



Farm business principles for success

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There are always opportunities in agriculture for people who want to farm and who are willing to follow a few basic principles for getting started and staying in business. As directors and educators with the Wisconsin School for Beginning Dairy and Livestock Farmers (WSBDF) at the University of Wisconsin-Madison, we have been able to follow the progress of many of our graduates. The advice and principles we share here are based not only on our observations of the experiences, both good and bad, of the hundreds of students who have enrolled in the WSBDF, but also on our own farming and business experiences. While these principles were developed with beginning dairy and livestock farmers in mind, most apply to all kinds of farm enterprises.

We are pleased that since the WSBDF began in 1995, more than 75 percent of its graduates are farming; half have started their own farm business or enterprise, and 60 percent are operating pasture-based farms. And most who aren't farming plan to do so. They are young and old, men and women, high school and college graduates, from farms and cities. Despite these differences, they are linked by their passion for farming. When we ask our students, "What gets you out of bed in the morning?" they respond, "I want to farm."

Who succeeds in farming? What leads to the creation of both financial success and a satisfying life for farmers and their families? As with any business, starting and succeeding in farming requires time and sacrifice, and our fast-paced culture doesn't emphasize such patience. Successful farmers are passionate about the journey as well as the envisioned end point. They understand on a gut level that you can build your castles in the air, but that it takes work and commitment to secure your dreams to a solid foundation.

Successful farmers are entrepreneurs. They value community, integrity and trust in their relationships. We've learned from these agricultural "rock stars" that communication and business planning skills are paramount for success.

But we've also learned that everyone doesn't have to have all of the required skills — at least as long as they have the humility to recognize their shortcomings, and the wherewithal and good fortune to reach out and build strong partnerships with people who can fill the gaps. We often tell students that, if they are lucky, they will meet a potential spouse who not only shares their passion to farm, but also brings a complementary set of strengths to the relationship and business.

We've seen problems develop. For instance, young and not-so-young folks are often hampered by a parent who isn't willing to hand over the reins, or by their own uncertainty about leaving the farm or neighborhood to see the world.

There's an old bit of cowboy wisdom that goes, "Good judgment comes from experience, and a lotta that comes from bad judgment." We always tell people to go forth and learn. Get exposed to the many different ways of solving a problem. Make lots of mistakes before you invest your own money.

Aside from this broad advice, what do you need to successfully start and maintain a farming business? Here are twelve principles that guide our work at the WSBDF, and that we recommend our students keep in mind throughout their farming careers.

- 1 Set goals.** Figure out what you really want to accomplish in life and how your farm business can help get you there. Then write your goals down, review them, maybe change them, and write them down again. Patiently seek opportunities that move you toward your goals, not someone else's.
- 2 Identify your strengths and weaknesses.** What parts of farming are you good at—and not so good at? Be honest with yourself. Develop partnerships with others who have the skills you lack. Identify your competitive advantage(s)—such as particular talents, farm location or market opportunities—and capitalize on these strengths.
- 3 Develop a business plan, and write it down.** The old adage is true: most businesses don't plan to fail, they fail to plan. Avoid the common (and unsuccessful) American business plan: "I have to have it all, and have it all now." Rather, put left foot in front of right and walk in a direction that sets you up for success, one step and one financial commitment at a time.
- 4 Surround yourself with a community of mentors and others who care about your survival and success.** Even with the best preparations, getting started in farming is difficult, and you will find no shortage of negative people predicting your demise. However, many who have successfully gone before you are willing to share their experiences and the valuable lessons they have learned. Treat this community of wonderful people as a precious resource and vow that, in the future, you will give back to those who look to you for support.
- 5 Work to develop honest and fair relationships and partnerships.** For both business and family relationships, seek to work with people who share goals similar to your own but offer different, complementary skills. In any partnership, make sure all parties are headed in the same direction and communicate, communicate, communicate. Always be gentle with the feelings and opinions of your loved ones. Without them by your side, little else matters.
- 6 Spend the first year(s) putting together a sound herd of livestock.** Work for equity in cattle as a part of your paycheck. Put together a healthy herd that you know well, and that is bred and raised to fit your farming style.
- 7 Apply your (perhaps limited) financial resources to purchase income-producing assets.** Read: livestock. Do not overinvest in assets that rust, rot, and depreciate. Read: machinery and buildings. If you spend your money wisely at first, you'll be able to afford the comforts that you'll want later, when you are older.
- 8 You don't need to own land to build a farm business, but you do need to control land.** We all want to own a piece of the planet—our own land and home. But paying down a mortgage can detract from producing income from livestock. A large mortgage can make it difficult, and often impossible, for a new business to have a positive cash flow. Rather than purchase land before you've built equity, set up your business so that you can control the land you farm, preferably with a longer term lease. The lease might include an option to purchase within an agreed-upon price range. Develop a good relationship with your landlord, whether this person is a family member, neighbor or new acquaintance. Spend as much time developing this relationship as you spend on any other farm business activity, before you sign the lease.

- 9 Invest time in on-farm internships under the guidance of experienced mentors.** Intern on several farms, and plan to spend a few months at each farm. Internships are the single most beneficial activity an aspiring farmer can engage in. If you're from a farm, you'll gain valuable insights about new ways to solve familiar problems. If you're not from a farm, you'll come to understand the stamina, routine and problem solving required to farm, and you'll have opportunities to ask questions while you learn all aspects of the business.
- 10 Work for other farmers.** This experience can help you learn what you like and don't like, and discover your strengths and weaknesses. When you have a grasp on your goals for the future, consider a long-term apprenticeship, with greater responsibilities, on a farm that fits your aspirations. If possible, earn a portion of your pay in young stock, and raise these animals on or near the farm where you are working. You'll build equity as the livestock mature and grow in value, and you'll build a herd of healthy animals whose temperament you know well.
- 11 Go on your own only when you are both mentally and financially able.** These days, only in rare circumstances can a farmer successfully start out by making a mortgage payment on purchased land, growing all of their own feed, managing and/or milking a herd and shipping a commodity-priced product. For dairy and other livestock farms, it is usually best to raise or purchase your own herd and purchase feed. It might also make sense to lease land (for a minimum of three years) and, if needed, a milking facility. Use this time to discover your best market and keep a mentor close by. Consider partnering with an established or retiring farmer who may or may not be family. The established farmer might provide infrastructure and experience, and raise feed, while the start-up farmer offers passion and labor in exchange for pay and an increasing equity share.
- 12 And, finally, some tried and tested wisdom** offered by Gary and Holly Stankowski, start-up dairy farmers in Mosinee, Wisconsin, and 1996 WSBDF graduates:
- Work with your brain first, then your back. Don't be afraid of some good old sweat equity, as it's still the lowest cost equity you can find.
 - Listen to folks who have farmed for 50 years.
 - Believe in and follow the KISS (Keep It Simple Stupid) principle.
 - Take care of your cows; take even better care of your calves.
 - Find good in every bad.
 - Have fun!
 - Love your life; breathe, let go. And remind yourself that this very moment is the only one you know you have for sure.

Conventional wisdom says that you need a million dollars to start farming, and then you can only farm until it's gone; old paradigms die slowly. Albert Einstein reminds us that, when pursuing dreams, "Imagination is more important than knowledge."

So the future is ours to invent. Let's make it one filled with successful farmers living their dreams.

The Wisconsin School for Beginning Dairy and Livestock Farmers (WSBDF) is a program of the Center for Integrated Agricultural Systems and the Farm and Industry Short Course at the University of Wisconsin-Madison College of Agricultural & Life Sciences. Learn more about the WSBDF at www.cias.wisc.edu/dairyschl.html

The authors gratefully acknowledge the contributions of so many in the Wisconsin agricultural community — mentor farmers, WSBDF graduates, agribusiness specialists, and agency, University of Wisconsin-Extension and UW colleagues — for sharing their wisdom that made this publication possible.

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