## Brockett's Ag Advice

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# Keys to financial success

You can be whatever you want to be — maybe — if you are realistic. If may also take more work and effort than you are willing to put forth.

Do you want to be a success as a farmer? That certainly is a valid and obtainable goal.

But think about it: are you willing to make those sacrifices that will be necessary? They only start with long hours. After that come the others:

- Low return for the time and effort.
- Making decision after decision.
- Spending time and effort on records.
- Learning to live on a variable income.
- Budgeting income to meet expenses and debt payment needs now, two months from now, six months from now, a year from now.
- Dividing family income from business income.
- Learning how to make decisions as to which investment will give the best return rather than make the best impression on the neighbors.
- Learning to recognize when you have made a mistake, then being willing to make corrections rather than excuses.

Farming today is not the same as it was 20 years ago. Unfortunately those of you who have started to farm in the last ten years must be superior managers or have a lot of backing or have a spouse with a very good job.

If I were to put a grade on the level of management for you to make it in farming, it would go like this:

- Those who started prior to 1960 need a grade of 5 with a 10 being perfect.
- Those starting between 1960 and 1970 would need to have a grade of 6 to 6.5 depending on the type of farm and when and where the start occurred.
- Those starting between 1970 and 1976 would need a grade of 7.5 to 8.
- Those starting between 1976 and the present would have to grade in excess of 8.5 or 9.

Is that fair? No, it is not fair, but what is? Remember, no one ever said that you had to be a farmer.

**Repaying debts**

Debt Repayment Ability (or D.R.A.) is the key for any farmer or prospective farmer who wants to be a successful farm operator. It does not make any difference how much equity you have in the farm assets, if you cannot generate enough income to pay the debt service you will fail.

Too often a lending agency will lend money solely on the equity value of the collateral offered against the loaned money, without considering whether the farm can pay the loan off or not.

No matter who makes this kind of recommendation, it is **WRONG** and does no one a favor, even the lender who may be trying to get out of a bad situation. All farmers who truly desire to be successful businessmen in their chosen profession should calculate their debt repayment ability before borrowing one red cent. If it is too late to make this calculation for that first loan, it should be made before the next loan.

D.R.A. is actually fairly simple to calculate. Take your total farm cash income not counting the sale of one-time capital assets such as timber or equipment or land. Deduct from that the total of (cash expenses not including interest + unpaid accounts — prepaid expenses made for next year) and estimated family living allowance. The difference is the amount you can pay on interest and principal (debt service).

Do not co-sign a note or offer your farm as collateral for a loan for someone else, unless you can afford to pay off that note or are willing to risk losing your farm. If you are willing to take the risk because it is your child who needs the loan, you should at least require that person to push a pencil to see if it will work.

There is nothing sadder than to see a parent lose their farm because a child bit off more than he or she could chew. Yes, it may well be the only way that person could get a start, but at least see what the odds are.

Analyze the potential return. For a dairy farm, a top operator can probably handle a maximum of 35% of cash income as debt payment if the family can live on no more than 10% of the projected cash income.

An average dairy farmer can probably handle 20 to 25% of cash income as debt service if the family can live on 10% of cash income.

For crop farmers, use 25% and 17% in place of the 35% and 20-25%. Add in the ability to put 10% of the gross aside in above average years to take care of below average years.

For livestock farmers, use 20% and 15% as reasonable debt service percentages for average projected gross cash incomes.

Remember that these figures are based on operating expenses of 55% cash income as being good.

# Upjohn offers hog scours report

KALAMAZOO, Mich. — A new management report on the incidence of scours in hogs is now available from The Upjohn Company.

The report covers both bacterial scours and bloody scours, discussing the incidence of both diseases in a hog operation and what can be done to reduce the outbreaks of each disease. Also in the report is a discussion of the options available to the producer should bloody scours occur in an operation.

Included in the report is expert advice on how to manage hogs to lower the incidence of these diseases and treatment procedures to follow when the diseases strike.

A single copy of this report can be obtained by writing: Hog Scours Management Report 3, The Upjohn Company, P.O. Box 5087, Kalamazoo, Michigan, 49003.