



NUTS & BOLTS

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

Volume 12 Number 2

Winter 1998-99

Dairy Trend

by James Kastanek, Total Agribusiness Services, Inc. Albany, Minnesota

Editor's note: James Kastanek operates TABS, Inc. in the heart of family farm dairy production in central Minnesota. He sent the following message to his clients.

This past couple of weeks, I have had about a dozen dairy farmers ask me, "Will the same thing that happened to hogs happen to dairy?" My response was, "It depends on how the dairy producers position themselves over the next five years."

1. Are the dairy producers going to demand a free and open market when it comes to selling their milk? In other words, is everyone going to get the same price for their milk adjusted for components and quality?
2. Will the dairy producer require competitive markets for their products or will they let the dairy processors merge into two to four nationwide processors? The smaller the numbers of processors, the easier it will be for them to vertically integrate.
3. Currently, most of the dairy products are produced for U.S. consumption. If the dairy industry starts producing for the world market, will we require enough protection to cover changing world conditions, trade policies and

adjustments to currency values?

4. Will the dairy producers maintain a very active role in managing their dairy co-ops? Or, will they let someone else take over control of their organization?
5. Will the dairy producer continue to focus on quality, cost of production and changing consumers needs?
6. The dairy producer must realize the greatest marketing opportunity for them is a product that meets the consumer's needs. The dairy farmer must control the entire process.
7. Will dairy farmers unite and speak with one voice politically so that future government programs are designed to solve problems rather than throw money at the problem?
8. Will dairy farmers be willing to restrain their growth and control production so it does not exceed consumer demand?

Dairy farmers are at a crossroad. The course of action they take today will determine where they will end up ten to fifteen years from now.



NFRBMEA Board of Directors meet after the annual conference in Chillicothe. See pages 5 & 6 for the minutes of this meeting and the fall board meeting.

A Message From John Caster, NFRBMEA President

What is the biggest problem in family farm transition? According to Dr. David Kohl of Virginia Polytechnic Institute, it is the need for net income. Dr. Kohl spoke at the 1998 National Agriculture Bankers Conference in Minneapolis in November.

Although increased net income could solve most farm business problems, Dr. Kohl went on to describe some problem areas that, when overlooked, can result in a farm family underestimating their net income needs during transition. This can lead to serious problems. I feel this is an area where the farm and ranch business management instructor can make some meaningful differences in a family farm's success.

Dr. Kohl listed several typical problem areas that occur in family farm transitions:

1. Adequate reward (financial and otherwise) is needed in order to keep the younger generation around until the older retires.
2. Cash may be needed to take care of non-farm siblings.
3. When the older generation is too highly leveraged, there may not be adequate income to cover payments during transition. This problem is compounded if the younger generation must incur further debt to get established.
4. Often no plan is in place to get the money out of the business for the older generation.
5. When multiple family members are involved, all want a share of the profit.
6. Income tax planning needs to be reviewed often.
7. Young people have no equity to get started.
8. Health care is expensive.
9. People live longer so they need more income for longer periods of time. It is not unusual to have one farm supporting four generations at once.
4. There may be difficulty in getting parents to put a plan in place.
5. The family may have trouble communicating.
6. A growing problem is the family's ability to deal with differing lifestyles and values between the generations.

I believe that instructors can accomplish much with our students just by going through this list with their entire family. We may bring out constructive discussions that deal with these factors before they become insurmountable problems. This can be done most effectively when there are at least two or three years' farm analysis reports on hand. Analysis reports allow everybody to know the facts related to the issues. Once again, farm and ranch business management instructors are in a position to take the lead in dealing with one of agriculture's most pressing problems.



The above are financial considerations. Kohl reminded conference attendees that the family problems must still be reckoned with. They include:

1. Young people don't want to come back to the farm.
2. Dad won't let go of management responsibility.
3. The younger generation cannot afford today's high land prices.

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.— WP

NFRBMEA EXCHANGE OF IDEAS

During this year's NFRBMEA Conference in Red Wing, Minnesota, we will conduct an Exchange of Ideas Activity to highlight your outstanding ideas. \$100 will be presented to those who make application and complete the activity as described below. This is not a contest.

Individuals applying for the "Ideas" award must agree to the following "Exchange of Ideas" rules:

1. The first ten NFRBMEA members to apply for the Exchange of Ideas Activity will receive a \$100 award for qualifying "Ideas".
2. "Ideas" may be of another's origin, but must have the applicant's work evident in its adaptation. "Ideas" must be of professional quality and scope.
3. Applicants will make a three-minute overview presentation on their "Idea" on Monday evening, June 14th beginning at 7:00 p.m. at the St. James Hotel in Red Wing, Minnesota.
4. Applicants will be available from 7:30-8:30 p.m. to discuss their "Ideas" with conference participants.
5. Applicants will submit their "Idea" to Conference planners by May 1, 1999 so that "Ideas" can be included on the conference proceedings CD. Alternately, applicants may, at their own expense, bring 50 - 3 1/2 inch disks containing their "Idea" for disbursement to conference participants.
6. Applicants agree to exhibit their materials during the conference at a site to be determined by conference planners.
7. 1998 Exchange of Ideas award recipients are not eligible for the 1999 NFRBMEA Conference Exchange of Ideas Activity.
8. Applicants should fill out the following registration form (or a copy) and submit it as soon as possible. Recipients will be notified of award status.
9. **NFRBMEA members interested in applying for 1999 conference "Idea" awards should apply to John Hobert, Farm Business Management Instructor, 31782 67th Avenue, Cannon Falls, Minnesota by May 1st, 1999. Telephone: 1-507-263-4081 Fax: 1-507-263-4081 or E-mail: jhobert@rconnect.com**

NFRBMEA Applicant (Please Print): _____

Mailing Address _____

City _____ **State or Province** _____ **Postal Code** _____

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I agree to the Exchange of Ideas rules discussed above: _____

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To apply, contact the Personnel Department at 503-399-5009; website:

chemek.cc.or.us/resources/jobs/personnel/index.html.

\$200 Scholarships for First-Timers

The NFRBMEA is offering ten - \$200 scholarships to instructors who attend the summer conference in Red Wing, Minnesota on June 13 - 17, 1999. The scholarships are for instructors who have never been to a NFRBMEA conference before. Only one instructor per state or province will receive the scholarship, so get your entry in as soon as possible. The \$200 will be applied to your registration fee. Send your request to:

Maylon Peters
Mesa State College
Box 2647
Grand Junction, CO 81502

John Hest Responds

(Editor's note: Many of you know John Hest who is now retired and resides in Hawley, Minnesota. John was NFRBMEA's first newsletter editor and membership secretary. John and Dr. Ed Persons were honored as Lifetime NFRBMEA members at our conference in Chillicothe. As Lifetime Members, their dues are considered paid into perpetuity and each was presented with an engraved membership card. John responded with the following message.)

"Dear NFRBMEA,

I'd like to thank the association for the permanent membership card that Larry Klingbeil presented to me a few weeks ago. When I discovered the number "2" engraved on its face, I felt honored, to say the least, when Larry told me that he'd visited Dr. Ed Persons and presented him with card number '1'. I know that Dr. Persons is 'Mr. Farm and Ranch Business Management' and I'm sure that the rest of the membership who have been touched by him feel the same way. His inspiration has boosted many a teacher to the next level and made him or her a 'super' teacher.

Larry visited with my wife, Bev, and me for some time and we capped off the afternoon and evening by having dinner at our local steak establishment.

Thanks again to the greatest association in existence. I'm proud of the fact that I was one of its charter members.

Sincerely, John Hest"

Red Wing 1999

Everyone on our NFRBMEA mailing list should already have received one mailing about our conference in Red Wing, Minnesota on June 13 - 17, 1999. That brochure should have been in the mailbox around Christmas or just after. Be on the lookout for your final mailing in the next few weeks. That will have more information about the conference as well as registration material.

Jim Kelm, chief conference planner, asked us to mention that the phone number for the St. James Hotel listed in the first mailing was somehow distorted. The correct number is:

1-800-774-8372. This is the headquarters hotel and will fill up fast. For more information about the St. James, check their Web site at www.st-james-hotel.com.

The conference planners have been hard at work to line up the best conference NFRBMEA has ever had. Make your plans early and watch for that next mailing.

If you have any questions about the conference, feel free to contact Jim Kelm or one of the Board members. Their addresses and phone numbers are on the back page of **NUTS & BOLTS**.

Farm Futures Contest Information

Entry forms are now available for the 1999 Best Managed Farms Contest sponsored by *FARM FUTURES* Magazine. Now in its 16th year, the contest is designed to measure and reward financial performance and profitability. Farmers submit financial results and are compared to other similar operations. The types of accrual records kept by many farm management education programs are ideal for contest purposes. In fact, David Gillen, White Lake, S.D., winner of the contest in 1998, participates in an adult farm management program.

The Top 100 finalists in the contest receive recognition from *FARM FUTURES*. In addition, all farms that enter receive a financial analysis showing how their farms measure up to others on key ratios such as return on equity, return on assets, asset turnover and profit margin. The grand prize winner receives a year's use, up to 300 hours, of a tractor from AGCO White.

All information submitted in the contest is kept in strictest confidence. The deadline for entries is April 30.

To receive an entry form, which may be duplicated, or find out more about the contest, contact:

Bryce Knorr
 Editor
FARM FUTURES Magazine
 511 W. Walworth
 Elkhorn, WI 53121
 (414)723-4746 (voice)
 (414)723-7032 (fax)
 bknorr@FarmProgress.com

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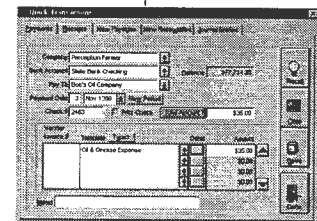
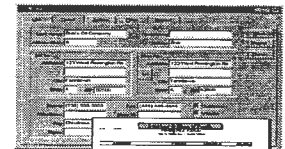
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NFRBMEA Fall Board Meeting Highlights

President John Caster called the 1998 Fall Board meeting to order on Nov. 4. Maylon Peters, president-elect; John Sponaugle, secretary; Ira Beckman, treasurer; Larry Klingbeil, past-president; Jim Kelm, 1999 conference chair; and Don Roberts, 2000 conference chair also attended. Wayne Pike, membership secretary, joined the meeting for one day on Nov. 5. Vic Richardson, past-president and volunteer tax advisor, joined the meeting for one day on Nov. 6.

The secretary, on behalf of the Board, was asked to write Oliver Kienholz, thanking him for purchasing name tags for NFRBMEA conference use.

The Board complimented the Missouri hosts for conducting an excellent conference in Chillicothe last June. The 1998 Conference financial reports were given to Vic Richardson for audit.

Laurie Morris, historian, sent a written report to the Board. The Board decided that the historian should keep the following historical materials: a conference agenda; conference proceedings; bank statements; cancelled checks; audit reports; Board correspondence; and other material deemed historical by an officer. Duplicate photographs should be made available to members at annual conferences. A PowerPoint presentation of historical materials would be desirable as time to produce it is available.

Wayne Pike reported that current membership was 152 as of Nov. 5, 1998. That number includes our two lifetime members.

The Board acted to make the NFRBMEA membership list available for sale. No price was set as currently all names and addresses are published on the Web site. Addresses will be removed from the Web site.

Brian Daniels met with the Board in a strategic planning session.

John Caster will write to the Ag Ed Council and Roscoe Vaughn, Council Executive Director, requesting that a member of NFRBMEA serve on the Council.

Wayne and Deb Pike were directed to study colors and color combinations that might be adopted as official NFRB-

MEA colors. \$250 was allocated for promotional materials displaying the NFRBMEA logo using these colors. These items will be available for the conference in Red Wing.

Ira Beckman will discuss the progress of our Web site with Paul Gorman of the original Web site committee.

Jim Kelm agreed to contact the National Association of Agriculture Educators to discuss the possibility of sharing a booth at the National FFA Convention. This would be an opportunity to promote NFRBMEA nationally.

The Board approved ten \$200 scholarships to be applied to the summer conference to pay for registration. One scholarship for each state to be given to an individual that has not attended a NFRBMEA conference before. This scholarship will be reviewed for funding annually.

The Board approved ten \$100 stipends for ideas that are presented to the membership at the annual conference.

Vic Richardson was granted authority to act concerning NFRBMEA's corporate status as a 501(c5) corporation. The plan is to change to a 501(c3) by changing our primary activity from an annual conference to an annual educational activity.

For a complete copy of the secretary's minutes, contact the secretary at his address listed on the back page of NUTS & BOLTS.



Summer NFRBMEA Board Minutes Highlights

- ◆ Budget discussions led to a budget approved by the membership.
- ◆ Distinguished Service Award nominations were made for John Sponaugle, Brian Thompson, and Jim Grozinger, Conference planners.
- ◆ Mike Lockhart reported that there were 101 registered members at the Chillicothe conference. Wayne Pike reported that our membership year closed with 206 members.
- ◆ Oklahoma and Colorado representatives presented bids for the 2000 conference. Colorado withdrew their bid for 2000 in deference to Oklahoma. Colorado will host the conference in 2001.
- ◆ Vic Richardson reported for the program standards committee. The membership approved 44 standards in 4 categories.
- ◆ Distinguished Service Awards were presented to Vic Richardson, Lynn Schluckebier, John Sponaugle, Brian Thompson, and Jim Grozinger.
- ◆ Laurie Morris was appointed as historian. Laurie presented a gift to past historians, Oliver and Doris Kienholz, for their long service.
- ◆ Larry Klingbeil presented a list of 12 expectations to the membership and expressed his thoughts on how we can make a difference as farm and ranch business management instructors.
- ◆ Harold Swanson volunteered to inquire about a sponsorship for "Market to Market" as a promotional opportunity for NFRBMEA.
- ◆ A special Lifetime Membership category was approved by the membership for John Hest and Dr. Edgar Persons.
- ◆ Contact the NFRBMEA secretary for complete Board and membership meeting minutes. His address is on the back of NUTS & BOLTS.

Food for Thought

by John Caster, NFRBMEA president, Salem, OR

At Dr. David Kohl's family farm transition session at the National Agriculture Bankers Conference, attendees broke into discussion groups to tell true success stories about family farm transitions. We found that the characteristics common to success were: good communications, especially among female family members; congenial personalities; thorough planning; gifting land to children as early as possible; and adequate income. The most interesting account was of a farm transition that is taking place with four brothers working together. The four get along so well and their personalities are so pleasant that their employees enjoy working for them. The pleasant work place results in greater business efficiency and a more satisfying lifestyle for everyone involved.

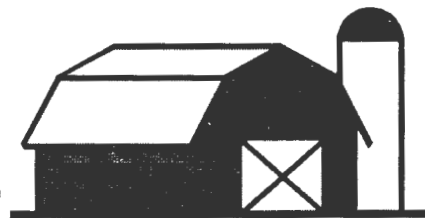
I am trying to apply this principle to my own life. I have found that lack of planning and impatience has often shown in my attitude. I would like to be known as the "encourager" and the one who made my family, my workplace, and my student's lives more pleasant. Can we look for the good in every situation? Can we keep in touch with our own sense of humor? Can we project a positive attitude that will be contagious to those around us? I am going to try.



Farm & Ranch Review

A Quick Look at a Potential Resource

By Wayne Pike



The Last Harvest – The Genetic Gamble that Threatens to Destroy American Agriculture

by Paul Raeburn, University of Nebraska Press, Lincoln, 1996

Agricultural educators keeping up with recent technology cannot help being aware of advances in plant and animal breeding. Cloned calves followed close on the heels of Dolly, the first cloned sheep. In the plant world, genetically engineered crops are on the verge of providing us with a seemingly endless variety of consumer-driven products. Every day brings a new breakthrough of new genetic discovery. There is no end to the technological breakthroughs in sight.

There is, however, at least some downside opinion to be considered. Paul Raeburn, Associated Press science editor, gives us another point of view in his book, *The Last Harvest – The Genetic Gamble That Threatens To Destroy American Agriculture*. Raeburn's theme is that American agriculture, as well as worldwide agriculture, has come to rely on very few crops. By relying on a few crops, all with similar genetic backgrounds, he claims that we are setting ourselves up for worldwide crop failure. A particularly virulent disease or vigorous insect could develop that might be immune to all our man-made pesticides as well as all natural controls. Raeburn cites gray leaf spot in corn during the 1995 growing season as an example of what can happen to a crop monoculture that is genetically unable to fend off a disease. Raeburn's attack on the social and economic structure that created this monocultural system is not particularly vicious. He understands why farmers buy into such a system while condemning corporations and governments for promoting it.

The main thrust of the book and Raeburn's strength is in background information. Going back to Mendel's genetics, we are reminded of how crop breeding began and how it has developed. A large part of the book is dedi-

cated to describing how we are rapidly depleting the entire plant gene pool by destroying rain forest, tundra, mountainsides, and prairies. Raeburn claims that we do not know what future uses might require genes that have disappeared for the sake of raising another acre of soybeans. There were many facts and examples presented in this well-documented book that surprised me. For example, I knew there were seed banks, but I did not know that they are not extensive, not well managed, and not the answer for preserving plant genes for the future.

While not an indictment of the American farm family or their farming practices, the last third of the book would probably not sit well with traditional agriculturists. At about that point, Raeburn leaves the path of genetic diversity and talks more about soil erosion, water usage, the ozone layer, global warming, pesticides, and fertilizers. His background on these topics is noticeably thinner and he takes on a much less tolerant tone.

This book is an excellent resource for the agriculturalist who would like more understandable information about a topic that is likely to be more contentious in the future. Agree or not, Raeburn makes a good, factual case for genetic diversity that mainstream American agriculture seems to have overlooked.





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