

Building for the Future

Agriculture's next generation relies on positive working relationships.

by Kindra Gordon, field editor & Jena McReil, digital editor

Getting started in the cattle business, whether you are starting from scratch or transitioning with family, is rarely an easy process.

A producer panel hosted Feb. 4 during the 2015 Cattlemen's College® at the Cattle Industry Convention & NCBA Trade Show shared techniques for maintaining successful relationships on the ranch, including four things first-generation cattle producers must have — priorities, a plan, persistence and patience.

"If you do those things, and you love the land and the people, then you will be very successful in this business," Kevin Yon said.

He and his wife, Lydia, detailed their journey from managing a herd for someone else to owning their own purebred Angus operation in Ridge Spring, S.C.

They built Yon Family Farms from the ground up, and today sell more than 100 bulls across the southeast. Kevin says in order to be successful, young producers need to choose a product that is easy to sell. For them, it's registered-Angus bulls to commercial cattlemen.

Their ultimate goal was that if any of their children wanted to come back to the farm, the farm would have the framework in place to allow that. Son Drake has joined the operation, and Corbin and Sally have both expressed a desire to come back.

Kevin and Lydia told their children that, before returning to the operation, they first needed to leave for at least four years to gain outside experiences to bring back home to the operation.

"I am just as proud that my children want to come back and be involved in agriculture as I would've been if they wanted to be a doctor or a lawyer," Kevin said, pointing to the opportunities available in the beef business. "It's a refreshing time to be in our industry."

One of the young producers featured in the documentary *Farmland*, Brad Bellah of Throckmorton, Texas, and his family come



PHOTOS BY SHAUNA ROSE HERMEL

► When Brad Bellah (right) decided to return home to the ranch full-time, he told his dad, Jody (left), that he didn't want any opportunities that weren't also extended to his brother or sister. His dad responded: "We are going to be fair, but that may not always be equal."

from a long tradition of cattle ranching. The R.A. Brown ranch was established in the 1890s. After pursuing opportunities off the ranch, Brad decided that was the only place he needed to be.

Brad's father, Jody, says each cattle operation is different, and there is more than one way to do things, but he outlined several things to consider before the next generation returns home.

It starts with the finances. Analyzing the operation's cash flow to determine whether it can support several families, and

changing the plan accordingly, he said, are very important. It is never too soon to start thinking about estate planning and a proper succession plan, he added.

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He also encouraged parents to remember that their children are adults, and even though they raised them, they need to treat



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them as valued partners in the operation. Communication is key, and showing respect to all members of the team is critical in all circumstances.

“It all boils down to the jobs we have to do,” Jody said. “I’ve always tried to do more than my share of work, but I am getting to the point where my share isn’t as big.”

Brad said that one way to make the transition easier on the next generation is to help them find ways to supplement their income. There are many needs to be met in rural communities, he said. Encourage the younger generation to not be afraid to look outside of agriculture to find those opportunities you need to be financially secure.

Both families agreed the basic golden rule goes a long way, both on and off the ranch: Treat others the way you want to be treated.

— by Jena McRell

How do we pass on the ranch?

George Haynes and Dick Wittman teamed up to share thoughts and experiences on succession planning for farm and ranch families.

Ninety percent of family businesses fail to pass to the third generation, reported Wittman as he addressed Cattlemen’s College attendees. With that sobering fact, he asked, “Is that destiny or a choice?”

“You get to choose,” he said, encouraging those in family businesses to be proactive in working with family to establish a succession plan for the next generation. Involved in a

Are you protecting your bottom line?

“Every sector within the industry has inherent risk. Your choice is to accept it or mitigate it,” Tom Clark told cattle producers attending the Learning Lounge session convened Feb. 6 in the trade show hall during the Cattle Industry Convention & NCBA Trade Show in San Antonio, Texas. Clark is director of agricultural product for the CME Group Inc.

“Back in the day, producers simply looked at production (i.e., the calf crop) and would hedge it and be done,” he pointed out. “They didn’t have to think about inputs too much — because the prices didn’t change much.”

Today is a different story. Inputs like feed, energy and transportation all have volatile prices. Thus, producers should take “a more holistic view” of the marketplace, Clark suggested. “Volatility is always going to be here.”

He noted the importance of risk management and offered this definition: Risk management is a structured approach to managing uncertainty.

Potential strategies to manage that uncertainty include:

- ▶ transferring the risk to another party;
- ▶ avoiding the risk;
- ▶ reducing the negative effect of the risk; and
- ▶ accepting some or all of the consequences of a particular risk.

“You need to have a mix of pricing tools, and at various times you will use some more than others,” he added. Pricing tools include cash sales, forward contracts, futures or options hedging or OTC (over-the-counter) markets.

He also emphasized the importance of including a lender in the marketing plan.

“You, your broker and your lender all need to be involved and on the same page,” he emphasized.

He concluded, “The marketing plan will change over time. It’s a living document. If you put it in the drawer and don’t change, it’s not going to work for you.”

— by Kindra Gordon, field editor

family operation in Idaho, Wittman, who also works as a succession planning and business consultant, shared that his family is preparing for its 10th transition since 1980 to bring family members into the operation.

Wittman emphasized that communication among family members is integral to the succession-planning process. To assist with that process and understand one another’s

perspectives, he said it is important to have all stakeholders sit down together and ask questions. As an example, he suggested asking this question of both the owners and the potential successors: “If I go back to the farm/ranch, my expectations are ...”

As the succession plan develops, he noted, “a decision is never truly made or committed to until it is written down on paper.”

Haynes, an extension economist with Montana State University, suggested the following steps as a guideline for the “stages” of transfer to the next generation:

- ▶ prebusiness or grunt work;
- ▶ education and personal development;
- ▶ proof of competence;
- ▶ a formal start; and, finally,
- ▶ a declaration of transition.

Once you get to the final step, Haynes told the older generation, “You better be willing to throw the reins.”

Wittman added that by doing the transition process in pieces and steps, it becomes more manageable and clarity evolves.

For families interested in learning more about the balance of family and business, Wittman recommended the book *Perpetuating The Family Business: 50 Lessons Learned from Long Lasting, Successful Families in Business* by John Ward.

— by Kindra Gordon



PHOTO BY KINDRA GORDON

▶ George Haynes and Dick Wittman said communication is critical to passing on the farm or ranch.

