



PHOTO: GREG LAMP

YOUNG AND WISE

OPPORTUNITIES FOR YOUNG PEOPLE IN AGRICULTURE

At most presentations I have made during the last 10 years I've commented that I felt there would be more opportunities to create wealth in production agriculture in the next 10 years than there have been for the last 25 years. I started saying that when corn was around \$2/bu. and soybeans were about \$5.50.

The reason I believe this: We have observed it in monitoring and benchmarking the financial progress of our clients. A number of them have had return on equity gains in excess of 20% for numerous years – a good number of them for 10 years and one I can think of for 30 years.

More importantly, we've enjoyed the opportunity of helping new, young farmers navigate the troubled waters of an increasingly risk-laden industry.

One example is of a young farmer who has been farming since 2002. After two years of college he

followed his dream and started farming by renting a farm and using his parents' machinery in return for labor. After building some equity, he and his brother-in-law invested in a hog finishing building and feed hogs for his parents. After seven years he has a nice mid-six-figure net worth and an exciting future, having purchased his first farm this past year.

WE HAVE A number of clients who have built significant net worth this way. Lenders will go along with lending money for contract feeders since the risk is more limited than owning the livestock.

Another corn and soybean farmer began his career as a client with us in 1999 by renting a farm and using his parents' equipment in return for labor. As items of equipment needed to be replaced, he'd pay the to-boot price and write an unsecured note back to his parents for the trade-in

value, with real flexible terms so in good years he could build equity in his equipment more quickly.

Over about seven to 10 years he'll own all of the equipment, and mom and dad will be positioned to retire. Many young farmers begin like this with parents' help.

A third case is not so. This young man farms 270 acres of corn and soybeans and started from scratch. His father owned a farm that our client rented, but did not farm.

He indicated that has been a blessing and a curse. The blessing is nobody is telling him what to do; the curse is some sage, well-meant advice would be very helpful in these volatile times. Here again, he's accumulated a low-six-figure net worth, and we feel he will be very successful. **CSO**

MONEY IN PRODUCTION AG

One study I conduct each year during April is when *Fortune* magazine publishes its annual summary of financial information on Fortune 500 companies. I then compare the numbers with profitability I have observed in our client base.

In 2007, the largest 500 companies in America sorted into 70 industries. Only seven of those industries had return on assets greater than 10%. The average return on assets of our client base in 2007 was 11.47%, and it has been above 10% for the last six years.

My conclusion is that there's more money to be made in production agriculture than in any other industry. And there is no better place to do it in than America. **◀**

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