

The Basics Of Management

Six Steps To Establish Control Of Farm Business

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Step 3. Which plays can our team use? Examining Enterprise Alternatives.

When specific goals and objectives have been established (we did that in the last edition of this series), then we need to look at the options available to us in order to generate the production and income to achieve those objectives. A football team that sets out to have a winning season will prepare many different plays and strategies to equip itself to achieve that goal. There are some plays that may never be used, but the coach evaluates them and keeps them in mind - just in case.

In the farming game there is often need for several different "enterprise teams", and we have to be very careful to evaluate the role of each enterprise, as well as the performance of each player, in achieving the winning result. When on player consistently fumbles the

ball, or runs in the wrong direction, we can't win if we keep giving him the ball. We have to prepare a game plan for each "enterprise team".

Our livestock plan might list as a specific objective maximum profit from farm-raised feed, and earn a good return to the farm family's labor. The players on this team are the enterprises - cows, heifers, steers, hogs. The performance of each can be measured with budgets, plugging in your own farm records. If your budgets show that steers regularly lose profit yardage that was gained by the cows, then you better plan to keep those steers "on the bench."

In this process, we are comparing enterprises - to see which of them best contributes to the needs and profits of the whole farm. It is not necessary to use complete budgets which attempt to allocate every last cent of "fixed cost". A simpler tool is to take income (or product value for commodities produced on the farm and fed to

other enterprises) and deduct all variable costs to give the "enterprise gross profit margin." Select those enterprises which return the most gross margin, yet can be maintained with your resources and abilities. For more detail of such budgets, see *Financial Management for the family farm* Vol. 85, No. 10 - Cash Flow as a Tool of Financial Management, available at your county Penn State Extension Office.

To complete the livestock plan, we should have such helpful tools as a three-to-five-year production plan, breeding/stocking schedule, feeding program, and finally, a facilities/equipment plan. This is considered last because it is only when we have put together a profitable livestock scheme that we need to invest in buildings and equipment to maintain that profitable livestock program. We should not build facilities first, and then try to develop a business to pay for what thought we wanted.

We should play our cropping plan in much the same way. It's objective might be maximizing profit from sales, or it might be producing low-cost, high-quality feed for the livestock enterprises. All possible crops and double-crop combinations should be budgeted, using current data. In all budgets it is very important that we be conservative in anticipation of yields and prices; all of us know of the risks and uncertainties of climatic and market conditions. After selecting those crops that appear most profitable, plug them into a plan which includes these features:

- Fertility - efficient use of nutrients from manures and legumes
- Weed control
- Rotation plan, combining the above
- Conservation - drainage, tillage, erosion control
- Cropping plan by individual field
- Storage alternatives
- Equipment needs (not wants)

Without a marketing plan, a farm is like a football squad without a kicking team - it can't hope to maintain profit-winning scores. To train this hot-shot marketing kicker, the manager needs to:

Know local markets, prices, commissions, drying costs etc.

Understand government programs, their restrictions, signups etc.

Stay up-dated on national markets, USDA reports etc.

Consider contract marketing

Know hedging or futures options - opportunities for the prudent.

Just as with game plans, there is no one best marketing strategy. No marketing plan will always hit the tops of markets. The careful manager, who knows his costs and his desired profit margin, will keep himself informed. He'll take a profitable price for part of his production when it is guaranteed, but he had best not be too greedy - this can bring disaster.

The marketing plan is the continuous monitor which provides signals that indicate when some adjustment should be made in livestock or crop-production plans to take advantage of opportunities for profit. This monitor will help identify enterprises that cannot put points on the board, and send those players to the showers.

A football coach prepares his teams for every foreseeable situation. The farm manager prepares his plays on paper, so that when conditions change he can re-evaluate the circumstances and develop new strategies. The next section of this series will discuss how the farm manager uses this information to put together a farm game plan. All this takes some management time, but it can be far less costly than experimenting with poured concrete, steel, equipment, and \$100,000 investments.

Wisconsin Scientists

May Improve

Domestic Potatoes

With Wild Genes

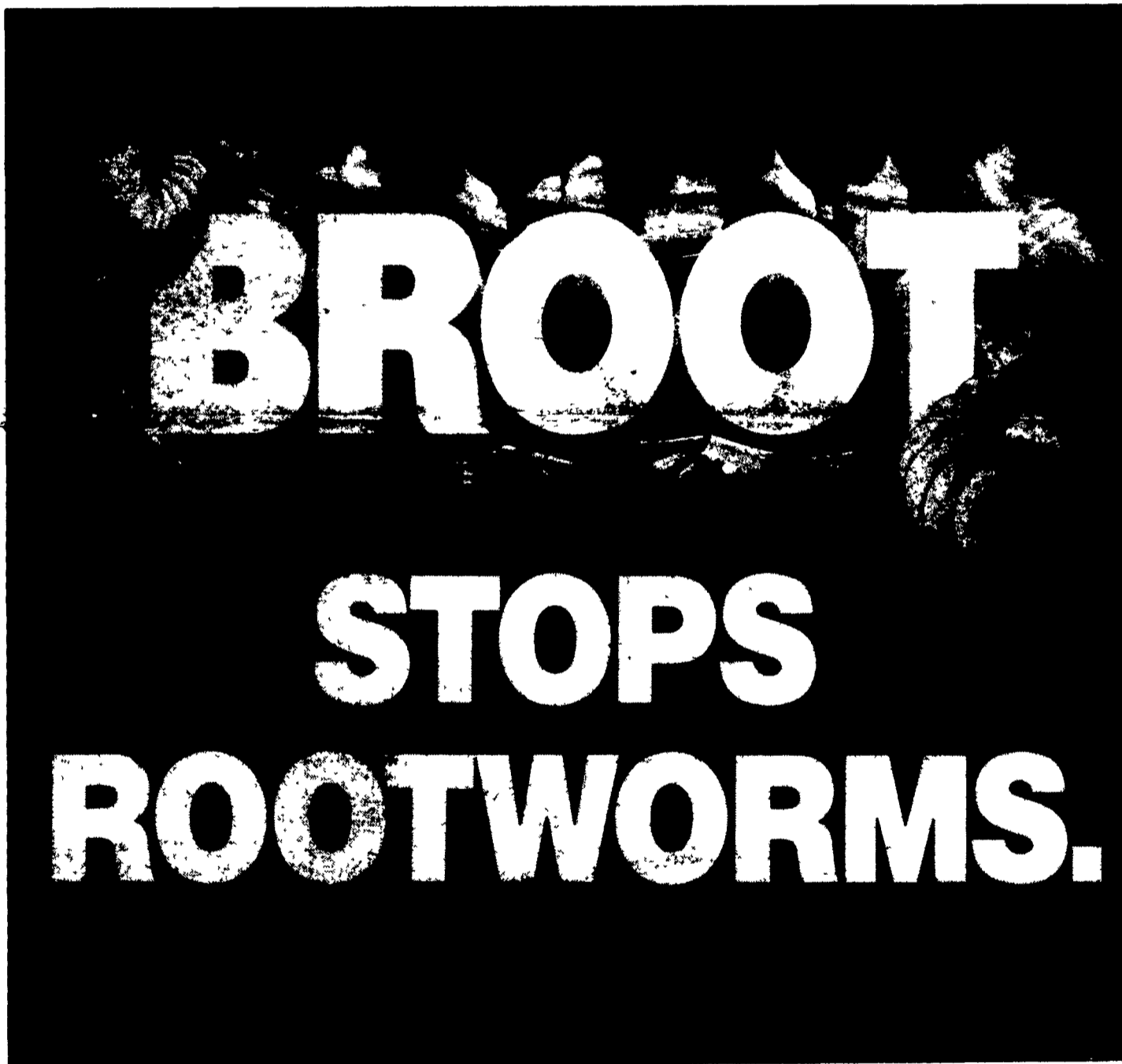
MADISON, Wisc. - Domestic potatoes are good, but they could pick up a few positive qualities from their wild relatives, according to University of Wisconsin experts.

Wild potatoes often have desirable traits such as resistance to frost, drought and disease, but they can't readily share these with their domestic cousins.

Plant scientists at the University of Wisconsin-Madison have found special pollen in wild potatoes that may help transfer their desirable traits to domestic potatoes. Georgia Yerk, a graduate student in plant breeding and genetics, and geneticist Stanley Peloquin are using intermediary potatoes to capture and preserve genetic traits found in wild potatoes.

"We are now in a position to tap the storehouse of genes present in wild species and to evaluate their contributions on a single plant level," Yerk says.

Yerk is experimenting with wild potatoes from Argentina, Bolivia, Chile and Peru. Her work faces two serious obstacles, though. Wild potatoes don't grow tubers in Wisconsin because of differences in day length. And traits can't be directly transferred from wild potatoes to domestic species because wild potatoes have two sets of chromosomes, a characteristic known as diploidy, and



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