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## **Sustainable Agriculture: Conservation Through Production**

**John R. Baker**, Attorney at Law, Iowa State University, Urbandale, Iowa  
**Brantley Ivey**, Producer, River Ridge Land and Cattle Company, LLC, Grayson  
County Virginia

**Whitney Ivey**, Attorney at Law, Adams & Ivey, PLLC, Alleghany County,  
Sparta, North Carolina.

River Ridge Land and Cattle Company is located in the Blue Ridge mountain range in the South West Virginia. Many of the farms in this area have been in the same family for more than generations and the farming heritage is a source of pride for local residents. This heritage has contributed to hesitancy in changing farming practices.

Charlotte and Philip Hanes have owned River Ridge Land and Cattle Company (RRLCC) for the past twenty-three years. They are philanthropists who have devoted their time, effort and resources to create sustainable communities. Philip's projects include revitalizing downtown Winston-Salem, North Carolina. Charlotte has worked to create economic sustainability in rural Grayson County and to develop RRLCC as a model of conservation and a sustainable agricultural enterprise. The current farm manager was hired in 2007 and has begun implementing managerial practices and establishing enterprises to achieve the vision of a sustainable agricultural enterprise. Sustainable agriculture is defined as that farm business that sustains the environment, the farm operator and family, the community and is capable of being transitioned to another generation.

### **Sustaining The Environment**

A perpetual conservation easement held by the Virginia Outdoor Foundation and the National Committee for the New River has been placed on all land owned by RRLCC. While an easement restricts the development of the land for non agricultural purposes and sustains the environment it does not, by itself, insure that a farm business will operate on the land. The conservation easement has reduced the value of the land by approximately two thirds and emphasizes the fact that there is a price for conservation of farm land. When, as here, the use of land is restricted by conservation easement it is imperative that management or that land be creative to increase productivity and add value back to the land.

### **Sustaining The Farm Family And The Community Creating New Profit Centers**

In addition to increasing the profit derived from the current use of resources it is necessary to adopt new and innovative practices and products to increase profitability. RRLCC is exploring propagating non-forest products such as ginseng and blood root and while this is unconventional agriculture product there is a growing population that desires such products. As with conventional products, unconventional products must be profitability.

An often overlooked new profit center is increased management to maximize the value of the labor available to RRLCC. Two full time employees manage nearly 1,600 acres and all of these various projects. Both employees are college educated and their job duties include a wide variety of responsibilities including the usual farm tasks and, in addition, nontraditional duties including hosting guests and meeting with elected officials.

### **Long Term Strategy**

The mission of RRLCC is to utilize our resources to provide a stable income. Adding value to all of our resources is not enough to ensure increased profitability. It is necessary to identify and develop the market for our products. Fortunately there is a growing population that desires a locally raised product and RRLCC is located near a densely populated market area and where there is a growing demand for locally raised, naturally produced, traceable beef.

Prior management of RRLCC concentrated commercial commodity agriculture based upon the premise high volume of small margin products. RRLCC came under new management in January 2008 with the vision to realize the goal of sustainability. This vision is predicated on the premise that every resource must pay rent and add value to maximize RRLCC's profitability. The resources currently identified are cattle, grass, timber, land, wildlife, and beauty. Although each resource is adding to the overall profit the cattle operation is the primary resource that provides the largest contribution to the profitability of RRLCC.

### **Cattle**

Grayson Natural Foods (GNF) is a producer marketing group with the mission of increasing profitability to local producers through direct marketing. GNF was organized as a Limited Liability Company (LLC) five years ago by six local producers. The goal of these producers is to market their animals as beef rather than the traditional marketing of cattle as a commodity.

In order to accomplish this goal it was necessary to change from the mindset of operating a traditional cow/calf operation to thinking in the broader context of operating a meat distribution business. This context includes the type of cattle that are producing the beef that will be marketed. RRLCC is transitioning the genetic composition, frame size, breeding seasons of the cattle and grazing management to be able to provide the beef that the customers of GNF demand. Two breeding seasons have been implemented to accommodate a consistent supply of animals and the breeding season has been lengthened to seventy-five days. In the year RRLCC plans to add at least one more breeding season and increase all breeding seasons to ninety days. The prior RRLCC management had raised Brangus. Current management is in the process of eliminating the Brangus breed influence through culling and replacing it with an Angus that will produce the beef needed by GNF and will also utilize the resources of land and grass more efficiently.

## **Grass**

The grazing practice is changing from continuous grazing to a intensive rotational grazing. The goal is to give every pasture a minimum of 30 days recovery period before cattle are again upon it. In addition the grazing season has been extended through the use of stockpiled forage, small grains and annual ryegrass. By extending the grazing season the need to rely on hay is reduced.

Through GNF, RRLCC is currently marketing nearly half of its cattle as beef. The remaining cattle are sold as weaned calves. The cattle sold as beef through GNF receive \$180 cwt live weight for cattle. The long term goal is to market all cattle through GNF.

## **Timber**

Sixty percent of the land resource of RRLCC is covered by forest. Consistent with the premise that each resource must contribute to the overall profit, the practice forest stand improvement has been implemented with the long term goal to increase the profitability of the forest. The past practice of selective cutting has resulted in unhealthy forests with few trees that that can be harvested for marketable timber. Forest stand improvement is basically the culling of trees that have the least profit potential in order to allow those trees with the highest profit potential to flourish. Forest stand improvement is a slow process and it will be at least a decade before the forest will yield significant a significant profit through the sale of timber. It is projected that the profit potential of the forest land will increase approximately tenfold.

## **Land**

Previous management had employed the resource of land exclusively for the continuous grazing of the cattle and had purchased hay to feed during periods of dormancy. While the need for hay has been mitigate through the use of intensive rotational grazing some hay is needed during the winter month. RRLCC has over 200 acres of land that is prime hay ground. Current management has harvested enough hay to feed the cattle and a surplus to sell to others who need hay to feed during dormant periods. Thus, the use of the land for hay production has eliminated the need to purchase hay and has created a significant profit center.

## **Wildlife/Game**

With its location in the Blue Ridge Mountains wildlife is plentiful and a recourse available to RRLCC. The customary practice is to lease land to hunters and the current average rate is twenty dollars per acre. RRLCC has chosen to manage the wildlife for quality and to market a hunting experience to enthusiasts. A house located on the property has been remodeled as a hunting lodge. The lodge can accommodate 10 individuals and one weekend at full occupancy

generates the same revenue as revenue as the lease of the hunting rights for an entire hunting season. While there is an increase in management, labor and investment in the lodge there is an increase in the revenue generated by the resource of wildlife. As an additional benefit for the community any game harvested and not take by the hunters is processed and donated to a local charitable organization for distribution to low income families.

### **Beauty**

The Blue Ridge Mountains are renowned as a area of natural beauty. Adding to the scenic beauty is the fact that the New River flows through RRLCC property. The New River is a popular river for tubing. In order to utilize the hunting lodge beyond the sixteen week hunting season it is planned to rent it to vacationers during those periods when it is not rented to hunters. The project gross income from the rental of the hunting lodge is in excess of \$20,000 in the lodge is rented at full capacity.

### **The Next Generation**

RRLCC is a unique situation and issues of estate planning and business succession planning remain to be resolved. Having said that, there are certain issues that have become readily apparent.

In order to insure that RRLCC is truly a sustainable agricultural endeavor it must be capable of being transitioned to a succeeding generation of operators. Farm business succession planning requires the conflation of four distinct plans into one comprehensive plan. The four areas of planning are strategic business planning, retirement planning, estate planning and planning for the orderly transfer of managerial authority. RRLCC is a unique situation in that the owners of the land were not the operators and management has always hired. In this respect RRLCC is different that most family farm businesses where the owner and the operator are the same person. This distinction is significant in that the operator has no ability to formulate an estate plan. Further, the retirement plan for the farm manager is similar to that of employees of non-farm businesses in that the manager will not and cannot look to the farm business assets as a source of income in retirement. The same is true for the estate plan of the owners in that the farm manager does not have control over the distribution of assets in the estate plan.

Philip and Charlotte Hanes envision that RRLCC will be a model demonstration farm exemplifying the practicality of sustainable agriculture. They have taken several steps to realize this vision. The use of conservation easements to restrict development is one such step. Further, they have organized RRLCC as a limited liability company (LLC) to separate the business activity from the ownership of the assets. The use of the LLC entity protects the owners' personal assets from liability and allows for control of the direction of the business activities. Further, there are tax advantages to using an LLC to provide benefits to employees, i.e. health insurance and obtain a tax deduction for providing such benefits.

## **Estate Planning**

The challenge for RRLCC to be truly sustainable is to answer the question of how the land will be owned after the passing of the current owners. Unlike the situation where the operator is the owner and there are heirs who will inherit the assets, here there are no heirs and the owners have a large estate of which RRLCC is only a portion. At the time of the writing of this paper the disposition of the land is unknown.

## **Farm Business Succession Planning**

The issues involved in the development of a farm business succession plan for RRLCC is more easily identified. The vision of the current owners is for the farm to operate as a viable sustainable agricultural enterprise they have been willing and able to subsidize the farm to realize their vision. For RRLCC to be truly sustainable in must generate sufficient income to support the employees and the next generation succeeding to the management. Therefore, the question that must be answered is “Can the farm business support another family?” This questions remains to be answered, however in must be noted that current management is in the process of developing unique enterprises to enhance the profitability of RRLCC. As such the potential to support a successor generation is being developed but the diversity and complexity of the enterprises has added to the difficulty in transferring the managerial decision making to the succeeding generation.

For most farm business succession plans the transfer on management is accomplished through a gradual process of the owner operator transferring decision making to the successor generation. At RRLCC, there is no obvious successor generation because the farm is organized as an LLC, even after the death of the landowners, the business will continue. One option for RRLCC would be to implement an Advisory Board with the mission of continuing the vision of the landowner after their deaths. The Board could become members of the LLC and involved in the strategic planning of the farm business. It may be necessary for the establishment of an endowment in the event that RRLCC is unprofitable.

A second alternative would be to donate the farm to an educational institution or a non-profit organization that would employ a farm manager. The risk associated with this option is these entities may not carry out the current landowners’ vision of a sustainable agricultural endeavor.

Either alternative will necessitate the identification of a successor to the manager position. Programs such as Farm On, operated by Iowa State University’s Beginning Farmer Center, maintain lists of individuals seeking an opportunity to enter the occupation of farming. In fact, the current farm manager was located through this program. It is important that the potential successor is capable of assuming the management of all aspects of the business and agrees with the vision of a sustainable agricultural enterprise.

While much of the vision of the owners of RRLCC has begun to be implemented there remains the need for the development of an estate and business succession plan that is consistent with and enhances that vision.

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**Brantley Ivey**, Producer, River Ridge Land and Cattle Company, LLC, Grayson County Virginia

**Whitney Ivey**, Attorney at Law, Adams & Ivey, PLLC, Sparta, North Carolina.

**John R. Baker**, Attorney at Law, Iowa State University, Urbandale, Iowa

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### **Lead Author and Presenter**

#### **Brantley Ivey**

Brantley Ivey was born and raised in Graceville, Florida. After service in the United States Marine Corps, he attended University of Florida obtaining a Bachelor's Degree in Animal Science in 2004 and a Masters Degree in Adult Education in 2007. He has worked for the University of Florida Extension as the Livestock Specialist in Polk County, Florida. He served as the leader of the State Agriculture Response Team after the hurricanes of 2004 and 2006. He has served on numerous Agriculture Boards and Committees throughout the state of Florida.

While attending the University of Florida he met his future wife, Ms. Whitney LeGrand who attended the Western Kentucky University and upon graduation attended Drake University Law School in Des Moines, Iowa. While Ms. LeGrand attended Law School, Mr. Ivey worked at Iowa State University's Iowa Beef Center researching and promoting value added programs in the beef industry.

Mr. Ivey and his wife now live in southwestern Virginia where he is the farm manager of River Ridge Land and Cattle Company a 1600 acre sustainable agriculture demonstration farm own by Philip and Charlotte Hanes. He has implemented the concept of conversation through production emphasizing that each resource on the farm must produce a profit.