

Taking Care of Business

RBCS XXII addresses business management and planning.

From how to keep good employees to transition planning, business management sessions were a key component of the Range Beef Cow Symposium XXII (RBCS). The biennial event was hosted Nov. 29-Dec. 1, 2011, at the Mitchell Events Center, Mitchell, Neb., by the cooperative extension and animal science departments of the University of Nebraska-Lincoln, South Dakota State University, Colorado State University and the University of Wyoming.

In the pages that follow, we share highlights of those presentations, including:

- “Planning for Farm/Ranch Transfer,” by Dave Goeller;
- “Land, Enterprise and Ownership Transfer,” by Lucy Meyring, Ed Blair and Tom Marcy;
- “Finding and Retaining Quality Employees,” by Harry Knobbe;
- “Economic Model for Multiple Land Use,” by John Ritten; and
- “Plan Ahead for Forage Shortage,” by Jerry Volesky.

Comprehensive coverage of the event is provided online at www.rangebeefcow.com, an event coverage site by Angus Productions Inc. (API), publisher of the *Angus Journal* and the *Angus Beef Bulletin*.

Planning for Farm/Ranch Transfer

“Do you want to transfer your farm or ranch to the next generation as a viable business, or simply as a group of assets?” That was the question posed to RBCS attendees by Dave Goeller, deputy director of the North Central Risk Management Education Center through the Department of Agricultural Economics at the University of Nebraska-Lincoln (UNL). Goeller is also involved in a Nebraska corn and

soybean operation with his brother.

In answer to his question about transferring a business to the next generation, Goeller said the process begins with planning — and recognizing who makes the decisions. In jest, he said the decision-maker is often based on the golden rule — “the person who has the gold is going to make the rules.”

On a more serious note, Goeller added, “If you are that person, I want to speak to you today, because I have some opinions.”



The number of farm operators in Nebraska has steadily declined from 1982 to 2007, shared David Goeller. During that same time, the number of farmers older than 65 has increased, while the number younger than 35 has decreased.

Goeller shared how the number of farm operators in Nebraska has steadily declined from 1982 to 2007 (see Table 1). During that same time, the number of operators over the age of 65 has increased, while the number of ag producers under the age of 35 has decreased. This is a trend being seen in agriculture across the United States and around the world, Goeller stated.

He asked producers age 60 and older to spend time thinking about what will happen to their business in the future — and urged them to consider taking in the next generation.

Goeller noted that it is much more

difficult due to costs for beginning producers to start on their own today.

He pointed out that without a succession plan, heirs will still inherit the assets, but it is unlikely someone will be able to successfully take over the business.

Goeller acknowledged that planning is often difficult because it is time-consuming, can be complicated and forces us to face our own mortality. But Goeller emphasized that it is important to make time to plan so those succession plans can be put in place.

He shared that there are several helpful tools available for this process, including life insurance, partnerships, LLCs and shared appreciation agreements. He also discussed determining “fair” arrangements for on-farm and off-farm heirs, but noted that contributions and compensation may not always be equal.

In closing, Goeller encouraged farmers and ranchers to tap resources such as himself to facilitate the succession planning process.

— by Kindra Gordon



Lucy Meyring



Ed Blair

Land, Enterprise and Ownership Transfer

A panel of three producers discussed their personal experiences and offered advice regarding successful transfer of family farm and ranch businesses to succeeding generations.

Leading off, Lucy Meyring, of North Park, Colo., described the multi-generational ranching operation built by the family of her husband, Danny. Directing comments to “senior” members of the audience, Meyring urged preparation of a formal succession plan that allows transfer of an operation as a viable business.

“I encourage you to take this seriously,” warned Meyring. “Have things set up so you have some income coming in for the rest of your life. Your young people need to realize this is necessary. Few parents can afford to just hand it all over to their children and just hope they will take care of you in your old age.”

“There are ways to do it, such as gifting some assets, like cattle or equipment, to children, but keeping the land and leasing it to them,” she explained.

After sharing the history of his family’s ranch, near Vale, S.D., Ed Blair told how he and his brother purchased half of their parents’



Tom Marcy

business on a long-term contract. Their father also set up trust accounts for the brothers, their off-ranch sister and their mother. Over time, said Blair, the transition worked as planned.

Both Blair and his brother have sons that are now involved in the operation. They have started planning for the next transition, starting with gifting the money needed for the younger men to purchase land and start building equity. Ownership of cattle and equipment is now under a limited liability company (LLC).

“My advice,” said Blair, “is to start early, because it takes time, and seek the advice of professionals to develop a transfer plan.”

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Table 1: Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002	2007
Under 35	13,436	12,609	8,877	5,531	3,782	3,353
	22%	21%	17%	11%	8%	7%
35-64	38,030	37,056	32,735	33,532	33,390	31,297
	63%	61%	62%	65%	68%	66%
Over 65	8,777	10,839	11,311	12,391	12,203	13,062
	15%	18%	21%	24%	25%	27%
Total	60,243	60,502	52,923	51,454	49,375	47,712

Source: Census of Agriculture, NASS.

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Tom Marcy, Hay Springs, Neb., said his parents started the transfer by shifting from their role as managers to advisors and supplemental labor. They also gifted a parcel of land, including the headquarters site, to the younger Marcy and his wife. The younger couple also purchased cattle and

equipment, on a long-term contract, and began leasing the remainder of the ranch.

"I think you have to have business goals and personal goals, and state them clearly. All parties have to communicate to make it work," stated Marcy. "Have your banker, attorney and accountant involved. Most importantly, get a plan and act on it."

—by *Troy Smith*

Finding and Retaining Quality Employees

How can you build a successful team of employees for your business? Harry Knobbe of West Point, Neb., shared his thoughts on the subject at RBCS XXII. Knobbe's operation includes a feedyard, livestock sales and commodities.

He pointed out that many cattle producers spend their time on improving

genetics, production and management, but all of that really comes down to the people involved.



"It takes people, and you need to create an interest for them to do these things," said Harry Knobbe, referring to the need for employers to give their employees reasons to take interest in the business.

"It takes people, and you need to create an interest for them to do these things," Knobbe said.

He offered the following suggestions for finding and retaining quality employees:

1. Establish appropriate job descriptions and titles. "When you give people good job descriptions, they are going to work hard for you and that frees up your mind for your own job." He also suggested that no one's title should be "hired man." Instead, he said, "give people a good title because what they do is important to you."

2. Share information. He suggested sharing the goals of the operation and even financial information with employees. "People want to know if the operation is making money. You don't have to tell them your net worth, but help inform them if your operation is making gains each year."

3. Schedule meetings. Knobbe believes weekly meetings are an important activity to ensure communication and inform everyone of the agenda for the week. "No matter how busy we are, we hold a meeting every Monday morning," he said.

4. Offer incentives and give recognition. "People want thank you's," Knobbe said. In his operation he has built in several incentives for employees to earn bonuses and recognition. From \$100 monthly bonuses for arriving on time to work every day to giving a doubled salary bonus on their 10-year anniversary with the operation. He also offers double pay to individuals who work on holidays. He says, "It changes employee's mentality from 'I have to work' to 'I get to work.'" Knobbe also shared that he sends bonuses to the employee's home so that the spouse is aware of the extra incentive and recognition, as well.

5. Be supportive. Knobbe noted that it is important to support the employee's community involvement, school functions and family activities. "They feel you care," he said. He suggested sending employees to industry conventions and meetings occasionally so they also have the opportunity to learn, network and gain responsibility.

Knobbe concluded by emphasizing that building a good team of employees ties back to being a good leader, communicating expectations with them and helping them develop responsibility within the business. He said, "People want to help."

— by *Kindra Gordon*

Economic Model for Multiple Land Use

University of Wyoming agricultural economist John Ritten talked about the adoption, by government land management agencies, of ecological state and transition models (STMs) for rangeland inventory and modeling. The purpose of STMs is to provide rangeland managers, including ranchers, with a tool for managing complex social-ecological systems.



The purpose of STMs is to provide rangeland managers, including ranchers, with a tool for managing complex social-ecological systems, said John Ritten.

Ritten said rangeland managers are concerned with the economic sustainability of ranching operations. Increased public awareness of the additional services (plant biodiversity, wildlife habitat, etc.) these diverse ecosystems provide means they are under pressure to manage for public benefits as well. However, Ritten said there are few tools providing information needed to understand the tradeoffs associated with managing for multiple use.

"STMs are used to assess current conditions in relation to known ecosystem dynamics, identify management objectives and appropriate monitoring indicators, and assess whether objectives are being met," explained Ritten. "STMs represent a key tool in the process of adaptive management because they provide a clear representation of the best current knowledge about how a given ecosystem responds to different management and environmental factors."

As an example, Ritten described a decision-making model for a "typical" ranch in northern Colorado, incorporating field data and local knowledge from ranches in the region. The STM showed how the landscape changes, over time, in response to management, weather events and other impacts, as well as economic outcomes. Evaluation of response can then be used to make future management decisions, including those related to stocking rates

and brush control, to tailor management for optimum use of rangeland.

Ritten said the results reinforce the concept of managing for long-term productivity, rather than short-term profits. Results also suggest optimal livestock production can successfully coexist with some other ecosystem services, but at the same time may not be well-aligned with other additional services.

Ranchers may not be able to provide all other services, in addition to livestock production, and must choose.

"It shows you can't have everything," said Ritten. "There are tradeoffs."

— by *Troy Smith*

Plan Ahead for Forage Shortage

"In the last 10 to 15 years, the vast

majority of cattle producers have been impacted by drought. It's an issue we can't ignore; it won't go away," said Jerry Volesky, range and forage specialist from the University of Nebraska-Lincoln (UNL).

He emphasized that while producers in the Great Plains are experiencing an extreme drought now, they are not the only area affected, and it is prudent for

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cattlemen to plan ahead no matter their location. By definition, a drought is when rainfall is 75% below average.

Global climate change has several significant implications for agriculture, he added, including increasing carbon dioxide and gases; increasing average temperatures;

and warmer low temperatures and a longer growing season in the Central and Northern Plains, although long-term average precipitation may be similar. Climatic changes have also meant greater frequency of extreme weather events, such as excessive rainfall and drought.

To combat these weather changes, Volesky urged producers to plan ahead.

“Producers with a drought plan actively

monitor resources; build ecological, financial and social resilience in their operations; and are proactive during drought in order to minimize short- and long-term damages,” he emphasized, sharing typical range responses to drought (see Table 2).

Cattlemen should know the forage production of their pastures and anticipate how weather conditions will affect that production. For example, Volesky

Table 2: Plant and grassland response to drought

- Reduced aboveground production and root growth.
- Fewer reproductive tillers (seed heads); plants remain mostly vegetative.
- Earlier maturity of plants.
- Summer dormancy.
- Reduced formation of new buds that will produce next and future year’s tillers.
- Good/excellent condition range will recover more quickly after drought than poor/fair condition range.
- Increases in weedy species (sunflowers, six-weeks fescue, little barley, western ragweed, pepperweed, kochia, russian thistle).

explained, while there is much variability in herbage production, a good indicator is the amount of rainfall in May, June and July. That rainfall is critical for forage production. Knowing the relationship between rain amounts and timing, ranchers can plan for herbage production before the end of the growing season and adjust stocking rates as needed.

Another example Volesky mentioned was that in a drought, plants reach maturity much earlier in the season, which directly relates to their nutritional value.

He offered some strategies to offset the effects of drought, which, in addition to finding other forage, included reducing animal numbers and weaning early. By weaning early, the cow’s nutrient requirements decrease, and it’s estimated that 10 pounds (lb.) of forage are conserved per day that the calf is weaned.

Feeding wet distillers’ grains mixed with low-quality forage to cow-calf pairs while they are grazing summer pasture will reduce grazed forage intake. He also recommended planting some cool- or warm-season annuals to increase pasture. Obviously, irrigation can help, too, and he said a little goes a long way.

Volesky estimated that 800-1,000 lb. of hay was heading south daily since July. If ranchers decide to buy hay, he urged them to forage test, because “you’re not sure what you’re getting.”

For more drought management resources, he recommended the “Managing Drought Risk on the Ranch” website designed by UNL National Drought Mitigation Center (NDMC). The website was developed with input from ranchers and advisors. It can help with steps to develop a plan, development of resource inventories, decision-support tools for grazing and livestock management, evaluation drought response options and financial decision-support tools.

For more information, visit <http://drought.unl.edu/ranchplan> or www.angusjournal.com/drought.

— by Kasey Miller



Editor’s Note: To see the PowerPoint that accompanied a speaker’s presentation or to listen to the presentation, visit the newsroom at www.rangebeefcow.com, API’s online meeting coverage site for this event. You can easily access all of API’s meeting coverage and informational sites in the API Virtual Library, located online at www.api-virtuallibrary.com.