

Getting Positioned for the Future

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Management Implications of Competitive Markets

The function of a competitive market is to drive the economic return to the average producer to breakeven through supply and demand responses in both input and output markets. In equilibrium the top end are profitable and growing, the average are hanging in there, and the bottom end are losing money and exiting the industry.

Best Management Practices

- Strategic Management is about anticipating, adapting to, driving and capitalizing on change.
- Gretsky quote

I recognized that I wasn't bigger, stronger or faster than most of the people I played against. I believe that the biggest reason for my success was that most players were always going where the puck was, and I always tried to go where it was going to be.

Best Management Practices (continued)

Twelve things that 95 percent of agricultural producers don't do.

1. Coordinated revenue: cost management
2. What if scenarios and sensitivity analysis
3. Monitoring and analysis
4. Benchmarking
5. The 80:20 rule
6. Autopsies

Best Management Practices (continued)

7. The 5 percent rule
8. Analyzing what to stop doing
9. Getting the right people on the bus. . .
10. The E Myth principle
11. Peer advisory groups
12. Strategic alliances, pooling and alternative business models

Peer Advisory Groups

- Purpose and objective
- Structure and composition
- Guidelines and requirements for success

Peer Advisory Groups (continued)

Advantages of peer advisory groups

- Multiple vantage points and different perspectives
- Sounding board for plans and ideas
- Honest and constructive feedback
- Identifying alternatives and exploring what if scenarios
- Increased insight and objectivity
- Reducing or overcoming implementation issues
- Benchmarking

Peer Advisory Groups (continued)

Advantages of peer advisory groups (Cont.)

- Seeing the bigger picture
- Expanded information access
- Drawing on different strengths and experiences and compensating for weaknesses
- Needs based training
- Accountability
- Overcoming isolation
- Encouragement, support and understanding
- Pushing out of comfort zones

Alternative Farm Business Models

- Capturing economies of scale, reducing costs, improving asset utilization and accessing greater technical expertise
- United Food Service Purchasing Co-op (UFPC) and Restaurant Services Incorporated (RSI)

Alternative Farm Business Models (continued)

Management Companies, Service Bureaus and Pooling Arrangements

- Services, purchasing, marketing
- Older and younger farms
- Examples
 - CFO and accounting services
 - Risk management
 - Input purchasing and contracting
 - Exporting and importing
 - Product and services advertising, marketing and sales (including contracting)
 - Veterinary, nutritionist, and agronomic services
 - Processing plants
 - Fertilizer, fuel, grain storage and handling
 - Feed mills
 - Cold storage
 - Repair shops
 - Trucking
 - Leasing Company
 - Biofuels processing
 - Self insurance pools
 - Machinery and equipment
 - Genetics