



Business

PRINCIPLES FROM THE DAIRY FARM (PART 1)

by James Landis

"Know well the condition of your flocks, and pay attention to your herds."

— Proverbs 27:23

Write Legibly

The twelve principles I discuss here use illustrations from the dairy farm, but they apply to many other businesses as well. One of the first principles is that a businessman must know the cost of producing his basic unit of production. Arriving at that one important figure requires that he bring together all the records related to his business.

In dairying the unit of production used is almost always 100 lbs (cwt.) of milk. So how much does it cost you to produce 100 lbs. of milk on your farm? If you don't know, you should stop eating until you find out. Every dairy businessman owes it to himself, his family, and his associates to know this number. Get help if necessary, but don't put it off. Find that number.

Shoot at the Closest Target

Focus on what it costs you to produce 100 lbs. of milk and not on the payout price you receive for your milk. The logic is simple—you can do something about your costs, but you can do very little about your payout price. Focusing on your payout price is like trying to hit a target 400 yards away with a .22 caliber rifle. It is almost an exercise in futility. Focus instead on the target set 40 yards away—the target of cost/cwt.

Don't Throw Away the Key

Some farmers have a tendency of throwing the records in a drawer and ignoring them until tax time or until they want to apply for a loan. Ignoring the

figures or working with stale numbers is like forgetting where you hid the key to your house. Reliable records and accurate figures allow the farmer to "get inside" his business. He should spend at least as much time studying the records each month as it takes him to milk twice-a-day.

Learn to Share

Share the records. For many years I filled out a monthly cash-flow statement for our dairy and sent it to my father. This practice kept my father interested in the farm, and several times he offered help in very constructive ways.

Records should be shared (I did not say published) with others —mentors, parents, team members, bankers, counselors, partners—on a monthly basis. Sharing records on a regular basis assures that the records will be kept up to date. The end of the year and tax time will not come as a crisis experience.

"Sharing records gives others confidence that the operator knows what he is doing."

Sharing records gives others confidence that the operator knows what he is doing. If signs of trouble appear, those who have the facts may have suggestions for improvement. Or if they have complete confidence in what they see, they will be more inclined to weather the storm with him.

I once helped a farmer get his re-

ords in shape to where I knew the facts. He held nothing back. The same farmer had church troubles. I visited one of his fellow parishioners and listened to quite a few charges about the ethical implications of the farmer's financial condition. Because the farmer had opened his records to me, I did not hesitate to tell the accuser, "I know the facts, and what you are telling me is not true."

Distinguish Between Two Key Aspects of Your Business

When doing cost/cwt. studies, we find it useful to divide cost/cwt figures into two classes—Operating Cost/Cwt. and Capital Use Cost/Cwt. Think of your farm as two separate businesses.

The one business owns everything. All expenses associated with ownership (taxes, interest, principal) are paid by that company. The Ownership Company pays all capital-use costs.

The other company operates the dairy from day to day and pays all the operating expenses (feed, utilities, repairs, maintenance, labor). This is the Operating Company.

Keep Gas in the Tank

It is the responsibility of the Operating Company to keep gas in the tank of the business. This company must operate in the black. In a healthy business, the excess of income will be paid out as rentals to the Ownership Company.

Seldom, if ever, should the Operating Company borrow any money to operate on. Borrowing money or leaving accounts unpaid in order to operate this company

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OPEN HANDS FUND UPDATE

In August, we conducted a formal review of the Open Hands project in Haiti, to evaluate the first year of the program's operation and to lay plans for the future. Several members of the committee spent 4 days in Cadiac, along with a team from Hope International, the organization that provides our curriculum and program structure.

Initially, we provided a pool of donated funds from which to make loans in Haiti, which continues to produce a repayment rate of around 97%. Later, we decided to move away from the idea of providing additional outside funds. Instead, we began creating local savings groups, in which the Haitian participants must be accountable to each other, save their own funds, and make loans to each other out of their own resources. We provide a structure, curriculum, and teaching, but the local people chose their own group leaders, bring their own funds to the groups, and control the funds. This approach has produced strong results. After visiting several groups, it is evident that these people are thriving on the challenge of taking responsibility and enjoying the satisfaction of changing their own lives without a hand-out or outside control.

The typical savings group meeting includes an opening song and prayer, review of group-approved rules, sharing time, a devotional and business lesson, pub-

lic recording of individual savings and loans payments, and group discussion of any loans being considered.

We were encouraged by what our team learned and by the opportunities that exist for expanding the work. The program is exceeding expectations, with 2 Haitian facilitators running 13 savings groups with 288 members. A third facilitator was hired while we were there, and, LORD willing, we hope to double the size of the program in the next



Savings rroups elect their own leaders

year, with the facilitators moving from part-time to full-time status. Our current 13 groups are all in the Cadiac region, but the new plan calls for expanding the work into the mission communities of Mesote, LaColline, and Miragoane.

In October, we conducted a feasibility study in Hyderabad region of India to examine options for beginning an Open Hands project there. Cold Springs Mennonite Church (SC) has an established mission work in that area. There are great opportunities to work among the "untouchables" at the bottom of the caste system.

Expanding the work in Haiti and into India does depend on the availability of funds to pay the curriculum, facilitators, program structure, and other expenses. If you are interested in helping, your tax-deductible contribution would be appreciated. May your check payable to "Anabaptist Foundation" and be sure to write "Open Hands Fund" on the memo line of the check.



All savings group records are publicly recorded

CLIENT PROFILES

"People taking responsibility for themselves . . . not looking for handouts."

Madame Duvalcy is a single lady who provides a home for 4 of her nieces and nephews. She operates a roadside stand selling bread



Madame Duvalcy

and joined a savings group not only to have a safe place to save money, but also for the fellowship. Her goal is to save enough money to buy a sewing machine, which she wants to give to her oldest niece so the girl can learn a trade and be able to earn her own living.



Roland and family

Roland is one of the ministers at the Cadiac church, and operates a small store. He has earned a reputation as a solid businessman, keep-

ing careful records, buying inventory in bulk, and reinvesting his profits. Roland saves money regularly, and joined a savings group because he wanted an avenue for putting his savings to work in building up his local church community. Together, his savings group has accumulated almost \$10,000.00 (U.S.) in their own savings pool, and they are working out policies for beginning to make business loans to group members.

Madame Yves-Rene wants an education for her two children and for the niece that lives with her. She joined the savings group "Christ Only Hope" and began saving \$1.25 (U.S.) weekly. When she received her savings payout,



she purchased a piglet for about \$31.00. She plans to raise the pig, get it bred, and, eventually, sell piglets. The proceeds will be used to support her family's goals.

Madame Yves-Rene and family

For more information on the Open Hands Fund or any of the other services of Anabaptist Foundation, contact Richie Lauer at (800-653-9817, ext. 709, or richielauer@afweb.org)

Meet OUR BOARD MEMBERS

This column features interviews with two of our board members responding to questions about work, hobbies, and goals, giving you an opportunity to connect with and learn about them on a personal level. Subsequent issues will feature additional members of the board.

David G. Martin

David lives in Richland, Pennsylvania, with his wife, Erma. They attend Rehrersburg Mennonite church, at which David is a deacon, and have five children, four of which are married, and eight grandchildren. David is part-owner of Dutch-Way Farm Markets.

What responsibilities and roles do you fill in your current job?

I've been involved in the retail business most of my life—grocery stores and hardware. We have several full-line supermarkets, with a restaurant. At this stage I'm semi-retired and help out mostly on a consulting basis. Presently, I also do some farming with the help of my sons and grandchildren.

What are your family's hobbies?

We like to do some camping and spend time in the mountains at a cabin as a family. My wife and I have done a good bit of traveling over the years. We have visited foreign missions, especially Mennonite Air Missions in Guatemala, where two of our sons' families served.

Other than AF, what other efforts are you and your family involved in?

I am on the board of Ebenezer Mennonite Bible School, and I enjoy working with the young people there as they make important decisions in their lives. I am also on the board of Christian Light Publications, located in Harrisonburg, Virginia. Another thing we are involved with is our mission church in Allentown—an inter-city mission that holds Sunday morning services, and weekly Bible studies for children and adults.

AF is involved in a lot of things (Foundation, investment and loans program, seminars, business advising). Which of these programs or activities matters the most to you?

I would say that they are all important to me and serve different purposes—the Foundation serves non-profit organizations and churches and fills that need, and the Financial side helps re-enforce many of our core values by keeping money within the brotherhood and helping people in the brotherhood meet their financial needs.

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John D. Stoltzfus

John is a member of the Amish church. He and his wife, Edna, have five children. He is the president of Groffdale Walls, located at 112 Peters Road in New Holland, Pennsylvania.

What responsibilities and roles do you fill in your current job?

My responsibilities here involve estimating, managing scheduling, and dispatching employees. Our work involves poured concrete walls—we don't do any flat work.

My dad started the business and I joined the business at the beginning. I was eighteen at the time. We have been in business for thirty-one years and have thirty-five employees.

Other than AF, what other efforts are you and your family involved in?

I have been involved with the Haiti auction for about five years, and also with CAM's canning program. Last year the Haiti auction raised over \$700,000, which is passed on to twelve different organizations who utilize the money in their work. I am involved with the Pennsylvania sale, which is one of six or seven held throughout the county. Other sale locations include Illinois, Florida, Kentucky, New York, Ohio, and Indiana. We don't administrate the sales in other states but we do provide support.

How long have you been involved at AF and what would you see to be the important changes happening along the way?

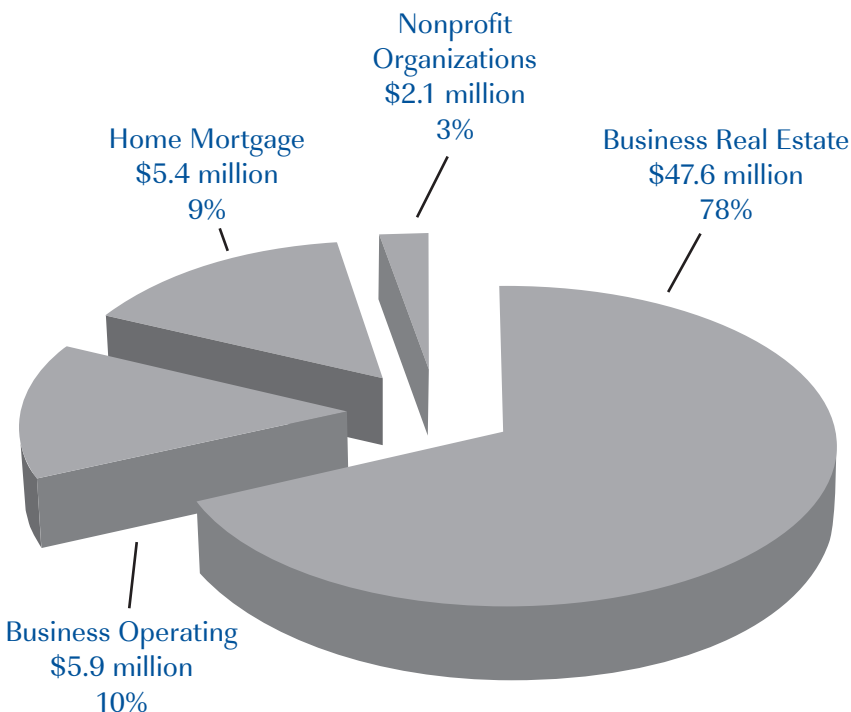
I've been on the board for a year and a half. One important development that is only in the dreaming stage is the possibility of a fixed rate option for borrowers. A wide variety of our borrowers could benefit from the possibility of a fixed rate, whether it be an individual taking out a home mortgage, or a businessman with a commercial loan. The lack of a fixed rate option drives some borrowers away.

AF is involved in a lot of things (Foundation, investment and loans program, seminars, business advising). Which of these programs or activities matters the most to you?

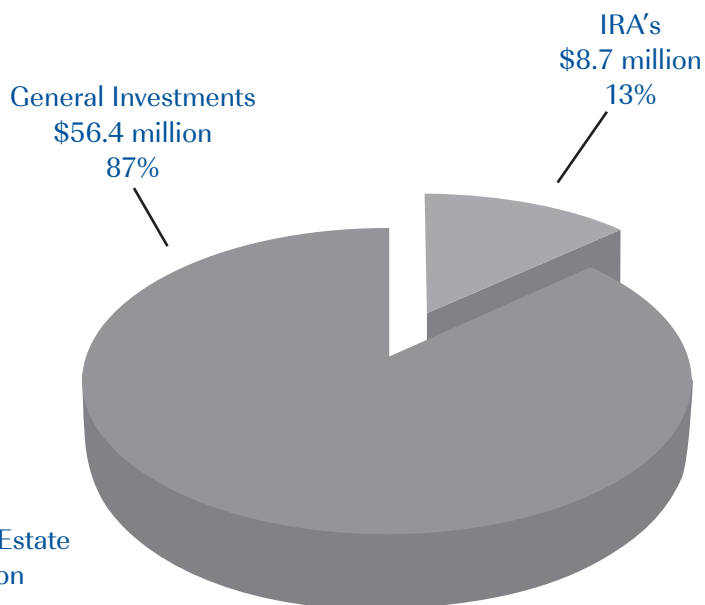
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Investment Accounts: 1,085
 Loan Accounts: 320
 Average growth per month in 2010: \$1.75 million
 AF Personnel:
 41-Member Advisory Board
 9-Member Board of Directors
 4 Officers
 5 Employees (full + part time)

Loans Chart



Assets Managed Chart



Anabaptist Financial Expands its Investment Opportunities into Maryland

For the first five years of its existence, Anabaptist Financial could only receive investments from Pennsylvania residents. Recently, we achieved operating authority to receive investments from Maryland residents. If you are Maryland resident and wish to invest funds at Anabaptist Financial, we can receive investments from you. Call the office at 1-800-653-9817 and request an investment packet.

David G. Martin, cont'd from page 4 »

I'm involved mostly in the Business Advising. I'm an advisor for AF, so I'm involved more with that than some of the other programs. It's a challenge to help some of the individuals that ask for advice and give them proper advice, and a lot of times we're working with some that are troubled. We get into all kinds of situations. There are some that have had real positive results, and we want to do what we can to create that. With the way the economy has been the last number of years, we have seen an increased need for advising, and the economic climate has been a challenge for our businessmen. We also work with businesses that just want some advice and input on how to adapt to the changing economic climate. Ω

John D. Stoltzfus, cont'd from page 4 »

The investment and loan program is my big push; however, I also like the seminars. That relates to my concern as well, which is investment growth. If we get up to a one hundred million or more in investments, how do we control it if a lot of people would want their money out at once? That would really raise some challenges for us. I think that having some 3-5 year investment term lengths would help stabilize our growth by lessening the risk of people pulling their funds out all at once, and that our growth should be steady so that we know we are maintaining the safety margins we need. Ω

signals that the operation is going in the hole. The car is running out of gas.

Never Eat Rotten Meat

If the Operating Company cannot pay all its expenses out of its cash flow, no amount of capital added to the operation will make it a viable business. An immediate change resulting in positive cash flow must be made. If the hemorrhaging cannot be stanchied, the operation is doomed. The longer the dairy operates the more money it loses. It is time to sell the cows.

Feed the Fat Cat

Now let's talk about the Ownership Company. What is the capital-use cost/cwt. of milk produced on that farm? In other words, what is the return to the owner of the assets? This is really two related questions. Does the operation have enough capital to operate efficiently, and/or is capital badly invested in inefficient buildings or non-productive machinery?

Separating out the Ownership Company's capital-use costs gives us a chance to examine these questions. Too often operators are in a big hurry to become owners. They should start out slowly with only small doses of borrowed money while they accumulate capital, and more importantly, experience.

Watch for Smoke Signals

I have been involved in more than one case where there has been financial trouble, and it's not hard to smell smoke before we even get close to finding the real cost of production/cwt.

One sign is an indifferent attitude toward records. In one case, I had previously discussed the kind of records we needed and set up an appointment well ahead of my arrival. After a tour of the dairy and a discussion of a wondrous feed supplement, we finally made it to the house. "Mom," the farmer called out, "where's the checkbook?" Need I say more?

Another sign of financial trouble is

when the farmer states that "all records are confidential" and asks me to promise that I will not share his figures with anyone.

Grow Your Mind

Farmers who are willing to learn from others and test other dairymen's practices can prosper while those around them are going broke. I know of one conventional longtime-dairyman with free-stalls who felt sure grazing would not work. "A neighbor down the road tried grazing and they heard the cows bawling clear up at our farm." Why did it not work? The farmer did not investigate.

Another dairyman made fun of the practices of a neighboring grazer. The object of the dairyman's ridicule later told me, "I have enough in my checking account to pay off the \$50,000 feed bill he's behind on."

What I'm getting at is that every dairyman should be open to improving his business and lowering his costs. Operating costs are determined in the operator's head, not by the climate, or the barn, or the machinery. Working in the same locale, dairymen will have widely differing operating costs.

There is no single magic practice that will assure a low cost/cwt. But one thing I have observed is that the most successful dairymen are usually the most ready to learn from others. They then adapt good ideas to their own operations.

The caveat here is that some innovative dairymen adopt many practices that do not lower their cost/cwt. As was said of one such struggling dairyman, "He never saw a new idea he didn't like."

Fly the Plane

While in instrument flight training, my flight instructor purposely had the tower give me a bad command. Then he scolded me for trying to follow the order. "You are flying the airplane," he said. "You are the one who will crash, not the tower."

So it is with your dairy. You are the pilot in command. Blaming others if you wreck the plane will do no good. Are

you running your farm, or are regulators and salesmen and bankers and neighbors and professors really running your dairy? Are you willing to accept full responsibility for the success or failure of your operation?

If you fail to make a profit is it because of low milk prices, high feed prices, drought, a neighbor suing you, Johnnes disease, or is it your fault? Or don't you have a clue?

Efficiency and God's blessing enable you to make a profit. Griping and looking expectantly to the government for a handout or for regulations that force others to pay a higher price for your product, does not. Profit is your reward. Profit enables you to live, and to be generous in your dealings, and to lower the cost of living for those who consume your product.

Make your dairy an efficient and pleasing place of plenty that rewards you with a profit. Design it that way. Plan it that way.

Live by the Book

What a marvelous business to be in! Every day should be a work in sync with God and his wonderful creation. What a great opportunity to work closely with living things and to nurture life under your care.

Do you enjoy your way of life and revel in the opportunity you have to be a steward of God's handiwork? Your attitude toward life and those around you will show in your farm -- how you care for your land, buildings, and livestock; how you get along with your neighbors; and whether or not you make a profit.

Always remember that the farm is the means to an end, not the end in itself. If the farm demands all your time and consumes your family, you must change something, or get shut of it. You must keep clearly focused on the eternal purpose of the business—pleasing God.

Staying focused on why you are in this business is the soundest business principle of all. Everything you do should be affected by this one thing.

Live by *the Book!* Ω

CONSERVATIVE ANABAPTIST NONPROFIT ORGANIZATIONS

March 25, 2011

Anabaptist Foundation and Faith Builders Educational Programs are co-sponsoring a seminar for conservative Anabaptist nonprofit organizations, to be held on the Faith Builders campus in Guys Mills, Pennsylvania. Administrators, board members, and long-term staff are encouraged to attend for education and fellowship. The day will include main sessions, workshops, and interest group roundtable discussions.

Main Sessions:

Vision in Anabaptist Ministries.....	Merle Burkholder (Anabaptist Foundation)
Vision in Action	Testimonies*
Compliance and Accountability	Mark Payne, CPA
Trends in Voluntary Service Thought and Practice.....	Panelists**
Leading as a Team Member.....	Daniel Beachy (Life Ministries)

Workshops:

The IRS Form 990.....	Mark Payne
Creating Sustainability in Service	Bob Miller (Missions Training Center)
How to Clarify Mission, Vision, and Values	Merle Burkholder
An Effective Board of Directors—Financial Statements.....	Richard Shank (Anabaptist Financial)

**Vision in Action* Testimonials from:

Ken Nisly (Hillcrest Home), Allen Roth (DestiNATIONS International), and Brian Martin (Bald Eagle Boys Camp)

***Trends in V.S. Thought and Practice* Panelists include:

Amos Esh (North Youth Programs), Eldon Hochstetler (Mountain View Nursing Home), Melvin Glick (Mission Interest Committee), Ray Stutzman (Amish Mennonite Aid)

For registration information, please contact Faith Builders Educational Programs at (814) 789-4518

Business ADVISING by Richard Shank

Don't Stop Here

The following story is a composite of several situations. Names, locations, and other facts have been changed to illustrate and simplify the case.

“Why not?” I asked my wife. We were traveling in an unfamiliar area, and it was time to stop for dinner. She replied, “The restaurant windows are dirty, and the shrubbery hasn’t been trimmed for a long time.” “So why is that a factor when I’m hungry and all we want is to eat dinner,” I replied.

I received one of those looks which husbands quickly learn mean, “If you don’t understand, it really isn’t worth my time

to explain.” She evidently had experience that if a restaurant is careless about the outside appearance, it was quite probable that the kitchen would have difficulty passing a health inspection, and the rest rooms could possibly qualify for Federal disaster aid.

So while we drove on to find a place that she could approve, I was busily engaged in thinking about some of the businesses I’ve been invited to visit. Most owners share their financial statements with me in an effort to ferret out problems and to find possible solutions. But the realization struck me that I often knew approximately what the records would show before I received them. I instinctively knew as I drove up to the front of a business.

Perhaps it was because I was using the same “sonar” my wife used in selecting a place to eat.

But it’s doubtful if owners care about my sonar. However, perhaps they should—if the public has a negative opinion about a business by the things they observe, many potential customers may be lost before they step inside. Not only is a sale aborted, but the expensive advertising dollars which brought the prospective customer to the dealer’s location may also be wasted.

What are those signals which effectively tell prospective customers “Don’t stop here?” Let’s take a tour to learn what others may think.

We’ll start with the vehicles lettered

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with your name. If they are dirty, rusty, have crumpled fenders, or lost wheel covers, the subconscious message you send is that if you treat your vehicles or equipment in that manner, the items owned by the public and placed into your care for repair will be treated worse.

Have you displayed any posters or signs, either inside or outside, which are faded, dirty, or broken? A fast-food restaurant in my community has a framed poster that must have been hung when the business opened a dozen years ago. The pictured hamburger which originally appeared luscious now is a disgusting blue color, because the red ink part of the printing has faded away. Yuk. Their lauded chicken probably tastes the same.

Speaking of signs, do you allow posters in your windows advertising local community events? It's not unusual for me to see that the event date occurred two months

ago, but the poster is still in the window. The business owner wouldn't have done any more harm to himself if he had stood on the curb screaming "I don't pay any attention to details. I don't care about doing things correctly." Oh, so you disagree? Sorry, but you won't have the opportunity to tell me, because I will probably take my business elsewhere where I know they will handle all details carefully.

I visited a national auto parts store some time ago to buy some cleaner. Everything I observed was neat, clean, and orderly. It gave me great confidence to buy from them because I felt that I would receive the correct item even if I tried to describe to them a 'thingamajig'. But one time I visited Bill's place. The floor was greasy and grimy. Parts boxes had obviously been handled by those with oil on their hands. I needed to walk 'sideways' through the aisles, afraid that if my clothes touched anything they would be spotted

with grime. But I know Bill is a busy man. That's because I can see he didn't have time to shave this morning, and probably not yesterday either. The water pressure at his home was evidently too low to get enough water to wash his hands. Which probably also explains why his shirt looked like a used shop towel.

The sad thing is that possibly none of these owners knew the things they were telling customers. So why don't you take fifteen minutes right now to look with enlightened eyes at your business, inside and out, to see what others see? And don't even think of complaining about how tough sales are these days if your business doesn't deserve an "A" for its appearance. Ω

For more information on the services Business Advising has to offer, contact Richard Shank:

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Email: rshank@afo.net

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