

Issues And Strategies In A Time Of Crisis



HAROLD D. GUITHER

URBANA, ILL.

He recently attended the annual conferences for innovative farmers and young farmers at the University of Illinois.

More than 30 young farmers, mostly under 35, listened intently during the session on leasing and purchasing farm-

land in volatile markets. Bob Swires, a professional farm manager and licensed real estate broker outlined strategies on acquiring additional land to lease. He emphasized: the importance of how well they farm and how well equipped they are to handle the job, that they must sell themselves to prospective landlords, becoming well known in their local community, having a plan on how to expand their operation, determining the land owner's goals, and being aware of their exposure to prospective land owners wherever they are.

When older farmers are approaching retirement, he suggested offering help through custom operations to establish a favorable reputation when the land may become available for rent. He emphasized how important it is to listen carefully and hear what people say. Since turnover of land for rent may be slow in many years, having a resume on file with professional farm managers and others who handle leases for land owners can be helpful.

Kent Meister, a farm business farm management fieldman, advised the young farmers to be patient in planning land purchasing, to identify what they have to offer a prospective seller and lender, to consider how close the land is to current land they farm, and to recognize that from \$75 to \$100 an acre is required to cover living expenses, equipment maintenance and future purchases. What may seem obvious, he pointed out that to buy land requires saving money for an adequate down payment. He emphasized good personal relations with neighbors, and how well they deal with people in the community.

When renting land, he told the young farmers to look at both costs and prospective income when offering to cash rent.

Bernie Erven, Ohio State University, dis-

cussed managing relationships in farm family enterprises. He listed these keys to success in family enterprises. Communication is the foundation for establishing sound relationships. He called for an organization culture that will guide each family member to be part of the team. Each person has three roles as part of the family, part of the business, and their personal life. Each person shares responsibility for success of the enterprise. And as managers, human resource management strengthens the ties that contribute to success.

Family members should accept good ideas that may at first sound useless. Acceptance may take time, but the family working together must function as a business.

Erven pointed out that the family and the business often overlap. But family pride, commitment, values, history, hard work, and willingness to sacrifice will drive the business to success.

Being part of a family business may often limit opportunities and career growth. Each family member must understand the environment under which they operate. Regular family business meetings should be part of the schedule to remove communication barriers and keep the operation running smoothly and successfully, Erven concluded.

What strategies are needed to deal with problem issues in a time of crisis? A panel that included an attorney, a lender and a successful farmer suggested:

- Farmers who pay for inputs in advance to save money should be sure that the supplier is financially sound and will not go out of business.

- Be cautious about Investing in an enterprise off the farm such as an ethanol or meat packing plant. Such investments may carry risk that some farmers cannot afford to take.

- Look around for sources of debt capital since interest costs are likely to go up. When planning expansion of livestock operations, be aware of state regulations before investing any money.

- Have a business plan that includes risk management in the form of insurance, available government programs, and other decisions should prices fall below expectations. Δ

HAROLD D. GUITHER: retired Professor, University of Illinois