

Six Steps To Establish Control Of Farm Business

The Basics Of Management

(Part 1)

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A recent national survey by a prominent business magazine found that most people think a lot about money. It was not stated how many of the respondents were farmers, but we can probably assume that most farmers spend a lot of time thinking about money. The problem is that just thinking about such things does not make them happen. In farming today it requires the application of many skills to convert desires and even work effort into a financial profit for the operator.

Management, one of the least-practiced skills, is the process through which we convert thoughts and dreams about money into a working plan to get some of it into our pockets. Twenty years ago it did not matter a great deal how you went about planning — chances were good that out of each dollar taken in you would get to keep 40 cents. Today it takes very careful control to keep even 20 cents, and the situation is going to be much more difficult in the future.

Unless you are really prepared to manage your farm today, you may find that in a few years time you won't be able to manage to farm. Management is now a farm activity which is just as important as milking the cows, and time needs to be set aside for it. To be effective and productive we need to organize a management program for the farm — just like we have a cropping program or a feeding program (which, in-

centally, are parts of the management process).

Management must be continuous, and like the seasons, it goes in cycles. In this series we'll not get into much of the detail about specific procedures, but let's take a cycle step by step and consider:

1. Analysing the farm situation
2. Setting Goals
3. Examining alternatives in a farm plan
4. Putting the farm plan into action, and the back-up plan
5. Keeping track of performance
6. Analyzing results and setting new goals

Every farmer has some form of management program in place, even if it's all carried around in his or her head. Hopefully this series of discussions will help you to examine your system, brush the cobwebs off, beef it up, and oil it, so that it can be the smooth-running control unit for a more profitable farm business. You never can tell — if you get it operating more profitably you might even have time to think about other things besides money!!

Step 1. Where are you now? or Analysing your farm situation.

Before we can improve, we must know our present situation, and take stock of all the resources that are available to us. We should know our strengths and weaknesses, and keep a record of these things so that in the future we can use this resource list as a baseline against which to measure progress through time.

Under resources we should list:

Family — not just as potential

laborers, but the abilities and management savvy of each member

Land — by productivity class, owned as well as rented

Buildings and Structures — condition, capacities etc.

Equipment and machines

Livestock — by groups and production levels

Crops — with yield potential and quality

Inventories of feed, fertilizers, and supplies, workshop tools etc.

Cash, bank deposits, shares etc., plus cash value of life insurance.

If we place a dollar value on each of these physical assets, we have most of our net-worth statement work done. With or without valuation, such a listing is important in the planning process, for these resources will largely determine what enterprises we can, or should not consider.

Unless we are very fortunate, we will also have liabilities such as: mortgage, loans and notes with the bank, family loans, dealer debt, charge accounts, and unpaid accounts, also other obligations like lease payments. These all need to be listed, with current balance and monthly and annual payments. For detailed steps in preparing a net-worth statement, contact your extension office of Penn State's Cooperative Extension Service, and ask for **Financial Management for the family farm** Volume 85, (Home study) No 6 - THE BALANCE SHEET...

A suitable time to do this stock-take is at the end of each accounting year, so that the balance sheet can be viewed along with the

farm profit and loss statement. These together give a view of where we are, and will also provide a good indication of the condition of our business at the particular time. A good manager will not view the careful preparation of these documents as "boring tasks to satisfy bank loan officers."

From the results of your observations you should ask yourself, "Can I go on like this for the rest of my life?" If your answer is "no",

you need to look for other ways of making a living for yourself and your family. If the answer is "yes", proceed with the other management steps. Goal setting, the second step in the management cycle, will be the topic of our next installment in this series. In the meantime, may you enjoy many good thoughts about your future management of the farm business.

(Continued Next Week)

Update: Nearly 18,000 Acres

Signed To Conservation Reserve

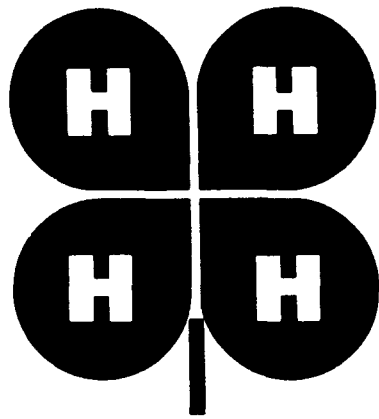
UNIVERSITY PARK — Pennsylvania farmers put 17,885 acres of the state's highly erodible cropland into the U.S. Department of Agriculture's Conservation Reserve Program in 1986. USDA had hoped to enroll 82,000 Pennsylvania acres in the CRP in 1986.

Nationally, USDA has accepted almost 9 million acres. The goal was to sign up 5 million in 1986, and 10 million additional acres in 1987.

The following chart outlines state and national participation in the program for the three signup periods held in 1986, the first year for program signup. The first two signups were for 1986 crops, while the third accepted cropland for the 1987 year.

The bid amounts accepted for Pennsylvania were \$65 for pool 1 (southeastern Pennsylvania) and \$60 for pool 2.

	PENNSYLVANIA		
	Acres bid	Acres accepted	Number farms accepted
First signup (March 1986)	13,663	2,463	93
Second signup (May 1986)	13,447	8,285	255
Third signup (August 1986)	8,840	7,137	202
	NATIONAL		
	Acres bid	Acres accepted	Number farms accepted
First signup (March 1986)	4,818,561	838,356	10,307
Second signup (May 1986)	4,646,524	3,000,681	22,863
Third signup (August 1986)	6,420,964	5,091,618	35,965



Thank You! And Happy Holidays To Those Who Supported Our 1986 Livestock Sales From The Berks County 4-H Beef, 4-H Sheep and Lamb, And 4-H Swine Clubs.

Agway of Leesport
 Angstadt Trucking
 Bank of Pennsylvania
 Berks-Lehigh Valley Farm Credit
 Bernville Bank
 Bernville Quality Fuels
 Boscov's
 Rich Brandt Farm Real Estate
 F.M. Brown's Sons, Inc.
 Columbia Cutlery
 Pete D'Angeli
 Diesel Service, Inc.
 DeSantis Transportation
 Farm Bureau
 Fies Catering
 1st Federal Savings & Loan
 Assoc. of Pottstown

Marvin Frantz
 Gehman Feed Mill
 Harvey George
 George's Foodliner
 Hamilton Bank of Lancaster
 Ruth Hartman
 Hatfield Packing Co.
 Dr. W. Thomas Jay
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 Kings IGA
 Kissler's Trucking
 Kutztown Grange
 Kuzan's Hardware
 Lebanon Valley National Bank
 Leesport Farmers Market
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 Meridian Bank
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— Thanks —