

Sometimes the Grass is Greener

Top Producer of the Year finalist Craig Yunker realized that he wasn't a low-cost corn producer. But that cold truth forced him to unearth more promising alternatives.

Sometimes it's not what you do, it's what you don't. When Craig Yunker joined his father's traditional 60-cow dairy in 1976, he had little more to offer than a passion for farming, \$11,000 in equity and an unfinished PhD in agricultural economics. You would have been hard pressed to distinguish the teenager who entered Cornell with an inferiority complex from dozens of other hard-working neighbors near Elba, N.Y., a dairy community just 30 miles outside Rochester.

Reversing gears. "At the time, our goal was to expand the operation to support a comfortable living for two families," says Yunker. But that modest ambition came to an end when the government accepted the Yunkers' dairy buyout offer in 1986—forcing them to quickly disband the herd and scramble for replacement income. In the process, the pair would reorient a good, solid American dairy farm into a great diversified enterprise. For that career-long transformation, Yunker was named one of three national finalists in the Top Producer of the Year 2005 contest.

"It was hard for my dad to exit our foundation business," says Yunker now. "But I give him credit for his will-



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It wasn't easy to diversify outside cash grains, but the advantage is that government payments now count for less than 1% of Yunker's income.

ingness to change and not to shy away from risk."

Yunker tried growing corn, soybeans and wheat the first year, and immediately realized their light soils and cool Great Lakes climate put them at a disadvantage. Worse yet, a 1,200-acre cash grain operation couldn't come close to matching the returns from their (by then) expanded 300-cow dairy.

"We realized that someone from western New York couldn't compete in global grain markets," he says. "Corn for silage maybe, but not with 110-bu./acre cash corn yields." By necessity, they gravitated to vegetable crops and local processors like Birds Eye and Seneca Foods.

Today, Craig's dad, Carl, has retired, but Craig and his business partner Paul Riner run CY Farms, a management and labor-intensive operation involving more than 7,000 acres of snap

Good to Great Habits

Craig Yunker

Elba, N.Y.

- Exit businesses where you can't be best in the world, even if you're competent in them. Once one of the leading tomato growers in New York, Yunker realized it didn't matter if processors couldn't make money there. He now concentrates on heavy, cool season vegetables and crops too expensive to import from abroad.

- Treat employees, vendors and business partners generously.

"The best lesson my dad taught me was don't squeeze every dollar out of a deal," he says. "If word gets around that you deal fairly, offers and expansion opportunities come to your door."

- Identify your employees' talents, then customize jobs that fit. One Hispanic worker started as a laborer with his parents; Yunker appreciated his skills and promoted him to manager of turf production.

beans, corn, alfalfa, cabbage, onions, peas, sod, veal calves and a 4,000-heifer "boarding school" for dairy replacements that they bought from bankrupt Agway in 2003.

About 70 employees—some with advanced agronomy or animal science skills, others seasonal labor—keep day-to-day operations on track. That's no small feat, since on one normal June day, the turf farm was working a "home-a-rama" laying sod for a subdivision's 10 houses, the snap bean crew was planting 50 acres of a special variety designated by the processor, the heifer farm was screening an incoming

Web Connection

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shipment of newborns for health, and another crew was planting cabbage.

"Craig may be involved in a lot of things, some of them simultaneously, but he always looks for synergy among his ventures and how they fit his core competency," observes Danny Klinefelter, a Texas A&M economist and Top Producer of the Year judge. Yunker's heifer operation consumes off-grade produce from the vegetable operation, and the sod farm needs organic fertilizer from the animals to rebuild top soil.

Talent scout. Getting the right people in the right seat is what Yunker does best, says his lender Bill Kappus, branch manager of Farm Credit of Western New York. "He knows how to recognize talent and bring it into his operation," says Kappus. That's especially important for producers in perpetual growth modes who may be over-extending their expertise, he adds. "Craig added enterprises like veal and sod that he knew nothing about, so he needed to outsource the talent."

With that synergy, CY Farms has morphed beyond Yunker's youthful goals. Their customers range from golf courses to dairies to food processors. Their high-value crops can gross \$2,500 to \$4,000/acre on land that still rents for \$75. More significantly, while they don't turn down government payments, Yunker estimates that subsidies now compose less than 1% of the farm's gross income. "We grow 2,000 acres of grain crops, but I'm glad we don't have to depend on the government," he says. "We just haven't seen the run up in land rents here like they have in the Midwest. People aren't turning their payments around and capitalizing them into land values."

Stay in play. Sometimes luck plays a more important part than business planning. When Yunker signed a 10-year contract to supply Agway with forage and nutrient management services in 1996, he had no idea one of the nation's largest cooperatives would be



Running multiple crop and livestock enterprises means Yunker can't manage it all. He delegates much responsibility to employees, like a crew manager (left) who followed her parents to the job. Managers of the heifer farm (below) turned around Agway's losing business. Now the 4,000-head facility is close to capacity.

bankrupt a few years later and desperate to unload assets. CY Farms hired the employees intact, and simply changed the fee schedule, so customers didn't pay a one-price-fits-all. Within a year, the CY Heifer Farm boosted occupancy and showed a profit.

Hockey player Wayne Gretzky credited his success to skating not where the puck was, but where the puck was going to be. Yunker believes that the future is so difficult to anticipate, you just have to view change as friendly, unless proven otherwise. "I think Gretzky succeeded partly because he was in constant motion," Yunker says.

Greener pastures. Turf was another one of Yunker's accidental enterprises. When he bought the sod unit in 1996, he intended to convert the land to vegetable production. Then he saw the opportunity to gross \$6,000/acre over a two-year period.

"Turf is somewhat dependent on business cycles, just like the construction industry," he notes. "But it's the only commodity that we grow where we set the price, and we can hold inventory off the market if we choose."

Yunker also surveyed local contractors and discovered that while they preferred sod on construction sites, they were often forced to seed because they lacked the laborers or the machines for installation. CY Farms invested in equipment for big roll installation. "It's



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not so easy for our customers to shop around on price, since we offer a unique installation service," he says.

Risky business. While free-market farming may sound appealing, it's also more risk. CY Farms operates in four counties, but not all specialty crops are insurable in all counties.

"In the past, we had to use county average yields and could not insure by sections, which meant that we were hardly ever eligible to collect," he says. Even with recent reforms, the excessively wet 2004 season resulted in a net loss on crop operations.

Another disadvantage is that there's no Chicago Board of Trade for vegetables and no forward cash contracting opportunities on onions, where returns can vary from a loss of \$1,200/acre to a profit of \$1,000 in any given year.

"I couldn't be an onion-only farmer, because I'm 50% leveraged. It's the kind of crop where you can buy Cadillacs one year and starve the next. Only someone who is debt free can take that kind of risk."

Accessing markets can be far more challenging in the produce industry as well. "If you want to be in the vegetable industry, you have to be a 365-day sup-

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crop where we
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plier," says A.J. Wormuth, a manager for another CY Farms venture. Initially, they tried to raise cabbages in Florida to extend their New York season. That experiment required a manager willing to commute from New York. Now they simply partner with other growers on the East Coast, guaranteeing traceback, quality and volume to retailers, all prerequisites to entry.

One major downside to labor-intensive crops is the challenge of managing migrant labor. Yunker says he has had no recruitment problems. One reason may be that he and his family spent part of their winter vacation in Mexico one year, staying in the home of one of his workers. Their Mexican hosts later retired, but their daughter now works as a crew manager and many of Craig's workers come from her hometown. "I might have been one of the few Americans to visit there," he says. "My employees interpreted it as a sign of

respect and my kids valued the trip more than a stop in Cancun."

Biggest regret. Sometimes it's your ability to exit a business that counts. Yunker considers his attachment to tomatoes his worst professional mistake. "I fell in love with processing tomatoes in 1987 and 1988," he recalls. "We were making \$100 to \$110/ton when we started, on good yields. I just loved planting something and seeing 50 fruit grow on it."

Then a fungicide-resistant blight hit the Northeast, decimating yields and profits. The next year, he heard California's drought meant growers would have to ration water. He bet prices would rise, and planted another year. "What I didn't know was that Californians would quit growing water-intensive crops like alfalfa and corn and

increase their tomato acreage," he says. Prices crashed.

Great businesses are supposed to identify what they do best in the world, not just where they might display a core competency. "At the time, we were arguably one of the best tomato growers in New York state, based on processor ratings. It didn't matter," says Yunker. Instead, he sold a tomato harvester for pennies on the dollar and discontinued the crop a year or two before processors left the state entirely.

"What I learned was you have to quit a losing business early, before you burn all your equity. There's no shame in that," he says. "You can't get by in agriculture earning average yields on average prices. There's just not enough profit for average." ■

Cut your losses

When California's Darrell Cordova planted his apple orchard near Denair in 1993, he fully expected to reap a profit in due time. But 11 years later, the San Joaquin Valley grower was still waiting for his payback.

While his seedlings matured, Chinese farmers had shifted out of grains and into higher value fruits and vegetables destined for the U.S. and other export markets. In apples alone, China's share of world production jumped from 11% to 35% during the 1990s. The price of juice concentrate plummeted. By the time Cordova's trees reached capacity, "it did not even pay to pick the cull apples for juice," he says. "Free trade was not a good thing for California agriculture."

Frustrated with the crop's high labor costs, Cordova took a drastic step. In 2004, he yanked his apple orchard—replacing all 11 acres and planting 79 more—with almond trees. "We decided to go for it," says Cordova.

Take the plunge. What motivated him to change was a management course at Texas A&M's Executive Program for Agricultural Producers (TEPAP). If you're a high-cost producer, cut your losses early, the experts had advised. Cordova realized that he, like many growers, had waited too long hoping a struggling crop would succeed.

"Nine out of 10 times, things don't turn around," says Cordova. "If a crop's not producing and you're just hanging on, it's better to abandon it and find something that will work for you."

In Cordova's case, almonds were the ideal alternative. "Apples can be grown almost everywhere in the world," the former high school ag teacher says.

Not only is the San Joaquin's Mediterranean-like climate conducive to growing almonds, but production is almost entirely mechanized. The red fruit is perishable, almonds are

Good to Great Habits

Darrell Cordova
Denair, Calif.

• If you can't compete, don't be afraid to change. Just because something is your core business does not necessarily mean you can be the best in the world at it.



PHOTO: CATHERINE MERLO

Californian Darrell Cordova switched to almonds, which don't have to compete with China's cheap labor.

not. Furthermore, Cordova was encouraged by the industry's success in finding new markets and uses for the burgeoning almond supply. Then there was price: With almonds now running about \$3/lb., or \$7,000/acre, the rewards are big. Even if prices fall to \$1/lb., Cordova believes he can make the numbers work.

He won't harvest his first full crop until 2009, but Cordova hopes to finally reap his long-awaited profits.

—Catherine Merlo

