

MICHIGAN
POTATOES

The logo for Michigan Potatoes features the words "MICHIGAN" and "POTATOES" in a white, rounded, sans-serif font. The word "MICHIGAN" is positioned above "POTATOES". A stylized green sprout with three leaves is integrated into the design, with its stem forming the letter "O" in "POTATOES". The entire logo is set against a dark blue rectangular background, which is itself centered within a light green border.

Managing

MICHIGAN

POTATOES



Uncertainty and Volatility

Questions

- <https://agristrategiesllc.com/contact-me/>
- What's more important: liquidity or profitability?
- Does a business need to grow to survive?
- What business risk is most often overlooked by owners?

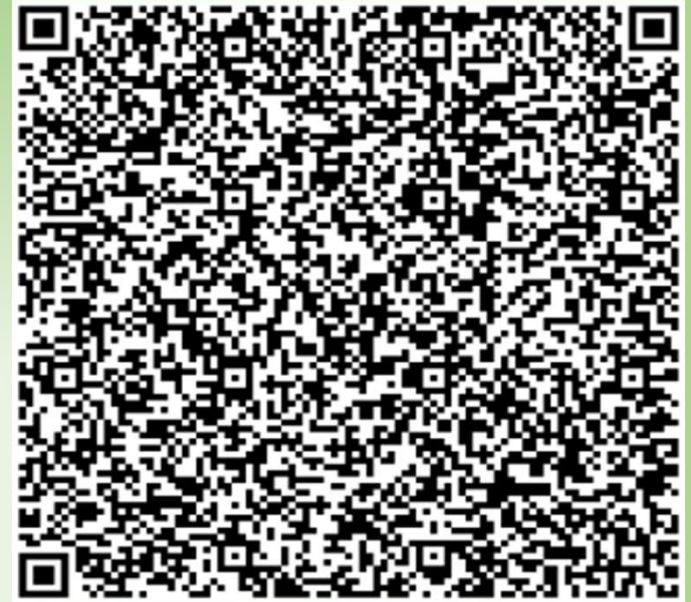


About Me

- Steve Kluemper – Steve.Kluemper@AgriStrategiesLLC.com
- Founded AgriStrategies LLC www.AgriStrategiesLLC.com
- Helping agricultural producers, processors and suppliers with their financial management and vision
- 30 years of experience bringing financial solutions to all types and sizes of agricultural companies across the United States
- Grew up on a farm in Jasper, Indiana and graduated from Purdue University with degrees in Agricultural Economics '91 and Food and Agribusiness MBA '03
- Live in East Lansing, MI with my wife, Heather and 4 sons

Contact Me

You can scan this QR code to
add my contact information:



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**Every contact will result in a donation to
the Michigan FFA Foundation!**

About AgriStrategies LLC

www.AgriStrategiesLLC.com

**Helping agricultural producers, processors and suppliers
with**

Improving their Cash Flow and Profitability

Managing their Business and Finances

Facilitating Stakeholder Discussions

Gaining Independent Perspectives

Analyzing Important Decisions

Communicating their Vision

AgriStrategies LLC

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<https://www.AgriStrategiesLLC.com/news-and-insights/>

Managing Uncertainty And Volatility

How do you determine how much uncertainty and volatility your business can absorb and how much you need to avoid?

1. What is your risk bearing ability?
2. How do you identify and quantify the risks in your business?
3. How do you manage the risks in your business?

1. What is your risk bearing ability?

- How much liquidity and profitability do you need to:
 - Stay in business
 - Grow at a survival rate or higher
- This is the edge of the road
 - Debt & equity risk appetite will then guide where to put the “rumble strip”
- Then compare your current liquidity and profitability to where the edge of the road and rumble strip are. This is your risk bearing ability.

What's more important: liquidity or profitability?

- Cash is **not** king.
- Long-term profitability is king of the business chess game to survive and grow.

- However, liquidity/cash is the queen.
- It's very difficult to win the chess game when your opponent has a queen and you don't.
- It's very difficult to get to long-term profitability when your competition has liquidity and you don't.

Profitability

- Profitability is the only way to pay back debt and equity providers
- Profitability is the only way to create true value
- Profitability gives you access to growth capital
- Every decision needs to have a profitability component

Liquidity

- Owners should optimize liquidity and guard it diligently.
- Banks don't always want to maximize long term debt and liquidity.
 - Leave themselves some cushion when liquidity or profitability runs out.
 - What if liquidity and equity are sufficient but cash flow isn't?
- Owners should explore multiple sources of capital.
 - Must focus on profitability and cash flow.

Does a business need to grow to survive?

- What is the definition of surviving? This generation or the next?
Increasing the residual value?
- Need to grow to reinvest in the business, be competitive, avoid obsolescence, improve management, etc.
- It takes liquidity and profitability to grow.

2. How do you identify and quantify the risks in your business?

- Internal key part of business fails
 - Develop and nurture redundancies for these key elements
- External key part of business fails
 - Diversify to minimize effect of external failures
- Imitators and duplicators take your customers
 - Need to have a competitive advantage
- Market conditions change
 - Need to stay ahead of market's relevance, growth and environment
- Key employee or owner with irreplaceable skill or service leaves
 - Need to build a business, not a job – build processes

3. How do you manage the risks in your business?

- Must start with a cash flow, margin and profitability model.
- Then run scenarios with various risk outcomes.
- These can be complicated with unlimited potential outcomes that outside resources can help you digest.
- How do these outcomes compare to your risk bearing ability?

3. How do you manage the risks in your business?

What are the important decisions when it comes to identified risks?

- Accept - Avoid - Share - Reduce -

“Plans are worthless, but planning is everything.”

-Dwight D. Eisenhower

"Everybody has a plan until they get punched in the mouth."

-Mike Tyson

Managing Uncertainty And Volatility

What are the potential risks and rewards in your business that you need to manage?

- Measure Risk Tolerance – liquidity, profitability, etc.
- Monitor Risks and Returns – risk adjusted returns
- Manage Risks - Accept - Avoid - Share - Reduce

Thank You!

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