



Outside the Box

► by **Tom Field**, director of producer education, National Cattlemen's Beef Association

Staying on target

Chaos, uncertainty, volatility, tumult. Pick any or all of these adjectives to describe the current economic conditions facing business leaders and you won't be wrong. Without question, these are trying, difficult times. It will take discipline, mental toughness and nerves of steel to navigate through these conditions.

Better or worse

Olympic gold medalist skater Scott Hamilton says, "under pressure you can perform 15% better or worse." Hamilton reminds us that tough times often bring out the very best in people, businesses and communities, but that there is a downside in pressure-filled situations.

Isolating the factors that separate 15% improvement as opposed to losing performance is an important process as leaders and managers build strategies for the short and intermediate term. Success depends on our ability to stay focused on the target, sift through the external variables to make appropriate adjustments, and control those internal variables that have the greatest likelihood of success.

Target selection involves making key decisions in the following arenas:

1. What are my long-term business goals? Are the goals to pass the enterprise on to the next generation, grow operations to take advantage of global food demand, minimize risk of equity loss, prepare for retirement, or shift into a different business model? These are decisions that need to be made. While it is difficult to think five to 10 years ahead, shorter-term decisions must be aligned with the long-term vision.

2. Which market(s) are most appropriate? In the short term, it will be all about the economy, and domestic consumers are going to largely behave with more discipline and frugality than they did before the reality of the economic downturn. Globally, consumers may behave somewhat differently, especially as global economic recovery will be led this time by Asian economies. U.S. beef's unique advantage will continue to be eating quality, value and ability to deliver on product specification demands. Domestically, when the economy recovers (and it will), consumers will seek foods that are perceived as superior in quality and value.

Externalities

External variables that affect the beef industry are numerous — governmental regulation, land prices, input and market prices, trade agreements, access to financing; the list goes on. In fact, the externalities, most of which seem far beyond our control, are capturing so much of our time and energy that enterprise decision-making is deadlocked by uncertainty and fear. The following are routes to avoid stalemate:

1. Join and support policy organizations that can effectively advocate minimizing burdensome regulation and governmental intervention into your business. Working in concert with like-minded citizens is the most effective way to deal with the political landscape. These same organizations can represent your views on trade, economic policy and agricultural policy. Affiliation with a strong policy and trade association provides peace of mind.

2. Rising land values stimulated by high grain prices are attracting investors seeking shelter from excessive volatility in other investments. Agricultural production sectors are thus faced with the dilemma of sorting out the sustainability of current land prices as they make expansion or contraction decisions. Producers should carefully study the lessons we learned in the 1980s during the farm crisis. Land price corrections are a very real experience in our past and, thus, careful risk analysis must be applied to determining whether or not to purchase additional land assets at current prices.

3. Current interest rates are attractive, but too much overall debt has never been a winning approach to long-term profitability. Uncertainty about access to and cost of

capital is of significant concern. Developing a risk strategy related to borrowed money is a legitimate and important immediate concern for most enterprises.

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should receive a significant share of the creativity, time and discussion from your management team. Based on the results of the Priorities First study that evaluated how successful cattle producers and their consultants established priorities, the following eight areas are likely to yield the most fruit: herd nutrition, pasture and range management, herd health, enterprise financial management, marketing, operations and production management, genetics,

and human resources. A careful examination of each of these eight categories can provide insight into improving cost controls, fine-tuning productivity, capturing value and managing day-to-day operational risk.

Getting back on track

These are indeed challenging times and yet history tells us that this is not the first, nor the last, era of uncertainty. Mark Twain once wrote, "sometimes I wonder whether the world is being run by smart people who are putting us on, or by imbeciles who really mean it." In either case, individual businesses and enterprises must not lose sight of the target while thoughtfully strategizing for the future and collectively endeavoring to put people back to work.

"We the People" with a focus on the future and a commitment to free enterprise can put the nation back on track.

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