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Initial Reflections on 2006

By Gene Kuntz, Farm Business Management Instructor,
South Central College, Faribault, MN

We have had an opportunity to discuss a few early results from our 2006 farm business analysis reports. Cash farm income has not been dramatically higher, but Net Farm Income is much higher. That is because much of this high-priced grain is still in inventory. That means that this grain should be turned into cash in 2007 to make 2007 a high Cash Farm Income year. Of course, that will happen only if we capture those grain sales at their current high levels. We can lock in great prices now, for new crop 2007, and even for new crop 2008. We can lock in significant profit margins on our crop enterprises for the next two years.

Get the crop priced and sold. Farmers who sold early last fall may tend to fret over having missed the boat. The boat is still here. When they priced early, they locked in a profit. It is time to do it again. Prices will come down. Nobody knows when. Those who have to buy this expensive corn and make money with it will figure out ways to get along without it or reduce usage. Those who are producing other crops will see good money and want a piece of the action.

We have not seen profit like this since the 1970s. The most important financial decision to make now is to get crop sold and add to working capital to build a solid foundation for the future. I like an old saying that states, "Make hay while the sun shines."

Web Notes

By Deb Pike, NFRBMEA Webmaster

Please be sure to visit our website, especially www.nfrbmea.org/conf_info.htm, where you can find updated information on conference events and activities, as well as the Exchange of Ideas and New Member Incentive applications.

More on 2006

By Ron VanNurden, Farm Business Management Instructor,
Riverland Community College, Owatonna

A good share of 2006 profit has come from increases in crop inventory in the last three months of the year. This profit is profit on paper. We don't realize that profit until the crop is sold at these levels.

This is really a very good position to be in. In the 1980s, most farms had invested their earnings in high-priced land. It was not possible for them to convert this land to cash when they needed it. This time the wealth is in the bin and can be readily sold.

What should farmers do with these profits? I recommend that they pay down current and intermediate debt. In the future, these prices will not have the positive effect on the bottom line like they have right now. They will be eaten up by higher costs. Already we are seeing rents going higher. Machinery dealers cannot keep their lots full. Interest rates are inching up. This can only mean higher costs of production and lower profits.



NFRBMEA Webmaster Deb Pike braves the frigid temps to pose atop Wayne's tractor (her loader). Some of you may envy our 2 feet of snow in early March, some of you mock us for such a paltry amount.

A message from Jay Olson, NFRBMEA President

Even though the daylight period is shorter, the days do not get any shorter for Farm Management instructors this time of year. At times we seem to hibernate in our office caves and evaluate the preceding year and ponder things to come. Many times both the farmer and I are amazed at how much time has elapsed when we are “having fun”. We would not be doing what we do if we did not thoroughly enjoy what we do and perhaps make a difference in people’s lives. Working with farm families is a real joy to me. We have an opportunity to see our students and their families grow in their business



and as individuals. We are continually changing and adapting to new situations and opportunities.

In NFRBMEA terms, we are not much different. We can take this time to reflect on the many good things that have been accomplished and consider times to come.

Challenges and opportunities present themselves all the time. It is how we respond to these situations that can make a difference to both individuals and organizations.

As you know, this past year we held our first joint conference with NAFBAS in Omaha. This has not only been a very enjoyable but educational experience. We have met many new people and have been exposed to many new concepts and ideas. The cooperation of our two organizations has allowed us to access a new group of people in some new areas of the country. This cooperative effort has forced us to step out of our comfort zone at times, but has allowed us the opportunity to grow as individuals and as a national organization. I personally look forward to this continued relationship over the next few years.

NFRBMEA has been continuing to pursue a National Institute for instructor pre and in-service education. With the assistance of Dr. Clark Hanson and Dr. Paul

Gunderson, a grant to facilitate this activity is being pursued. The initial grant request made on our behalf was not selected for funding; however we are going on to our next alternative. This activity should be of great benefit to our members and ultimately to the farmers enrolled in our programs.

Our website is in the process of getting a new appearance. If you have not visited the site lately, I encourage you to check it out. This updated website will better allow us to communicate with our members and respond to their needs.

Our Industry Relations Committee is continuing to compile a group of contacts and sponsors to assist us with meeting the goals of our organization.

The 2007 conference in Rochester will also be a new experience for our organization. We are collaborating not only with NAFBAS, but will also be holding this conference with the North Central Association of Extension Economists. This conference will be one of the largest gatherings of Farm Management professionals ever to be held in the United States. There should be activities at this conference of interest to everyone. Many break-out sessions are planned as well as some unique recreational activities that will make this a fun and educational activity. Put the dates of June 11 - 14 on your calendar.

The 2008 conference in Fresno, California will also be a new experience. Planning for this conference is well under way and will offer an exposure to some new types of agriculture than we traditionally work with as well as some enjoyable recreational activities.

These activities and ventures would not be possible without the dedicated efforts of a group of great people and the support of a great organization. I would like to again thank each and every one of these people for taking time out of their busy schedules to make these activities happen.

Jay

National Council for Agricultural Education Report

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

The most recent meeting of the National Council for Agricultural Education was held in Washington, D.C. on March 3 – 6. A number of issues related to agricultural education were addressed at the meeting, with two issues taking up a large share of the time.



The first of these is the “10 X 15” initiative, a push to have 10,000 high quality high school agricultural education departments in the U.S. by 2015. Currently there are about 7,200 agricultural education departments. This is a major task to complete in about eight years time. This challenge has been compared to President Kennedy’s challenge to put a man on the moon by the end of the 1960’s. Obstacles that need to be overcome include: 1) Funding for these departments and instructors; 2) Preparing the increased number of instructors needed; 3) Attracting more students to ag education programs, including students for many minority groups that ag education is currently not attracting in very large numbers; 4) A number of other challenges.

The second major issue is “Curriculum for Agricultural Sciences Education” referred to as the CASE Model. A number of people have been working with Project Lead The Way, a high school program for pre-engineering students, to develop an alternative ag education curriculum. It is thought this may be attractive to schools adding some of the new programs that will be part of the 10 X 15 initiative, and also to current ag education departments which may be looking for a way to revitalize their program.

On March 5 & 6, The Council members took part in the ACTE National Policy Seminar (NPS). We attended seminars on working with elected officials and on what is happening on the national level with educational issues. As part of the NPS I made visits to the offices of a number of Minnesota representative and Senator Amy Klobuchar with other ACTE members from Minnesota. We met with the education specialists for each representative and senator, and actually met two of our rep-

resentatives. I was able to put in a plug for farm and ranch management education as a means of providing assistance to young and beginning farmers as part of the 2007 Farm Bill with the specialists for Sen. Klobuchar, who is on the Senate Agriculture Committee, and Rep. Collin Peterson, who is the chair of the House Agriculture Committee. (Assistance to young and beginning farmers could be a significant piece of the new Farm Bill.)

From February 8 – 11, as a member of The Council, I took part in the National Agricultural Education In-Service in Indianapolis. This was another good opportunity to interact with many leaders of agricultural education in the U.S.

It is very important for NFRBMEA to be involved as a member of Team Ag Ed and the National Council for Agricultural Education. It is a privilege to represent each of you on The Council.

Will You be Our Next Council Rep?

Rich Baumann has served two years of his three year term as NFRBMEA’s representative to the National Ag Ed Council. We would like any NFRBMEA member to consider applying for the position. Contact President Jay Olson if you are interested. If you would like more information about the position and what it involves you can contact Rich Baumann for details.



CHS FOUNDATION

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Farm Management Minute: Evaluating Your Farm Balance Sheet

By Greg Kalinoski, Northland College FBM

While you are preparing your 2007 farm balance sheet, it may be tempting to increase your real estate market values due to inflation to increase your net worth. What's wrong with this? According to Dr. David Kohl, ag economist and professor of ag finance, creating a paper net worth change is a key factor impacting agricultural lending. When preparing a balance sheet, individuals and lenders need to consider earned net worth change. This simply means analyzing net worth from appreciation as compared to earned net worth.

Knowing your financial position also means knowing your current ratio or your working capital position available at the beginning of the year. Working capital is your farm's ability to pay bills and make loan

payments from farm income, and it is calculated from the balance sheet. Simply, it is the cash, receivables and inventories minus all liabilities due within the next year. Lenders ideally like to see working capital dollars equal to at least 25 percent of projected expenses for the coming year and the higher the better. Having adequate working capital means borrowing less for operations, and gives you greater flexibility to operate your farming operation.

With recent volatility in the grain markets and price swings in livestock, it becomes important to have values placed on unpriced grain and livestock that can be readily received in the market even if it means having a conservative value.

The Farm Business Plan

By Dave Grafstrom, North Central Community College

We are just a couple of months into a new year. Chances are many of the New Year's resolutions made have been broken. Would a farm business plan be any different? Isn't it just one more thing to do and then place on the shelf to collect dust?

An effective farm business plan will provide the manager with an overall business "roadmap". It sets targets to aid decisions in marketing, production, operation, finance, and labor needs. The plan assesses the strengths and weaknesses of the business and incorporates strategies to help achieve personal and business goals.

MEMBERSHIP UPDATE

Our membership currently stands at 138 active members, 23 affiliate members and Dr. Persons, our honorary lifetime member.

Check with your colleagues and encourage their membership as well. -WP

A farm business plan should be a working document, something that incorporates regular review, updates and modifications. A good business plan will provide a profile of what the business looks like today and what it should look like in three, five or ten years. If the farm business plan is considered "just one more thing that has to be done," chances are it will collect dust. However, if the farm business plan is viewed as a working document it can be a powerful business tool.

As with any tool on the farm, regular maintenance is required for the tool to function effectively. Just as a tractor has a recommended maintenance schedule, a farm business plan should have a regular "maintenance" schedule. A farm business plan should have thoughtful objectives for each aspect (marketing, production, operation, finance) of the business. Without objectives, it is difficult to measure progress during the year, at year end or after ten years.

Agriculture is changing at a rapid pace, and farm business planning gives farm managers the ability to make decisions based on information specific to the goals and objectives established for the farm business.

Should You “Freeze” Your Credit Report?

By Greg Tullis, NCTC FBM instructor, Moorhead, MN

As of August 1, Minnesota residents (not North Dakota residents at this time) have the option of “freezing” their credit report from unauthorized parties seeking information without your consent. The impetus behind this consumer protection law is to prevent identity theft by stopping credit reporting agencies (such as Equifax, Experian and TransUnion) from sharing your financial information unless you first “thaw” your credit.

Freezing your credit is not free. The fees vary from state to state, but in Minnesota it will cost \$5 for each of the three credit bureaus (Equifax, Experian, and TransUnion). A certified letter with your full name, address, Social Security number, date of birth, all addresses at which you have lived for the past five years, and a credit card number or check to cover the fee must be sent to each agency. The bureaus have three business days to freeze your credit. Ten days later, you will get a personal ID number that you will need to “thaw” your credit information.

Thawing your credit is not free either. It will cost you \$5 each time for each bureau that you want to thaw your credit information for any credit application that you

make. It could take up to three days for your credit information to be released. It may cost more if you want your credit information released to only one specific lender request.

Freezing your credit information does not exempt everyone. Companies with which you already do business can still pull your credit report for activities such as account maintenance, credit line increases and account upgrades. Others with access include the government, credit monitoring subscription services and collection agencies.

If you have already been victimized by identity thieves, all of the costs for freezing and thawing your credit information are waived.

Is freezing your credit information for you? Considering the hassle and costs involved, it may not be for everyone. You must plan ahead for things such as buying a vehicle, purchasing a new cell phone, applying for an in-store credit card, or potential employer and landlord inquiries. You must evaluate your risk for identity theft.

Rochester Ready!

We are ready for Rochester, but is Rochester ready for us? Our conference this year will be the largest gathering of farm management professionals ever to meet in one place.

There is plenty to do in Rochester for you and your families. Be sure to email any of the Riverland Community College conference planners if you have ideas as to what you would like to do and we will try to find a way to make it happen.

Besides our meetings and tours and other events, southeastern Minnesota is known for its trout fishing and beautiful scenery. We would recommend Whitewater State Park for both. Forestville State Park is about the same distance and has camping and fishing.

More about all this later. We are hoping you can plan a vacation day or two around the conference.

We are shooting for a March 20 start to the 2007 Conference registration. You will receive an email containing the link when the site is ready. The conference planners are doing more testing this week and will be doing a dry run the week after that.

Registration will be done entirely on the Web. You will register and pay your conference fees with your credit card. You will also do your lodging reservations through the registration website.

The Rochester Convention and Visitor’s Bureau has set up the site and is doing this for us for no charge. Please be patient. Please read the site.

Business / Employment Opportunity

POSITION: Farm Management Advisor

QUALIFICATIONS: BA & MA in Agricultural Education plus experience in Adult Farm Management work or Extension Farm Management work. PhD very helpful long term.

SKILLS: Experience in enrolling farm families in Farm Management programs. Good working knowledge in Farm Management, Farm Management analysis, computer skills in spreadsheets, Ultra Farm, Word Perfect, strong dairy knowledge very helpful. Hog and crop management skills necessary. A basic working knowledge of farm taxes, depreciation schedule, Partnerships and Corporation structures helpful. Must have the ability to motivate people to better themselves. Farm and office visits, group sessions, workshops, E-mail, newsletters and telephone consultation are all part of information dispensing system. You will be working with experienced staff. Business in operation since 1981 and located in central Minnesota.

OBJECTIVE: Acquisition of exciting business with up front monies of \$15,000 - \$25,000, rest acquired over time with terms.

FOR DETAILS CONTACT: James Kastanek
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Living a Life with No Regrets

By Mark Berg, instructor (Mark wrote this as a promotional article for Northland Community College.)

Why is it when some people look back at the past year, they are not satisfied with how that year went? Then, these few look ahead to the new year with the hopeless attitude of resignation, without much conviction that the new year will be better. Well, how can the new year become better?

A few days ago, while carefully looking at the farmers enrolled in this farm management program, I took the time to see why those I have known for many years have, in recent years, no regrets.

The answer is, simply, they got done the things that they wanted to accomplish. In looking back as we do this time of the year, I seldom hear the words: "should've, could've, would've..." Why are things going in the direction of their plans, hopes and dreams?

Several years ago, while a group of farmers were going over the Group Business Analysis, one asked me, "How come our profit, as a group, has increased over the past nine years?" My answer was, "You got organized".

During the third year of being actively involved in the Farm Business Management Education Program, it is a goal of the program for people involved to "get organized".

"To get organized" means each farmer clearly knows what is working well on his or her farm. They know their personal, unique costs-of-production. They have implemented new efforts and have seen positive results. And, they had, years earlier, taken the time to determine what is really important to them.

When you know exactly where you are, and determine, clearly, what you want to accomplish, any kind of regret begins to diminish. If you are one who can look back at 2006, while planning 2007, and can say, "I accomplished the things that were very important to me last year," you will look to the new year, refreshed, confident and with enthusiasm, knowing there is more you have left to do. In this short life, you have nothing to prove, only things you want and need to do. Good luck in 2007.



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