



NUTS & BOLTS

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

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Caster Attends ABA Conference

Editor's Note: John Caster, Chemeketa Community College, Salem, OR, attended the American Bankers' Assoc. Annual Conference in Des Moines, IA. He sent 28 pages of notes to the Executive Committee and me, which made me wish I'd been there. I asked him for his strongest impressions and he responded with the following article:

Very few educational opportunities provide the broad spectrum of speakers as were found at the annual American Bankers Association Agricultural Lender's Conference. This was especially interesting as it was the first ever North American conference with participants from Canada and Mexico, as well as the U.S.

With speakers like David Kohl, Randy

Allen and Neil Harl, participants were sure to be informed on the latest in major issues affecting farm and ranch management and finance. Between sessions, there were discussions with lenders, farmers, and management consultants which were often as valuable as the formal sessions.

Many of the formal (and informal) discussions dealt with adapting to farming without government involvement. I was pleased to hear speaker after speaker talk about the need for producers to keep good records, analyze those records, and use the information in decision making. Isn't this what we farm/ranch management instructors have been teaching and preaching for years? Besides being educated in

many technical areas of finance and management, I came away with a renewed appreciation of the importance of the management education we provide.

There were 36 top-notch presenters in the sessions I could attend. (There are some tough choices in concurrent sessions.) Topics included time management, using the Farm Financial Standards, how banks are "re-engineering" credit delivery, impact of computer technology on farming and banking, NAFTA, and transfer of ownership to the next generation. The next conference will be November 17-20, 1996 in Kansas City, MO. I strongly urge everyone to attend. (See related story by **John Caster** on page 4.)



The corn was harvested, so the combine quit. This photo was taken before the January blizzards here in Minnesota. Hopefully, this sign is not an economic omen for the farmer.

A Message From Laurie Morris, NFRBMEA President

Happy New Year from Colorado! Where does the time go? December and January are peak recruiting times in Colorado and elsewhere and there is little time to breathe, but that is what keeps us and our programs going, so...

The Executive Committee met in Detroit Lakes early in October. The colors were spectacular even if the sun refused to shine, and Tom did his best to show us all 412 lakes! The facilities were great, and your families will love this place. Just walk out of your room and you can swim, fish or boat. Get your room reservations in early, as I know the lake front rooms will go in a hurry. The agenda looks great, so it should prove to be an excellent conference.

Our meeting was very productive. We dealt with many issues besides next year's conference. We spent much time on a budget for the '95-96 year, and we took a look ahead to '96-97.

The expense projections that John Whitehead presented for those two years exceeded the projected income each year—sounds like farming! Our income comes primarily from dues and conference profits. Both of those items are difficult to project. Last year our membership was up, but in talking with Wayne Pike, we are not quite that high currently. The Executive Committee proposed initiating the amendment process to increase dues to \$20.00 Active and \$10.00 Associate. A bylaw change requires a two-thirds vote of the active membership registered at the annual conference.

Notification of this proposal will be in the agenda mailing that you will receive for the '96 Conference. The idea of changing the dues has been around for several years, and we feel now is the time to act upon it. Part of the increase in expenses for the 95-96 year are the legal fees associated with incorporating and receiving a tax-exempt status.

It was good to see some familiar Farm & Ranch faces at the NVATA Convention. The time was worthwhile both in workshops and in visiting with their members. There are possibilities for cooperation and growth between our organizations. We each have a different focus but similar goals.

Good news! *The 1997 Conference will be in Oregon!* The Northwest Group has submitted their bid and we look forward to meeting in that beautiful state in '97. They are looking at the Salem area, but they have not announced the exact site. Producing a conference requires tremendous time and energy. We appreciate all who are willing to undertake this.

Good luck as you work with your students in this challenging year. I look forward to seeing all of you in Detroit Lakes in June. —Laurie

Terry Murray Named to Chair Canadian Council

Terry Murray, Alberta farmer and NFRBMEA member, has been elected chair of the Canadian Farm Business Management Council.

Murray heads 22 directors of the national council which focuses on managing change and promoting entrepreneurship. Funding provided under the Canadian Farm Business Management program is used to develop strategic alliances that will ensure Canadian farmers can compete and prosper in the future.



In a message to Canadian farmers, Terry Murray expressed his philosophy as follows. "Agriculture in Canada today is rapidly changing, and

in order to effectively manage this change on our farm and throughout the industry, we must first accept and understand it. Facing the resulting challenges will require a change in mindset—a breakdown of old ideas. As an advocate for agriculture, I am keenly aware of the need for the agricultural industry to respond to the needs of Canadian farmers as they face constant change.

We invite you, the stakeholders in Canadian agriculture, to share in expanding our mindsets and finding new solutions for future challenges."

Congratulations on your appointment, Terry, and good luck from your fellow NFRBMEA members.

Membership Memo

Our membership currently stands at 256. That is a few less than last year. You can help NFRBMEA reach or exceed last year's record membership level by recruiting your colleagues now.

Use the membership form at the bottom of page 5. This organization is going places and getting things done. Encourage your colleagues to be a part of it.

A special thanks to everyone who contributed to this issue or submitted articles. We are always looking for more. Please keep them coming in, especially those states outside Minnesota. We want to hear from you, too.

—WR

Farm and Ranch Review

A Quick Look at a Potential Resource

by Wayne Pike



Machinery Replacement Strategies

Deere & Co. Service Publications

John Kuhar, editor; Wendell Bowers, author; Lori Lees, publisher

Some of the most difficult decisions farmers and ranchers have to make are in the area of machinery management. Educational tools to assist in these decisions have often been in the hands of dealers who promote new iron as the answer to almost any problem. Sometimes new is the answer, but how can a farmer/rancher be assured of unbiased and accurate guidance in that decision-making process?

Deere & Company Publications has developed Machinery Replacement Strategies to help 'Broaden the Knowledge Base for Analyzing Replacement Alternatives'. Machinery Replacement Strategies, or MRS as Deere & Co. refer to it, consists of an easily read, well-illustrated 98-page text, an 86-page Instructor Guide, a 38-page Student Guide, and companion software for DOS or Windows.

The text contains many graphs and tables which answer some of the most troubling questions regarding machinery replacement. For example, future repair costs for a used machine are usually considered one of the *Great Unknowns*. The text gives guidelines for the estimated repairs for most farm machinery as it ages from any point in its life. It guides the user through procedures to determine what would be gained or lost by trading for new, trading for used, repairing the old, custom hiring, leasing, or renting. Guidelines for returns to timeliness are also included.

Part of MRS is devoted to financial analysis to provide the big picture to the farm/ranch manager. The correct machinery replacement decision is the one that is affordable. This section focuses on the individual's balance sheet and the impact a decision will have on financial strength and cash flow.

The Instructor Guide contains introductions to each chapter, student objectives, teaching outlines, transparency masters, study guides, and chapter quizzes. The Student Guide contains chapter quizzes and study guides. A classroom program is expected to take an estimated 15-20 hours to complete.



The software runs under either DOS or Windows. I am an unskilled Windows user, so I ran the program under DOS for the first two hours of experimentation. I found that I could get the program to give me rational machinery management decisions within that time, even though the authors recommend reading the entire text first. When I was tired of DOS, I loaded the program into a computer with Windows, and I realized what a fool I'd been. It ran even better under Windows, installing without a hitch. It even provided its own icon.

The temptation with software like this is to use it without reading the background material to tell you where the numbers come from. The text really does 'Broaden the Knowledge Base' and it would be a shame to ignore it.

Instructors and farmers/ranchers will find this instructional package an interesting and useful tool. MRS won a blue ribbon in the 1995 ASAE Educational Aids Competition. Look for representatives from John Deere Publishing at our annual conference in Detroit Lakes this June.

MACHINERY REPLACEMENT STRATEGIES

Deere & Company Service Publications

Dept. FOS/FMO

John Deere Road

Moline, Illinois 61265-8098

Textbook and software for DOS or Windows \$24.95 per copy

Instructor Guide \$21.95 per copy

Student Guide \$15.95 per copy

Aging/Beginning Farmers: Transfer of Ownership Issues

by John Caster, Chemeketa Community College, Salem, OR

There are four pillars to successful intergenerational transfer according to Donna Hastings, Family Living Specialist, Winnipeg, Manitoba, Canada. At the American Bankers Association annual educational conference in November 1995, Hastings stressed the need for farm families to deal with the issues of 1) Management control, 2) Financial security in retirement, 3) Financial security for farming and non-farming children, and 4) Retirement lifestyle.

"The biggest problem in transfer is that there are so many issues to decide", said Hastings. Adult children need to ask:

1. Do I want to farm? This farm?
2. Can I live with the lifestyle?
3. Can we work together?
4. Can I work with the money needs of non-farming siblings?
5. Will this work financially?
6. Is there enough time to carry out the process?
7. Can I live within management control?
8. How will the operation be financed?
9. Who will do the paperwork?

The retiring parents need to ask:

1. Do I really want to retire?
2. Can I live with the lifestyle?
3. Can we work together?
4. Is there enough money for my children and me?
5. Is there enough time to carry out the process?
6. Can I relinquish management control?

Hastings stressed the need for farm families to carefully think through each of

these questions before going to an attorney or accountant to make it legal. Then, the plan should be followed with no surprises such as Dad suddenly deciding he doesn't want to retire after all.

All in all, the transfer process provides the Farm Business Management instructor with many opportunities to be of assistance to the farm family.

In a later session of the conference, Dr. David Kohl, Virginia Polytechnic University, emphasized the need for close financial planning in the transfer process. "Invariably, both generations will

underestimate their family living needs," said Kohl. "A farm that provides a living for one family and enough work for two will not necessarily provide a living for two families when the son gets married and must maintain his own household."

Other speakers at the conference pointed out the difficulties facing young farmers attempting to purchase land with little or nothing in the way of assets. Lenders will be changing their practices as more and more farmers are forced to rent rather than purchase land. Production loans will be based on profit rather than collateral.

All in all, the transfer process provides the Farm Business Management instructor with many opportunities to be of assistance to the farm family. Discussing issues, helping to arrive at conclusions, and making plans to follow through can be a part of on-farm instruction. The financial data provided by the analysis is essential to intelligent decision-making in transfer planning, as well as other aspects of farm management. The FBM instructor is often the only third party with the skills and familiarity with the family to be an effective catalyst in some very important decisions.

NFRBMEA, Inc.

The NFRBMEA is now an official 501(c) corporation under the laws of the State of Minnesota. Soon, we expect the IRS will also recognize the NFRBMEA as a legal not-for-profit corporation.

Our executive committee approved this move to incorporation for several important reasons. *Why is incorporation a good idea?*

- 1) To become an above board income tax filing entity in the eyes of the IRS. (It is unlikely that the NFRBMEA will ever pay any tax because the NFRBMEA has never actually shown a taxable profit.)
- 2) To become an entity which has an employer identification number so schools and other governmental units can pay membership dues. (This number should be available in our next issue. Many of you know how important this is.)
- 3) To provide protection from liability suits against our officers, members or directors. (Officers acting in good faith for the NFRBMEA are not liable for damaging actions of the corporation.)

Why a Minnesota corporation?

Because the bulk of membership resides in Minnesota, and because the squeaky wheel gets the job.

Although this is going to be a fairly expensive undertaking, it probably should have been done years ago. The accountants and attorneys we talked with in the process of incorporating couldn't believe we managed to get by so long without it. "*A group of farm business management instructors should know better,*" is the impression they gave me, although they were kind enough not to say it.

Red Carpet Out !

by John Hest, Hawley MN

The red carpet will be rolled out at the Holiday Inn in Detroit Lakes, MN, just waiting for you to arrive at next summer's National Farm & Ranch Management Education annual conference. Believe me, we mean that. The Red Carpet Treatment will be there for **you**, some of the most important people in the world, you farm and ranch business management educators. We're determined that you're going to be treated as royally as we've been treated by you at previous conferences.

We hope that you've already marked down the dates of June 9-12, 1996 on your calendar when the information package arrived a few weeks ago in your mailbox. But, if you haven't done so, we urge you to do it right now.

We think we've lined up a terrific program for you, something that you can use as you teach your farm and ranch folks in the States and Provinces in the United States and Canada.

We believe that the theme for the 1996 Conference, *"Adding Value Through Individual and Cooperative Initiative"*, fits the economic times facing our families as they struggle to make both ends meet and put a buck or two in the hole called Profit. We believe

that the topics chosen will carry out the theme. On Sunday afternoon, several presenters will give us some ideas on how to do things, "not the same old way." Everything from different curriculum ideas to how to use computers and other multi-media tools in new ways.

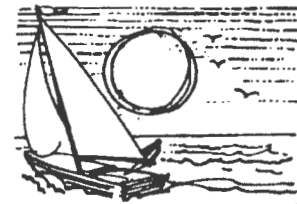
We've lined up several presenters who have been on the cutting edge of trying new enterprises, both individually and cooperatively. And they'll tell you about their experiences, both good and bad. You'll also get a chance to question these people in the Carousel sessions we have set up. We've arranged tours that will showcase some of the farming types, new enterprises and agribusinesses that we have here in northwestern Minnesota and the Red River Valley area of Minnesota and North Dakota.

We haven't forgotten the fun part of the conference either. We deliberately picked the Holiday Inn in Detroit Lakes because it's right on the beach of one of the area's most popular lakes and also has an indoor swimming pool. We'll also be able to hold our annual "big feed" without leaving the premises. We'll be barbecuing turkeys on the beach, right next to the lake.

For the spouses and families, we've lined up a tour to a potato chip factory, a candy factory, and to Smoky Hills, a cooperative artisan center. You'll also be able to learn how to do dried flower arranging, and bring the arrangement home with you.

We've also arranged a Fun Bus to the neighboring Shooting Star Casino for a meal and a special entertainment package on Tuesday evening. There will be more information on that in the next mailing toward the end of March.

You are advised to call 218/847-2121 for your **Holiday Inn reservation and mention the code "NFR"** to get the conference rate of \$60. There are some nice poolside rooms, too, for the same low price! Incidentally, if you'd like airline service, Northwest and Frontier fly in to Fargo, ND, just 50 miles from Detroit



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TO: Wayne Pike
Editor, *NUTS & BOLTS*
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Here's my check to NFRBMEA for:

\$10.00 ACTIVE \$5.00 ASSOCIATE

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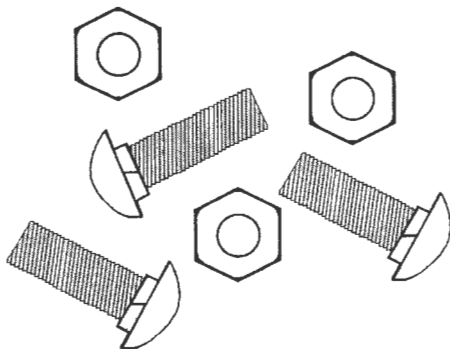
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