

One-Stop Shopping

An Indiana farmer caters service along with row crops

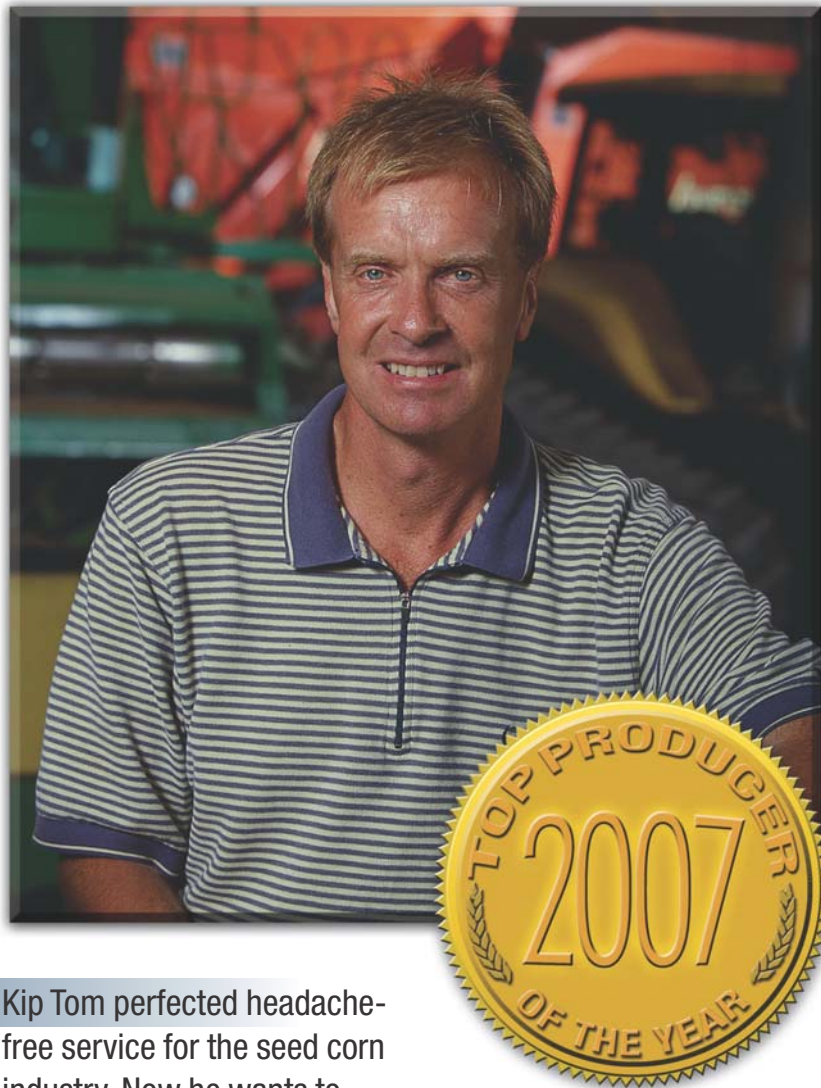


PHOTO: MARY ANN CARTER

Kip Tom perfected headache-free service for the seed corn industry. Now he wants to expand his menu.

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 or more for the next few years doesn't mean value-added ag is obsolete, says Top Produc-

er 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 sudden-

ly 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.

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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 turn-key seed operations—from detassling, scouting, spraying, rouging and male destruction to harvesting and truck-

Web Connection

- See a video of Tom Farms at www.agweb.com/aims/video/top-producer.htm
- Tom Farms www.tomfarms.com



PHOTO: MARY ANN CARTER

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.

ever, the Indiana farm has grown to 12,000 acres and includes sidelines like tomatoes, pickles, 19 full-time trucks and a truck brokerage business. Over the last decade alone, revenues multiplied more than 14-fold. By design, 35% of Tom Farms' total revenues still are derived from ag-related services.

"This bucks advice from consultants about the need for farmers to specialize over the last 10 to 20 years," says Kip. "I think diversification is the new model in agriculture."

ing—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.

Largely through Kip's tutelage, how-

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

PROFILE: Kip Tom, 51
Tom Farms, Leesburg, Ind.

ROOTS: Parents Everett and Marie Tom founded Tom Farms in northern Indiana in 1952. When Kip joined the operation out of high school in 1974, it was a 700-acre cattle and crop operation. By relying on irrigation and specialty contracts in seed corn and vegetables, Tom Farms now encompasses 16,000 acres of crop production on two continents, plus related services like custom agronomics, harvesting and trucking.

FAMILY: Everett still is active in the operation, but Kip, a divorced father of five, works alongside two sons, Kyle and Kris, a daughter Kassie, a son-in-law, Greg Rowland, and a sister, Melissa Gerber.

ON EDUCATION: His lender of 22 years, Joe Kessie, describes Kip as a life-long learner. What he didn't earn in college degrees, he supplements by networking with top farmers and agribusiness



executives, and participating in programs like Texas A&M and Harvard Business School short-courses for mid-career executives.

PHILOSOPHY: Be not only willing to change, but change ahead of the pack. That especially applies to technology, where rewards accrue to the early adopters.

OPERATION: Goals are to convert all acres to contract production in the near future, much like the terms they established as a seed corn producer. This move toward more vertical integration will likely involve purchasing or building commercial storage to supply an ethanol plant or livestock producer. Once complete, Tom Farms will offer services from the seed dealership and sales to production and delivery to the end user.

ON TRAINING YOUTH: For the past 11 years, Tom Farms has offered April-through-November internships to students from a Beatrice, Neb., community college. Kip tries to counsel each student about how they can add more value to each acre of their family's production rather than farming in Dad's footsteps.

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 of-

fer 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. Indi-

ana 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. ■

Grain shortages may reward those growers who align with end users

ON SOUTH AMERICA: Kip is proud that Tom Farms withstood Argentina's currency collapse that devalued the peso to 33¢ on the dollar. But U.S. operations offer more profit opportunity than Latin countries now, he says. One especially annoying practice is that Argentina reinstated its export tax overnight, first at 10% of gross and now at 25%. So that takes \$125 right off the top of a \$500/acre crop. "We've made money 10 out of 11 years in Argentina, but I'm not sure I'd do it again knowing what I know today."

ON PUBLIC SERVICE: Through service with Indiana's Economic Development Corporation, Kip helped convince his governor that agriculture—especially biofuels and a more robust in-state livestock industry—could revitalize the state's entire



Business is a family affair. Bottom row: Everett and Marie Tom, Tom Farms' founders, and Kyle Tom; middle row: Kassi (Tom) Rowland and Kip Tom; top row: Kris Tom and Greg Rowland.

PHOTO: HARLEN PERSINGER

economy. He personally persuaded Louis Dreyfus to build its first North American soybean crushing facility in Indiana, beginning operations with the 2007 crop. Once the complex is complete, it will consume 150,000 bu. of soybeans per day and house an 80-million-gallon-per-year biodiesel plant—one of the largest in the U.S.

ON SUCCESSION: Eighteen months ago, Kip forgot about road construction on his normal route to the farm and rear-ended a stopped car at 60 mph. Within minutes, he watched his vehicle charred to the ground by fire. "I realized life can be taken at any time, and even though we've established plans for the farm, nothing replaces what you can learn from your dad during that 10-year period when you are first farming. It convinced me to get my children engaged in the farm's leadership as much as possible."