Collaborative Farming

George M. Knapek and Danny A. Klinefelter

Collaborative farming is an idea as old as agriculture itself. While barn raisings and shared harvests went out of vogue in the early 20th Century, the concept is still very valid today. The current low price cycle may encourage neighbors to share assets and/or expertise in a mutually beneficial way. Producers in good financial condition may be looking for ways to expand, while those who are struggling might be seeking ways to improve their operations to sustain themselves for the long-term. Collaborative farming, though not a silver bullet for financially stressed operations, can be a way for two or more producers to find benefits from combining assets and talents.

First it is necessary to outline what exactly collaborative farming is. The Merriam-Webster dictionary defines "collaborate" as "to work with another person or group in order to achieve or do something." That sounds simple enough, but what form does that take in farming? The truth is there is no magic formula on how to collaborate with others, meaning that collaborating can take different forms from setting up a buying club to full partnerships. Those are just two examples of how producers can collaborate, but there are many others including marketing groups, setting up an equipment sharing entity, or a full blown operating entity that custom farms the land of the partners. It is up to the collaborators to decide the level of involvement and set the rules that work for them.

While collaborating can take on many forms, there are some things that are needed to make it, or any business partnership, successful. For collaborations to work, all parties must have a common vision, be compatible, and perhaps most importantly, trust each other. All parties must count on each other to be honest and uphold their end of the arrangement. Transparency and accountability are key and will help eliminate doubt which assists in building trust over time. Good communication and record keeping help to hold everyone accountable. However, accountability goes farther than keeping track of hours using a sprayer. It also means letting your team members know when you have screwed up, and doing so in a timely fashion.

Klinefelter (2016) and Williams (2016) identified the benefits of collaborative farming. Many of these benefits came from direct observations of farmers currently involved in collaborative arrangements. They are:

1. **Expansion of acres.** Collaborating can be a way of taking on more farmland without tying up so much capital or taking on debt to acquire additional land. Perhaps you have a neighbor who is looking to slow down or needs to get more efficient. Maybe arrangements of swapping labor for land are possible.
2. **Helping farmers to retire.** Presently, the average age of US farmers is 58 years (USDA). Consequently, many farmers are nearing retirement. These farmers may want to ease into retirement or need to slow down a bit, but not completely quit farming. Partnering with someone who is younger may allow older producers to farm until they are ready to retire or semi-retire. For example, the older farmer can work seasonally during crunch periods so the operation doesn't have to hire a person they don't know well, and instead, get someone whose knowledge of the farm and work ethic are known. Also, the older farmer may be able to supply valuable experience and serve as a mentor to the younger producer. Additionally, farmers who don't have a successor may be able to see their operation continue after they decide to leave farming. Lastly, a retiring farmer may be able to minimize the tax consequences of liquidation by leasing equipment to partners.
3. **Allow people to do what they do best.** When you are able to do what you do well and enjoy, you are happier and more motivated. Allowing partners to focus on their strong areas while compensating for weaknesses allows for the whole of the organization to be greater than the sum of the parts.
4. **Economies of scale.** Collaborating allows for purchasing and marketing in larger quantities to take advantage of volume discounts. It can also allow an operation to fully utilize its machinery or to upgrade to newer and more efficient technology. Not only can upgrading be possible, but sizing the labor and the technology to the operation.

5. **Boost efficiency.** For each area, there is most efficient set of labor and equipment to match a given set of acres farmed. For example, it maybe most efficient to have two tractors, one combine, two planters, and two workers per 5,000 acres. Adding another 1,000 acres could actually lead to another tractor and worker who are not fully utilized. Collaborating can aid in replicating size efficient units. In this example that would mean creating another separate 5,000 acre operation with the same complement of labor and equipment.
6. **Afford professionals.** If a skill set does not exist, but is needed, a larger entity may be able to acquire these services. For example, experts such as CFO, IT specialists, risk management specialists, or nutritionists may be utilized by the collaborators.
7. **Ease of ownership.** A collaborative farming organization can be set up in a way to allow fractional ownership. This may ease people in entering the organization.
8. **Broaden wisdom.** Interacting with others in the collaboration will allow for different points of view to be expressed. It is important to have a means to express these different ideas and multiple vantage points which aid in innovation and problem solving. This is one reason why having regular meetings and direct communication is valuable in collaborations.
9. **Become more professional.** A collaborative entity can create an atmosphere of competition, but also one of comradery. Like successful sports teams, players learn to depend on one another and don't want to disappoint other team members. Motivation is created to do your best not only for one's own benefit, but to not let others down in the organization.
10. **Spend more time with family or outside interests.** When an operation is just one person, it is hard to do everything. In this case, if the operator is overseeing or doing everything, some things are not going to get done. Having others who can fill in when needed gives members the benefit of being able to find a greater balance outside of work.

The list of benefits certainly seems enticing. However, some who start in collaborations never see the benefits because the arrangement fails for some reason. Often failure is just as simple as the producers not being like-minded in their goals or not having the same core values. Also, perhaps the most important aspect of a successful collaboration, is meshing personal styles and emotions. Even if the collaboration works on paper, if the people involved clash the numbers don't matter. Thus, taking advice from those who have collaborated successfully is useful in being able to avoid the pitfalls in the process. The following, echoing the work of Williams (2016), is advice from people who have and are currently successfully collaborating:

1. **Grow slowly.** Many who collaborated agree that it is best to move into the arrangement gradually, and perhaps without a financial commitment at first. This "dating period," which could take a few years, will allow all parties involved a chance to truly get to know each other and determine if they can work together. This introductory period will allow individuals to see if the fit is there in both good times and trying situations.
2. **Transparency and fairness.** As previously mentioned, transparency is critical, and to be fully transparent requires good record keeping. For example, when sharing equipment, it is important to know exactly how many hours each piece of equipment was used. Also, no special deals should be allowed. Everyone should have to pay the same rates, or else resentment could become an issue.
3. **Be careful how the operation is governed.** It is important to set the rules for how decisions will be made. Will each partner have an equal vote, or will voting rights be weighted in some manner? Some have found it very valuable to have an outside and independent voting member. This affords the group a voice that might identify issues that those involved with the organization may miss. Consequently, the independent person can also keep the group focused on the collaboration's goals. The outside person should be a successful business person that the entire group respects. Examples could include: another business oriented farmer from another area, a farm business consultant, a retired lending executive, or a lender with no ties to collaboration which is important to avoid conflict of interest.
4. **Guard against inefficiencies.** When operations get larger and experience some success, complacency can set in a bit. Some things can slip through the cracks if the organization is not diligent. This is where good records and an independent voice can have a big impact.

5. **Be aware of your image.** When you get larger than most of the farmers in your area you face added scrutiny. Think of it as the "McDonald's syndrome." Large companies often times take the brunt of criticism from interest groups while smaller companies have similar products and policies stay under the radar. The producers in a large collaborative organization often find it useful to be actively involved in the local community and charitable events.
6. **Value your relationships.** The relationships outside the collaboration can be almost as important as those within the business. Having a good working relationship with input suppliers and output handlers is a big asset.
7. **Work as a team.** As mentioned previously, working as a team where everyone is accountable and fills a valuable roll is critical to collaborative arrangements. One individual not fulfilling their duties can bring the organization down.

While not the focus of this paper, one still needs to pay attention to personal liability. While entering into a collaborative agreement there are things that can be done to limit personal liability. This list is not exhaustive and you should consult your lawyer before entering into any business agreement. Many liability issues can be partially addressed by the form of business organization chosen, proper insurance, avoiding signing unlimited personal guarantees on debt, and having comprehensive buy/sell agreements in place between all parties.

Collaborating is not for everyone, and is certainly not a cure all for those in serious financial trouble. However, for those who find the right fit, it can be financially and inherently beneficial to all parties involved.

References

Klinefelter, Danny. "Farm Like a Team Player." DTN The Progressive Farmer, 19 June 2014. Web. 27 July 2016.

U.S. Department of Agriculture. 2014. Farm Demographics – U.S. Farmers by Gender, Age, Race, Ethnicity, and More. May 2014. Web. 29 July 2016.

Williams, Elizabeth. "Team Farming – 1 United We Stand." DTN The Progressive Farmer, 27 July 2016. Web. 01 August 2016.

Williams, Elizabeth. "Team Farming – 3 Why Partnerships Fail." DTN The Progressive Farmer, 29 July 2016. Web. 01 August 2016.

Williams, Elizabeth. "Is Team Farming for You? 4 Examples of Farmers Who Do It - DTN." AGFAX, 28 July 2016. Web. 01 August 2016.