



# DO YOU HAVE THESE ATTRIBUTES?

In my late-February 2009 column, I wrote about the opportunities for young people involved in production agriculture.

For example, consider the 29% annual net worth increase earned by one of my clients who's been with Russell Consulting Group for seven years. In 2002, this young farm family had a \$297,000 net worth. By 2008, their net worth on an earned basis was \$1.358 million, and adding another \$213,000 of real estate appreciation brought the total to \$1.571 million.

Their base operation began with 470 acres of corn and soybeans and one 2,400-head hog building where they feed hogs for another party. It has now grown to 900 acres of corn and soybeans and 4,800 pig spaces.

As I've said before, profitability in production agriculture is not a function of size or type of operation. It's more a function of leveraging these skills: marketing, equipment cost management, labor management and agronomic management.

Having started several businesses myself and taught entrepreneurship, I have observed several key characteristics of entrepreneurs. Overlaying them with what I've observed in this young farm couple, there continue to be tremendous parallels:

**1. THEY HAVE A** passion for running their own business – the definition or certainly a key component

of being an entrepreneur. They're innovators and can think outside the box.

**2. THEY ARE** risk-takers. However, they don't try to hit home runs. Base hits seem to work just fine.

**3. THE COUPLE HAS** self-confidence – as do other entrepreneurs. They are goal-oriented and know exactly when they will have key capital items paid for in their business.



They keep excellent records and live within their means.

**4. THEY ARE** accountable to themselves. When things go wrong they look in the mirror and blame themselves – not the weather or their competition.

Education and experience are important. I've always felt the best formula for

a new farmer to be successful is to work somewhere else long enough to get promoted. That often means they have the patience, interpersonal skills and work ethic to be successful.

No amount of formal education can provide the opportunities to deal with the hard knocks of life. Quite frankly, where I see young farming careers struggling is where they've had it too easy, and mom and dad have provided too much.

In the years ahead it will be important for young farmers to deal with the increased market volatility in our new environment. This involves knowing the gross dollars per acre they need to make all their

payments, pay their operating expenses, living, depreciation and a desired level of profit.

Yes, profit is a cost of staying in business and capitalizing your growth. This results in the gross dollars per acre that is the marketing goal for the young farmer. Viewing this gross dollars per acre as a "lighthouse" at the end of the waters allows you to navigate through the volatility and take a profit when it presents itself. You'll never go broke taking a profit. **CSO**

## GET USED TO VOLATILITY

**A** business associate of ours recently sent a quote from Jim Collins, author of the book "Good to Great."

It says, "Market volatility is relevant because it turns out that the period between 1952 and 2000 was an aberration. We had a combination of tremendous stability, combined with unprecedented prosperity."

Rarely in history – maybe the Egyptian empire or 200 A.D. in Rome – can we go back and find those. So my view is that the possibility of seeing this again in our lifetime is very low.

What we're experiencing today is market volatility – it's life, get used to it and it's what we will have to live with. In my opinion, volatility will present many opportunities as well as difficulties in the years ahead. ◀◀

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