

## **Adding Value to the Home Operation to “Make Room” for Future Generations**

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My goal has always been to return the family operation and raise a family with the same wonderful quality of life that my parents provided for me. From as early as I can remember, my focus has always been to raise exceptional Angus cattle with my dad and my 8 brothers at our operation in Kimball, Minnesota.

Unfortunately, I was the 7th of 9 sons and graduated high school in the mid 1980's in the midst of the terrible farm crisis of the 80's. Land prices had collapsed, inflation was out of control and interest rates had skyrocketed almost overnight. To say the least, money was very tight for our expanding family and farm. And, money is what drove far too many of our family conversations. I remember, all too well, the tight rope dad walked each day as payments came due with the interest costs in excess of 18%. Stress was high. And, the family cut costs and cut costs just to make it through. Somehow, dad never missed a payment to the surprise of our banking “partners”, and we persevered.

Like those who experienced the “Great Depression”, this period was forever engraved into my parents and each of my brothers and continues to impact our decisions today. We learned a lesson that while money does not create happiness; lack of money creates lots of unpleasant situations.

### **Add Value to Make Room**

My parents, particularly dad, always wanted to provide the opportunity for each of his sons to return to the family farm. To fulfill this goal, he sent each of us out for four years with the objective of finding a way to add value back to the operation to offset each of our financial needs. Dad was very open-minded and allowed us to figure out how we could contribute our individual talents to the benefit of the entire group. This focus allowed each of us to return with some value-added specialty that contributed to the overall strength of the group.

### **Focus on Growing the Business**

Dad always emphasized the importance of the growing the pie. Too often, family operations attempt to bring a son or daughter back by dividing the pie into smaller pieces and then cutting costs to make it work. In fact, presentation after presentation in the agricultural world in the late

1980s and early 1990s was almost exclusively focused on being a “low cost producer.” In our experience and the experience of many, many successful businesses prove quite the opposite. The true focus should be on growing revenue by adding value to the product being produced. To successfully add family members to an operation, it takes more money... plain and simple.

### **Revenue Grows as Each Family Member Returns**

Contrary to what was being said, our family embarked on a philosophy of “spending money to make money” provided it created added value to the operation as a whole. Examples of changes that took place over the past 2 decades include but are not limited to the following:

#### **Every cow on our place is expected to contribute a value-added seedstock calf**

This meant we had to invest heavily in AI and embark on an extensive ET program to ensure that every calf had the opportunity to be sold as seedstock. While more costly, the return on investment has proven very wise. Today, we use every available technology (DNA/Ultrasound) to assist us in reaching our goal. It also meant we had to have a rigid, no excuse culling program. While we still have not reached our goal of having every calf sold, we were able to increase the quality value of the calves that we sold as seedstock.

#### **We Buy Back our Customer’s Value-added Calves**

Our customers invest a tremendous amount of money in our program based on the genetics we created by using all the technologies described earlier. It became apparent that our customers needed to get rewarded for creating these truly value-added calves. Today, we purchase nearly 25,000 customer calves and sell each of them based on value-added grid when quality is worth the most, in early May. We thought it only made sense to purchase these value-added calves for ourselves... we knew the value-added benefit each of them possessed.

#### **We Convert Manure to Money**

The feeding facility we built was among the most expensive to build in the nation. When we decided to invest in the feeding business, we saw three major trends: labor, bedding and fertilizer were all getting higher. Our slatted barn bucked the trend for all three key areas. Labor is minimized, bedding is eliminated and the manure created a significant value-added proposition for our farming operation. Bottomline... we invested \$1000 animal unit to build the most futuristic feeding operation in the U.S. In just a few short years, the facility paid for itself.

### **Bottom Line... We Focus on Value not Costs**

Over the years, our family has become obsessed with looking at value, not costs. We buy John Deere tractors and equipment not because it is the lowest cost but because it returns best value per hour of use. We add \$5 to each of our alfalfa round bales by wrapping them in plastic because the \$5 investment returns more than a 10x return. We use the most expensive vaccines from Zoetis because the benefit in health far exceeds the extra cost of the product. And, the list goes on...

Thanks to a strong focus on adding value and increasing revenue, our operation has been able to expand to include all Dad & Mom, their 9 sons and their wives, 32 grandchildren and 11 great-grandchildren. Today, we run over 1000 registered females, 4600 acres, and feed out 7500 head of cattle on an annual basis with no hired help.

