

Solving liquidity problems.

What does it mean to be able to maintain liquidity in the business?

In the typical farm operation this means that the business is able to pay the bills as they arrive, meet all the debt repayment obligations as they come due, and still have cash to meet family living needs. If we get behind in any one of these areas, then we have a liquidity problem.

A liquidity problem may be short-term. With planting season coming up, those who have not planned for it, are going to have problems paying for the seed and fertilizer, because there is no immediate additional income to cover those expenses.

A short-term problem can be avoided by carefully preparing a cash-flow budget, and then seeing how you can provide for these cash needs from farm sales. The cash-flow budget will help you to determine if you need credit, and if so, how large an operating loan you need to apply for in order to meet cash needs for the entire year.

If, at the end of the accounting year, all annual operating expenses cannot be met from the annual income of the farm, then we have a chronic liquidity problem.

The usual symptoms of this "disease" are increasing dealer debt with feed companies and local dealers, not being able to make loan repayments on time, or not being able to buy clothing and shoes for the children.

What can you do if your bills are piling up and you can't keep your creditors happy?

The old solution was to go, with hat in hand, to the friendly banker and ask him for more credit to pay off these feed bills etc. If he financed these obligations for you on a three-year note, then you were paying for a "dead cow" for three years.

If you had equity in your farm land, the bank may have helped you out by refinancing the farm. In effect, what you were doing then, was equivalent to selling your

farm land back to the bank so that you could continue to farm it.

Each time either of these things happen, your burden of debt, and your interest obligations grow. In the longer term your liquidity problems increase, and the "chronic disease" can easily become a terminal one.

If the old solutions won't work today, what should we do? Here are steps to take:

1. Carefully evaluate your financial situation-prepare an accurate balance sheet which shows all of your current, short-term, and long-term obligations, and the current, working, and fixed assets of your business. Be completely honest with yourself and others.

2. Outline the cash-flow projection for the coming year as accurately as you possibly can.

3. Discuss your situation with your accountant, your bankers, and your financial advisor. Be open to their suggestions - even if you don't like what you hear.

4. If your long-term chances of survival are not good, plan to sell out while you can salvage something, and make a fresh start where your labor can return you something on which you and your family can live and enjoy life.

If you have good indications that your business can survive if you make some adjustments, make the following adjustments on paper:

- Identify unprofitable enterprises, and under-utilized assets, such as machinery or underutilized leased equipment.
- Discontinue unprofitable enterprises and concentrate resources where they can make you money.
- Liquidate assets. That means sell those assets that you have that are not absolutely essential to maintaining the business in a more profitable and reorganized form. This may even include selling farm real estate or a portion of it. Use the proceeds from sale to reduce debt.

- Reduce your cash expenses, wherever it is possible to do so and still maintain profitable production, by using forage testing and ration balancing, soil tests and manure analysis, field scouting, production records, and health checks.
- Return high cost and un-lessee, and so reduce your payment obligations.
- Plan ahead to rent seldom-needed equipment to be sure that you can get it when you need it. Renting skid-loaders, equipment, and even large tractors, from dealers or neighbors for the few days in a season that you need them, is much more economical than owning them.
- Select from the above those actions which best insure the

chances of your business survival and prepare a conservative cash-flow projection of your best solution.

Put your survival plan into action. Just as with a fruit tree, it is sometimes necessary on the farm, to cut out the dead wood, and prune back severely in order to maintain health and fruitfulness.

Search for new crop varieties helps touch off 'seed wars'

By Boris Weintraub
National Geographic
News Service

WASHINGTON, D.C. — Because none of the major food crops is native to the United States, American plant scientists are forced to import seeds from the parts of the world where those crops originated.

The result is a nasty international squabble that some have called "Seed Wars." The developed world stands accused of "stealing the native heritage" of developing nations, which in turn are accused of not helping to breed new crop varieties.

Most crops originated in the Third World, where farmers grew them for centuries on a subsistence basis. But in recent years, breeders have taken the germplasm—the genes that determine a plant's characteristics—and developed new varieties that have vastly increased productivity. This was the basis for the "Green Revolution" of the 1960s.

HARVESTING BENEFITS, PROBLEMS

One effect of this development was that for the first time, Third-World farmers had a surplus to sell for profit. This became important as population in such nations continued to grow and to become more urbanized.

Most experts now agree that the

new practice had not only benefits, but also unexpectedly undesirable results. In many places, the use of new hybrids meant that the genetic diversity provided by traditional varieties was lost—a serious problem if an older variety had a resistance to a disease or pest that the modern variety lacked.

In addition, burgeoning, increasingly urban populations led local officials to build housing and new cities in what had been rural areas or rain forests. Once more, this led to the inadvertent loss of wild varieties of crop plants, with their invaluable genetic diversity.

The more vehement critics of these developments are led by a Canadian author, Pat Roy Mooney, and representatives of several Third-World nations. They charge that seed companies are taking native germplasm out of developing nations, breeding new varieties, and selling them at a profit to farmers in underdeveloped countries while destroying their heritage of traditional varieties.

At the very least, critics say, the International Board for Plant Genetic Resources, operated by the United Nations Food and Agricultural Organization, should make all seeds available to Third-World farmers at no cost.

Both seed-company leaders and officials of the U.S. National

Germplasm System scoff at the criticism and advice. They say that no seed company would undertake the long, costly effort of developing new varieties if it couldn't make a profit.

UNIVERSAL HERITAGE?

In some cases, Third-World countries have refused to give foreigners seed that could have helped them recover from crop disasters caused by pests or diseases.

"Our philosophy and our policy is that plant germplasm is a heritage of all mankind and should be freely exchanged and used," says Quentin N. Jones, the U.S. Agriculture Department's national coordinator for germplasm.

"Seed collectors collect only a very small sample, and we always have local botanists or breeders with our people in the field," says Jones, a collector himself. "The collection is always split right down the middle with the local people."

Jones finds it ironic that Ethiopia refused to let collectors have seeds for a native variety of coffee to help fight a tree blight in Central America last year.

"I've had Ethiopian government people right here in my office asking for germplasm from Ethiopia that no longer is available there," he recalls. "We said, 'Sure,' and we gave it to them."

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