The notion that you need to add value to every acre of commodity grain may have been the rage when prices hovered near loan rate. But just because No. 2 yellow corn is flirting with $4/bu. or more for the next few years doesn’t mean value-added ag is obsolete, says Top Producer of the Year Kip Tom. In fact, the Leesburg, Ind., producer believes that adding extra services to his grain production menu may be his farm’s best offense as ethanol transforms commodity agriculture.

“A lot of farmers recall that grain markets in 1973 were like having one date with Miss America, then suddenly discovering that she was gone. We’re nervous about where land values will be five or six years down the road,” says Kip. “We had figured out how to grow $2.50 corn and add value. Today the game is changed. We will all have to relearn the rules.”

Reinvention is nothing new to Tom, an athletic-looking 51-year-old with only a few flecks of gray and a penchant for technology. Palm pilots, cell phones with cameras, remote irrigation systems, global positioning, autotrack equipment and even a farm Web site all arrived at Tom Farms three to five years before the rest of the ag world caught on.

Turning points. Receptivity to change also means Kip has made a half dozen course corrections during his farming career. After his younger brother was killed in a farm accident, Kip shelved plans for college in 1974 and joined his father, Everett, managing the family farm. By 1977, the two had begun to transform a traditional 700-acre Midwest operation: They were among the first in the state to irrigate the flat, black sandy loam soils of northern Indiana. With drought-proof production, the Toms landed a seed corn contract with Pioneer Hi-Bred International in 1985.

During their 21-year relationship with the company, they offered turnkey seed operations—from detassling, scouting, spraying, rouging and male destruction to harvesting and truck-
Son Kyle Tom (left) admires that his dad is not like other 50-year-olds. “He’s usually the first to bring up new ideas,” Kyle says.

Not only on their own land, but also providing custom services on another 28,000 acres. In addition to delivering raw seed from the field to the production plant, the Toms also transport more than $95 million worth of seed products throughout much of North America.

When Pioneer needed more off-season production in South America but had difficulty matching its specifications, Kip even launched a seed corn operation on 4,000 rented acres in Argentina to serve them. A former exchange student who once lived with the Toms has managed the day-to-day operations since 1997.

“Our farm’s biggest risk is that we don’t grow fast enough, not just in acres, but in sales,” says Kip. “[Retired Virginia Tech economist] Dave Kohl says you need to grow every year because costs grow faster than your ability to control them. I worry about the opportunities that we are missing. Sometimes we are too conservative and don’t take enough risks. In this business, we need to decide and execute quicker.

Logistics, logistics. If so, not everyone may be up for the challenge. Some days during the summer, Kip’s multiple “sidelines” mean that as many as 114 semi loads of production flow through the farm. In the three weeks of peak detassling season, he needs the labor of 280 or more migrant workers who work 12-hour days. “Detassling is so time sensitive, you can’t afford delays,” he says. “There are 32,000 female plants for each of the 4,200 acres we raise, and very little of it can be done with mechanization.” After years of frustration...
trying to recruit enough teenagers from a 50-mile radius to do the work, the Toms made a switch to all Hispanic crews several summers ago.

At times, the complex logistics mean Kip operates with little sleep. He typically wakes between 2 a.m. and 3 a.m., dozing lightly and going over the day’s plans. By the time his sons Kyle, 29, and Kris, 26, turn on their farm computers and ready crews for production duties by 5:30 a.m. or 6 a.m., they’ll likely find e-mails their dad composed overnight.

“He challenges us kids every day,” says Kyle.

New ventures. One of the most dramatic course corrections at Tom Farms was a decision to switch alliances from Pioneer to Monsanto and DeKalb products starting in 2007. The move, which had been under family discussion for several years, lets the Toms continue to provide their one-stop shopping for a seed provider, and add additional revenue from two seed dealerships.

“This helps us become a little more vertically integrated and add revenue without adding more land,” explains Kip. With two sons now working their way into the business, as well as three other family members, income was an issue, he says.

Indiana’s evolution from a biofuels nobody into a major producer by 2008 could also offer opportunities in the near future. The Toms are toying with buying an existing grain elevator, or building their own commercial storage facility from scratch, to meet what they think will be the state’s upcoming storage shortage. Like Iowa, some forecasters estimate the state could become corn deficit sometime between 2008 and 2015, a trend bound to reward relationships for growers who align with livestock producers, corn ethanol plants or crushers.

Until last year, Indiana shipped half of its soybeans out of state, largely to the poultry and pork industries in the Southeast U.S. However, the state’s Economic Development Corporation, where Tom serves as a director, helped convince Gov. Mitch Daniels to welcome the biofuels industry, while simultaneously doubling in-state pork production. Now 14 ethanol plants and four biodiesel plants are under construction, fulfilling the state’s goal of generating 1 billion gallons of biofuels capacity.

Meanwhile, in-state duck and poultry producers are growing increasingly nervous about available supplies. Indiana ranks third in the U.S. in layer production, but Kip believes their grain procurement has been hampered by lack of contracting. Access to commercial storage would allow the Toms to contract directly with livestock and poultry feeders, guaranteeing them preferred varieties. About half of the farm’s acreage is committed to grain contracts at the moment, but the Toms hope to push that to 100% over the next few years.

The challenge ahead is to figure out how to grow affordably. Just last month Kip bought a small farm next door, probably paying about 18% more than it would have appraised a year ago. He still recalls attending a land auction in the 1980s when a farm that sold for $3,150/acre brought only $1,600 four years later. “That picture flashes through my mind every time I buy land,” he says.

Given that anxiety, farmers need to do a new SWOT analysis, he says, assessing their strengths, weaknesses, opportunities and threats. “We haven’t really factored in what $4 corn, $6,000/acre land, high volatility in grain prices and unpredictable government support will do to our farm operations,” he says.

Squeezing extra money from each acre with service and contracts offers one alternative.