



# FarmWell

INFORMATION | SUPPORT | RESILIENCE

## PREPARING FOR THE UNEXPECTED

Graham Redman, Author of the John Nix Farm Management Pocket Book



Most adult swans are white. But not all. You can also get black swans. We don't see many of them, but they are more abundant than most people accept.

The term Black Swan is also used to refer to events that have a small chance of occurring on a particular date, but when they do happen, affect our lives, businesses and ways we think, and, in hindsight are more predictable than we had previously accepted. Examples on a global scale include Coronavirus, unexpected US presidents, Brexit, and going further back, global financial meltdown in 2007-8, the 9-11 disaster. We all have our own Black Swans too, and these are the events that affect us, our lives and our businesses but perhaps make almost no difference to anybody else. This could be serious illness, accidents, litigation.

The concept of the Black Swan was popularised in the remarkable book of the same name by Nassim Nicholas Taleb. Taleb claims the Coronavirus was not a Black Swan as it was totally predictable (he did in fact write about it in his 2007 book I have just mentioned) but for most of us, it was a Black Swan. At least, the way the world reacted to it will have been!

The UK food and farming industry on the whole has provided a remarkable service throughout the whole pandemic period, meeting the continued needs of the population, under the stresses of redirected supply chains with outlets closing, panic buying, changed consumer habits with home consumption, derailed export demands, and imports hampered by delays at ports and other key logistical points and of course many workers off work for various reasons.

Farms have greater resilience than most other businesses, with largely robust balance sheets, income from various streams, determination of family ownership, and lifestyles intertwined within them. The lack of a Plan B on most farms raises the resilience levels. This might sound odd but if there is no alternative to farming, the determination to keep farming increases. Owning a farm and it being lifestyle as well as job increases resilience further but lowers profits.

Farms are safe businesses, partly for the above reason. Many farms are generations old, which not many non-farming businesses can claim. They have a reliable customer base, we all need food every day, but can manage without most other consumer goods for a while. A lot of farms are also well financed, even tenant farms. But the farming sector is also well accustomed to minimal change.

We hear a lot from various people about how we need to continuously change, but others disagree. Jos de Bloc is a very successful manager in the Netherlands. He rightly points out “The world benefits more from continuity than from continual change”. And farming has done well from that motto. But some things occasionally come along that mean adjustments are necessary. Losing a major supply contract, fire or accidents, departure of a family member from the business, indeed arrival of a family member to it(!), unexpected poor harvests and consequential debt and loss of business viability.

In fact, there are more unexpected events that affect our lives than we care to imagine, it's just that most don't do any or too much damage to them. But we should think about those things that could happen, even if they are only once every ten or twenty years, because all the work done to then could be undone if not prepared for.

Forthcoming policy change may re-adjust the economics of farming. It is likely to improve the income of some farms but probably reduce others depending on sectors and farm systems. This change might release some black swans. Take time to think about the potential impact of policy change now. We have a few years to prepare for the transition, and that is for a reason. It is to allow time to think about and prepare for change. So lets use it sensibly and plan our businesses to avoid such negative impacts so we can continue farming for many more generations.

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**Graham Redman**