

WHO MOVED MY CHEESE??

POSITIONING YOURSELF FOR SUCCESS

IN THE POST-COVID-19 WORLD

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Macro Clinic Video Blog: www.compeer.com/education

Road Warrior of Agriculture: www.cornandsoybeandigest.com

Ag Globe Trotter: www.northwestfcs.com

Dave's GPS & Dashboard Indicators: www.farmermac.com

Black Swan Progression - Dirty Bird



Dirty Bird or Phase I – Splash

(March 1 to May 1, 2020)

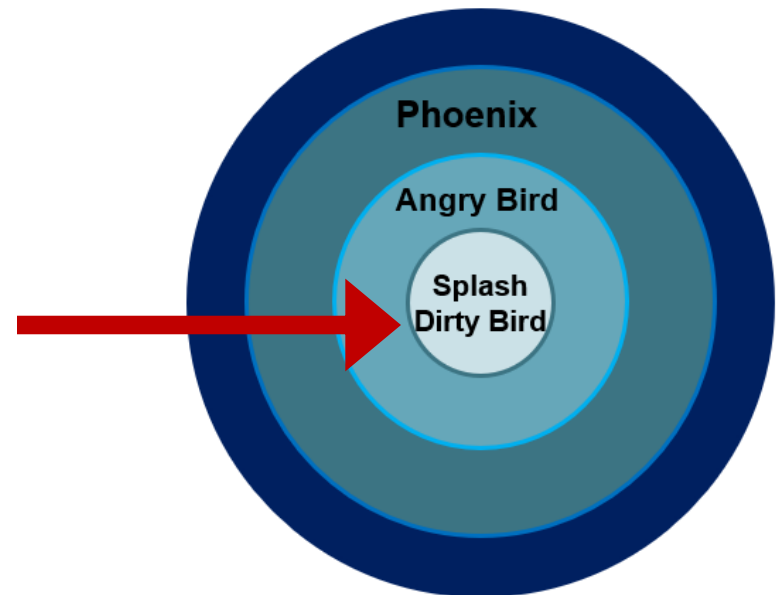
- job losses
- preventative health
- consumer shutdown, back to the basics
- 40% consumer based economy
 - 0-25% of sales
- global economy on life support

Business & Personal:

- shock
- numbness
- anxiety

Needs:

- time to absorb information
- reality check



Black Swan Progression - Angry Bird



Angry Bird or Phase II – Ripple (May 1 to December 31, 2020)

- recovery plan nationally/globally
- realization of job loss
- business failures
- systems of health surveillance
- deglobalization discussions
- trade issues
- volatility based on headlines

Personal/Society/Government:

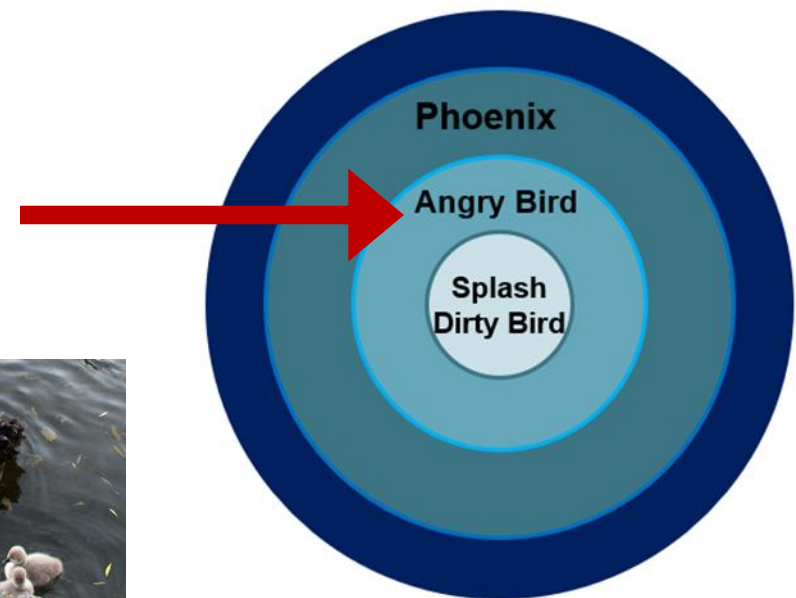
- revenge
- blame
- confusion
- frustration



More baby black swans?

Needs:

- support
- okay to feel a loss
- collaboration
- critical thinking
- unintended consequences



Black Swan Progression - Phoenix “Mythical Bird”



Phoenix or Phase III – Ripple

(January 1, 2021 - 2022 & Beyond)

- commitment to move forward driven by young leadership
- new business models
- question of consolidation:
 - big business vs. small business
- accelerated deglobalization
- AI & privacy balance
- accelerated innovation in health systems
- TSA all the time

Personal:

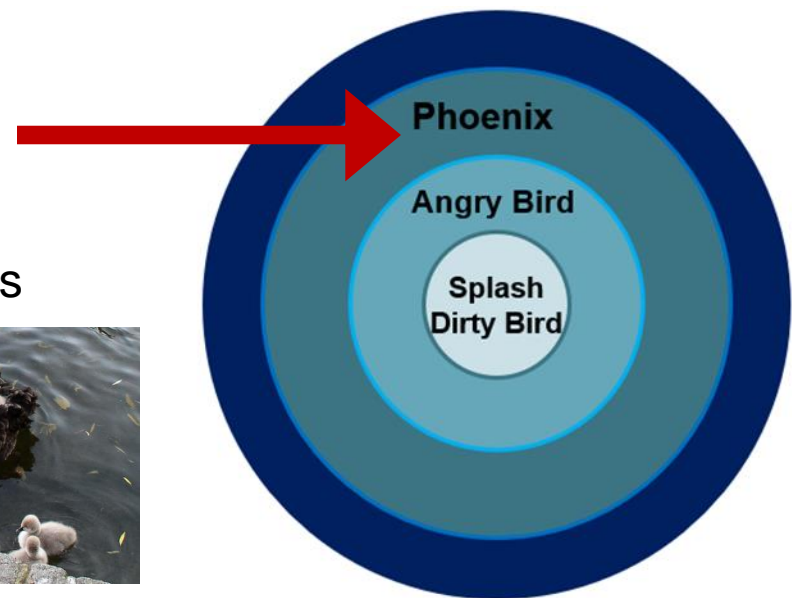
- more energy
- commitment to move forward
- adjustment & focus



More baby black swans?

Needs:

- creative leadership
- innovation
- adaptation
- new models for success



COVID Disruptors

1

- supply & marketing chain disruptors
 - optimization & efficiency
 - diversification & resiliency
- demand destruction in U.S. & globally
 - 70% of rich nations' economies are driven by consumption
 - 40% of demand was from universities, schools, sports, entertainment events, airlines, hotels & restaurants
 - drop to 0-25% of previous demand
 - short run
 - consumption down a total of 14%
 - savings rate in U.S. up to 33%



COVID Disruptors

2

- trade agreement uncertainty
 - Australia & China
 - Europe, Canada, U.S. & China
 - deglobalization/regionalization
 - Northern Europe/Southern Europe
- government monetary/fiscal support
 - non-reoccurring income
 - short run cure for household & businesses
 - comes with a price for longer term
- relationships- virtual
 - webinars & virtual meetings
 - virtual classes
 - work remote



Compare & Contrast 2008-09 to 2020

1

2008-2009 Financial Shock

- asset bubble - paper wealth destruction
- central banks globally - quantitative easing
- V shaped recession
- residential & commercial real estate
- flaws in the banking system
- consumer behaviors, temporary shock
- coastal & sand states oriented

Compare & Contrast

2008-09 to 2020

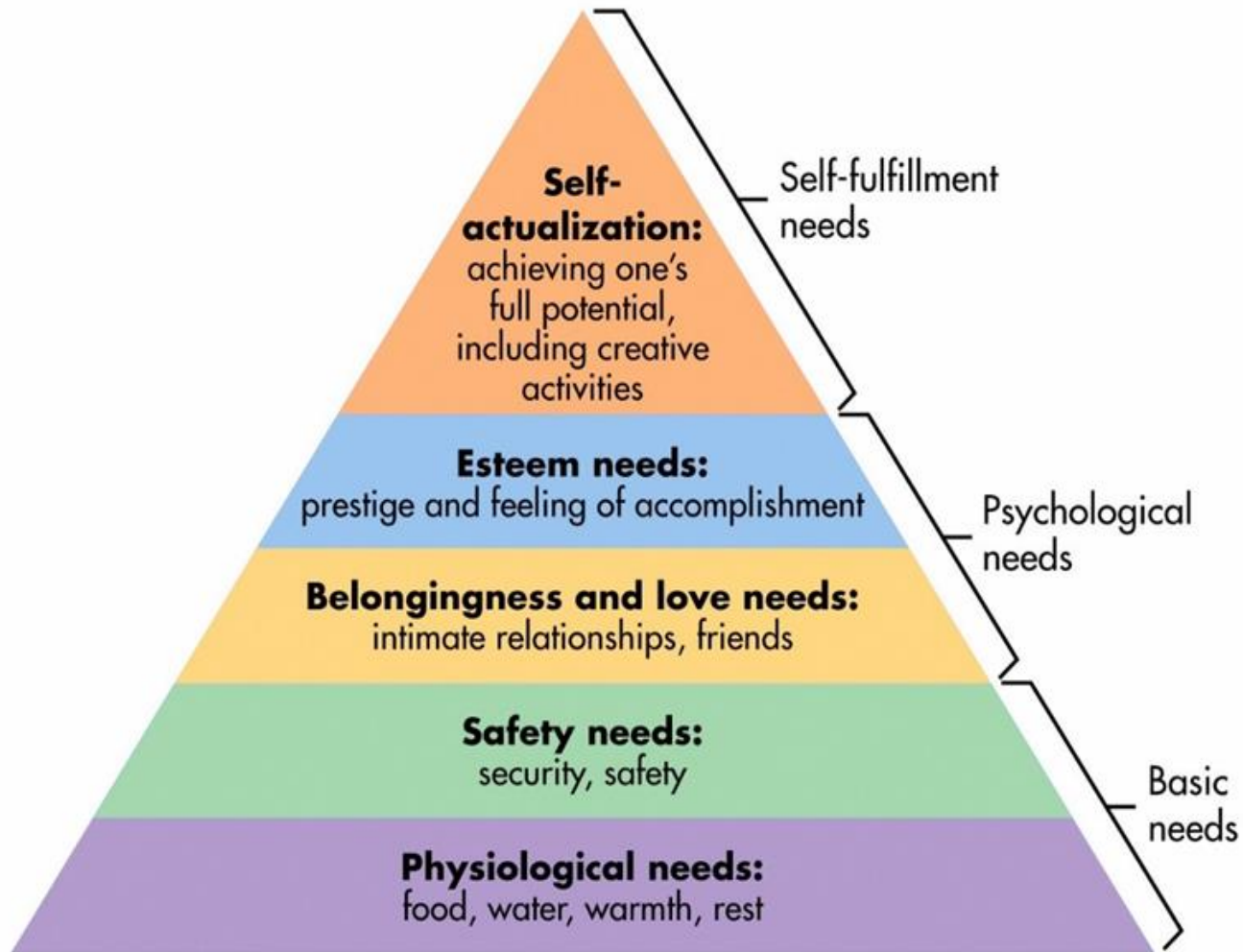
2

2020 Pandemic

- sudden impact/shock disruption
- economic behavioral changes/basics
- no pattern corrective action- health
- Nike swoosh shaped recession
 - size 6 or size 14-18?
- longer term wealth destruction
- loss of purchasing power
- re emerging bio shocks / cyber attacks
- southern hemisphere bio shocks



Maslow's Hierarchy of Needs



Post COVID Consumer

1

- minimalist
 - loss of income/wealth
 - increased levels across all demographics
 - very basic needs
 - pride & esteem on survival
- frugal
 - some loss of income/wealth
 - basic needs, selected experiences/expenditures
 - 75% spending habits of pre COVID
 - pride in budgeting, savings and rainy day fund



Post COVID Consumer

2

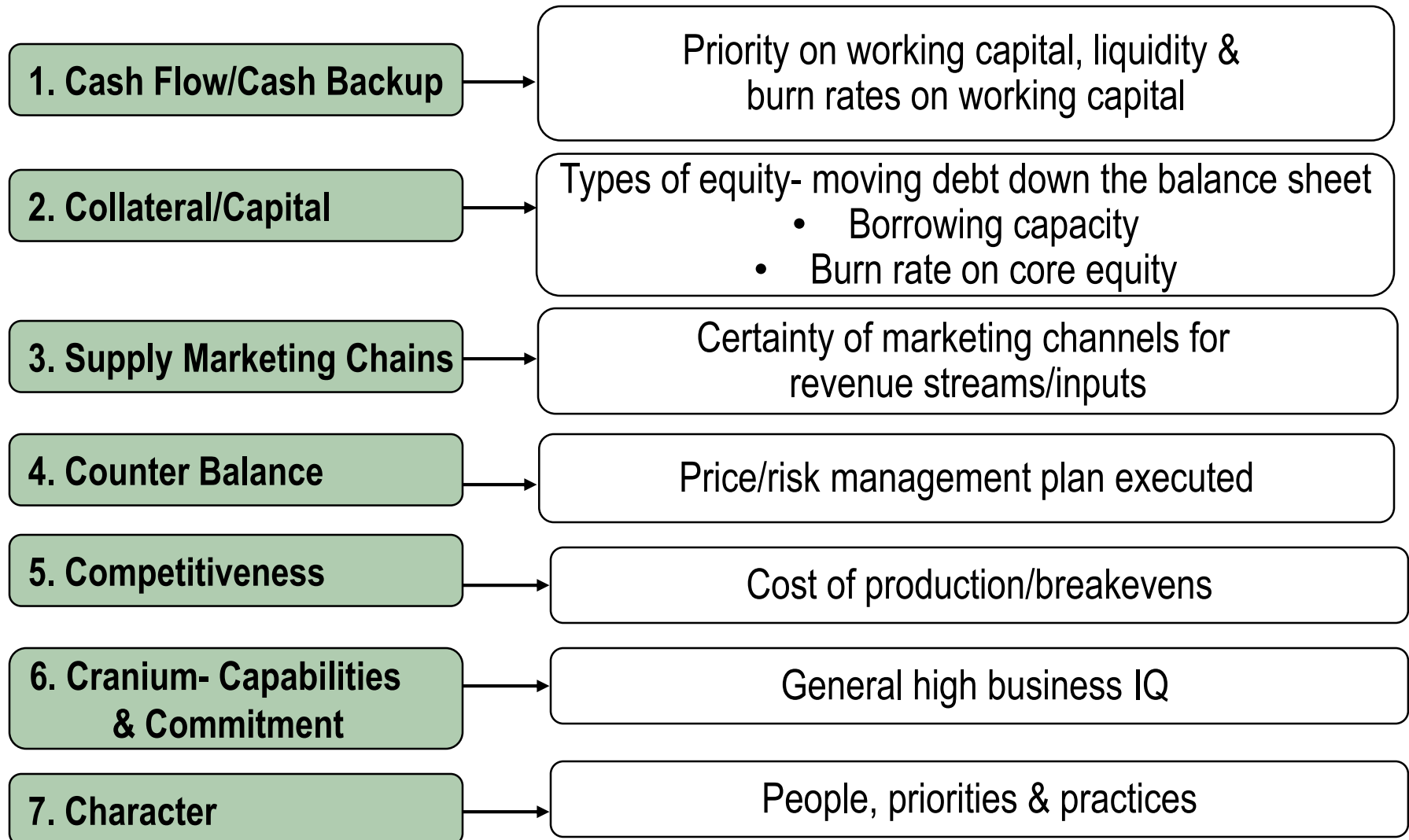
- carefree consumer/pogo stick syndrome
 - impulse & emotionally driven
 - pent up energy & demand
 - hits ground running
 - hit the wall post stimulus
 - live on income, wealth & credit card
- alpha spender / investor
 - strong wealth & income
 - revert to high end purchases
 - risk taker with a focus on discounted opportunities
 - wealth cushion creates shock absorber to future black swan events



Seven C's of Credit

1. Cashflow / cash backup
2. Collateral / capital
3. Chains- supply & marketing
4. Counter balancing
5. Competitiveness
6. Cranium: commitment & capabilities
7. Character

Fundamentals of Business & Risk Have Not Changed But Priorities Have Changed



Business IQ: Management Factors

Critical Questions for Crucial Conversations

Farmer Checklist	Your Score	Green (3 points or 4*)	Yellow (2 points)	Red (1 point)
1. Knows cost of production		Written	In head	No idea
2. Knows cost of production by enterprise		Written*	In head	No idea
3. Goals - business, family, & personal		Written*	In head	No idea
4. Record keeping system		Accrual	Schedule F (one & done)	No idea
5. Projected cash flow		Written*	In head	No idea
6. Financial sensitivity analysis		Written*	In head	No idea
7. Understand financial ratios, break evens		Written*	In head	No idea
8. Work with advisory team and lender		Yes*	Sometimes	Never
9. Marketing plan written and executed		Yes	Sometimes	Never
10. Risk management plan executed		Yes	Sometimes	Never
11. Modest lifestyle habits, family living budget		Yes*	Sometimes	Non existent
12. Written plan for improvement executed & strong people management		Yes*	Sometimes	Non existent
13. Transition plan/Business Owner plan		Yes	Working on plan	Non existent/controversy
14. Educational seminars/courses		Yes	Sometimes	Never attend
15. Attitude		Proactive*	Reactive	Indifferent
Total				

*Extra Points:

- **Progressive Business** may receive 4 points for #2,6,7,8,14
- **Struggling Business Attempting Turnaround** may receive 4 points for #3,5,8,11,12

Score	Overall Analysis
35-50	Strong management rating & viability
20-34	Moderate risk & viability; will most likely show previous refinancing
<20	High risk & lack of long term viability

Business IQ: Management Factors Critical Questions for Crucial Conversations 1

Progressive Business Characteristics:

To be considered a “Progressive” Business, farms must score in the green in four of these five checklist items (#2, #6, #7, #8, #14).

#2 Know cost of production by enterprise: Know the cost of production by enterprise and are able to readily explain which enterprise is the most profitable.

#6 Financial sensitivity analysis: Know how changes in price, production, cost and/or interest rates affect the bottom line. Complete different scenarios in their cash flows to test this for their business/operation.

#7 Understand financial ratios: A dashboard of financials (5 to 7 ratios) that they do a 3 to 5-year trend analysis on their business? Second, benchmark these ratios to other businesses like the Illinois FBFM or University of Minnesota’s FINBIN.

#8 Work with an advisory team and lender: Establish an advisory team consisting of a lender, crop or livestock consultant, and possibly a financial planner, etc. If so, do they meet 2 to 4 times a year?

#14 Educational seminars/courses: Attend or take five educational seminars or courses a year. One should be outside of the industry of agriculture.

Business IQ: Management Factors Critical Questions for Crucial Conversations 2

Struggling Business Attempting Turnaround Characteristics:

To be considered attempting a successful turnaround, farms must score in the green in four of these five checklist items (#3, #5, #8, #11, #12).

#3 Goals - business, family & personal: Written business, family and personal goals.

#5 Projected cash flow: Completed a cash flow.

#8 Work with an advisory team and lender: Exhibit willingness to be coached by an advisory team and lender.

#11 Modest lifestyle habits, family living budget: Take modest family withdrawals and have a family living budget.

#12 Written plan/business owner plan: Developed and executed a one-page written plan on how they will improve cash flows, profits and what is the likelihood of the turnaround of business. If not, problems can continue.

Black Swan to Phoenix- Business Model of the Future



Resilient

- know cost of production
- marketing & risk management program
- capital/equity borrowing capacity

Agile

- working capital
- market for product
- optimization/efficiency vs. diversification/resiliency

Entrepreneurial / Innovative

- “people first” business
 - invest in people
- align with rapidly changing marketplace
- quarterly sprints/journey of sustainability

Strong Business IQ

- high scores in all 15 areas
- plan, strategize, execute & monitor
- written plan for improvement
- dashboards

Questions & Answers



Wisdom to Ponder

(1)

- be in the moment- working together
 - indistractable – “either you control your own time, or others will”
- invest in productive assets
 - this includes yourself- mental, physical and spiritual
- cash is queen, equity is king and profits are the kingdom
 - “Cash is the queen of the financial chess board providing or blocking opportunities.”
- know your numbers but be careful of managing a business only by the spreadsheet
 - “balance head (numbers) with your heart (passion)”
- the personal family living budget is as important as the farm/business budget
 - opportunity requires sacrifices and separation of expenses

Wisdom to Ponder

(2)

- execution requires the “HUT” principle
 - Hear, Understand and Take action
- if it grows too fast, then it is a weed
 - business outgrows working capital and business acumen
 - There is no new next big thing!!
- a business plan is not concrete - it is always evolving through four cornerstones:
 - plan, strategize, execute and monitor
- the best crop that you will ever raise will be young people:
 - children, grandchildren and youth
 - “you are what you are when” philosophy
- self worth and financial net worth in life are equal to your network
 - people, peers and places