



Brockett's Ag Advice

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I have a very brief time left to write about financial management. Once grass starts to "green up" and leaves start to pop, you will no longer be interested in this topic. Planting time is a tonic. It is also an opiate that can cause even the most destitute farmer to be optimistic. The next two years will be hard on farmers in general. Meat prices will probably move up later this year, but the initial feed costs are high and so will reduce profits. High grain prices now will cause excess plantings and probably depressed prices by June. The only way out of the milk surplus problem is for a rather large number of dairymen to go out of business. The number who will have to go under to correct the situation will depend on the success of the suggested promotion and product development plan. Now that I have laid out the rationale for a discussion on financial management let us begin.

The biggest single problem for farmers is cost-return control. Agriculture is not the only business that has this problem. This was the reason for Chrysler's and International Harvester's financial trouble. It is the reason banks fail. It is the reason why so many small businesses fail in their first 2 years. It is why individuals fail financially. As my wife used to tell me, "we each have our job - yours

is to make money and mine is to spend it. The only problem is that I do a better job than you". We use that as a family joke, but too often in the case of a farm business there is no joke, because when spending exceeds making, the result is a business failure.

Some farmers say "if I could get \$X for my product, I could make it". I remember when \$10 milk and \$2 corn were the dreams. It seemed that we could weather any storm at those levels. The sad truth is that very few farmers really know where their breakeven price is. For most farmers the breakeven price they use is one they heard or read. If every farmer in Pennsylvania were given a guarantee that they would get at least their breakeven price plus 10%, what range of figures would be get? If a stipulation was made that to get that return, you had to prove it, could you qualify?

Cost of production is a very evasive figure. I can give you the average cost of producing most farm products. Unfortunately that average figure is virtually worthless to you. I can tell you the cost of production for the most efficient operators as well as the least efficient operators. Either one would be as worthless to you as knowing where you stand in the DHIA

listings. (that one should rile someone). The only cost figure that is worth anything is yours. And its major value is to help you set soem goals and make some management decisions.

Even cost of production ranges are indadequate. for example: in the 1982 farm enterprise analyses that I ran, the cost of producing milk ranged from under \$10 per cwt to nearly \$18 per cwt. Or look at this, the range of costs of producing corn in 1983 ranged from a little over \$2 to nearly \$4 per bushel according to my first 20 enterprise analyses.

If you don't know what it cost you to produce a product, how do you

know what price you need to be profitable? Do you want to prosper as a farmer? If so, then keep and

use records and learn your production costs.

Ye who want profits must strive to that end.

Chester plans meeting on bay

WEST CHESTER — The Chester Co. Conservation District will host a meeting March 19 on "The Chester County Farmer and the Chesapeake Bay" at the Russellville Grande Hall on Rte. 10


from 7 p.m. to 9 p.m.

All farmers, landowners and township officials in the Octoraro and Elks Creeks watersheds are urged to attend.


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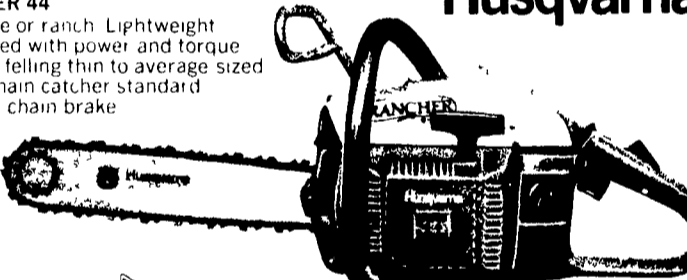
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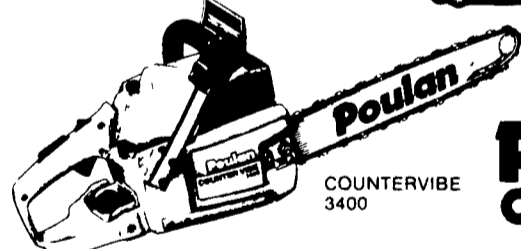
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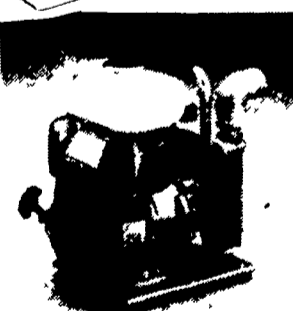


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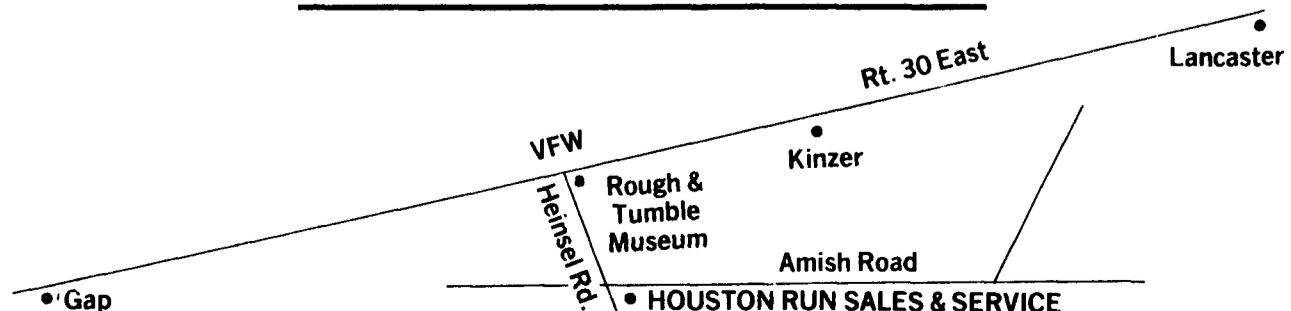
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