

Ag Women Learn How To Get The Most Out Of Life

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STATE COLLEGE (Centre Co.) — Family relationships can be the most rewarding and the most frustrating. Combine them with operating the family farm, and the realities of human nature often surface.

"The family farm should exist to serve the family and not the other way around," said Ron Eberhard, motivational seminar leader and humorist.

Eberhard was one of the speakers at the day-long Women In Agriculture Seminar sponsored by Monsanto last week. Held at State College, seminar topics dealt with how to get the most out of life from farm profits to family relationships.

Eberhard poked fun at the idiosyncracies of family relationships while giving rules to set up the groundwork to keep the farm and the family operating happily together.

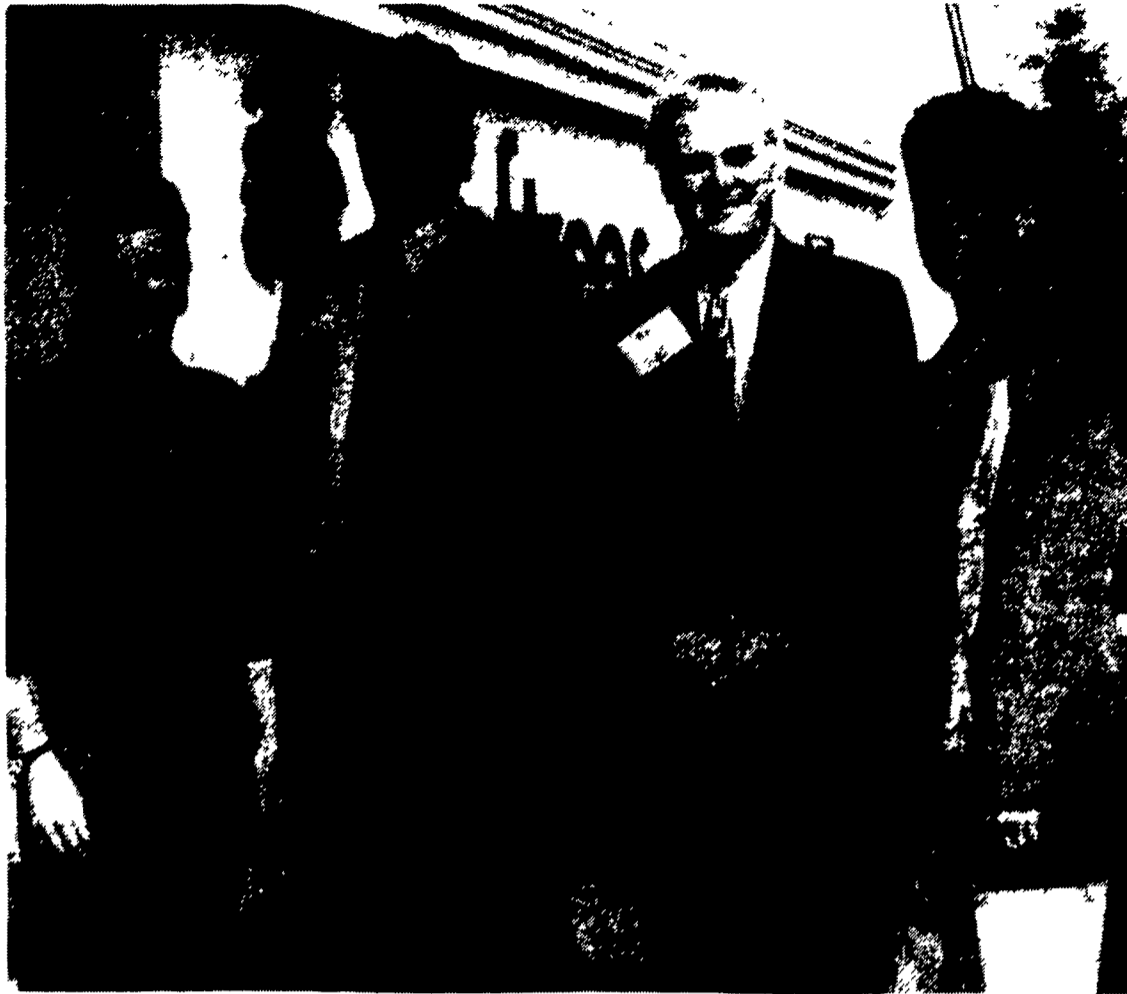
Eberhard's research is drawn from his work in helping 602 families in 43 states and from his own experiences. After college he had returned to the 210-acre family farm to farm in partnership without a written agreement.

"I was fired by my own father," Eberhard said. Through the experience Eberhard recognized the need for better communication among farm families and the need to put every verbal agreement in writing. He heads Eberhard Planning Services to help other families work together successfully.

He explained the dynamics that cause frustration and tattered relationships.

Eberhard tackles sticky family business problems with a list of "Ron's Rules," which include some of the following:

- Have a business plan.
- Limit farm ownership to family members involved in the business.
- Always put a business plan together as if the business was going to end.
- Listen to what is being said and to what is not being said.
- Best way to set up a business is to plan as if you are working with the enemy.
- Communicate goals to people who can help achieve them.
- Primary reasons we need agreements in writing is because we are family.
- Whenever children are involved in the family business, the children should know the



Speakers at the Monsanto Women In Agriculture seminar include, from left, Kay Slusser, Brad Hilty, Ron Eberhard, and Dr. Jennifer Garrett. The sessions focused on how to get the most out of farm profits, time, and family relationships.

details of the family estate.

- There is no independent financial decision. Every decision affects someone else.
- Nothing is so unequal as giving equal treatment to unequal people.
- Most family businesses are always cash short.
- Life insurance is the best way to transfer.
- How generous you are with written plans should also depend on who (spouses) your children brought home.

In the afternoon session, Eberhard used a series of quotes in a humorous and entertaining manner to emphasize the importance of good family relationships.

To improve communication, Eberhard challenged the audience to learn to change *communication*, where too much emphasis is on the "I" to *commUcation*, in which listening to the other person is the most valuable tool in handling problems.

Eberhard addressed the need to learn to handle setbacks and disappointments. He told of his family's struggle when a granddaughter was born with Down's syndrome and of their ultimate acceptance of

it with joy.

"A single word that can make all the difference is 'faith.' God doesn't give us faith in advance," Eberhard said.

Brad Hilty, owner and chief consultant of PLS Agrimanagement Associates, laid out the groundwork to do a financial analysis and to develop a strategic business plan. During the afternoon session, Hilty also taught a workshop on how farm software and the Internet can save time and money.

Some of his advice included the following: "Set up a plan from a financial structure and from a family standpoint. Team management is important."

Hilty said that on the road where he grew up, there were about 50 dairy farms. That number is now reduced to two.

"We are at a crossroads in the dairy business, not only due to technology but also as a business," he said of the need to remain solvent. "You must manage as a business, not as a family farm."

Hilty has worked with more than 250 farm families to analyze farming businesses and to estab-

lish strategies that enable many of them to improve the profitability, liquidity, and solvency of the family business.

He has developed loan proposals and obtained financing for major dairy expansions and business restructuring for approximately 60 farming businesses, ranging from 200 to 500 cows.

Fluctuating milk prices and drought and wet weather make it difficult to establish financial plans, but Hilty showed how graphing milk prices and crop yields over a 10-year period comes out with a fairly consistent average. Milk price trends from 1987 through 1997 showed an average \$14 for both the first five years and the latter five.

The ability to thrive and survive is necessary despite dealing with record grain prices but poor forage quality, low milk prices, and drought.

Hilty said that changes in the dairy industry has been brought about from less government involvement, restructuring of the milk pricing system and marketing order, shift of production centers, decreasing number of farms, and a change in philosophy.

Why do you need a dairy business plan?

"Dairying is a complex business and a business plan will greatly increase your chance of succeeding. It serves like a road map for the future and as a blueprint for success. More and more lenders are requiring one," Hilty said.

A business dairy plan should be enacted prior to major changes, such as an expansion, debt restructuring, adding a partner, shifting

enterprises, or when exiting or transferring the business.

Hilty said that a plan is ineffective unless a strategy is developed for implementing it.

"Set up a monitoring system," he said.

Identifying a mission statement can be the most difficult part of your plan, but it need not be. A possible example could be to be a leading producer of high quality breeding stock.

Hilty said the plan should be based upon a review of the past five years' records—not tax records, but profit margins and working capital compared to debt ratio.

Certain mathematical formulas can be helpful when determining efficiency ratios of the business but are not always the total picture. A general rule of thumb is that 65 percent or less of income should be used for paying expenses before salaries for yourself and other farm workers are deducted.

In the past, an acceptable debt per cow was \$2,000-\$2,500, and that certainly allows a better chance of financial survival, Hilty said. But some cows provide much more income through high production. A better formula would perhaps be 1.5 times cow producing income. Some cows can carry as high as a \$5,000 debt load and still be acceptable.

"Earnings on a cow before interest, taxes, and depreciation can be an average of \$400 to \$450 per cow, but the actual goal should be \$750 to \$1,000 per cow," Hilty said.

To examine if you are over-mechanized, you need to look at production costs per unit and labor efficiencies. "Sometimes it is financially better to replace machinery rather than keep repairing it," Hilty said.

"Poor forage quality and low cow comfort can put you out of business. There is no difference between productive versus non-productive expenses," Hilty said.

As a rule of thumb, each farm worker should be able to generate \$250,000 for a \$25,000 income.

Because the conference was sponsored by Monsanto, the day-long event included a session by Dr. Jennifer Garrett, technical services specialist for Monsanto, and a panel discussion about the usage of Posilac, a natural hormone used to boost milk production. Panel participants Rhonda Laudenslager, Karen Hawbaker, Chambersburg; and Melanie Richman of New Jersey talked about their attitudes and experiences in using Posilac, better known as bovine somatotropin.

Several participants not using Posilac and with no plans to do so in the future said that they found the session informative and interesting.

Kay Slusser, who with her husband was a former Holstein breeder and now head of Pennsylvania DHIA, taught a session on time management tips for farm wives, which appeared in last week's issue of *Lancaster Farming*.



Panel participants, from left, Melanie Richman, Rhonda Laudenslager, and Karen Hawbaker talk about helping on their dairy farms, which range from small to large in herd size.

HOMESTEAD NOTES