

Maintaining Margins While Growing Your Farm Business



Teamwork !!!



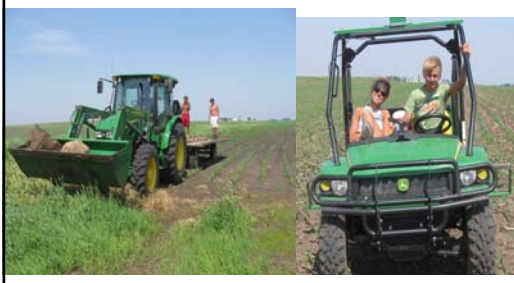
Teamwork!!!



Teamwork!!!



Teamwork !!!



A New Business Model ???

**Multi Generational Growth Model**  
**A Margin Management Solution!**

- People
- Cooperation
- Professionalism
- Efficiency
- Analysis with Solutions
- Profitability
- Quality of Life

*The Seed of Opportunities*



## Outline

- Why Collaborate?
- The Model
- The Benefits
- The Process
- Discussion



## Your Choice ?

### Cooperation



### Competition



## Opportunities for Collaboration

- Average age of the producer is 65 PLUS.
- Technology is surpassing many.
- Demand (Ethanol, China, Exports, Food, & Feed)
- Limited Land Availability (Decreasing Resource)
- Market Volatility (Exports, Dollar, Oil, funds)
- Limited Capital within individual farms
- Efficiency of Scale
- Less Government Support
- Synergy-(Can't be good at everything)
- Disability Insurance Or "Production Assurance"

## First Define our Guiding Principles?

- Integrity
- Character
- Honest
- Fair
- Genuine
- Respectful
- Open Minded
- Positive Attitude



## What, How, & Why

### Questions to consider!

1. How can we achieve efficiencies of scale?
2. What Bottlenecks do we have in the operation ?
3. What core "Competency" do we have that could benefit others ?
4. How can we afford to update Equipment ?
5. How can we find "Quality" Land & LABOR?
6. Why?..... To be more **Profitable**
7. Why?.....To improve **Quality of Life**

## Understanding .... Why?

- What is our Mission?  
*What you want.*
- What are the goals?  
*What steps are needed.*
- What are the Objectives?  
*How we do it.*



## Where are we going? **Goals !!!**

- Maximize **Efficiency** of all Operations
- Improve **Communication** skills.
- Improve **Professionalism**.
- Maximize **Profitability**.
- Improve **"Quality of Life"**



## "Identify Goals for Growth."

- Focus on "Why" "Solid Principles"
- What and How many people?
- Acres Focused or Profit Focused?
- What amount & Equipment type?
- Include an exit strategy for everything.
- What type of partners ?
  1. Capital ..... active vs. passive
  2. Labor..... active vs. passive

## Business Model Goals

- |                                       |      |                           |
|---------------------------------------|------|---------------------------|
| □ <b>Margin Management</b>            | -vs. | - <b>Highest Prices</b>   |
| □ <b>Know your cost of production</b> |      | - Per/ac & Per/bu.        |
| □ <b>Marketing Optimization</b>       |      | - Advisors, Partners      |
| □ <b>Agronomics Optimization</b>      |      | - Suppliers Relationships |
| □ <b>Information Management</b>       |      | - Analysis & Actions      |
| □ <b>Crop Insurance "Plus"</b>        |      | - Risk Mgt. Plan          |
| □ <b>Future Planning</b>              |      | - Improvements & Actions  |

## Define what Growth means to You.

Thinking in terms of "**Profit Margins**" instead of "**Acre accumulation**"

**Entrepreneurial** (Think out of the Box!)

- People**
- Relationships**
- Education**
- Technology**
- Efficiency**



## Develop your definition of Growth

1. **People**
2. **Partnerships**
3. **Price Protection**
4. **Productivity**
5. **Profitability**



## "Type of people to work with!"

- Great Personality & Character.
- Same Farming Practices.
- Team Player.
- Good Listener.
- Fill a Bottleneck.
- Younger or older "Average Group age ??"
- They come to you.



## Wisdom vs. Youth..... Example



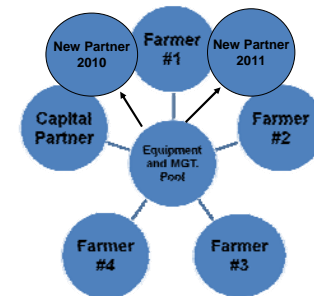
## Review: Collaboration Model

### Most Important aspects for Success #1 People

Trust, Loyalty, Personalities that Jell  
Chemistry, Friendships, History  
Common Goals, Shared Vision

*“One Operation ATTITUDE”*

## Business Model



## Levels of Collaboration

### #1 Marketing (Combine Bushels sold)

### #2 Management / Purchasing

### #3 (Equipment Pool)

Tax Opportunities

### #4 Total Management Consolidation

### #5 Land “Share or Rent Options”



## Marketing Meetings Example

- Old crop corn & Soybeans  
Old Inventory, Current Basis  
Percent sold by Individual  
Ideas for more sales “Options, Futures”  
Charts
- New crop corn & Soybeans  
Same as above  
Cost of production, yield, & price  
spread between corn vs. soybeans.

## Meeting Benefits

1. Relationship Building
2. Thinking as a group “Out of the Box”
3. Combine Experience with Basics  
Cost of production / Maximize Pricing  
Risk Management / Profit Management
4. Development of short term plans to meet your long term goals.
5. Accountability, Documentation, Creativity
6. Networking ideas “Texting our Sales”

## Agronomic Advantages \$\$\$\$

- Access to Limited New Products and Information  
Supplier Loyalty Seed, Herbicides, Fertilizer, Equipment
- In house agronomist - Analysis & Actions = Solutions
- Best equipment options "Precision"
- Timing of Operations & Technology  
Equipment Sized to fit overall operations

### Attention to Details



## Agronomic Advantages

- |                               |                         |
|-------------------------------|-------------------------|
| □ Plus 10 / Bu. Corn          | □ Plus 4 / Bu. Soybeans |
| □ Price @ \$ 5.50             | □ Price @ \$ 13.75      |
| □ Per / Acre \$ 55            | □ Per / Acre \$ 55      |
| □ <b>1000 Farm Corn / Soy</b> |                         |
| □ 500 Acres Corn              | □ 500 Acres Soybeans    |
| □ \$27,500 Increase !         | □ \$ 27,500 Increase !  |

Total Per acre increase: \$55

**Total Income Benefit \$ 55,000**

## Benefit Values on 1000 ac. Farm

- |                            |                             |
|----------------------------|-----------------------------|
| □ \$.25 / Bu. Market Corn  | □ Seed \$ 70,000            |
| □ \$.05 / Bu. Trucking     | □ Chem. \$ 45,000           |
| □ \$.30 / Bu. Corn Total   | □ Fert. \$ 40,000           |
| □ 160 bu./ac * .30 = \$48  | □ NH3 \$ 37,500             |
| □ 500 ac. = \$24,000       | □ Equip. \$ 30,000          |
| □ \$.60 / Bu. Market Soy.  | □ Total \$ 222,500          |
| □ \$.05 / Bu. Trucking     | □ Save 5% = \$11,125        |
| □ \$.65 / Bu. Soy Total    |                             |
| □ 50 bu./ac. *.65= \$32.50 | □ Overall Value Enhancement |
| □ 500 ac. = \$16,250       | \$ 51,375                   |
| □ Total Gain = \$40,250    |                             |

## More Economic savings !!

- Drier Gas
- Interest Rates
- Fuel Savings
- Labor Savings
- Health Care
- Insurance
- Legal and Professional access



## Summary Economic Benefits

- |                        |                     |
|------------------------|---------------------|
| □ Market Improvements  | \$ 40.00            |
| □ Input costs @ 5%     | \$ 11.00            |
| □ Agronomic Value      | \$ 55.00            |
| □ Total.....           | <b>\$ 106,000</b>   |
| □ PER/ ACRE.....       | <b>\$106.00</b>     |
| □ Quality of Life..... | <b>Priceless !!</b> |

## Model Benefits

- Less Stress, More Free time, Quality Labor , Peace of Mind.

**More Profits! \$\$\$ More Power!**

*Less Cost for Inputs.& Taxes*

*Better Decisions, Less Risk*

*Higher Grain Prices.*

**Quality of Life!!**

## What we've learned so far.

- Ask lots of questions
- Put yourselves together in several small purchase decisions before the big ones.
- Hold Regular decision meetings.
- Make everything a team effort.
  - Support each other with positive feedback
  - Written plans are the best plans
  - Share information and results so everyone can travel to the **same Destination.**

## Key Communication Points

- Family
- Employees
- Partners
- Suppliers
- Key Prospective Partners
- FSA Office
- Market Point



## CONSOLIDATION & ALLIANCE NETWORKING



## The Process

## Consolidation vs. Alliances

### ▪ Defining our Terms

**Consolidation** : An application of one or all of the "Five Step Processes" within our existing model of working together as "One Operation"

**Alliances** : Working together on a specific project or task in order to improve Efficiency and Profitability for both parties.

## What's the Strategy?



## Strategy Questions

### □ Develop the Plan

"Where are we going?"

**"How will we get there?"**

"Who will we work with?"

"Identify Strengths."

"Identify Challenges."

"Exit Strategy Considerations."

## Contingency Plans?



## Exit Strategy or Contingency Plans??



## How will we get there?

### Understanding "The Process"

Identify the Operational Responsibilities and who will be in charge of each specific area.

### Talk About it.....

Who wants to do what?  
Do what your good at.

Let someone else do the other stuff.



## How will we get there?

### List of Responsibilities:

1. General Manager
2. Information Management
3. Communications Director
4. Marketing
5. Agronomy
6. Technology
7. Future Planning
8. Equip. Mgmt.



## How will we get there?

### General Manager

1. Chart the course of operations.
2. Communicate to everyone daily.
3. General understanding of every alliance.
4. Structure Meetings in needed areas.
5. Understand Financial Situation of each partner.
6. Understand specific Goals of each partner.
7. Responsible for Results!



## How will we get there?

### Information Management

1. Record Marketing Data
2. Record Agronomic information
3. Record Equipment operations
4. Track Financial trends
5. Compare Results to Goals
6. Photographic info.



## Take a Picture!!



2009 June 16th



2008 June 16th



## How will we get there?

### Communications Director

1. Personality Identification of everyone involved.
2. Make sure everyone is always talking within the Group.
3. PR with supplier, Landlords , Partners and Neighbors.
4. Responsible for all Confidentiality Agreements.
5. Meetings Director.
6. Put Assignments in writing.



## Private Discussion Area



## How will we get there?

### Marketing

1. Focus on Fundamental and Technical Market Condition.
2. Daily focus on the market plan vs. reality.
3. Structure regular meeting. Text & e mail out info.
4. Work with outside consultants like "Russell Consulting"
5. Track .....Results vs. Goals "Information Mgmt."

## How will we get there?

### Agronomy

1. Structure overall Improvement plan.
2. Focus on Yield impacts.
3. Set Yield Goals.
4. Fertility planning strategies.
5. Assist in purchasing decisions.
6. Responsible for Results!



## How will we get there?

### Technology

Computers / Office

GPS Equip./ Calibrations

GPS Maps / Reports

Understand the information needed to make solid decisions and be able to **calculate it**.



## How will we get there?

### Future Planning

1. Ask.. "How can we be Better?"
2. Understand outside Operations.
3. Understand the Environment "Internal & External."
4. Creative Ideas ,Communicate , Develop the plan , Implement ideas.
5. Set Written Realistic Goals.
6. Measure the Results.



## How will we get there?

### Equipment Mgmt.

1. Logistics Manager.
2. Expenses / Acre.
3. Understand Future.
4. Research New Options.
5. Set Written Improvement goals.
6. Measure Results.
7. Responsible for Results.



## The Key to our Success

**There is no limit to what a man can do or where he can go if he doesn't mind who gets the credit!!**



## “Identify Strengths.”

- Quality “Management Level” People.
- Written Plans.
- Problem Solving Skills.
- Supplier Relationships.
- Diversification.
- Risk Management Plan.
- Quality Consultants.
- Quality Lenders.



## “Identify Challenges.”

- Time
- Weather
- Government
- Economy
- Markets
- Interest Rates
- The Unknown



## Attitude is Key

“The world gives to those who give  
The world takes from those who take  
It has a perfect accounting system”

**Trust, shared goals and common vision**

## Ask Yourself.....

- Am I content with the current state of my operation?
- Do I have the tools I need for today and the future?
- Do I attract the best people and Suppliers?
- Do I have a transition plan?
- Do I have a Risk Management Plan?
- Do I have time to do everything Right?



Faith & Family  
Marketing  
Crop Mgmt.  
More Education

## Conclusion “ What’s the Mission?”

- Identify your Principles.....“*Cooperation vs. Competition*”
- Be more Professional.....“*Why are we doing this?*”
- Improve Our Margins.....“*Profitability & Efficiency*”
- Be Sustainable.....“*Economic Cycles*”
- Strong Supplier Relationships.....“*Trust & Loyalty*”
- Strong Partnership Relations .....“*Who’s Got your back!*”
- Improve .....“**Quality of Life**”

## Team Work!!!



## How Can We Help

- Multiple years of experience to share.
- Information Structure and Outline.
- Information Mgmt. Tools.
- Lower Expenses , Save Taxes & Increase Profits.
- Quality of Life.

## Tools for Information Mgmt.

- Profit Manager “New Version 4.0”
- Market Tracking
- Agronomic Tracking Worksheet.
- Bottleneck detector.
- Grain Inventory Tracking.
- “Vital Few” & “Goals” Worksheet list.
- Seed Planner / Tracker.
- Herbicide Planner / Tracker.



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