

## Dean Nelson Remembers

Julie and I left Texas A&M in the fall of 1982. I had been working on my Master's Degree in Agribusiness since January of 1981. I had finished all my coursework and research and only had the half-finished thesis to complete to receive my degree. However, we had Angela in November of 1981. Julie and I decided that we were not going to put her in day care so Julie could continue her job at the Texas Agriculture Experiment Station in College Station. This meant that we would have to live off my grant from the Texas Rice Producers and my small salary as a graduate research assistant with the College of Agriculture. I did work part time at Producer's Coop in Bryan, so this also helped with the bills.

We soon found that we could not survive on this cash flow, so I left school before graduating so that my family could eat. I was supposed to finish the thesis at night and on weekends, but the job I found, working at least 60 hours a week pretty much took that goal away.

I was employed at Cox-Nelson Seed Company in Katy, Texas. The agreement that I had with Mr. Cox was that I would work for him for one year and then he would sell his half of the business to me and stay on as a consultant. The other half owner was my dad. I was putting in about 60 hours a week in the off season and much more during the fall harvest season and spring bagging season.

To my surprise after 11 months on the job, Mr. Cox called me into his office and fired me. He told me that he could not afford to pay me anymore. It was a little humbling that an illegal, semi-literate Hispanic man took my place as plant manager.

I walked the half mile to dad's office and told him that I just got fired. I told Dad not to negotiate with Mr. Cox to buy out the other half of the business that he did not own. I wanted to go into rice farming.

Dad and I talked for about three hours about my prospects of farming. The final conclusions were: I did not have any land, I did not have any equipment, and I did not have any money. Dad said that I could farm somehow, but that my family would live in poverty for many, many years.

So on to plan B.

About five months earlier, a friend of Dad's, named Forest Garlough came to me at Cox-Nelson and asked me to take over his business. He had a custom blending fertilizer business that was located in downtown Houston. He also sold turf chemicals, turf paint, etc. He told me that his annual sales were about \$700,000 a year. I told him that I had promised Mr. Cox that I would buy out his business, and that I was not interested in doing anything else.

Mr. Garlough then closed his business.

After my talk with Dad on the day I got fired, Mr. Garlough's business looked appealing.

I called Mr. Garlough. He took me to see his closed business. The manufacturing plant was amazing. The whole thing was one big pile of junk. There was no way that I was going to try to reopen that plant. However, he had already found an abandoned agriculture fertilizer building in Waller, Texas. Teddy

Schild owned it and had closed it a year before. It had a couple of truckloads of abandoned fertilizer in the bins. The blending equipment and electrical equipment was all rusted and total junk. The roof had holes in it. One picture in my mind was the old weight mechanism had fallen down and crashed into the office.

Teddy agreed to let me buy it for \$34,000. I could pay half immediately and half in one year.

So, I decided to open a fertilizer company that custom blended products and sold them into the horticultural industry. How did I decide this? Prayer. God told me to start the business.

That afternoon, I walked into our house and told Julie "Well, we're going to start a business". She asked "what kind?" and I said "a fertilizer business". She said "OK". She was six months pregnant at that time with Hunter and already had one-and-a-half-year-old Angela to tend to.

The next challenge was to find some money to build the plant and open the business. I also needed to find some money to live on since we no longer were employed by Cox-Nelson.

I went to Katy National Bank and talked to Chuck. I explained what had happened to me over the past week and that I needed \$10,000 to live on until I could get my business started. I filled out the application and went back a couple of days later and got the line of credit. I had no collateral, but Chuck had known me all through Katy High School and through college. I called this a "character loan". I don't know if Dad had anything to do with me getting the loan. But at least we could eat, pay our rent and electricity.

Then I went to my uncle Bob in Houston. He was a brilliant technology person who knew a lot about the newfangled contraption called a personal computer. I borrowed one of the first Apple desktop computers that could actually let me type in a document and then print it out.

I spend a week developing a great business plan for Nelson Plant Food. I still have it. In this plan, I explained my sales and marketing plan, my plan of operations, my cash flow, income projections, etc. Since I had just come from two years of graduate school, I could still use big, impressive words to get my point across.

After polishing off the ideas, I had several copies made and bound them into booklets for bankers.

Then, I went to five banks in Katy, Bellville, Rosenberg and Houston. One in Houston was a bank that I found out made Small Business Association loans. I just walked into the bank and asked to talk to the bank president. He talked to me for about two hours about my plan. I was asking for \$100,000 to build the plant and a \$60,000 line of credit to finance inventory and receivables.

All the bankers would talk to me, take my booklet, and ask me to come back in a week. I thought "man, this is easy". I went back to each banker and answered more questions and was asked to come back later. I came back later and answered more questions. I was asked to come back later.

All the while, the \$10,000 line of credit was being used up.

This went on for about two months.

I was running up against a couple of deadlines. One was the cash burn from the line of credit. I knew that this was only going to last us about four months. The other deadline was the spring season. I knew that if we did not get our fertilizer plant into production before the spring, we would have to put it on hold for a year. I knew from my sales projections and from Mr. Garlough that the spring is when you make the money to carry you through the summer. Then you make a little in the fall and hopefully have enough cash to make it through the winter.

It would take four months to rebuild the fertilizer building and get the machinery ordered and installed. I HAD to start building the plant on November 1. I got fired in the middle of August, so I was working with the banks in September and October.

However, in order to get the fertilizer blending equipment by November 15 or so, I had to put down a deposit by the middle of October.

I was getting nowhere with the banks, but I had to order the equipment with a deposit. I had only about half of the original \$10,000 left to live on.

A decision was needed now. So I made one.

I took the remaining money we had to live on and sent it to the equipment manufacturer as a deposit on a blender. We had nothing left to live on. In the gambling world, this is called "going all in".

I went to one of the bankers in Katy at Houston Ag. Credit and asked him "Why can't I get a loan from anybody?"

He simply said "Because you have no collateral."

I was stunned. I said "what about all the equipment that we are going to buy". He told me that he had to have something else of value to put against the loan. The equipment alone was not enough.

I went to Dad and explained what all I had been doing the past three months. I told him "I guess I am going to have to look for a job because I could not get a loan and we have no money to buy food." He asked me why I could not get a loan and I told him that I had just found out that the reason was because I had no collateral.

Something I forgot to learn during six years of agribusiness courses at Texas A&M.

Dad asked me who I had been talking to, so I told him. He picked up the phone and called Keith Kidwell at the First National Bank of Bellville and told him that he would cosign my line of credit note. He then called Producer's Ag Credit in Rosenberg and told that loan officer that he would cosign my \$100,000 long term note to build the plant. Then he hung up the phone and told me to drive to Bellville the next day and sign the papers, then to drive to Rosenberg and sign those papers.

I was floored. It was that easy. I also could not believe that he had let me go through three months of financial acrobatics before he helped me out.

I asked Dad "why didn't you do that a long time ago?"

His answer was "Cause then you wouldn't have learned anything".

It's hard to argue that point.

Well, now it was time to get serious. I went to Waller and signed the papers with Mr. Schild on the building and found three workers in town that knew carpentry. We tore down half the building and rebuilt it the way we wanted. I finished out a 10 by 10 office that was inside the building right next to the blending equipment.

One interesting thing we did: There were several bulk storage bins that had fertilizer in them. We could not get the fertilizer out. We tried a backhoe, jackhammer, picks and shovels. The problem was that it had all gotten wet and turned into one giant brick. It was about forty feet long by ten feet wide by fifteen feet high. I called Mike Shively, who was a county agent in Houston who was the local expert with dynamite. He came out one day with Dad and Mr. Garlough. We drilled holes down into the fertilizer, put a stick of dynamite and a blasting cap into the hole, covered it with more fertilizer, and pushed the handle. Just like on TV. The explosion broke up the block into 1000 pound blocks, which could then be moved with a front end loader. That was the first fertilizer I ever sold. One truckload of urea for \$1200.

We took all the old fertilizer equipment and electrical equipment and buried it. When the new equipment came in, we installed it right back into the same area.

My office was something to behold. Dad had given me an old crumbling desk to use. I had to put one of those big calendar desk pads on it so I could use it without getting splinters. I brought a lamp from home. I had an extension cord running to the business next to me so that I could use a calculator and the lamp. The phone was a temporary installation. I was so cheap that I did not buy a chair for about four months. I sat on a five gallon bucket and had a pillow. When I did finally buy office furniture, it was all out of the second hand store in Tomball or wherever I could find something cheap. I don't think I ever bought anything new for the first ten years or so. We had no hot water for ten years either.

One thing I had to learn was how to make fertilizer. I had no clue. Even though I had spent a lot of days working for my Dad loading trucks for application on rice fields, I had never even thought of making my own fertilizer. So, back to Mr. Garlough. We were sitting at his table at his house in Rosenberg and he got out a pencil, a calculator and a napkin. In about one minute, he showed me the mathematics needed to make 15-5-10. Then he showed me how to make 13-13-13. He also showed me how to figure out the cost of ingredients and how to calculate the desired sales price for each bag.

I remember one day in December while sitting in my office dump, I realized that I needed to get out and sell some fertilizer. We would be opening the plant in about six weeks, but people would be ordering before that. Forest gave me his old list of customers, so I started calling them on the phone and making appointments. I would go see these people, carry my calculator and pencil and notepad, and quote prices.

Julie and I also spent many hours addressing envelopes to the whole Texas Turfgrass Association. We would type up letters, make copies, and mail them out. The first letter just introduced ourselves, said that we can make any fertilizer they might need at a fair price. We asked them to give us a call.

After about six weeks of actually trying to sell fertilizer, the first month of production, February 1984, we sold \$90,000 of product. I knew then that the Hand of God was in this enterprise.

It is amazing to think back to how much I did NOT know. I did not know what a bill of lading was. A customer wanted me to send a "bill of lading" along with the delivery. I had to ask him what that was.

When we started the building process, I did not know how to make fertilizer.

I did not know any customers.

I did not know what slow release nitrogen was.

I did not know how to set up a set of accounting books (we did not have computers back then).

I had never seen a commercial nursery operation and did not know anything about preplant or topdress fertilizer.

I remember the first time I went to a golf course. I was astounded that they mowed the greens and tees every day. They even mowed the fairways more often than once a week.

In 1986, one day the Dow Elanco representative came by to see our operation. We were one of the very few people in this part of the country that impregnated chemicals onto our fertilizer. Our normal spray system for putting chemicals on fertilizer was broken, so we had to change our method of getting the fertilizer coated with Surlfan. The representative was very chagrined to see that we were simply pouring the chemical on top of the fertilizer out of a five-gallon bucket and then running everything through the mixer. It worked. In fact, we always passed the concentration tests, so it was mixing very well. All you had to do was to look at it and see that all of it was the same color of orange, so it had to be mixed well. I got a call a week or two later and lost the contract for that segment of our business.

For the first few years, we just sold to everyone who called. A feed store in Marble Falls called and needed fifty tons of fertilizer for a golf course. I had no clue who this guy was, but we sent the product to him the next week. He mailed us a check.

Those first two years were wonderful. We had three employees and myself. I did all the blending, selling, and delivering. Our total company expenses were about \$15,000 a month. We only had to sell about \$50,000 a month to break even.

The delivery truck was a used one-ton flatbed that pulled a gooseneck trailer. The trailer was borrowed from my uncle David. I took it and put heavier axles and tires on it so we could haul seven tons at a time. I made all the deliveries when we did not use an outside trucking company.

I remember telling one of my friends that "business is good". We are making a profit of \$10,000 a month all during the year except December and January".

Then, in April of 1986 something happened. I faithfully had been tracking every penny that we spent each month and had a really good handle on how much fertilizer we would sell each month. The second week of April I knew that something bad was about to happen. I was looking over my sales forecast and the numbers were not adding up. Our sales dropped to nothing in about two weeks when this should have been one of our busiest weeks. Somehow, I knew that Nelson Plant Food was in serious trouble.

I fired our part time office help, cancelled all my advertising, cancelled any plant repairs, cancelled my long-distance phone access. In short, I cancelled every single source of spending money that I could find.

Over the next couple of months, it became clear that the Texas economy was in a severe downturn. The price of oil had collapsed as well as the Texas real estate market. My customers were going out of business right and left. Somehow, I only had two customers who owed me money that went bankrupt. Many were very, very slow in paying me for the fertilizer that they had bought.

The next five years would be hell for Julie and me. My two bankers turned into enemies. The guy that loaned us money to build the plant recalled the note. The bank that gave us the operating line of credit would not budge on increasing the line. We had to resort to selling a lot of product for cash just so we could keep our labor and pay our light bill. One of those Decembers, we were down to one employee and me. I told Julie that I wanted to have a company baseball tournament.

The meter reader came by once a month to cut off our electricity because we did not pay our bill. Sometimes...not very often...we had the money to pay him. Most of the time we talked him into coming back in a couple of days or taking our check and not turning it in for a couple of days. We usually had him a bunch of cookies or a cake to take with him to show our appreciation. He always helped and we will always be appreciative of that fact.

I had to find several suppliers for each ingredient so that when one supplier refused to send more raw material because we had not paid for the last load, I could call up the next supplier. Then, when we had some money to pay the oldest invoice, we would send money so he would sell us product and we would let the second one wait on his money.

I tried to keep several credit cards in my wallet because every time I bought gas, I had to find one that would not be declined. It was humiliating to stand in line at a gas station with people all around you and have the attendant say "I'm sorry, but that card has been declined". Happened a lot.

One of the memories that still gets to me happened like this:

It was in March of 1987 (I think).

I had been telling our operating note loan officer at the bank that I would be running out of money in the next couple of weeks and that I needed to increase my line of credit. I had good receivables and a

good inventory to more than cover the additional amount of money I was asking for. The loan officer, over about a month, kept putting me off with excuses.

So, one morning Julie, the kids and I were all up at our house getting the kids ready for school. Julie came into the bedroom and asked me if I had any money. I pretended not to know (I knew I was broke) and made a big deal of finding my wallet and looking into it. "No" I told her, "I don't have any money".

Then she said this: "Well, we have a problem. You don't have any money and I don't have any money. We don't have any food in this house for the kids to eat at lunch for school. We don't have any money for them to buy lunch either".

I went to our neighbors next door and knocked on their sliding glass door. "Can I borrow some peanut butter and bread?". I asked. I got the peanut butter and bread and took it to Julie for sandwiches. We could survive another day.

Then I went to work until ten o'clock and then drove back to the bank when it opened. I marched right into that loan officer's office and practically yelled at him. I told him that it was time give me the money. I told him what had happened that morning. Here was a 28-year-old boy who had been in business for three years yelling at a senior loan officer.

I stomped out of the office and went back to the fertilizer plant to make fertilizer. He called me that afternoon and told me that he had \$30,000 of additional money to put in my checking account.

That \$30,000 allowed me to survive one more month. That one month turned into another month and then another month. It was not until about 1991 that we could go home at night and not wonder if we would be open the next day. It was that tough.

In all those years, though, we never did pay our employees late. Many times, we would write checks on Fridays with absolutely no money in the bank, but by Monday somehow, we always got in enough to at least cover those payroll checks. Prayer had to be the reason.

During one of those tough years, at the end of the year, I asked Julie how much my salary was that year. From the very first and to this day, I have never had a salary at Nelson Plant Food. It just seems stupid to pay myself a salary when we can leave the money in the company to help it grow. Julie just took out enough to pay our living expenses. In the good years, we take a little extra out for our "retirement" (emergency) fund.

Anyway, at the end of that year I asked her what my "salary" was that year. She told me "about \$10,000". I asked her how much Jesse had made that year. Jesse was an old Hispanic man who had been with me from the start. He could not speak English and had a drinking problem. I once had to go get him out of jail for driving while intoxicated. He did not have a car and did not know how to drive. I asked the officer how he was arrested for driving while intoxicated when he did not own a car. I was told that he was drunk and was arrested while on his bicycle.

Jesse made \$12,000 that year...20% more than me. You get what you pay for.

The years between 1990 and 1995 turned out to be pretty good. We were able, somehow, to climb out of our financial hole, continue to build our customer base, and get the company ready for the next financial storm.