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This is one of a series of articles written by Dr. David Kohl for the Minnesota State Farm Business Management Education Program.
Vol. #115

Road Map for Young and Beginning Producers

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Engagement and discussion at a recent Upper Midwest bankers' meeting resulted in the group requesting articles that they would like to be written. The charge was a roadmap for young and beginning producers to become successful. One group outlined our marching orders in three specific areas: pitfalls to avoid, steps to start, and disciplines to follow. This energized table indicated that this is one of the top three issues facing agricultural bankers when growing the loan portfolio and balancing risk.

Before addressing the topic, my perspectives from approximately 15 multi-day young and beginning farmer and rancher programs nationwide each year finds that it is not business as usual when starting farm and ranch businesses. Yes, many new producers enter through the family portal with more extended relatives such as cousins managing with cousins and sometimes outside family members. Others are agri-entrepreneurs utilizing outside income or side "gigs" to leverage this income and networking contacts to start and grow the business. In this area, you will see more diversified enterprises and value-added businesses such as farm-to-table enterprises. A new group of entrants are the "boomerangers." Some of these individuals grew up on a farm while others want to return to the agriculture industry to unleash their entrepreneurial business spirits.

Pitfalls to avoid

Be careful of the "get rich, quick" money endeavors. I have seen them all throughout my career including catfish, broccoli, llamas, emus, hemp, and now it is the green energy wave as "the next big thing." Yes, a few people have prospered in these markets, but many more have lost their dreams to the economic realities of the marketplace. There is an old saying that quick, easy money and financial gains build ego while slow and steady discipline builds character for resiliency, agility, and nimbleness.

The next issue to avoid is attempting to grow too fast. Growth is the number one reason businesses fail. This is often the result of outgrowing the management skill sets and capital, specifically working capital and financial liquidity.

Another pitfall to avoid is waiting too long for the family members to turn over the management responsibilities, assets, and overall decision-making control. It is common to have three to four generations living out of the business, which not only pressures cash flow, but increases tensions and struggles over the status quo and new ideas. The younger generation gets caught up in the daily production and hired employee trap with little ability to grow in terms of business management and equity.

Finally, the journey of an agricultural business is analogous to a marathon, not a sprint. Occasionally, you will hit the financial and emotional wall. The selection of a partner, whether it be a spouse, business partner, lender, or advisor, will be one of the most important decisions you will ever make. Time management challenges and burnout are often experienced, so it is critical to maintain balance between business, family, and personal goals.

Steps to start

When looking back, many young and beginning producers will reference skills, knowledge, and experiences from their early years from ages 5 to 16. In those formative years, experiential projects in organizations such as 4-H and FFA or other young entrepreneurship experiences can be an environment to develop and hone business, organizational, relationship, and networking skills.

More family businesses with no family members to continue the legacy are allowing apprenticeships by the younger generation. They carve out an enterprise or business utilizing the existing assets such as machinery, facilities, land, and other resources to start and grow the business. This allows young and beginning producers to experience the transformation process of planning, strategizing, executing, and monitoring results. This allows them to make decisions, build confidence, and overcome mistakes.

Educational programs such as those presented by the technical schools and universities or adult educational programs sponsored by lenders, agribusinesses, and others are critical as a starting point. The ability to be challenged, be exposed to new ideas, perspectives, and disciplines, and to complete the program is a test of personal growth and resiliency.

Disciplines to follow

A written business plan that puts your thoughts on paper can be a powerful tool in the transformation process as a manager or owner of the business. Writing down one's short-term goals with a term of less than one year and long-term goals with a term of three to five years provides guidance to the North Star or the lighthouse in your business journey and transformation process. Initially you will focus on the business goals, but it is important to incorporate family and personal goals to provide balance in your journey through life. Physical, mental, and spiritual goals are necessary to nurture the body, mind, and spirit to maintain a regenerative type of attitude that is necessary to endure the operations of a business in a rapidly changing global environment. Goals allow one to focus on the controllable variables and manage around the uncontrollable variables such as geopolitics, society and consumer trends, and weather patterns.

I am observing that the next generation of producers is more likely to have separate business and personal cash flow budgets when compared to the vintage generations. These projections require one to think through the operational plan, production, marketing, risk management, and the timing of incomes and expenses that generate the financial results. More successful young and beginning producers are monitoring results and adjusting throughout the year in an objective versus emotional decision-making process. Knowing the business behind the cost of production and break-even points is not only good for obtaining a loan from your lender, but managing the business as well. I often emphasize that if cash flow budgets and financial knowledge of your business are good enough for the TV show *Shark Tank*, then it is good enough for your business.

A discipline that more young and beginning producers are following is having a formal or informal advisory team. A lender, supplier, farm management consultant, mentors, and peer producers are very good for perspective, input, and decision-making. Are you disciplined enough to take critique and candid input? There is always something to be learned when one gets outside of the everyday silos of business and life.

Finally, my advice to the bankers at the meeting was that they must demonstrate the six C's of lending with young and beginning farmers and ranchers. They must be **c**onservative in favorable economic times and **c**ourageous in difficult times. Remember, young and beginning producers are more than just a number and **c**onsistency is key over time. A lender must know how to **c**alculate the numbers, but also **c**ritically think about the numbers and **c**ommunicate them in a way that the young and beginning producer understands them and is not overwhelmed.

Wow, that was my best shot in providing both perspectives and actions for producers and the lenders that serve them when it comes to young and beginning farmers and ranchers, which are the future of our industry.