

Watching costs for a healthy farm

By Nat Williams

Illinois Farmer Today

Corn and bean prices are down, inputs are pricey and rented land is as prized as a champion bull. So how does a farmer save a few bucks?

There are a number of ways producers can tighten their belts during lean times. The trick is figuring out which ones won't end up costing in the long run.

Holding off on trading paint is one option.

"Equipment is a place where a lot of guys look to save a little bit of money," said Lance Tarochione, a Monsanto agronomist who farms near London Mills, in Fulton and Knox counties.

"We had looked at a fairly significant planter upgrade this year. Even though I feel it would be a better return on investment, in the long term there just wasn't money in the budget for it. I probably would have if things weren't as tight as they are."

John Trader has been farming long enough to know cutting corners can sometimes cost farmers. Despite tight margins this year, he isn't changing much at his operation near Scheller in Jefferson County.

"As for as our seed and fertiliz-

er, we're staying the same," Trader said. "You cut your seed quality and fertility program, and you're going to cut your yields."

Since Tarochione is in the business of selling seeds, he acknowledges having a slight bias about hybrid and variety selection. But others also caution that skimping on seed quality or population may not be the best move in the long run.

"There are so many places where guys are tempted to cut that relate directly to yield," Tarochione said.

"The old saying is 'it's hard to save your way to prosperity.' It's very difficult to be more profitable by spending less if your yield is negatively impacted.

"Perhaps cheaper seed falls into that category, and certainly reducing your seeding rate in corn, which is being promoted in some areas. I definitely think that is something that is not going to make you more profitable unless you're over-seeding to begin with, which most guys usually aren't."

Seed technology has come a long way in increasing yields. Likewise, seed costs a lot more.

Farmers who look at the price on the bag and are tempted to buy something cheaper may want to take a hard look at that.

Five Crop Cost Management Strategies

1. Restructure existing debt to reduce short-term principal obligations.
2. Reassess family living costs.
3. Utilize no-till and minimal till practices.
4. Use variable rate technology to reduce seed, fertilizer and crop protection purchases.
5. Reduce energy consumption of unnecessary machinery and equipment passes.

— Steve Johnson, Iowa State Extension

"If you can buy cheaper seed that's just as good, that's different," Tarochione said. "... If you're giving up 10 bushels of yield to save \$50, you've just lost money."

University of Illinois Extension educator Nathan Johanning also cautions against being penny wise and pound foolish. But he believes farmers can find some areas to maximize profit while minimizing expenditures.

"On the seed side, I'm sure that everyone will be looking long and hard to find the best value for what works in their operation," he said. "But we need to be mindful. We have a lot of technology in our seeds."

More precise input applications may be one way to squeeze more profit.

"You might want to look at your nutrient program, not necessarily making blind applications," Johanning said. "You want to make sure you get soil test results to back up when we need nutrients — not just putting on the same things that

we've always put on."

He encouraged people to keep phosphorus and potassium levels up. And rather than putting all the nitrogen on ahead of planting, try to partition it out where the crop needs it.

Trader, like his neighbors, is not in a hurry to upgrade his metal until crop prices rebound.

"We're holding off on our equipment purchases," he said.

The land itself may hold the key to saving money in some areas. Many producers, however, are a bit cautious about approaching landowners. Tarochione has been successful in renegotiating rents on some of the land he farms. But he understands the concerns.

"That's a scary thing for a farmer to ask a landlord about," he said.

"You're worried that if you offend them, maybe they'll be looking for a new tenant. If you hang onto it through the bad times and you still have it in the good times, you might be better off. It depends on how

bad the bad times are and how long they last."

Farm family budgeting

Cynthia Needles Fletcher, a human development and family studies professor and a resource management specialist for Iowa State Extension, said farm family budgeting can help simplify household spending decisions and may be a positive experience for farm families.

While many families may get by with "mental budgeting" by developing normal spending habits, if incomes change, it can be hard to adjust, she explained.

As with farm expenses, managing family finances starts with keeping good records. The next step is setting realistic goals.

Fletcher said these financial goals are ultimately developed by individual values.

While this can be difficult, she recommends using a systematic approach to determine how much income (from farm and off-farm sources) should be devoted to family expenses.

The important part is that families make a decision that's not an afterthought, she said.

To stick to a budget, Fletcher said, "Everybody needs a rainy day fund. None of us can predict the future."

She said budgeting is "a topic that many of us would prefer to avoid." But having to make fewer decisions because you've already set aside how much you can spend can make life easier, Fletcher said.

Additional reporting by Bill Tiedje.