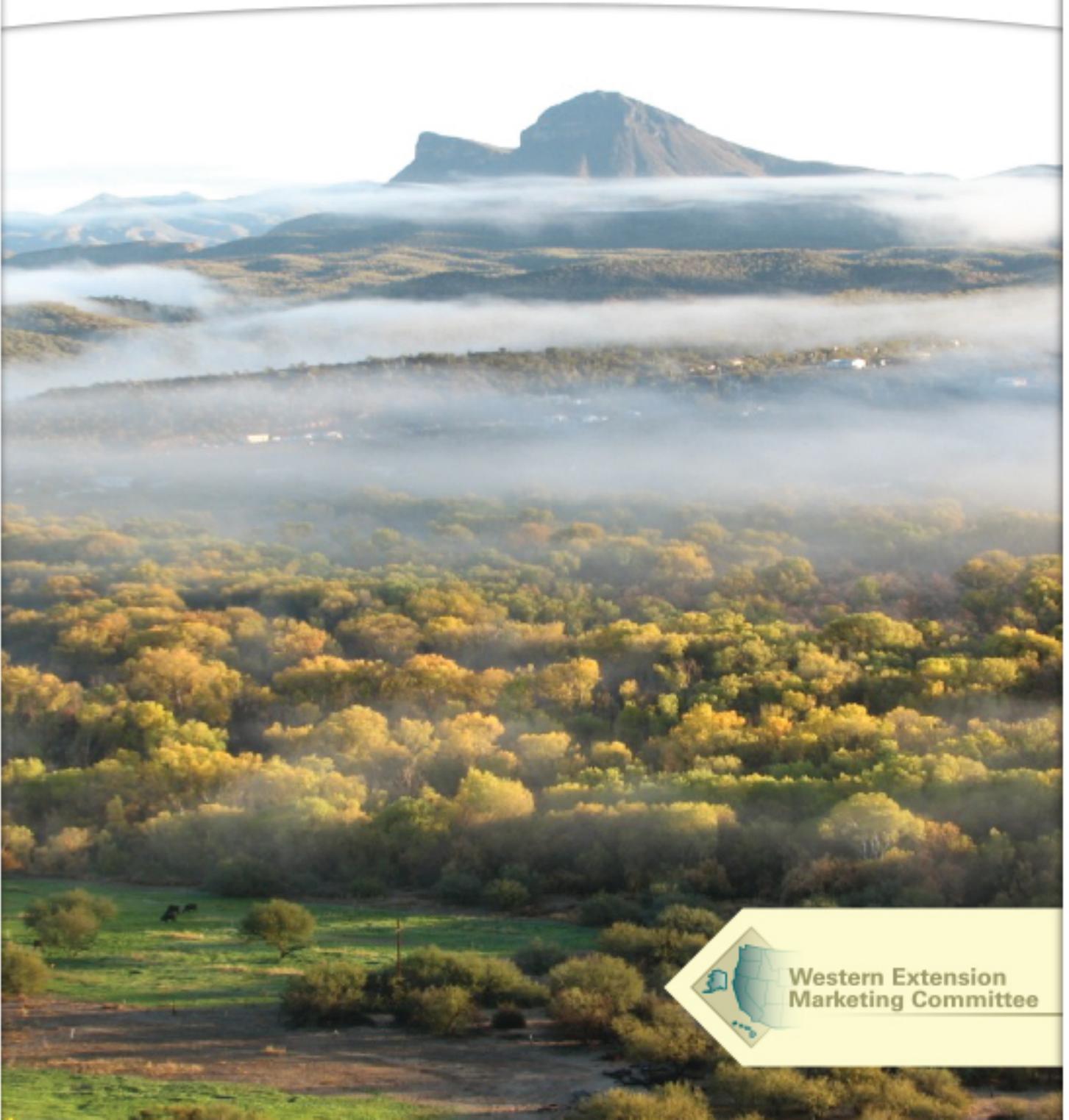


# WESTERN FARM AND RANCH TRANSITION STRATEGIES



# **Western Farm & Ranch Transition Strategies**

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## Hull Dairy

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Rob Hull was well on his way to a successful career in HVAC and audio/video installation when he realized that his parents were aging and their fifth-generation family dairy farm was at risk. His dad, Bob Hull, had wanted great things for Rob, including an opportunity to attend college, but Rob's "great thing" was his love



of the dairy on which he was raised. Even though his father was reluctant, Rob returned in 1996 to the life he had loved as a child and went to work at Hull Dairy full-time with his wife, Holly. Seventeen years later, the Hulls look back on the challenges that have brought many changes to Hull Dairy, including the transition to their full ownership of the operation, beginning in December 2012.

### Background - History

Hull Dairy, located in Whitney, Idaho, is a fifth-generation dairy farm. Robert McClellan Hull, Rob's great-great-grandfather, emigrated from Scotland in 1855 and crossed the plains with his family in 1860. They began homesteading the farm in 1875. The settlement was originally called Hull's Crossing, and Main Street in Whitney still goes by that name. Today, Hull Dairy includes over 200 acres of prime acreage for growing alfalfa and barley and supports ninety head of Holstein cattle. Recently, increasing feed costs and stagnant milk prices had strangled the farm's profitability. The Hulls wrote on their blog recently, "Dairy Farmers have little if any control over the price they get for milk. With input costs so high and the price of milk dropping, it is starting out to be a long hard year." Like many traditional farmers, Bob Hull had little experience or interaction with the final consumers of his dairy products. For generations, the Hull Farm had marketed their bulk milk production exclusively through wholesale cooperative distribution centers. Using Dairy Farmers of America as their exclusive distribution channel made finding new markets or adding value to their bulk milk product seem inconceivable.

Rob's father approached the operation in much the same way as had been done for the past 100 years. Work responsibilities were separated based on tradition: Robert Hull, Bob's father, managed the finances and Bob ran the operations. Cattle had to be milked twice each day, and sometimes more often during the peak grazing season. Daily milking at Hull Dairy is a 365 day per year operation, leaving little time for farm expansion planning. When Rob approached Bob about participating in dairy operations, Bob expected that Rob would help with the operational aspect of the farm and fully anticipated that Rob would continue the family custom by doing as he was told and learning the fine art of dairy production exactly as his father had learned from earlier generations. Hull Dairy was in the milk business, and it would stay in the milk business as long as Bob was in charge.

When Rob and his wife, Holly, began working on the farm, the limited profits had to be split among more partners, requiring his grandparents to take a pay cut to provide Rob and Holly with enough money to live. Rob's grandmother, mother, and Holly worked off farm to help support the families. As Rob and Holly contemplated a variety of diversification strategies, their ideas fell on deaf ears. Bob wasn't open to change in the same way as the younger generation, and farm management was often determined by a lack of decision-making. Additionally, Rob's other siblings had moved away and could not understand Rob's interest in working the insolvent farm. Instead, they saw the real estate value available through land sales as a way to cash out on the family inheritance. The path forward was all uphill.

As with any transition, the emerging partnership between Rob and his father was difficult. Bob was stubborn, having done things a certain way for many years, and had difficulty relinquishing control. Neither man was a strong communicator, and Holly felt that it wasn't her place to mediate between them. The transition was a slow process that began with sharing simple tasks. In the beginning, Bob did all the milking. After a while, Rob was asked to share responsibility by milking the cows on certain days. Bob maintained control of the irrigation for the first eight years of the partnership, although as he aged, even this responsibility became harder. The finances, however, were more readily transferred, as Robert was ready for full retirement and Bob had little time to take on this added responsibility.

Throughout the transition, Rob and Holly have paid Bob each month toward their future ownership. The price was based on Rob's parents' financial needs after retirement, not on any valuation of the business or on the profits being generated. These payments are expected to last the rest of Rob's parents' lifetime. The formal ownership transfer was based on a hand shake, with the hope that Rob's siblings would respect this agreement, but they feared that the contract would be void if something happened to Rob's parents. Pressure from Rob's siblings to subdivide the land could leave Rob and Holly without anything to show for their hard work. It took ten years before a formal title transfer could be accomplished.

## The Business Plan

When it became clear that the dairy was heading toward financial trouble, Rob and Holly had to make a tough choice. They loved the farm and decided that the family traditions were a valuable part of their own children's inheritance. Through the support of USDA-sponsored educational programs, Rob and Holly began consuming all the knowledge they could access about small-farm diversification strategies. They attended a number of one-day seminars in farm finance and agribusiness through Idaho State University. They attended the Utah Building Farmers Direct Market Track course through Utah State University, where they developed a business plan that allowed them to receive a NRCS equipment grant to expand their business offerings. They are also in the process of completing the Cooperative Extension Master Gardener Program, which has helped the Hull family become environmental stewards and keeps them up to date on new research on successful gardening. These educational programs helped Rob and Holly put together a strategy that they hoped would revitalize the dairy.



These educational agricultural programs provided Holly with a number of innovative ideas for diversifying the farm and adding new, value-added crops to their product line. The challenge lay in the separation between the farm and its consumers. In 2010, Holly approached Bob about setting aside some pasture to grow vegetables.

The response, while not exactly negative, left Holly wondering whether the idea would ever be adopted. Six months later, without explicit consent, Rob and Holly plowed and planted an acre of land and the Hulls offered their first consumer-supported agriculture (CSA) program, with a pickup location on the farm. The CSA program brought the Hulls into close contact with their customers, which allowed the family to educate their neighbors about the importance of agriculture and the struggles faced by many small farms. Their CSA customers regularly requested farm tours. Holly, who had always been passionate about flowers, turned the front yard into a botanical paradise. Through personal relationships that developed between the farm and the community, her flower baskets sold out before she even started advertising. The Hulls used the USDA grant to purchase high tunnels to extend their vegetable and flower operations. Rob and Holly have also restored the farm's eighty-year-old barn, which Rob's great-grandfather built in the 1920s, using grants from the National Trust for Historic Preservation and the Idaho Heritage Trust.

In 2009, their co-op, Dairy Farmers of America, awarded Hull Dairy the “Superior Quality Milk” award and in 2010 the United Dairymen of Idaho honored the farm as a finalist for the 2010 Milk Quality Award. The Hulls’ commitment to their animals and their customers has paid off with greater recognition.

Even though the farm has maintained legal and financial independence between their expanding variety of products and services, the Hulls maintain that the dairy is still their main priority. “Cattle must be milked every morning. Carrots can sit in the ground until we find time,” says Holly. Although the equipment and vehicles are paid for by the dairy operation and shared between the different ventures, the primary conflict lies in the use of the Hulls’ time. “It’s only us who uses the farm assets, so we know what needs to be done and when,” Holly adds, “But it’s hard to get everything done when it is just the two of us.” The farm does hire part-time help for harvesting CSA produce during peak seasons. The core reason for the legal separation of farm



products rests with liability. “When you are dealing with animal products, food safety is always a key concern.” Although the new additions have not yet turned a profit, the financial savings of using on-site manure and other farm inputs has resulted in significant sales growth over the past two years. The Hulls are optimistic that adding the high tunnels and new flower baskets will increase the profitability of their produce business. Their relationships with their customers also provide a competitive advantage and offer a growing market for direct sales. The operations are still split 90/10 with the dairy being the bulk of the business, but with the potential for adding other dairy products to the on-site sales, the Hulls are optimistic about their future.

## **Communication**

While Rob and Holly are still young and plan to work the farm for many years, they have already begun to plan the transition strategy for their twin daughters, Sydney and Shelby. As infants, the twins' first role in the farm was to learn patience while waiting for Holly and Rob to milk the cows. As the years passed, the girls often begged to be included in the evening milking, even though Holly was concerned that the farm responsibilities were too much for the young girls. Both daughters have shown a strong interest in farming and are proud of their accomplishments, such as carrying a full bucket of grain or putting a nipple on a bottle to feed the calves. Holly boasts, "The girls think they have the best life in the world. I am so proud of their commitment and dedication." Sydney and Shelby have already begun to help out with the farm stand and will soon be solely responsible for it.

The Hulls have learned from their previous transition process that the girls are key players in the success of the operation. Rob and Holly's goal is to keep communication channels open through the transition process and to put everything in writing. "We have learned that planning is a key component to a successful transition," say Holly, "and the girls have to have a voice in the decisions that we make." A multigenerational plan is in the works, even though the girls are only eleven. Their parents believe that it is important to maintain an environment that encourages creativity and innovation. As the girls' involvement increases, the Hulls are allowing them to find their own personal niches that will help with the future transition of the business. The girls are still young, but as their interests develop, Rob and Holly want to limit conflict between the sisters and make sure that each girl has a role to play in keeping the farm alive.



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