

Decision Case Number 5

“When the Back Goes”

KTS Farm

Holistic Management® Decision Case

1. What do you do when you have a decision to make? What if this decision was centered on the fact that you could no longer do what you had selected as a life long vocation in the way you had expected? What if the decision would not only affect your life but those you love and hold dear? What if the outcome of the decision would determine how you spend the rest of your days?
2. Our focus for this decision will be to decide how a farm family will realign their farming operation based on their *holisticgoal* to incorporate a major health issue in how they will farm. Kress Simpson is in his late forties. He has spent his life as a dairy farmer. His back went south last winter after a serious accident, and he has had major surgery to correct it. He is at a crossroads with his farming career. No longer able, or willing, to work long hours in the field on a tractor and under cows in the parlor, Kress is trying to decide what he is going to do for a living. Add to this situation, his farm is not paid off, and he has a number of years to go on his mortgage.
3. Ten years ago he discovered that the way he was farming was not what he wanted and set out to change. After listening to Allan Savory give a talk on Holistic Management, Kress realized that here was a way to incorporate some of the issues he had been wrestling with. He developed a *holisticgoal*, and told his dad, whom he had been working for, that he was going to quit farming with him. After an off farm job convinced him he was still a farmer and allowed him to refine his *holisticgoal*, he developed a whole new way of farming. Step one was Pastured Poultry to get some immediate income and jumpstart the fertility on the farm, and then a herd of heifers to start a small seasonal grass-based dairy. By making decisions holistically and testing his decisions, Kress has been able to turn the way he farmed around. It's profitable, it's ecologically sound and it's fun. Or at least it was until he screwed up his back. His physical therapy regime has improved his health and his back, and he is back under the cows. But, he has been rethinking his quality of life and longevity in dairying.
4. Now he has to rethink his options on what it means to farm and if he might continue to dairy farm profitably. Since his *holisticgoal* includes profit from livestock, and he is a cattleman, he is serious when he says. “*Some type of animal husbandry will be included in the plan, and since dairy cattle are all I know.....*” He also realizes that downsizing is an alternative. By reducing his herd size and making adjustments in the way he milks cows, he could be able to milk the herd and maintain his quality of life and profitability.
5. By running the numbers (in his head, on napkins, and the more formal gross profit analysis), it became clear that debt was a major drain on the profitability, and who he was working for anyway? Kress identified that the debt load must go to be profitable at the lower number of cows he is considering. Interest payments can cut into profits dramatically at reduced gross income levels. The process of generating wealth by allocating more expenses as investments rather than maintenance has opened new doors for Kress.
6. He has identified the weak link in his financial plan as the production weak link and developed several strategies to address it. By participating in the Farm Service Agency (FSA) “Debt for Nature” program and using the sale of the excess cattle (the livestock production plan for KTS Farm is designed so Kress can replicate the dairy every three to four years), he can pay off his farm mortgage, reduce the debt he has accumulated for equipment purchases and increase the profits from the dairy. The farm financial planning strategy is nearing completion at this time and the Simpsons are out of debt. So now we are faced with a quality of life decision to....
7. **The Decision:** Based on his experience, farm capabilities, and a sharp pencil, Kress is exploring the option **to reduce herd size**. Is this a sound decision?

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Appendix A KTS Farm Whole Under Management

Decision Makers

The Simpsons—Kress and Tammy
Their two kids—Alec and Hillary
Mom & Dad—Roy and Donna Lee
The Banker (for now)

Resources

The Farm and 6 inches of Topsoil
Sunshine and Timely Rains
Our Community of Friends

Money

Solar Dollars from Farm
Lines of Credit
Tammy's off farm job (fallback)

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Exhibit B KTS Farm Holisticgoal

Quality of Life

We wish to be happy, healthy, wealthy and surrounded by people with the same attitude. Treat people the way we like to be treated. Be happy with the way my life is headed along with my whole under management, (ie. my children, wife, and solar cell/farm).

Forms of Production

Convert solar energy into profits from the resource base we call home.

Future Resource Base

Clean and green in the summer with animals to be seen somewhere on this solar cell at any moment. Beautiful colors in the fall and the same with the animals. Snow cover, frozen ponds, fat animals in winter, piles of firewood near the woodstove. Spring flowers, grass, gardens, babies, fertile soil and no bare ground.

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Appendix C KTS Farm

Testing the Decision – One question at a time

The process outlined below is an explanation of Kress' answer to each testing question as he tested his decision to reduce herd size. This information can be used for clarity and additional support for the decision. Keep in mind that he is using these simple questions to see if his decision is socially, environmentally and economically sound and will take him toward his *holisticgoal*.

Cause and Effect—*Does this action address the root cause of the problem?*

Yes! The root cause of his problem is his reduced physical and mental ability to milk cows as in the past. This decision passes this test because it addresses the root cause. By reducing the number of cows, Kress will be spending less time in the barn doing chores.

Weak Link

Social—**Pass**

By reducing the number of animals to milk and improving the conditions in the barn there will be less stress and strife in his life and more free time.

Biological – N/A

Financial – **Fail** – He is not increasing his capacity to address the weak link of production to convert his resources.

Marginal Reaction

Pass. Because he can stay in the dairy business at a reasonable level of profitability due to his investment in paying off debt, and he can do so with less effort, he has more time and less stress in his life than if he maintained the current herd size.

Gross Profit Analysis

Fails – see the GPA Worksheet.

Energy/Money Source & Use

This action reduces his energy use and does not require consumptive use of money. His investment in paying off debt (including mortgage) is an excellent use of resources to reduce his risk, so it **passes** this test.

Sustainability

Pass. A natural, pasture-based dairy leads toward his future resource base and his longevity as a farmer.

Society & Culture

Kress feels good about this decision. The support from his family and community of friends give him courage to continue with what he knows is his best shot at making farming work and continue toward his *holisticgoal*.

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Appendix D KTS Farm Herd Reduction Decision

Alternate method without documentation

This process allows for a speedier test and quick method for review. All members of the small groups can fill one out and use to develop large matrix for comparison. If there are major disagreements, this is the place for discussion to see what others identified as reasons for pass/fail.

Testing Matrix

Testing Question	Pass	Fail	N/A
Cause & Effect	X		
Weak Link—Social	X		
Weak Link—			X
Weak Link—Financial		X	
Marginal Reaction	X		
Gross Profit Analysis		X	
Energy Source	X		
Energy Use	X		
Money Source	X		
Money Use	X		
Sustainability	X		
Society & Culture	X		

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Appendix D KTS Farm Herd Reduction Decision Blank Matrix for Personal Use

Testing Question	Pass	Fail	N/A
Cause & Effect			
Weak Link—Social			
Weak Link—			
Weak Link—Financial			
Marginal Reaction			
Gross Profit Analysis			
Energy Source			
Energy Use			
Money Source			
Money Use			
Sustainability			
Society & Culture			

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Appendix E KTS Farm

Worksheet for Reducing Herd Size (Gross Profit Analysis)

Present herd of **60** cows (\$13/hrdwt. 11,000 lb herd avg.)

Income from 60	\$93,600.00
<u>Expenses for 60</u>	<u>\$46,800</u>
Profit:	\$46,800.00 (50% of income)

Reduced herd of **30** cows (\$13/hrdwt. 11,000 lb herd avg.)

Income from 30	\$46,800.00
<u>Expenses for 30</u>	<u>\$23,400.00</u>
Profit:	\$23,400.00 (50% of income)

Note: While Kress has reduced his profit, he has also reduced his overhead by reducing mortgage and other debt through the sale of cows, thus needing less profit to pay for overhead.

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KTS Farm Teaching Notes

Overview

While the people and places in this decision case are real, the author has taken liberty to simplify and streamline the story.

Learning Objective:

1. Understand the power of a *holisticgoal*.
2. Recognize the importance of no how-to statements in the *holisticgoal*.
3. Practice using the testing questions and how they inform the decision.
4. Alternate objective—using both traditional and holistic frameworks. In this case split the groups into two groups and give one the supporting documentation. (*Caution this should not be attempted unless the facilitator is very familiar with the Holistic Management® decision-making process!*)

Uses of the case:

This Holistic Management Decision Case could be used by educators for on-farm teaching. The importance of the decision has implications in a wide array of situations with major farm decisions. It would be useful in workshop settings and in the broader context of a course in Holistic Management.

Lesson Plan

Materials needed:

Handouts

This Decision Case
Background Information
Appendix
Holisticgoal
Testing Questions (and blank matrix)
Supporting documentation
Flipcharts
Tape and markers

Process:

Depending on the audience and their familiarity with Holistic Management, the facilitator can choose to develop a better understanding of Holistic Management and the terminology or go directly into the Testing Questions to determine the soundness of the decision.

- Participants read the decision case, whole under management, and *holisticgoal* (out loud or silent).
- Ask opening questions to prompt discussion.

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Opening questions:

- Have you ever been faced with a similar situation or life changing decision?
 - What information did you use to make this choice?
 - What were the main indicators you used to determine the course of action?
- After a brief question and answer period where the facilitator gets the study group up to speed with the decision case and an explanation of the process, the work begins. If the group is large, break it into smaller work groups. If the setting is smaller, work together.
 - Form 3-5 people teams to work on the decision. Re-read the background and *holisticgoal*. A facilitator and recorder should be chosen for each group.
 - Using supporting documentation and the KTS Farm's *holisticgoal* determine:
 1. Does the decision to reduce herd size take Kress and his family toward or away from their *holisticgoal*?
 2. Is herd reduction the only option?
 3. How would you make the decision that Kress is facing?
 4. Optional questions: What indicators would you develop to monitor this decision with the feedback loop?

After the groups have worked on the decision have them report back. A very profitable dialog can be generated with everyone enlisted to give their insights and feelings about Kress's decision. Remember there is no right answer!

Uses for the supporting documentation:

Appendix A: Whole Under Management

Appendix B: Holisticgoal

This appendix should be handed out with the Decision Case unless the objective is to show the difference in traditional decision making and the Holistic framework.

Appendix C: Testing Questions—One at a time

This appendix is a full explanation of the steps and thoughts Kress used to make his decision.

Appendix D: Testing Question Matrix

Useful as an alternative to record pass/fail of each guideline. Remember, initially the testing is laborious and time consuming. After a time, and with practice, this should speed up. Use blank for class.

Appendix E: Worksheet for Reduced Herd Size

This appendix is supporting documentation showing the reduced income, reduced expenses and the same level of profit. By reducing expenses the reduced income from fewer cows is offset.