

CHANGE and INTEGRITY

Remarks by
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Ladies and Gentlemen:

Thank you very much for including me in your program.

Dean Greer called me a few weeks ago and asked if I could make a few remarks on Integrity. Frankly, my initial reaction was, what do I, coming from New York, know about integrity. After all, as someone said, an honest man in New York goes to jail in Iowa. My second reaction was how do you say no to Dean Greer, a man of great charm. And here I am.

Well, I am going to change the topic slightly to “Change and Integrity.” At the end of my comments, I hope you will be able to see the connection.

To all of you seniors who cannot wait for May and Graduation, and then “Easy Street” for the rest of your lives, I have news for you. The fun has just started, and as they say “there is no rest for the weary.” Winston Churchill put it more aptly when he noted “the affairs of state are long periods of turmoil interspersed by quick periods of peace.” If you think about it, you can exchange the word people for the word state, and his statement is just as true.

The key word for the next 50 years, the productive life span of most of you, is change. And over the next 50 years, the world will witness as much change as it has in the past 500 years. It is really scary, if you think about it. Are you prepared for it? I bet that in five years, you will be using less than half of what you were taught over the past four years. If there is one thing you were hopefully taught in the past four years it is how teach yourself.

What are the elements of change? I see four basic drivers: the shrinking globe, exploding technology, changing government, and a continued exploding population.

The world will continue to shrink and the world economy will continue to integrate. The new world economy is highly competitive, and there is little margin for error. An example is the hog business. Al Tank, head of the National Pork Producer Council, put it simply: we produce the hogs or we export the production.

Change in the area of technology is mind boggling. Twenty years ago I purchased my first electronic calculator for \$200. It added and subtracted, but it did not have a decimal function. Sixteen years ago I bought my first computer, an Apple II Plus with 64K of RAM, and a clunker of a printer for \$7,000, the equivalent of perhaps \$10,000 in today's money. For \$2,000 I recently purchased a computer with every bell and whistle imaginable, and a piece of equipment that magically, through the Internet, wires me with virtually everyone else in the world. It is amazing that anyone, anywhere, with access to the Internet can contact me simply by typing "halaby@agricapital.com."

Closer to my area of expertise is agribusiness. Can anyone even imagine the crops that will be grown in 50 years, thanks to biotechnology?

Starting with President Reagan and Margaret Thatcher in the early 80's, we have started to accept Government's limitation to solve our problems. Government's role is being further eroded by the globalization of the world economy. A currency trader in Singapore can exert as much discipline on a profligate government as any election.

I believe that agriculture, thanks to technology, will be able to feed the world's population at least for the foreseeable future. And here, your home state of Iowa will undoubtedly continue to play a leading role. I should remind you, though that feeding this huge number of people will be quite a challenge. The head of a major agribusiness bank predicted that the human race will consume as much food in the next 50 years as it has consumed since the beginning of time! I fear that where the world will "hit the end of the chain" is the environment and the social problems that arise when you squeeze tens of millions of people with a relatively low average age in areas of limited economic potential and geographies.

Are we to be afraid of change? There are those who benefit from change and those who cannot handle it and lose. A prime example of how to benefit from change is Ag Services of America, one of the most exciting start-ups in agrifinance. Starting in the depths of the agricultural depression, in 1986, with a contributed capital base of \$300, the founders saw a need for a company to help finance farmers who had filed bankruptcy. They devised a package of inputs, multi-peril crop insurance and finance, that found great acceptance. Ten years later, Ag Services is approaching \$200 million in revenues. We are very proud that we played a role in the company's growth, arranging \$4 million in equity financing for them in 1990.

In fact, my own firm, AgriCapital was founded on change. After a background with large firms in investment banking and investment management, I decided, in 1981, to forge ahead on my own. My first two clients happened to be in agribusiness, which was my introduction to that sector. Working for those two clients I began to see a need for an investment bank specializing in agribusiness. I saw a huge sector of the U.S. economy about to experience wrenching change with few investment banks equipped to help agribusiness companies cope with that change. Where some people saw disaster, I saw opportunity.

To be able to cope with change, one must be prepared for change. Life is curvilinear, and has a funny way of throwing you a curve ball when you least expect it. Predicting what will actually happen is awfully difficult. To me what is important is to be structured to cope with change when it finally hits.

Having given you my thoughts on change, one can rightly ask, “What does Change have to do with Integrity?” Well, Integrity, defined in the Oxford Dictionary as “Soundness of moral principle; the character of uncorrupted virtue, uprightness, honesty, sincerity” is the one constant that will not change.

Integrity is your guiding light, your inertial guidance system that will keep you on the straight and narrow. As you look to the future, remember the greatest compliment that anyone can give you is “Here goes an honest man.”

I am a closet historian. I enjoy reading history and trying to learn from history’s mistakes. If there is one concept that is common across all civilizations as they grew and prospered, it is integrity. And all civilizations start to fall when the bond of trust between its people starts to crumble.

Let me leave you with one final thought that, to me at least, puts it all together. Samuel Johnson, the English writer, put it best: “Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful.”

Thank you.