CHAPTER 15
BIOGRAPHICAL INFORMATION

EDUCATION

B.S. in Agribusiness, Southern Illinois University
M.S. in Agricultural Economics, University of Illinois
PhD. in Agricultural Economics, University of Illinois

PROFESSIONAL ACTIVITIES

Director, The Executive Program for Agricultural Producers
Executive Secretary, Association of Agricultural Production Executives

LAW RELATED PUBLICATIONS, ACADEMIC APPOINTMENTS AND HONORS

American Agricultural Economics Association Quality of Published Communication, 1987
Texas AgriLife Extension Superior Service Award, 1988 and 1992
Vice Chancellor’s Award in Excellence, 1997 and 2001
Texas A&M University Association of Former Students Distinguished Faculty Achievement Award, 1998 and 2002
Southern Agricultural Economics Association Lifetime Achievement Award, 2005
College of Agriculture and Life Science 2006 Honor Professor
Named by Top Producer magazine as one of the 25 people in the world who will have the greatest influence on the future of American agriculture, 2009.
Two of the most efficient businesses I have encountered are companies most people have never heard of: United Food Service Purchasing Co-op (UFPC) and Restaurant Services Incorporated (RSI). Both are closed cooperatives.

USFC is owned by the YUM Brand companies: KFC, Pizza Hut, Taco Bell, Long John Silver’s and A&W, and RSI is owned by the Burger King franchisees. Both serve as the supply chain manager and exclusive purchasing agent for their members. This includes risk management. Last year UFPC did over $5 billion in business with less than 200 employees; RSI topped $3 billion with less than 100 employees.

If national brands and Fortune 500 companies believe they achieve greater efficiency, reduced costs, and better risk management by working together, why should farmers with $1 million, $10 million, or even $100 million in revenue think they are better off and can do a better job by going it alone? It’s been my observation that fierce independence can often be as much the cause of problems as it is a source of opportunity. Remember the old saying, “Pride cometh before the fall.”

I’m not talking about business mergers or open membership cooperatives. It’s not that anything is wrong with either of those approaches; but, that’s not the focus of this article. My point is that farmers and ranchers can maintain the separate ownership and operating management of their businesses and still achieve economies of scale, critical mass, lower costs, and more quality and depth in specific technical/management skills by joining forces in separate jointly owned entities. To date, most have been structured as LLCs, Sub-S corporations or closed cooperatives. The scale of these entities can and does vary, depending on the purpose and objectives of the parties involved.

The following are some examples I’ve seen in agriculture over the past 10 years.

In one case, three farms share the services of a Chief Financial Officer (CFO), who is also a Certified Public Accountant (CPA) with experience as a corporate controller, and a data entry secretary/bookkeeper to be able to do true cost accounting and still keep their costs to a level each can afford.
The CFO has children and wants to work part-time on a flexible schedule. She is paid for 30 hours a week. Because she is in a rural area, she has fewer career options at which to employ her skills than in an urban market. She is paid $75,000, the secretary $35,000 and the overhead runs $40,000, for a total of $150,000 divided equally among the three operations. These two people also make sure bills are paid, manage vendor accounts, monitor budget versus actual performance variances, perform financial and feasibility analyses, and generate a variety of management reports.

Another group of three farmers in different regions of the country jointly own planters and combines and share labor to lower per acre costs and keep high-dollar resources working 6 months a year rather than 2.

A third group of five vegetable producers formed a marketing company that generates marketing and production contracts for the export market. Contracts are first offered to the member/owners; but, the company also contracts with non-member growers for any additional volume or if the owners decided to pass on an opportunity.

In another case, three blueberry grower associations, in Michigan, Georgia and Chile, joined together to form a federated marketing cooperative. This organization provides the growers with a competitive advantage in negotiating with retail grocers because it can provide fresh blueberries nine months a year.

My final example involves a farmer in a midwest rural community who organized a land investment company using local business people. The farmer is one of the ten investors. The investors each made an initial investment and agreed to a fixed annual contribution for the next nine years. The equity funds were leveraged with borrowed money to purchased local farmland. The farmer cash rents the land from the company. At the end of ten years, the property is to be sold or the group can elect to extend the arrangement.

Other groups made up from 3 to 30 producers have formed entities that handle a number of functions:

- Personnel recruiting, training, and record keeping, including H2A
- Risk management
- Input purchasing and contracting – some of these contractual arrangements are very innovative
- Product and services advertising, marketing, selling, and contracting
- Veterinary services
- Nutritionist services
- Agronomic services
- Bulk feed, fuel, fertilizer, and grain storage
- Processing plants, e.g., the Southwest Cheese joint venture
- Feed mills, e.g., feedlots, dairies and unit trains
- Repair shops
- Trucking
- A leasing company
- Biodiesel processing to produce their own fuel
- Self insurance pools, e.g., Texas Ag Coop Trust
- Genetic services, e.g., sires and donors for artificial insemination and embryo transfers
- Exporting and importing of breeding stock, fruits and vegetables and specialty grains.

The above list obviously isn’t exhaustive; but, I hope it makes the point.

Not everything these separate entities do necessarily involves the full-time employment of the people and resources needed to perform the services. Some of these entities in turn outsource contract for specialized services they aren’t big enough to justify the cost of internalizing or that they need on only an occasional basis.

Joint efforts also often extend to services that offer benefits only if there are multiple participants and perspectives. Some obvious examples are research test plots and financial and operating performance benchmarking.

Another is needs-based training. Assume that several producers decide they need training in some area of personnel management, succession planning, process improvement techniques, options strategies, or other topics. The type of program they need might involve anywhere from 1-3 days, and the quality of the presenter might require charges of $3000-$10,000 a day, plus expenses. Assuming that this type of program isn’t available through their state’s extension service, the cost for one producer could be prohibitive; but, shared by
5-20 producers, it could be very reasonable. In addition, the questions and perspectives of multiple participants will likely open up possibilities and issues that wouldn’t otherwise be discussed.

Those who want to see their farms continue as full-time businesses beyond the current generation must continue to explore new ways of doing business. The possibilities are limited only by imagination. Unfortunately, many people tend to be bound by tradition and their own experience. It has been my observation that the top 1 percent of farm and ranch managers are 10 years ahead of the typical producers. The top 10 percent are out in front by at least 5 years. Just being better than average is living on the edge.