The Impact of J.R. Simplot on American Agriculture
By Danny Klinefelter

On May 25, 2008, American agriculture lost one of its legendary figures. John Richard “J.R.” Simplot was 99.

Most of the things I've read since his passing have talked about his personal history, his almost bigger than life persona, his wealth and the size of his operations, whether in potatoes, cattle, land holdings or phosphate reserves. The accounts are factual; but, I think they miss what I believe is his more lasting legacy and that is the many ways in which he was responsible for helping to change an industry. Many of the “emerging” megatrends describing the changes in American agriculture over the last 20 years are in part the result of what he was already doing in the 1920s, 30s, 40s and 50s. These include such things as entrepreneurship, innovation, economies of scale, vertical integration, globalization, technology adoption, value added, etc. The textbook definition of strategic management is anticipating, adapting to, driving and capitalizing on change. Without ever attending business school or even high school for that matter, J.R. epitomized a strategic manager.

Agriculture is a very tradition rich, but also tradition bound industry. J.R. was anything but traditional. He was an opportunist. Like other visionary entrepreneurs, he was a risk taker, but he intuitively understood the difference between a calculated risk and an outright gamble.

Early in his career he capitalized on getting into a venture at the right time, harvesting his wins and then redeploying the money in another opportunity. He started small scale with a sheep project, parlayed his earnings into hogs during a collapse in the hog market, then took his venture profits and invested into raising potatoes. At that point and only 19 years old, he began moving in a direction that characterized his career. He learned of an electric potato sorter and together with a partner purchased the first piece of equipment. Unlike most farmers, he didn’t limit himself to his own production. He started custom sorting for others, then expanded into potato brokerage. This led to investing into potato storage and buying land. By the end of the 1930s, he owned 33 potato sheds, over 30,000 acres of land and was shipping over 10,000 carloads of potatoes annually. He not only moved beyond the farm gate, he was profitable and growing during the Great Depression.

While he was doing this he also encouraged other farmers, his suppliers, to adopt production practices that would only later be extended by the
agricultural extension service. His two big areas of emphasis were on the use of phosphate fertilizer and certified seed. It was a win:win for both him and the growers.

Just before the outbreak of World War II, he got into the dehydrating of onions and potatoes. When the war broke out he became the militaries largest supplier of dried potatoes and onions. But, the business was creating a new problem. The drying process was creating increasing amounts of slurry which had to be disposed of. The solution created a new opportunity and another venture, cattle feeding, where the slurry was blended with forages. Instead of a waste product, the slurry became a feed input that lowered the cost of gain by several cents a pound.

As his operations expanded during the 1940s, so did the need for fertilizer. That spurred two other opportunities, fertilizer processing and the acquisition of phosphate reserves to control the source of ore. About the same time, aided by Land Grant University research and agricultural extension education efforts, the demand for commercial fertilizer began to expand. In order to both promote and capitalize on the use of fertilizer, Simplot entered into a venture which would grow into a major chain of retail fertilizer dealerships.

All of this obviously took a lot of capital. One of the ways this was accomplished also proved to be innovative. J.R. convinced lenders to take the notes he received from farmers from the sale of fertilizer and seed potatoes as collateral for a line of credit.

As the war ended, he recognized that the demand for dried potatoes was going to shrink dramatically. But new opportunities were also developing in the market for institutional foods and the retail fast food business. The biggest potential emerging market was for frozen french fries. The company had already begun producing frozen french fries in 1946 and the business had been expanding with the spread of freezers in American homes. In 1953, the company perfected and patented an improved process for producing the frozen french fried potato. The timing couldn’t have been better. U.S. per capita consumption of processed potatoes rose from 6.5 pounds in 1950 to 94 pounds in 1997. Many people credit Ray Kroc, founder of McDonald’s, with Simplot’s position in the potato industry. In reality, each contributed a lot to the other’s success.

Although he was an independent entrepreneur, he was never one to feel like he always had to go it alone. His history of successes is paved with partnerships and alliances. It’s a trait that often seems to be missing in many
stubbornly independent operators. J.R. recognized the benefits of cooperation and was very adept at choosing who he joined forces with. In that attribute too, he was ahead of his time and it allowed him to capitalize on many opportunities that wouldn’t have been feasible otherwise.

Like any successful person, J.R. had both his admirers and his detractors. But, he impacted an industry because he was exceptional at seeing the possibilities, he was willing to take risks and he wasn’t limited by the way everyone else did things. He clearly saw the opportunities in problems. He was also very good at recognizing when something wasn’t working, cutting his losses and moving on. He learned from his mistakes and didn’t waste time dwelling on them. Finally, he was adept at picking good people and letting them do their job. We could learn a lot from his example.

For those who are interested in a detailed account of his life, accomplishments and failures, I encourage you to get a copy of the book “Creating Abundance: Visionary Entrepreneurs of Agriculture” written by Hiram M. Drache.