



# Plain Dirt Financing

Financial Information for Amish Farmers

February 2008

## Basic Truths and Lessons to Live By

*Compiled by Jerry Phillips*

We recently had the privilege of being involved in a series of meetings organized by Sensenig's Feed Mill for young farmers. Since there was a variety of ages involved, I will define "young" as any farmer willing to learn. The meetings focused on Record keeping, percentage calculations, and general business advice. When we were together planning for the meetings, we were encouraged to consider an article similar to one that was in *Plain Dirt* several years ago. This involved asking experienced farmers and businessmen to respond to several questions. Below are their responses. We hope you will find some of this interesting and helpful.

### **What basic truths or lessons have helped you in farming or business that you would like to pass on to our *Plain Dirt* readers?**

- Be dedicated and have contentment in what you are doing, be satisfied with your way of thinking, but do not be afraid to seek counsel from your wife, your parents, and others who may have faced similar circumstances.
- Be honest with your lender. If you are falling behind, ask for help or assistance early. Don't wait until it is too late.
- Do not let your farm or business become more important than your family.
- Set up a line of credit to help pay the bills but then be sure to pay it off in full at least once each year.
- Jumping from one lender, feed company, or milk company to another than back is not a good practice.
- Be sure to have your needs and wants prioritized.
- Don't be afraid to borrow, but have sound knowledge of basic financial principals such as paying interest and investing to receive a return.
- Have a prayerful heart at planting and a thankful heart at harvest.
- Pay attention to detail – feeding, breeding, SCC, and clean milking equipment.
- Be frugal but not to the extent that it will hurt your income.
- Getting jobs done on time – Plan your work and work your plan.
- Grow into whatever you are trying to do – don't borrow more money than necessary.
- What goes around comes around – Remember the Golden Rule.
- How much milk you make is not as important as how much money is left after the bills are paid.
- Pay attention to details – have your eyes open for the small mistakes.
- Normally you get what you pay for.
- There will be tough times, when you get to the end of the rope, tie a knot and hang on.
- Realizing that our minds are like parachutes and only function when they are open.

### **What do you believe to be the most important knowledge or skills for the young person to gain?**

- Having the ability to accept advice from others, weigh the options, and make a decision.
- Set goals for yourself, but be careful not to compare yourself to others.
- Perseverance and integrity.
- Learn to be trustworthy, respectful, and honest in your dealings.

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- Be humble enough to ask for direction in areas you are unsure of.
- Be aware of ads promoting easy credit. If it sounds too good to be true, it probably is.
- Harvest crops at optimum quality for least cost dairy rations.
- Learn basic principles of management, bookkeeping, and arithmetic.
- Learn to maintain and repair your equipment as much as possible.
- Pay and privileges should be earned and not taken for granted.
- Pay your bills on time and take advantage of discounts whenever you can.
- Be a very safe operator.
- Learn to understand profit and loss. You must know if you are going forward or backward.
- Keep your dairy equipment and vacuum lines clean.
- Create and keep proper financial records and use those records to make business decisions.
- Money management, debt management, and a good basic bookkeeping system.

### **What advice would you offer the young farmer or businessman starting out?**

- Remember that every salesman that comes in the lane will try to sell you something. You are the one who must ask questions and decide if the product will add to your profit.
- We learn new things every day – Be willing to further your knowledge as needed.
- Don't be afraid to ask for advice from someone who was or is a successful farmer.
- When buying equipment, only buy what you need. It doesn't need to be a new piece. Maybe you can share with a neighbor.
- Keep accurate and honest records.
- If you see you are getting behind in your bills, talk to your lender.
- There comes a pause at the end of the day – it's called the children's hour – don't forget the value of family time.
- Don't worry what the people around you are doing. Don't try to keep up with them and don't measure how you are doing by what others do.
- Set up realistic and worthy goals and then try very hard to accomplish them. When the beginning goals are met, set up another set of goals.
- Train yourself to keep cool in stressful situations.
- Find someone you trust to use as a sounding board for new ideas before you try them.
- Don't overlook the importance of staying at home and getting your work done.
- Be prompt at meal time – it is respectful towards your wife and family.
- Keep a good attitude.
- You must sow trust before you can expect to reap trust.
- Always be a good neighbor and try to work well with your neighbors.
- Lead your life in an honest and upright manner so others will easily trust you.
- Be honest with all people and soon you will have a good reputation.
- Save money before you start.
- Be careful of your debt load and overhead costs – be mindful of what that does to your monthly payments.
- Consider the value of growing your own quality forages and getting the most off of an acre.
- Work hard to master every aspect of your business, this won't happen over night, may take 5 – 10 yrs
- Strive for efficiency.

### **What do you see as the greatest mistakes or pitfalls for the young?**

- Using credit cards because it is easy money.
- A credit line can be a good tool, but be careful how you use it – easy credit is a pitfall.
- Using credit line for long-term capital investments or improvements.
- Unwilling to start small – over investment and high debt payments zap the pleasure.

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- The mindset that if it doesn't work today we will make it work tomorrow. If it doesn't work today, seldom will it work tomorrow.
- Spending on self gratification.
- Lack of basic education when taking on a new endeavor.
- Over-investing...not having the foresight to seeing where the money is going to come from to pay for all this stuff.
- Becoming discouraged or exuberant about short-term results. Focus on long term goals and strive to make steady progress towards these goals.
- Making decisions for me based on what I see others do.
- Starting too big and too fast. You must learn to walk before you can learn to run.
- Jumping from bank to bank is a mistake. Right now money is easy. When money gets tight, your lender will first take care of his steady customers, not the guy who always jumps around.
- It's not the high cost of living that gets you, but the cost of living high.
- Trying to start where Dad left off instead of starting with what you can handle.
- Spending for things that do not give financial return.
- Greed...do we always need the best? Do we always need it now? Do we always need it because the neighbors have it?
- Listening to too many sales people.
- Remember....we are likely to overestimate what we can accomplish short term, but underestimate what we can achieve long term.
- I know from experience that if we would not have tried very hard to keep bills paid on time when milk prices were good, it would have put us out of business when the price was not good.

### **What would you include as a summary of good business practices?**

- Know where you are, and where you want to go.
- Go the second mile, so the blessings flow.
- Never go into partnership with someone you don't know very well.
- Always keep safety in mind.
- Never let pride rule your business.
- Keep debts down and save. Don't get ahead of yourself.
- Do unto others as you would have them do to you.
- Stick to your business.
- Build good relationships with your veterinarian, your sales people, milk inspector, lender, and milk haulers, neighbors and family.
- Clean, honest, friendly, and fair dealings with your business contacts. Treat others the way you want to be treated.
- Deep faith in God which results in positive attitude that cannot be contained within self, but spills out on people around us.
- Time is a valuable asset, budget it. Set priorities and goals and strive to do your best each day with God's help to meet your goals. If you fall short after doing your best – remember there is always tomorrow – turn the page and try your best again.
- The market tends to be kindest to those who can adapt.
- If at first you don't succeed, try again.
- Patience is a virtue, possess it if you can. Seldom owned by women, much less by men.
- Set aside time for the family – don't forget you are in this together.
- Acknowledge the need for good records or advice. Analyze your records on a regular basis. And apply what you learn from good advice and your records to your day to day operation.

We are grateful to all who responded to our questionnaire. We think all the advice given by the more experienced farmers and businessmen is good food for thought. We hope there is something of value here for every reader. If you are in need of financial advice, seek it sooner rather than later. There are many resources available – remember, you can give us a call or talk to one of the knowledgeable and experienced individuals in your community.

# Patronage Time Again

By Dale Peifer

Certainly there are many advantages of being a Farm Credit borrower/member—one of those is we return a portion of our profits to our customers. *No other bank can make that claim.* As we go to print, the final numbers aren't available, but we understand from management that MAFC had another good year. Right now it is estimated the 2007 distribution will be approximately \$28 million!

For those readers who don't have a loan with Farm Credit, remember Farm Credit is a cooperative lender. We return a portion of the Association's profits to our borrowers each year—one of the many rewards of being a member. As you can see from the chart below, MAFC has had a very dependable record over the years.

If you attend one of the annual stockholders' meetings – you'll be able to pick up your check at the meeting. If you are not able to attend one of the meetings, you can expect to see your check in your mailbox by mid-April. You share your business with us; and we'll share our profits with you.

<b>Patronage History</b>			
Year Ended	Paid in Cash	Total Allocated Surplus	Total Patronage Distributed
2000	\$ 3,597,569	\$ 8,394,326	\$ 11,991,895
2001	\$ 5,263,363	\$12,281,180	\$ 17,544,543
2002	\$ 5,283,493	\$12,328,151	\$ 17,611,644
2003	\$ 5,969,744	\$13,929,401	\$ 19,899,145
2004	\$ 7,897,553	\$18,427,624	\$ 26,325,177
2005	\$ 8,479,608	\$19,785,753	\$ 28,265,361
2006	\$ 8,023,038	\$18,720,423	\$ 26,743,461
		<b>TOTAL</b>	<b>\$ 148,381,226</b>
<b>2007</b>			<b>\$28,000,000 (estimated)</b>

*You share your business with us—  
we'll share our profits with you!*

## Interest Rates Have Been Dropping

By John Mylin

Lower interest rates may be good news or bad news depending on your circumstances. If you have money borrowed, lower interest rates are certainly good news. If you have money earning interest, lower rates may not be good news. I suspect the majority of those who read this newsletter, consider lower rates to be good news.

Between June 2003 and June 2004 prime rate was 4.00%. You have to look all the way back to 1958 to find prime rate as low as 4.00%. Beginning in July 2004 prime rate began to increase by ¼% each month, reaching 8.25% by July 2006 and holding at this level until August 2007. In the short period between September 2007 and January 2008 prime rates have dropped significantly from 8.25% to 6.25%.

If you have a credit line or loan tied to prime, you have seen your rate drop by 2.00% in four months. Fixed rates for mortgages have also decreased, but not as much as prime.

**The Big Question:** “Will rates continue to drop during the coming year? And how far down with they go?”

**Answer:** I’ll be honest – I simply don’t know. There are many experts with opinions. Some believe rates will remain steady until it can be determined how much positive impact the recent 2.00% drop will have on the economy. Others believe the difficulties homeowners are having with mortgages and slow business activity in the general economy will result in further decreases in interest rates. No one, despite how confident they sound knows for certain what interest rates will do. We’re just going to have to wait and see.

**What to do:** If you have a fixed rate that began in 2003 or 2004 when rates were low, you probably have a good rate which may not be able to be improved. If you locked in when rates were higher there is a good possibility that you may be able to relock at a lower rate now. Most of our loans do not have a prepayment penalty which helps when penciling out the benefit of relocking a rate when rate are lower. If you think your rate seems high now that rates have dropped, please call, there is the likelihood you can do better.

## 2008 Stockholder Meeting Scheduled

Plan to join your fellow stockholders for an evening of good food and hospitality! This year’s meeting at Yoder’s Restaurant in New Holland will be held on April 8.

Watch your mail for your official packet of information. It will arrive in your mailbox around mid-March. The packet will include an RSVP card—which you should fill out if you are certain you will be attending. We want to be sure to have enough seats and food for everyone.

Bob Frazee, President/CEO of MAFC will update you on the latest news about the association and guest speaker Jack McCall will offer some unique humor as he brings memories to life.

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## Coffee

A group of alumni, highly established in their careers, got together to visit their old college professor. Conversation soon turned to complaints about stress in work and life. Offering his guests coffee, the professor went to the kitchen and returned with a large pot of coffee and an assortment of cups—porcelain, plastic, glass, crystal, some plain looking, some expensive, some exquisite—telling them to help themselves to the coffee.

When all the students had a cup of coffee in hand, the professor said: “If you noticed all the nice looking expensive cups were taken up, leaving behind the plain and cheap ones. While it is but normal for you to want only the best for yourselves, that is the source of your problems and stress. Be assured that the cup itself adds no quality to the coffee in most cases—just more expensive and in some cases even hides what we drink. What all of you really wanted was coffee not the cup, but you consciously went for the best cups...and then began eyeing each other’s cups.

Now consider this: Life is the coffee. And the jobs, money, possessions, and position in society are the cups. They are just tools to hold and contain life. The type of cup we have does not define nor change the quality of life we live. Sometimes by concentrating only on the cup—we fail to enjoy the coffee God has provided us.”

*Unknown Author*



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**Suggestions?  
Ideas for articles?**

*Give us a call!*

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***Country Wit & Wisdom***

*Children may close their ears to advice, but they  
open their eyes to example.*

*The average time between tossing something away  
and needing it is two weeks.*

*He who bites his tongue doesn't have to swallow  
his foot nearly as often.*

*Blessed are those who give without remembering  
and receive without forgetting.*