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Agribusiness Entrepreneurial Guide

Rub the genie's lantern, see future changes and act on them

Rurik B. Halaby, Chairman and Founder of AgriCapital, speaks with *Strategic Agribusiness Review*

Trying to predict the future of agribusiness is like rubbing a lamp and wishing a genie would appear to grant three wishes. Companies want to know the following things: what consumers want; what their future preferences are; and how to make profitable products to fulfill customer needs.

Strategic Agribusiness Review recently interviewed Rurik B. (RB) Halaby who is the chairman and founder of AgriCapital, a leading merger and acquisitions firm for agribusiness companies. Mr. Halaby has over forty years of experience in investment banking, investment management and engineering experience, and holds S.B. and S.M. degrees in engineering from the Massachusetts Institute of Technology and an M.B.A. from Stanford University.

Strategic Agribusiness Review: **What kind of companies do you see leading innovation in agribusiness?**

Halaby: Change is like the proverbial curve ball. You never know when and where it will come from. The key is being agile enough to hit the ball.

Over the past 20 years, the rate of agribusiness consolidation has increased greatly. Often, an unintended consequence of consolidation is that



Rurik B. Halaby
Chairman -
AgriCapital

decision-making is separated farther and farther away from the customer. As a result, managers can become isolated and make mistakes.

This is where smaller companies can have an advantage. They can take advantage of their flatter structure to spot change faster and respond more quickly than larger corporations.

But agribusinesses, whether large consolidated corporations or small operations, can be drivers of innovation if they approach their markets with an entrepreneurial mind-set.

SAR: What drives an entrepreneurial mind-set?

Halaby: The working definition of an entrepreneur is someone who is half genius and half crazy. Crazy for taking the risks and genius for seeing opportunities lost to others. Being entrepreneurial is about recognizing an opportunity and doing something about it. Successful entrepreneurs have eagle eyes watching the market, knowing when to swoop down and seize the moment.

For example: McDonalds revolutionized the way we eat. It started with Ray Kroc, an unemployed piano player who made a living in the restaurant supply business. Ray sold stainless steel restaurant equipment to mom and pop businesses. One of his clients was the McDonald brothers' restaurant in California, serving a limited menu of inexpensive burgers, shakes, and fries. He approached the McDonald brothers about franchising the idea, but they wanted to keep the business close to home. He took a lease on the name, and the rest is history.

Why didn't Howard Johnson, the leading restaurant chain of the time see the same opportunity? Kroc had the vision and the guts to act on his vision.

Another example is Microsoft. Bill Gates recognized what the PC could do, and the need for a universal language for PC's, a vision that escaped IBM. The result has been a revolution in the way we do business.

Recently, the *Harvard Business School* profiled Tesco, a successful UK grocery chain in a case study Once a month Tesco's CEO goes to the supermarket floor to run a cash register in order to interact with customers. That's how he stays in touch. A company CEO must understand the consumers and advocate change, even if it is against current company culture.

SAR: What does re-entrepreneurship mean in agribusiness?

Halaby: Re-entrepreneurship is about identifying a niche market and capitalizing on it. Traditionally, this behavior is seen in smaller companies, but some larger corporations are getting into the act. They're realizing that their survival depends on the ability to introduce new products that reflect changes in consumer tastes and preferences.

For example, a large company like Cargill Specialty Oils stays in touch with all the major food processors. This puts them in the knowledge seat. They know what food processors want, what the market wants and meet their needs by offering a wide array of oils. By being close to the customer and thinking outside the box, they're open to the entrepreneurial spirit, and embrace it.

The re-entrepreneurship of business can take many forms, whether it's growing soybeans just for soymilk or delivering organic herbs for gourmet restaurants. There's a whole wide market of specialty needs waiting to be served with more niches forming all the time.

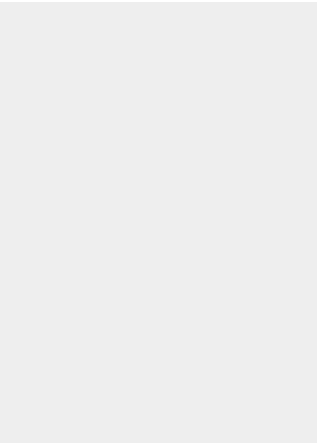
SAR: What re-entrepreneurship examples do you see in agribusiness?

Halaby: The seed business is dominated by huge companies. At the same time, there is still room for smaller specialty firms. Channel Bio and Remington Hybrids are good examples of re-entrepreneurship on opposite sides of the same coin. Channel Bio focuses on its forte, the marketing and sale of seed corn. It sources its genetics from the outside and contracts out production. Remington is the leading independent contract producer of seed corn in the U.S. By focusing on specific niches where their companies have strengths—either marketing or production—Channel Bio and Remington are able to lead, innovate and prosper.

SAR: Has there been renewed interest in investing in agribusiness?

Halaby: Yes. With the bloom having worn off high tech companies, investors are looking for new places to invest. The recent sale of UAP is a good example of this trend.

UAP is the largest retailer of agrichemicals in the country and was owned by ConAgra, which recently sold them to Apollo, an investment group. Under ConAgra, UAP may have been hampered by a parent company that tried to operate across the whole



focus, better service to customers, and likely some innovative approaches.

The lesson from the sale of UAP is that, if you are too big to act entrepreneurial, find a way to run your business like a small company.

Along with the examples I've already mentioned, my parting advice is this: Loosen up on some of the constraints. Don't serve the company, serve the customer. Be ready and flexible enough to react to change. Lastly, encourage the free thinker in your group who "zigs" when everyone else is "zagging."