

Possibilities in Every Opportunity

Young rancher explains how creativity works for the ranch.

by **KASEY BROWN**, *associate editor*

Young producers hoping to enter

the cattle business face significant challenges, namely the large amount of capital required. However, through

Farm Service Agency loan options

While creativity and entrepreneurship are essential to thriving on a ranch, young producers still have to deal with the capital necessary to get started. Scott Miller with the Farm Service Agency (FSA) explained some loan options for beginning farmers and ranchers, the definition for which is experience-based, not age-based.



Scott Miller with the Farm Service Agency (FSA) explained some loan options for beginning farmers and ranchers. Listen to his presentation at <http://bit.ly/1mwdMJW>.

The FSA targets a portion of its loan funds to small-scale and beginning farmers and ranchers. A beginning farmer or rancher is defined as one who has not operated the farm or ranch for more than 10 years; not owned a farm greater than 30% of the average size of farm in their county by the most current Census for Agriculture; meets loan eligibility requirements; and substantially participates in the operation.

Miller highlighted five types of loans available through FSA.

1. Farm Ownership — \$300,000, up to a 40-year term;
2. Farm Operating — \$300,000 annual, one- to seven-year term;
3. Emergency Loans — \$500,000, terms vary;
4. Youth Loans — \$5,000, one- to seven-year term; and
5. Guaranteed Loans — \$1,399,000, terms depend on bank terms.

Two options, the farm operating term loan and farm operating annual loan, help young producers get started. The term loan can be applied to the purchase of breeding stock and/

creativity, entrepreneurship, hard work and time, entering and being successful in the cattle business is possible. Take it from Zach Thode, Livermore, Colo., who explained how he makes the opportunities given to him work to attendees of the 2015 Range Beef Cow

Symposium in Loveland, Colo., Nov. 17-19.

Thode shared that he came from an unconventional background, having “hippy parents.” He grew up near ranches near Fort Collins and worked with “another hippy” when he was younger,

but one on a ranch. Citing the desire to learn something different and wanting to learn about animals in the pastures rather than class, he decided to study agricultural engineering at Colorado State University (CSU).

He worked in a few positions in

engineering and construction, but now works for Roberts Cattle Co., a large, privately owned ranch with about 500 cows near Livermore.

(Continued on page 94)

or equipment. The operating annual loan can go toward paying annual operation expenses like feed, repairs, etc., he explained.

Miller noted three loan options for buying a farm or ranch — farm ownership loan, participation loans and beginning farmer down payment. The participation loan is a joint loan with another lender or seller, where at least 50% of the loan is from another lender. The interest rate is 2.5% for a 40-year term. The beginning-farmer down payment option requires at least a 5% down payment. FSA provides 45% up to \$300,000 maximum. The interest rate is currently 1.5% for a 20-year term.

To be eligible for a Beginning Farmer or Rancher loan, Miller said applicants must be unable to obtain other financing, operate a farm or ranch for three years (for direct farm ownership loans only), a citizen of the United States or a qualified alien, 18 years of age or older (except for the youth loan), not be delinquent on federal debt, have acceptable credit history, have acceptable managerial ability, and must be an operator of a family-size farm.

Miller illustrated some points to figure out ahead of time to help the application process go more smoothly and quickly. Determine the kind of operation you’ll have, what you need to operate the operation and how much money you need to borrow, he said. Determine how you will market your products. Come in with a written proposed operating plan or business plan and goals for the operation. Have financial records (tax returns, income statements, financial records and/or production records) available and check your credit report. Have a copy of your leases or legal description of the property you’re trying to buy.

For more information about FSA funding options, he suggested meeting with a local FSA agent or by visiting www.fsa.usda.gov/FSA/webapp?area=home&subject=prod&topic=bfl.

Possibilities in Every Opportunity *(from page 93)*

Making opportunities work

Thode suggested young producers make opportunities work by looking at all the possibilities in each situation. Being trained as an engineer, he was taught to

look at cost/benefit analysis. How much will things cost, and what are the benefits?

“We’ve got to look at all those possibilities. Every situation leaves us with a choice. We’ve got to make sure we

analyze that choice so it doesn’t back us up. We’ve got to keep moving forward. We need to know our dreams, and we need to make sure those choices are getting us to that dream,” Thode noted.

For example, he shared some out-of-the-box options. For starters, he’s applying to graduate school.

“There’s a big upside to the cost of going back to school. I can learn a lot; education is never-ending and it’s great. And I can leverage off of CSU and use some of their research dollars to make the ranch better and more profitable. That’s leveraging and making that possibility work for me,” he clarified.

Additionally, living close to a big town, he has many people asking permission to hunt on the ranch’s property. His arrangements are that no one can fish or hunt on the property until they have worked for him for a few days on the ranch.

While most in agriculture are conservative in politics and beliefs, he urged cattlemen to be risk takers.



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Leverage everything

While he recommended cattlemen take chances, he granted that balance is necessary. He shared that his parents declared bankruptcy when he was about 20, noting that most ranchers don’t have big bank accounts to ride on, so it is important to leverage what you do have.

“We have to make that dollar work for us more than once,” he said. “If I’m going to invest into a cow herd or a ranch, I can’t just dump a bunch of cash into a ranch and expect it to work, because I won’t have enough cash to run the thing. So, I need to figure out how to make my dollars go further and work for me, not me work for them.”

One way he does this is by paying attention and finding cheaper equipment that he or his mechanic can fix. He’s also an online equipment auction representative, which helps him meet people and find equipment. He said he found a wrecked swather and the insurance company totaled the machine, so he bought it cheap and fixed it up.

His previous engineering knowledge and work background help him leverage his irrigation and engineering experiences on the ranch. Conversely, his

ranching experiences make him a better engineer.

“We all want the nicest truck, the fastest horse, but we really have to understand our wants and pursue our needs.”

— Zach Thode

Use relationships as leverage, too, Thode urged. For example, there are few operations that “aren’t loaded up with conservation easements right now,” he said. Instead of fighting with those in the conservation office and finding all the ways you disagree, he suggested using them to find ways to make the operation better.

He works with the Nature Conservancy, and while the easement is rather restrictive, he said they love helping him find funding for projects like fencing, livestock water and irrigation improvements. They also help with marketing of meat products to a new demographic of consumers.

For example, he noted that the ranch has a problem area of erosion, and he told them he wanted to plant hops on it. They were on board to help figure it out, and it’s a high-profit crop.

The ranch is under a conservation stewardship program contract, so he works with the National Resources Conservation Service (NRCS) fairly often. The program offers technical assistance on range management and helps with funding for projects and general operations.

Additionally, he works with local groups like the Wildlands Restoration Volunteers. These college students come out to help on the ranch once a semester to improve range health, so Thode gets some free labor and the opportunity to show them the value of ranching, and the students feel accomplished by helping on the ranch.

Grounded priorities

Young producers tend to have a hard time leaving pride at the door, Thode said, noting that the cattle industry is not one that garners immediate success. “We all want the nicest truck, the fastest horse, but we really have to understand our wants and pursue our needs,” he suggested.

By leaving pride at the door, you can keep priorities well grounded, he noted. “Doing what is honorable is always better than making a quick buck. It might be easy to sell off a load of junk cows to an unsuspecting person just to make a quick buck, but being honest and honorable with that person will last a lifetime,” Thode added.

“Think about the long-term on how we do things. Don’t abuse your situation.

Keep the range healthy. Keep the livestock healthy, and keep your neighbors happy. Take care of your priorities first — faith, family and nobility,” he concluded.



Editor’s Note: This summary is part of the Angus Journal’s online coverage of the 2015 Range Beef Cow Symposium Nov. 17-19, 2015, in Loveland, Colo. For additional coverage, to review this presentation’s PowerPoint or to listen to the presentation, visit the Newsroom at

www.rangebeefcow.com. The Angus Journal’s coverage of the event is made possible through collaboration with the event committee and sponsorship of LiveAuctions.tv.