7 Real-World Tips for Becoming a Better Manager

Ag economist says strive to "get a little smarter" every day.

by Kindra Gordon, field editor

Ag economist Brent Gloy has a quote he likes to share with ag producers — and even his three children. It's advice from Charlie Munger, who is Warren Buffett's business partner in his role as vice-chairman of Berkshire Hathaway.

Munger advises, "I constantly see people rise in life who are not the smartest — sometimes not even the most diligent. But they are learning machines; they go to bed every night a little wiser than when they got up. And, boy, does that habit help, particularly when you have a long run ahead of you."

Gloy, who formerly held tenured faculty positions in agricultural economics at Purdue University and Cornell University and today speaks and writes on ag economic issues with colleague David Widmer via their company Agricultural Economic Insights, says the take-home from Munger's quote is this: "Get a little smarter every day."

To achieve that, he offers these seven real-world strategies to apply to your farm or ranch:

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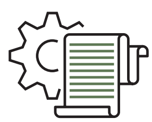


1. Develop and implement a marketing plan. This advice Gloy admits is easier said than done. From his own experience as a farmer in southwest Nebraska, he shares, "I can write a marketing plan with the best of them, but I — and other producers — are often terrible at implementing them because we let emotion and psychology affect us."

He advises, "Keep the big picture in mind and remove the psychology."

He encourages reviewing the seasonality of [grain and livestock] prices, as well as cash flow needs in building your marketing plan. Specifically, he suggests producers note the highs and lows — and market accordingly.

Gloy notes emotions frequently persuade producers into marketing at the same time every year, which typically coincides with harvest or weaning and may not capture optimal prices.

To this Gloy suggests, "Be balanced. Sell some at different times through the year. You don't have to sell it all at once … Pick some reasonable targets and get some sold."

From his own experiences with a huge hailstorm that destroyed much of his corn crop in August, Gloy also suggests finding ways to use the board more as opposed to cash sales.

To aid in developing your marketing plan targets, Gloy suggests considering the following questions:

- What are reasonable price levels to expect?
- What will you do if prices hit these levels?
- What will you do if they don't?

2. Keep a management and marketing journal and review it. "Take time at the end of the year, or every month, and write down what happened," Gloy suggests. He continues, "Build yourself a diary. You can give it to your kids someday. The point is if you look back at the market and can tell yourself what you should have done — like sold more grain in March, April or May — if you write it down, eventually you may do it. Writing it down is very useful to remind yourself."

Gloy suggests your review might include evaluating: What tools did I use? What went well? What went poorly? What would I have done differently?

3. Get a measure of your working capital. Gloy says, "We can lull ourselves into thinking all is well with tax base numbers. Don't do that." Rather he advises tracking your working capital over time. Potential measures include total dollars, working capital as a share of gross revenue, dollars per head, dollars per acre, or current ratio of assets to liabilities.

"Work with your lender to see the trend and better understand what's going on with your business," Gloy says.

To rebuild working capital, Gloy suggests focusing on three things: making a profit, controlling family living expenses and leaving capital in the business — "Don't spend it on land and iron [i.e. equipment]," says Gloy. He continues, "When there's a need to rebuild working capital, you've got to balance growth. Have a plan. Just because a deal comes up, is it the best use of your capital? Is it in the plan? Go about it strategically."

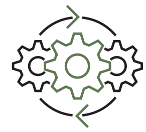
4. Develop an investment/capital expenditure (Capex) plan. Gloy cautions against having too much equipment, and says, "Understand what it costs to run it efficiently."

He advises carefully evaluating equipment costs and establishing a schedule of equipment needs and other upgrades in the years ahead. "If you don't budget for machinery, you are asking for trouble," Gloy adds.

5. Rethink crop or livestock insurance. Gloy advises, "Get away from thinking 'which one of these pays?' — that's the wrong way to think. Instead, look at which one covers me if I have a disaster."

6. Think more critically about uncertainties. Rather than considering a vague question like "Will corn futures get above $4?" get more specific, Gloy says. For example, ask yourself, "What is the probability of December 2020 corn futures price exceeding $4.25 per bushel between today and Dec. 1, 2020?"

Then put a percentage to it similar to a weather forecast. Do you think there's a 30% chance of that probability, or more like an 80% chance? Gloy says, "When you start thinking that way, it can help you be better focused and make better decisions."



7. Focus on building and managing your team. Strive to put a professional management system in place, as well as consider transition questions and take action, Gloy says.

He concludes, "Get a little better every year. Take little actions, especially with multi-generations. If you are on the giving side, you gotta give. And if you are on the receiving side, you can't expect to take the whole thing at once. It's give and take." AJ