

Farmers need to prepare for uncertainty

Keynote speakers offer strategies to mitigate risk by being flexible and resilient

by MYRNA STARK LEADER

ABBOTSFORD – Soft skills can help farmers through hard times, according to speakers at the 2019 Pacific Agriculture Show.

Fabio Santeramo, an assistant professor in agricultural economics at the University of Foggia, Italy, focused on risks relating to global trade and economic uncertainties. David Hillson followed up his 2017 presentation with fresh thoughts from his expertise as a leading thinker and practitioner in risk management.

Both speakers stressed the need for producers to cultivate flexibility and resiliency, noting that preparation is the only way to manage risks like political uncertainty around trade, and black swans – high-profile events that are beyond the realm of normal expectations in history, science, finance,

and technology. Recent examples include the 9/11 terrorist attacks on New York and Washington and, more recently, Brexit.

“Political uncertainty is becoming worse and entrepreneurs need to deal with that,” Santeramo said, offering an in-depth look at the effects of global tariff and non-tariff measures (NTM).

Santeramo explained that countries can put tariffs and regulations in place for legitimate reasons such as protecting local markets, public health and safety.

“Perceived or real food scandals leave room for policymakers to implement more NTM because the public perceives higher risk. Scandals are impacting agriculture business, even if you don’t want to care about them. It’s reality when you are in a global marketplace,” he says.

While he’d hoped an increase in global trade would lessen regulations, it hasn’t. In

fact, he can’t see a world where regulations will decrease. And more rules mean more risks for producers.

Santeramo’s job is to try and find problems so producers can be more aware and act. His presentation in Abbotsford offered producers several strategies to mitigate risk.

The first is understanding the regulations impacting business operations. What risks do regulations create and what policies are really affecting agriculture?

“We need to understand our ‘enemies’ to implement risk mitigation strategies,” he said. “Information is a powerful tool. Collect data – off-farm data like market data, for example – because your analysis of that data is going to help you predict the future, and the one with the best information will win.”

A second strategy is for producers to influence customers. The pasta industry,

for example, focused on educating the public on al dente cooking instructions so people would be able to enjoy varieties of wheat.

He also advocates looking at long-term contracts to stabilize risk, integrating the supply chain, looking for substitute inputs that are less risky and imitating others.

“Ask business people already making money how they are predicting the future,” Santeramo advises.

He also suggests simplifying business processes to reduce risks and increase resiliency through flexibility in thinking.

Hillson focused his presentation on black swans, which he says can be positive or negative. He uses DANGER as an acronym to describe the future: It’s dynamic (always changing), ambiguous (not easily understood), non-linear (you can’t draw a straight line of what’s happened in the past to see the future), global

(global events have local impacts and vice versa) and emergent (things just show up).

“Traditional risk management doesn’t work for black swans because we don’t know what the thing is,” says Hillson.

Wise producers should identify where their business is most vulnerable and continually scan the environment, monitoring for early warning indicators and triggers. He says while no one knows the future, people can gauge whether things/events are basically positive or negative, which way the trend is moving, the potential size of the change and how fast it’s coming.

He says agility is key, asking, “Can you maintain your core purpose and integrity after something pushes you off track?”

Today, businesses can run like a train or a boat. The train model has a set track from point A to B, while a boat can change course with the wind and still arrive. A boat is better able to cope with black swans because it can change course. Businesses and people who are flexible and resilient are similar.

Hillson asked the audience to consider if their operation could bend without breaking – in structure, employment and skills. He likened resiliency to a squishy ball, asking how easily individuals or businesses could regain their shape after being crushed.

“Developing flexibility and resiliency doesn’t just happen. They can be developed. It starts with the individual. Farmers have inherent characteristics and the ability to practise emotional literacy. We aren’t stuck with our attitude, we can change it,” he explains, adding that change can present opportunities if people are open to exploring them.

Hillson says farmers can’t let things get them down. They need to ensure they have personal support networks in place.

On the business front, a company needs to have a strong set of values and a defined corporate culture so it knows what it will and won’t do.

Finally, he asked the audience to consider the society of the business – the employees. Does the business have a shared corporate culture with articulated values, and does everyone agree?

Hillson left the audience with this thought: “Black Swans are out there. They will come. What you don’t know will hurt you. And, if you don’t get them, they’ll get you.”



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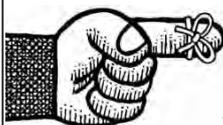
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