

Views from VanDeWalle

Brandy VanDeWalle, Extension Educator in Fillmore County

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Ag Today: New Era of Prosperity or Temporary Opportunity

Recently at a Farmers & Ranchers College program, Dr. David Kohl emphasized the importance of maintaining working capital or cash for businesses and families, among other important business principles. As always, his global knowledge of events and how they impact U.S. agriculture is fascinating.

One of the mega-trends for producers to pay attention to is the increased focus on healthy soil and water. Healthy soil and water quality creates healthy plants, animals, humans, and environment. Likely there will be paid incentives for producers who excel in these areas. Continuing to reassure consumers where and how food is produced, processed, and distributed remains important. It is also crucial to know your cost of production to plan best, average, and worst-case scenarios. Kohl also recommends overestimating capital expenditures by 25%.

His “Rule of 78” caught the attention of a lot of participants. When most people reach 78 years of age, usually health starts to decline unless you practice 8 habits. Those eight habits to have a quality of life included taking care one oneself physically by drinking water, exercising regularly, eating healthy and getting enough sleep. Mentally, people should have a support network, life purpose, engage in mental activities such as reading or meditating and practice your faith/spiritual life. He emphasized the importance of allowing oneself 2 hours per day with no technology.

Farmers and ranchers should also manage things that can be controlled and manage around those that cannot be controlled. He reinforced the idea that for a successful operation, you must plan, strategize, execute, and monitor. Examine monthly or at least quarterly financials to ensure you are on track. Those with a written business plan are four times more profitable than those without a plan. Also, the mental health of those with a business plan have two times the mental health as those without a written plan.

Kohl reminded participants of his business IQ exercise that ANY business should forgo. The areas in the business IQ included cost of production knowledge, cost of production by enterprise, goals (business, family, personal), record keeping system, projected cash flow, financial sensitivity analysis, financial ratio/break evens, those who work with an advisory team/lender, those whom have a marketing plan and execute, those whom have a risk management plan and execute, modest lifestyle habits, strong people management plan, transition plan, those whom attend educational seminars, and their attitude.

To determine what your cost of production is, a hands-on training will be held at the Fillmore County Fairgrounds on Thursday, December 15th from 1-3:00 p.m. This program is free, but registration is preferred for planning. Register at cap.unl.edu/abc/training. Attendees are encouraged to bring their own laptop or tablet to the workshop.