



PHOTO: PENNY'S PORTRAITS

Cover Story / By Marcia Zarley Taylor

In the Driver's Seat

This Kansan steers a multigeneration farm through nonstop expansion

Few family businesses survive a third generation. The Top Producer of 2004, Brian Mitchell, not only dodged the trend, he's managing to excel in ways his elders never imagined.

Growing up, third-generation farmer Brian Mitchell heard his father's warning about family businesses repeated time and again: The operators live shirt sleeve to shirt sleeve, spending frugally. The founder reinvests every profit in the business. The second generation maintains that nest egg, with dividends. The spendthrift third generation squanders the family's wealth, ultimately losing the farm.

"That challenge has always been a driving force for me," the 39-year-old Elkhart, Kan., native recalls. To make sure that he wasn't the last to farm, Brian posted a reminder on his college bulletin board: "There is one world market. Everyone has 24 hours in a day. The rest is ability, imagination and ambition."

Today, Brian occupies the driver's seat of his family's southwestern Kansas farm, steering with the nerves of a Formula One racer and the disci-



Without Brian, dad Kenneth (rear) and grandfather Roy Mitchell (front) claim they would have retired decades ago. The fourth generation—Brian's son, Jordan, and daughter, Audrey—train from the back seat.

pline of a button-down accountant. His performance has earned kudos from his lenders and national honors as the magazine's Top Producer of 2004 for excellence in the business of farming.

Fast track. As general manager of the farm since 1988, Mitchell accelerated a solid 7,000-acre grain operation into a 32,000-acre grain factory with more than 100 circles under irrigation. Much of that growth has been feasible, thanks to Brian's ability to computerize everything from detailed accounting records to telemetry systems for sprinkler irrigation, says one of Brian's lenders, Bob Elder, CEO of the 1st

National Bank of Elkhart.

Without computer automation, monitoring irrigation systems on that scale would have been physically impossible. What's more, "Brian's improved financials allowed the farm to develop a better marketing and cash flow program," Elder notes.

Oftentimes, an expansion of this magnitude would have negative effects on production yields and profits, but that has not been the case with Mitchell Farms. In fact, says John Grunewald II, CEO of Farm Credit of Western Oklahoma, "I'd rank the Mitchells among the most profitable and well-managed operations I've observed in 23 years of lending to large operators in four states."

Survival of fittest. That any crop producer succeeds in this remote corner of the Great Plains isn't necessarily a given. Elkhart, on the border of the Oklahoma Panhandle and a quick drive to Colorado and New Mexico, was the epicenter of the Dust Bowl.

During the 1930s, erosion from dryland farms buried a local cemetery under 7' of topsoil. When the Mitchells purchased the land 50 years later, they unearthed the cemetery and restored several Civil War veterans' graves in the process.

Today irrigation is the lifeblood of crops grown here. But as the Ogallala Aquifer is depleted, corn production costs can soar. The recent 50% to 80% surge in natural gas prices could boost irrigation costs \$35 to \$50/acre.

That makes costs per acre, not yield per acre, a Mitchell mantra. Some irrigated fields may have the potential to produce in excess of 200 bu. corn, but Brian aims for more optimum yields of about 180 bu./acre, and adjusts inputs accordingly. He buys virtually all seed, fertilizer, diesel and chemicals in bulk loads, letting suppliers bid for his business.

"An important economy of scale is that in-house labor eliminates the need for most middlemen," Brian says. Except for aerial spraying, well repair and trucking, the farm's 12 full-time employees perform all cropping functions.

Savings on fertilizer application alone are substantial. For example, with bulk purchases of anhydrous and phosphorus on 8,335 corn acres, Mitchell spent only \$49.69/acre in 2003, versus the \$70.19/acre a local supplier would have charged. That's a savings of \$20.50 an acre. "With what we save on inputs, we can afford to pay cash for a new tractor," he says. "And that's just one example."

The advantages of scale and smart shopping add up. Each year, Brian matches his personal costs of production against K-State's variable cost estimates. Typically he spends \$75 to \$100/acre less than average costs for southwest Kansas operations. In 2002, his variable corn costs averaged 20% below the K-

State benchmark, running around \$1.62/bu. With land costs included, "we could make good money at the current \$2.50 local cash price," he says, but they hope to hit \$2.75 in 2004.

"All costs considered, we can grow corn as cheaply as anybody in Iowa or Illinois. But we have opportunity for more profit because the cattle feeding industry keeps our local prices as much as 25¢ over Chicago," Brian adds. At times, that's a full 50¢ advantage over Nebraska and western Iowa. "Plus cash rents of \$185/acre or more are making farms in the Corn Belt much less cost competitive. I just don't know how they do it."

Legacy. Another Mitchell family value is "if you aren't moving ahead in agriculture, you're falling behind." So it goes without saying that the family's phenomenal growth is no accident. Roy Mitchell, Brian's 92-year-old grandfather, started farming a relative's dryland wheat farm in 1951. When his son, Kenneth, joined the operation in 1964, both shared a passion for land ownership. Even today, the pair rarely miss a local real estate auction. They noticed decades ago that in High Plains farming, large-scale renters came and went, but landowners lasted. Staying low cost

was the key to weathering bad years, and salting away reserves in the good. "We'd rather own one quarter-section than rent 10, because rent never ends," says Kenneth. "Once that quarter is paid for, it will help you buy two more."

As a former CPA with a Big Eight accounting firm, Brian approaches farmland ownership more conservatively than his elders, trying to temper emotions with cold statistics like return on investment and cash flow. However, even he admits that owning the majority of your land base can make sense. ▶



A low-cost irrigator grows corn as cheaply as a Midwesterner. But there's more chance to profit because local prices can run 50¢ over Nebraska.

PHOTO: GREG TOMLINSON

PROFILE: Brian Mitchell, 39
Mitchell Farms
Elkhart, Kan.

FAMILY: Wife, Rosa, a social worker, and children, Jordan, 12, and Audrey, 7. Brian's grandfather, Roy, 92, shows up for work daily and "likes to pull seniority." Dad, Kenneth, 65, remains active as the grain marketer. All generations consult on big-ticket items.

OPERATION: Runs a 32,000-acre corn, wheat and grain sorghum farm, almost half of it irrigated. Unlike most large producers, the Mitchells prefer to own 90% of what they farm, avoiding issues with retired landowners who may be reluctant to invest in excess of \$100,000 per quarter-section for the latest well and sprinkler technologies.

ETHIC: Farming is a business not a lifestyle. Stay low cost to survive the bad years and build reserves in the good. Capitalize on scale by hiring employees who can handle all crop production tasks in house. What you save by eliminating middlemen will pay for new machinery.

DIVERSIFICATION: Spreading risk doesn't mean diversifying into cattle or value-added ag, says Brian. Instead, he convinced the family to build an eightplex, stadium-style movie theater and buy a regional shopping center. That's in addition to remodeling some of the town's derelict buildings and turning them into quality rental units. Those investments help keep a full-time farm crew of 12 busy year-round and improve the quality of life in their community.

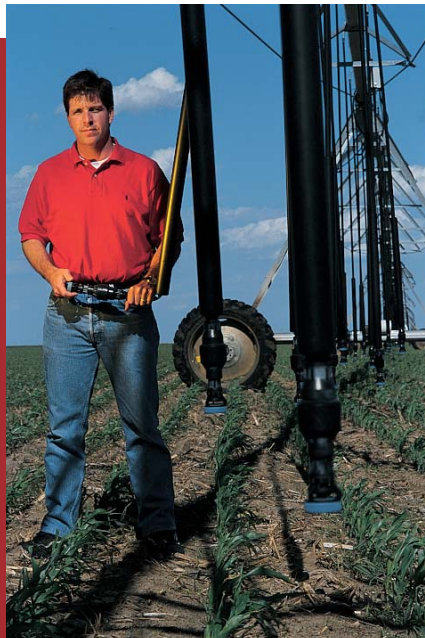
OFF-FARM BACKGROUND: Straight out of college, Brian worked as a CPA for a national accounting firm that audited Fortune 500 companies. "I was completing tax returns for business executives who earned \$300,000 and \$400,000 salaries, and kept noticing that they weren't building any equity," says Brian. "They lived paycheck to paycheck, spending on private school tuition and expensive car loans. It convinced me that upper-end executives don't necessarily have the opportunity we have to build net worth on a farm." He still posts his first business card and photo next to his desk, as a reminder that things off the farm could be much worse than a bad day here.

LABOR: Keep turnover low by treating employees with respect, paying good wages and encouraging them to make decisions that can save money or time, or create value for the farm. Brian and Rosa also welcome workers to their home for events like Christmas and summer fajita parties.



HOBBIES: Brian's dad and grandfather don't play golf and never wintered in Florida or Arizona. Brian works hard, but plays hard: He sometimes sports a pierced earring, and along with the local school superintendent, plays guitar in a rock-and-roll band with Brian's 7th-grade son.

FUTURE OUTLOOK: "The average age of farmers in this area is nearly 61 years. In the next decade, we'll see a lot of land turn over, and you will have the chance to get bigger. The challenge will be trying to maintain your costs while you're growing."



"Many of the landlords in this area are retired, and they can be reluctant to make capital improvements such as low-pressure irrigation or energy-efficient wellheads," Brian notes. New well and irrigation systems can add \$100,000 to every quarter-section. One advantage to the Mitchells owning 90% of their land is that most wells are interlinked, so if one malfunctions, the crop in that section isn't a total loss.

One area where the generations once differed was crop insurance. Brian voted for the income protection of Crop Revenue Coverage; Kenneth and Roy voted to self-insure.

They thought it would take years to earn back the outlay for premiums.

"We dragged our feet, thinking we could afford to lose a crop or two for what CRC costs," says Kenneth. "Fortunately, Brian prevailed. With the crop disasters we've experienced here the last few years, we've more than paid for any premiums. I'm convinced that I wouldn't have lived long enough to earn all the losses back otherwise."

Civic duty. What distinguishes the Mitchell clan from other large producers is their commitment to community. One out of every two farm counties lost population in the 1990s, with some Great Plains communities seeing an exodus as high as 37%. Quality of life remains a hurdle that many small towns can't overcome. But tiny Elkhart (population 2,500) boasts seven doctors. Kenneth serves as a board member for a hospital that's now building an Alzheimer's wing. In the early 1990s, Brian was among the town leaders who recruited the Elkhart Dusters, a semi-pro baseball team, a feat envied by much larger towns back East. More recently, Brian convinced his father and granddad to build a stadium-style eightplex cinema in nearby Guymon, Okla., a venture that draws audiences from a 60-mile radius and generates foot traffic in the community.

"If a town's going to die out here, it's not going to be ours," says Brian. You could just as easily say the Mitchell farm won't die anytime soon either. ■