



Skip Breitbach Feed & Seed: Pretty Soon?

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A SORE KNEE AND A BIG DECISION

The wooden floorboards creaked under Skip Breitbach's boots as he loaded a 50-pound bag of feed onto a farmer's truck on a Saturday afternoon in Balltown, Iowa. Pain throbbled in his knee. As the farmer drove off, Skip turned back toward his store and glimpsed his oldest daughter Nikki on the computer in the office.

A few days before, Nikki told Skip she hoped to take over the business someday; they did not have time to discuss this in detail. It was October 2018; the fall harvest was a busy time of year for the Skip Breitbach Feed & Seed store. Skip told Nikki they could continue the discussion sometime soon.

The evening before, Skip told his wife SueBee that Big Ag Feeds presented an offer of \$1.5M for the store. Big Ag proposed that at signing, they would pay 49% of the purchase price. For four years, Skip would retain majority ownership. In years one and two, he would run day-to-day operations. In year three, a Big Ag junior manager would train under Skip, and at the end of year four, Skip would receive the balance of the purchase price and transfer full ownership to Big Ag. Big Ag wanted an answer by the end of the year.

Skip told SueBee the offer was probably fair, but he had mixed feelings about selling the business, which had been in the Breitbach family for more than 150 years and usually produced a small profit (**Exhibits 1 and 2**). "This old store might not look like much, but it means a lot to me," he said. It had been at the center of his life since he was a boy. He also shared another concern: after running his business since 1988, Skip did not like the idea of "some corporate kid telling me how to run it."

Despite misgivings about the Big Ag offer, it did cause Skip to contemplate how to gradually slow down and eventually retire. If he could come to terms with the idea of retiring in four years at age 68, and if he could accept the thought of being the last Breitbach to run Breitbach Feed & Seed ("a really big if," he told SueBee), then "I should at least consider Big Ag's offer." His family had owned and managed this business since 1862. Nikki envisioned owning and managing the store someday, but Skip was not sure this was a good choice for her. Besides carefully considering Nikki's

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point of view, another option Skip considered was to hire an outside manager (not a family member) to run the store, under his direction. Another option was to “wait until I actually feel ready to retire. At that point I can decide what to do about the store.”

THE US FEED SUPPLY INDUSTRY

Specialty agribusiness retailers (such as Skip Breitbach Feed & Seed) supplied farmers and other customers with essentials for animal health – including 300M tons of feed for 9.6B food-producing animals and for pets (e.g., 70M dogs and 74M cats)¹. Profit margins of 3.17% were typical for seed and feed stores.² These stores and their suppliers (such as more than 6,000 U.S. feed mills³) were tied to farmers’ fortunes, due to the credit system; most farmers purchased seed and other supplies on credit and paid for it with post-harvest income.⁴ In any given year weather (especially too much or too little rain) or politics (trade agreements, tariffs and incentives) could affect farmers and their suppliers.

Long term, the outlook for U.S. agriculture looked positive, since the U.S. was a net exporter (it exported more food and fiber products into the global market than it imported), and ten-year USDA forecasts predicted rising global demand for livestock, corn, and soybeans and steady demand for oats.⁵ The Corn Belt (Illinois, Indiana, Iowa, Missouri, and Ohio) accounted for more than 20% of feed production for U.S. animal stock -- the highest demand region in the U.S.

When Skip was a boy, most farms were small family owned businesses. In recent years, small farms were giving way to large ones: about 25% of 88,000 Iowa farms used nearly 70% of the state’s land and generated 80% of its \$31B in agricultural sales⁶. Some larger farms were beginning to purchase feed, seed, herbicides and other products directly from producers or very large retailers, instead of from local stores like Skip’s.

To keep pace with global population growth, by 2050, U.S. farms would need to produce 60% more food⁷. For this and other reasons, new technologies were supporting farming operations. Nikki told Skip about developments she learned about in her MBA studies, that could affect feed suppliers’ sales and services in the near term (according to some of her professors):

- Soil and crop sensors captured data ranging from plant health to watering needs and nitrogen levels. Combined with satellite or drone imagery and GPS, sensor data helped farmers decide precisely where to apply needed materials. This refined use of fertilizers could impact Skip’s sales volume.
- Aerial drones were coming into widespread use for spot spraying, replacing single-season spraying of entire fields. This reduced farms’ demand for pesticides and herbicides, with implications for store sales of those items.
- Telematics allowed farming machinery to report data about engine performance and fuel usage, product application rates (herbicide, fertilizer, insecticide, etc.), harvest levels, moisture content of collected goods, and other information.
- Livestock biometrics (using collars fitted with GPS, RFID or biomonitoring devices) could make it possible to capture and relay real-time reports on an animal’s health.⁸

Nikki also told Skip that longer-term technical developments could eventually affect Breitbach Feeds in other ways. For example, Amazon was pilot-testing delivery of small items via drones and autonomous vehicles; if the store could do that, “a farmer could save a drive into town,” she said. “In a big snowstorm (when rural roads were

among the last to be cleared) a drone delivery service would be quite popular,” she added. Self-driving battery-powered delivery trucks would also come into use fairly soon; delivery giant DHL was already testing them.⁹ Skip recognized that technologies like these, as well as the Web, smartphones, mobile apps and social media, would change farming operations and feed suppliers over time. He felt confident that one thing was unlikely to change: the Midwest’s role as America’s “bread basket.”

TWO BROTHERS, TWO BUSINESSES

Skip and his older brother Mike each owned a business on the Great River Road National Scenic Byway in Balltown, Iowa (population: 68), about a 30-minute drive from the “Field of Dreams” (made popular by a 1989 Oscar-nominated baseball film starring Kevin Costner).

Breitbach’s Family Restaurant, owned by Mike, sat atop a scenic bluff overlooking the Mississippi River Valley; on busy days it served 2,000 customers. In 2012, it was featured in an award-winning documentary --“Spinning Plates”¹⁰ -- and the *Minneapolis Star Tribune* dubbed it an “American Classic” eatery. Publicity like this brought in local customers and tourists from near and far.

Skip’s brother Mike experienced several major challenges in the previous decade. On Christmas Eve 2007, a gas leak caused a fire that destroyed Breitbach’s Family Restaurant. Community members rallied to rebuild it. Then, only months later, it burned to the ground once more¹¹. Yet again, members of the community helped Mike rebuild and reopen the restaurant. After all that, in 2015 Mike underwent double-bypass heart surgery. During his recovery, Mike announced his plan to turn the restaurant over to his oldest daughter Annie and her husband. However, when his health improved, he deferred his retirement. In October 2018, Mike still owned the restaurant, but Annie was helping to manage it.

Many restaurant customers crossed the road to visit Skip Breitbach Feed & Seed, generating walk-in sales of home-gardening supplies, fresh and dried flowers, and antiques. Along with this small retail operation (targeted at both tourists and locals) the store sold animal feeds (generic or custom-mixed), veterinary medications (standalone or supplemented into feed mixes), seeds for grain crops (e.g., corn, oats, beans, grasses, alfalfa), and fertilizers, herbicides, and pesticides. Skip’s store did not do on-site milling; instead, it worked with local mills to provide customized feed mixes for its customers.

These businesses were in the Breitbach family for more than 150 years, with roots in a stagecoach stop purchased by Skip and Mike’s great-great-grandfather – Jacob Breitbach – in 1862. It had a colorful history. Bank and train robber Jesse James (1847 – 1882) dined there once; the store supplied grains for his horse. During Prohibition (1920 – 1933), Peter Breitbach – Skip and Mike’s great-grandfather -- provided for his family by producing 40-50 gallons of bootleg wine a week. To shore up weak sales during the Great Depression (1929 -- 1939), Skip and Mike’s grandfather - Victor Breitbach - sold illegal fireworks produced in North Dakota.

If Nikki took over Skip Breitbach Feed & Seed, she would represent the 6th generation of Breitbachs to do so, and the first woman to head the business. Skip learned from her that 85% of North American businesses were family-owned,¹² ¹³ but most did not remain in the family: fewer than a third were passed on to the second generation,¹⁴ 12% survived to the third generation, and just 3% reached generation four.¹⁵

A FAMILY LEGACY: ADAPTING TO HARD TIMES

Skip grew up learning the colorful family stories about Jesse James, bootlegging and illegal fireworks. In 1963, at the age of nine, he started working at the store after school and during breaks. Back then, Breitbach Feed & Seed sold just animal feed and seed. This tied the business closely to commodity prices – and made it vulnerable: when farmers thrived, the store thrived; when farmers struggled, the store struggled.

After completing high school, Skip worked there full-time (by then, his father owned the store and the restaurant). In 1988, when Skip was 34, his then 62-year-old father suffered a devastating stroke and could no longer run the family businesses. Skip and Mike took charge (Skip ran the store and Mike ran the restaurant). It was not easy. By then Nikki was eight and her younger sister Kristin was six, and their grandmother needed help caring for her disabled husband. This put a lot of pressure on SueBee and Skip, and at the same time, Skip was working hard to keep the store solvent, given the 1980s farming crisis. Nearly 30% of U.S. farmers faced bankruptcy – as did many feed-and-seed stores. Some customers lost everything in the crisis; their losses became store losses.

In the 1990's Skip began to diversify the store's products, to reduce its dependence on farmers and the uncertain agricultural economy. He added a greenhouse nursery, local antiques, and dried flowers to the product line. He publicized the retail store mostly through radio and print ads. These, along with positive word-of-mouth, brought in both local farmers and customers from nearby Iowa towns and neighboring states and beyond, looking to purchase antiques or dried flower stocks.

Over the years, Breitbach's territory for feed and seed grew from a few dozen to more than 100 square miles. Skip added organic seeds, fertilizers, and other products to the product lines, and younger customers, who appreciated locally grown, chemical-free produce, responded enthusiastically.

In October 2015, the U.S. Food and Drug Administration (FDA) Veterinary Feed Directive (VFD) went into effect to address the problem of antimicrobial resistance in the nation's food supply. Before VFD, farmers could buy antimicrobials over the counter, and feed stores could freely add these to feed, so that (for example) cows would produce more milk. The VFD restricted antimicrobials to medically-necessary uses, and only a licensed veterinarian could authorize their addition to feed. To verify compliance, VFD required a lot of carefully managed paperwork and periodic FDA audits. In Skip's view, all of this added another layer of stress to his already-stressful job.

Because of the successes with the new lines, in 2015 Skip thought about increasing the size of his warehouse, but as of October 2018 he had not yet done so. By then about half of Breitbach Feed & Seed sales came from feed, 30% from seed, and 20% from higher-margin plants, antiques, dried flowers, and gifts. Sales of organic products had increased 70% since their introduction. Skip liked to take his time before making large capital investments, and he liked to maintain a rainy-day fund to tide the business over when crop yields were down or farmers experienced other problems.

There were five employees: Skip (full time), Nikki (part time), two part-time administrative assistants, and a feed/seed delivery driver¹⁶. The administrative assistants worked at Breitbach Feed & Seed for more than 25 years; both planned to retire within a year or two. They were former farmers, with in-depth knowledge of the business and its customers. Balltown was located in Dubuque County Iowa, where unemployment was at a record low.¹⁷ Skip expected that finding and hiring new employees would be a challenge. The two who planned to retire earned \$12 to \$14 per

hour, whereas he expected to pay less-experienced replacement employees \$8 to \$10 per hour¹⁸. It seemed to Skip that many young workers lacked a farming background, expected unreasonably high pay, and were not willing to work long hours.

If Nikki became a full-time store employee, Skip figured she would expect to earn a salary equal to what she earned at the bank (\$38,000). Skip's annual salary was \$32,000. In good years, he split company profits between his retirement savings, a contingency fund, and capital investments.

PRETTY SOON

On Friday night, when Skip told SueBee about the offer from Big Ag, he added that he did not yet feel ready to retire; "I don't even qualify for Medicare!" Their current health insurance was provided through SueBee's employer. Skip would become eligible for Medicare when he turned 65 in October 2019. SueBee asked when he would be ready to retire. "I'm not sure," he replied.

SueBee already qualified for Medicare and hoped to retire from her job as a county IT administrator at year-end. She told Skip she could wait until spring of 2019, if need be. "Perhaps I could replace an administrative assistant at the store? I will need to net about \$600 a month to cover the cost of your health insurance. I don't need to remind you, Skip: you are at some risk of having a heart attack or stroke, given what happened to your father and brother." Kristin, who held a Doctorate of Nurse Practitioner degree and worked for Unity Point health services, lectured Skip often about his smoking habit, and for not seeing a doctor or having a physical exam in years.

At breakfast the next morning, SueBee told Skip: "Whatever you decide about the Big Ag offer, you'd better make an appointment with a lawyer to set up the estate in a way that's fair to Nikki and Kristin." He replied, "Yes, pretty soon we do need to work with a lawyer on estate planning."

Nikki, age 38, worked at Heartland Financial as an accounts specialist, responsible for invoicing, project management, contracting, and business continuity planning. Weekends at Breitbach Feed & Seed, she handled various clerical and other tasks. Nikki's youngest son, age 10, loved the store, just as Skip had loved it as a boy. Her other son, age 12 was not particularly interested in it.

In 2016, for a project in an MBA class, Nikki computerized the store's accounts receivables (previously, administrative assistants manually recorded all invoices in a ledger) and she took responsibility for entering transaction data into the computer, based on Skip's handwritten invoices.

Skip was a proud father. He was impressed with Kristin's medical training (although he wished she wouldn't nag him about his smoking), and impressed with Nikki's ability to raise two boys, get an MBA, do well at the bank, and help out at the store.

At breakfast, SueBee also reminded Skip about Kristin's concerns about his health. SueBee also mentioned that Kristin felt Nikki should not take over the store. Recalling the financial struggles and stress the family dealt with when the farming economy struggled, Kristin did not want to see Nikki go through an ordeal like that with her family. "She has a good point," said SueBee.

Skip appreciated Kristin's concerns. After his father's stroke, Skip certainly was not prepared for the responsibilities he suddenly took on; those first few years in charge of the business were extremely stressful. "But we survived that and other tough times when the farming economy was in bad shape," he said. Skip was sure Nikki could learn how to run the store, yet he, too, wondered how she would handle stress in tough

times. He also wondered how customers and vendors might react to dealing with her instead of him.

Perhaps I should give Nikki a chance to run the store. I could stay on for a few more years, to focus on marketing and sales. I could visit customers at their farms; surely this would increase sales enough to cover her salary and mine.

SueBee replied by expressing her idea about another aspect: Nikki's prospects at the bank.

Since she has her MBA, her banking career might take off, and then the store might hold less appeal for her. Why not accept Big Ag's offer? If you sell the business, our estate planning will be simple and fair for both girls, and you'll have four years to prepare for retirement.

Well, it isn't quite that simple," Skip replied. "Selling the store feels like giving up, like letting down our extended family and the community. Breitbach is Balltown; Balltown is Breitbach.

Both Breitbach businesses donated generously to the volunteer fire department and local churches. Skip bought lunch for his employees every day, and Mike provided free meals to elderly and sick folks who could not leave their homes. Their employees mowed lawns in the summer, shoveled sidewalks in the winter and performed other tasks for disabled community members. Skip knew SueBee appreciated all of this, "but you did not grow up in Balltown, so you are not tied as tightly to the store and to Balltown as I am." She replied, "That's true. I have given my opinion, but this is your decision to make. Kristin and I will support you and Nikki 100%, whatever you decide to do."

Skip and SueBee owned their home, free and clear (no mortgage). He figured they could retire comfortably in Iowa, given its low cost of living (**Exhibits 3 and 4**). Starting at 70 ½ Skip would be required to draw about \$15,000 a year from his retirement account,¹⁹ which currently was at about \$400,000. By withdrawing only the minimum required distribution, he hoped to preserve much of the principal for as long as possible. With Skip's expected Social Security payments of \$13,000 a year, SueBee's pension of \$41,000 per year²⁰, and the required minimum distribution, their yearly retirement income would come to about \$70,000.

LOOKING BACK AND LOOKING AHEAD

Back in his cramped office in the store Saturday afternoon, Skip lit a cigarette and blew some of the day's stress away in a puff of smoke. The chaos of colored notes, invoices, and vendor bills on his desk was quiet proof of his day's labor. The smell of smoke, grain, and dust transported him back to his childhood when he would stand at the threshold of this office and watch his father's end-of-day smoke ritual. This tranquil memory gave way to harsh memories of those first three years running the business, meeting payroll, learning on the fly with little help from Dad, worrying about how he and SueBee could pay their bills. In the lean years, many families lost their farms; when farmers struggled Skip Breitbach Feed & Seed struggled. He did not want Nikki to experience the pressure and anxiety he underwent in tough times. He considered replacing the two part-time assistants (when they retired) with a full-time office assistant. "Perhaps I could train that person on how to manage the business. As they take on more responsibilities I could gradually cut back on my hours until I'm ready to retire."

Nikki was optimistic that smart technology investments and new products like non-GMO and organic seeds would help the business adapt to future competitive and economic pressures, but Skip was not sure about that. SueBee thought he should seriously consider the Big Ag offer, but Skip did not relish the idea of working side-by-side with a Big Ag employee for two years. Skip decided to talk with SueBee that night, about another option he would consider: to make a counter offer to Big Ag's offer. The counter-offer would specify that the full sale would take place in October 2019 (once Skip qualified for Medicare). If Skip decided to do this, "it would be a clean break; I'd just walk away one year from now," he mused.

Skip was giving this idea serious consideration, but with big misgivings. "My ancestors did not give up on this business; it bothers me just to think about that possibility."

Exhibit 1 - Skip Breitbach Feed & Seed Balance Sheet 2013-2016

	2017	2016	2015	2014
Current Assets				
Cash on hand	\$ 495,410	\$ 438,704	\$ 136,766	\$ 248,636
Accounts receivable	\$ 31,050	\$ 19,984	\$ 33,456	\$ 49,793
Inventory	\$ 43,818	\$ 42,790	\$ 40,188	\$ 38,688
Total current assets	\$ 570,278	\$ 501,477	\$ 210,410	\$ 337,116
Property and Equipment				
Land	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250
Buildings	\$ 108,819	\$ 97,562	\$ 93,809	\$ 93,809
Equipment	\$ 44,853	\$ 48,937	\$ 53,305	\$ 53,305
Vehicles	\$ 133,187	\$ 119,409	\$ 128,816	\$ 128,815
Office equipment	\$ 5,068	\$ 4,544	\$ 4,369	\$ 4,370
Total	\$ 298,177	\$ 276,702	\$ 286,550	\$ 286,549
Accumulated depreciation	\$ (269,756)	\$ (255,628)	\$ (253,983)	\$ (262,916)
Total property & equipment depreciated	\$ 28,421	\$ 21,074	\$ 32,567	\$ 23,633
Total Assets	\$ 598,699	\$ 522,552	\$ 242,976	\$ 360,749
Current Liabilities				
Accounts payable	\$ 234,229	\$ 211,949	\$ 163,125	\$ 199,688
Payroll taxes	\$ 3,995	\$ 3,387	\$ 3,433	\$ (543)
Sales tax payable	\$ 109	\$ 217	\$ 284	\$ 228
Customer prepay	\$ 375,648	\$ 329,782	\$ 110,234	\$ 185,461
Total current Liabilities	\$ 613,981	\$ 545,335	\$ 277,076	\$ 384,834
Long-term Liabilities	\$ 7,659			\$ 9,575
Note payable				
Owner's equity				
Capital-beginning of year	\$ (23,837)	\$ (28,198)	\$ (21,908)	\$ (34,098)
Withdrawals	\$ (40,120)	\$ (28,551)	\$ (40,512)	\$ (37,329)
Net revenue (loss)	\$ 35,941	\$ 33,965	\$ 28,320	\$ 37,767
Total owner's equity	\$ (22,941)	\$ (22,784)	\$ (34,100)	\$ (33,660)
Total liabilities and owner's equity	\$ 598,699	\$ 522,552	\$ 242,976	\$ 360,749

Source: Skip Breitbach Feeds company documents 2014-2017

Exhibit 2 - Skip Breitbach Feed & Seed Income Statement 2013-2016

	2017	2016	2015	2014
Gross Receipts				
Feed animal health	\$ 2,015,676	\$ 1,978,986	\$ 2,017,914	\$ 1,789,994
Hardware	\$ 8,739	\$ 9,898	\$ 16,956	\$ 15,028
Hides (deer)	\$ 4,855	\$ 5,879	\$ 4,880	\$ 3,636
Returns and allowances	\$ (36,565)	\$ (42,244)	\$ (39,530)	\$ (23,360)
Sales discounts	\$ (21,487)	\$ (18,391)	\$ (20,133)	\$ (18,768)
Commission	\$ 1,878	\$ 3,895	\$ 436	\$ 2,165
Cash over (short)	\$ 12,694	\$ (470)	\$ (970)	\$ (1,543)
Sales	\$ 1,985,790	\$ 1,937,552	\$ 1,979,554	\$ 1,767,153
Cost of Revenues				
Feed, Animal Health	\$ 1,644,635	\$ 1,619,469	\$ 1,673,184	\$ 1,492,176
Hardware	\$ 11,561	\$ 9,563	\$ 16,416	\$ 14,426
Hides (deer)	\$ 2,866	\$ 2,760	\$ 2,109	\$ 703
Freight	\$ 53	\$ 60	\$ 50	\$ 43
Cost of Goods Sold	\$ 1,659,114	\$ 1,631,852	\$ 1,691,759	\$ 1,507,348
Gross profit	\$ 326,676	\$ 305,699	\$ 287,795	\$ 259,805
Operating Expenses				
Wages (includes Skip's salary)	\$ 108,450	\$ 110,961	\$ 113,758	\$ 96,579
Casual labor	\$ 3,820	\$ 7,643	\$ 8,230	\$ 4,898
Payroll taxes	\$ 8,604	\$ 8,111	\$ 8,820	\$ 7,601
Property taxes	\$ 1,694	\$ 854	\$ 821	\$ 661
Licenses and permits	\$ 1,648	\$ 2,169	\$ 1,495	\$ 2,821
Advertising	\$ 15,832	\$ 12,912	\$ 13,326	\$ 12,099
Public relations	\$ 2,237	\$ 4,437	\$ 2,519	\$ 1,106
Bank service charge	\$ 2,384	\$ 2,801	\$ 2,329	\$ 2,588
Bankcard processing	\$ 1,916	\$ 1,837	\$ 2,374	\$ 1,969
Vehicle expense	\$ 46,702	\$ 38,145	\$ 33,338	\$ 28,475
Depreciation	\$ 8,227	\$ 10,598	\$ 8,188	\$ 8,934
Dues and publications	\$ 1,400	\$ 648	\$ 921	\$ 2,819
Contributions	\$ 4,731	\$ 3,817	\$ 2,946	\$ 2,235
Insurance	\$ 19,316	\$ 19,217	\$ 17,849	\$ 19,318
Accounting	\$ 8,406	\$ 8,301	\$ 6,980	\$ 6,898
Rent	\$ 943	\$ 839	\$ 625	\$ 900
Repairs and maintenance	\$ 995	\$ 109	\$ 505	\$ 230
Maintenance-building	\$ 2,882	\$ 1,491	\$ 2,368	\$ 1,723
Operating supplies	\$ 19,807	\$ 14,376	\$ 10,061	\$ 12,508
Office supplies	\$ 6,604	\$ 4,942	\$ 4,721	\$ 4,114
Postage and freight	\$ 5,861	\$ 5,804	\$ 6,064	\$ 5,746
Entertainment	\$ 1,377	\$ 3,935	\$ 4,016	\$ 797
Utilities	\$ 6,611	\$ 7,173	\$ 7,490	\$ 7,118
Telephone	\$ 11,933	\$ 10,869	\$ 8,811	\$ 7,859
Total Operating Expenses	\$ 292,379	\$ 281,990	\$ 268,554	\$ 239,992
Net operating income (loss)	\$ 34,297	\$ 23,709	\$ 19,241	\$ 19,813
Other income (expense)				
Interest income	\$ 153	\$ 142	\$ 85	\$ 73
Misc Income	\$ 1,830	\$ 10,439	\$ 9,590	\$ 18,145
Interest expense	\$ (339)	\$ (325)	\$ (596)	\$ (264)
Total other income	\$ 1,644	\$ 10,256	\$ 9,078	\$ 17,954
Net revenue (loss)	\$ 35,941	\$ 33,965	\$ 28,320	\$ 37,767

Source: Skip Breitbach Feeds company documents 2014-2017

Exhibit 3 - Cost of Living by State

State	Rank	Index	Grocery	Housing	Utilities	Transportation	Health	Misc
Mississippi	1	84.2	92.8	70.2	91.2	90.6	91.0	87.3
Arkansas	2	87.7	91.6	76.7	99.2	87.4	87.6	91.7
Michigan	3	89.0	90.4	78.0	91.6	103.2	94.3	91.9
Missouri	4	89.2	97.9	73.2	101.9	94.0	97.9	92.4
Oklahoma	5	89.3	94.2	73.7	98.8	87.8	93.6	97.0
Iowa	6	90.0	94.0	78.8	95.6	97.2	96.5	92.9
Tennessee	7	90.1	94.0	78.8	93.3	89.6	88.8	96.9
Alabama	8	90.2	96.6	72.5	109.5	89.2	86.2	96.8
Kansas	9	90.7	93.6	77.7	100.1	93.4	95.8	95.7
Georgia	10	91.1	98.9	75.4	97.9	94.8	96.4	96.9
Texas	11	91.6	91.2	84.3	101.7	93.8	96.2	93.6
Ohio	12	91.7	99.2	76.1	94.8	98.9	95.4	97.8
Nebraska	13	92.3	94.0	84.3	78.4	94.9	101.0	100.2
New Mexico	14	92.5	105.2	85.9	78.1	97.6	103.5	94.1
Indiana	15	92.5	94.4	78.2	94.4	98.4	97.0	100.4
Idaho	16	93.3	91.8	82.0	93.0	112.5	99.7	96.9
Kentucky	17	93.7	90.6	85.6	91.1	96.9	98.2	100.7
North Carolina	18	93.9	98.2	82.0	97.1	96.5	107.8	98.4
Louisiana	19	93.9	97.4	86.9	95.7	96.5	94.3	96.8
Wyoming	20	95.5	109.2	80.7	111.8	94.1	98.3	97.1
Wisconsin	21	95.6	96.9	87.9	100.7	99.4	112.0	96.9
South Dakota	22	95.7	99.5	94.4	92.7	95.0	103.0	95.5
Arizona	23	96.0	99.0	88.3	105.8	101.7	95.6	96.4
Illinois	24	96.6	94.0	89.6	96.7	103.5	100.7	100.9
Utah	25	96.7	101.1	93.6	80.1	107.0	100.3	98.8
West Virginia	26	96.8	101.8	87.4	89.0	101.7	93.4	103.4
South Carolina	27	98.4	104.0	86.8	110.0	90.3	101.5	103.9
Florida	28	98.9	104.7	97.1	99.7	98.6	95.7	98.4
Minnesota	29	99.0	105.9	87.7	87.9	103.6	112.3	105.6
North Dakota	30	99.9	105.5	94.8	83.6	107.6	112.4	103.0
Montana	31	101.2	99.7	107.8	77.0	98.7	104.6	103.9
Pennsylvania	32	101.5	104.6	98.2	110.4	106.7	91.7	100.1
Virginia	33	101.9	96.1	111.6	100.5	89.5	99.9	100.7
Delaware	34	103.5	109.4	99.8	91.1	99.9	97.0	109.4
Colorado	35	104.0	98.8	120.7	78.1	104.8	102.1	100.4
Nevada	36	106.6	104.1	109.1	86.1	114.1	107.7	109.2
Washington	37	107.6	106.4	110.6	92.7	119.9	117.4	105.7
Maine	38	113.5	101.4	123.5	119.3	107.9	107.2	110.9
New Hampshire	39	113.7	111.8	110.2	130.4	105.7	115.3	114.3
Vermont	40	120.2	110.7	147.1	120.5	108.3	105.8	107.6
New Jersey	41	120.5	107.7	148.1	113.4	109.1	105.6	110.6
Rhode Island	42	123.0	113.0	136.6	127.1	105.9	109.8	121.3
Connecticut	43	124.9	106.6	154.9	104.0	111.7	113.4	119.4
Oregon	44	125.7	110.9	176.5	76.8	115.1	105.6	110.7
Massachusetts	45	127.3	108.0	164.3	115.9	106.6	119.4	115.5
Maryland	46	128.4	110.1	181.1	105.3	105.1	92.4	111.1
Alaska	47	131.9	134.7	140.7	144.9	129.0	147.2	119.1
New York	48	134.1	111.3	195.1	106.1	112.0	103.1	112.7
California	49	140.5	118.5	209.0	112.0	127.6	110.5	110.3
District of Columbia	50	157.4	111.8	261.4	115.2	107.9	101.5	125.3
Hawaii	51	188.4	165.5	302.8	196.4	138.9	114.1	127.2
US Average		100	100	100	100	100	100	100

Source: Missouri Economic Research and Information Center.
https://www.missourieconomy.org/indicators/cost_of_living/

Exhibit 4 - Typical Basic Living Expenses, Iowa

These figures show the individual expenses that went into the living wage estimate.

Their values vary by family size, composition, and the current location.

Annual Expenses	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (1 Working)	2 Adults (1 Working) 1 Child	2 Adults (1 Working) 2 Children	2 Adults	2 Adults 2 Children
Food	\$3,047	\$4,613	\$6,867	\$9,073	\$5,587	\$7,069	\$9,079	\$5,587	\$9,079
Child Care	\$0	\$6,352	\$10,570	\$14,789	\$0	\$0	\$0	\$0	\$10,570
Medical	\$2,137	\$6,599	\$6,313	\$6,473	\$4,511	\$6,313	\$6,473	\$4,511	\$6,473
Housing	\$5,796	\$8,667	\$8,667	\$11,655	\$6,755	\$8,667	\$8,667	\$6,755	\$8,667
Transportation	\$4,235	\$8,042	\$10,504	\$11,460	\$8,042	\$10,504	\$11,460	\$8,042	\$11,460
Other	\$2,560	\$4,175	\$5,027	\$6,260	\$4,175	\$5,027	\$6,260	\$4,175	\$6,260
Required annual income after taxes	\$17,774	\$38,448	\$47,948	\$59,710	\$29,069	\$37,581	\$41,939	\$29,069	\$52,509
Annual taxes	\$3,116	\$7,300	\$9,266	\$11,814	\$5,380	\$7,122	\$8,017	\$5,380	\$10,254
Required annual income before taxes	\$20,890	\$45,748	\$57,214	\$71,524	\$34,449	\$44,703	\$49,956	\$34,449	\$62,763

Source: Living Wage Calculator <http://livingwage.mit.edu/states/19> Dr. Amy K. Glasmeier and the Massachusetts Institute of Technology

NOTES

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- ¹⁶ During busy times or to cover for vacationing employees Skip hired temporary part-time workers (shown as “Casual Labor” on Income Statement in **Exhibit 2**).
- ¹⁷ Iowa's unemployment was at 2.8% as of December 2017

¹⁸ Iowa's minimum wage was pegged to the U.S. national minimum wage. In fall 2018 that was \$7.25/hour.

¹⁹ IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), United States Internal Revenue Service, 2017.

²⁰ As a county employee, SueBee would receive a pension, but she would not receive Social Security payments in retirement.