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Short- and Long-Term Megatrends for Planning

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The month of January can be a great time to step back and conduct strategic planning, both for the short- and long-term. From a practitioner standpoint, annually at our creamery we examine economic, business, consumer, and societal trends both in the short-term, which is less than one year, and for the long-term, or three to five years. We incorporate the traditional planning tool called a SWOT analysis into this process. Part of this analysis provides an inward examination of the business' strengths and weaknesses. Using an optimistic cup half-full approach, we consider a weakness as an area for improvement. In this analysis, we examine operational efficiency, our markets, trends, and resource management such as land, human resources, and capital as well as analyze the balance sheet, income statement, and cash flow trends. Each owner, stakeholder, and manager will separately write down key points then conduct what we call a "fuss and discuss" session to then complete a combined strategic plan. This process allows us to identify commonalities and work out differences in the final analysis.

Next, the SWOT analysis moves to the external environment with an analysis of opportunities and threats to the business in both the short and long run. Sometimes a negative tone can be established in this part of the analysis if too much time is given to the threats rather than the business opportunities. For example, our creamery faces regulatory challenges, from an environmental and food safety standpoint, at the local, state, and federal levels. Sometimes this results in a "cannot do" versus a can-do approach to business strategy. Discussion of strategies and actions to manage around those elements has served us quite well in recent years to provide a balance in the challenges and opportunity strategies.

Now that we have outlined the process, let's examine some of the short-term and long-term megatrends or mini-trends that you can incorporate into your plan and to stimulate your thinking.



Short-term

If you borrow money for operating needs, longer-term expansion, or capital acquisition, then the direction of interest rates needs to be incorporated into your plan. The good news is that dramatic increases in interest rates should abate. In 2024 maintain a close watch on inflation, unemployment, and growth of the economy. If headline inflation is less than four percent and core inflation, which excludes food and energy, declines towards two percent, then expect two or three 25 basis point interest rate reductions from the Fed in 2024. However, if the unemployment rate rapidly increases to five percent combined with slowing or negative economic growth, the decline in interest rates could be much more abrupt, perhaps one or two percent.

Five elements must be observed pertaining to price and cost aspects of strategic planning in the short term for agriculture. Whether it is the protein or crop sector, export markets will be critical for prices received. Global trade as well as a global economic slowdown with a major trading partner, such as China, Mexico, Canada, Europe, and Southeast Asia, will influence both prices and cost of inputs. Remember, cost declines lag price declines by about 12 to 24 months, which squeezes margins. Of course, the economic health of the crop and protein sectors are often directly linked domestically. In the short run and particularly in the long run, planning analysis needs to incorporate the production and supply of the Southern Hemisphere. This, along with the value of the dollar and the health of the U.S. economy compared to other major economic powers, can either inhibit or accelerate market and cost metrics.

One half of the global population will experience a major election in 2024. This, combined with military and geopolitical tensions, trade agreements, and the Farm Bill, will create extreme price and cost volatility in the short run and in the intermediate-term. The monitoring of weather patterns around the globe should be in every agriculture strategic plan. Whether it is planting, growing, harvesting, transporting, or distribution, windows of opportunity created by mother nature will be in abundance for those who can execute a sound marketing and risk management plan. The key here is to have management, employees, and the supplier team in position when opportunity avails itself.

Longer-term

Examining trends for the quarter-century mark and beyond requires a more visionary perspective. Soil and water health and regenerative practices will be *en vogue* in the next five to ten years. How can you use your business resources to implement these practices to improve producer-oriented efficiencies while aligning with consumer and societal trends and goals? For example, in our creamery glass bottles are a part of our brand. However, the advent of A2A2 milk for lactose intolerant consumers is becoming a differential strategy for the creamery. In addition, the six small dairies that produce milk for the creamery are using more



non-commercial fertilizer and utilizing more conservation and best management practices to improve water retention when extreme rainfall and drought occur.

Technology and innovation will be another element that needs to be examined in the planning process. Some of you may be in a position to incorporate artificial intelligence (AI) for precision farming efficiencies. Others will utilize innovative techniques and perhaps traditional methods with the use of vintage equipment and facilities to accomplish your goals. Depending on your preference, data management and documentation will provide the competitive edge.

Expect the acceleration of business transitions in long-term agricultural planning. Within five years, the senior generation, made up of the veteran and baby boomer generations, will move into a less active stage of acquisition and operations of the business. Life issues, both physical and medical, will increase dramatically and lead to the transition of assets by the year 2030. Individuals with no plan will observe farm fragmentation as long-term health care issues and nonfarm family siblings create financial liquidity crunches in transition. This will impact cash rent and lease strategies and acquisition and expansion plans.

In your longer-term planning, women and the agri-entrepreneur will play an increasing role. Currently in the United States, \$68 trillion of assets will be transferred within the next 15 years. Of these assets, one-third is currently held by women. By 2040, women will own two-thirds as a result of outliving men and playing a more active role in business operations. One only has to look at the increase in female membership and leadership roles in 4-H, FFA, and MANRRS to ascertain that this trend will not reverse in the coming years. In your long-term plans, you will need to incorporate the agri-entrepreneurs, the younger generation that multitasks and incorporates their talents and life experiences back into the business.

I hope this discussion of short and long-term trends will allow you to critically think about your business and its future plans. Agriculture is not one-size-fits-all. You can customize the aforementioned trends and others into your SWOT analysis to align your business strategy to meet both business and personal goals and sustainability.

