



PROFIT OPPORTUNITIES

A New Model

Outline

- Why
- Risk /Observations
- Collaboration
The Model
- Network Value



Your Choice ?

Cooperation



Competition



Do owners and partners have answers to these questions?



New Breed in Production Ag

Old

- People are a cost
- Do everything yourself so its done right
- Own equipment
- Valuations based on asset values
- Overhead a necessary evil
- Limited working capital
- Get things done

Source Scott Hazlett Machinery Link, Inc.

New

- People are assets
- Know what you don't know and hire it done.
- Lease equipment / Share
- Business value based on multiples of net earnings.
- Overhead reduction as a source of capital
- Working capital > 50% of revenue
- Manage relationships

What's the Strategy?

joe-ks.com



Internal profit Gap “Our Group”



Profit = Inputs - Yield + Price

Top Partner

Profit = 650 - 223 + \$5.16

What , How, and Why Thoughts



Questions to consider!

1. How can we achieve efficiencies of scale?
2. What Bottlenecks do we have in the operation ?
3. What core “Competency” do we have that could benefit others ?
4. How can we afford to update Equipment ?
5. How can we find “Quality” Land & LABOR?
6. Why?..... To be more **Profitable**
7. Why?.....To improve **Quality of Life**

First Define our Guiding Principles?

- Integrity
- Character
- Honest
- Fair
- Genuine
- Respectful
- Open Minded
- Positive Attitude



Why?

- What is our Mission?
- What are the goals?
- What are the Objectives



Where are we going? *Goals !!!*

- Maximize **Efficiency** of all Operations
- Improve **Communication** skills.
- Improve **Professionalism**.
- Maximize **Profitability**.
- Improve **“Quality of Life”**



Opportunities for Collaboration

- ❑ **Average age of the producer is 65 PLUS.**
- ❑ **Technology is surpassing many.**
- ❑ **Demand (Ethanol, China, Exports, Food,& Feed)**
- ❑ **Limited Land Availability (Decreasing Resource)**
- ❑ **Market Volatility (Exports, Dollar, Oil, funds)**
- ❑ **Limited Capital within individual farms**
- ❑ **Efficiency of Scale**
- ❑ **Less Government Support**
- ❑ **Synergy-(Can't be good at everything)**
- ❑ **Disability Insurance Or *“Production Assurance”***

“Type of people to work with!”

- ❑ Great Personality & Character.
- ❑ Same Farming Practices.
- ❑ Team Player.
- ❑ Good Listener.
- ❑ Fill a Bottleneck.
- ❑ Younger or older “Average Group age ??”
- ❑ They come to you.



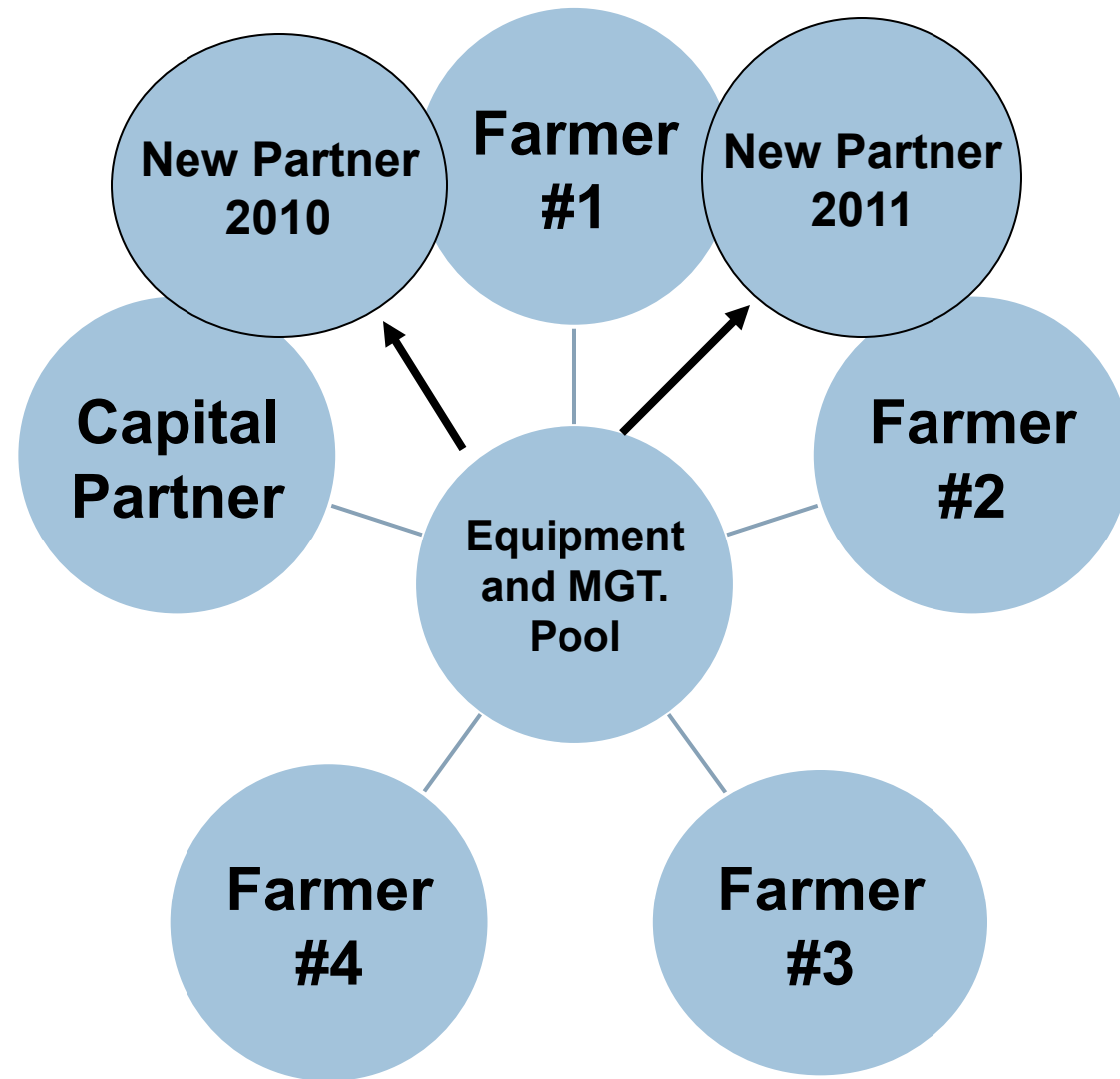
Review: Collaboration Model

- **Most Important aspects for Success**
#1 People

Trust, Loyalty, Personalities that Jell
Chemistry, Friendships, History
Common Goals, Shared Vision

“One Operation ATTITUDE”

Business Model



Levels of Collaboration

#1 Marketing (Combine Bushels sold)

#2 Management / Purchasing

#3 (Equipment Pool)

#4 Total Management Consolidation

#5 Land “Share or Rent Options”

How will we get there?

Understanding “The Process”

Identify the Operational Responsibilities and who will be in charge of each specific area.

Talk About it.....

Who wants to do what?

Do what your good at.

Let someone else do the other stuff.



How will we get there?

□ List of Responsibilities:

1. General Manager
2. Information Management
3. Communications Director
4. Marketing
5. Agronomy
6. Technology
7. Future Planning
8. Equip. Mgmt.



Collaboration vs. Alliances



□ Defining our Terms

Collaboration : An application of one or all of the “Five Step Processes” within our existing model of working together as “One Operation”

Alliances : Working together on a specific project or task in order to improve Efficiency and Profitability for both parties.

Agronomic Advantages

- **Access to Limited New Products**
- **In house agronomist**
- **Best equipment options “Precision”**
- **Timing of operation**
- **Ability to Wait**
Less Compaction
Early Planting Options
Ability to complete entire farms

Attention to Details

Agronomic Advantages

- Plus 10 / Bu. Corn
- Price @ \$ 3.50
- Per / Acre \$ 35
- **1000 Farm Corn / Soy**
- 500 Acres Corn
- \$17,500 Increase !
- Plus 4 / Bu. Soybeans
- Price @ \$ 8.75
- Per / Acre \$ 35
- 500 Acres Soybeans
- \$ 17,500 Increase !

Total Per acre increase: \$35

Total Income Benefit

\$ 35,000

Benefit Values on 1000 ac. Farm

- **\$.25 / Bu. Market Corn**
- **\$.05 / Bu. Trucking**
- **\$.30 / Bu. Corn Total**
- **160 bu./ac * .30 = \$48**
- **500 ac. = \$24,000**
- **\$.60 / Bu. Market Soy.**
- **\$.05 / Bu. Trucking**
- **\$.65 / Bu. Soy Total**
- **50 bu./ac. *.65= \$32.50**
- **500 ac. = \$16,250**
- **Total Gain = \$40,250**
- **Seed \$ 70,000**
- **Chem. \$ 45,000**
- **Fert. \$ 40,000**
- **NH3 \$ \$37,500**
- **Equip. \$ 30,000**
- **Total \$ 222,500**
- **Save 4% = \$8,900**
- **Overall Value Enhancement \$ 49,150**

More Economic savings !!

- Drier Gas
 - Interest Rates
 - Fuel Savings
 - Labor Savings
 - Health Care
 - Insurance
-
- Legal and Professional access



Summary Economic Benefits

- Market Improvements \$ 40.00
- Input costs @ 4% \$ 9.00
- Agronomic Value \$ 35.00

- Total..... **\$ 84,000**

- Quality of Life..... ***Priceless !!***

Risk Management Observations

- Good times do not last long (cycles occur)

- Increased volatility **and risk**

- Very wide profit gap

\$33 to \$220 acre

U of I \$100



- Everyone is down loading risk to the farmer

Model Benefits

- Less Stress, More Free time, Labor , Peace of Mind. Quality

More Profits! \$\$\$ More Power!

Less Cost for Inputs.& Taxes

Better Decisions, Less Risk

Higher Grain Prices.

Quality of Life!!



HR manager

Marketing manager

Logistics manager

Safety manager

Security manager

Communications manager

Project manager

QA/QC manager

Public Relations

Product development manager

me

The Key to our Success

- **There is no limit to what a man can do or where he can go if he doesn't mind who gets the credit!!**



“Identify Challenges.”

- Time
- Weather
- Government
- Economy
- Markets
- Interest Rates
- The Unknown



“Identify Strengths.”

- Quality “Management Level” People.
- Written Plans.
- Problem Solving Skills.
- Supplier Relationships.
- Diversification.
- Risk Management Plan.
- Quality Consultants.
- Quality Lenders.



Attitude is Key



“The world gives to those who give

The world takes from those who take

It has a perfect accounting system”

Trust, shared goals and common vision

Ask Yourself.....

- ❑ **Am I content with the current state of my operation?**
- ❑ **Do I have the tools I need for today and the future?**
- ❑ **Do I attract the best people and Suppliers?**
- ❑ **Do I have a transition plan?**
- ❑ **Do I have a Risk Management Plan?**
- ❑ **Do I have time to do everything Right?**



Faith & Family

Marketing

Crop Mgmt.

More Education

Conclusion “ What’s the Mission?”

- Identify your Principles.....“*Cooperation vs. Competition*”
- Be more Professional.....“Why are we doing this?”
- Improve Our Margins.....“Profitability & Efficiency”
- Be Sustainable.....“Economic Cycles”
- Strong Supplier Relationships.....“Trust”
- Strong Partnership Relations“Who’s Got your back!”
- Improve **“Quality of Life”**

Important Thoughts



"Never mistake activity for achievement.

" John Wooden

If people like you they'll listen to you, but if they trust you they'll do business with you.

Zig Ziglar

Ability can take you the top, but it takes character to keep you there.

Zig Ziglar

How Can We Help



- ❑ **Multiple years of experience to share.**
- ❑ **Information Structure and Outline.**
- ❑ **Information Mgmt. Tools.**
- ❑ **Lower Expenses , Save Taxes & Increase Profits.**
- ❑ **Quality of Life.**

Thank You !

Chris Barron
Carson & Barron Farms Inc.

E-mail cbarron@cb-farms.com
Phone: 319-533-5703