

Re-focus not Re-cession

2009 is certainly living up to its forecast as a year of change and challenge. Recession has featured in so many forecasts it has developed a life of its own. It takes a real effort to maintain optimism with that sentiment around. Declaring the "R" word a swear might help our collective confidence.

There is significant pressure on New Zealand operations at present and I'd be surprised if Australia was not the same.

Some of those most exposed are the expansionary, innovative operators whose growth was understandable if not encouraged given credible predictions of long term buoyancy. If this reversal is not managed constructively, we risk driving significant capital, talent and energy from the Dairy Industry and our economy. It's definitely time for cool heads, realism and teamwork.

This has meant year so far has been full on helping clients with damage minimisation while capturing interest rate windows of opportunity while they are (were?) open. Slower milk payments and the spillover from high cost structures have meant real cashflow challenges.

It could have been a recipe for tension but its pleasing to note those involved have mostly been constructive. It's refreshing to see the focus on collaboration between farmers and their bankers and other stakeholders. In most situations self interest is being set aside to allow something between survival and success. In fact, survival is almost success right now!

That said, the drafting gate through which businesses need to pass to get this support is all about the character and outlook of the people involved. I have never before seen so much emphasis on the credibility of business owners as financiers decide whether they can support a proposition.

Many budgets are not pretty. If, however, they are accompanied by owners with a proactive and professional approach to getting the business on track get there is much more traction. If they are garnished with excuses and people avoiding accountability the plan will go nowhere.

Margins for error are tight and risk is in the spotlight. In that environment those who try apportion blame to every external factor imaginable are not the ones who will get support.

It will instead be won those who are right on top of their forecasting and analysis to show they can link outcomes in the paddock to profits or minimised losses. It's all about intensive analysis of the short term and regular reviews of the long term. 3 to 5 year budget outlooks are now routine for my clients as we strive to anticipate all possible scenarios.

It's tempting to argue the future is too uncertain to predict. However, a plan based on the best guess available at least provides some guide to problems and opportunities that lie ahead. It quantifies the outlook and replaces imagination with information.

Those who just blame the international financial crisis, climatic events or just bad timing will not get through. Those who are on top of their game, tell the bank their outlook before they being asked and know their options will get support and be in the best shape when inevitable upturn does arrive.

Actions speak so much louder than words. There's no point in trying to talk your way out of a situation you behaved yourself into. Sure - ban the "R" word but don't just change your talk. Take control, have a look at your attitude and where necessary, change your behaviour as well.

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