

How To Manage Farm And Family Finances

LINDA WILLIAMS
Bedford Co. Correspondent

BEDFORD (Bedford Co.)—David Kohl, professor of agricultural economics at Virginia Tech University, brought an enthusiastic and optimistic message to the farmers of Bedford County at Dairy Day held at the Arena Restaurant.

"Farmers should be pulling out of the recession they began feeling ten years ago," Kohl said. "The recession has now shifted to the rest of the economy."

Kohl predicted that with the "chip taken off of the baby boomers' shoulders," the economy would see a shift.

"Future Americans may learn to

live with one car and a lot less than their parents had," Kohl said. His statistics included the fact that 48 percent of the American farms are debt-free.

"The average American farm has \$2.66 of debt for every dollar of income generated compared to \$13 of debt for every dollar of income during the farm crisis."

"This figure, unfortunately, has now shifted to the general economy," Kohl advised.

He noted that while the Japanese can compete with America in building cars, cameras, or computers, they cannot begin to compete in the world of agriculture.

"Get the government out of farming and keep it out," Kohl warned. "Farm programs direct

payments have been cut in half since 1986 and most likely will be cut by 50 percent by 1995. "The government does nothing but create false booms," he said.

While 65 percent of American farms report use of non-farm earnings, Kohl did not feel this was bad. "One of every two businesses use outside income for support," he said.

The average family living and income taxes for a family of four on the farm is \$26,000 to \$30,000 annually. "This is where you must watch," advised Kohl.

Dave Gordon, Regional Water Quality Specialist, at Penn State University, called water quality a "science," at the annual Bedford County Dairy Day sponsored by the Bedford Extension. "The earth has 326 million cubic miles of water," he said. "Of this, 94% is salt water, two percent is ice and three percent is ground water which is not usable. That leaves 1/2 of 1 percent of usable water."

Gordon stated that, despite adverse media reports, farmers are, in general doing a good job at managing their water systems.

He said, sink holes are a prime source of contamination and advised farmers not to put anything in the ground they wouldn't want to drink.

Along this same line, he told farm wives that "household chemicals are a major source of contamination. "Don't throw them away outside," he said.

Gordon also advised farmers not to drain antifreeze in the driveway or to dump oil from the tractors or cars into the ground. "Sooner or later, it will get into the water."



Melissa McDonald and Dan Machael, chat with Jerry Parry at the Bedford Dairy Day.

"It's easy for that figure to climb. You buy Pepsi and Little Debbie cakes and don't realize where the money is going."

Like the rest of the nation, farmers are finding that medical costs will be the biggest expense threat on the cash flow statement. "It's important to have adequate medical coverage," the advice continued. "At least 60% of all medical costs are occurred in the last six months of life. And this can amount to thousands and thousands of dollars."

"Today," continued the professor, "there are twenty farmers over 55 for every one under 35. This is encouraging to the younger generation. Last year, 2/3 of all ag graduates found jobs."

"Prime agricultural areas, like Bedford County, are experiencing steady increases in land values," Kohl said. "Meanwhile, other areas are experiencing a steady decline."

Kohl advised all farmers to

keep some cash on hand. "Don't invest your excess money in another farm. Keep some cash around to pay for emergencies." His formula was three to six months in family living expenses. "Then, if the truck breaks down or the furnace blows up, you can pay cash."

He also advised those with loans to get a fixed interest rate. "Interest may go down, but there is a lot bigger chance it will go up."

"Any successful farmer must be able to cope with a five percent drop in farm revenue, a five percent rise in farm expenses, and a three percent rise in variable interest."

To determine solvency, Kohl used this formula: Take your total debt and divide by total assets. Then, divide owner equity by total assets. Finally, divide total farm liabilities by total farm equity. "If equity drops below 40%, you are vulnerable," he said.

Cattlemen Hear Expert

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CHESTNUT RIDGE (Bedford Co.)—Dr. Mary Beth Bennett, Animal Welfare Project Associate of the Department of Dairy and Animal Science at Pennsylvania State University, was the guest speaker for the annual Bedford Cattlemen's Association dinner.

Held at Amick's Family Restaurant, Dr. Bennett told those in attendance of ways they might deal with the animal rights situation farmers are now facing.

She cited two separate groups. "PETA (People for the Ethical Treatment of Animals)," said Dr. Bennett, is, "uncompromising, educated, well funded, vocal, and has limited public support."

"It is useless to talk to this group," Dr. Bennett stated. "They will not listen to reason and will not be logical. If they should attend any of your cattle shows, ignore them." She said that their regulations are so strict, they don't even believe in keeping animals as pets.

"Although," she added, "I know many of them who have pets."

The Animal Welfare group, according to Dr. Bennett, is not as well funded. They are vocal, but

will compromise. "And," she added. "You can talk to them. They are reasonable."

To overcome all of the objections raised by animal rights activists, Dr. Bennett recommended the following: Research, identifying and correcting inadequacies, better guidelines, public education, and communicate with who you can.

She cited one of the best arguments against those would say, "There is too much grain being grown for animals. The same grain could feed millions of people."

"People do not eat corn stalks," Dr. Bennett said. "They don't eat alfalfa and they don't eat the stalks of wheat."

Two awards were awarded by club treasurer, Jim Fisher to outstanding club youth. They were

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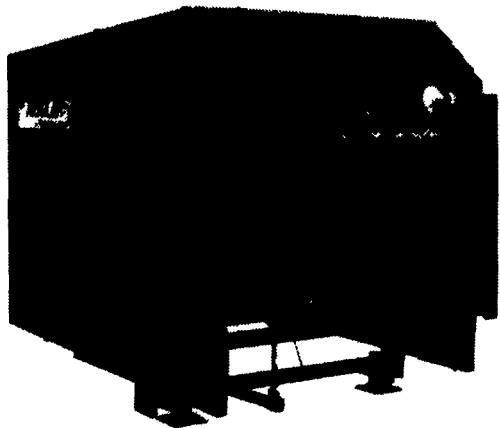
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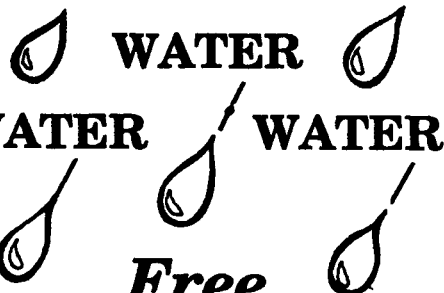
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