

## ***The Vintage Panel***

The fifth annual First Dakota National Bank Beginning Farmer and Rancher Program was an eye-opening and engaging experience. As part of the program, this group of eager, young producers was privy to an outstanding panel of seasoned warriors comprised of producers and bankers who bestowed valuable wisdom. The following are some of the nuggets of wisdom, perspectives, and actions offered by the panelists, which are very timely given the challenging times in the agricultural industry.

### ***Keys to success in the 1980s***

The hardened warriors of the 1980s were asked how they survived, but also thrived. Everyone indicated that it was imperative to know your numbers in the business, including the cost of production and to develop and monitor a cash flow statement. If one is in a family business, do not be a 45-year-old who only acts as a “hired employee.” Become knowledgeable of the financial statements including the balance sheet, income statement, and cash flow. Be involved in meetings with the banker and find out what they are comfortable with concerning debt levels and overall risk. Often young people will take a passive approach to the financial aspects of the business which can lead to financial issues when the management transition of the business occurs.

Speaking of business transition, the advice of the experienced group was that transition cannot be done only with a handshake. This group provided examples of how either the business or others were blindsided because there was no formal planning with written documents. Strategic planning that goes well usually has a facilitator with a neutral interest who guides the family through the transition process. The written plan provides a vision for the future direction of the business. The “elephants in the room” usually involve hidden agendas, which can be helped by increasing communication. Listening and checking one's ego at the door is very crucial for a successful business transition.

Another shared piece of advice for the younger generation was not to expect the life's work of the senior generation to become yours overnight. The business of farming is a marathon, not a sprint. Becoming successful takes intense focus with a series of accomplishments over a lifetime.

Both the senior producers and the agricultural lenders indicated that one of the best moves in the 1980s was to enroll in the farm management program at Mitchell Technical Institute in South Dakota. In one case, this educational program allowed a producer to go from managing the business finances using a checkbook to formal

accrual adjusted income statements. By working with the bank and the farm management instructors, this individual was able to develop key financial benchmarks to measure performance against his peers. Enterprise analysis allowed the individual to make investments in capital, human resources, and other areas that generated optimal returns. Enterprise analysis is very critical for a diversified operation with many streams of both farm and nonfarm income. Cash flow monitoring was also critical to develop a sense of urgency so that the business was not taking on water and could plug financial leaks.

### ***Industry involvement***

One of the most notable quotes was, "Be at the table, or you become the menu." With fewer farms and ranches today, and with time compressed schedules, the panelists recommended setting aside time to be involved as an advocate for the agriculture industry on issues ranging from environmental protection and water use, to animal welfare. The non-government organizations (NGOs) are putting more pressure on the agriculture industry at an increasing rate. It is important that young farmers and ranchers share their story in an authentic way to an ever-increasing population that is removed from the farm and ranch by multiple generations.

### ***What are some of the train wrecks this group has observed over their tenure?***

1. *Parents and grandparents that treat all children equally in an estate plan.* In today's farm economics, treating everyone **equally** does not work; however, treating them **equitably** should be the goal.
2. *Lenders do not like surprises.* Be very transparent regarding your financial information and dealings with others. Character still counts, particularly when one has limited equity or experience.
3. *Not reinventing yourself and being stuck in a rut.* The panel stressed the importance of networking and exploring different methods and approaches to farming and ranching.
4. *Having the wrong mentor.* Networking with mentors and interaction does not just come from the older generation. It is valuable to form mentoring relationships with people at any age and even outside one's industry. However, make sure your interaction is with the right mentor.
5. *Equity does not pay the bills.* Profits and cash flow backed up with working capital are critical in today's economic environment of lower margins and higher volatility. Three metrics that the panelists recommended tracking are working capital to expenses, interest paid to revenue, and earned net worth.

The panel of elder statesmen, with more than a century's worth of combined experience, shared many points and perspectives too numerous to capture in this article. After attending this beginning farmer and rancher program, one can quickly see the investment that this bank makes in its young farmers and ranchers for the betterment of not only tomorrow's agriculture industry and businesses, but their customers' family lives as well.