

## ***Perspectives***

Recently, First Dakota National Bank kicked off another of its educational classes for young and beginning farmers. Demonstrating its commitment to the future of agriculture, First Dakota was the first bank to develop an intensive, multiple-day program with various sessions focused on beginning farmers. Actually, the concept was proposed during a strategic planning session a number of years ago. Now, thanks to visionary leaders from the bank, the program continues to grow and thrive, addressing the challenges and opportunities for those producers just starting out. This year's participants exhibited a clear commitment to better their businesses, families and personal lives. Let's examine some of the issues they tackled.

First, there is an emerging trend among younger producers to include diversified sources of income in the business. Acknowledging this trend, First Dakota made this one focus of their two-day event. For younger producers today, it is common for off-farm income to contribute to the household and sometimes, the business. This second income most often comes from the spouse, but may also be from an agribusiness or other off-farm job held by the producer. Actually, many of this year's participants leveraged their time between farm duties and other off-farm job responsibilities. Additionally, this diversified income may stem from a wide variety of farm activities, which in some cases, is the result of improved technology that enables a producer to be entrepreneurial, or involved in multiple operations or enterprises. In fact, this mobility and flexibility are part of a highly valued skill set. More and more, traditional farms are being transformed as "boomerangers," as I call them, return to the farm business. Often, they return from a career in another industry such as business or engineering, bringing with them different perspectives like a multi-faceted operation with multiple income streams.

Another issue for this year's group was communication style. Several spouses and even future spouses attended the seminar, visibly exchanging looks and light-hearted jabs over particulars regarding communication, or perhaps, lack thereof. From the class exercises, it quickly became clear the immense impact communication can have on personal and consumer relations, as well as overall business performance.

Next, this year's group openly accepted the reality of today's challenging economic times. Many family businesses are struggling financially, which for some of the participants, added to their frustrations that parents or grandparents were still reticent to begin turning over management and tasks. Several indicated their eager willingness to change practices that have "always been done this way," as they have heard the vintage generation say. Others expressed specific frustration over finances and

marketing. A few were hesitant to commit to a marketing and risk management plan citing neighbors or others that could have done better financially if they had not followed a plan. Of course, to borrow the old saying, "hindsight is 20-20." Others in the group had developed extensive financial and marketing plans only to be disregarded by the older generation. Nevertheless, in spite of frustrations, most of these young producers were extremely grateful. They appreciated the opportunity to farm and raise their children in a farm environment; and many cited the incredible benefit of being engaged parents and grandparents.

One extremely valuable component of this year's class was First Dakota's panel of older and experienced producers. Participants quizzed the vintage generation on issues from finances to family relations. The panelists had some interesting answers.

Surround yourself with the right people.

This includes employees, family, suppliers, lenders, and even customers. Aligning people, personalities or talents well adds a special attribute to a business that improves profitability, but more importantly, leads to a more fulfilling life.

Drive toward efficiency.

Each panelist made this suggestion in one form or another. Whether it is in business organization, production, marketing, or financial processes, the prioritization of time and activities is the best way to increase efficiency. One panelist reminded the group that included identifying the activities that should be cut.

Write out (or type out) your plans.

Successful business management requires planning, which requires the process of physically writing out your plan. Regardless of which plan (marketing, production, operational, or another), the writing and development process forces one to examine each aspect and step, inevitably weighing its value, accuracy and efficiency. Whether computerized or hand-written, a physical plan that can be read and revised is a necessity. In fact, your plans should also be accessible to those involved in the business, and stored securely.

Don't skimp on financial management.

Another point on which each panelist agreed was good financial management. Tools like projected cash flows and accrual accounting are necessary for efficient management. They further stressed the importance of monitoring financial results throughout the year, and tweaking the business strategy as economic conditions change. I was pleasantly surprised to discover that some of this younger group already had a projected cash flow and at least some parts of the business plan.

Rely on an advisory team.

The input of advisors is paramount to success. These advisors could include individuals like your lender, production consultant, accountant, a peer, a more experienced producer and at least one individual from outside of agriculture.

Watch all factors; manage the ones you can control.

Another encouraging factor was the group's awareness of global economic megatrends and their impact on agriculture. They realize that actions in Washington, DC, Europe, China and other places will affect cash flows and land values in Vivian, SD and elsewhere. This is one reason that producers must be proactive and manage for the factors within their control. Including me, the group was enthralled with the presentation from University of Illinois' Eric Snodgrass, or "Eric, the weather guy," as I often say. Eric illustrated weather applications that can be customized to daily and weekly reports drawn down to the level of your farm. As he stated, South Dakota is becoming a swing state in commodity forecasting as corn and soybean production continues to increase statewide. As always, it will be interesting to observe the South Dakota weather, and that of the entire grain belt, from June to August.

As I listened to the other speakers and the panel discussion, I was reminded that these points are excellent advice not only for young and beginning farmers, but for all farmers. In actuality, steps like relying on advisors and driving efficiency are prudent for any business. Yet, it is always helpful to build from a good foundation right from the start.

Quote of the Day:

My management tip comes from one of the panelists who had this to say:

"Buying land is just like having kids. You can never afford it. But if it's the right opportunity, you'll make it work."