



NUTS & BOLTS

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

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DID YOU SAY THANKS?

We get so busy that sometimes our manners need a checkup. Dan Hoffman and Barry Kurtz, instructors for Riverland Technical College, Adams, Minnesota, recently used some space in their newsletter to say thank you to their farm management program cooperators.

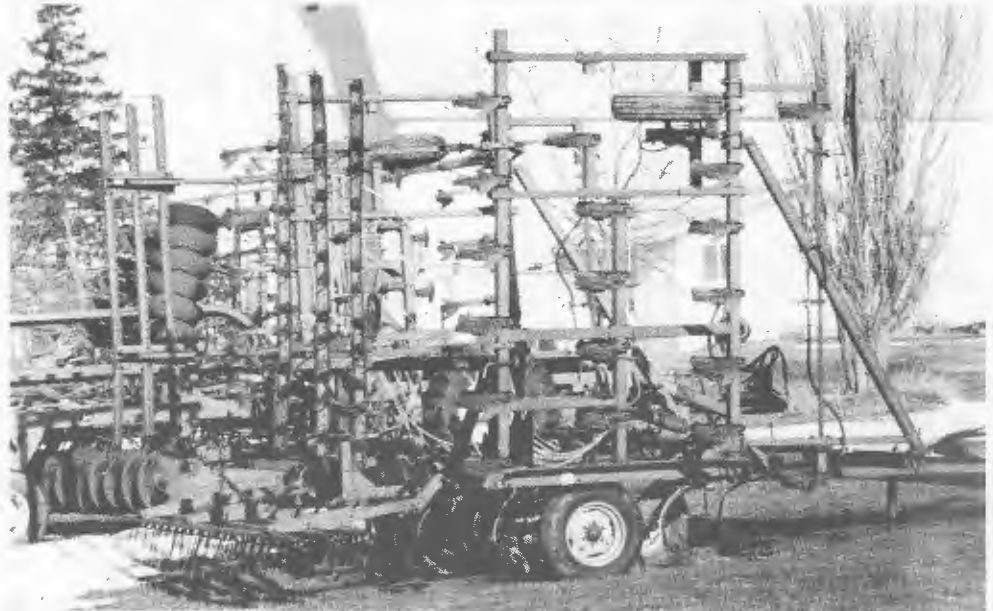
Very simple. Very basic. Not always easy to remember. As teachers, we may not think that a thank you to a student is always necessary. After all, it is we who give and they who take.

Yes, we give to them, but they give back at least as much, and, as every good business person will tell you, the customer likes to know that they are appreciated. The thank you message, whether by voice on your way out, or with a note today or during the holidays, may just be the tie that binds student to teacher and customer to supplier.

T-SHIRT DELIVERY

Dale Steussy, Willmar, Minnesota, is the latest winner in the *NUTS & BOLTS* t-shirt drawing. Dale always puts together an interesting and fun-to-read newsletter.

You can join our prize pool by sending your newsletters, ideas, articles or comments. Just put us on your mailing list.



Parked machinery, you think? No, this is a picture of growing anxiety and fraying nerves. It is time to plant here in Minnesota on this date (4/26) and the wheels have barely turned. The farmers are willing, but the fields are wet.

FOLLOW THE FOLLOWER

by Mark Berg, FBM Instructor at Detroit Lakes, MN

Most people learn at a very young age to make their decisions and set their goals by watching other people. We participate in one of the most unrewarding games in the world called "Follow the Follower."

Management is decision making, but the best definition of management is "striving for control of your life and business, your production, information, credit, marketing, timelines, and overall progress." This control is what management works toward on successful farms.

NFRBMEA DISTINGUISHED SERVICE AWARDS

Each year, the NFRBMEA executive committee selects individuals who have served farm business management education and the NFRBMEA in an outstanding manner.

If you would like to nominate someone you think is deserving of this award, call President Oliver Kienholz at 206/422-5413, or any of the other executive committee members listed on page 6 of this issue of *NUTS & BOLTS*. The selections are made at the executive committee meeting on the Sunday evening of our conference in Bismarck.

PROMINENT NFRBMEA MEMBER PROMOTES "LARGE" AND "INTENSE" AGRICULTURE

(... and your **NUTS & BOLTS** editor can be accused of yellow journalism if you don't read the rest of this article.)

Vic Richardson, Regional Ag Program Manager, and Dean of management programs for Riverland TC, Austin, MN, points out that all farms are in need of large and intense management ideas. Often, we think of large and intense only in terms of the amount of commodity produced. Vic points out that any good progressive operation is intense and is in need of, and can use, large management ideas to stay profitable in the future. Large and intense is for everyone. That's a large idea to get across in our intense farm and ranch management education programs.

HOW TO PROCRASTINATE

Contributed by Rich Bauman, FBM Instructor, New Ulm, MN.

WAIT: for more information... for a better time... for an easier time... for a more convenient time for anything, but wait. **DO EASY STUFF FIRST.** You get a lot of unimportant things done. Besides, it's much easier to get the hard stuff done under extreme pressure. **START LOTS OF THINGS.** You look very busy and never have to accomplish anything. **NEVER FINISH ANYTHING ON THE FIRST TRY.** It looks too easy. **BE A PERFECTIONIST.** Nothing will ever get done. In addition, wait until tomorrow to fix anything that's imperfect.

LIFE ON THE FARM

Gene Francis, retired FBM Instructor, Blooming Prairie, MN, wrote the following article which may help all of us relate better to the families we serve.

"Why are you a farmer?" A simple question, but one that most folks would have trouble answering in much detail. Some probable reasons we think most farmers farm are listed here in no particular order.

- 1) You enjoy taking a risk.
- 2) You feel good about being your own boss.
- 3) You enjoy seeing new life in the fields and barns.
- 4) You like the daily or seasonal challenge of new or different tasks.
- 5) You like to avoid the friction and "office politics" which seem to occur more frequently at off-farm jobs.
- 6) You enjoy the challenge of developing better management practices.

7) You realize that careful planning, good management, hard work and good luck can possibly generate better earnings than other employment.

8) You believe investment in a farm operation can create a valuable estate at some future time.

9) You believe a farm or ranch is a good place to raise a family, while teaching them valuable faith and work habits.

10) You value an opportunity to pass on a "going business" to the next generation.

Sometimes we need to re-affirm our reasons for being Farmers and Ranchers.



NORTH DAKOTA WELCOMES YOU!

Leonard Larshus, North Dakotan in charge of annual conference registrations, reports that registrations are arriving daily for this year's conference, June 11-15.

He urges everyone to contact the Doublewood Inn as early as possible, as they are only reserving our block of rooms until May 28. Be sure to specify that you are with the NFRBMEA when you call.

The program is lined up and the committee encourages as many as possible to attend the Sunday afternoon Early Bird session.

If you need to talk to Leonard, his number is 701/255-4412. The number for the Doublewood Inn is 1-800-554-7077. See you in Bismarck!



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**

Farm and Ranch Review

A Quick Look at a Potential Resource

by Wayne C. Pike



PASTURE PROFITS WITH STOCKER CATTLE

*"It is senseless to pay tuition to educate a man who has no heart for the truth."
Proverbs 17:16*

In this high and wide technology world it is sometimes good for us to try to get a different perspective. I have worked with many would-be farmers over the years who have tried to start their businesses by buying a herd of high-priced beef cows and a pickup. They found some pasture to rent and then went to the bank for a loan to operate. That trip to the bank for money was not the last. I got involved when the trips to the bank became less productive.

Well, who can blame them for pursuing their dreams? We all wanted to be cowboys/cowgirls at some point in our lives. Some of us have even gone broke trying. What can we do as advisors to these people?

This book, rather than poking holes in a young person's dreams, tries to present realistic alternatives to the high investment blue-sky and sunshine world of beef production. I picture it as a low equity beef producer's "facts of life" manual. An advisor could safely hand this book to any producer without fear of sparking an explosion of unwise investment.

An example early in the book tells about steps to "successful bootstrapping". That is, how to get started with your own assets. These ideas include: Have a long term goal and outlook. Find a mentor. Maintain a frugal personal lifestyle. Have one team member with an off-farm income. Keep the size of your operation consistent with the level of your management skills. Seek to substitute labor for capital whenever possible. Concentrate your capital in animal ownership.

Some of this advice seems obvious, but the author goes on to elaborate on how a person can expect to make financial progress by raising beef. This is done without the underlying tone of "Huge Wealth Awaits You Through Beef Cattle". The information points out that it is tough going in the beef business, but doing it his way offers the least risk with the greatest possibility of reward.

Each chapter begins with a quotation from Proverbs and ends with a few sentences of summary. For example, the Chapter 5 summary reads as follows: *"Expansion through debt is only safe at the bottom of the price cycle. Expand when cattle are cheap. Stand pat when cattle are high. Maximize gross margin rather than gross production. Cattle ownership should precede land ownership."* It is practical information in an interesting and easy-to-read format.

I can imagine that most young people with their minds set on modern beef production would not take kindly to the "birds and the bees" as presented in this book, but that is part of life on the ranch.

I don't have the background to evaluate the grazing emphasis on this book. Is grazing the future of the beef industry or the past? Regardless of the grazing debate, the business management features of this book and its reasonable approach to starting a farm or ranch business make it worth the time.

Pasture Profits with Stocker Cattle, by Allan Nation, is published by Green Park Press, a division of Mississippi Valley Publishing Corporation, publishers of the ***Stockman Grass Farmer***, Jackson, Mississippi.

TOOLS OF SURVIVAL-- UNDERSTANDING HOW OUR BUSINESS WORKS

(Editor's note: This is the second in a series written by Jan Doebbert, FBM Instructor, Alexandria, MN,TC)

We all work very hard, but the trends indicate that we are not getting better at managing our businesses. Given the current status of production agriculture, survival is dependent on improvement in production and marketing efficiencies.

No one can promise that all small- and average- sized farm operations will survive the current pressures. However, every farm can improve its profitability if changes are implemented that address improvements in how processes are done.

Used alone, an annual farm analysis is ineffective in providing farm managers the information needed for making improvements in their farm operations. The information provided is equivalent to a final inspection in manufacturing. It identifies defects after it is too late to fix them. Economic analysis of the business tells us what happened, but it does not tell us how or why. Given a trend of years, it does tell us if it is likely to happen again.

Current management practices in production and service businesses rely on continuous feedback so that problems can be identified and corrected before they become too costly. Farm operations require no less. However, to do this on a farm, standards must be set and processes must become less variable.

For example, managing individual mating of sows has been one of the biggest contributors to profits in hog production. The recorded individual matings have made possible early weaning, better facility utilization, lower feed costs and long-term marketing agreements. The standardization of farrowing schedules achieved through managed breeding is how profit improves. It is process improvement.

Understanding processes on the farm will allow us to know how the farm works. If you know how something works, it is much easier to fix than if you simply know that it does or doesn't work.

While it may seem simple, many individuals do not

know why they are in business. Farmers are not in business to produce money. Farmers produce milk or corn which is the outcome of a process. To improve profit, farmers must focus on corn, not money. Marketing is the process which has money as an outcome.

The challenge is to think about the outcomes of processes which could be improved with no major cost to the farm. Examples are mastitis, spoiled grain in stored crops, no contracted grain this summer, personal injury from safety violations, forage quality, or chemical spills. The average business can reduce costs by 30% through process improvement.



Here's an enterprise that doesn't get much respect here in Minnesota. There are not many of us lamb and wool producers left. We may not generate much net income, but we generate more than our share of good stories worth telling.

TIPS FOR CHAMPIONSHIP MARKETING By Wayne Pike

Can you stand another lesson with a sports theme?

TIP #1: Good marketing game plans begin with realistic goals. We play the game to make a living and meet our cash flow needs for the season so we can play again next year. If, by good play and some luck we become wealthy, so much the better, but we won't make it happen in one year.

TIP #2: Watch for the fakes. Fakes take our eyes off the essential action in the real world. For example: El Ninos exist and are measurable, but do they cause drought or do hot, dry summers in North America make El Ninos go away?

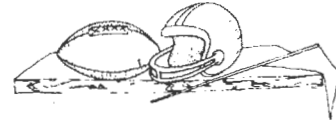
TIP #3: Study the stats, but don't drop the ball. Statistically, we can prove that big crops cause small crops, and high prices cause low prices. So what? Statistics are gathered and sold by people in that business. In the end, the only important statistic is our balance sheet at the end of the year.

TIP #4: Games can be won by lots of field goals or singles, not just by touchdowns and homeruns. You don't have to go for the big play if you score consistently. Two-minute drills and squeeze plays are exciting, but not particularly successful. Start selling early and do it often.

TIP #5: Timing is everything. All the sophisticated marketing knowledge in the world won't help if your technique doesn't match the timing. The best marketing technique is the worst marketing technique at the wrong time, and the worst marketing technique is the best marketing technique at the right time. Avoid the timing-technique trap. Sell early. Sell often.

TIP #6: Punt on third down. Steal a base. There are new and innovative marketing methods and techniques coming all the time. Try plastics, sugars, ethanol, various co-ops, or get into ag on the consumer side with Hormel stocks to get into the hog business. Buy Pioneer stock to get into the seed business. The possibilities are endless.

TIP #7: Don't let the crowd noise get to you. Make up your mind and do it. Misery loves company and you will be miserable if the coffee shop gang talks you into thinking like they do. Listen to the experts? Experts make their living through "conflicting" advice. One expert in this business would starve to death, dozens flourish because they conflict. If they all agreed, nobody would subscribe.



SPECULATION

"There are two times in a man's life when he should not speculate: when he can't afford it, and when he can."

--Mark Twain



MEMBERSHIP NOTE

We have topped out our 1994-95 membership year at 263 members. Great job! Our membership year ends May 31. Just a reminder that when you register for the annual conference, you pay your membership dues for the 1995-96 year. If you aren't going to conference, you can still send your dues to:

NATIONAL CONFERENCE '95
Leonard Larshus
1514 N. 20th Street
Bismarck, ND 58501

Dues paid after conference should come to your Membership Secretary and *NUTS & BOLTS* editor.

RISK MANAGEMENT TOOLS

By Jim Kastanek, Albany, MN

- 1) Review fire, wind, liability and workers' compensation policies.
- 2) Enroll in the government program for corn, wheat, barley and oats.
- 3) Enroll in multi-peril crop insurance. Piggy-back it with hail insurance.
- 4) Set up a record keeping system that gives you a cost of production so you can evaluate your competitiveness and cash flow.
- 5) Review farm safety needs to eliminate machinery, chemical and building hazards.
- 6) Develop a market plan for old and new crops; then act.
- 7) Develop a realistic farm business budget and let it serve as your road map.
- 8) Review your buy-sell agreements to see if they are properly funded and update if necessary.
- 9) Set up a retirement plan where you pay yourself first. Have a deduction from the milk check or checking account so it is saved before you see it.
- 10) Plan for some family togetherness-- small vacations, etc.-- to recharge your batteries.

