

How Many Hats Do You Wear

Brian Rice





- Father/husband/son
- CEO
- Market Analyst
- Salesman
- Technologist
- Compliance officer



Many hats of a dairyman

- Father/husband/son
- Herdsman
- Labor Manager
- Farmer
- Feed Procurement
- Risk Manager
- Mechanic
- Nutritionist
- Environmental Compliance Director
- **Accidental CEO**



How many of you became a dairy farmer so you could be a CEO?

- Most of you are accidental CEO's – like me
- I didn't start Rice Dairy so I could be a “CEO” – I had a passion for trading and risk management
- **I am an accidental CEO**



What are the job responsibilities of a CEO?

1. Maximize profits
2. Allocate capital



Warren Buffett's no. 1 rule for judging management

Tuesday, Apr 29 2014 by [Alex Naamani](#) 1 comment

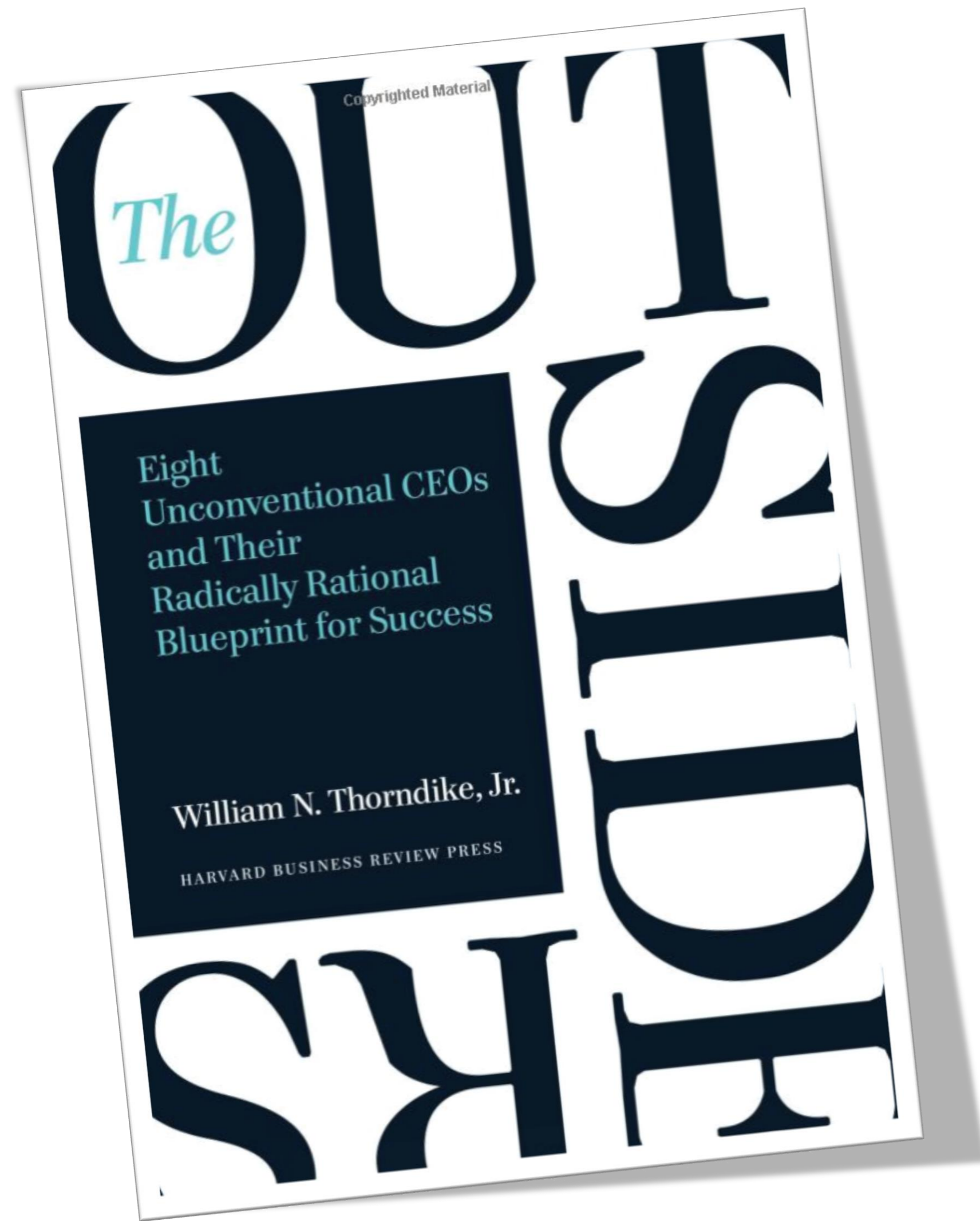
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"The root of my success is acting rationally about capital allocation", Warren Buffett tell us. He looks at capital effectively, and in 2012, his recommended reading list was [Thorndike](#) - a book which discusses the effective capital allocators.

Effective capital allocators are managers who excel at deploying firms' resources to earn the best possible returns for shareholders. This is important because as investors, we think of shares as pieces of a business. We therefore buy shares in the hope that managers will use our money effectively to drive up profits and thereby cause share prices to rise. This is why we pay attention to firms' Return on Equity and Return on Capital Employed.

"The Root of my success is acting rationally about capital allocation"



Warren Buffet Recommended

Capital Allocation



William Thorndike: "The Outsiders" | Talks at Google



Ingredients of capital allocation

Raise Capital

1. Tap internal cash flow
2. Raise debt
3. Issue equity

Deploy Capital

1. Invest in existing operations
2. Buy other companies
3. Pay down debt
4. Pay a dividend
5. Repurchase shares



POLL QUESTION

Robotic Barn- Do you have one, or are you considering investing in one?

☐ Yes

☐ No



Invest \$3,000,000 in robotic barn?

Raise Capital

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2. Raise debt
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Deploy Capital

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Debt relationship to hedging

Raise Capital

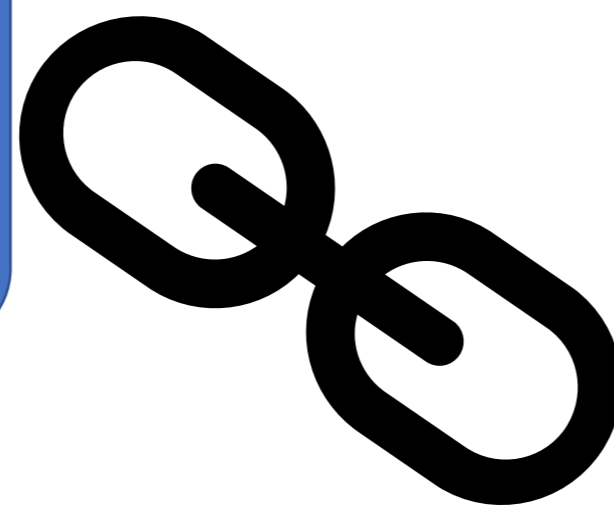
1. Tap internal cash flow
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3. Issue equity

Deploy Capital

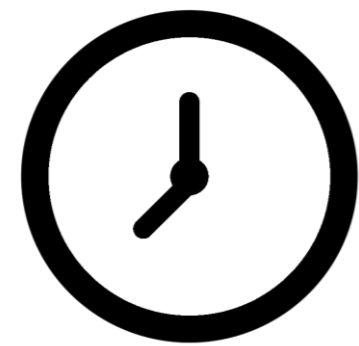
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4. Pay A dividend
5. Repurchase shares

Debt Ratio

Hedge Ratio



How to be a stronger CEO, without taking time away from other hats?



MAKE TIME MORE EFFICIENT



LEVERAGE YOUR TIME



LEVERAGE YOUR DATA



Leverage your data

- **Connect** all relevant data into software (or home-built sheets) that process for both profit maximization and optimized capital allocation
- Spend CEO time **interpreting** what smart systems are telling you, and not collecting disparate datasets



Interpreting vs Collecting



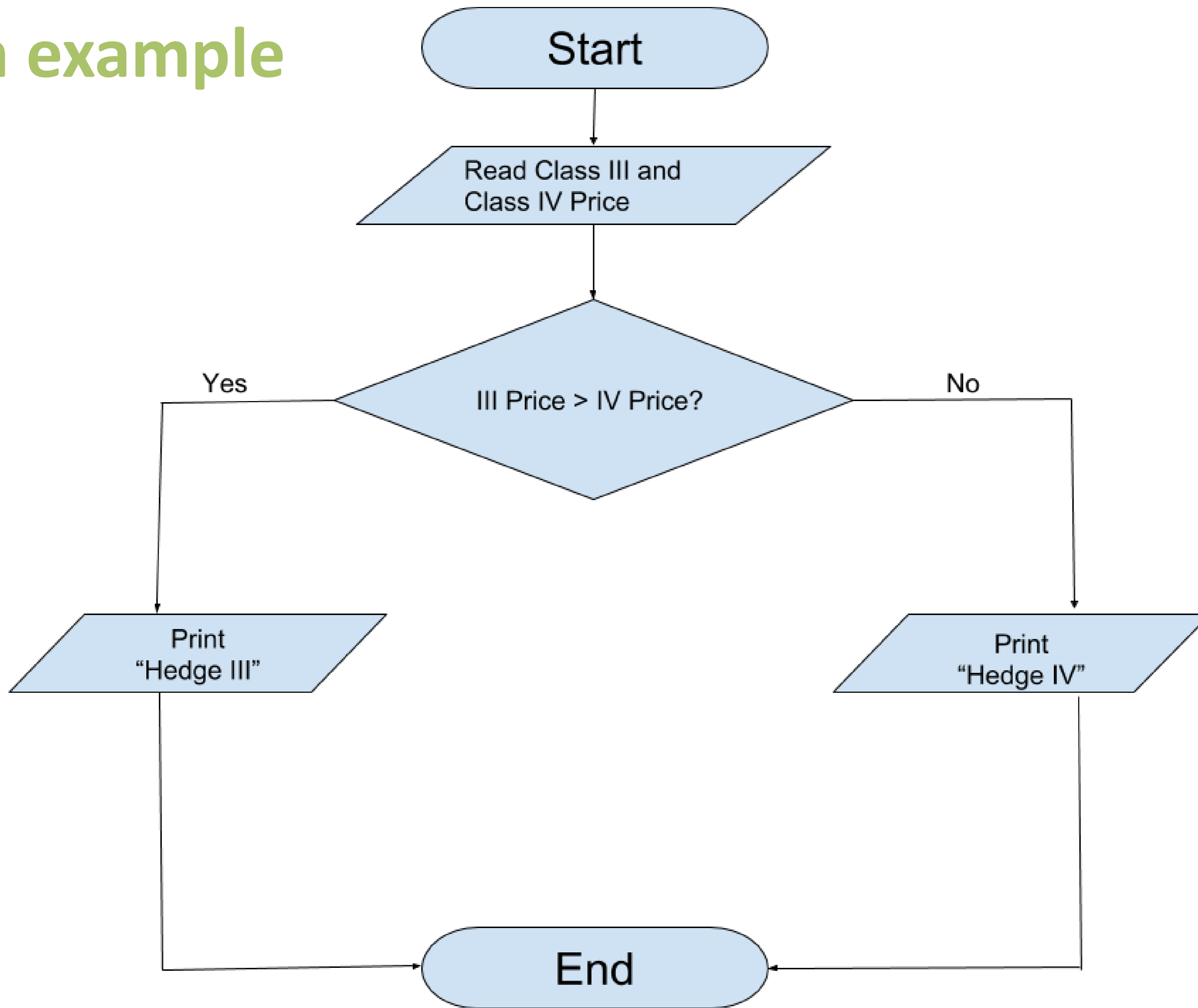
Employ algorithms for capital allocation

- What the heck is an algorithm exactly?
- A formula...if/then to solve

In math and computer science, an algorithm is an unambiguous specification of how to solve a class of problems



Algorithm example



Employ algorithms for capital allocation

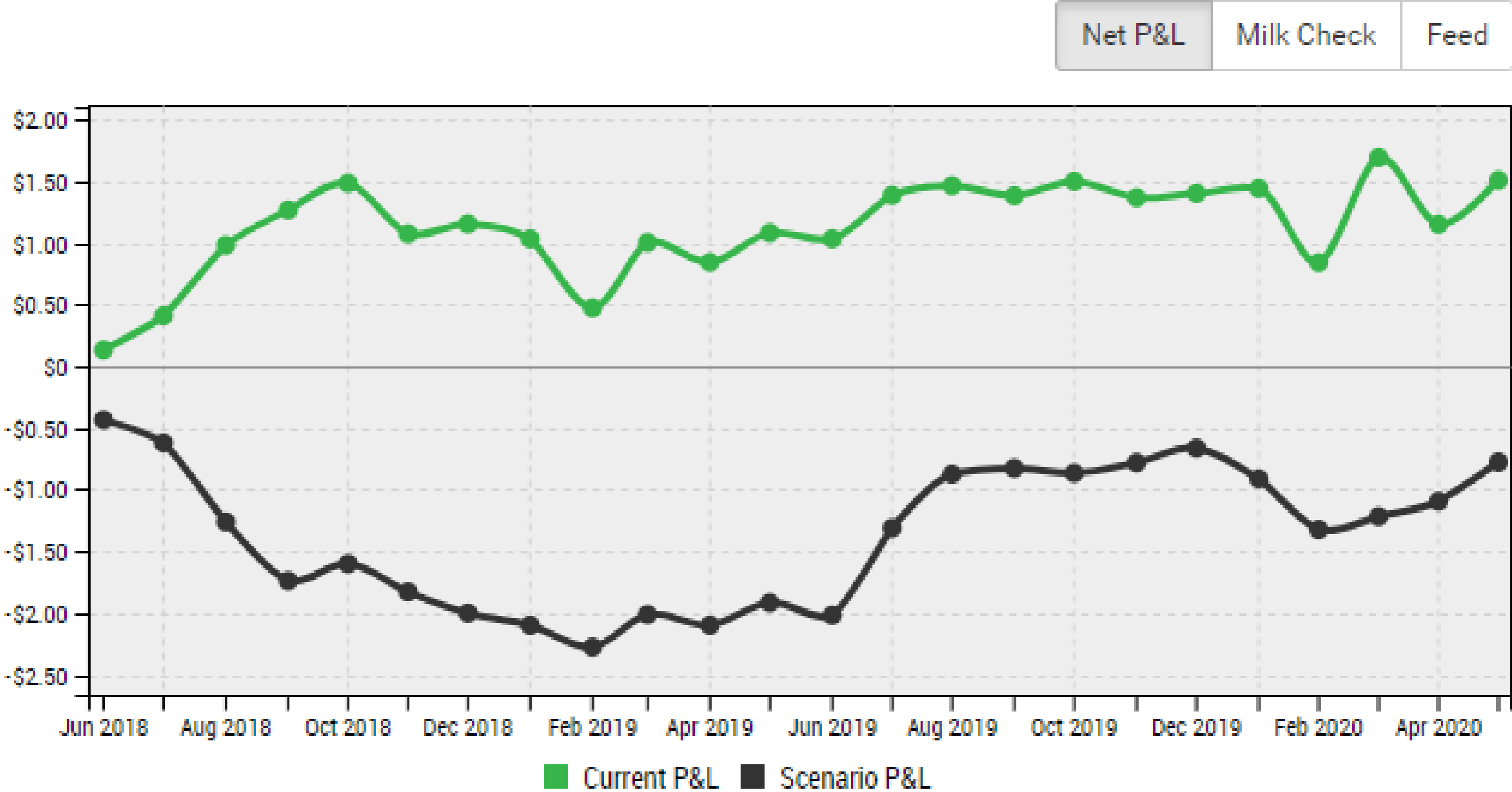
- These can give you guidance on optimal decisions
- Augmented Intelligence



Price Scenarios

Use this page to run scenarios (stress test) your Combined Net P&L.

Combined Net P&L (Current & Scenario)



“Being a CEO has made me a better investor, and vice versa.”

- Warren Buffett

Questions & Answers ?



POLL QUESTION

**Will your Debt Ratio change (up or down)
materially in the next 2 years?**

☐ Yes

☐ No

