

Making Room for Future

To support additional generations, an operation needs to grow in value.

by **Kasey Brown**, associate editor

It is not easy to get into production agriculture. For the next generation to enter production agriculture, it takes a lot of capital. Family operations may look like an easy-access pass into the business, but it's not quite that simple. That family operation is already supporting a family, so there must be a plan for growth before bringing in the next generation.

Family operations are a different animal, Don Schiefelbein, Schiefelbein Farms, Kimball, Minn., told participants of the 23rd Range Beef Cow Symposium Dec. 3-5, 2013, in Rapid City, S.D. Family operations are both family and business, and you can't just love each other enough to make the business work.

With nine brothers and parents still involved in Schiefelbein Farms, the operation has grown quite a bit. His dad, Frank, always wanted to provide the opportunity for each son to come back to the farm if they wanted to. To do so, each son was to leave the farm for at least four years with the objective of finding a way to add value back to the operation to offset each of their financial needs, he explained. Each family member is responsible for a key value-added area of the business.

Growing the pie

There are two ugly things about a family business that no one likes to talk about, Schiefelbein added, but they do matter — money and power. In a family operation, you can't fire a sibling; you just have to figure out how to make it work peaceably. With everyone having a specialty, he said that the group is the boss.



PHOTOS COURTESY OF SCHIEFELBEIN FARMS

► Schiefelbein Farms invests in its own genetics by purchasing customers' calves, and profits from selling fed cattle on a value-based grid. They reach a high percentage of *Certified Angus Beef*® (CAB®) brand acceptance. The premiums ensure their commercial customer, the packer and they can profit.

This means that the group has a chance to veto certain decisions, but the group as boss lets everyone take care of their area without the pressure of having one boss.

With a large family, he emphasized that the pie needs to get bigger instead of trying to divide the pie evenly.

"Money doesn't create happiness, but it sure can reduce stress," he noted. In the 1980s and early 1990s, the message to the cow-calf producer was to be a low-cost producer. However, when his family cut costs as much as possible, the revenue was also smaller and money was just as tight.

"Money is what drove far too many of our family conversations," he notes. "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."

They decided to shift the paradigm that he likened to the movie *Moneyball*. Simply put, selecting on eyeball alone was not going to find the "next great one." The whole

picture must be used to improve quality, and careful examination can find value in undervalued assets.

Instead of cutting costs, they started increasing revenue, Schiefelbein explained. "Ignorance purchases on price. Knowledge purchases on value. You have to spend money to make money."

Creating value

As a seedstock producer, this means making every mating count. Each cow



Generations



► “Thanks to a strong focus on adding value and increasing revenue, our operation has been able to expand to include all Dad and Mom, their nine sons and their wives, 32 grandchildren and 11 great-grandchildren,” says Don Schiefelbein, Schiefelbein Farms, Kimball, Minn.

is expected to contribute a value-added seedstock calf. They artificially inseminate (AI) every heifer twice and every cow once, and use embryo transfer (ET) extensively by putting higher-value embryos in marginal cows. They have a rigid culling system, which keeps a rapid herd turnover rate to keep the most current genetics in the herd.

They also spend more money to buy calves from their customers for their own feedyard, he said. By investing in their own genetics, they support their customers and still profit from higher premiums on a value-based grid, especially by achieving a high percentage of *Certified Angus Beef*[®] (CAB[®]) brand acceptance. All together, their customers make money, Schiefelbein Farms makes money, and the packers make money.

An additional example is the Schiefelbein feeding facility. Schiefelbein explained that their feeding facility was not a cheap

investment. There were three major trends when they decided to enter the feeding business — labor, bedding and fertilizer costs were all increasing.

“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. The bottom line, we invested \$1,000 per animal unit to build the most futuristic feeding operation in the U.S.

In just a few short years, the facility paid for itself,” he noted.

The operation also buys new John Deere equipment every single year, reasoning the equipment has great resale value, and the company has an excellent service department. They sell every year so the used equipment is still under warranty and thus has even greater resale value.

This turns out to be cheaper than leasing equipment because the equipment is always reliable, Schiefelbein explained. The cost of use with the new equipment actually comes out to \$3.50 per hour with smaller equipment; \$5 per hour with medium equipment; and \$10 per hour with the cutter.

Additionally, they create value to their alfalfa bales by wrapping them in plastic, a \$5 investment that returns more than 10 times the cost. They use brand-name vaccines because the health benefits outweigh the extra cost.

All in all, this created value adds up, he emphasizes, “Thanks to a strong focus on adding value and increasing revenue, our operation has been able to expand to include all Dad and Mom, their nine sons and their wives, 32 grandchildren and 11 great-grandchildren.”

For the Schiefelbein Farms, all profits are split evenly, too. He added that for each family to make more money, the pie has to get bigger.

“Don’t be a low-cost producer, be a high net-revenue producer,” he concluded.



► The design of the feeding barn cost more to build, but the additional value it created has paid for itself in just a few years.



► Schiefelbein Farms includes 1,000 registered females; 7,500 fed-cattle; and 4,600 acres, all managed by family members with no outside help hired.