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# Kohl – Allen

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## Presents ...

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by Randy Allen

**D**uring the past winter, the only thing lacking at a few town halls in the Midwest were seat belts installed on the chairs producers were sitting in. Magic reared its head as Dr. David Kohl opened each information-packed "one day agricultural business experience" seminar.

Kohl's popular bar napkin pitch, "we have to live until we die" challenge, and "let's have some fun" refresher, quickly received the producers' attention. After the bank lunch, I filled the afternoon's time with the **Three Steps to Farm Marketing**. The most common producer observa-

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Dave and I had been talking about putting a seminar program together for the past four years. We had met each other coming and going at different conferences, and of course the National ABA Agricultural Conference, for the last eight years. We both felt a high-impact financial seminar would be great if we could tie farm finances directly to the producer's ability to market (where his income is generated). If the producer learned to understand and calculate his personal financial situation, instead of just filling out the forms to appease his lender, the probability for financial growth for his farm business would increase dramatically.

A producer is use to receiving information in "shots." He goes to coop meetings to see how his shares are doing. Seed companies hammer him on variety and maturation. The fertilizer dealer sports an appreciation dinner. The implement manager has new technology for sale. Chemical company seminars demonstrate how to kill weeds and bugs faster and better.



Allen

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### Then comes finance.

The producer knows he needs to do a better job at his cash flow so he might buy a computer and the software to match – but does this educate him? Does the computer teach him how to grow financially? Or he might attend a marketing seminar with some guy or gal spewing their guess-estimate of future commodity prices. However, does he learn farm marketing from the outlook guru's forecasts? Does he combine his present financial situation with a marketing plan for his production.

Added to this recipe was the Farm Bill. The government was yelling, "No subsidies! No help! No money!" while commodity prices gave the producer a false sense of security, "Who needs the government when prices are this good?" **Unfortunately, prices do not indicate or measure prosperity.** The cattle business had been down since 1994, losing \$3.3 billion. Farm debt was (and still is) reeling over \$150 billion. After the fallout, the only thing higher commodity prices did for the producer is raise the level of his landlord's attention, allowing gross farm expenses to rise over \$8 billion last year.

Dr. Kohl's and my observations were the same. Producers were not getting the whole financial story; or worse – very little education. Separately, Dave could give his best financial training meeting, but there was little application because of the *income* issue. Also separately, I could illustrate how the producer could earn more income through better marketing habits, but I didn't fit it into his balance sheet. However, we both knew that our expertise and presentations fit together like a glove and that we had the ability to entertain while parlaying our educational message.

These one-day events drew the farmer's interests. At the beginning of each meeting, Dave would belt out his, "Good morning!" waiting for the farm audience to respond – and the show began. Dave did his farm-oriented Megatrends of Finance gig, showing farmers what to look for and how to look for it. From women in farm finance to Greenspan, Dr. Kohl instructed producers on many matters such

as strategic self assessment, comparisons with other farm operation numbers, and personal farm spending.

Integration was very important. "Don't just learn about it, do it!" And the truth was plainly spoken, "if you don't become a better financial manager, you may not have anything left to manage." Profiles of farm expenses and growth were outlined – where you should be compared to where you personally want to be. And of course, Dr. Kohl's famous warning concerning credit card consumerism and toys had a large impact on the audience.

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After a good corn-fed lunch, it was my turn. Pounding the **Three Steps to Farm Marketing** (available in booklet form through the ABA), I could illustrate how the producer's marketing skills could either diffuse his farm business or enhance it. Kohl and I had been right – we complimented each other. Maybe for the first time, the producer was seeing the bigger picture. He could see that he was playing a very dangerous game by guessing market prices himself or hiring some other guesser to play a marketing contest that he couldn't possibly win. Moreover, by understanding the practice of farm marketing as a financial responsibility to the overall business, it was clearer to the producer that the how-high? how-low? game had no relationship to risk management practices.

### Questions and Answers

As mid-afternoon rolled around, I would reflect on the priorities of the farm business, discipline, and keen execution. "No more marketing contest!" Winding up, I would re-state the purpose of the produc-

er's business, "Your goal should be increasing your net worth, not attempting to get the highest price."

When the question/answer period started, it was a joy to listen to their questions and comments for Dave and me. For the first time, the questions weren't, "How can you sell something you don't have? I've never used futures before, should I? Aren't the big grain companies controlling the price?" Or comments such as, "I knew this one guy who said... What if... I'm too old to change..." In this setting, the questions were articulated well. The farm groups could see the trees in the forest. And they could conclude, "I'm running a business, not a gambling casino."

Application should start with a clear understanding. In the past, financial training (the business of farming) has been isolated from marketing (income). However, it's obvious to most lenders that they go hand in hand. After the 1995/1996 farm commodity price swings, it's also obvious that the outlook specialists were simply wrong. Ergo, farm marketing of the past doesn't work. (Otherwise, there would be no need for this article.)

Farm marketing has been thought of and approached as an *information* exercise (the more information you know, the better marketer you are). Yet, information hasn't assisted higher farm incomes. Is it any wonder? How can China's rice carry-over change a producer's bottom line? Where does Malaysian palm oil information fit on the farmer's soybean break even? How does the farmer's bottom line change knowing some new formation has developed on a cotton chart? And now that the world is entrenched with new technologies such as the internet – most commodity information is absolutely free.

A new approach to farm finance must be circulated to rural agriculture. Finance and farm marketing is an endeavor that must work together. It boils down to Economics 101 – sound business practices lead to greater financial worth. If the producer is trained in this respect, his lifestyle will change along with debt load at the bank. If the lender can train the farmer to be a good money manager, the lender has succeeded, because he has additional sums of money to loan him; which is exactly what the bank is there for in the first place. It may be easier for those of us who are in the financial business to see the producer's plight; however, it's another thing to communicate and teach it. This is where the rubber meets the road. Producers have little time left to become well educated in the area of farm finance before agriculture takes another turn. The wolf isn't at the door quite yet, but with the recently increased cost of farming – much more is at risk. The profit margins have narrowed once more.

After a day-long farm finance seminar and reality check; Kohl, with basketball in hand and driving to the hole, goes one on one with a farmer from the audience. We had won their hearts and the mission was accomplished for the bank. ▲

### For more information

Call 800-553-8018. The next Kohl – Allen presentation is scheduled at the First Security Bank in Charles City, Iowa, on Nov. 13, 1997.