



## Managing Your Farm Business in Turbulent Times: Ten Key Principles

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### Create Value for Your Customer

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



## Focus on a Strategy

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- Operational excellence
- Customer intimacy
- Product/process innovation



## Key Strategic Decisions

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- Business Enterprise focus
- Strategic Direction
- Marketing and Channel Linkages
- Financial
- Organizational Structure
- Social Responsibility
- Managerial Style/Lifestyle



## Positioning Options

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- Example of Possible Positions in an Agricultural Production Firm
  - Low-cost, bulk commodity producer
  - Customer-oriented specialty products producer
  - Full-service, consumer-focused custom farming operation
  - Efficient, partnership-focused contract animal feeder
  - Technology-focused, cutting-edge animal breeder



## Increase Asset Utilization (asset turnover)

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



## Increase Margins

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



## Grow Volume/Sales

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



## Manage Money/Capital

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



## Use Time Efficiently

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



## Manage Operating Risk

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- 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

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



## Think like a CEO

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- People
- Money
- Relationships
- Strategy



## Adopt a New Management Model

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- Traditional
  - Walk around hands on management
  - Hierarchical command and control structure
  - Incenting behavior not critical
  - Operations oriented
  
  - Do it all
  - Little/no compensation
  - Internal expertise
  - Can add activities without giving up
  - Closed information system
  
  - No need for replication
  - Family personal dynamics dominate
  - Interpersonal skills not critical
- New
  - More remote, "in the office" management
  - Team structure
  
  - Right incentives critical
  - CEO mentality – people, money, relationship, strategy
  - Leadership and delegation
  - Well compensated
  - Out-source/hire capacity
  - Trade off's – can't add without giving up
  - Open access information to get right messages and incentives
  - Must scale or replicate
  - Business relationships combined with family dynamics
  - Interpersonal skills are critical

## Management Practices of the Modern Farm Business

- Adapt quickly to new technologies
- Adapt technologies to standardized system
- Develop standard operating procedures
- Utilize alliances
- Create solutions with supply chain partners
- Capture economies of size
- Replicate successful technology/management/scale structure

## Management Practices of the Modern Farm Business

- Effectively utilize debt and equity
- Utilize automation and information technology to improve precision and control processes
- Focus on product quality and consistency of processes
- Emphasize buyer expectations in choices of products and processes
- Develop closed loop systems to efficiently utilize all resources



## The New Agriculture

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- ▶ **What we will do** – biological manufacturing of specific attribute raw materials for nutritional, pharmaceutical and industrial products end-uses
- ▶ **How we will do it** – integrated value chains that enable genetics to plate traceability
- ▶ **How we will compete**
  - Quality (better)
  - Speed to market (faster)
  - Cost (cheaper)