



◀ “As hockey player Wayne Gretzky says, ‘Skate to where the puck will be,’” say Jim and Cathy Sladek, Iowa City, IA, of their family’s strategic approach to farming.

RAISE THE BAR PROACTIVE AND PROGRESSIVE

RISK MANAGEMENT DRIVES MOST LONG-TERM DECISIONS AT JCS FAMILY FARMS.

BY SUSAN WINSOR

Can you trace a kernel of your corn back to its field, seed lot and agronomic program? Can you delegate field operations to free your time for marketing and risk management?

These are two of several improvements in JCS Family Farms’ move to more professional management systems.

Jim and Cathy Sladek, Iowa City, IA, are third-generation producers with a rapidly growing continuous-corn operation. Most of their corn

acres are specialty, including waxy and non-GMO, plus white contracted for Quaker Oats.

In a broad sense, the Sladeks’ management approach breaks the conventions of a “heritage business,” Jim and Cathy say.

“Farming typically involves a traditional mindset in this country,” Jim says, “doing a lot of things just because our fathers did them that way, like tillage. With some of the best soils in the world (Tama-Muscatine), we’ve also had the unfortunate ‘privilege’ of failing to develop more efficient practices used by our

South American counterparts. They are our competitors, and we’re behind them in many ways.”

Sharpening JCS’ management acumen and restructuring its organization, honing reliable new-idea sources and having independent audits conducted by International Organization for Standardization (ISO) and Validus, set this family’s operation apart.

Jim and Cathy restructured their organization before increasing their acres in 2008. “We believe that these strategies will help us navigate today’s ongoing farm con-

solidation,” Jim says. “My guesstimate is that farm size will double in five years.”

Their main goal in remaining successful is to ensure a viable operation for their children and future generations.

“To survive and grow, we have to be more professional about managing risk,” Jim says. “Agriculture is running out of excuses for not using standard professional business practices. As hockey player Wayne Gretzky says, ‘Skate to where the puck will be, not where it is now,’” he adds. JCS Family Farms has formalized a strategic management approach that identifies company

strengths, weaknesses, opportunities and threats (SWOT analysis).

“Inventory control has always been a void in agriculture,” says Jim. “By standardizing processes and procedures, we have been able to verify inventories. These processes allow the Sladeks to track each combine load both out of the field and back to its seed lot which can, in turn, be verified by independent audits.

Jim anticipates “the inevitable day” when government mandates traceability systems to track individual genetic, fertility, pesticide, storage and transportation details.

“Part of managing risk is knowing your costs and margins, which hinges on having accurate records. That enables us to lock in a margin,” Jim says. “We are still working to find and/or create software that integrates all of our records from operations through financial accounting.”

“MISTAKES TODAY CAN be terminal,” Jim says. Rainfall, for example, in their part of eastern Iowa has broken records as the wettest three years combined. The three years ending 2010 were the second wettest on record, and 2011 finishes the seventh-wettest three-year period, says Elwynn Taylor, Iowa State University Extension climatologist. “Our extreme weather pattern means I need the lowest-risk, most forgiving agronomic system that works under the broadest possible conditions,” he says, explaining why risk management drives his agronomic decisions.

The Sladeks use Validus Ventures, Urbandale, IA, to audit energy, security and environmental practices. Validus is an independent, third-party auditing firm that conducts annual audits on environmental practices. That audit examines erosion issues, soil quality and water quality, as well as wildlife and conservation practices. “Audit findings help us focus on proper conservation practices to improve our farm’s environmental quality for future generations,”

Cathy says. The concept is also very popular among landowners.

The audit costs are more than offset by reduced insurance premiums.

JCS Family Farms was also one of the first Iowa farms to be ISO 9000-certified. “The ISO standard has been the industry standard for years in various industries like autos and manufacturing,” Jim says. “The Japanese are really big on this

THIS FARM HAS AN ORG CHART

“In our 2008 organizational chart, Cathy and I were in too many of the responsibility boxes,” explains Jim Sladek, JCS Family Farms, Iowa City, IA. “We had to change that before adding more acres. We’d been a sole proprietorship for 30 years, and if we wanted to grow we needed to redo our entity structure and have a succession plan.”

Their two grown children, Ann and Robert, are active in the business while continuing to gain business skills off the farm.

Jim elevated a long-time employee to supervisor of field operations, to execute the plan. This relieves Jim of many phone calls to free his time for risk management, marketing, capital management, business development, and financial management.

Cathy had handled all of the G&A, and shifted financial reporting responsibility to a senior financial person to free her time for landowner relations, compliance/certification, human resources, office administration, administrative technology, public relations and promotions.

“Managing is a completely different skill set than doing things yourself, so you need to invest in education.”

They honed their structure for two years before increasing their acres in 2010, Jim says. ◀◀

concept of an independent international quality standard.”

The ISO audit trail verifies standard operation procedures for cleaning out equipment between specialty crops, which products were sprayed on which crop under what conditions, the seed lot, unloading ticket and other details relating to food safety, Cathy says. “We document all these things electronically using John Deere AMS products and then download it into our central systems.”

JCS Family Farms customer Quaker Oats “already sees a benefit to third-party quality certification,” Jim says.

“As operations get bigger, capital requirements, better records, inventory control and financial management criteria need to improve dramatically,” he says. JCS Family Farms has a mission statement, organizational chart, detailed business plans, job descriptions and biannual performance reviews (see sidebar).

Cathy Sladek has a full-time senior accountant reporting to her to standardize business accounting procedures. “These management and financial practices have been standard operating procedure at most small businesses for a long time,” Jim says. “If they aren’t already, audited farm financial statements will soon be required by bankers to play in today’s more competitive business environment. It’s not just the banks that want them, it’s their examiners.”

PRODUCING YOUR OWN accrual earnings statement is the expectation for larger grower-customers of Farm Credit Services, serving four states from Omaha, says Bill Davis, FCS chief credit officer. “We’ve taken a harder look at overall management skills, growers’ awareness of their breakeven point and where they sit in their competitive environment. We expect them to know whether they’ll beat the averages after capital expansion. This probably means producing their own accrual earnings statement, which

we’ve often created for them in the past,” Davis says.

Jim Sladek isn’t in the tractor as much as he used to be. His responsibility for crop sales, risk management, capital management and forecasting make him more of a

desk jockey. He relies on his valued agronomic, production, technology and cattle operation staffs to implement details of broader strategic directives. His wife Cathy is responsible for JCS Family Farms’ promotions, public/landowner relations,

WHAT’S BEST ISN’T ALWAYS WHAT’S EASY

If JCS Farms’ management systems upgrades sound like added formality, paperwork, and bureaucracy, consider how it improves the Sladeks’ agronomic program.

In identifying challenges and opportunities, residue management in continuous corn is a priority. After many years of study and continuous no-till, Jim decided that a modified spring strip-till is what’s best agronomically, economically and environmentally, despite complicated labor needs and logistics. It also supports the environmental component of the farm’s mission statement.

Four years ago, Jim transitioned his continuous corn to spring strip-till, using Dawn Pluribus units. Designed as a spring tool, it makes strips with coulters. Prior to strip-till practices, many acres were no-tilled in a corn-bean rotation for over 20 years.

He prefers spring strip-till because it reduces erosion risk over fall strip-till, and winter precipitation doesn’t degrade spring-made strips. Prescription banding dry fertilizer means that they fertilize the plants, not the field.

“The downside, of course, is that logistically it’s harder to strip-till and plant at the same time with a lot of acres to cover,” Jim says.

“We’re committed to making it happen because we feel it’s the best system for our continuous corn. It’s a whole series of steps; each must be done correctly. We move that strip back and forth 15 in. each year to avoid the allelopathic effects of the root balls and residue, so it requires technically skilled help to

run guidance systems reliably,” Jim says. (Allelopathy is the potentially harmful chemical effects of corn residue on corn seedlings.)

“Our equipment and labor costs per acre are not any higher than those of our peers; it just takes sound management and excellent long-term employees,” Jim says. The operation’s continuous-corn yields now equal rotated corn yields.

When JCS first made the move to no-till 20 years ago, “we weren’t willing to accept lower yields or efficiency from reduced tillage,” Jim says.

The Sladeks’ standard operating procedure begins with Geringhoff Rota-Disc shredding heads to size residue, followed on some fields with an aerator pass to remove any surface compaction while preserving winter surface-residue coverage.

JCS Farms’ standard operating procedures ensure that these vital operations are performed consistently well from year to year, from employee to employee.

After 20 years of no-till and spring strip-till, there is very little compaction. JCS Farms’ soil structure and practices serve as a model for third-party agronomic training. “It didn’t happen overnight, and the transition from conventional tillage is challenging; we still fight that on land that we pick up,” Jim says.

“Our fuel use is half that of full-width tillage, and we have no need for large 4WD tractors; we currently run all front-wheel assist tractors. ◀◀

administration, human resources, accounting and compliance/certification (audits).

JCS Family Farms' standard operating procedures for everything from changing oil to making online tax payments "bring consistent performance standards and accountability," Cathy says.

Another part of the Sladeks' management-improvement effort is being in a peer group whose geographically diverse members are sounding boards in these volatile times. The group shares financials and best practices, providing perspective on one another's operations as requested.

"We visit one another's farms each quarter and follow up with monthly meetings. The benchmarking alone has been tremendously valuable.

"The peer-group feedback helped us reorganize our business and accounting practices. We discussed the question: 'If you leave your business

for a year, is it in the same or better condition when you return?"

"The curse of the self-employed is, 'I can do it better than anyone, and the more I do, the more profitable we are.' But you can't grow beyond this glass ceiling until you build some organizational depth. We had hit the limit on how many people one person can manage."

IN AGRONOMY, NEW ideas come from their veteran independent agronomist, John McGillicuddy. "I don't have time to absorb every new thing, so I use him as a filter," Jim says. "We select some new practices to try each year." For example, they continue to evaluate row width, but are committed to 30-in. rows for the immediate future. "Currently, residue is a challenge for strip-till corn on corn in narrower rows."

The Sladeks' proactive style is something one ag banker would like to see much more of. "Farm businesses like JCS Family Farms that strate-

gically adopt new techniques are the true sustainable farms," says Michael Swanson, Wells Fargo vice president and agricultural economist.

"JCS Family Farms has the right attitude towards change, and the willingness to embrace the process is an incredibly valuable asset," Swanson observes. "Instead of resisting the inevitable change, they manage it." **CSO**

THIRD-PARTY AUDITS

JCS Family Farms, Iowa City, IA was one of the first in Iowa to be ISO-certified 11 years ago, and the first Iowa farm to be environmentally certified through Validus.

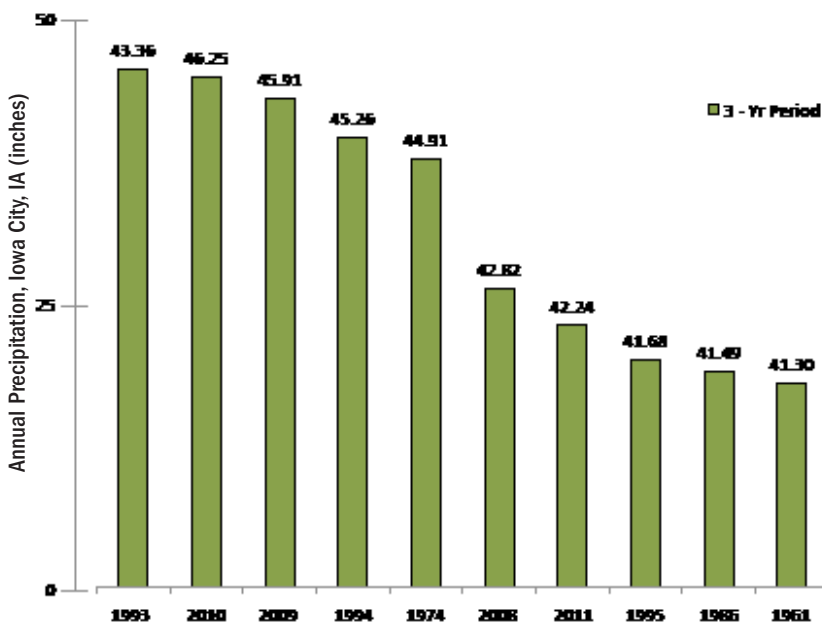
The International Organization for Standardization is the world's largest developer of international third-party standards, spanning 162 countries. From car-assembly plants to laboratory calibration to security systems, ISO standardizes quality and procedural standards across a broad range of industries.

Two years ago, JCS farms added Validus environmental and on-farm security audits to its existing regimen of ISO audits. The list of what's changed as a result of the audits runs long: They keep their soil-erosion levels to "T" (replacement level), test fertilizer-containment facilities biannually for leakage, double-check nutrient and pesticide applications, upgraded security systems and installed an oil separator in drains.

"If there is a food-safety scare, grain traceability will bring instant value," Jim Sladek, JCS managing partner, says.

Although an audit can cost several thousand dollars, the Sladeks save more than that in reduced insurance premiums by "making risk more transparent." The audits are also a selling point to landowners, verifying sound environmental stewardship and reduced erosion. **◀◀**

WETTEST 3-YEAR PERIODS SINCE 1953



▲ JCS Farms, Iowa City, IA, just endured three record-breaking periods for wettest three-year periods. "Our extreme weather pattern means I need the lowest-risk, most forgiving agronomic system that works under the broadest possible conditions," JCS' Jim Sladek says, explaining why he switched to spring strip-till after 20 years of no-till. "Mistakes today can be terminal." The three years ending 2009 marked the second-wettest three-year period in recorded history; 2010 ended the second wettest, and 2011 finishes the seventh-wettest three-year period.

SOURCE: IOWA STATE UNIVERSITY'S EXTENSION CLIMATOLOGIST