2006 Indiana Farm Management Profiles

Hamilton & Madison Counties
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 Cooperative Extension Service. The tour visits farms 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 farms visited during the Indiana Farm Management Tour in 2006.

The tour organizers sincerely appreciate the willingness of the host farmers to welcome tour participants onto their farms and to share what they have learned about managing their farm businesses. The organizers of the Indiana Farm Management Tour appreciate any sponsoring agencies and companies whose donations helped finance the tour. The organizers also thank the volunteer individuals and groups who give of their time to help make the tour as enjoyable, safe, and informative as possible for tour participants. For information on future tour dates, please visit <http://www.agecon.purdue.edu/extension/programs/farm tour.asp> on the Internet.

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Smith Family Farms
Flanders A-Maizing Grain, Inc.
Shuter Sunset Farms, Inc.
Rulon Enterprises

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Contents

Indiana Farm Management Tour Schedule ................. 2

What Can You Learn from Our Tour Hosts? ............... 3

Farm Management Profiles & Authors

Smith Family Farms ........................................... 5
  Roman Keeney

Flanders A-Maizing Grain, Inc. ............................ 9
  Corinne Alexander

Shuter Sunset Farms, Inc. .................................. 13
  Bruce Erickson

Rulon Enterprises .......................................... 17
  Alan Miller
Indiana Farm Management Tour
Hamilton and Madison Counties
June 28 and June 29, 2006

Wednesday June 28, 2006

1) Smith Family Farms — Madison County — Registration at the farm beginning at 12:30 p.m. (Eastern Daylight Savings Time [EDST]). Interview at 1:00 p.m. Mini-tours starting at 1:45 p.m. on developing and marketing an agri-tourism enterprise; dairy replacement heifers as a specialized livestock enterprise; and pumpkin cropping in Indiana.

2) Flanders A-Maizing Grain, Inc. — Hamilton County — Interview at 3:00 p.m. (EDST). Mini-tours starting at 3:40 p.m. on on-farm quality assurance; choosing the right business entity for your farm; and vertical tillage, residue management, and land leveling in no-till.

3) Evening Program — Hamilton County 4-H Center — 7:00 p.m. (EDST). Visit with Heartland Growers, a family-owned wholesale green-house located in Westfield, IN that specializes in geraniums in the spring and poinsettias in the fall.

Thursday June 29, 2006

4) Shuter Sunset Farms, Inc. — Madison County — Registration at the farm begins at 8:00 a.m. (EDST). Mini-tours starting at 8:15 a.m. on strip tillage; certified freezer beef production and rotational grazing, financing swine production with the USDA’s Young Farmer Loan Program; precision farming technologies; and combine leasing and grain handling system modifications to optimize grain flow at harvest.

5) Rulon Enterprises — Hamilton County — Mini-tours starting at 10:45 a.m. (EDST) on real economics of no-till; smart drainage; and preparing the next generation to be even more successful than you were.

Lunch — Rulon Enterprises — 12 noon (EDST). Lunch may be purchased for $10 per person ($4 for children 3-12 years old). Please bring cash or a check (no credit cards). Pre-register for lunch (and an optional Beck’s Hybrids tour described below) by Wednesday June 21 by calling 1-888-EXT-INFO, or by calling Purdue Extension in either Hamilton County (317) 776-0854 or Madison County (765) 641-9514).

Agricultural Outlook Update — Dr. Chris Hurt, Purdue Extension Marketing Specialist, will update the market outlook for grains, soybeans, and livestock after lunch is served. The tour of Rulon Enterprises ends at 2:30 p.m.

6) Beck’s Hybrids Tour — Join Purdue Extension Specialist Alan Miller and Indiana Farm Management Association Director Steve Gauck for an optional post-farm-tour visit to Beck’s Hybrids at 3:00 p.m. (EDST).
What Can You Learn from Our Tour Hosts?

Four families 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.

Smith Family Farms

1. How has location posed a threat to the Smith Family Farms’ operation?
2. How has location created opportunities for Smith Family Farms?
3. What role has higher education played in the development of both traditional and non-traditional enterprises at the Smith Family Farms operation?
4. What role has agricultural education played in the development of the Smith Family Farms’ agri-tourism enterprise?
5. How have enterprise adjustments been used to cope with the fixed resources (operator time, feeding/housing capacity) of the Smith Family Farms’ operation?

Flanders A-Maizing Grain, Inc.

1. How have the Flanders organized the farm business to put family first?
2. How have the Flanders made their business a quality-focused business rather than quantity-focused?
3. How does Lehman & Company, PC, a CPA practice owned by their oldest daughter and her husband, complement the farm operation?
4. How did Jim, Jr. plan his return to the farm, and what advice would he give to others who are considering such a plan?
5. What are the Flanders’ keys to managing a business?

Shuter Sunset Farms, Inc.

1. What are financial and other advantages and disadvantages of leasing a combine vs. owning a combine?
2. What are the risks and implications for your cropping operation of going to a corn/corn/soybean rotation from a corn/soybean rotation?
3. What opportunities are available for young, beginning farmers in addition to the Young Farmer Loan program?
4. How profitable is it to market beef through the Indiana Farm Fresh Beef program?
5. How do you best develop and maintain a working relationship with a seed company or specialty grain marketer?
6. What factors do you use to delineate the soil management zones that you use on your farms? Once these are determined, how do you decide how to vary crop inputs such as seeds and fertilizers?
**Rulon Enterprises**

1. How do the Rulons go about identifying opportunities to grow and diversify their business that fit with their interests, skills, and profit goals?
2. Why is putting everything in writing a fundamental tenet of the Rulons’ management philosophy?
3. Why is it necessary for farm businesses to grow revenues at an average annual rate of at least 10 percent?
4. How does diversification aid rapid growth, foster stable revenues, and create lifestyle?
5. Why does no-till farming make both economic and environmental sense for any farm business?
6. What are the keys to designing smart drainage systems?
7. Why do the Rulons believe that effective business planning coupled with government supports and insurance take much of the risk and excitement out of managing a diversified farm business?
Smith Family Farms

Introduction

At first glance, Smith Family Farms seems typical of many Indiana operations. The 2006 crop plan includes around 1,300 acres of corn (100 of that Bt, 350 of it waxy), 1,500 acres of soybeans (all Roundup Ready®), and some 80 additional acres split between wheat and alfalfa. The Smiths own about 25 percent of the acreage they crop and acquire the rest through a combination of cash and share rent arrangements. In addition to crops, the Smiths raise 150 Holstein replacement heifers (from six weeks to just prior to calving) and 25 feeder cattle and manage a flock of 50 ewes. Two generations of Smith men and their wives are actively involved in the day-to-day management and labor on the farm, with one full-time employee and various sources of occasional labor providing the remainder. It’s only when you learn that Smith Family Farms annually hosts seven to eight thousand paying visitors on their operation that the situation begins to sound a little less typical.

These paying guests are part of Smith Family Farms’ diversification into agri-tourism, made possible through a unique combination of family member skills and proximity to an urban population. At this tour stop, we learn how an Indiana farm that traces back to the beginning of the 20th century turned operating within the rural-urban fringe into an advantage. We learn how the Smith Family meets its primary goal of operating a profitable and efficient traditional farm enterprise and pursues the additional goals of employing all family members on the farm and providing agricultural education opportunities to young people of Indiana.

History—Family and Farm

The heritage of farming is important to the Smith family. The late Hugh Smith (father to Mike and grandfather to Neal) was the youngest of three sons of Ray and Gertrude Smith, who were operating the farm in the early 20th century, and the only son who chose the family farm for his career. Mike Smith returned to the family farm in 1967 with his wife Linda to begin his farming career after earning his B.S. in Animal Science from Purdue University. Twenty-five years later, Neal completed an Animal Science degree at Purdue and returned to the Madison County family farm with his wife Jennifer to begin their careers, Neal as a farm operator and Jennifer as a kindergarten teacher.

The Smiths spent the last century engaged in a variety of farm enterprises, adapting to changes in technology and costs as well as the availability of land and labor by altering the mix of farm activities. In the late 1940’s, the Smiths built a new stanchion barn to enlarge their dairy operation and milk more efficiently and were still milking as many as 60 cows in that same facility 50 years later. Shortly after Neal’s return to the farm in 1992, the Smiths seized an opportunity to increase their crop operation when 1,000 acres of nearby cropland became available to rent. The decision to increase their land base signaled the end of the Smiths’ milking operation due to the additional demands on family labor and the need to invest in planting and harvesting equipment to efficiently manage the additional acreage. However, the Smiths still have feeding facilities in place, and the trend in large dairies is to devote less time to herd management. Through arrangements with
two growing dairies in the area, the Smiths were able to convert to raising dairy replacement heifers, freeing the time and capital needed for expanded cropping, while allowing them to continue to profitably use and maintain the stanchion barn and other facilities.

As with most farm families, the farm business is often influenced by family goals that are not directly related to profitability. When Neal and Jennifer began having children, having Jennifer at home became a priority for the younger Smiths. Jennifer left the kindergarten classroom to focus on her own children and work on the family farm. This decision led to a situation where an additional college-educated person was available to the farm operation for labor and management activities, but at the expense of lost off-farm income and benefits. Adapting to the availability of having Jennifer with her training in education available to the farm has led to some interesting changes at Smith Family Farms, helping to create the look of the operation we see today.

The Farm as a Tourist Attraction

Operating a farm amidst the rural-urban fringe has drawbacks. Most obvious is the upward pressure on land prices from residential development. Smith Family Farms is situated in a corridor of residential growth just minutes from greater Indianapolis. As the suburban population grows, so does demand for new homes and building lots, with agricultural lands being primary targets for development. This raises land rental prices and limits the ability to expand the operation onto additional acreage. From a farm management perspective, this also increases the returns needed to cover the economic cost of putting owned land to agricultural use. Additionally, increased regulation or restriction of activities and trespass deterrence pose potential increases in operating costs.

Despite the difficulties posed by farming in the rural-urban fringe, Smith Family Farms’ most recent endeavor has turned their location into an advantage for achieving family goals of farm-related employment for the family members and providing agricultural education to the next generation of Indiana residents. The endeavor is Smith Family Farms Pumpkin Patch, a limited liability corporation established by the family to enter into the growing field of agri-tourism.

Agri-tourism initiatives have been increasingly used as a rural development strategy in the last two decades, with the goal of increasing the inflow of visitors (and their spending) to provide an increased source of income and demand for public services that helps support and maintain rural communities. A major difficulty these efforts have faced has been providing a convenient travel experience that is competitive for urban and suburban tourists’ time and money with numerous conventional attractions. It is here that Smith Family Farms has found its advantage.

Because they are operating a traditional Indiana crop farm in the middle of a population growth area that is a convenient drive from a major metropolitan area, the potential visitor population is much less of an issue for the Smiths than it is for more remote locations. Metro and suburban residents looking for low-cost weekend daytrips outside of the city provide a significant source of potential demand for visits to the farm. This leaves raising awareness and marketing of the agri-tourism activities at Smith Family Farms as the primary challenge.
The Smiths’ farm had been a traditional destination for area elementary class field trips to observe and experience a working Indiana farm. Jennifer’s formal training and past experience as a kindergarten teacher has played a large role in developing this tradition into a profitable enterprise for the Smiths. Nowadays, the last two weeks of September through the end of October see the Smiths hosting some 50 to 70 kindergarten through third grade classes on school field trips. Each child from these classes is given the opportunity to see and learn about a variety of animals, try their hand at farm and ranch type activities, learn about and see harvest-ready crops typical of Indiana agriculture, and visit a pumpkin patch and pick their own pumpkin to take home. These field trips are organized into stations to maximize the educational experience and interaction between instructor and child. Jennifer’s experience and training has been critical in developing the educational content of these field trips and ensuring continued demand for class visits to the Smith farm.

Dedication to the educational experience of these field trips has led to significant repeat and new business in the form of elementary schools choosing to bring their classes to visit the farm. The field trip business during the week has served as a growth engine for the weekend visit business as many children want to return to the farm on the weekend, when they are allowed to spend as much time as they want with the farm animals, watch actual harvest work taking place, play on the farm playground, or enjoy some other entertainment source on the farm.

The Smiths’ experience with the weekend visitors indicates that the field trip business is critically important in creating the demand for extended visits on the weekend. Having heard about a child’s field trip experience, many parents and grandparents are also quite interested in making the trip. The adults want to observe a modern farming operation and to connect with some of Indiana’s agricultural heritage, and to share and discuss the experience with other people who have the same interests. The positive experiences created for the visitors to Smith Family Farms have resulted in solid word-of-mouth advertising culminating in publicity features in the *Indianapolis Star* newspaper and on the Indianapolis FOX television affiliate.

**Growth and the Future**

The Smith Family Farms’ agri-tourism enterprise has grown significantly since its inception. From the early years when most of the business was field trips where children could see farm animals and machinery up close, the Smiths have tried to add something new to the experience each year. This has included expansion of the animal attractions and educational information about the animals, provision of more participatory farm activities, construction of a corn maze, and addition of the pumpkin patch. The most recent addition occurred in 2005, when the Smiths built a party barn to provide additional accommodations during the fall tourist season and to rent for large gatherings during other periods.

As with any tourism enterprise, adaptation to offer new alternatives is important in maintaining the business as well as attracting new customers. The agri-tourism has also fostered other enterprises on the farm, such as the sale of farm-fresh freezer beef as well as the expansion of the pumpkin operation to 25 acres, allowing the Smiths to market wholesale pumpkins to be sold to consumers in other outlets. Identifying opportunities like these is important to
Smith Family Farms, and the higher education backgrounds have facilitated in this. While Jennifer’s training in education has been vital to the mission of providing an educational tourist experience, Neal’s experience in the College of Agriculture at Purdue has provided him with the contacts and skills to facilitate changes on the farm and in the agri-tourism business.

The Smith Family Farms’ foray into agri-tourism has been a positive experience for the family. It has accommodated family and business goals of providing income opportunities to support the family while allowing family members to work on the home farm. This does not mean the future is certain. Forecasting growth of the agri-tourism business is difficult. As the agri-tourism business grows, it requires more resources in terms of family time, land, and invested capital. The Smiths view their entrepreneurial ability as a means of dealing with the difficulty of farming in an area of increasing land prices and limited ability to expand the farm, and they continue to research opportunities to expand this part of their business. They realize that investment and growth in agri-tourism is important now, because the increasing value of the acreage they rent could make it too costly for farm use in the future and lead to a scaled-back crop operation.

While relocation remains an alternative to consider, a strong agri-tourism enterprise tied to the farm operation on the Smiths’ owned acreage provides another alternative, especially considering that both Neal and Jennifer hold degrees from Purdue to fall back on if a smaller farm requires less of their time and they need to supplement smaller farm income with off-farm earnings. This would allow the Smiths the opportunity to continue toward one of their long-term goals, which is to provide the opportunity for their children to pursue a career in agriculture on the home farm if they choose as their parents did.

To learn more about Smith Family Farms, see <http://www.smithfamilyfarms.com>.
Flanders A-Maizing Grain, Inc.

Perhaps the biggest challenge facing farm operators is how to operate profitably in an environment where farmland values and rents continue to increase, especially when these land prices may be driven more by urbanization than the returns to farming. Flanders A-Maizing Grain is a mid-sized, multi-generational family farm located near Indianapolis that has positioned itself strategically to address this challenge. Over the next five to 10 years, the mission statement that guides the Flanders’ decisions is as follows:

_Flanders A-Maizing Grain will strive to be a quality farm, not a quantity farm. The farm will strive to be viable for the next generation to continue. The farm should be a stable entity allowing for steady growth when the opportunity affords itself._

**History**

In 1854, James Monroe Flanders purchased land in White River Township, Hamilton County. Parts of the farm were sold in the early 20th century. In 1957, Ray and Marie Flanders, Jim Sr.’s parents, brought this farm back into the family. In 1954, following graduation from high school, Jim Sr. farmed with his father and two older brothers, Harold and Bob. They had laying hens, a cow/calf herd, a farrow-to-finish hog operation, corn, soybeans, and wheat, plus pastures and hay fields.

During the 1970’s, the three brothers and their parents were encouraged to incorporate their farmland. They resisted because they did not see a future in a corporation; passing land to the next generation would have been more difficult with the land owned by a single entity. The parents passed away in the late 70’s, and their real estate was divided equally among the three sons, adding to land the sons had previously purchased on their own. The three brothers continued to farm together, dropped livestock production, and concentrated on grain farming. They shared equipment and labor until the oldest brother, Harold, retired in 1988. Jim Sr. and Bob split the operation in 1997. Their business arrangement had been set up so that at the end of any crop year a division of the farm assets could be made. Harold and Bob continue to live in the area, and their children and sons-in-law continue to farm. The different branches of the family continue to collaborate on certain farming activities.

In 1992, Jim Jr. returned to farm with Jim Sr. and Jeanne after college graduation. He is the 6th generation to farm in Hamilton County. In addition to Jim Jr., Jim Sr. and Jeanne have three other children. Donna, their oldest daughter, and her husband Kevin Lehman own a CPA practice in Noblesville. Their other daughter, Carol Schmidt, is also an accountant but has her own accounting practice. Their youngest son, Jerry, has accomplished his life ambition. In 2003, he established a large and small veterinary practice, VIP Animal Care, in Noblesville where he specializes in sheep and other large farm animals and also helps with local 4-H programs.

Jim Jr. knew that he wanted to return to the farm after college, but he also knew that he would not be able to farm full-time given the high land prices and the intense competition for rental farmland. Instead, Jim Jr. needed to find an off-farm career that would allow him to farm. Knowing that he could join his sister’s accounting practice, Jim Jr. pursued an accounting degree at Purdue University, rather than studying agriculture, as
preparation to become a CPA. Jeanne and Jim Jr. serve as extra staff during the tax season, which gives Donna and Kevin extra help during busy tax season. Jim Jr.’s accounting degree and CPA license have provided him with a secure part-time, off-farm job during a time of the year when he’s not farming, with the additional benefit that his accounting skills also contribute to the farm business.

In 1994, Flanders A-Maizing Grain, Inc. was established to facilitate an equitable method of compensation for work performed by each different member of the farming operation. The corporation does not own any land, but does own the equipment and the grain. The corporation also pays rent for the land and medical benefits and salary to the family. Suzanne Flanders, Jim Jr.’s wife, has stable employment with medical benefits, and the corporation reimburses her for this important contribution to the organization. A second corporation, F&L Farms, Inc., owns their grain hauling trucks.

Management Philosophy

The Flanders run a management-intensive and information-intensive operation that is based on the family’s knowledge of accounting. Their keys to managing are:

- Knowing what it costs to put out a crop
- Knowing what it takes to make a profit
- Shopping around before making decisions
- Being able to work with people
- Giving dependable service and delivery
- Understanding their strengths and weaknesses, then accepting them and working through them
- Market differentiation — specialize to maximize profits

The choice of lifestyle is one of the key strategic choices that all farm families must consider. For a farm family, life goals and business goals are intertwined and define success. One of the Flanders’ business goals at the current time is “maintaining our personal health.” Jim Jr. defines success as his wife Suzanne, a comfortable lifestyle for his family and the next generation, being confident of their accomplishments every day, and “being able to roll with the punches when things don’t go as planned, accepting what we cannot change and making adjustments where we can.”

One of the fringe benefits of farming for Jim Jr. is time with his family. He is able to meet the children (Joel aged 10 and Rachael age 8 ½) when they get off the school bus and talk with them for a few minutes and then return to work without punching a time clock. For all the Flanders, farming is family time, as they supply almost all of the labor. Meal times during planting and harvest are hectic and fun. Jeanne or Suzanne serve dinner and supper in the field for the whole family. Some of their friends provide the spread when they want to join the fun.

The Flanders also believe in maintaining community relationships and have been very involved in leadership in agricultural organizations such as 4-H, FFA, Young Agri-Leaders, and Farm Bureau, and have held leadership positions in their church, such as deacon, Sunday School teacher, trustee, and piano accompanist.

Quality-Focused Production

Flanders A-Maizing Grain, Inc. has deliberately chosen to focus on quality rather than quantity. Farmland in Hamilton County is at a premium, and the Flanders have not seen many profitable opportunities to grow through buying or renting more
land. Instead, they have chosen to stay a mid-sized farm and to do a “top-notch job with what we have.”

The Flanders capture a return to their management skill through a strategy of producing crops with premiums for value-added traits that are identity-preserved. As a result, 100 percent of their production is under contract. The Flanders have 50 percent of their acres under contract for waxy corn delivered to National Starch and the remaining 50 percent of their acres under contract for Round-up Ready soybean seed. These contracts are long-standing relationships of over 25 years for the waxy corn contract and over 30 years for the soybean seed contract.

Both of these contracts require additional tasks and record-keeping in order to meet the identity-preservation requirements. For example, National Starch requires that everyone who works on the farm is familiar with the requirements of their True Trace program. The purity requirements for these contracts are extremely stringent. For example, if one soybean is found in a load of waxy corn, the load is rejected. True Trace requires that the Flanders ask their neighbors whether they are planting genetically modified corn in the fields adjacent to the Flanders fields. Additionally, the Flanders have avoided planting any genetically modified corn to avoid the possibility that pollen drift contaminates the waxy corn.

For both the corn and soybean contracts, the Flanders must clean the planter and the combine when they change varieties, which requires substantial amounts of time and labor. For example, an Iowa State University study found that a thorough combine cleanout requires 12 labor hours. The Flanders have been able to minimize some of this cost by choosing to only grow waxy corn rather than a mix of specialty corn crops.

As a result of these specialty contracts, the Flanders have made a substantial investment in on-farm grain storage and drying capacity. They are able to store all of their production on the farm for delivery to the contractor as needed.

The Flanders also raise a few steers each year that are sold for freezer beef to friends and family. The steers enable the Flanders to use the corn and soybeans that have been flushed from the combine and the corn from border rows that may have been exposed to pollen from genetically modified corn and would otherwise have to be sold in the commodity market.

**Production Management Decisions**

While the Flanders have long-standing relationships on the marketing side of the business, they are extremely cost conscious, and they shop around for inputs and supplies. One of their business strengths is their knowledge of accounting, and they use Quickbooks Pro to keep detailed financial records that allow them to know exactly what it costs to put out a crop and what it takes to make a profit.

One cost-lowering strategy is to pre-pay inputs to take advantage of additional discounts. The Flanders use a fertility consultation program called “Pro Vision,” which has lowered some of their input costs. This program provides soil sampling on 2.5-acre grids, followed by variable rate dry fertilizer and lime applications.

The Flanders monitor their fields extensively for population stands and any weed or grass escapes. They walk the fields and do all their own side-dressing and
spraying to keep their eyes on the fields. Jim Jr.’s most recent equipment purchase was an Apache sprayer model 1010 so they can do all their own spraying because they have a low tolerance for weeds.

In 1994, the Flanders started no-tilling soybeans. And in 2002, they purchased a new corn planter with no-till in mind. They moved into no-till corn slowly, starting with a single field in the river bottom because of its light sandy soils. Each year, they have ratcheted up their no-till corn acres, and in 2006, they are 100 percent no-till on the farm. The decision to move towards no-till has been due to the economic consideration of minimizing diesel fuel costs and to the labor management consideration of reducing labor hours per field while achieving acceptable yields. Jeanne says that she’ll lose her job as the operator of the field cultivator as a result. However, Jeanne keeps the farm records, so she still has plenty to keep her busy. She also brings dinner and supper to the field to reduce downtime for meals.

Timeliness

The Flanders’ operation is managed to be as timely as possible and to enable them to do field work at the optimum time. One advantage of staying mid-sized is that they can take advantage of narrow planting windows and harvest weather without rushing into field work before the soil is ready. At times, the Flanders have intentionally limited the growth of their operation to stay within their comfort level of being able to accomplish the work as a family.

The focus on timeliness also drives their equipment strategy. As Jim Sr. says, “Given a choice between a size smaller than you need and a size larger than you need, you always choose the larger size if you can afford it.” Having oversized equipment enables the family to get the job done when it needs to happen without hiring employees. Another advantage of choosing larger size equipment is that the farm can grow into it; when the farm has an attractive growth opportunity, they can take advantage of it without having to buy new equipment. That said, the Flanders regularly evaluate their equipment line-up looking for the limiting factor, and they strive to upgrade in a timely manner before they are in a pinch.

The other decision criteria they use for equipment is to look for low operating cost, followed by purchase cost. They are willing to buy more expensive equipment that will be cheaper over the long haul or will do a better job of retaining resale value. For example, their semi-tractors are used because used semi-tractors can cost $60,000 less than new ones, while the trailers were purchased new because the price differential between new and used was not so pronounced. According to Jim Jr., “A farmer with more mechanical skills might make a different decision on buying a new grain trailer.”

The Future

The Flanders are continuously working on their plan for the future, and it is subject to change as necessary to respond to challenges and opportunities. One long-term goal for Flanders A-Maizing Grain is to be viable for the next generation; there are grandchildren that would like to farm when the right time comes. Right now, the Flanders feel good about the decision not to incorporate the land back in the 1970’s because Jim Jr. will have the opportunity to hand over the reins to another generation, just as his father did a generation earlier.
Shuter Sunset Farms, Inc.

Shuter Sunset Farms, Inc. is a fourth generation family farm located near Frankton in Madison County, Indiana. The Shuter operation focuses on corn and soybeans, cattle and hogs—long mainstays of Midwestern agriculture—but there is innovation in their approach to each of these enterprises. Early adopters of new technologies and approaches to the business, Mike Shuter admits “we often find ourselves at the bleeding edge of adoption, where the pain of working through the new methods can be just as real as the benefits.”

Three generations are actively involved in the operation. Marilyn and Mervin Shuter have lived on the home farm, still the base of operations, since 1955. They raised children Emily and Mike, both active in 4-H, and sent both to Purdue University. Mike returned to the farm operation in 1973 after receiving his bachelor’s degree in Ag Economics. Mike and his wife Susan have two sons, Brian and Patrick, who share farm ownership and management responsibilities. Both Susan and Patrick’s wife Katie are medical professionals, and Brian’s wife Sarah is an accountant.

Leadership On and Off the Farm

Mike is clearly the Chief Operating Officer of the Shuter operation. “Three years after I returned to the farm from Purdue, Dad had triple bypass heart surgery” says Mike, and there were recurring health concerns after that. It was literally sink or swim, so Mike quickly began making the hard decisions. All family members are involved in all operations, but Mike and Patrick generally oversee the crop production operations, Patrick and Brian oversee the swine, and Brian and Mervin oversee the cattle. There is also one full-time hired employee, Vic Murray. Buildings and machinery are organized into a C-corporation. The operation covers a bit more than 3000 acres of cropland, contract finishes about 8000 hogs, and markets about 50 fed cattle annually.

Off the farm, Mike’s leadership in agricultural circles is exemplified by his positions as National Corn Growers Association board member, past president of the Indiana Corn Growers Association, past president of the Eastern Indiana Livestock Breeders Association, and by numerous other positions. He currently serves as Secretary of the Indiana Corn Marketing Council. Locally Mike has served as the chair of the administrative council of the Frankton United Methodist Church, among other positions.

Adapting Cropping Systems to Technology Changes and Markets

The Shuters were some of the first in their area to adopt conservation tillage practices, going to no-till corn in 1983, partially as a response to the high energy prices of that time. An accompanying gutsy move was the sale of much of their tillage equipment, which was designed to focus their efforts on making their new system work. Previous to that, they were chisel plowing both their corn and their soybean ground. They began no-till drilling their soybeans in 1988.

Another major shift in cropping practices occurred in 2003, when the Shuters began strip tilling their corn, using a custom made 24-row rig which matches a 24-row no-till planter they built in 1993, all guided by a John Deere GPS StarFire™ system. Yet another shift occurred this spring, going to a corn-corn-soybean rotation from a corn-soybean rotation. Behind this decision is the projected increase in the local demand for...
corn with the construction of bio-energy plants, causing the economics to be more favorable for corn versus soybeans. Corn following corn can be riskier, but Mike feels his strip tillage system and advances in plant genetics, such as the triple-stack seed technology integrating glyphosate tolerance with corn borer and rootworm resistance, will help them make the new system work.

**Effect of Cropping Changes on Operations**

When components of an enterprise are interrelated, changing one part often cascades into changes in related operations. One consequence of their cropping rotation shift is that it changes the workload on both ends of the cropping season. More corn means more acres to apply side-dress nitrogen fertilizers, 2000+ acres worth this year. More corn on their farms means more grain to handle as compared to soybeans, straining their grain harvest, drying, and binning capabilities. And more land going to corn means more acres need to be strip-tilled after harvest in the late fall or early spring.

With the need for increased harvesting capacity due to more corn acres, a different combine became a necessity. Wanting to stay as asset-lean as possible and to get all of the features needed, a combine lease agreement was signed for this fall’s harvest with Machinery Link, a Kansas-based company. A key feature of the leased machine is its increased unloading capacity, necessitating only one grain cart in the field to streamline in-field operations. At the home place a new 60,000 bushel grain bin is going up in addition to a faster wet corn leg to handle the additional grain that more corn acres bring. According to Patrick, “The grain handling and drying system will be able to handle 20,000 to 25,000 bushels of grain per day.”

**Site-Specific Approach to Crop Production**

Variable applications versus whole field approaches to crop inputs can offer the opportunity for cost savings and yield increases. The Shuter operation began variable planting rates and variable rate applications of phosphorus, potassium, and lime in 1993. While other farmers struggle with their approach to precision farming, Mike thinks the key is to understand each part of a field and to design an approach for the various zones that comprise a typical agricultural field.

Crop inputs are varied according to management zones that have been established based on yield maps, soil survey information, and information from Veris soil electrical conductivity mapping. The Veris machine identifies differences in soil texture and other characteristics that can affect crop responses. This site-specific approach is organized into a database utilizing MapShots technology, which aids in the analysis. An agronomic consultant helps them to understand their field variability and place inputs where they can provide the greatest returns.

**Adding Value to Every Acre**

Corn and soybeans sold as commodities usually offer some of the lowest prices possible for grain production. In the past the Shuter operation avoided that situation by “walking the grain off of the farm” as much as possible via livestock production. Added value can also come from specialty crops, and that is why popcorn is raised for Weaver Popcorn, based in Van Buren, and seed beans are raised on contract for Beck’s Hybrids in nearby Atlanta, Indiana.
Popcorn yields are lower than yellow dent corn yields, and popcorn kernels need to be handled gently to retain their popping qualities. With seed beans, extra care has to be exercised to ensure genetic purity, and harvesting must be done at just the right time to ensure seed quality. Also, occasionally planting is delayed to wait for some of the newest releases to come from South American winter production. The plus side is that these soybeans are usually some of the highest yielding available. And the premiums offered are usually worth these extra considerations. Mike is also a Beck’s seed dealer, keeping him in close communication with the latest in plant genetics and affording them cost savings compared to what they might pay if they were not part of the dealer network.

**Financing a Hog Operation with the USDA’s Young Farmer Loan Program**

Brian and Patrick have benefited from the USDA Young Farmer Loan program, used to help finance the construction of the confinement hog buildings. This program offers lower interest rates and helps provide backing for those just getting started.

With their contract hog finishing setup, Shuters own the buildings and supply the labor, and the contracting organization supplies the hogs and the feed. The finishing houses are innovative in that the pigs come in at a relatively young age of 21 days and finish out in the same buildings, eliminating the shrinkage that can come when you move hogs from place to place. The hog manure is also used to reduce fertilizer expense on 250 acres where it is strip-applied prior to corn.

**A Long Tradition of Beef Production**

Mervin and his father Leslie bought their first Red Poll heifer in 1941 to raise and show as a 4-H project. Ever since, the Red Poll breed has had a presence on the Shuter farm, peaking at about 100 cows in the 1970s. Shuter Red Poll cattle have won awards for many years, but some recent accomplishments include the 2002 National Champion Bull and the 2005 National Reserve Champion.

The Red Poll breed has been identified by the USDA Meat Animal Research Center to be one of the breeds of cattle that produce the most naturally tender beef. Shuter cattle are fed home-raised feeds and developed with no implants or growth hormones. Meat is marketed through Indiana Farm Fresh Beef, a certified freezer beef marketing program sponsored by the Indiana Beef Cattle Association. Says Brian, “Rotational grazing is part of what makes the cattle operation work. Without rotation, cattle naturally tend to overgraze tender new grass and leave tougher older grass, reducing overall production.”

Brian is the general manager of Heartland Premium Aged Beef, LLC, a producer-owned company formed to market locally raised, high quality beef to restaurants and retailers. He also assists Indiana beef producers in a position with the Indiana Beef Cattle Association.

**Protecting Natural Resources**

Due to their adherence to conservation and good yields over the years, the Shuters have been steadily increasing the organic matter content in their fields. They also applied and received an EQIP grant for cost-sharing to build a 30 ft by 60 ft manure containment structure on the farm and other environmental enhancements, such as filter strips and waterways. The manure containment structure allows them to store manure near the feedlot.
until field conditions are suitable for spreading, reducing runoff from the feedlot.

Their 20 years of no-till and strip till means that the land they farm tends to have fewer problems with soil erosion and excessive water runoff during heavy rains. The Shuters have been recognized twice as Madison County Outstanding Conservation Farmers.

**Future**

Growth in the cropping and cattle operations is planned for the Shuter operation, with long-term plans to integrate Brian more into the operation. Staying as asset lean as possible is important to Mike, as he worries about debt and interest rates and what might happen if he or another family member had a disabling injury.

When you put as much life and love as Mike has into managing a diversified farm operation for 30 years, handing the reins to the next generation might not go as smoothly as one might surmise. “I hope I’m smart enough when the time comes to gracefully let go,” says Mike. But in actuality Mike has had plans in place since the boys were young, giving them real responsibility, letting them take risks alone, and forcing them to deal with the consequences of their successes along with their mistakes. Adds Mike, “A few days ago my first indication that we were loading out hogs was when I saw the truck pull up to the barn, but more importantly I didn’t give it another thought, as I knew Patrick had it under control. I know it will be a joy to see them managing this operation some day.”

To learn more about Shuter Farms, see <http://www.shutersunsetfarms.com>. 
Rulon Enterprises

The mission of Rulon Enterprises is to maximize the partners’ net worth over the long term.

Business Organization and Purpose

Rulon Enterprises is a general partnership. The general partners are Roy, Ken, and Rodney Rulon. While the amount of capital contributed by each partner varies, profits are shared equally. Similar to other recent tour participants, excess capital contributions are accounted for separately and earn interest. The partnership is farming approximately 4,900 acres in 2006. The partnership rents all of the land and some of its structures and bins from individual partners or spouses, other family members, and other individuals in the community.

The business was founded by Jerry (Ken and Roy’s father) in 1963. It grew dramatically in the early 1970’s, when Doyle (Rodney’s father) became a partner. The current partners acquired their ownership interests at different times, starting with Roy in 1987 after Doyle’s untimely passing in 1986, and ending with Rodney in 1999. It is important to note that all family members pitch in and help where their skills allow. Roy’s wife Jamie drives a combine, mows, and picks rocks. Ken’s wife Jane helps in the office with political events and paying bills. Rodney’s wife Tasha focuses on three small children and a childcare business. Even though retired, Carol and Jerry spend many hours maintaining FSA and long-term landlord relationships that they established decades ago. Like most retired farmers, Jerry still comes in every day and helps out.

The partners emphasize that maximizing their individual net worth over the long term does not mean maximizing current taxable earnings, cash flow, or debt reduction.

Consistent with the farm's mission statement, excess equity flows out of the partnership to the individual partners allowing them to make their own investment decisions. In this way the partners don't have to agree on their personal goals or investments. The policy of dividing up excess equity and distributing it to the partners helps restrain the amount required for new partners to buy into the business. It also avoids building a huge “monument” that would be hard to transfer from one generation to the next.

The challenge created by this policy is that it makes the farm’s capital and business structure very different from that of a traditional farm. Unleveraged land is held individually, while leveraged equipment is held by the partnership. While this approach makes the business more profitable and more efficient over the long term, Jerry warns that, “Bankers dislike it because it alters key financial ratios. Bankers always want a land mortgage, which our approach does not provide.” But he also says, “Don’t ask your banker what to do. Instead, go in with a plan, and tell the banker what he has to do to get your business.”

Roy, Ken, Rodney, and Jerry are also co-owners of Bryant Premium Pork, LLC, a 620-sow farrow-to-finish operation. Bryant Premium Pork produces lean hogs under contract with Indiana Packers Corporation for use in the Marsh Signature Pork program. One of several profit centers, Bryant Premium Pork’s daily operations are managed by Dennis, Ruth Anne, and Mark Bryant. The Bryants are excellent herdsmen with a life-long track record in pork.
production. Bryant Premium Pork’s success is clearly the product of their commitment and expertise.

The Rulons feel it very important to stress the fact that their success is largely a result of the trust and efforts made by others on their behalf. The family has rented some farms for over 60 years and some for the first time in 2006. It is also important to note that there are a large number of successful and trustworthy neighboring farm businesses in the area.

**Profit Centers**

The partnership consists of the following profit centers: corn production; seedbean production; government payments; drainage consulting and installation; a Beck’s seed dealership; and custom farming services. The Rulons maintain separate financial records for each of the profit centers. As Ken says, “profit centers are a management tool. Every profit center has to make money. If something is not profitable, we can stop doing it.” Profit centers that are focused on serving outside customers also provide significant benefits to the rest of their operation. As an example, Roy mentions that, “If you can take a sprayer and do enough custom work to pay its fixed costs, then you get to spray your own for free.”

**Organizational Leadership**

One strength of the Rulons’ partnership is that every partner is particularly good at certain things. Roy takes the lead on employee supervision, operations management, spraying, equipment maintenance, and negotiating equipment purchases. Rodney is the engineering and new technology specialist, providing leadership in all GPS data management, soybean planting, fertility management, and drainage design and installation. Ken plants corn, and handles financial analysis and management and marketing. Trust and integrity are key elements of making this type of organization work.

At the end of each year, the partners evaluate the previous year’s business performance and future outlook, and vote on whether they will continue the business for another year. Their partnership agreement includes provisions establishing the settlement date for valuing assets and the procedure for determining the value attributable to each partner’s interest at liquidation or death.

A vote by the partners to not continue seems highly unlikely at this point. The partners believe there are tremendous opportunities in agriculture. One reason they keep pushing the business to perform at a high level is to stay in position to take advantage of opportunities as they arise. It is clear that an entrepreneurial approach to farming is where the Rulons see the most opportunity for the future, not only for themselves, but also for any of their children who may want to farm.

One of the fundamental tenets of the partners’ management philosophy is that all of their business arrangements must be in writing. The partners’ rationale is that if the partners can all agree on the specifics of a business arrangement and put them in writing, then it is likely to work later when put to the test.

**Growth**

The Rulons believe that any business, including farms, has to grow revenues to survive. As Ken says, “You have to grow revenues an average of 10 percent a year just to keep pace with the increase in costs over
time. Our business has grown revenues at that level or faster for 31 years.” That doesn’t mean that growth over time is a smooth process. If you look at the history of Rulon Enterprises, the pattern of the growth over time could be characterized as leapfrogging — with a pretty significant jump in business volume about every five years or so, such as when Bryant Premium Pork was acquired. The need to grow doesn’t mean that you have to farm more acres, but rather that you have to grow revenue somewhere.

**Diversification**

The Rulons view their revenue sources as being extremely diversified and regard that fact as a strength of their business. From the Rulons’ perspective, some profit centers, like corn production, generate 80 percent of the profits in only 20 percent of the years they farm. The Rulons have on-farm storage sufficient to store 120 percent of an average crop, which helps them to take advantage of the ups and downs in grain prices. Other profit centers, like drainage installation, produce the same income almost every year. Diversification allows the business to grow faster with leverage and still operate with very little financial risk.

**No-Till Crop Production**

“How are we going to get everything done if we spend all of our time driving tractors?” That is one question Rodney asks when discussing the importance of no-till to Rulon Enterprises. No-till is less time-consuming, less costly, and less labor-intensive than tillage. The Rulons believe the scientific data is undeniable that tillage destroys the factory. No-till is better for the health and productivity of their soils, which will lead to long-term economic advantage. Rodney also says, “We have always believed that any technology that makes environmental sense will ultimately make economic sense.” With 42 years of their farm’s yield history, including the last 13 years no-tilling, the data shows no yield drag versus the county, state, or national averages. As costs continue to increase, they feel the competitive edge will only get wider in the future.

**Technology**

The Rulons tend to be early adopters of new technologies and started using GPS for keeping field records and monitoring yields in 1995. In 1996, they started soil sampling in 1-acre grids every fourth year. Over the years they have added variable rate fertilizer and lime application; variable rate soybean seeding; spatial application of soil insecticide; and light bars and now EZ-Steer to the planters, and combines. One result of their efforts is a whole-farm fertility record with a high level of precision that is spatially related over time and is in a database that can be analyzed. “With these technologies, we can go anywhere and pull soil samples, identify the problem areas, and very quickly create a balanced soil environment with dramatically improved productivity,” Rodney says.

Their records show that savings from the variable rate application of lime alone pays for all other variable rate work. Before they invest, Rodney has to bring a plan to the table showing that a new technology will pay. For example, he has been trying for nine years to develop a plan to make variable rate nitrogen pay. Potentially, increasing the rate of nitrogen on less productive soils would increase corn yields, but arriving at when and where to apply and how much nitrogen to add continues to be a problem. “We have the technology to control the application, but not the
knowledge to drive the formulas,” Rodney says.

Tile Drainage

Custom installation of tile drainage is one of the business units that adds revenue diversity. The Rulons have also identified drainage as the single most significant area for potential yield increases on their own farms. Rodney utilizes computer software that uses geo-referenced survey data to build surface models of the fields to be tiled and then designs least cost sub-surface drainage systems. According to the partners, the key question when designing field tile systems is whether the field is to be farmable or dry. How you answer that question makes a big difference in what kind of layout is required. For example, the Rulons have learned that if you want a field to be dry, it must be pattern tiled. With tile installed only in the valleys, most operators will plant the hills wet every year.

Business Planning

When making decisions the Rulons ask, “What do the numbers say?” Decisions should be based on facts and analysis. The partners are well-schooled in using the DuPont profitability linkage model as a framework not only for measuring and evaluating past performance, but also for assessing changes and growth opportunities. The partners believe that the DuPont model’s implications cannot be denied and point to their commitment to relying on facts and analysis to justify decisions as perhaps the defining characteristic of their business.

Another area they feel is a strength is contrary and cyclic analysis. The time to build or buy a hog building was in 1998, and the time to build an ethanol plant was probably 2003, not 2006. Jerry and Doyle sold some land in 1982 to increase liquidity. Jerry credits that decision as being critical to their ability to survive the 1986 meltdown in farming.

From their perspective, business planning and decision making are about deciding what you want to do, deciding what it takes to get it done, and taking action to create the desired outcomes. According to the Rulons, a well-managed business shouldn’t be exciting. Instead, it should be reasonably predictable and even boring most years. Every year, during their annual review, the partners write down their goals for the next five years. As Roy says, “If you and your partners don’t know what you want to do with your life, how can you expect to ever be happy.” They believe it is their business’ responsibility to help their employees and their families achieve their goals and dreams, and to help their community achieve its potential. This process doesn’t have to be random, but does require a high level of communication and trust.

The Future

Jerry Rulon created a business model that provides succession possibilities for Roy, Ken, and Rodney’s children. Make the business profitable, grow revenues, identify new business opportunities, and pursue a leapfrogging strategy relative to periodically taking advantage of big opportunities, and there will be room for new entrants. For potential new entrants the key questions will be: what are your interests, what are your strengths, and is involvement in the family business a good fit for you long term? For the older generation, the key question is, “Do you trust your kids?” If you do, then transfer control of the operating entity when they are ready, even if (as in Jerry’s case) five or six experts advise you to retain control.
Indiana Farm Management Association

Directors

Lewie Fox            Frankfort, IN
Scott Fritz          Winamac, IN
Steve Gauck          Greensburg, IN
Dale Koester         Wadesville, IN
Alan Miller          Purdue University

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 Cooperative Extension Service and the Department of Agricultural Economics in planning and conducting the Indiana Farm Management Tour each summer since the first tour was conducted in the early 1930’s. The officers and directors of the association are actively involved in all the work that goes on behind the scenes to make the Indiana Farm Management Tour a reality each year.

Association Membership

Membership is open to farm operators, farm owners, and other persons interested in farm management. The $10 annual dues paid by members are used to pay for expenses incurred for publicizing and conducting the annual farm management tour, as well as to support other activities of the association. The leadership and the financial support this group provides are greatly appreciated by Purdue University and Indiana farmers.

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>.