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## From the Field to the Future: Insights for Farm Managers and the Next Generation

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Maintaining the tradition of the final newsletter of the year, hot topics and questions from engaged audiences will once again be the theme. Responses to inquiries are designed to challenge and encourage critical thinking about the agriculture industry's current and future direction.

### Cyclical Versus Structural Change

A major question arising from these difficult times, particularly in the grain, row crop, and specialty crop sectors, is whether this is a cyclical or a structural change. Parallels are being drawn to the structural changes seen in the manufacturing and automobile industries during the 1970s and 1980s. While cyclical elements tied to weather and COVID have played a role, the bottom line is that these segments are in a reset. Global competitiveness is being driven by a coordinated strategic effort among the BRICS nations (Brazil, Russia, India, China, and South Africa), supported by China's Belt and Road Initiative, which has deployed approximately \$1.8 trillion in capital globally since 2013. This investment in infrastructure is lowering break-even costs across competing regions. The impact is visible in cotton, soybeans, rice, corn, and other specialty crops, where producers are facing price declines alongside elevated input costs. The result is consolidation and a growing dependence on technology and innovation. Adverse weather in global production regions, or what some call "Black Swans," can quickly change profit fortunes in this industry.

### Is Diversification the Answer?

The sweet spot in the agricultural industry is having three to six sources of revenue, both farm and non-farm, with some operations leaning on value-added businesses within this model. This often builds resiliency by "not putting all the eggs in one basket" and also builds nimbleness and agility. However, this is not for everyone. The key is not to chase the "next



big thing” or “get rich quick schemes”. One must determine if the resources, including land, labor, capital, management, and market access, are aligned.

An overlooked factor is the “why,” meaning the passion to be involved in this complex industry that diversification and value-added businesses demand. Loss of focus on core revenue streams is a real danger. Producers must create enterprise budgets and conduct both short and long-term cost-benefit analyses.

### **Three-Dimensional Management**

Over the years, many of you have attended seminars, webcasts, and podcasts. Following these writings, you have observed discussions of the management mindset. Physical labor, while important, is being replaced by intellectual capacity as the priority.

The management mindset of the future will be three-dimensional. First, one must have a high business IQ, following a structured process of financial, marketing, and operational management. The second dimension centers around EQ or emotional intelligence. Independence is being replaced by interdependence, human relations, and people skills. Whether working with suppliers, customers, stakeholders, or the community in general, this skill set will be important for success.

The newest element to the trio will be AQ, the ability to assess, adapt, and embrace accountability. Discipline is the management characteristic that often leads to motivation and leadership within a business culture.

### **Good Bridges Have Solid Foundations with Guardrails**

Navigating economic cycles, both negative and positive, requires a solid bridge to the other side. Analogous to a physical bridge, the footers and the beams are the elements that manage the weight load. Drawing strong parallels to agriculture, the foundation is the basics of financial, business and marketing management. The rebar in the concrete represents the strength needed to follow through, execute, and monitor the plan.

On the other hand, the guardrails are the shock absorbers and financial sensitivity tests built into a good set of spreadsheets. Resilience can be developed through objective rather than emotional decision-making when production, price, cost, and debt service assumptions are stress tested. However, the principle of balancing simplicity and complexity must be adhered to so managers do not become overwhelmed by the numbers. Often, your breakeven net profit or 125 percent coverage ratio can be good markers along the bridge.



The reinforcement of the guardrails on the bridge is your working capital or cash reserves. If the assumptions are impacted by an unexpected event or a Black Swan, a windfall, or a non-recurring revenue, such as government payments or a periodic strong economic cycle, it can be tempting to rely on those reserves and the bridge itself. The caution here is to tap the brakes and ensure it does not become a bridge to nowhere.

### **Are Government Payments to Agriculture a Sunrise or a Sunset?**

As federal budget deficits increase, pressure to fund the national debt will place direct and emergency payments under increased scrutiny. Crop and livestock insurance remains a must in a volatile, weather-driven, domestic and global marketplace, but both programs may be challenged by the growing influence of urban representatives.

The sunrise scenario is the support that could come from regenerative agriculture, local processing, and possible alternative uses of grain and row crops for both food and fiber.

### **Gold and Silver: What is Going On?**

The recent boom and correction are very similar to the period five decades ago. Interestingly, cattle prices were also high during that period. As the dollar devalues, investors in foreign countries such as China and Japan are moving into hard metals, including gold, silver, and copper. These metals are also being consumed by the growing AI and technology industries, which is causing elevated prices. However, there's an old saying: if it grows too fast, it's a weed. That caution may be very applicable to these sectors today.

### **Advice to Young People**

As the use of AI increases, interpersonal skills will become the defining advantage of the next generation. The four skills worth developing intentionally are:

- Listening actively and with purpose
- Nonverbal communication and self-awareness
- Speaking clearly and confidently
- Interfacing one-on-one with people from all walks of life

Study the history and cultures of the world to gain a deeper appreciation and understanding of how countries and people moved forward and draw from these lessons as you pursue your own goals.

Success is not a score on a standardized exam. 4-H, FFA, MANRRS, and other leadership programs are instrumental in developing skill sets for the future and providing purpose in life.



I encourage all the readers of this newsletter to support organizations such as these with your money, time, and talents.

### **Farm Management Programs**

I want to give a shout out to all the farm management instructors and their programs, and also to the leaders, agribusiness producers, government officials, and academic professionals who support these programs. These programs provide a framework for the business and financial mindset that will be critical in placing the odds of success in your favor. Working side by side with your instructors and mentors is invaluable in an increasingly chaotic world.

### **Take Care of Yourself**

I will close with eight habits for a more successful and fulfilling life:

- Move your body regularly and fuel it with real, whole foods
- Stay hydrated and drink plenty of water throughout the day
- Allow yourself an occasional power nap without guilt
- Build and invest in a strong support network
- Help others maintain their sense of purpose, just as you protect your own
- Shut off your technology regularly, pick up something to read, and activate your mind
- Maintain balance in your spiritual life
- Enjoy your work in agriculture, but take equally good care of yourself

As the clock moves forward and the days grow longer in the spring of life, the agriculture industry will continue to offer tremendous purpose and reward. **Embrace it fully, and take care of the person doing the work.**

