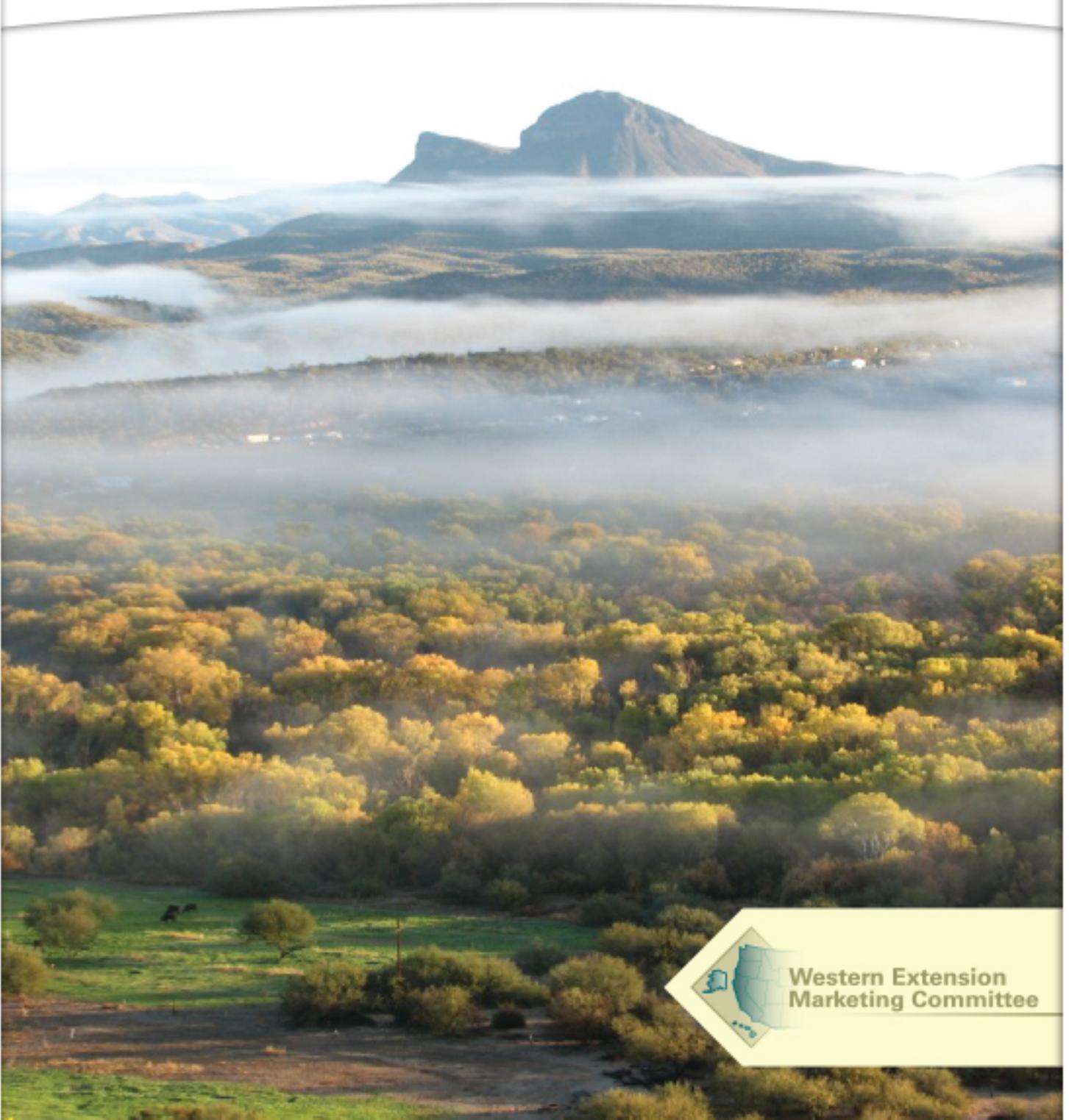


WESTERN FARM AND RANCH TRANSITION STRATEGIES



Western Farm & Ranch Transition Strategies

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Table of Contents

Baker Ranch	1-1
Susan Slocum, Assistant Professor, George Mason University	
Cole Creek Sheep Company	2-1
Bridger Feuz, Extension Educator and Livestock Marketing Specialist, University of Wyoming	
Colorado Ranch	3-1
Norman Dalsted, Professor and Extension Economist, Colorado State University	
Guild Ranch	4-1
Bridger Feuz, Extension Educator and Livestock Marketing Specialist, University of Wyoming	
Hecht Creek Ranch	5-1
Cole Ehmke, Extension Specialist, University of Wyoming	
Hull Dairy	6-1
Susan Slocum, Assistant Professor, George Mason University and Kynda Curtis, Associate Professor and Extension Specialist, Utah State University	
Double Check Ranch	7-1
Russell Tronstad, Professor and Extension Specialist, University of Arizona	
Stennes Orchards	8-1
Karina Gallardo, Assistant Professor and Extension Specialist, Washington State University	
Westendorf Family Farm	9-1
C. Wilson Gray, District Extension Economist and Extension Professor, University of Idaho	
Wong Farms	10-1
Russell Tronstad, Professor and Extension Specialist, University of Arizona	

Cole Creek Sheep Company

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The Cole Creek Sheep Company has been an established Wyoming ranch for over a century. Peter C. Nicolaysen, who emigrated from Denmark around 1880, was running sheep in the Cole Creek region just north of Casper, Wyoming, by 1889. In 1909, Peter consolidated his interests and formed the Cole Creek Sheep Company. Using his ranch as a base and taking advantage of nearby range grazing, he built up his numbers to over 16,000 head. Hard work and dedication have allowed the ranch to remain in the Nicolaysen family.

Peter's son, Jerry, was the next Nicolaysen to manage the ranch. His conservative style, attention to detail, focus on costs, and willingness to diversify guided the ranch through an important era. His management style was essential to the ranch's success as the Western sheep industry prospered through the 1950s and was even more critical during its decline in the 1960s and 70s. Jerry had the foresight to operate conservatively, with significantly fewer sheep than the original 16,000 head, and diversify the ranch by adding Hereford cattle. Jerry's son, Jon, took over the ranch with a sound financial position and opportunities for growth.

Jon expanded the size of the ranch and grew both the sheep and cattle herds. The size of the sheep herd peaked again during the late 1970s at 6,000 head. But in 1993, Congress enacted legislation that phased out the wool incentive program, and incentive payments were terminated in 1995. After the wool support was removed, the ranch once again reduced sheep numbers, and they now run approximately 1,000 ewes. An additional factor in the declining sheep numbers was the removal of effective predator control methods.

The ranch is currently owned by Jon Nicolaysen and his three children. Their primary livestock products are Rambouillet lamb, wool, and Angus calves, which they market through standard commodity agriculture methods, including auction barns, video auctions, and order buyers. The ranch has also sold Rambouillet breeding stock directly to other local sheep producers.

One of Jon's sons, Kem, has recently been integrated into the management and operation of the ranch. Kem and his wife, Shelly, chose to return to the ranch and continue the Nicolaysen legacy. Kem grew up working on the ranch and learned to appreciate the life of a Wyoming rancher, but he pursued other opportunities in college and earned an M.A. in Literature. After graduation, Kem taught at a community college in Arizona. Shelly grew up outside of agriculture in Washington. She earned an M.A. in Religious Studies and had not been exposed to ranch life until the couple moved back to Kem's family ranch. However, Shelly moved to the ranch

determined to contribute to its success. This determination, a bit of chance, and a healthy dose of creativity led to the creation of Cole Creek Wool.



Shortly after arriving on the ranch, a bum lamb showed up on Shelly's doorstep. Not willing to watch it die, Shelly cared for it, and soon two more bum lambs were in her care. She now had two ewe lambs, Bones and Bonnie, and a wether, Clyde. When fall came, Shelly could not bring herself to send her wether lamb with the rest of the lambs being shipped off the ranch. By chance, Sharon Brondos, a relative, visited the ranch and

remarked to Shelly on the quality of the sheep's wool. Sharon is a "hand spinner" and found the good wool appealing. The only drawback of the ranch wool was that it was dirty, making it hard to clean and difficult for hand spinners to handle. With a little research, Shelly found that sheep could be coated with a solution to keep their wool clean and that this clean, quality wool could be sold. So Shelly coated her small flock and began the Cole Creek Wool Company, which was a natural fit for both Kem and Shelly. Kem says that, more than anything else, the smell of the wool brought back the nostalgia of growing up on the ranch. Shelly, a vegetarian, had found a niche on the ranch that fit her background and inclinations as well.

Cole Creek Wool is owned by the Cole Creek Sheep Company and managed by Shelly Nicolaysen. The company sells yarn, roving, batt, and raw fleeces direct to crafters and online at colecreekwool.com. Fleeces from Shelly's coated sheep are processed at Mountain Meadow Wool Mill in Buffalo, Wyoming. The mill cleans and cards some of the fleeces to be used as roving; others are spun into yarn. The Nicolaysens are very pleased with the quality of product they receive from the mill. Shelly researched comparable niche-market wool producers and products to come up with marketing ideas and product offerings. She continues to study the craft market and is contemplating using specialized ecommerce sites to target crafters.

The ranch provides the facilities and the sheep for the wool company, and the wool company's products complement the ranch's other offerings. The sheep continue to arrive as bum lambs, and the flock now includes six coated fleeces. The new business unit requires few additional production inputs: coats for the sheep and some additional feed resources to maintain a separate, smaller flock are the primary inputs. Another key element to the company's success

was that Kem learned new shearing techniques that took better advantage of the fine wool under the coats.

But these have not been the only production impacts on the ranch. In an effort to improve the quality of the wool and enhance the product, the family introduced Merino genetics into the flock to take advantage of the superior wool quality without losing the frame, growth, and hardiness of the base Rambouillet genetics. The herd still remains about 70% Rambouillet, with Merino contributing the other 30%. The Merino genetics have improved the quality of the wool from 21 microns to 19.5–20 microns in diameter. Lower micron measurements represent finer wool fibers. Kem has enjoyed the challenge of improving the flock’s genetics, which has allowed him to carve out a niche for himself in the overall ranch management. Kem says the endeavor has also seemed to light a fire in his dad, Jon, who has also enjoyed the challenge of improving the genetics to offer a higher quality wool product. As an added benefit, Kem says the genetic improvement has led to an increase in the demand and price of rams sold as breeding stock. Managing the herd and its genetics has provided Kem with an opportunity to hone his management skills and allowed him to earn his father’s trust. Kem now manages the bulk of ranch operations, including the sheep and cattle herds, farming interests, and other business interests associated with the integrated and diverse Wyoming ranch.

Another complementary effort between Cole Creek Wool and the Cole Creek Sheep Company is the use of third-party wool verification. Yokum-McColl tests the main flock each year at shearing. The service is integral to the Cole Creek Sheep Company’s genetic improvement program and is an important marketing tool for the commodity wool. Nicolaysen wool now consistently tests between 19.5 microns and 20



microns. Merino cross rams from the ranch have tested at an average of 18 microns. The service is also a boon to Cole Creek Wool, allowing them to verify the quality of their product.

Managing the supply/demand relationship has been a challenge for Cole Creek Wool that the company has tackled through trial and error. High processing costs for the low-volume operation dictated that the wool products needed to be priced accordingly. At first, this seemed like a hindrance to profitability and sustainable success, but at current volumes and with high-quality wool products, demand has been strong, allowing Cole Creek Wool to set prices that cover the

additional costs of production and provide a modest return. Cole Creek Wool's commitment to quality and their customers has been integral to establishing and maintaining strong demand.

Overall, Cole Creek Wool has been a successful complement to the Cole Creek Sheep Company. Its creation was not forced but resulted naturally as a way to capitalize on a real asset—the ranch's high-quality wool—and leverage the strengths of both generations. Shelly's creativity and Kem's talent and desire for genetic improvement and selection within the herd were important in creating the company, but Jon's skills as an experienced ranch manager and sheep man provided the foundation for both the flock and a business structure that can accommodate growth. Without both generations working together, Cole Creek Wool could not exist.

Kem's long-term goal is to be able to make the coated-sheep, niche-market wool business sustainable as part of a large range-sheep program. The Nicolaysens and others have proven that it can work on a small scale in Wyoming, but understand that there are significant challenges to scaling up to a range-sheep scenario. Kem realizes that the production challenges at this level may be greater than the advantages of increased production. As a result, Cole Creek Wool has taken a controlled and cautious approach to growth.

Successful ranch succession planning is more than just estate planning. The Nicolaysens understand that the transfer of knowledge, skills, and entrepreneurship are as important as the process of ranch inheritance. Jon has been a great mentor and teacher for Kem, and Kem has worked hard to learn and absorb Jon's ranch management skills. One of the greatest values of Cole Creek Wool and the sheep enterprise of Cole Creek Sheep Company to the Nicolaysens is that they have provided a conduit for Kem to grow into managing the whole ranch.

Cole Creek Wool represents just one aspect of the ranch succession plan. Jon has been proactive in transitioning the ranch to Kem and his two siblings. The larger ranch succession plan incorporates limited partnerships and consistent gifting. This proactive approach and the decision to embrace diversification opportunities such as the wool company make the Nicolaysens optimistic that this century-old operation will be sustainable for generations to come. And in the spirit of cooperation, Kem and Shelly have begun a family of their own. Now the planning can begin for the transfer to the next generation.



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