKING CAN BE TOO COMPLICATED!

THIS IS IT

As you probably know, this is my last issue as editor of your newsletter, a job I've held since July of 1987. I really shouldn't say job because it's really been such a pleasurable time, doing my bit to furthering the objectives that you all subscribe to: Making for a better life for our farm and ranch families. That's what's justified our existence, ever since we first got together, informally at the vocational school in Faribault, MN in 1973 and formally, in Pierre, SD in 1985. Thank you for allowing me to be a part of it.

Answers to per pound quiz: 1.G, 2.D, 3.B, 4.F, 5.E, 6.H, 7.A, 8.C.

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