FINANCIAL TRIAGE: How to Handle a Crisis

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When the Bad News Arrives!
Like any Crisis – Don’t Panic!
Manage your emotions first

• There is always a way around a crisis. If you panic, the path may not be clear.
• Running away, hiding or simply ignoring the problem are all signs of not getting control of your emotions.
• Don’t blame the milk price, feed cost, or the bank. Not everyone else is in your situation, why?
Form Your Crisis Management Team
Identify The Cause Of The Problem

• What are the controllable causes of your particular crisis?
• Do you have too much debt? Operational inefficiencies? Too much overhead?
• Are family and business partners getting in the way of the success of your business?
• What would you have done differently to not be in your situation if you could go back?
Eliminate Your Losers

• What made you successful? Too many times we have seen dairy farmers not willing to give up losing assets. If the home ranch is profitable but the new ranch is causing a drain on resources, then why do you still feel the need to keep it?

• Do you have adequate financial records to determine the profitability of each of your enterprises?
What about your unproductive assets?
Who is on your team and can they be trusted!

• All of your current team members may have not always worked in your best interest.
• Look at and evaluate each of your team members. If they cannot bring the necessary skills to solve your crisis you must replace them. Remember, in a crisis it is not about relationships it is rather about your overall survival.
• Adding new members creates new ideas and new answers to your crisis management plan.
Formulate your plan

• I cannot stress enough the need to involve your whole team in your planning process. Your farm consultants, accountant and risk management professionals all play a vital role.

• Make sure that everyone on your team has common goals and the experience to guide you properly to accomplish all of your goals.
You must be the team leader!
The dairy industry is always in a constant state of change. Unless you embrace change in your operation, you will not survive the industry.

Next year the milk and feed prices will change. What are you doing to manage these changes?

Are you having regular management meetings to address your operation? Are you always looking for a better way to do things?

What are you doing to take risk off the table?
After a long night in Las Vegas

HOW I THINK I LOOK LIKE
WHEN I YAWN AND DON'T COVER MY MOUTH

HOW I ACTUALLY LOOK LIKE
John DyeBroke Assets

• Cash, $1.0M parents savings
• Farm equipment
• Pistachios, 120 acres, net $500K, FMV 12M, no debt
• Open land, 1,200 acres field crops
• Family partnership, home dairy, 4,000 hd, 800 acres, no real estate debt, 70% LTV on herd
• Family corporation, kids dairy, 2,500 hd, 100% debt load.
• Vacation home, FMV $2.0M, $10K
What does John and the family do now?

• John’s bank calls the kids loan.
• John as guarantor of debt is pulled into the problem loan department.
• There is not enough liquidity to pay off bank.
• Bank demands a $10M loan paydown.
• Kids are upside down by $5.0M in a complete liquidation.
Summary

• Identify the cause of your problem.
• Make sure that everyone on the team is working towards your unique circumstances and goals.
• Look at all options not just the obvious ones. Think outside the box.
• Your neighbors plan might be great for him but won’t work in your circumstances.
Failing to Plan for a Crisis is nothing more than planning to fail.

• Thank you for allowing us to share a little part of the crisis management process with you.
• We will be available to answer any questions that you might have.

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