

BACK FROM THE BRINK



The onion business is sweeter now for these guys (from left, Delbert Bland, Diedrich Von Soosten and Michael Hively). PHOTOS: JOHN LEIDNER

Here's a 12-step program from bankruptcy to profitability. BY JOHN LEIDNER

Size is no insurance against failure in farming. Take the case of Bland Farms. The big farm fell hard but found resources to launch a successful recovery.

Based in Reidsville, Ga., the world's largest marketer of sweet onions fell victim to bad management, operating losses and poor crops. Its prospects were bleak a few years ago when it filed Chapter 11 bankruptcy. Lessons from its failure and return to prof-

itability may help other farms on the brink of ruin.

Those who ran the farm failed to understand where it incurred costs and how it made money. The farm also strayed from its core business of growing and packing onions to enter sidelines such as selling onion rings and other food products.

Delbert Bland, president and chief executive officer, found himself relying on family members to run the \$30-million-

per-year business. "I realized I couldn't do it with aunts, uncles and cousins working part time," he says.

He thought he solved his problems when he consolidated a string of bank loans. But consolidated debt is still debt. The new loan took every bit of his collateral, and after two bad crop years he faced a new season with no way of getting operating capital.

Here are the steps that helped turn Bland Farms around again:

1. Hire key people. Unable to obtain crop loans, Bland declared bankruptcy before hiring Michael Hively as general manager and chief financial officer. Before Hively, Bland had hired and fired several executives. Some knew accounting but didn't know farming. Others knew produce but not finances. Hively knew both.

Coming from a competing firm where he had tried to hire Bland's best salesman, Hively says, "Delbert was good at sales—the ultimate optimist—but he was not always realistic on the financial situation."

Hiring Hively allowed Bland to do what he does best—sell onions. Once Hively was given control over hiring and firing, the company started to turn around again.

2. Get back to basics. Bland Farms began selling and closing the unprofitable sidelines to concentrate on its core business. Bland explains, "If you dance with two or three, you'll go home by yourself."

3. Admit the problem. Like an alcoholic confronting addiction, Bland admitted he had a problem. "No matter what size your farm, if it is not going the way you want, don't be too proud to ask for help," he says.



(From left) Michael Hively, Diedrich Von Soosten and Delbert Bland review financial records from Bland Farms prior to making an appearance in bankruptcy court.

4. Get professional advice. Bland also made a significant move when he brought in an outside consultant, Aurora Management Partners, which specializes in turning around troubled companies.

5. Be willing to listen. When Aurora's Diedrich Von Soosten arrived in 2002, he found Bland and Hively ready to listen and to act on his suggested changes.

6. Use time wisely. Bankruptcy buys time. It allowed Von Soosten to observe the 2002 season and determine changes for 2003. "We identified what was broken and how it could be quickly fixed," says the consultant.

7. Track daily cash flow. Von Soosten first suggested a daily cash-management budget. "I never realized you could run your business today based on what you brought in yesterday," says Bland.

Hively continues, "Daily cash flow tracked our receivables, inventories, collections and disbursements. It told us if we were short or had excess cash."

8. Follow budgets. Hively and Von Soosten identified cost centers and developed weekly, monthly and annual

budgets for each phase of the business. "Using the budgets made all of the difference in having no surprises at the end of the season," says Bland.

The budgets led Hively to cut and add employees as needed. The numbers showed that years with the best yields were not the most profitable and that price did not ultimately determine profit.

9. Make farming changes. The farm shed less profitable crops, began rotating onions to new land, and now only grows onions and tobacco.

"We now rent out our land, our tractors and the people who drive the

tractors," says Bland. "Michael implemented this, and it paid off for us."

10. Focus on profit drivers. Price, acreage and yield drive profits on most crop farms. Von Soosten identified percent packout as the key profit driver on Bland Farms. "We didn't measure percent packout before," says Bland. "We sold onions, and if anything was left over we made money. We learned that if you harvest 50 pounds and only get paid for 25 pounds, it is hard to make ends meet."

Anticipating higher prices, the farm had placed onions in storage. But packout (the percentage of onions shipped and sold compared to the number harvested) on stored onions never measures up to fresh shipments.

The strategy now is to keep shipping fresh onions, whether prices are going up or down. As a result, packout improved to 80% in 2004.

"When you take that back to dollars and cents, it is a huge amount," says Von Soosten. "If the 49 to 50% packout had continued, this farm would no longer be in operation."

11. Look ahead. The farm returned to profitability in 2003. For 2005, Bland anticipates sales of \$26 million and emerging from bankruptcy reorganization as a leader in the industry.

12. Keep the faith. "You'd think I was a fool for keeping on with this farm if you saw what trouble we were in," says Bland. "I have a lot of faith, and there's no question God had a plan for us." **PF**

hurt by bankruptcy

Bankruptcy may be working out for the better in the case of Bland Farms, but there are almost always losers in bankruptcy court.

Secured creditors can get back some of what they are owed, while unsecured creditors may receive little or nothing.

Bankruptcy is like a snowball, gaining momentum as it rolls and strikes those who do business with the failed firm. When a court writes off debt, people and firms are not paid what they are owed, even as their own lenders demand and expect prompt payment.

Those hurt by bankruptcy typically include employees of the bankrupt firm, as well as its customers, suppliers, lenders and stockholders.