



NUTS & BOLTS

... Teachers delivering knowledge that works to North America's Farm and Ranch Families

Volume 7 No. 2

Winter 1993-94

TEACHER AT THE SCENE IN IOWA

(EDITOR'S NOTE: Harold Swanson teaches preparatory agribusiness and farm management at Iowa Western Community College. Harold lives in Glenwood, Iowa and is currently the sole member of NFRBMEA representing that most agricultural of all states. He gives us his "eye-witness" account of the 1993 growing season in that flood ravaged state.)

All Farmers Affected--

It is ironic that the 1993 floods got a lot of attention even though relatively few farmers were flooded out. The cool, wet weather, on the other hand, affected every farmer and did more damage overall.

Many acres did not get planted at all, while many more were planted late. Crops planted on time failed to produce as well as hoped, leaving Iowa with a USDA estimated corn yield of 85 bushels per acre, compared with the 1992 season yield of 131 bushels per acre.

Southwest Iowa Hard Hit--

River bottoms, as might be expected, were near total disaster areas. The two to ten mile wide Missouri River bottoms in Iowa were 50 - 60% unplanted. Crops planted in this area did not survive to be harvested.

The productive loess hills, over 50 miles of wind deposited soil east of the Missouri River, suffered



Brrr! A cold Minnesota prairie sunset ends another busy day. One of the "perks" of working in the country is the scenery. Do you have a photo you would like to see in *Nuts & Bolts*? We will return them to you.

severe water erosion. The heavy rains caused nitrogen deficiencies which could not be remedied with nitrogen fertilizers. Corn surviving early flooding, late planting and nitrogen deficiency was later attacked by corn rust and cool weather fungus disease. These problems resulted in early plant death and light test weight.

Many farmers took advantage of the 0/92 program as late as September. The 0/92 program allowed farmers to destroy their crop and still collect guaranteed deficiency payments. This option, while a gamble at the time, turned out favorably for most farmers as the corn matured little after the last 0/92 sign-up date.

Weather Too Nice, Too Late--

The weather finally changed for the better in October allowing harvest and fall tillage to be virtually completed by Thanksgiving. The only good thing to say about Iowa's crop is that, unless you were completely flooded out, you were probably better off than farmers in Minnesota, whose crops were hurt badly by an early frost.



ENVIRONMENTALLY SOUND

BY: Lance Brower, FBM
instructor, Fergus Falls, MN

Before you purchase a farm or take out a mortgage on a piece of property, check into the following:

- 1) *What pesticides were used on the farm and where are the containers?*
- 2) *Are there any old underground storage tanks or abandoned wells?*
- 3) *Are there any feedlots that need cleaning up if not in use?*
- 4) *Will there be any problem getting a feedlot permit if one has not already been issued?*



Will we see YOU at Lethbridge? The 1994 Conference Committee sent out registration materials over a month ago. If you did not receive yours, contact:

*John Whitehead
Lethbridge Community College
3000 College Dr. S.
Lethbridge, Alberta T1K1L6*

A special thanks to everyone who contributed to this issue or sent in articles. Please keep them coming in, especially those states outside Minnesota. We want to hear from you, too. --WP

TOWNSHIP ROADS

by Wayne Pike

We get to see some interesting things if we slow down to 25 on a township road. 55 is much too fast on a crushed rock road anyway. For safety's sake, and for true out-in-the-country enjoyment, 25 mph or less is much preferred.

It is quite evident that township roads are dangerous. Look at the number of wilddead, formerly wildlife, along a township road. It is hard to understand how the wilddead per mile can be so high where there is so little traffic.

The only explanation I can think of is that many severely depressed fauna, instead of seeking counseling, go into isolation, and as their final act, throw themselves into the path of a lumbering combine or speeding baler.

Their eye-paw coordination has to be almost perfect right to the last for a successful end-it-all attempt. If they dash out too early, the creeping vehicle may manage to avoid them. The hoped for quick end would turn into a lingering death as they wait for the next farm implement to meander along to give them another opportunity.

Sometimes humans and nature collude. Many years ago a friend, on his way to church no less, obliged a desperate and depressed skunk by wrapping said skunk around the driveshaft of his 1969 Chevy.

Needless to say, that wilddead was shaft-kill. The authorities at church couldn't decide if it was skunkicide or suicide, but it was definitely a story of the township road.

YOUR PROVINCE... STATE... FARMERS

The Rural Finance Authority in the Minnesota Department of Agriculture, working with many other public and private groups, has set up a "Farm Connection".

The Minnesota Farm Connection attempts to link up suitable retiring farmers with appropriate entering buyers or renters. The RFA also provides the names and numbers of agencies who are willing to assist both parties with cash flow projections and farm management planning.

What is your state doing to help farmers retire and get started? Write or send a brochure which we can share in *Nuts & Bolts*.

BGH: ANOTHER VIEW

by Wayne Pike

BGH- Another case of the needle coming before the need. Here are two ideas requiring more research:

MDH (*Milk Drinker Hormone*)- This hormone, when injected daily into humans, increases the intake of dairy products by up to 25%, while decreasing the intake of coffee and sodas by the same amount.

DNH (*Do Nothing Hormone*)- This hormone, chemically identical to tap water, does absolutely nothing in the body. It would, however, give legislators something to legislate, regulators something to regulate, and the Ralph Naders something to Naderate. Well, why not?



Farm and Ranch Review

A Quick Look at a Potential Resource

by Paul Gorman



AG EXECUTIVE Newsletter

Paul Gorman is a farm business management instructor at South Central Technical College, Mankato, Minnesota

Ag Executive is a monthly newsletter produced by Ag Executive, Incorporated. A subscription includes a "Business Manager" binder with tabs to file and retrieve past articles. Each issue includes the six-page *Ag Executive* newsletter and up to three "Business Manager" inserts for the binder.

A regular feature of the "Business Manager" series is the evaluation of the farm computer software by Steve Burhoe, former editor of *Ag Computing* magazine. The December, 1993 issue included a review of *FarmSense* software by Specialized Data Systems.

A typical *Ag Executive* issue includes about six to

eight articles. Topics in the December issue included "Fixed and Variable Crop Costs", "Interim IRS Hedge Rulings", "Corn and Soybean Economics on Rented Ground", "Should You Pay Your Spouse Taxable Social Security Wages?", "Should You Pay Employees in Livestock?", and "The Evils of (Mis)Management".

The "Business Manager" binder files inserts by categories including Marketing, Crops, Livestock, Machinery/Buildings, Taxes, Law, Business Analysis, Financing, Accounting, Computer Aids, Farm Business Organization, Resource/Risk Control, Labor and Miscellaneous. The inserts are timely and often of lasting value. Their brevity and conciseness make them excellent handouts for class and quick reading by busy farm management instructors.

The strength of the publication is its emphasis on financing, business analysis, and farm resource management. I consider it my best source of financial management articles and information.

An annual subscription including the binder and articles to date is \$78.00 and can be ordered from:

AG EXECUTIVE
P.O. Box 180
Bushnell, IL 61422

AG EXECUTIVE

Higher Prices in 1994, but Lower Farm Income
by Allen Deier, Chief Economist, Duane Agricultural Services Co., (314) 369-2700

Farmers who were hardest hit by the weather disasters in 1991 will struggle for several more years to regain their economic footing. In contrast, cash-grain farmers who avoided serious crop damage this year will head toward the mid-1990s on the strongest financial footing since the boom years of the 1970s. Livestock producers are coming off of several favorable years, but rising feed prices will mark the beginning of a series of challenging years for cattle and hog producers.

The aggregate farm economic outlook is rather stable through the next five years. However, that stability masks several dynamic changes that are taking place. Perhaps the most pervasive factor is the continuing pressure toward larger production volume to meet over-inflating family living costs. Our long-range price forecasts offer little encouragement for a reversal of that trend. The trend to fewer, larger farms, which dates back to the 1920s, will continue through the next five years.

Nowhere is the changing structure of farming more apparent than in the swine industry. Record pork production will be achieved in the mid-1990s with only one-third as many hog operations as were in business as recently as 1980. Rising feed prices in 1994 will accelerate the exit of

Continued on page 3

Action Strategies:
December 1993

W-2 Forms and Form 943 for farm employers are due January 31. If you prepare your own W-2 Forms, carefully review your Form 943 and the W-2 Forms to make sure the total gross wages and taxable wages on the W-2 Forms agree with those amounts on Form 943. Remember that, if you owe over \$1,000 in a 10-day period, you will need to attach Schedule 943-A to demonstrate to the Internal Revenue Service that you made deposits of employment taxes in a timely manner.

The combined Social Security and Medicare rate for 1994 will remain the same as in 1993, at 7.65% for employers and 7.65% for employees. The Social Security rate consists of two parts: 6.2% for Old Age, Survivors, and Disability Insurance (OASDI) and 1.45% for Hospital (Medicare) Insurance. Effective January 1, 1994, the Social Security (OASDI) wage base will be changed from \$37,600 to \$60,600. Medicare wage base is now unlimited.

The 1994 Winter Meeting of the Association of Agricultural Production Executives (AAPEX) is scheduled to be held February 11-13, 1994 in Kansas City, Missouri. AAPEX is an organizational network of top agricultural production executives intended to provide a forum for addressing the issues and opportunities facing the commercial segment of production agriculture. The registration fee for the meeting is \$200 per person for members and \$250 per person for non-members. If you would like further information regarding AAPEX or their Winter Meeting, contact Danny Klinefelter, Executive Secretary, Department of Agricultural Economics, Texas A. & M. University, College Station, Texas, 77843-2124.

Now available from Ag Executive: *The Modern Rules of Order: A Guide for Conducting Business Meetings*. This booklet provides modern and simplified procedural rules which promote efficiency, decorum and fairness in a form that

can be easily mastered and later referred to with ease. It is designed for application to a business meeting, whether the business is that of a major corporation or a small non-profit association. If you are interested in obtaining a copy, please send a check or money order for \$10.00 to Ag Executive, P.O. Box 180, Bushnell, Illinois, 61422. ■

IN THIS ISSUE:

Fixed and Variable Crop Costs: Surprising Conclusions.....	2
Interim Ruling Reverses IRS Position on Hedging.....	2
Corn and Soybeans - On Rented Ground?.....	3
Ask the Expert.....	3
Should You Pay Your Spouse Taxable Social Security Wages?.....	4
Should You Pay Employees in Livestock?.....	5
The Evils of (Mis)Management.....	8
Business Manager	
Reference Volume Index for 1994	
FarmSense Record Keeping for Farmers and Ranchers	

December 1993, Vol. 21, No. 12

A MESSAGE FROM TOM RISDAL, NFRBMEA PRESIDENT



First of all, let me express my sincere thank you to all of you who called, wrote, sent cards and said prayers for us during the loss of my wife and best friend, Joanne.

Joanne left us on Christmas morning this year. As many of you know, she has been battling breast cancer for the past several years and it was through the support of many of you that Joanne and I were able to battle this disease with such a rate of success that we got several additional years together. Again, thank you.

Well, I am excited-- I just received the mailing from Lethbridge, Alberta, Canada. I hope that each of you are making plans to come up and spend time with us in Lethbridge. It looks like there will be some very interesting topics as well as the chance to get away with your family for a nice vacation. For those of you who have not brought family to the National Conference, or if you are new to the National Conference, it is a family-oriented conference. Make this summer a special one with a family vacation to Lethbridge. I have only been to Lethbridge once and it is a very beautiful city, just north of Glacier National Park. Come and spend time with us. I think that you will find that the meetings and topics discussed will be of great value to you and will be able to help you with your program. Another great purpose of the National Conference is that you get to visit with instructors from all over the United States and Canada and find out what others are doing in this

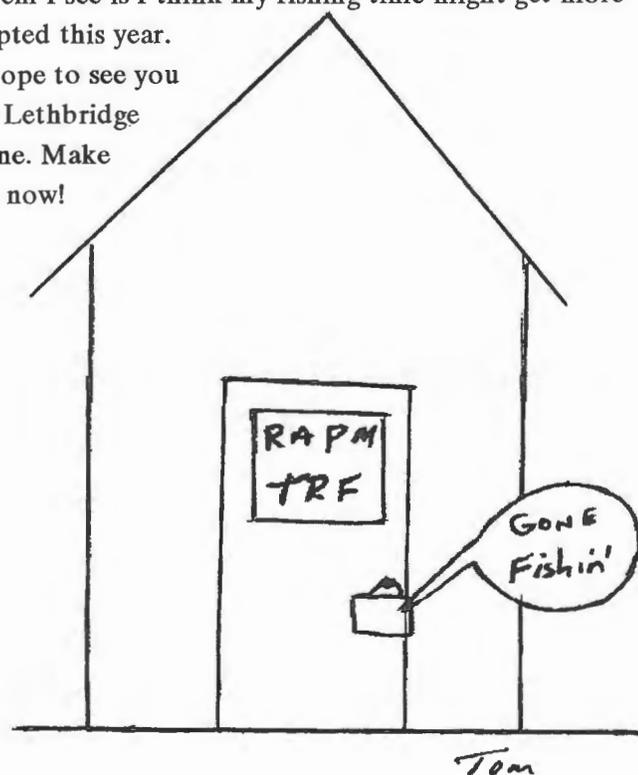
business of farm management education. Plan now and circle your calendar to come. I'm sure you will enjoy that portion of Canada and make it a super vacation.

The National Farm and Ranch Management Education Association is growing steadily and, as it grows, some of our members feel that there should be needs that the National organization can provide. Please feel free to contact me, one of the other officers, or one of the past presidents, so we can discuss your ideas as to the direction of our organization. Of all the organizations I belong to, I feel that this is the one that has helped me most in my career.

We are also looking for nominations for Distinguished Service Recipients. Please let one of the officers know of your nomination.

To update you a little bit about my personal life, as many of you know, I left being a Farm Management instructor to become an Administrator this year and moved to Thief River Falls, Minnesota. I am now the Regional Ag Program Manager and do not spend time working with farmers anymore, but now work with the instructors themselves. I truly miss being with the farmers and on that front line, but it is really a joy to work with the instructors in my region. The one problem I see is I think my fishing time might get more disrupted this year.

I hope to see you all in Lethbridge in June. Make plans now!



NAFTA IN A NUTSHELL

(EDITOR'S NOTE: NAFTA has been confusing for me, as has GATT. Jim Kastanek, farm management consultant at Total Agri-Business Services, Inc. Albany, MN wrote an article, reprinted here, but edited for space, which I think makes NAFTA a little clearer.)

NAFTA is an agreement between the United States, Canada and Mexico on how trade will be done. It's a gradual phase-in of trade rules designed to allow easy movement of goods and services between the three countries involved.

It is looking ahead to the future. Some say Mexico, with its eighty-nine million people, will be the Japan of the twenty-first century. Mexico is a developing country with a per capita income of only \$3200. Each \$1000 of growth in per capita income means another eighty-nine billion dollars of new sales. It would be good for the U.S. to get its share. Another factor is the Mexican population which, having an average age of only eighteen years, has great growth potential for consumer goods.

How will NAFTA affect North American agriculture? When poor countries like Mexico increase their income, the first thing they spend money on is food, especially grains, meats and sugar.

The winners from this trade agreement in agriculture

will be corn, sales of which could double, according to the National Corn Producers Association. Soybeans, other oil seeds, wheat (20% increase), pork (could double), poultry, beef and dairy products will benefit.

Non-agricultural products that would gain include electronics, construction equipment, computer hardware and software, machine tools, engineering equipment and hotel equipment.

Who will be the losers? Low-skilled wage earners, glassware, hand-held plastic containers, clothing, some fish and farm products such as winter vegetables and sugar beets, peanuts, and hand-assembled products.

What about job losses? With or without NAFTA these jobs are going south or are being knocked out by the increased imports from Mexico. The Institute for Internal Economics says NAFTA would result in a net U.S. job gain of a million jobs by as early as 1995.

Some are using the fear of change to promote negative attitudes toward NAFTA and create political support for themselves. You can't stop progress. There were people who had fears when the first cars came out. There were people who said the tractor would never replace horses. Not having NAFTA could really be an economic failure and embarrassment if Germany, Japan, or other countries seize the opportunity we fail to recognize in our own backyard.

MEMBERSEARCH!

NFRBMEA membership, both regular and associate, has reached 199. Who will be the lucky one to be member number 200?

Only members get this issue of *Nuts & Bolts*, so it is up to you to get the membership form to your colleagues who may not have written a check yet. GO FOR IT!



REACH OUT TO OTHERS

by Dale Steussy, Willmar, MN TC
People under stress need someone who cares. Give support and find others to help give support. If a person feels there is no way out and no one to help, he may take drastic measures. We each have a responsibility to be watchful and caring.



TO: Wayne Pike
Editor, NUTS & BOLTS
Rt. 1, Box 217A
LeRoy, MN 55951-9801

Here's my check to NFRBMEA for:
\$10.00- ACTIVE \$ 5.00- ASSOCIATE
Membership in National Farm and Ranch Business
Management Education Association for 1993- 94.

NAME _____

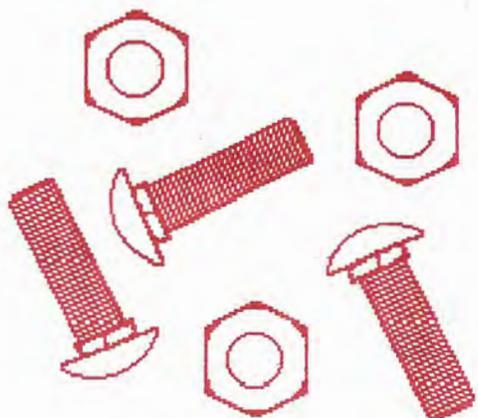
ADDRESS _____

CITY _____ STATE _____ ZIP _____

PHONE NUMBER (____) - _____ - _____

LeRoy-Ostrander Public Schools
Highway 56
LeRoy, MN 55951
ATTN: Wayne Pike

BULK RATE
US POSTAGE PAID
LE ROY, MN 55951
PERMIT NO. 2
NON-PROFIT ORG.
CAR-RT-SORT



NUTS & BOLTS

ADDRESS CORRECTION REQUESTED

1993-94 OFFICER DIRECTORY

Executive Committee:

Tom Risdal, President
Northwest TC
1301 Hwy. 1 East
Thief River Falls, MN 56701

Keith Torgerson, Past President
800 North 6th St.
Wahpeton, ND 58076-0001

Alan Graner, Vice President
1123 South Main St.
Rugby, ND 58368

Herschel Staats, Secretary
7321 Vine St.
Lincoln, NE 68505

Laurie Morris, Treasurer
14001 Winview Mile Road
Deer Trail, CO 80105

John Whitehead, Conference Chair
Lethbridge Community College
3000 College Dr. South
Lethbridge, AB T1K1L8

Membership Secretary:

Wayne Pike
Rt. 1, Box 217A
LeRoy, MN 55951-9801

Layout & Design: Deb Pike
Printed by: Evans Printing, LeRoy, MN