Farm debts, taxes, wills — don't let them swamp you

BY DEBBIE KOONTZ

LANCASTER - "In 1980, on the average, farmers in the United States owned 85 percent of their operation," said Virgil Crowley, Penn State farm management specialist, at a Farm Debt seminar sponsored by Extension. "This means that he/she only owed approximately 15 percent, on the average."

And though that may sound like a very optimistic — and often unrealistic — figure, it can be surpassed by Crowley's next statement: "In Pennsylvania the debt load tends to be lower. Farmers owned 87 percent of their operation, on the average."

But, as Crowley further pointed out, it's not "the average" which should be of concern, it's the individual farmer's case; in other words, the critical point is what percentage he/she owns and more importantly, how much someone else owns of this property.

But he extended his positive attitude to point out that, "When we look at total number of farms, the total of debts owed has not changed much in the last few years. The value of farm assets have pretty much changed with the debts to balance it out."

Crowley was speaking, along with Extension farm management agent Roland Freund, to an audience of about 50 farmers and agri-business workers who gathered for the day-long seminar. This seminar was one of three parts on farm economy as scheduled by Extension.

Part two of the triad came Thursday night under the direction of Fred Hughes, also from the farm management department at Penn State, and M. Elvin Byler, attorney from Lancaster, both of whom updated and reviewed the changes of the estate inheritance act passed last August.

Freund and Crowley attempted the task of persauding farmers to keep good records during the farm debt load seminar held Tuesday; although both admitted to realizing that farmers tend to leave this task to the wives while they enjoy working in the field.

But, said Freund, "You must use farm records to tell you where you've been and what the farm is doing to help you decide where you're going. You need to incorporate the use of financial, production and operational records in your bookkeeping. Most people, if they didn't have to tell Uncle Sam where they're going, wouldn't keep records."

Field work can be done by just about anyone but record keeping can't. And to emphasize this point, Freund said, "Pay for field work and farm labor would be about $3 or $4 an hour. But to pay someone to handle records on your farm would run about $30 an hour. And the flow back to you for having done these records will be about $50 an hour."

Freund went on to urge farmers not to just stop at keeping records, but to keep tract of all expenditures and input. "Don't give away things that people can forget about; get the money then or at least keep tract of it. And keep tract of what you owe too," he said.

"Ideally you'll want to keep counts on each enterprise of your business to see what's profitable and what isn't," he added. "Keep one for the cattle, one for the hogs, one for each major crop."

Crowley reaffirmed Freund's advise by saying, "If you do one thing good on your farm, then it ought to be keeping records. If you somehow convince your wife to take care of records, then you should sit down with her and help or at least know what she's doing so that when she says you can't afford something, you can believe it."

Crowley also pointed out the advantages of having a cash flow statement prepared. Farm cash flow is the flow of money into (income) and out (expenditures) of the business during given time periods — yearly, quarterly, monthly, weekly and daily. The complete cash inflow to the farm business includes not only the receipts from the sale of crops, livestock, livestock products, and miscellaneous receipts but also services performed such as custom work, sale of capital assets, and money from loans acquired.

On the reverse side of the coin, the outflow of cash from the business includes operating expenditures for such items as feed, seed, fertilizer, repairs, interest, labor, capital expenditures and withdrawals for family living and personal obligations and withdrawals for savings and investments.

His report stated that the main purpose of the statement is to plan financial transactions in order to have money from income, savings, and credit when obligations become due for operating expenditures, debt repayment, family withdrawals, etc. Cash flow can help determine the size of debt payments and when to make them, when to make major purchases, when credit must be obtained, and when excess funds are available for discount purchasing, savings and investments.

Following their brief talks, Freund and Crowley examined several farm situations with the audience and let them determine if each was with good financial standing and the potential of each to receive credit through use of farm records.

Thursday's estate planning seminar also dealt with use of pad and pencil in calculating farm worth, but this time the topic of concern was application of wills and the taxes they don't incur.

Hughes, again, urged attendants to make wills ahead of time. "Harmony is much better among family members when a will has been made telling who gets what. You've never seen families feud like they have over inheritance," he remarked.

Byler shed a positive light on to the subject of wills and farming in general, saying, "Every change from this estate inheritance law

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