

## **Incorporating Regulatory Scenarios into Cooperative Strategic Planning**

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Weather and regulations run neck and neck as the largest risk factors for agricultural cooperatives. The regulatory environment impacting cooperatives includes environmental, labor, health care, and tax regulations, just to name a few categories. That makes it worthwhile to incorporate a discussion of major regulatory trends in your strategic planning process. The value of the discussion is not in predicting tomorrow's regulatory environment. Rather, it is to think about the "mega-trends" in regulation and how the regulatory environment is likely to interact with the cooperative's strategies. This can be done through several steps.

The first step is to identify the major regulatory trends. The most important trends are long lasting, disruptive and not prone to be impacted by fads or political swings. The strategic planning team should identify the major areas that could impact the cooperative and also develop insights into the social, political and economic pressures that underlie the issues. We in agriculture often bemoan the public's poor understanding of our industry and erroneous perception of our impacts. From a planning perspective the key point is to identify what the public thinks and why are concerned. We don't have to agree with opposing views but we should be able to summarize their concerns and consider how those views could affect policy.

The next step is to think through scenarios of possible regulatory changes. For example, fertilizer regulation scenarios could be driven by interest in reducing runoff and non-point pollution, reducing agriculture's carbon footprint or concern over facility safety. Each of those regulatory scenarios would have different implications for cooperative fertilizer operations. Scenario analysis allows you to create a "heat map" prioritizing regulatory environments that would have the most impact on the cooperative. It also lets you consider opportunities.

The real payoff in incorporating regulatory outlook into your strategic planning is in thinking through how possible regulatory scenarios overlay with your strategic priorities. In some cases they are complimentary. A strategy of increased emphasis on precision crop nutrient application might be even more important if the regulatory environment places more restrictions of run-off or if carbon taxes increase the cost of fertilizer. In other case, regulatory scenarios uncover additional risk factors. GMO labeling could lead to increased need for segregation and could be at odds with a speed and space strategy focused on large scale tanks.

Regulatory changes are a risk, and occasionally an opportunity factor for agricultural cooperatives. While they may seem random, they are somewhat predictable. That makes it worthwhile to consider that element of your business environment in strategic planning exercises

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