



Brockett's Ag Advice

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Plan and Project

Planning is part of your job if you are operating a farm business. Unlike records or budgets, planning can be exciting. This does not mean that there can be some drudgery in the preparation of part of the facts required to develop a workable plan. However it is interesting to speculate and plan or project the results into the future. Furthermore planning is a good way to dream about the coming crop season which is always a good tonic.

Plans

Planning can take many forms. First there is a simple cash flow projection that is itself a plan. You plan to spend \$5500 for fertilizer in March. You plan to get \$3500 for corn in October because this is what you are projecting to happen from past experience. Next there is the plan to improve production. You can project the results of this plan by developing a partial budget that includes the additional expense incurred as well as the additional income (Did you forget that?). Then there is the planning a person can do with linear programming. With this tool we can lay out plans for several years in the future. We can test the plan with price and production fluctuations to see if it is sound.

Plan Your Credit

Planned credit is seldom a problem. Planning credit means that you have already decided how it will be used and how it will be repaid. It is unplanned credit that causes you grief.

If you are having credit problems get someone to help you set up a workable plan to solve those problems. Try to get an expert. Who? Here are a list of possibilities (1) someone from your credit agency - if the first one can't or doesn't help you, try someone else, (2) someone from another credit agency - they may charge a fee or want your business, (3) an extension agent from Penn State - area farm management agent, county agent, or state management specialist or (4) your accountant if he or she has your full confidence and is qualified.

Learn how to calculate your debt repayment ability then use it when contemplating borrowing money.

Plan for Survival

1. Project what you will need each month this coming year then stick to it.
2. Analyze your 1983 records and squeeze out all the unnecessary unproductive costs.
3. Develop a family budget.
4. Work as hard with her head as you do with your back.

5. Don't borrow unless you know how you will repay it.
6. Work with your creditor on your repayment program.
7. Prepare for 1984 taxes starting now not a year from now.

Milk Diversion Program

Many dairymen are wondering if they should participate or not. Some have already made a decision. One question I have received is who will benefit or what trends do you see? After running or reviewing programs for over 50 dairymen, I am now ready to discuss trends. I was also able to get a few questions answered on the regulations so let's take a look at how it might affect you economically.

Who will benefit?

1. Dairymen who are phasing out their business.
2. Dairymen with 1983 milk sales equal to or below 1982 milk sales.
3. Dairymen who are milking 3 times per day in 1982 and want to cut back to 2 times per day in 1984.
4. Dairymen who are overcrowded facilities especially where it affected efficiency of feed use or production level per cow.
5. Dairymen who had poor feed efficiency for any reason.
6. Dairymen who for any reason wanted to cut down on their business.

Who will not benefit?

1. Dairymen with high debt loads who intend to stay in business and are willing to institute the management changes necessary to become more efficient.
2. Dairymen who sell and wish to continue to sell breeding stock.
3. Dairymen who have 1983 milk sales that are 15 percent or more above 1982 milk sales.

Some Questions

There are a number of questions a farmer should consider before making a decision.

1. What happens if you are on a base-excess marketing plan now? Answer: Under present regulations you can reduce your milk marketed for 2 quarters in excess of your contract reduction - then increase for 2 quarters to keep your market base up - then decrease for the 5th quarter. Your reduction must be within 3 percentage points of your agreed upon reduction for the 15 months. Example: Contract to decrease by 15 percent - For quarters 1 and 2 (thru June), actually decrease by 25 percent. Bring production back to normal for period July thru December to establish market base. Now comes the tricky part - since you agreed to a 15 percent reduction for the 15 month period, you must make the final adjustment for the January thru March of 1985 period. This will require some records and careful calculations.

2. What is meant by 3 percentage points leeway? Answer: At present it means that if you agree to reduce by 15 percent, you will evidently be paid for a reduction of up to 18 percent. Now watch out because it also means that if your reduction is less than 12 percent you may be subject to a repayment of money received plus a penalty.

3. What if I don't make the contract reduction? Answer: At present you may have to repay money received plus pay a penalty. There does not appear to be any partials in the program. Your contract of 15 percent means that a 10 percent reduction is a breach of contract.

4. What steps are necessary to sign up? Answer: First you will have to establish a base. To do this you will need 12 milk slips from

1982 or 24 milk slips from 1981 and 1982. There are a few exceptions. For more detail contact your local ASCS Office.

5. Can I sell bred heifers if I am in the program? Answer: It appears as though the answer is a big NO.

6. I have a milk check assignment, will there be an adjustment on it if I sign up? Answer: Lending agencies have made no formal policy on this but most of them say they will handle it on an individual borrower basis. See your lender for an answer.

7. Can I sign up then go out of business during the 15 months? Answer: Present regulations do not prevent this.

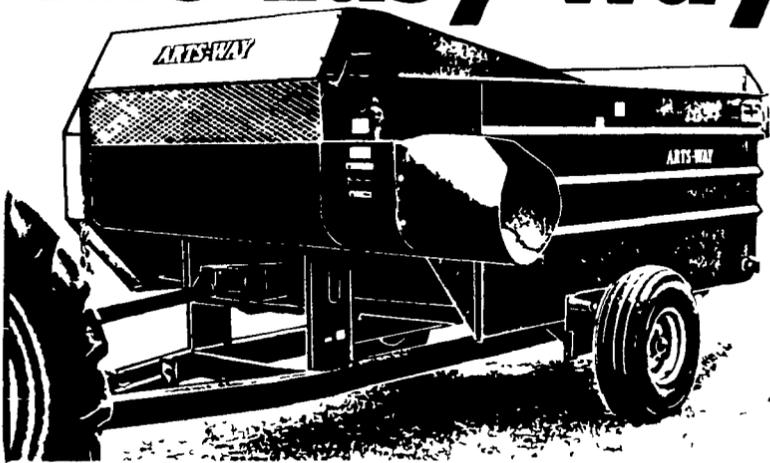
8. Who provides the waivers for animals I sold for dairy purposes prior to January 1, 1984 if I want to participate? Answer: Evidently the local ASCS Office can do this.

9. If I sign up and want a quarterly payment when would I be able to get my first one? Answer: Probably sometime in May - after you receive notice of the amount milk you sold in April and after you fill in the request form - it appears as though this check will be issued by the local ASCS Office so there should be a minimal delay.

10. What happens if I sign a contract then want to discontinue? Answer: Once you sign the contract you're locked into it. There is no such thing as backing out.



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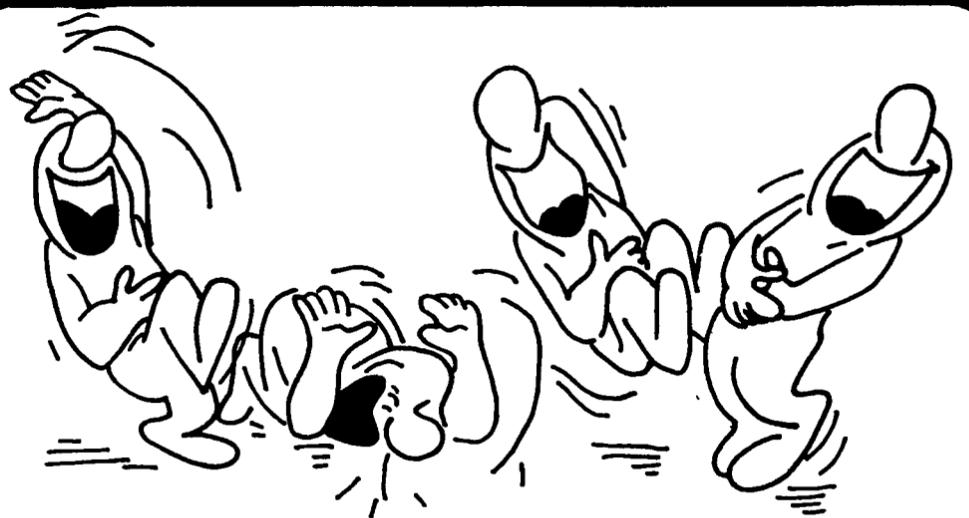
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