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**Kosciusko County**

**2007 Indiana Farm Management Profiles**

- **Tuesday, June 26, 2007**
  - Sam Beer Farms, Inc.
    - 10264 N Price Road
    - Milford, IN 46542
  - Tom Farms
    - 8542 Harper Road
    - Leesburg, IN 46538
  - Bishop Farms
    - 1865 W 700 N
    - Leesburg, IN 46538
  - Clunette Elevator
    - 4315 W 600 N
    - Leesburg, IN 46538

- **Wednesday, June 27, 2007**
  - Gingerich Dairy Farms
    - 12987 N 400 W
    - Milford, IN 46542
  - Sam Beer Farms
    - 10264 N Price Road
    - Milford, IN 46542
  - Bishop Farms
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**Purdue Agriculture**

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[http://www.ces.purdue.edu/new](http://www.ces.purdue.edu/new)
Acknowledgements

Purdue University’s Department of Agricultural Economics organizes the annual Indiana Farm Management Tour in cooperation with the Indiana Farm Management Association and the Purdue University Extension Service. The tour visits farms and agribusinesses that demonstrate highly successful farm business management practices or have unique perspectives on farm business management. The purpose of the tour is to encourage and develop a high level of management knowledge and skill among Hoosier farmers. This publication profiles the management of the businesses visited during the Indiana Farm Management Tour in 2007.

The tour organizers sincerely appreciate the willingness of the host business owners to share what they have learned about managing their businesses. The organizers also appreciate the sponsoring agencies and companies whose donations of money and goods make it possible to conduct the tour without charging tour participants a large registration fee. As you visit the sponsors listed on the inside back cover of this document, please thank them. The organizers also thank the many individuals who give of their time to help make the tour as enjoyable, safe, and informative as possible for tour participants, including the outstanding Extension Educators and Specialists who work the tour. For information on future tour dates, please visit <http://www.agecon.purdue.edu/extension/programs/farm_tour.asp>.

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Gingerich Dairy Farms   Michael Schutz
Bishop Farms   Freddie Barnard
Clunette Elevator   Bruce Erickson
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Indiana Farm Management Tour  
Kosciusko County  
June 26 and June 27, 2007

Tuesday June 26, 2007

1) Lunch — Sam Beer Farms, Inc. — 12:00 p.m. (Eastern Daylight Time [EDT]). Lunch is provided by the Kosciusko County Pork Producers.

2) Sam Beer Farms, Inc. — Interview at 1:00 p.m. Mini-tours at 1:45 p.m. on Feed Pro System/feed records and their use in evaluating swine enterprise costs and returns, and Monsanto's Vistive Brand soybean plots.

3) Tom Farms LLC — Interview at 3:00 p.m. Mini-tours starting at 3:40 p.m. on seed corn production technology, the future direction of crop genetics, the future of GPS and RTK technology, tomato production technology, and how biofuels will change marketing. The tour of Tom Farms will feature a presentation by Ted Crosbie, Vice-President of Global Plant Breeding for Monsanto. He will discuss the "Future of Crop Genetics." The last event at Tom Farms will be a reception scheduled to start around 6:00 p.m. and end at 7:00 p.m. The refreshments for the reception are expected to include appetizers provided by Maple Leaf Farms and Creighton Brothers. Andy Miller, representing the Indiana State Department of Agriculture, is scheduled to be one of the speakers during the reception.

Wednesday June 27, 2007

4) Gingerich Dairy Farms — Milk and donuts provided by Foremost Farms and Northstar Cooperative at 7:30 a.m. (EDT). Interview at 8:00 a.m. Mini-tours at 8:40 a.m. on the milking facilities, sexed semen/reproductive technology, and feeding management in an era of higher feed costs.

5) Bishop Farms — Interview at 10:00 a.m. Mini-tours at 10:40 a.m. on irrigation, specialty crops, crop recordkeeping technology, and grain marketing and grain storage.

Lunch — Clunette Elevator — 12:00 p.m. Lunch cost will be $5 per person.

6) Clunette Elevator — Interview at 12:30 p.m. Mini-tours at 1:15 p.m. on enhancing crop performance with custom seed treatments, crops technology and in-season monitoring, and managing plant nutrient requirements/suspension fertilizers.

7) Agricultural Outlook Update — Dr. Chris Hurt, Purdue Extension Marketing Specialist, will update the market outlook for grains, soybeans, and livestock at 2:30 p.m. at Clunette Elevator. The tour at Clunette Elevator ends at 3:30 p.m.
What Can You Learn from Our Tour Hosts?

Five family businesses with their own unique management practices welcome you to their place of business. Read the profiles in this publication, listen to the general interviews, and then see if you can answer the following questions. As you answer them, think about how you might use some of the host farmers’ ideas on management to improve the management performance of your own business.

Sam Beer Farms, Inc.

1. How has Sam Beer Farms' nutrient management program contributed to the farm's success?
2. What role has the JBS-United records system played in the successful management of Sam Beer Farms?
3. What advantages does Sam Beer Farms receive from its membership in an input purchasing cooperative?
4. What alternatives to expansion do Indiana farms have for maintaining competitiveness?
5. How will the current ethanol boom affect the prospects for the continued profitability of Sam Beer Farms?

Tom Farms LLC

1. What does running Tom Farms' enterprises like a small manufacturing business and thinking like Wal-Mart mean?
2. How does Tom Farms implement the concept of “capturing the channel from seed to dinner plate and being vertically coordinated to make this happen?”
3. Many producers are proud of their independence, yet Tom Farms has built its business on alliances. Why does Tom Farms actively seek alliances?
4. Growth to the size of Tom Farms means reliance on employees. How do you recruit and maintain the quality of people required?
5. How does Kip Tom find the time to manage a business as large as Tom Farms? Why does Tom Farms want to get bigger? What motivates Kip Tom personally? Who will carry the business forward?

Gingerich Dairy Farms

1. How have Phil and Merrill Gingerich capitalized on each other’s strengths and interests to develop a successful partnership?
2. What dairy technologies are being used to improve efficiency in and around the milking parlor?
3. How are reproductive technologies and expertise utilized to improve the profitability of the dairy herd?
4. What steps have Gingerich Dairy Farms taken to better position themselves in the face of high corn and feed prices?
5. Which tasks are Gingerich Dairy Farms outsourcing, and what advantages are achieved?
**Bishop Farms**

1. How did Bob Bishop make the transition from full-time elementary school teacher and part-time farmer to full-time farmer who currently farms over 4,200 acres?
2. What are the costs and benefits of irrigating cropland in northern Indiana?
3. What are the keys to success for raising specialty crops?
4. How do the Bishops incorporate technology into their farming operation and effectively use the additional information in their decision-making?
5. What is Bishop Farms’ grain marketing plan during the current period of market uncertainty?

**Clunette Elevator**

1. How has Clunette Elevator managed to thrive in agricultural retailing when that segment of the industry has seen some of the greatest structural change and consolidation?
2. In a business where knowing customers and the unique characteristics of their operations are so critical, how does Clunette Elevator attract, develop, and retain good employees?
3. How can Clunette Elevator best work with customers in adopting technological innovation and in helping them to adapt their farming operations to maximize their utility?
4. With fuel prices near historic highs, what practices has Clunette Elevator changed to minimize the impact of higher energy costs?
5. Clunette Elevator has reinvented itself more than once to adapt to the changing needs of its customers. Looking into the future, in what ways does Clunette Elevator's management team expect their business to evolve over the next 5 to 10 years as they respond to the changes currently taking place in the farm economy?
Sam Beer Farms, Inc.

Introduction

Sam Beer Farms Inc. (SBFI) is an independent farrow-to-finish operation located in Milford, Indiana. Sam Beer, the operator of SBFI, has been farming for over 25 years, with the last 20 focused primarily in hog farming. SBFI is a small farming operation compared to typical commercial hog and grain operations in the eastern Corn Belt.

While the progression of profitable and successful farming has been toward expansion as a dominant strategy, SBFI has experienced limited opportunity to expand. The management strategies for success have thus focused on several diverse areas of the farm, including refinement of the breeding program, careful evaluation of price to cost margins, and adapting nutrient management strategies to the proximity advantages available to a small farm where over 400 acres of the farm's crop ground lies within one mile of the hog feeding operation.

Farm Overview and History

Sam Beer is the operator and primary stockholder in SBFI. Sam’s father, Jesse, is semi-retired from farming and leases land to SBFI as well as provides labor, equipment time, and an experienced sounding board to SBFI. Several other family members work part-time for the farm, providing occasional labor and custom harvest work, as well as computer and clerical services to SBFI for compensation. The operation employs two full-time non-family member who work primarily with the swine herd.

SBFI's 2006 records indicate that over 4,800 hogs were sold averaging 274 pounds, and all were farrowed by the 240 sows owned by SBFI. Crop plantings for 2007 were divided between corn, soybeans, and wheat. Corn acreage for 2007 is planned to be close to 500 acres, all of which will be Roundup Ready. Soybean planted acreage for 2007 is slightly over 350 acres, which, like the corn, is all Roundup Ready. In 2006 the farm's corn yields averaged nearly 190 bushels per acre, and soybean yields averaged nearly 60 bushels per acre.

SBFI’s harvested corn crop is used for feed in the farrow-to-finish operation, with only occasional purchases of corn being necessary. Livestock and crop diversification is an important strategy for managing the smaller scale of the operation, as it was for his father, who ran a dairy and crop operation when Sam joined the family business.

In 1988, the dairy herd was sold, and Sam began his own farming operation with 100 sows and 460 crop acres. By 1991, the sow numbers had grown to over 200, and Sam was selling both market hogs and breeding gilts. He discontinued selling breeding gilts in 1997. Later, Sam sold off the sow herd and began finishing hogs exclusively under contract. This experience led him to conclude that farrow-to-finish hog production was more profitable than contract finishing. By 2001, the sow herd had been repopulated, and SBFI was again an independent farrow-to-finish operation.

Since the late 1990s, changes to the farm operation have primarily focused on improving efficiency and management options, such as with the construction of the 1,000 head finishing facility in 2004. This facility replaced some older rented finishing facilities, and has allowed for better space
and time management, especially as finishing weights for hogs have increased.

**SBFI Management and Technology Usage**

Management decisions at SBFI are made by careful consideration of available information. Computer use on the farm has been a staple for 15 years, starting with electronic financial record-keeping for the business. Another important information-based management tool that has been utilized with the farrow-to-finish operation is the JBS-United record-keeping system.

The JBS-United records system allows Sam to evaluate quarterly reports on his hog feeding operation at a great level of detail. The comparison of SBFI with other farms in the records system allows management effort to be focused on areas where the farm lags behind other top operations. An example of this occurred three years ago, when JBS annual records on average daily weight gain (between 100 and 260 pounds) showed SBFI hogs were not getting the growth levels of other breeders. Herd genetics was identified as the primary means to gain growth potential, and a new breeding plan was incorporated. Average daily gains have been over 2 pounds per day in 2005 and 2006 after hitting a low of 1.76 pounds per day in 2003.

To aid in the gathering of information on feed costs, a computerized feed mill was purchased three years ago to more accurately track feed input usage. This system allows for pre-programmed rations to be simply used and the information on usage through the system to be archived for later retrieval. In an era of rising feed input costs, collecting detailed information on use and costs over time provides valuable perspective to the economics of decision making. Particularly with rising corn and soybean prices, understanding the value of a bushel of corn marketed through a fed hog is of vital importance. The most recent estimate of the return to a bushel of corn fed into SBFI’s pork operation was $5.28 per bushel.

Information costs are typically closely associated with the time spent collecting data. The computerized feed mill is an obvious time saver and a means of reducing the costs of gathering information. Similarly, it takes time to look for low-cost input suppliers and to negotiate the lowest possible prices for inputs. One means of holding down these costs is through cooperative input purchases. Cooperative purchases spread these costs over a large number of purchasers, as well as provide greater opportunity to secure volume discounts for purchasing larger quantities.

SBFI has been a member in an input purchasing cooperative for the past 15 years for purchase of all of its veterinary supplies, feed grade antibiotics, and soybean meal. The cooperative is comprised of 30 independent pork producers, with the responsibility of filling orders falling on a single individual experienced in the animal health field. Reliance on this type of expertise and having access to it through the cooperative is an important source of maintaining the margins that have allowed SBFI to remain competitive as an average sized operation.

**Future of the Operation**

The management philosophy of SBFI includes an appreciation for both time-tested methods and progress. As an average sized operation, SBFI's strategic advantages and opportunities may very well differ from those available to larger farms. For example, the biofuels boom and the resulting
increased availability of distillers grains for feed inputs has made understanding this an issue of great importance. While it will be important for SBFI to follow this development closely, other issues remain at the forefront of profitable operation for Sam Beer, given his operation’s size.

First among these is the grain-livestock-manure equation that exists for his farm. Efficient nutrient management is made possible on the farm due to the proximity of crop acreage to manure sources and has been critical for controlling costs. The farm is self-sufficient in phosphorus and potassium. The importance of this aspect was recognized in 2004 when SBFI received the Nutrient Management of Year Award from the Kosciusko soil and water conservation district.

The ethanol boom in Indiana represents the most pressing future concern to maintenance of SBFI’s operation. Sam maintains that a pro-business environment has benefited hog operators in the past and that hog farmers will need to make decisions that will work in a changing environment. One means of maintaining readiness for future decisions is through continued education. Purdue Extension offerings in the form of seminars, meetings, and workshops are important in preparing SBFI for future management decisions.

Expansion of the operation remains an option for SBFI, but is not necessarily part of the long-range plan. SBFI is competitive at its current size, even with increased corn costs, as evidenced by profit margins that put them in the top third of producers. Expansion will likely depend on the career paths of the next generation of Beers.

Sam has four children, and all have been involved with the farm and with 4-H agricultural projects. The oldest of the children, Brooks Beer, age 19, is currently renting 30 acres from SBFI. He is operating independently as a spin-off of SBFI. The spin-off arrangement is allowing Brooks to gain farm management experience on his own, while still allowing him the time to explore alternative career opportunities. Brooks, like many talented youngsters coming from farms, has a number of competing choices for his ultimate full-time career and is exploring these options in a careful and informed manner.

Conclusion

SBFI is an average-sized grain and livestock operation in a modern farming environment where this is viewed as a significant disadvantage. However, effective management of all resources has allowed the farm to remain competitive, a fact evidenced by the detailed production and financial records Sam uses to measure farm performance and to evaluate past and future decisions. The proximity of crop acres to hog facilities, which allows low-cost transport of grain and manure, has allowed the farm to maximize the benefits from managing its nutrient resources. Capital investments that have improved efficiency and information collection have been important in the monitoring and controlling of costs as well as maintaining flexibility in decision making.

While the ethanol era of agriculture presents considerable uncertainties for livestock industries, the outlook for SBFI is not so uncertain. Sam Beer knows that if feed prices rise, then hog prices should follow. If they do not, the careful use of information for analyzing price-cost margins will prepare Sam for his next move in maintaining the success of SBFI.
Tom Farms LLC

Tom Farms LLC is a 16,000 acre value-adding crop farm composed of 12,000 acres in Indiana and 4,000 acres in Argentina. Crops include seed corn production, commercial corn, soybeans, tomatoes, and a business unit that provides customized agricultural services to an additional 28,000 acres, particularly in seed production. In addition, they operate a large commercial trucking business that provides transportation and brokerage services.

Tom Farms is the largest provider of seed services in the U.S. and a major player in world seed markets. They have 4,200 acres of their own seed production in Indiana and an additional 2,000 acres of seed production in Argentina. They harvest 10,000 acres of seed in the U.S. plus their 2,000 acres in Argentina. They provide transportation for over 30,000 acres of seed production from the field to the processing plant and then move $95 million of processed seed to retail locations throughout the U.S. They are in an alliance with Monsanto for the production and distribution of Dekalb and Asgrow seed brands. Their 250 acres of tomatoes in Indiana are destined for Indiana’s own Red Gold tomato products.

Family Farm and Family Involvement

The Tom family’s involvement with agriculture in Indiana dates to 1843. However, we pick up the story in 1948, when young Everett and Marie Tom operated a 240-acre crop and livestock farm. By 1974, the operation had grown to 700 acres, when Kip started farming with his parents. The transition from a traditional Midwestern farm to a value-adding business really began with the use of irrigation on their sandy soils. For the first time ever the Tom’s were able to nearly “drought proof” their crops.

Then in 1985, they had the opportunity to begin raising seed for Pioneer. That arrangement bloomed as Tom Farms not only raised corn with Pioneer, but also helped Pioneer solve their “seed problems” with innovative solutions. Thus, irrigation and Pioneer became an early technology and an alliance that allowed Tom Farms to distinguish themselves as they began their hyper-growth path. The Pioneer connection continued through the 2006 crop, when that alliance shifted to Monsanto.

Since that time the business has broadened and expanded to include six families. Everett and Marie remain active in the business. Kip is the President of Tom Farms LLC, and his sister Melissa Gerber is the office manager and controller. In addition, three of Kip’s five children are active in running the company. They are sons Kyle and Kris, and daughter Kassi Rowland and her husband Greg Rowland. Kyle and Greg share crop production management supervision, and Kassi works with Melissa in managing office and financial matters.

Kip will quickly tell you that the smooth operation of Tom Farms depends on many key people beyond family members. He says, “Our employees are cross-trained in all aspects of our production efforts and are continually asked for their own input and ideas.” Kyle, after returning to the business in 2000, has taken on the role of field production management. Great employees need to know the goals of the entire business and be able to step in if a key employee is unable to perform. Employees are given continuous educational opportunities to update their knowledge and to have the background to provide input into critical decisions. “We want to hire smart employees who have management skills.
and give them the training to be decision makers,” says Kip.

Value Adding: From Seed to Dinner Plate

Tom Farms wants to take value added agriculture to a new level. Kip relates, “We run our business like a small manufacturing operation that thinks like Wal-Mart, measuring returns on each square foot or in our case on each acre.” But there is much more. “We want to capture that channel from the seed to the end user and will be vertically coordinated to make sure that comes to fruition. In order to achieve these objectives, we have a strategic plan derived from our vision of the future needs of agriculture. Plus, we have put an organizational business structure in place and a written business plan to implement that strategy.”

Organization

To gain a perspective of Tom Farms, it is helpful to view an organizational chart of the five operating units shown in the graphic below. Each unit is briefly described:

1. **Tom Farms Partners**: This unit includes the Indiana farming operations that the Tom family is involved with. Those include land ownership, leased land, and the operating business of producing and marketing crops in Indiana.

2. **CereServ, Inc.**: In addition to their own seed and crop production, Tom Farms provides services on an additional 28,000 acres for both seed production acres and non-seed acres. Custom services include custom pesticide application, crop scouting, GPS mapping, custom tillage and planting,
hand and mechanical detassling, male corn removal, seed corn harvesting, and commercial corn harvesting. Kip says, “We want to provide services that our customers request, but in doing so we will provide innovative solutions that add value to their business and to the community as a whole.”

Two retail seed dealer ships and the grain procurement operations are also in this unit.

3. Latin America Seed, S.A.: Tom Farms leases 4,000 acres of land in Argentina to help Monsanto with seed production in the Southern Hemisphere. They will have about 2,000 acres in seed production this year, with the remainder in commercial crops. This venture began in 1999, when Pioneer needed production in the Southern Hemisphere and Kip stood ready to help them solve their issues, which included lack of contacts and lack of production knowledge there.

Kip relates that production there is during our winter and that this provides an opportunity to develop seed supplies that are either new varieties for use there or are in short supply in the Northern Hemisphere. With such rapid development of new genetic products, this gives Monsanto the capability of having two growing seasons in each 12-month period.

Overall this has been a win-win for Tom Farms and Pioneer/Monsanto, although Kip suggests that while it has generally been profitable to operate in Argentina, the challenges have been large as well. He cites currency devaluations and the government imposition of export taxes on agricultural goods as examples of major challenges. Another is the 6,000 miles and sheer amount of time needed to travel between Indiana and South America.

4. Harvest Transportation, Inc.: Harvest Transportation, Inc. is the unit involved with transportation solutions. Kip’s sister Melissa and his daughter Kassi are key forces in this area. The farm’s owned equipment includes approximately 20 professionally driven trucks. In addition, they operate a national freight brokerage business that can align freight needs with transportation equipment from external carriers across the country. This capacity enables them to handle nearly any size of transportation request.

Service trailers from within their own fleet include refrigerated trailers, dry van trailers, moving floor trailers, hopper bottom grain trailers, step deck trailers, liquid tankers, food grade tankers, and double drop equipment trailers. Other equipment is arranged through their outside carriers.

5. GrowServ Partners: This is the unit that develops partnerships with non-family businesses. Tom Farms works with other producers and businesses to find solutions and increase value in their operations. These non-family entities have their own land, equity, machinery, management, labor, and other resources. Rather than having a “one-size-fits-all” philosophy, the farm makes flexible arrangements with partners depending upon the resources they bring and their specific needs.

**Developing an Industrial Agriculture Model**

Tom Farms is plotting the course toward a more industrialized cropping agriculture. While the industrial revolution was in the early 1800s for most manufacturing businesses, cropping agriculture has been dominated by smaller farm units. Principles of the industrial model practiced by Tom Farms are listed on the next page.
1. They adapt quickly to new technologies that are either cost lowering or value increasing.

2. They find the best technology through information collection and analysis, then develop that into a standardized system of management.

3. They develop a standardized system of command and control or standard operating procedures.

4. They utilize alliances with “partners” both to learn from them, but also to extend the scope of the business.

5. They are supply-chain oriented, seeking ways to maximize the value in the food supply chain from farm inputs to the dinner table through differentiation, quality, and consistency.

6. They are solution oriented as they seek ways to reduce costs or increase value with their partners in the supply chain.

7. They continually seek to gain economies of size.

8. They seek additional partners in the quest.

9. Once they “perfect” their technology-management-scale model, they seek to replicate it in other locations or in other businesses.

Farm’s Philosophy Fits the Industrial Model

You can hear this model articulated by Kip (paraphrased below) on their Web site at <http://www.tomfarms.com/>. “Tom Farms puts people first. We treat all employees, customers, and suppliers honestly and fairly. We strive to build a business with a sustainable business structure for the future that improves the industry, the community and solves problems. We do this by quickly adapting superior technologies that deliver value, by fully utilizing resources to their maximum value, by providing our customers with products and services that add value and solve problems for them, and by operating on an industrial platform. The resources to do this include a highly qualified staff, efficient machinery, a large and high quality land base, and utilization of the latest technology.”

In addition, Tom Farms has focused on growth and return on investment rather than the accumulation of assets such as land. As a result, they control the productive value of large land areas without the massive financial investment of ownership. However, this also means that over 90 percent of the land is leased. Thus, landlords are one of their most precious resources. If you work at Tom Farms, Kip says “Every one of us is charge of landlord relations.”

Technology Is a Driver of That Model

One important principle in the model is to identify, evaluate, and adopt superior technology rapidly when the returns to that technology can be high. The farm uses GPS technology for field mapping, field management, RTK auto guidance, yield mapping, nutrient and pesticide application, soil testing on grids, and tractor operation monitoring. In the transportation business they use bar code tracking and geo-referenced placement.

In all cases, the focus is not on the technology itself, but on the value that can be added from use of the technology. Plus, they always look for innovative ways to use the technology that others have not yet recognized.
Kip says, “New technologies are implemented that provide information that reduces costs while making customers more aware of the products and services we are providing. We utilize sophisticated accounting to understand our various profit and costs centers.” That technology is evaluated within the broader scope of the objectives of the business.

**Commodity Marketing**

Tom Farms works closely with four commodity marketing advisors. Each week these advisors provide information, analysis, and marketing recommendations to the farm. Kip views these advisors as relying about 80 percent on market fundamentals and 20 percent on technical market signals. The farm uses futures, options, and cash grain contracting alternatives. While the advisors make recommendations, the final marketing decisions are made by Kip. Marketing decisions are diversified through time by selling in smaller increments a number of times through the marketing year.

The specific commodity price is not as important to Kip as the margin that the price will generate. His philosophy is to price grain when the margins allow the farm to meet their goals. To do this of course requires a detailed knowledge of costs and predetermined margin objectives.

At this point, he has considerably more production than storage space. He has made the conscious decision to invest equity capital where the returns were the greatest, and that has not tended to be in storage. As a result, the farm has been more aggressive at pricing considerable portions of the crop before harvest, or even pre-planting. However, as we move into the biofuels era, Kip sees the assets of grain handling and storage capacity as growing in importance.

Supply availability is becoming much more important for end-users. In addition, returns from storage have been very strong in recent years, with large carry in the market. (Carry refers to the price increase over the storage season.) The biofuels era will stimulate that even more.

Tom Farms is both considering buying existing grain storage capacity as well as building new facilities. The primary advantages of existing facilities would be the opportunity to acquire capacity at somewhat depreciated values, while new capacity would provide the latest technology, could be built in a manner to capture the greatest value in the future, and could be located where they want it.

**Carrying the Model Forward and Succession Planning**

Being a pioneer in developing an industrialized crop farming business is a great challenge and achievement. Development of that model will continue to unfold at Tom Farms. The need for even greater coordination and partnering in the food supply chain will likely occur in the biofuels era. Huge end-users of corn and soybeans will need solutions to some of their most pressing problems, including how to meet their enormous appetites for specific attribute grains.

This will require a system of supply assurances for specific genetics that will likely need to be handled as identity preserved grains on a scale almost unimaginable just a few years ago. Tightly coordinated systems of production, storage, and scheduled delivery of very specific qualitative grains will be required. How will that system be coordinated? How much value can that coordination add? And who will be the coordinators of these systems?
Tom Farms is one organization that is positioning their business for that world.

Developing the system is one thing, but how does one sustain that model for future generations? This need has become more apparent to Kip in recent years, and he has responded.

He has reorganized the business structure into operating units that are more transparent as to their functions and how they integrate with each other. He has developed clearer lines of command and control relative to operating procedures as well. Kip’s recognition of his own vulnerability was heightened when an automobile accident caused him to recognize the need to get his own children, family and key employees more involved in the business as managers and decision makers.

**Leadership for a Better Community and Industry**

Kip believes in using the farm’s resources not only to bring internal value but to enhance the value of the broader community as well. Among many recognitions and contributions, Kip was recognized as one of Indiana’s Entrepreneurs of the Year in 2002 by *Indiana Business Magazine*. In 2005, he was appointed by Governor Daniels to the Board of Directors of the Indiana Economic Development Corporation (IEDC). The IEDC replaced the former Department of Commerce and leads the economic development activities for the state.

As an agriculturalist on the Board, Kip was able to help direct the administration’s economic development toward agriculture, particularly focusing efforts to make Indiana a biofuels leader and to stimulate livestock production and processing in Indiana. In his economic development role for the state, he was instrumental in bringing Louis Dreyfus to Kosciusko County to build a large soybean processing and biodiesel facility. As another example, just this year Kip was honored as the national Top Producer of 2007 by *Top Producer* magazine.

In the end, maybe Tom Farms can best be epitomized with this advice from Kip, “Be honest, be fair, bring value to the family the community and the industry. Put those things first, a lot of business will follow, and you will have success.”
Gingerich Dairy Farms

The dairy industry is a major part of the agricultural scene in northern Indiana. Gingerich Dairy Farms is a 50%-50% partnership of brothers Phil and Merrill Gingerich. By following their shared philosophy of putting God first, then family, then business, they have developed a very successful partnership and dairy farm.

This 250 milking cow dairy is exemplary of a family dairy business that has utilized new technologies and management practices to remain viable with primarily family labor in an era of ever-increasing farm sizes. The Gingerich Brothers have made use of advanced milking management automation, gender-selected semen, crossbreeding, and outsourcing of heifer rearing and silage harvesting to improve their dairy farm business while controlling debt and costs.

Brief History

The history of the Gingerich dairy farm near Milford, dates back to 1955, when John and Mary Ellen Gingerich (Phil and Merrill’s parents) purchased the farm and moved there from Kokomo. The farm they purchased had a stanchion barn that housed the milking herd until it was destroyed by fire in 1963. That year, neighbors helped build a freestall barn with haymow and 4 stall side-open milking parlor.

In 1976, a new section was added to the freestall barn, and a double-6 herringbone parlor was built. At that time, Phil joined his father in a partnership, while Merrill continued to work off the farm as a self-employed carpenter. Then in 1988, when John decided to retire, Phil and Merrill took over the operation as a 50-50 partnership. By 1998, the Gingerich brothers were milking about 120 cows at home and had a neighbor milking an additional 40 cows for them. It was decided to build a new, bigger facility to bring all of the cows together. So the new dairy complex was built in the field across the road from the existing farm place. The dairy center has a 285-stall freestall barn and double-12 parallel milking parlor.

Phil and his wife Jane, who works off the farm two days per week as a registered nurse, have four children. Andrea is married and lives in Ohio, Amy is married and lives in Milford, Eric is a senior at Indiana Wesleyan University, and Scott is a senior at Wawasee. Merrill and his wife Lola, who provides piano and voice lessons at home, also have four children. Lisa is married and resides in Michigan, Ryan is married and lives in Tennessee, Jennifer is married and lives in Goshen, and Angela is a Junior at Bethel College in Mishawaka studying secondary education.

Dairy Operation

The milking herd consists of 250 cows in milk plus dry cows. The current Dairy Herd Association rolling herd average is around 24,000 lbs of milk per cow per year, which is considerably above the state average. Dry cows are mostly housed at the original farm site. The Gingerichs also own about 260 replacement females. Heifer calves are kept in hutches for their first six weeks. At weaning they are put in groups of 10-15 calves and are raised on the farm until they are seven months old. Then they are moved off-site to a heifer raiser. As yearlings, heifers are moved to a second heifer grower who breeds them. Heifers are returned to the farm a few weeks before calving. All calf records are computerized so that information about breeding dates, vaccinations, and all
health issues can be transferred back and forth with the heifer growers.

The partners operate plenty of crop land to meet most of the forage and grain needs of the herd. In 2006, they farmed around 640 acres, consisting of about 260 acres owned, 350 acres rented, and an additional 30 acres they custom farmed. Crops consisted of 150 acres of corn silage, 165 acres of corn grain, 205 acres of Roundup Ready soybeans, 100 acres of alfalfa, and 20 acres of mixed grass hay. In 2006, 20,000 bushels of corn were harvested and stored as high-moisture shelled corn.

The herd is milked three times per day at 5:00 am, 1:00 pm, and 9:00 pm, which enhances milk production, but requires additional labor. Besides the labor which Phil and Merrill provide, there are five employees. These positions consist of three full-time milkers, one part-time milker, and one part-time calf feeder. All of these employees work for wages, and milkers are paid bonuses for maintaining milk quality. The milkers are non-migrant Latino employees with extended families in the vicinity. On-farm housing is provided for the two main milkers.

Use of Technologies

When the new freestall barn and milking center were constructed in 1998, the brothers used several technologies that were not in widespread use in the Midwest at the time. One of the unique aspects of the milking center was the construction of a basement or “subway” beneath the cow platforms in the milking parlor. This arrangement has the advantage of moving the milk vacuum pumps, pulsators, milk pipelines, and milk transfer pumps out of the milking parlor itself. This dramatically reduces the noise in the milking parlor, making milking time more pleasant for the milkers and the cows. Further, it has the advantage of making the milking parlor easier to clean and helps to keep the electronic controls clean and dry.

The parlor is equipped with automatic identification of the cow as she enters the milking parlor and automatic recording of milk weights, time of milking, and duration of milking. Health issues can be entered for each cow and transmitted to the computer. The style of parlor is a double 12-parallel parlor, in which cows stand side by side and are milked from the rear, which is very efficient for milkers because they do not need to travel as far between cows. The milkers are able to milk the 250 milking cows in just over three hours with only two milkers. The rapid exit feature of the parlor means that all cows on an entire side of parlor are released at one time, and cows can begin to enter and fill that side again before the milked cows have all exited the building. This adds even greater efficiency to cow movement and milking times.

Water at ground temperature is used to pre-cool milk before it enters the bulk tank. That water is captured and saved as a source of drinking water for the dairy herd. This practice is common on many farms, but the use of a gravity flow water system connecting the storage tank to the water troughs in the freestall barn is rather unique. The particular advantage of this system is that water lines in the freestall barn are not pressurized, thus reducing the frequency of leaks and the damage they cause.

To encourage cows to spend more time at the feed bunk and to make cows as comfortable as possible while there, concrete floors in the feed aisle have been covered with rubber flooring material. The textured rubber mat provides both cushion and
footing for cows’ hooves, in hope of reducing incidence of lameness, which is a major problem on many dairy farms.

Reproductive Program

Reproduction and reduced fertility are the most common reasons cows leave dairy herds. Costs to farms for culling dairy cows and not having adequate numbers of heifers to replace them are often very large. Phil and Merrill Gingerich have identified several approaches to improving their reproductive program.

Gender-Selected Semen

Gender-selected semen, or sexed semen, is relatively new in the dairy industry. Basically, sperm cells in semen from artificial insemination industry bulls are identified as male or female and sorted accordingly. Thus, dairy farmers have the opportunity to select for heifer calves. Typically, the percentage of heifer calves increases from the expected 50 percent to around 90 percent. While the ability to increase the heifer crop is desirable, the decision to use sexed semen comes at a cost. First, the cost of semen is typically higher, though the amount varies considerably. Second, there is usually at least a small decline in the fertility of the semen.

The use of sexed semen purchased through North Star Select Sires has been very successful for the Gingerich Brothers. Of the first 60 calves born as a result of using sexed semen, the ratio of heifer to bull calves has been 59:1, well above the anticipated 90 percent success rate. Further, the decline in fertility has not been observed by the Gingerichs. Possible reasons for maintaining the excellent conception rates probably include that heifers and cows are bred by a well trained inseminator and that the sexed semen has been used mostly on virgin heifers that typically are more fertile than lactating cows. All heifers are allowed to be serviced twice to gender-selected bulls. If they have not conceived at first or second breeding, they are bred using regular AI semen or turned in with a natural service bull.

Currently, consideration is being given to using sexed semen on matings with older cows. To increase the likelihood of successful matings, they will be very selective of the candidates for sexed semen. These will probably include crossbred cows and only those cows showing strong signs of standing heat.

An increased heifer crop provides numerous opportunities on dairy farms. Gingerichs report having approximately 36 more heifers now as compared to before they began using sexed semen. At present, the plans are not to use the additional heifers to grow the herd, but to give themselves more opportunity to cull older cows and retain better producing, more profitable cows and heifers. Sexed semen technology allows for these opportunities without the need to purchase outside heifers and the disease risks purchased animals may bring.

Crossbreeding

Crossbreeding has not been widely practiced in the dairy industry, mainly because of the very large advantage of Holstein cows in milk production levels. However, issues with calving difficulty, stillbirths, fertility, and longevity in purebred Holsteins have led to renewed interest in crossbreeding. Phil and Merrill Gingerich have been cross-breeding some of their Holstein herd to Jersey bulls for five years.
Currently, the breeding plan is that all Holstein heifers are bred to Jersey bulls, and all Holstein x Jersey crossbred heifers are mated to Holstein bulls. Milking cows are mated mostly to Holstein bulls. The first generation crossbred cows have fit in well with the dairy farm’s goals. They have had a slight advantage in milk yield, but, more important, have been better for reproduction and calving ease. Furthermore, the Gingerichs noted an increase in the number of cows culled for lameness since they moved to the new facilities, and the crossbred cows show improved feet and legs and less lameness. On the other hand, they have noticed an increase in the number of calves that attempt to suckle other calves, which can lead to mastitis later in life. But they have learned to manage this behavior.

The Gingerichs have utilized a limited number of Scandinavian Red bulls as a third breed for matings with the Holstein x Jersey crossbred cows. This breed would bring some additional emphasis on health and fertility, but the fear is that milk production would suffer compared to maintaining a larger percentage of Holstein genes. Therefore they envision continuing mainly with a two-breed rotation. A separate group of primarily crossbred cows has been created to better target rations to the smaller size and production level of these cows.

**Breeding Management**

Breeding Management has been outsourced, in large part, to Ray Patterson, a reproductive management specialist with North Star Select Sires. Ray also works with several other herds in the region. Once each day, Ray arrives at the dairy to check for cows in estrus and to breed cows. Tail chalking is used as the primary method of estrus detection, so Ray chalks tails of cows in the expected breeding groups. If there is mounting activity among the cows during the previous day, the tail chalk will be rubbed away. This targets those cows as candidates for artificial insemination. Any cows showing obvious signs of heat during the rest of the day are recorded for Ray to breed the following day.

The Gingerichs not only save the labor they would ordinarily incur for breeding cows themselves, but have noted that estrus detection has actually been better with tail chalking compared to relying only on visual estrus detection. The Gingerichs still have control over which cows are bred to which sires. Additionally, some cows are bred using an estrus synchronization program (Ovsynch) that allows them to be bred based on time since the shots were given and not on signs of estrus. This is also easily accomplished in working with their reproduction management specialist.

**Managing Feed Prices**

The escalating price of corn grain and the coinciding increase in the value of corn silage and cost of other feed grains is a concern to Phil and Merrill Gingerich. While production of their own corn silage helps to temper the effects of increasing corn prices, the brothers understand the opportunity costs that accompany corn silage production.

The ration fed includes corn silage, alfalfa silage, dry hay, cottonseed, soybean meal, chopped straw, and a concentrate mix that includes several byproduct feeds such as corn gluten, blood meal, and a Kellogg’s cereal grain byproduct that is high in sugar. Distillers grains are not currently fed in the ration, but may be if the price and local availability improve in the future. Several steps have been taken to help manage feed prices.
Corn silage harvest is managed very carefully to assure quality and reduce storage losses. Harvest cost is reduced by hiring a custom harvester to chop the corn silage. Because the silage contractor is local, timing of harvest to assure optimum silage fermentation and quality have not been a problem. Silage is harvested with a 6-row chopper requiring two or three tractors working on the silage pile to get proper distribution and especially packing, which is absolutely critical for top quality silage. Around 3,500 tons of corn silage are harvested in three days. Immediately after filling the bunker silo, the silage is covered with a clear plastic to reduce spoilage. Unfortunately, that clear cover is degraded by sunlight, so the bunker is also covered with plastic tarp held in place by tires. This method appears to have reduced spoilage and feed loss.

Harvesting 20,000 bushels of corn as high moisture corn provides a more easily digested source of starch for the cows, thereby improving the feed quality of the crop. The Gingerichs also produce about 200 acres of soybeans for the cash market. They use this crop somewhat as a hedge against soybean meal purchases. They also produce around 10,000 bushels of corn for sale in the cash market. The brothers use contracts to lock in commodity feed prices when there are opportunities to do so.

The forage program is extended by utilizing homegrown and purchased forages as appropriate. Home raised alfalfa is harvested primarily as silage, and dry hay is purchased locally. This allows the Gingerichs to manage forage quality instead of allowing the weather to dictate alfalfa quality at harvest. Chopped wheat straw is added to dry cow rations to increase effective fiber levels. That straw is purchased and then processed at the farm. The bedding used in the freestall barn is a paper waste byproduct that is purchased at a reasonable cost. However, it must be stored properly to keep it from drawing moisture.

**Partnering**

Shared goals have allowed Phil and Merrill Gingerich to keep their 50-50 partnership successful. They define success as “not so much what you have, but how you use what you have.” An underlying goal is to be able to manage their dairy business and still have time for church and community events and to help those in need.

One way the Gingerichs have been able to manage for their success is by avoiding a large debt load. They managed to keep debt under control when taking over the farm business from their father and through expansion. Partly, this is accomplished through outsourcing of heifer raising and silage harvest, reducing the need for purchased equipment and facilities. They have also made great use of family labor over the years.

The brothers have keyed on each other’s complementary strengths to form a good management team. Phil is more interested in the dairy cows and herd health management, while Merrill has more skills in the area of crop production, feeding, and maintenance. The secret they have found is that “in a partnership you must be willing to give up some of your ideas and compromise with your partner. Two people can’t always have their own way.”

They have made a conscious effort to keep abreast of new technologies that can help them succeed. Their resources include veterinarians, nutritionists, other farmers, universities, and companies that provide
excellent management information at annual meetings.

The Future

What are the plans for Gingerich Dairy Farm in the future? Phil and Merrill Gingerich have identified three critical issues that must be addressed for their long term success.

1. Rising corn and feed prices must be monitored very closely. As mentioned previously, Gingerich Dairy Farm is taking several steps to control feed costs without compromising milk yield or production efficiency.

2. The expansion of mega dairies in the area may lead to over-production. As more large dairy farms locate in Indiana and milk production increases, the Gingerichs, along with many other dairy farmers, wonder if there will continue to be markets for their milk. Nevertheless, the Gingerichs feel they will be able to remain competitive.

The focus for the immediate future is to get better, not bigger. This will allow them to continue to compete with the larger dairy farms on cost. While the larger farms may be able to get volume premiums on milk sales and volume discounts on feed supplies, the Gingerichs feel they have some other advantages at their present size. First, they feel they have a tremendous advantage in being able to comply with environmental regulations. Second, they, as managers, have a lot more opportunity for hands-on management of the dairy cows. Furthermore, by controlling debt, they feel they may be at a financial advantage over some of the large start-up dairy farms.

3. A succession plan for transferring the family dairy farm to the next generation must be developed. Phil and Merrill Gingerich are waiting to see if any of their children have interest in stepping into the dairy operation. This will certainly have an impact on any changes or plans for expansion in the future.

While the future may have a few questions for the Gingerich Dairy Farm, as it does for many, many family farms in Indiana, the Gingerichs have accomplished much and remain very positive in their outlook. Their focus on God, then family, then business has left them with a dairy farm that is very successful at present. Managing debt, controlling feed costs, and embracing new technologies have positioned Gingerich Dairy Farms to compete with other dairy farms of all sizes.
Bishop Farms

Bishop Farms provides an opportunity for farm management tour participants to acquire information and improve decision-making in at least four management areas. First, irrigation is used on about 40 percent of the acreage farmed, and that percentage has increased over the years. The economics of irrigation are of particular interest now due to higher crop prices. Second, Bob and Waneta Bishop have grown a variety of specialty crops over the years. Their experience has led to insights into the advantages and disadvantages of growing specialty crops and a particular management philosophy. Third, the Bishops use a variety of marketing tools and have 270,000 bushels of grain storage. Their approach to marketing is very much influenced by their ability to store. The current biofuels boom has many farmers rethinking their marketing strategies. Finally, the use of technology in agriculture is increasing, and the Bishop family has incorporated several technological innovations into their operation.

Farm History and Family

Bishop Farms was started in 1833, when Bob’s family homesteaded 80 acres about a mile from their present farmstead. That original 80 acres is still part of the farm. Bob’s ancestors got along well with the Native Americans who resided in the area, because his ancestors could call turkeys better than the Native Americans who occupied the area prior to the arrival of the Bishop Family. Consequently, one of the earliest partnerships in American history was formed.

As we fast forward to the present generation, Bob was raised about one-half mile from the current farmstead. He always wanted to be involved in farming, which played a role in choosing a college that was located close to the home farm. Bob chose to attend Grace College, a Christian College located in Winona Lake, IN, where he majored in Education. In 1967, Bob and Waneta were married. Bob graduated with a B. S. in Education in 1969, and in 1971 he received a M. S. from Indiana University, after completing the degree requirements at the Fort Wayne Campus. Bob has also completed postgraduate work in Administration at Purdue University in Fort Wayne.

In 1972, Bob and Waneta bought the current farmstead from Bob’s grandparents, and during that summer, Bob, with his dad and brother, built the house he and Waneta call home. He refers to that time period as the most profitable summer he has ever experienced.

Bob has always wanted to farm and has always taken steps to ensure he was located close enough to the farm to be engaged in farming. He taught elementary school for 16 years at Jefferson in Winona Lake, Claypool Elementary, and Leesburg Elementary Schools and then retired. Throughout that time period, he farmed 600 acres, operated a farrow-to-finish hog operation with his dad, and fed out 80 head of beef cattle a year.

An additional 1,000 acres of rented land became available during Bob’s seventeenth year of teaching. It was an opportunity he just could not let pass. That change in the cropping program brought an end to Bob’s classroom teaching career. From that time until the present, he has continued to gradually add acres to the farming operation. The current farming operation consists of 4,262 acres, 697 owned and 3,565 rented acres.
Bob and Waneta have three children. Their daughter, Sonja, is the branch manager of Farmers State Bank and helps with the record-keeping for the farm. Their son, Jim, lives in Indianapolis and works for Elanco. A second son, Mike, passed away on July 23, 1992. Bob’s brother, Larry, helps in the spring and fall with planting and harvesting when help is needed.

**Business Organization**

Bishop Farms is organized as a sole proprietorship, with Bob and Waneta as owners. R. W. Bishop Trucking, Inc. is organized as a Subchapter S corporation and consists of five semi trucks that are used to haul freight for Pioneer and local companies. The S corporation was formed for liability purposes.

The two businesses employ five full-time and two part-time employees. Jeff Hall has been employed for 20 years and works for the farm and is also the dispatcher for the trucking company. Jay Lortie has been employed for six years and works for both businesses. Steve Hall, Jeff’s son, has been employed by the farm for two years and is in charge of irrigation management for the farm. He participated in the co-op program during high school, which evolved into full-time employment after graduation. Charles Losee has been employed by both businesses on and off for the past three years and now is on board full-time. Mike Gunderson was recently hired as an employee of the farm.

Bob attracts and retains good employees by having a reputation for being fair and providing training for his employees. Bob uses several management practices to enhance the job performance of his employees.

First, Bob always listens to the concerns expressed by his employees, and, when an employee is upset, he attempts to diffuse the situation and get to the root cause of the problem. Second, employee training for routine tasks is usually hands-on, with a more experienced employee working alongside a new employee during the new employee’s first experience performing a task. When more formal training opportunities come along, Bob ensures his employees take advantage of those opportunities. For example, Steve recently attended a school in Nebraska on irrigation. Jeff and Jay have attended spray certification classes at Purdue for commercial applicator licenses and other training on equipment as the need arises.

Finally, employee benefits include several features that help Bob compete effectively with non-farm businesses and other farms for good employees. The employees have health insurance, a retirement plan, and an end of year bonus that is based on that employee’s wages for the year. A Christmas party is held each year, and each employee receives one-half of a beef and other gifts.

**Production Program**

The farm acreage for Bishop Farms consists of 677 owned cropland acres, 65 acres of share rented cropland, and 3,470 acres of cash rented cropland. Thirty acres of rented pasture and 20 acres of owned timber round out the total number of acres farmed at 4,262.

The cropping program for 2007 consists of 1,550 acres of corn, 1,155 acres of seed corn that is grown for Pioneer, and 1,480 acres of soybeans. The average yields in 2006 for corn and soybeans were 168 and 58 bushels, respectively. Seed corn yielded 218 bushels.
The Bishops also raised 75 acres of wheat in 2006 that yielded 110 bushels per acre.

In addition, the Bishops have 10 beef cows and feed out about 10 calves each year for freezer beef. Usually these go to employees, family, and friends for Christmas presents.

**Irrigation**

Irrigation has been a major part of the production program on Bishop Farms since 1988. The number of acres irrigated has gradually increased since that time, and Bob expects that trend to continue in the future. He says it is an absolute necessity for growing specialty crops such as seed corn. Currently, 40 percent of the total acreage farmed is irrigated, and it has resulted in about a 50 percent increase in production. There has not been a year since 1988 that Bishop Farms has not had to use irrigation at some point during the growing season. The farm’s irrigation wells pump between 1.2 and 1.4 million gallons of water per day when in use.

**Specialty Crops**

Bishop Farms has been involved in producing specialty crops since 1988, when they grew popcorn for Weaver Popcorn. In 1992 and 1993 they grew sweet corn. Usually the yield for sweet corn is 4-5 tons per acre. One of those two years they produced a record yield of 9 tons per acre. In 1995 and 1996, they grew navy beans, and from 2000 until 2006 they grew tomatoes. They do not have any tomatoes in 2007.

For the past four years Waneta has grown an acre of pumpkins. She supplies the local supermarket with pumpkins, along with running a roadside market. School children are provided an opportunity to visit the farm and take pumpkins home. Waneta has used a technique that enables her to write the name of each grandchild on some of the pumpkins and now gets inquiries from numerous people about that technique.

The most consistent specialty crop grown has been seed corn. They have grown seed corn since 1991, most of the time for Pioneer. The relationship with Pioneer has developed and grown over the years and the trucking company was formed because of a need expressed by Pioneer.

**Technology**

Bob and Waneta have incorporated technology into their farming operations throughout the years and continue to do so. They have been using yield monitors and maps for 10 years and have concluded the information is only as accurate as the calibration. They calibrate at least twice every crop year. They compare the information from year to year and use it to guide their fertility program.

When applying fertilizer and other inputs, they collect specific information for each field. They do this by using a handheld device called an "iPAQ" to record fertilizer, herbicides, and seed varieties. That information is then emailed to Clunette Elevator, whom they use as crop and production consultants. GPS and auto-steer systems have been installed on three tractors and a combine.

Sonja uses QuickBooks to enter the information needed for the payroll and to record production and financial information for the farm. Information is then provided to Bob in the form of reports, spreadsheets, and charts, which he uses to make management decisions.
Personal and Professional Perspectives

Bob and Waneta try to keep everything in proper perspective as they go about managing Bishop Farms and interacting with family members, employees, and friends. Bob gauges how successful he is in life by how satisfied he is by what he has done. He gauges the success of Bishop Farms by how it is viewed by employees and neighbors, and whether others ask his advice and input. He views being asked to share his experience and knowledge with others as an honor and a privilege, and he particularly enjoys talking to younger producers.

Bob’s various leadership experiences have helped shape his personal and professional perspectives. He has always wanted to farm and is thankful he had the opportunity to attend Grace College, which is located close to home. That enabled him to complete college and continue to be actively involved in farming. His educational training and involvement with kids throughout his 16 years of teaching has helped him to effectively interact with people.

He has honed his leadership skills as he provided leadership to a variety of church, school, community, and state organizations. Bob is frequently asked to be involved in volunteer opportunities.

He has served as chairman of the Leesburg United Methodist Church trustees and taught Sunday school. He serves as an elected official on the Township Advisory Board and is a volunteer fireman for the township. He has served as President of the County Fair Board and County Cattlemen’s Association, and is the current President of the local Lions Club. He has also chaired the Agriculture Awareness Program for Kosciusko County the past nine years. This is a program for fourth graders to learn about agriculture in Kosciusko County. He has helped with the Hoosier Beef Congress since 1992 and continues to be in charge of the Junior Show. He has helped in the Beef Barn at the Indiana State Fair for the past eight years and has been Superintendent for the past six years. In March of this year, he received the Kosciusko County Cattleman of the Year Award.

Strategic Management

Bob sees long-term opportunities for the expansion of the seed corn enterprise. He feels the farm is well-suited to increase production in that enterprise. He possesses several advantages in the area, including his long-running relationship with Pioneer, past production history with seed corn, and the ownership of and expertise in using irrigation equipment. His primary threat is losing rented land. A secondary threat is the uncertainty surrounding agriculture due to the increasing demand for biofuels.

Farming Today for the Generations of Tomorrow

At the bottom of every contract signed by Bob and Waneta they include the following phrase, “Farming Today for the Generations of Tomorrow.” To provide a farming operation for the generations of tomorrow they rely on their number one strength, which is the determination and dedication “to get the job done.” That is the result of the personnel involved in the farming operation. It includes the leadership skills of Bob, open and continuous communication among Bob and the employees, and the ability of everyone to make decisions in a timely manner.
Clunette Elevator

Keeping the focus on providing value to their customers is what helps prioritize both day-to-day activities and long-term strategies at Clunette Elevator, an independent, local business operating in a world increasingly dominated by regional and even national players. “We succeed only when we can help our customers succeed,” said John Anglin, a second-generation owner and primary operations manager. Clunette Elevator has been able to successfully grow their agricultural retailing business in a broader market that has been one of the heaviest casualties of shrinking sales margins, farm consolidation, and the transition from chemical to genetic crop protection.

Clunette makes a real effort to best team up with their customers to assist them in crop production. Crop producer Scott Sheets has been using Clunette’s products and services for over a decade. “Managing all of the technology, labor, and marketing, and coordinating all of that on all of my acres of crops is always a challenge, and it is risky trying to go it alone,” said Sheets. “I depend on their advice, especially on the agronomy side—what to do for hybrids, fertilizers, weed control, traits, technology, and others.”

And while their customers tend to be loyal, Clunette Elevator well knows customers have other options and that they have to keep giving customers reasons to come back year after year. Thus, the business has reinvented itself over the years to try to best serve customer needs.

Clunette set up shop originally as a grain elevator and for a while was heavily involved in their own livestock operations, but as new technology came on board, the business transitioned more and more into fertilizers and crop protection products, mainstays of Midwest ag retailing in the 1970’s and 1980’s. Today, a significant portion of Clunette Elevator’s business is still in crop nutrients and to a lesser extent herbicides, insecticides, and fungicides, but is growing more centered on crop seeds and precision services. And, according to Anglin, they will continue to adapt and change as their customer’s needs change. The next generation of managers at Clunette is already taking shape with Gabe and Jessica Ayers—the third generation of family to be involved in the business.

Customers Carried the Business from the Beginning

Clunette Elevator was founded in 1951 by brothers Wallace, Dallas, and Jack Anglin. After rural consolidation the old Clunette school building was no longer needed and was sold at auction. Wallace, a farmer who was already buying grain and hauling it to terminal markets, unsuccessfully bid, but then worked a deal with the school building’s new owner to set up shop next door. On this site the three brothers built an elevator, using their own labor and locally grown lumber. Without rail access, many predicted the business would certainly fail, but the brothers survived that first year, and the grain business began to flourish.

Within months of their startup came the business’ first structural metamorphosis. Many of their customers were looking to find a source of quality livestock feed at reasonable prices. With no financial resources to react, Clunette sold stock in their young company, much of it to existing customers, to finance the construction of a feed mill and mixing plant. Over the years the original owners transitioned the
management to the next generation of John, Tom, and Dan Anglin, and purchased back the ownership from their customer stockholders.

**Leading with Technology**

Part of providing value to customers involves identifying and assisting customers in benefiting from new and existing technologies, including the following:

**Site Specific Technologies**

Since 1996, Clunette Elevator has been using variable rate technology for custom application of crop protection products and fertilizers on customers’ fields. Using variable rate equipment can help their customers to more closely match crop inputs across a field to better match crop needs, potentially lowering their overall input costs and increasing yields, both of which can offer customers additional value.

**Guidance Technologies**

Another way to provide greater value to customers and to increase the efficiency of custom application is guidance technologies. They minimize skips and overlaps, save time, permit coverage of more acres in a day, and allow equipment operators to operate better in the lower visibility environments of night, fog, and dust. Clunette started using lightbar technology in 1998, and currently all custom application rigs are equipped with GPS-enabled automated steering.

In addition, some of their equipment is outfitted with boom shutoff controls to more precisely apply inputs along field borders, waterways, endrows, and uneven field borders. For the highest level of GPS accuracy, they have invested in their own RTK (Real Time Kinematic) network that is currently operational for use with their equipment and that of their customers and are expanding their coverage by building a second RTK network as well. To best serve their customers’ needs, they sell and service guidance systems through Trimble Navigation.

**Seed Sales**

Clunette Elevator has always sold farm seeds, but the seed business has taken an increasing role though the years, and even more so since genetically modified crops have been used. Clunette Elevator is a sales representative for Pioneer Hi-Bred, which offers one of the most complete lines of hybrid corn, soybean, wheat, alfalfa, and key genetic traits to go with them.

**Seed Treatments**

Seed costs have increased dramatically in recent years, and growers continue to look for new ways to insure this investment. Seed treatments can be one of the most effective and efficient ways to deliver many crop inputs—especially certain insecticides, inoculants, and growth promoters. While national and even regional seed companies can offer a wide assortment of hybrids and varieties with the specific traits that customers desire, also offering each of those products with a custom-designed seed treatment starts to become a logistical challenge.

Also, some seed treatments do not maintain their effectiveness if applied more than a few weeks ahead of planting. To best serve the needs of their customers, Clunette operates their own seed treatment facility. Customers order seed in bags but more commonly in bulk, then Clunette applies the treatments in the spring, often literally as
customers head to their next field to plant. This requires at least one person dedicated to this effort in the spring.

**Suspension Fertilizers**

Many ag retailers abandoned suspension fertilizers years ago, but Clunette Elevator feels strongly that they can offer additional value, as they often contain more nutrients per unit of weight, and they can also be mixed with a variety of seeds and crop protection products. Like seed treatments, suspension fertilizers require a higher level of commitment and management capability by Clunette, something that they are willing to do if there is a payoff for their customers. In addition, they have seen good returns in adding sulfur to traditional N, P, and K fertilizer plans on some farms, especially in irrigated situations and in sandy soils.

**Technical Advice and Service**

Intertwined in every sale is the technical advice to help ensure success. For many customers, this requires a fair amount of advanced planning prior to the growing season, plus periodic checkups along the way. This puts a huge responsibility on Clunette to ensure they are on top of their game, but it is essential in adding value for their customers. With a key recommendation role on over 125,000 acres and assuming the crop on each acre is valued conservatively at $500, that’s a $60 million dollar investment portfolio that they help manage.

To help ensure their decisions are right for their area, they commonly partner with customers in doing field trials to test hybrids and technologies, and utilize the services of the technical staffs of distributors and suppliers. Also, both John and Gabe are Certified Crop Advisers. They watch the research results and recommendations coming from Purdue, Michigan State, and Ohio State. They purposely interact and challenge themselves with others in the business to make sure they can always see the bigger picture or the other side of a situation.

Clunette’s business has grown steadily, but they know outside forces will always be at work changing established business models. And with continued farm consolidation they will likely be dealing with fewer customers in the future, but likely working even more closely with each of those customers than they do today.

Clunette Elevator is expanding their capabilities in grain handling and sees aligning their grain business with end users such as the livestock industry, soybean processors, or ethanol and biodiesel as key areas for future growth. To manage the financial ups and downs of a business that is seasonal in nature, Clunette Elevator depends on the financial advice and understanding of a banker who knows agriculture, and its unique risks. Says John, “Every day brings a new set of challenges, and sometimes you have to be able to work in some situations that aren’t necessarily real glamorous.”

**Long-Term Dedication to Employees**

The relationship of Clunette to its customers extends throughout the organization. In a business where there is real value in the knowledge of farms, fields, soils, and the unique situations of each customer, retaining employees is essential. “The accumulated knowledge that exists with our employees is not just something that you can put in a database and turn over to a rookie with any chance of success,” said Anglin. “Glen Slaybaugh, an applicator, and Dave Truex,
who runs the fertilizer plant, have both been
with us for 30 years.”

When there can be such a tight relationship
with Clunette and customers, breaking in a
new employee can be tough. Gabe Ayers
came to Clunette with a solid agronomic
background and experience in both
application and management, yet customers
were pretty skeptical at first. But according
to John, “I’m guessing those customers
working with Gabe now might be pretty
hesitant if they had to switch back to me.”

John has held numerous leadership positions
both locally and statewide, including past
president of both the Indiana Feed and Grain
Association and Indiana Agribusiness
Council. Clunette Elevator supports local
agricultural groups, such as FFA, and the
county fair.

Staying Competitive

As an independent retailer, some might
wonder how Clunette might compete against
much larger firms that could have greater
purchasing clout or other pooled resources.
Even so, Clunette’s footprint is big enough
to make a difference, and they maintain
long-established relationships with key
suppliers. Beyond that, Gabe thinks they can
stand up to anyone in their efficiency and
timeliness. “We are available 24/7 during
the rush—we can turn on a dime or
immediately offer a creative solution for a
customer who calls with an unexpected
problem. We also try to keep ahead on
updating our equipment so we can offer our
customers the most reliable service
possible.”

With higher grain prices and the increase in
corn acres, things look pretty rosy for 2007,
but that doesn’t provide much sense of
complacency in Gabe Ayer’s mind. “Just as
different as this business is today than it was
a generation ago, it will be that much
different or more for the next generation.”
Indiana Farm Management Association

Association History and Purpose
The Indiana Farm Management Association was formed in 1932 to encourage more profitable organization and operation of Indiana farms. To this end, the Association has cooperated with the Purdue University Extension Service and the Purdue University Department of Agricultural Economics to plan and conduct the annual Indiana Farm Management Tour each year since the first tour was conducted in the early 1930's.

Association Membership
Membership is open to farm operators, farm owners, and other persons interested in farm management. The $10 annual dues paid by members help pay for some of the expenses incurred to conduct the annual farm management tour and the financial backing of the Association to a large extent makes the tour possible. The leadership and financial support this group provides are greatly appreciated by Purdue University and Indiana farmers.

Contact Information
For more information about the Indiana Farm Management Association, contact its secretary: Alan Miller, Extension Farm Business Management Specialist, Department of Agricultural Economics, Purdue University, 403 W State Street, West Lafayette, IN, 47907-2056; (765) 494-4203; <millerwa@purdue.edu>.

Information on Future Farm Management Tours
For information on future tour dates, please visit <http://www.agecon.purdue.edu/extension/programs/farm_tour.asp>.
FARM MANAGEMENT TOUR – 2007

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We sincerely appreciate their support!