Key to survival is planning

By LIZ DELAHEY 1986

EDMONTON (Staff) — Farmers will have to plan strategy carefully if they are going to survive the next two or three years a former bank official told an Alberta Women's Institutes' workshop.

Rollie Davies, now with Union Carbide in Calgary, predicted those who get through this period of worldwide overproduction will be the farmers who improve their marketing and financial skills.

People have to look at how they handle farm decisions in a declining situation. It's the same in the agricultural chemical business as it is on the farm, he said.

The farm woman's role is so important it has to be emphasized, he said. As mediators, moderators and, in the majority of cases, controller of the purse, the women influence father-son relationships and strategic decisions on the farm. A good farm team can make the difference between success and failure.

With two or three years of hard times ahead, Davies predicted banks will foreclose on operations that lose every year and show no signs of improvement.

"It's a sign of the times, a whole lot more are going to go under."

He said farmers shouldn't rely on the wheat board to do all their marketing. Some successful farmers are hedging, they're looking at other ways to sell their products.

He said it's clear that many farmers are not trained in financial management nor how to run a business: "Those who have natural tendencies stand out."

Women can either participate themselves in the financial planning or try to encourage their husbands to bring in someone else — a member of the family, an accountant, or a consultant.

"If you don't understand it, get some help."

Government bailouts and subsidies may create another problem, Davies said. Some farmers develop a false sense of complacency, thinking that they don't have to worry about financial management because something always turns up.

The simplest way to determine a farm's profitability is by preparing a balance sheet comparing assets and liabilities and a profit and loss statement analysing how much was spent and where and whether it was worth it. Look at it regularly, Davies advised. Assets should be double the value of liabilities. A farmer can get in big trouble if his liquid assets, things like, grain and feeder cattle, are not kept in balance with his operating loan.

"An incredible number of people don't know how they did in 1985. It's one of the things you have to do to keep yourselves alive," Davies said.

Other measures the former banker recommended to restore farm profitability included:

- Expense control, buying only the things that are really needed;
- Reducing or redistributing the debt load by selling off some of the assets even if it's at a loss;
- Restructuring the asset ownership, possibly by entering a partnership with another family member;
- Renegotiating rental agreements;
- Diversifying farm and nonfarm income;
- Making new financial arrangements through leasing, re-amortization, or fixed rate financing; locking in profits when available;
- Having insurance against risk.