



Farm News



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Farm Management Newsletter
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January 2009 Newsletter

Marketing Meeting Schedule:

January 20 8:00 am, at Pats

January 21 8:00 am, at City Center Café in Mooreton

These meetings are open to any FBM Student. **Also, if Wahpeton or Breckenridge Schools start late, or are cancelled, the marketing meeting for that day is also cancelled.**

2008 Close Out:

If you are ready to close out your record book, please feel free to call the office and set up a time.

- Some things that will make close out go faster.
- Have your ending checking account balance
- Have your bank send you your 12-31 ending loan balances, accrued interest, payment date, interest rate, and your payment amount. Also, any accounts payable.
- Make a list of new equipment, including what is on a new installment contract. Also, have available any new installment contract so we can use them to put the new information on your balance sheet.
- Make a list of your ending inventory of grain, livestock, and pre-paid expenses.
- Crop yields and expenses

2009 Example Budgets:

Enclosed are sample crop budgets for 2009. After we close out this year's books, we will put your own figures in the budgets. This will give the 2009 breakevens for your farm for cash flow and crop selection.

Action Items for Sustainability (From Dr. Kohl Article)

How can a producer or business person adjust to this type of boom-bust environment? Volatility and uncertainty will require one to conduct scenario planning. With access to computers, best, average and worst case conditions need to be expanded to five potential outcomes with probabilities of each. One then needs to develop strategies and actions for each scenario with guidepost metrics that are objective. Utilize your lender, accountant and other advisors as another set of eyes on your assumptions and numbers, and make sure to keep open lines of communication with your team of advisors.

Second, cash and liquidity will be king. A measure used to gauge your liquidity is working capital divided into revenue or adjusted gross income. A minimum threshold would be 15 percent. To be on the safe side, 15 to 33 percent of revenue is suggested. If you are a producer that is conservative or desires flexibility, maintain a level of working capital above 33 percent of revenue.

Third, knowing your cost of production is not an option, but a requirement. Combine this with a sound marketing and risk management plan emphasizing asset utilization and overhead cost control with a focus on margin management. These are sustainable practices regardless the status of the economy.

Is it boom or bust for 2009? I believe the answer is balance with objectivity and critical thinking in the planning process, which can lead to financial sustainability and personal prosperity.