

## 358 The Future - Prepare, Don't Predict

When I was doing the Agribusiness Icehouse programme we were fortunate to have a Bill Malcolm, Economist from the Department of Agriculture and Food Systems of the University of Melbourne, present to us.

He has recently delivered some very interesting thoughts on the future.

There are still a few things about the future for certain:

- The future will arrive
- The future will be a different world; they will do things differently there
- Much about the present will be present in the future
- Much about the future cannot be known
- Current farmers will age, depart and (sometimes) be taxed
- Another 3 billion people will arrive in the next 40 years
- Some important principles that work now will still work in the future
- Much of what we believe to be right now will be known to be wrong
- The things that we currently think will be the major factors affecting our lives will not be so
- The things that will be the major factors affecting our lives will be things that we have not even imagined will be so.

If you think about it -

We do not know much and cannot know much.

We do not know for sure and cannot know for sure.

If we do not know for sure what will happen and we cannot know for sure what **will** happen then what does it mean for running a farm business today

***“Prepare Don't Predict”***

So back here in New Zealand we need to work with what we know and prepare for what we don't. Sound funny, but that's so true.

Bill Malcolm also quoted the following principles that are fundamental to all businesses and agriculture.

- The laws of supply and demand
- The principle of comparative advantage
- The principle of diminishing marginal returns
- The principle of increasing risk
- The probability principle
- The risk versus return principle
- The 'big booms have big busts' principle
- The 'whole of business' principle
- The 'all farm systems and their managers are unique' principle
- The 'quality of management is the hidden, unmeasured input to success and failure' principle
- The 'question is the answer' principle, and
- The 'we don't know much and can't know much' principle

In New Zealand agriculture I think we may have got carried away and forgotten some of these fundamentals.

Big boom, big bust has led us into total disarray. We all forgot that "what goes up must come down". The dairy industry is in deep dilemma at the moment with some farmers unable to see next season underneath their enormous debt.

We are now facing a 20% decline in farm values in many sectors and how will that affect our country, and the banks for that matter?

Agriculture will go through a recovery phase only to realise that fundamentally the world remains short of food. Why would Daewoo and Bin Laden Corporation plus some Middle Eastern countries be trying to lease/buy cheap land to grow rice?

The question begs would you rather have a bag of rice or a barrel of oil?

Preparing for the future means:

- Having a sustainable business
- Identifying the risks and preparing for them
- Looking after your land and pass it on to the next generation
- Having a succession plan
- Lowering costs and maintaining profits

### **In Summary**

We all forgot about preparing because we thought boom times would never end. We thought we, in New Zealand, were 10' tall and bulletproof.

Now that we know otherwise, we need to prepare for tough times, prepare for difficulty and prepare for the unknown.

It is for certain that you do not know what the future holds.

These are the opinions of Don Fraser of Fraser Farm Finance. Any decisions made should not be based on this article alone and appropriate professional assistance should be sought.

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