

Make assets work harder

Selling an old combine, leasing a new one, and trucking for local co-ops is helping this young producer grow his net worth

By Cheryl Tevis
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Mike Patten breathed a sigh of relief this fall when the combine arrived. Patten and his dad had sold their 1999 combine after hours of careful homework converged with an improved used machinery market. They're leasing a 2005 combine with 200 hours from Machinery Link.

"I was able to get into a new combine for not much more than the payments on our old one," Patten says. "I was just a little worried if we'd get it in time."

Patten, 29, rented land in 1999 and began farming with his dad, Richard. He cash-rents 600 acres and shares equipment and labor with his dad, who farms 2,000 acres near Redfield, Iowa.

"I'm trying to build my net worth," he says. "Machinery Link is a good fit. I don't have to store the combine or repair it. I only insure it for the time we use it. I like knowing our annual expenses for the next three years."

The Pattens have worked with Moe Russell of Russell Consulting Group, Panora, Iowa, for the past four years.

"There's no way around it – a combine is a costly necessity," Russell says. "If you farm 800 to 2,500 acres, leasing may be more cost effective. It also reduces equity risk. If you've borrowed money for combine payments, the resale value may drop before you trade."

The Pattens' equipment cost per acre is \$40. "We have older equipment," Patten says. "Dad's able to keep it going, so it doesn't cost us anything."

Making semi pay for itself

Patten is beginning to reap the rewards of building his financial skills from the ground up. "By making changes in bookkeeping, I know the costs per acre per field," he says.

He believes the changes that he's made by forward-pricing grain will



Photograph: Doug Smith

Mike Patten farms near Redfield, Iowa, with his dad, Richard. He's building net worth by leasing a combine and using his semitrailer truck to haul for the co-op.

help him afford to update equipment.

"Mike's like a sponge. He's absorbing everything – from spreadsheets to return on assets," Russell says.

Patten bought a semitrailer truck in 2002 so he could haul grain farther to expand their marketing options. "The basis between different co-ops can be as much as 20¢ to 30¢," he says. He plants non GMO beans and delivers them 60 miles for a premium.

A commercial trucking license enables him to haul for the local co-ops.

"My plan is to make enough to pay for the insurance and maintenance on the semi and to keep myself busy during the winter," he says. "It makes my semi more valuable."

Patten would like to take on another 500 to 1,000 acres. Tracking costs, cutting high-dollar/low-return assets, and making assets pay for themselves are a good start toward that goal.

"We look at return on assets to see what needs improving," he says. "It helps us sleep better at night." **SF**