

Partnerships / By Marcia Zarley Taylor

Hand Off to the Next Generation

At Wyss Farms, the kids write the playbook



Farming has been a family project since each of the Wyss children could toddle. Now a prize-winning business plan is guiding four young adults and their parents through a rite of passage.

Andy and Pat Wyss's children will tell you what their father's job description used to be: chief planner, decision maker, marketer, financier and field production manager of an Indiana crop farm. That, however, was before the 20-somethings asked to share the workload.

While some farm parents operate like benevolent monarchs, Andy is the kind of dad who has learned to delegate in the 21st century. True, he remains the official boss of his and Pat's Ft. Wayne, Ind., cash grain operation, but the 32-page blueprint the Wyss family has written to guide their farm succession gives every child a chance to contribute—no matter what their day job or whether they live in cities as remote as Manhattan, Chicago or Indianapolis.

The process was an exhausting exercise, but it was not without reward: In 2003, the University of Notre Dame named Wyss Farms the winner of its Dorothy Dolphin family business planning contest, which came with a \$7,000 prize. More important, it clarified each child's role in the farm operation and helped them identify the financial goals they need to achieve to grow the family farm for eventual hand off to another generation.

"I give Mom and Dad credit for recognizing the abilities of their children and letting us create a better overall farm product," says son Joe, 22, a recent University of Notre Dame who works in Chicago. He continues to consult with his siblings and parents through frequent e-mails and 6 a.m. conference calls twice a month.

Untapped resources. Talk of restructuring Wyss Farms began in the spring of 2001. At the time, Andy's long-time partner and brother indicated he would like to exit farming and pursue other interests. Andy and Pat planned to consult with their accountant and financial adviser to draw up a succession plan. Initially, they had assumed that only their boys might want active roles in the farm.

"We didn't anticipate that the girls would be interested," says Andy. "They grew up, got degrees and moved away. But when we started listening, we realized there's an asset that we had overlooked."

Indeed, the Wyss children offer an exceptional talent pool. Oldest son, Don, a Purdue agricultural economics grad, works as a grain merchandiser for Bunge's oilseed division in nearby Decatur, Ind., an advantage that rubs off on the farm's marketing. In his expanded farm role, he has assumed all responsi-

PHOTOS: MARY ANN CARTER

bility for marketing decisions, although he communicates their position daily to other family members.

"Working in the industry has taken a lot of emotion out of our marketing decisions and the pressure off my parents," says Don. "They still want to be informed, but they don't have to sit in front of the DTN screen 24 hours a day." Trusting in Don's expertise paid off in highly volatile years like this one, when soybean futures roared to records until May, then plunged \$4/bu. by harvest. With processors like Bunge sensing that 2003-crop soybeans would be in short supply, Don held most of the crop for late-season sales with hedged-to-arrive contracts, capturing between \$8 and \$11 for the entire 2003 crop. The net result is that the farm will show its personal best marketing performance in 2004. Overall revenues are up 11% this year over last.

Similarly, daughter Amy, an investment banker for Morgan Stanley in Manhattan, now puts the farm through the same financial drills she expects of a Fortune 100 company. She sometimes works overtime to prepare reports for their biweekly conferences, but her obsession with cash flows, balance sheets and financial reporting has helped improve their management.

"Dad always had a sense of his finances, but he never had someone to lay it out for him," says Amy. "He doesn't need to be an accountant, he just needs the data in an understandable way."

Forecaster. To write the business plan, Amy developed five-year historical income results and five-year projections, which she and her mother now update annually. Amy also developed an accounting program that measures cost down to the field level. That allows Don and Andy to decide break-even rental rates with more certainty. "We want a farm that's run by numbers, not by gut feelings," says Joe. "Amy has our financials down to a science."

If expenses veer off track, Amy is quick to question why. "Our herbicide costs went up 4% last year," says Andy. "I had to explain that was because we were planting more corn than soybeans."

Forcing the boss to justify expenses disciplines spending and gives Andy and Pat confidence as they boost their once ultra-conservative 18% debt-to-asset ratio. At a time when other people their age are selling the farm and buying condos in Florida or Arizona, they have taken on more risks by buying out Andy's brother. However, they locked in part of their debt at a 6% interest, a hedge against higher rates.

Second daughter, Molly Alberts, a registered nurse who works 12-hour shifts in Indianapolis, handles public relations for the group. Currently she is helping develop a farm Web site, assists in seed corn and straw sales, and is producing a brochure for landlords. Better communication with landlords and custom farming clients is critical, since the family needs to significantly expand acres over the next few years to handle ambitious growth rates.

"The main reason I want to stay involved is that the farm is our common thread," she says. "No matter

Wyss Farms Enterprises Ft. Wayne, Ind.



Andy, full-time operator of a 2,200-acre northeastern Indiana cash grain farm. His brother and long-time partner recently opted to leave farming, precipitating a machinery buyout in 2004 and opening opportunities for other family members to join the business over the next 10 to 20 years.



Pat has been teaching elementary school for 24 years. For most of her married life, she has handled record keeping and banking for the family's personal business. Since the buyout, she has taken on the extra duty of managing the farm office.



Don, 29, a Purdue University agricultural economics graduate, works as a grain merchandiser for Bunge North America and as a seed corn salesman in the winters. His main contribution is improving the family's marketing results, an expertise that proved itself in 2004 when he sold all of their soybeans between \$8 and \$11/bu., a personal best for the farm. He is an equity partner and assists with field work in his spare time.



Amy, 28, a University of Notre Dame graduate is an investment banker with Morgan Stanley in New York City. She first exhibited financial talents at age 15 by designing an incentive program for the feeder pig operation she managed for her father, so she could earn more than the family minimum wage. Now her expertise analyzing multi-million dollar Wall Street transactions helps to improve the farm's internal reporting and budgeting, as well as professionalizing their family meetings.



Molly, 26, a graduate of Indiana University, is a registered nurse in Indianapolis and a public relations manager for the farm. She is establishing the family brand through a Web site and brochure. She also assists in communication with landlords and potential customers.



Joe, 22, a recent University of Notre Dame graduate, is a financial analyst with the Huron Consulting Group in Chicago. He led the family's strategic planning initiative aided by several college courses in entrepreneurship and business.

where we're living, this is our link to home."

That each of the Wyss children are choosing to contribute to the farm should be no surprise. Farming has been a family project at Wyss Farms since the kids were five. It was the farm crisis of the 1980s, however, that cemented the entire family's commitment. After the severe drought of 1983, Andy took a factory job to help support his young family. He worked second shift for the next 10 years, with the kids sometimes leaving him tape recorded messages so they could stay in touch.

Andy's off-farm job thrust nine-year-old Don into overseeing daily chores for the family's feeder pig operations, a role each of his siblings in-



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Andy Wyss (center) still oversees day-to-day management of his Indiana farm, but his children act as consultants and help plan its strategic direction.

herited after him. The early responsibility running a farm enterprise taught each child to love the business and instilled a work ethic that drives them today. "I've put too much effort in this farm to see it not succeed," says Joe. "This is something we all sweated for. We couldn't let it flutter away."

That's the kind of emotion that came unbottled during the Wyss's business planning process. And it's why Andy Wyss—former chief decision maker and jack of all trades—has no complaints about sharing his job with one or more potential successors. "We have a pretty good thing going here," he says. "These four young people can do as good a job of organizing the future as their mother and I can." ■

Meet the University of Notre Dame Business School's David Hayes and the Wyss family at the Top Producer seminar in Chicago Jan. 19-21. See www.ToProducer.com for details.

Guide to a Better Business Plan

Judges say that what distinguished the Wyss's business plan from others in Notre Dame's contest was the family's cohesive, focused vision for the future. "Most families tend to procrastinate when it comes to planning, but they need to do it even more than other businesses because of the impact it has on family relations," says David Hayes, an instructor at the University of Notre Dame's Mendoza College of Business. "If someone has a plan in their head, it doesn't get communicated, and if nobody knows the plan, they don't know how to behave. It literally becomes a guessing game."

The Wysses incorporated important principles in their blueprint that steered six highly expressive, type AA individuals into a unified business and family team. Among them:

- Give every child a chance to voice his or her interest in the business, then write appropriate job descriptions. With technology like scanners, e-mail and teleconferencing, off-farm partners can stay involved, the Wysses say. "We've always had the philosophy of letting our children take wing and work outside the farm, but know they'd be invited back if they decided to come," says Pat. Giving everyone an assignment—even from remote—assures that they stay engaged in the farm business.
- Establish rules and guidelines that stem from your value system. "Is this a business first, or a family first?" Hayes asks. "Adelphia [the family-controlled cable giant whose founders now face criminal charges] significantly blurred the boundaries between the business, family and ownership." The Wysses conduct all meetings with formal agendas and expect everyone to meet a deadline.

- Jointly decide what are your strategic strengths and weaknesses. Demographics alone excite the 20-somethings, since they know that there are 10 farmers of Social Security age for every farmer under 25. "We looked at dad's talents as a farm operator and our strengths in marketing and finance and think our family can compete," says Amy. "We kept saying, if anyone's going to succeed in farming, why not us?"
- Use the process to document your goals. "It's not official until it's on paper," notes Don. "This brought our objectives together in one document. It holds us to what we say."
- Establish five-year historicals and five-year financial projections that show trends and how you will achieve your objectives. For example, if you need to net more to support an extra family's living expenses, how do you increase revenue per acre to achieve that result?
- Update your financials annually to check your progress. The Wysses project growth at 5% to 10% annually, and have fortified efforts to secure additional rental ground, improve grain marketing and expand custom farming relationships.
- Use family meetings to improve communication. By engaging off-farm family members in discussions, conversation becomes more strategic than tactical. "Regular meetings help us avoid family squabbles," says Pat. "It's much easier to express your opinion at a farm meeting than a family party."

Drafting a business plan can be a demanding process, but you'll accrue benefits along the way. "Outsiders—particularly lenders—want to see evidence that a family business can sustain itself to another generation," says Notre Dame's Hayes. "A business plan is evidence that you've grown up—that you're a real business and a decent risk in the future."