



Dollars & Sense

► by Vern Pierce, beef economist, University of Missouri-Columbia

The future is in information management

We have all heard that producers must wear many hats in managing their businesses and the production aspects of their operations. On the other hand, managers of most commercial businesses rely upon the infrastructure of the management team to provide specific expertise in the major areas of business operations, including marketing, research, production and finance. This gives the manager the opportunity to combine the resources of the management team when developing and implementing business plans.

The favorite hat

Our industry has been changing, and those changes require different skills. In essence, you must wear more hats than ever before. You can fight it, or you can make the change.

Making the change is actually easier than you might think, due to changes in the system and in the businesses that have developed to help you process and manage information.

A manager in the past might have gotten by with working long hours and keeping his hands involved in every aspect of the operation. The future, however, is in how you manage information.

There is no lack of knowledge about scientific changes in the areas of production efficiency and animal management that have come our way in the last decade. We have become tabletop experts, conversing about the latest article we read about gene mapping, embryo transfer (ET), ultrasound fetal sexing — the list goes on.

This fits right into our traditional role of trying to get more pounds of meat out of our animals while minimizing our attention to the basics. It fits right into the role in which we are comfortable in production agriculture. It is our favorite hat — the “get your hands dirty running the operation” hat.

One of the new hats that we have to wear is understanding, and then profiting from, the way information will be used in the new supply chain. Data collection has long been part of ranch culture, for one of several purposes.

First, we collect financial data (usually at the end of the year) to pass to the tax accountant. That data usually has very little use for us in making decisions. In fact, according to the old joke, we don't even analyze the tax report to determine how the business is “really” going; rather we analyze it

to determine how we can show the government (using all the available loopholes) that our business is not making any money at all.

Data has also been collected to submit to breed registries or recognition programs. Even the sire data collected on seedstock is used for decision making by others after reviewing the analysis in the breed registries.

The rest of the story

The purpose of data, and really the only purpose for collecting it at all, is to analyze processes on your operation to make decisions regarding the effectiveness of those processes — to prepare a framework to make future decisions in terms of management or marketing.

Note the emphasis on action. If we don't use information for the purpose of making a decision, it has *no* value. Information, or data as we have become accustomed to calling it, has the inherent possibility of increasing the profitability of a farm or ranch business. However, we must think about information as more than something

that goes into a table and eventually ends up in a three-ring binder on a shelf. If you don't use it to make a decision, you don't need it. Also, if you are making decisions without any data, you are a step behind.

There are many reasons for wanting to be in business on a farm or ranch operation. However, the days when someone could produce and market commodity products to consumers, and expect to be compensated enough to stay in business, without careful and strategic use of information will soon be over.

Hitting the bullseye

The statement that comes up most often as we talk about the new supply chain and meeting consumer needs is, “As soon as I aim at a target — the system moves the target.” That may have been true in the past. Remember, in the past, even though we claimed to have targets, we didn't have an information system or supply chain to send signals back to each of the players to let them know if they were hitting the target. The only signals received were when consumers were not happy with the inconsistency of our beef product.

The difference here is very simple; industries cannot hit targets. Only individuals can hit targets. Industries have shotguns and individuals have rifles. Targets in the old system kept changing because we were not working with a supply chain that was customizing each package for a specific target. When you set a system in place to use information for managing your future, you can become part of a supply chain that targets a specific consumer need. Then you will be better positioned to hit the bullseye.

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