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Farm Update

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EDUCATION

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Traits of Top Farm Managers

Kayla Brashears is an Area Extension Specialist with the Kentucky Farm Business Management Program - Pennyroyal Region. In her career, she's analyzed many farm operations and identified similar traits among the most successful businesses. There are best practices that operations can implement to position themselves favorably, as Kayla explains in this article.

One of the most frequent questions I receive as a Farm Management Specialist is "should I buy new equipment, or keep old equipment?" The true answer is – it depends. The difference is old equipment and high repair bills, or new equipment but high depreciation/debt load. Profitable farm managers can take either approach, there are different philosophies on which is better. The common thread between these is that successful farmers manage and maintain their equipment. They know when their equipment needs service, they read the parts books and the owner's manual. They take their equipment in for inspection and keep leased equipment in good condition. Successful farm managers recognize that equipment is the most rapidly depreciating asset they have, and they take reasonable measures to preserve the value of their investment.

Many producers do not take the time to learn and understand their financial position. Knowing your numbers begins during the year. Profitable farmers review billing statements to

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understand the cost of maintenance, fuel, utilities, insurance, etc. Profitable farmers know how much rising interest rates cost them and are proactive in managing it. Finally, successful farmers are familiar with their year-end numbers. They understand working capital and the impact a new equipment purchase may have on it. They work with trusted professionals to develop their financial numbers if they can't do it themselves and dedicate the time each year to reflect on those numbers in order to improve the next year.

Many medium to large-size operations will have employees. Quality, hard-working employees are crucial to the success of the farm. Successful operators know that to maintain dedicated, skilled employees, they must cultivate an attractive and rewarding work environment. This means provisions such as competitive pay, paid time off and, of course, effective, solicitous leadership.

A successful farm manager doesn't get bogged down by something as trivial as pride. They spend resources to draw on the knowledge of those that know more than them. They may be involved with an organized peer group, or other agricultural civic organizations. They find a good financial sounding board, a solid banker, a competent agronomist, and skilled mechanics. They seek out answers from other people with specific knowledge to solve problems. It is possible to go too far on this spectrum and receive too many opinions. Considering that, it's important to develop a discerning voice when seeking the knowledge of others.

Profitable producers are strategic in how they manage excess cash flow from good years. Most often, that cash is best used to bolster cash reserves, although it may feel tempting to pay down long-term debt. They also seek to balance those reserves and know when and how to invest back into their operation. When interest rates began to rise, they pursued options to give them a

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larger return on their money and didn't let complacency keep their money in the same place. They carefully evaluate when to purchase more breeding livestock or add a second combine. They take the time to understand prepay deals to determine if they make sense for the operation. To summarize, successful farm managers see extra cash in the bank account for what it is – a tool to help them build and create a stronger balance sheet and operation.

The barriers to entry into farming are formidable, and many farmers today would not be farming without the influence of those before them. Successful farmers do not negate that influence by assuming credit. Instead, they reflect and appreciate the dedication of previous generations and seek to protect those prior investments from deteriorating. They recognize that their parents and grandparents may have gained valuable insight from their farming experience, although the world has changed in the past several years. Successful farmers glean and build on that knowledge.

Agriculture Development Council Meeting

The Daviess County Agricultural Development Council will meet next Tuesday December 5, at 6:00 p.m. at the Daviess County Cooperative Extension office. Call me at the office with questions or to submit a funding request.

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