

Making Room for

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 hosted 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.



PHOTO BY TROY SMITH

With everyone having a specialty, Don Schiefelbein explained that the group is the boss. 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.



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.

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. 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



"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.

Future Generations

Right: 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.

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 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,



Ranch transitions

Questions to consider for perpetuating generational farms and ranches.

To set the stage for his presentation at the Range Beef Cow Symposium Dec. 4, family business consultant Dave Specht asked all those in attendance who were from a family ranching operation to stand. Then he had the generations begin to sit down — first generation, second, third, fourth, fifth. Finally, two sixth-generation individuals were left standing in a room of about 400 people.

“This room is full of legacy, stories and heritage,” said Specht of all those generations represented. He noted that his intention is to help preserve families and legacies by helping facilitate the process of transitioning ranch operations to the next generation.

Specht then asked his audience what correlations they might see between bull riding and a family ranch. He explained that a bull rider ties his hand to the bull, which seems crazy, just as ranch families tie themselves to their operations, which can also seem crazy at times. On a more serious note, he pointed out that success in bull riding — and ranching — is in being able to exit gracefully under your own power.

With that he segued into the topic of transition planning. Specht acknowledged it can be a tough topic to discuss, but he encouraged producers to have the courage to initiate those conversations with their families.

To help facilitate that process, Specht has developed a series of questions for families to ask and answer.

“The answers to your challenges are within you,” he added. “My hope is these questions will help pull the answers out of you.” Some of the questions include:

- What does it mean to be a (fill in your last name here)?
- What is or would be the hardest thing about being a parent and/or owner of the ranch?
- What is the biggest challenge of shared ownership in a family ranch?

Specht said the perspective that children or siblings or parents might give in their answers to these questions may provide valuable perspective in planning for the next generation on the ranch. He also emphasized, “There’s no one right answer for every decision. But not talking about it is a problem.”

Specht has recently released an app with a series of similar questions to facilitate discussions; learn more by visiting www.inspired-questions.com.

Specht spoke Wednesday at RBCS XXIII. Visit the Newsroom at www.rangebeefcow.com/2013 to view his PowerPoint, read his proceedings paper or listen to his presentation.

— by **Kindra Gordon**, field editor



Dave Specht acknowledged that transition planning can be a tough topic to discuss, but he encouraged producers to have the courage to initiate those conversations with their families.

PHOTO BY TROY SMITH

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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.



Making Room for Future Generations

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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 add 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 add 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.



Editor’s Note: The RBCS is a biennial educational symposium offering practical production management information. It is sponsored by the Cooperative Extension Service and animal science departments of the University of Wyoming, South Dakota State University, Colorado State University and the University of Nebraska. Comprehensive coverage of the symposium is available online at www.rangebeefcow.com/2013. Compiled by the Angus Journal editorial team, the site is made possible through sponsorship of LiveAuctions.tv and the cooperation of the host committee.