

NUTS & BOLTS

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

National Institute Update

By Wayne Pike

The NFRBMEA National Institute is an innovative program designed to provide pre-service and in-service education to NFRBMEA members and others involved in agriculture and education.

As you may recall, several years ago Dr. Ed Persons drew up a plan for such an educational program. The NFRBMEA Board followed up with Dr. Richard Joerger. Dr. Joerger completed a survey that verified the need for such education within agricultural education and extending to all areas of professional agriculture. Since the completion of that survey, the NFRBMEA Institute committee and the Board of Directors have sought direction and funding for the Institute.

On January 20, 2006, at a restaurant in St. Cloud, Minnesota, there was a meeting to determine potential next steps in the development of the Institute. Al Brudellie, Ron Dvergsten, Jim Kelm, Tim Holtquist, Rich Baumann, Ted Matthews, Deb Pike and Wayne Pike represented NFRBMEA at the meeting with Dr. Clark Hanson and his wife, Lila. Dr. Hanson is recently retired

from South Dakota State University after a career in ag education. He has agreed to help NFRBMEA seek funding for the Institute through grants. These grants will be used to hire part-time faculty for the development of curriculum and delivery of the program to participants.

In a brief brainstorming session, Dr. Hanson told of programs similar to our Institute concept of which he and a fellow staff member were aware. Dr. Hanson thought that the NFRBMEA Institute might be modeled after those programs. He also felt that South Dakota State would be eager to help administer such an Institute and would issue graduate level credit in the process. Dr. Hanson was leaving on a trip to Brazil shortly after this meeting, but he would be in touch to continue our discussion when he returned.

The NFRBMEA representatives at the meeting were enthused and inspired to have Dr. Hanson on our team. The feeling in the group was that we are at last on a path to get the Institute funded and operational.



Members of NFRBMEA met with Dr. Clark Hanson in St. Cloud, MN. (L-R: Lila and Clark Hanson, Al Brudellie and Ron Dvergsten)

How Will You Respond?

A message from Tim Holtquist, NFRBMEA President

A few days ago, South Dakota had its state gymnastics meet. My daughter, Erin, had an excellent chance at becoming an All-State gymnast. The top 10 highest all around scores determined the All-State tournament team. Erin received 11th. When her coach asked the floor exercise judge how she arrived at her score, the judge revealed that she may have missed giving Erin credit for the moves that would have given her 7th place overall. The judge then determined that her score would not be changed. At first, my daughter was crushed when she found out about it. Here she had



earned her way to her goal but the subjectivity of the sport left her just short. Sometimes our performances in life may be misjudged also.

How many times have we encountered the same situation with our work, be it with our bosses, our colleagues or the farm families with whom we work? We are constantly being judged by others on how we perform. In Erin's case, she rapidly went through the five stages of grieving a loss to the final stage of acceptance and is moving on. She realized all the good things that have happened to her far outweigh the one bad thing that happened to her at the state meet. She also knows that she has one more year left to reach her goal.

So how do we respond when the subjectivity of life isn't accurate? I look back on all the times that the farm families I've worked with have had conflicts and it amazes me how we eventually overcome it and move

on. We as farm management instructors need to be competent in the economics of farming, but I think we will be remembered more by our students and colleagues by how we respond to the needs of farm families we teach, instead of just only knowing their numbers.

Goals are what's important for most of us. We each have unique goals in life. When you don't reach a particular goal, how do you respond? I think we need to keep the right perspective in mind as to how fortunate we are with all the good things that have happened to us. When opportunities come our way, we need to embrace them and when adversity is thrown at us, deal with it as positively as we can. My daughter reminded me of this a few days ago.

We have some challenges ahead partnering with NAFBAS, many of which are very positive and will help us become a better organization. One difference we have overcome is how to handle our conference profits. NAFBAS in the past has had none, whereas we usually have a profit to fund certain projects. We will be sharing any conference profit for the next three years. This will benefit both organizations. We will continue to fund a website, a national institute, recruitment of new instructors and other projects that will be good for us. With this cooperation between NAFBAS and us there will be many more opportunities for us to grow.

Our committees are busy accomplishing the goals they have set for the year. The national institute is well on its way to becoming a reality. (Read the National Institute update in this issue.) Our resource library committee is making available past exchange of ideas and other teaching lessons that will be found on our website. Our Omaha conference committee along with the NAFBAS conference committee are putting the final touches on our upcoming conference. This will be an historic conference for both organizations. For it to be successful we need to **have you there**. Our website is continually being updated by Deb Pike. Conference information can be found at http://www.nfrbmea.org/conf_info.htm.

One way to help respond to our farm families' needs is to be in Omaha, June 5-8. I hope to see everyone there.

A Farm Management Minute: The Less You Know, The Smarter You Are

By Betsy Jensen, NCTC Farm Business Management Instructor, East Grand Forks, MN

I have a list of Murphy's Laws for Commodity Traders. One of my favorite laws is "When the market is wrong, it doesn't pay to be right." This law hits the nail on the head for many farmers. We attend marketing meetings, we study fundamentals, we study the technical charts and we determine which direction prices should move. Then prices do the opposite. One plus one does not always equal two when it comes to commodity marketing.

It is frustrating to watch commodity markets do the complete opposite of what they should. Accurately predicting prices for a specific date in the future is easy. The true challenge is accurately predicting how high and how low prices will range between now and that future date.

There is nothing an individual can do about commodity prices other than to sell at a profitable level. Prices will

go too high and then too low, but we can use that to our advantage by collecting loan deficiency payments on the downside while selling our crop on the upside. Large price movements result in profitable opportunities. Instead of spending our time trying to determine market direction, we need to spend our time determining costs of production and whether we can meet those costs for the next crop. With current input prices, profits might not be attainable, and we may be reduced to looking at ways to minimize losses.

Don't kid yourself into believing that you can correctly predict commodity price direction. Even the best and brightest forecasters get it wrong. Or, maybe the forecast is correct and the market is wrong. Either way, it doesn't matter. Stop trying to forecast prices. Instead, we need to learn and implement methods to take advantage of pricing opportunities when they present themselves.

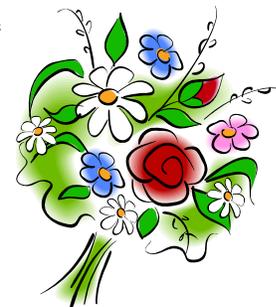
NFRBMEA Member Named ACTE Outstanding Teacher



Betsy Jensen, farm management instructor, North Central Technical College, Thief River Falls, Minnesota, was named Association of Career and Technical Educators 2005 Outstanding New Career and Technical Education Teacher. Betsy is a NFRBMEA member.

Betsy has been teaching farm business management since August 2000. Her accomplishments, according to her supervisor, Ron Dvergsten, are many. She has made a mark particularly in the area of commodities.

Congratulations to Betsy. We wish her a long career of continued successes.



National Council for Agricultural Education Report

By Richard Baumann, FBM instructor, SCTC, New Ulm, Minnesota
NFRBMEA Representative to the National Council



I will be going to Washington, D.C. for our next meeting from March 4 – 7, 2006. I will report on that for our next issue of Nuts & Bolts. The Council again will be taking part in the ACTE National Policy Seminar during this meeting, and will be making visits on Capitol Hill with the Minnesota ACTE delegation to Minnesota representatives and senators.

A Reminder of the Council's Vision and Mission

Vision

The vision of The National Council for Agricultural Education is to be the premier leadership organization

for shaping and strengthening agricultural education at all levels in the United States.

Mission

By providing leadership and coordination to shape the future of agricultural education, the Council will:

- Proactively identify current and emerging issues of national concern,
- Provide innovative solutions in response to current and emerging issues,
- Coordinate the efforts of appropriate entities in strengthening programs, and
- Serve as a national advocate for agricultural education.

For more on the Council, see their site at <http://www.teamaged.org/councilindex.cfm>.

The Packets Are Coming!

Be sure to watch for your conference registration packet for the 2006 Farm Business Management Conference, due to be mailed out March 31!!



This conference, which will be the first joint annual conference of NFRBMEA and NAFBAS (National Association of Farm Business Analysis Specialists), will be held June 5-8, 2006 at the Doubletree Hotel in Omaha, Nebraska.

The conference planners met again via conference call March 6. Deb will be updating the Web site as she gets new information from them, so be sure to visit http://www.nfrbmea.org/conf_2006.htm to see what's new!

Email Address Updates

Don't forget to let me know if your email address changes. We want to make sure that you are able to receive your *NUTS & BOLTS* and, conference updates and other timely information from NFRBMEA. You may contact me at dapike@myclearwave.net.

Thanks to those of you who have kept me posted on your address changes; I really appreciate it! **-Deb**

MEMBERSHIP UPDATE

Our current membership stands at 154 regular members and 22 affiliates. Dr. Persons is our honorary lifetime member. We have a way to go to reach last year's total. Check with your colleagues and make sure they have sent in their dues. **WP**

The Write Off

By Ron VanNurden, FBM Instructor, Riverland Community College, Owatonna, MN

Larry Olson of Professional Marketing Associates said at a recent marketing meeting that elevator managers write off 6% of the grain delivered as storage losses. Larry is a market analyst who at one time managed an elevator. He once questioned his accountant who would write off 6% of the crop he purchased for the elevator as a storage loss, but he discovered over time that the accountant was right. In a year like 2005 with lots of corn going into bunkers, the elevator manager figures a 10% loss, which amounts to 1% per month. This cost does not get less the longer you store the grain, and the 1% cost continues until the grain is sold. That could mean a 24% reduction in crop value for those who store the crop for two years and it meant as an elevator manager, he would have to recover those losses on his bottom line. My guess is that he made it up with basis. In other words, he paid you less for your crop.



ket is not giving you enough money through basis improvement or price to recover these storage losses. Other times, like this fall, we can see a basis improvement that will cover the loss.

To give you an idea of how many bushels 6% represents, with a 50,000 bu. bin full of corn you could have sold 50,000 bushels in the fall but will sell only 47,000 bushels in the spring. The 3,000 bushels of corn you are short would represent \$6,000 if corn is valued at \$2.00/bu. If you filled the same bin with soybeans, the value of the crop lost would be \$16,500. That is why soybeans are a more expensive crop to store. Add to this the interest you have lost because the crop was not sold to pay off your operating loan, and you can see that storage is not a cheap proposition. All of this, and we still have to buy and pay for the bin itself.

Farmers don't have the ability to pass these storage losses on to the next guy. When a farmer puts his crop in the bin, he needs to think like an elevator manager. These losses are part of your business, too. How are you going to recover these losses? There are two ways: the first is basis improvement and the second is price movement on the futures market. There are times when you shouldn't even put the crop in the bin because the mar-

If the corn you put in the bin were dollar bills and not bushels of crop, would you be willing to have the banker take off 6% of their value as a loss before he started paying you interest? Think about the storage of your crop and all the ramifications. Look at what the market is telling you through carry and basis and then decide to sell or store. Don't just put crop in the bin because you happen to own a bin.

NFRBMEA Receives Cenex Harvest States Grant

Past-president Ron Dvergstien recently informed the NFRBMEA Board of Directors that our organization has received a \$3000 grant from Cenex Harvest States. The grant is intended to further the work of NFRBMEA by sponsoring our Web site, newsletter and other communications.

This is the second time Cenex Harvest States has generously supported the NFRBMEA. Last year, Cenex Harvest States provided a \$2500 grant for the same purpose. Our thanks to CHS for their support.



CHS FOUNDATION

The NFRBMEA newsletter, "NUTS & BOLTS" and our web site at <http://www.nfrbmea.org> are sponsored, in part, by a grant from the Cenex Harvest States Foundation.

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Inver Grove Heights, MN 55077

A Farm Management Minute: Crop Insurance Fraud

By Greg Tullis, NCTC Farm Business Management Instructor, Moorhead, MN

Crop insurance fraud costs everyone money. The obvious cost is in higher premiums, but the entire crop insurance program may be jeopardized if fraud, waste and abuse are not addressed. The Risk Management Agency has the ability to mine a tremendous amount of data from their data base. They can compare their information to that of other agencies. The bottom line is, if a person cheats on crop insurance, there is a good chance that they will be caught.

There are several scenarios that will raise a red flag to a crop insurance investigator.

1. Crop units with excessive or under-reported yields. These producers will be compared to others in their area that may experience the same weather conditions.
2. Yield switching between units is scrutinized to compare the difference between historical yields and actual reported yields.
3. Any situation that might suggest collusion between an agent, an adjuster and a producer.
4. Frequent filers are those who make claims seven years in a row and/or have losses that are twice as high as their premiums.
5. Frequent prevented planting filers are those that have received at least \$50,000 for prevented planting losses for the last eight years.
6. Big losses for producers who make large claims often will be looked at closely.

Just because some of these conditions may exist does not mean that fraud has occurred, but they will be looked at closely to make sure the losses are credible.

The penalty of defrauding the crop insurance program generally includes the loss of insurance payments, making restitution and possible jail time. Those convicted of fraud will also be disqualified from receiving any benefits from all other USDA programs. Few farm businesses can stay in business under these circumstances.

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Crow For Me

By Wayne Pike



Part of the educational program with my farm business management students is to do an income tax estimate before the end of the year. This serves the dual purpose of giving the student an idea of where they will stand at tax time and it serves as a check-up on record accuracy.

I met with the family in this story early in the season. We did their tax estimate and came up with a reasonable number for taxable farm income. I encouraged them to meet with their tax preparer to double-check our numbers.

When we met again to begin their farm analysis report for the year, I was informed that I had made a mistake on the earlier tax estimate by overlooking a sizable expense item. (It seemed that they took more than a little

enjoyment out of the situation.) Their tax preparer had found “my” mistake. I ate my serving of crow and defended myself only to the extent of saying that this was why I encouraged everyone to double-check all of our numbers and to see their tax preparer after we had done our preliminary estimate.

It was a few minutes later, as I went over their records, that the true nature of “my” mistake was revealed. It seems that the expense I had overlooked had not been incurred until days after we had been together to do the tax estimate. “My” mistake occurred because the expense had not yet been paid. They had met with their tax preparer a week after they had met with me.

I resisted the impulse to show them that “my” mistake was unavoidable. I kept my mouth shut because I decided that it was better for them to realize my fallibility (because it is a factor, albeit not this time), and for them to take total responsibility for their own records.



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Motivating Workers

By Rick Morgan, NCTC Farm Business Mgt-Moorhead MN

Many farmers hire part-time labor. Sometimes you may hire a family member, relative, or neighbor, and more often than not, you may hire a complete stranger. Whoever you hire, you hope that they work out well, don't get hurt, don't damage your machinery and, more importantly, stay with you for as long as you need them. What can you do to see that all of the above happens?

Attention to detail is a key to success in farming operations and most other businesses. It's a matter of motivation, says Lee Gross, educator at St. Cloud with the University of Minnesota Extension Service. "Successful farm managers learn how to motivate employees and contributing family members to pay attention to critical details," says Gross. "It's not a matter of making people do something. They have to want to do it. That's what motivation is." Gross offers these ideas to help motivate workers to attend to critical details:

- Regularly review your mission statement with your workers.
- Tell them how important your business is to you and your family.
- Let them know how important they are to the success of your business.

- Let them know that they are important to you as individuals.
- Tell them you need their skills and experience.
- Tell them the business can only succeed with their help.
- Tell them you want to see them grow in their job and achieve whatever they want.
- Show them that your business is a fun place to work.
- Tell them the "little things" are the most important things.

It's not easy. It takes serious effort to convey these messages to your workers on a regular basis, says Gross. It may be necessary to write reminders on your calendar. But the effort can produce abundant benefits. "People who are appreciated are motivated," he says. "People who are valued are motivated. People having fun are motivated. People who know they matter to the organization or family are motivated. Motivated people do great things." If you only use two or three of the above ideas to help motivate your workers, everyone will be more likely to reach their goals and everyone will enjoy their work a lot more!

The diagram illustrates the flow of information through three stages: **FINPACK** (represented by icons of a tractor, a cow, a dollar sign, and a field), **RANKEM** (represented by a large Greek letter sigma symbol), and **FINBIN** (represented by icons of a cow, a dollar sign, and a field). Red arrows indicate the progression from left to right.

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