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## A LETTER TO ME

Mar 1, 2008 12:00 PM, By Moe Russell

Brad Paisley's country song, "A Letter to Me," hit No. 1 recently on the country charts. It made me think of a recent letter from one of our associates, Daryl Starr. He's also the owner of Advanced Ag Solutions in Indiana. Taking Brad's lead, he wrote this letter to himself and I'd like to share it with you. It says a lot about risk management, cycles, focus, goals and your business.

### DEAR DARYL:

Thank you for waiting until 2014 to open this. Since writing this in 2008, you have probably lived through the most volatile marketing time in the last 100 years.

It is 2008 and the industry has just settled into the idea that commodities have gone to new plateaus. Previously, those words were a kiss of death. However, even the fertilizer salesmen and cranky old farmers doubt we'll see \$2 in front of CBOT corn again. In fall 2006 a few wise analysts said, "Demand-driven markets move violently and ratchet higher quickly."

Terry Jones of Russell Consulting Group (RCG) was one of those. In recent articles, Moe Russell has shared historical net farm income and the inflation-adjusted national farm average income (which is where we are right now).

Considering that things could actually get better than \$5 corn and \$12 soybeans, it had me wondering a bit about history. If you have not yet studied agriculture during the plateau movements of the 1940s and 1970s (or lived through it) here are a couple highlights that I uncovered:

**MY DAD GRADUATED** high school in 1972. Many of his peers were either taking over their fathers' farms or completing the final phase of what would be known as the industrial movement in farming. They were college-educated and brought with them a willingness to accept debt as a means to grow. They accumulated a lot of debt. They heavily financed farmland purchases. They poured on fertilizer and bought 200-plus-hp tractors to improve efficiency.

Nationally, they captured three years of above-average, inflation-adjusted net farm income. With inflation and land values rising, they rocketed quickly to their 1981 net-worth spike, when interest rates cut away net farm income and divided the managers from the workers.

**DURING THE LATE** 1930s, hybrid seed-corn usage went from 7% to 80% and tractors replaced horses. Prior to 1940, much of the corn was grown in a rotation with small grains and sod crops. The profitability nationwide was above average from 1940 to 1955. Can you imagine life before hybrid seed? Nitrogen fertilizer? Tractors? This had a revolutionary effect on agriculture.

Even though the 1970s are fresh on our minds and had a significant impact, I believe we are entering a period of innovation similar to the late 1930s. So

consider a biotech revolution that creates 300-bu. national average corn yields, wireless Internet in the cab and programmable logic controllers.

So, Daryl, it's 2014, time to revisit your original objectives, look at how you have done and if you were able to accomplish what you wanted.

Until next time! — Daryl

(You can reach Daryl Starr at 888-512-4890 or by e-mail: [Daryl@AdvancedAgSolutions.com](mailto:Daryl@AdvancedAgSolutions.com))

## MY “TO DO” LIST FOR THE NEXT SIX YEARS:

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Manage my margins.

Do not let the emotions of greed and fear overrule good judgment.

Bulletproof my balance sheet.

Recognize that I must “get green and stay green.”

Have a public relations plan for my farm.

Develop long-term relationships with suppliers — I need them as they need me.

Do not rely on government payments to cash-flow my business.

Remember my attitude and my management determine my success.

Understand I cannot control the weather, the markets, my neighbors or my competitors.

Look for opportunities and be prepared in the next six years, as the consolidation in production agriculture could mirror the 1980s.

Hire the best people I can and make sure they have a “dog in the hunt” and “skin in the game.”

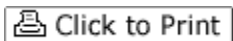
Diversify my business wherever I can.

Enjoy the ride.

Moe Russell is president of Russell Consulting Group, Panora, IA. Russell provides risk management advice to clients in 34 states and Canada. For more risk management tips, check his Web site ([www.russellconsultinggroup.net](http://www.russellconsultinggroup.net)) or call toll-free 877-333-6135.

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