

Managing Your Farm Business in Turbulent Times: Ten Key Principles

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10 Key Principles

1. Create value for your customer
2. Focus on a strategy
3. Increase asset utilization (asset turnover)
4. Increase margins
5. Grow volume/sales
6. Manage money/capital
7. Use time efficiently
8. Manage operating risk
9. Get smart
10. Think like a CEO

Create Value for Your Customer

- Understand your customer and his/her benefits
- Differentiate on service (quality, storage, JIT delivery)
- Value-enhanced products(?)

Focus on a Strategy

- Operational excellence
- Customer intimacy
- Product/process innovation

Increase Asset Utilization (asset turnover)

- Lease rather than buy
- Joint venture/share machinery
- Outsource/custom farm
- 24 hour/day operations (use autosteer)

Increase Margins

- Cost control
- Buy right
- Best management practices/technology
- Timeliness
- Market rather than price

Grow Volume/Sales

- Increase productivity
- More volume with less investment
- Joint venture for size/volume to get market access

Manage Money/Capital

- Leasing vs buying
- Use debt (cheaper than equity)

Use Time Efficiently

- Focus on management
- Hire skilled employees
- Use scheduling/work-flow planners
- Develop SOPs (standard operating procedures)

Manage Operating Risk

- Higher cash costs and land rents
- Increased margin compression and margin risk
- Price products and inputs at same time
- Contract and forward price
- Less operating risk → more debt → higher ROE

Get Smart

- Use consultants
- Network with successful farm and non-farm business managers
- Develop management skills

Think like a CEO

- People
- Money
- Relationships
- Strategy