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MEAT & POTATOES®

Agribusiness Strategy and Management



D.W. BLOCK, ASSOCIATES

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Drivers of Change & the California Specialty Crop Industry

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food imports here. Today, we also can see the effect of market integration in the concentration and consolidation of food processing firms, wholesalers and retailers.

It is almost undisputed that there has been an increased demand for environmental quality in the U.S., specifically in California, and this can be expected to continue. But if consumers' demand for food increases slowly because they are already well fed, and their insistence on environmental quality increases more rapidly as income increases, it is unlikely that the public will be concerned about how the resulting environmental laws affect the total quantity of food produced.

Public policy makers must remember that environmental-quality benefits are by their nature societal, and do not accrue to any single person.

Thus, government has a role and a responsibility

to provide those benefits, just as it has a role in mitigating environmental degradation through regulations.

California's current population is approximately 36 million people. It is projected to grow to approximately 45 plus million by 2025. On the negative side, this will significantly increase both competition with farmers for land and water resources, and urban-rural conflicts over farming practices. Farmers also will face greater regulation pressures and more land-use conflicts.

On the positive side, there will be more public funding for rural development of housing and health services. Agricultural producers also will have proactive opportunities to develop "smart growth strategies," and to provide recreation (e.g. agro-tourism) and environmental-quality benefits to society.





MEAT & POTATOES[®]

SOLID IDEAS TO KEEP MANAGERS **ON TRACK**

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Thinking Out Of The Boxcar

Management

By dwb

We often hear a great deal about the power of teams and how the proper building of teams can be a powerful and positive force for any size organization. Theories about team building are useful, but nothing beats hearing a seasoned leader talk about the practical side of successfully implementing a team.



I had the opportunity to visit with Bill Greenwood, former COO of the Burlington Northern Railroad and one who has demonstrated what a great team can do. In the early 1980s he was put in charge of developing the Burlington Northern's intermodal unit (trains hauling trucks), a unit that became a model for the industry. His story

is included in the best-selling book, *The Wisdom of Teams*, by Jon Katzenbach and Douglas Smith.* It is a great read for anyone who supervises people.

At that time, the railroad industry had been characterized by "in-the-box" thinking: Trucks were viewed as competitors of the railroad freight business. Greenwood thought "out of the box" – traditional boxcars, that is – and built his railroad team

from people who came from the trucking industry. This was a radical move. He reasoned that, if trains were going to haul truck trailers, then the railroad needed people who knew trucks.

But the real story is the environment Bill created to foster creativity, energy and dedication within the intermodal team. As the book brings out, "The team's single-minded concentration,

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That Ol' Brown Horse

Management

by dwb

A cattle feed salesman with whom I once worked was quite a rodeo cowboy and loved team roping in his spare time. One day he told me that he was looking for a new roping horse, and that he'd asked his wife to put an ad in the paper to sell the old brown horse he'd had for a while. He had no real complaints with his current horse, but felt he should just make a change for the better.

Some time later he was reading the classified ads in the newspaper looking for a new horse when he found the perfect one. After studying the ad he decided to call the phone number listed – and

realized the phone number in that ad was his. After reading that ad, he got a better appreciation for his ol' brown horse and kept him.

Many managers feel that they should look outside the company for better talent and new blood for their organization. That's not a bad idea. The right new people can invigorate a company; bringing in new ideas, energy and viewpoints. However, the very talent we are looking for outside the company often exists within it. The wise manager knows how to recognize the undeveloped potential of his or her people and promotes from within whenever possible.

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Responsive, Careful Growth

Raymond G. Scesa has a simple business philosophy as vice president of marketing and sales for OBC Northwest, Inc.

"We try to build working relationships with our customers," he told *Meat & Potatoes*® recently. "We try to give them better service than anyone else does. There will always be competition – but the difference will be in how well we serve them."

Like the time when a nursery owner needed some crucial growing supplies, right away. "The customer was located three hours away from us, and our truck was not due there for another week," Raymond recalls. "He said, 'I'm desperate!' And so we rearranged our truck route, and got the supplies to him in a day or two."

Raymond summarizes the lesson in the story this way: "The little things add up. Sometimes we have to go the extra mile, and it may not seem like the right thing in terms of dollars and cents. But in the long run it pays off."

And the payoff does show in OBC Northwest's numbers. Since Raymond joined the Canby, Ore., company in 1989, sales have quadrupled.

The privately held firm began in 1954, making bags for the agricultural industry out of burlap and other old-style materials. It moved into the horticulture market in 1980. Today, it has 47 employees and sells everything from plastic pots and plant ties to cultivating tools and greenhouses.



Raymond believes that a loyal customer base wouldn't have been built without strong teamwork. The five members of his inside sales force (with the company as long as 17 years), the five who do outside sales and even the truck drivers all look for ways to help customers today – and for ideas on how to do it better tomorrow.

That was how OBC recently became the exclusive supplier of Elle Pots, an all-in-one combination of container and soil in which growers can start seeds or can root cuttings.

"One of the sales people brought that product to my attention, so we contacted the local supplier," Raymond says. "The product has really taken off, and the reason is that there's been good technical support from the supplier. I don't think this product would have taken off without the teamwork between our supplier and the sales force. It's been a good marriage."

Raymond has one final piece of advice for growing a business: Don't get too ambitious. He and OBC co-owner Tracy Boyce, president, have decided to market only to growers along the West Coast, the area that they feel confident they can service well. They also don't expand into new product lines just for the sake of growth.

"You need to be careful that you don't let your ego drive your business," he advises. "You can't let yourself take on something without any real benefit for your customers or the company."

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Editor – Daniel W. Block "dwb"
Managing Editor - Linda Roach, Fine Lines Communications, Inc.
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Please send comments & submissions to:
D.W. Block, P.O. Box 3409,
Portland, OR 97208, USA
Phone: 503-796-7630 Fax 503-796-7627
Email: dwb@dwbblock.com
Website: www.dwbblock.com

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Drivers of Change & the California Specialty Crop Industry

Strategy

By Jay E. Noel, PhD, Director, California Institute for the Study of Specialty Crops, at Cal Poly University, San Luis Obispo

This is the first in a three-part series on the public policy environment and the competitiveness of the California specialty crop industry.

The series will cover:

Part 1: An overview of the major drivers of change.

Part 2 (1st quarter, 2006): An evaluation of the public policy environment for California specialty crops.

Part 3 (2nd quarter, 2006): The political economy that will determine future public policies in this arena.

A number of forces are changing the economic and political environment for specialty crop production in California. These changes are influencing the alternatives available to specialty crop producers and other stakeholders in the competitiveness and responsiveness of the California specialty crop sector.

Everyone has a slightly different list of what these changes are; however, they all appear to gravitate to the same five forces:

- Alterations in consumer food demands.
- Changes in technology.
- Increased international market integration.
- Public demand for environmental quality.
- California population growth and its consequent increase in urbanization.

The first of these, changes in American food preferences, is driven by increasingly affluent consumers who want convenience, by greater population diversity and by consumers' desire to eat foods viewed as nutritious or healthy. These factors suggest that continual changes to the United States' food system are likely to occur. There will be a shift to more fresh products, and to more meals eaten away from the home. On the farm, the trends ultimately will raise demand for a larger variety of fresh fruits and vegetables, and for ingredients that may be more suitable for restaurant than home preparation.

Two technological areas are likely to have an impact on re-shaping the relationship between farmers and food and agribusiness firms: biotechnology and information technology. The hot



debate over the use of biotechnology has made it clear that consumers are unlikely to support techniques geared only at improving agricultural efficiencies, rather than providing tangible consumer benefits.

At the same time, advances in computer and communications technology probably will further reduce the cost of collecting, analyzing and communicating information. So, for example, retailers and others with data about consumer buying habits are likely to claim a larger role in directing production and processing decisions. But producers also will share in the information bounty. Farmers will own information concerning their production practices, so they will be able to provide value in such areas as verification and assurance of product integrity (such as organic or non-GMO certifications, and product traceability).

A 'specialty crop' is ...
... any animal- or plant-derived agricultural commodity except cotton, feed grains, oilseeds, peanuts, rice, tobacco or wheat.

The globalization of markets, also known as international market integration, will augment the flow of foreign direct investment among nations and increase international trade. The former will allow firms to move food production and processing to other nations, potentially creating more international competition for domestic producers. The latter will add to foreign demand for U.S. agricultural products, and bring competition from additional

Thinking Out Of The Boxcar

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dedication and work ethic infected the entire intermodal business unit."

I have chatted with a couple of Bill's team members from that period, and they all said that the success of the team was directly related to the leadership Bill exerted in creating an environment of support and genuine enthusiasm. Bill is quoted in the book as stating, "There was always a lot of disagreement...but there was always self-respect and respect for others." In the end Bill's team broke all of the sales records for the railroad, and even exceeded what was thought to be the capacity of the intermodal network at that time. And according to the team members they had fun doing it!

Some managers think, incorrectly, that they were hired to have all the right answers. Using a team

approach in an organization is a great way for a manager to make decisions that consider many of the potential failures before they can happen, to get support from key players and, at the same time, to reduce the stress on him or herself.

People love to be part of an energized group, and there can be a powerful dynamic when a good team is performing well. Wherever there is a successful team one will always find a successful leader, a leader who stays focused on the objective, supports the team members in positive ways, sets an example of hard work – and has fun.

**The Wisdom of Teams: Creating the High-Performance Organization, by Jon R. Katzenbach and Douglas K. Smith (HarperBusiness, 1994).*



That Ol' Brown Horse

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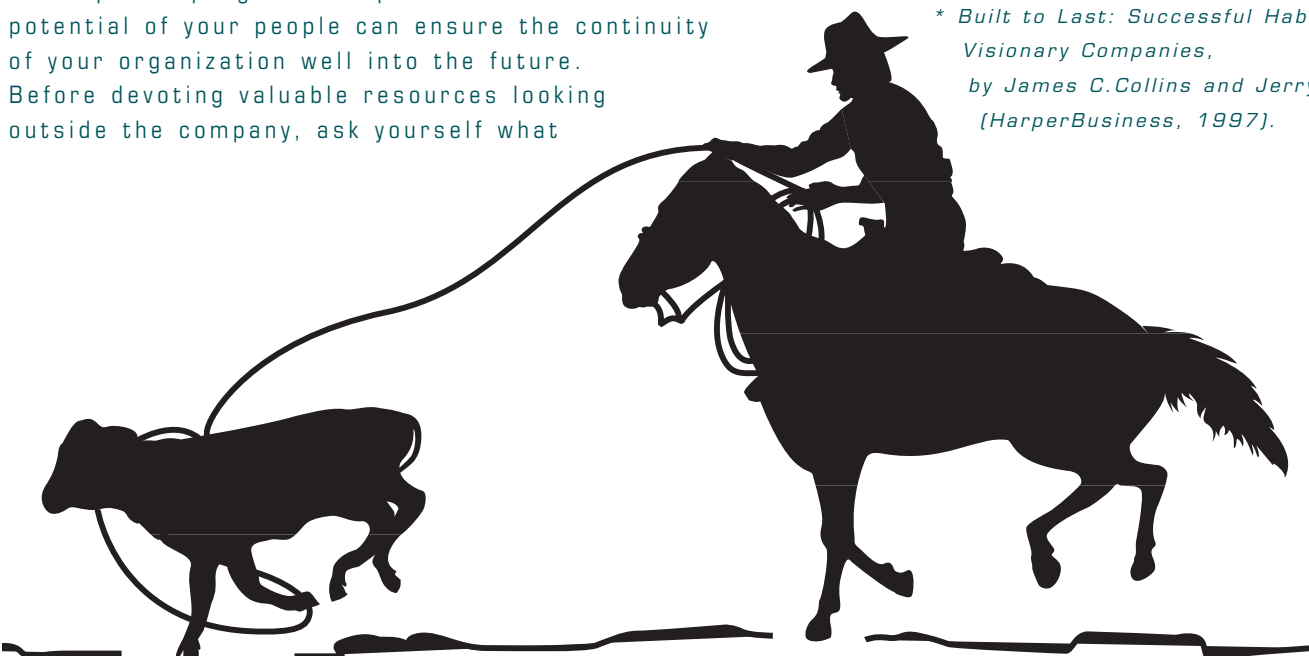
In their best selling book *Built to Last**, James Collins and Jerry Porras looked at top-performing companies they called "visionary". They noted that in the majority of cases the visionary companies had internal management development programs that produced future leaders from within their firms.

Whether you manage an entire company, a division or a department, having a career development program and plan that unleashes the potential of your people can ensure the continuity of your organization well into the future. Before devoting valuable resources looking outside the company, ask yourself what

kind of investment would it take to develop the talent already within your firm.

Combining the investment in additional training and development with a promising employee's knowledge of the company's culture and values might provide a more cost-effective approach – and will strengthen your organization more effectively – than recruiting and training the untried, outside hire.

** Built to Last: Successful Habits of Visionary Companies, by James C. Collins and Jerry I. Porras (HarperBusiness, 1997).*



Where's the Value of Your Agribusiness? — Management

By dwb

Former San Francisco Forty-Niners quarterback and Super Bowl star Steve Young, now an investment banker, recently told a conference of financial executives what he believed was really important in valuing a company.

Forced to choose, Mr. Young said, "Give me an 'A' team with 'D' product any day over an 'A' product with a 'D' team."

Indeed, it's the quality and talent of the management team that really gives the value to quality companies. At this same conference, leaders of investment banks and private equity funds – firms focused on identifying businesses with growth potential – said that the No. 1 factor in assessing a company is the strength of its management team.

Many agribusiness firms today are investing in their physical infrastructure: new buildings, computers, product research, even trying to acquire other companies. But without talented and focused managers all that investment never reaches its full potential value.

Two key questions, then, for owners and CEOs are: "How much am I investing in the talent and skills of my senior managers?" and "Is my management team growing with the company and industry?" The answers don't lie in how much senior managers are being paid, but rather in how much is invested in their training, coaching and development.

As agriculture continues to emerge from its traditional production-oriented mentality to a more market-oriented and high-tech mentality, the cutting edge is always the "sharpness of the blade" – that is, the management team running the agribusiness firm. As one successful agribusiness CEO in the seed industry stated, "You have to continually sharpen the blade."

Sharpening that blade begins with recruiting the best talent and then continually investing in training and development of the management team to maintain that cutting edge. Only in that way can owners of agribusinesses really get the full value from their companies.

Without talented and focused managers, infrastructure investment never reaches its full potential value.

The Meat & Potatoes® Route

Our 2004 limited edition railroad freight car was an authentic HO-scale steel boxcar from the 1950s. Originally built by the historic Pullman-Standard Company, it was used by most U.S. railroads. These workhorses hauled everything from tractor parts and lumber to fertilizer and grain.

The 2005 Meat & Potatoes® Route railcar hasn't been decided yet. Possibilities: a wood chip car, a grain car or a refrigerated car for transporting produce. What kind of freight car do you think we should model? Let us know!



No, he's not Santa Claus! He's Jim Walburn, who handcrafts the special cherry-wood train cases for our rail car fleet.

