



## CARTHAGE CORNER

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## Boom, Bust, and Baseball

It is hard not to have noticed the last few weeks all of the dramatic events in both the financial markets and the baseball playoffs. Being a Cardinals fan it does not particularly bother me that the Cubs choked their way out of the playoffs after spending an exorbitant amount of money. *The real question is, "What is the same between baseball and the financial markets?"*

Even if you do not follow the stock market, it has been hard not to notice over the last couple of years the tremendous run-up and the stock market value, home prices, and everything else. You certainly could not have missed the dramatic news of the stock market crash, credit markets seizing, and the federal government spending \$700 billion (I am not even sure how many zeros that is).

Presidential debates have been bickering on about better ways to save money, solve problems, while the value of your retirement account is decreasing precipitously. (I could spend the next 20 minutes on a rant about politics but we will have to save that for later.) Back to the matter at hand... The question you ask is, "So why include baseball in this?" Well, my old friend the Cubs did a lot of things that look pretty similar to the current mess we have on Wall Street. They spent a ton of money (overvalued players that they did not understand), had a great year (looked really good in the short run), got right to the end, and at the first sign of pressure **choked and vomited all over themselves (that is what I did when I looked at my retirement account)**. That kind of sounds like a Wall Street to me. Maybe there are a lot of similarities between baseball and the stock markets. If we understood those things then maybe we could avoid some of the same mistakes when raising pigs. "Okay," you say, "this is great!" "We have Lowe babbling on about theoretical arguments about the stock market and baseball and how it applies to pigs. Pigs, "oink", are how I make my living. Why would that have anything to do with anything else?"

Well my friend, let's explore.

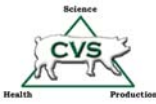
How do we get where we are in the stock market? Even if you do not understand the stock market, and I certainly do not, it was pretty easy to see what was going on. Investors wanted higher and higher returns. The way to make more and more money was

to take more and more risk. What risk really means in the stock market is that you are willing to loan people money with less collateral (less money down) and for that you charge them a higher rate of interest. Now this all works great as long as the person you loan money to continues to pay it back. When it does not work is when the person cannot pay it back. "So Jim," you say, "what does that have to do with pigs?" Well, it was not the fact that we loaned money to people who maybe could not pay it back, it was the **REASON WE WERE LOANING MONEY THAT WAS MORE IMPORTANT**.

Why were they loaning money like crazy men (I suppose it should be crazy people but I am OLD SCHOOL and my 7<sup>th</sup> grade English teacher marked us down if we did not use the male when we were talking about everyone)? They were loaning money because they were focused on the short-term. How do I win today? They got paid to make loans so they made loans and they never thought, "hmm... I wonder if they will pay me back?"

When we are talking about investing, we are talking about the long-term. We are talking about producing results over years, not months or days. In our information driven society we continue to say, "What did we do today?" "Is my stock value up or down?" Wall Street fell into that trap, created a bubble that certainly broke with the first stress and has caused tremendous pain and tragedy over the last several weeks.

Okay, I've heard that a hundred times on the news (unless you live in cave and then you probably can't read so you would not be partaking on this rambling discourse), but why baseball? Let's look at our old friend the Cubs. What are the Cubs really good at, yes they have perfected ineptitude? Yes, they can lose with the best of them. People have called them the "loveable losers" (I think it is better to call them the LL's so we will go with that from now on). I really think maybe they are just more of the losers, but we will leave that for later as well. So, the LL's three years ago hired a new general manager. What did the new general manager do? The new general manager wanted to win and so the new general manager said, "Ah, how do I win the fastest? Not how do I win the most consistently, but how do I win the fastest?" He went out, bought free agents, did not really understand how the players went to-



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### Boom, Bust, and Baseball Cont.

gether, did not understand their track records, and hoped that a bunch of guys who played the game a long time would not get injured and could keep performing like they had for the last 20 years. Did he know if they could? Hmm, maybe or maybe not, but he hoped.

"What happened?" Old Mark Hendry got his short-term results (and BTW a new fat contract this week). He hit the ball out of the park during the last 2 regular seasons. They won a lot of games. In fact, they were one of the best teams in baseball this year. Ah, (in all my stories there is always a but, seems like it is cynical, but... well I am.) Here's the relation to the financial market. The LL's focused on short-term winning; did not build a farm system; did not prove with a winning track record that they could do this over and over. The LL's went out, tried to hit the homerun, swung for the fences, and "Boom" – choke – puke – disgusting all over themselves. When they were heavily favored to win, the LL's just dropped the ball. Wait a minute; doesn't this sound a lot like the stock market? We revved it up and we looked really good until it came to the moment of truth and house of cards came falling down.

"Okay, I still do not get how this goes with pig farming." Well, let's think about what we do every day. We get up, we go to our job, we work, we either breed sows or we farrow, and we worry about what we get done today. Yes, this is extremely important we have to meet our daily tasks, but we all too commonly fall in a short-term trap and say, "Ah, what was my P/S/Y this year? How many reports did I get put out the door today? How many farms did I visit?" While all these short-term metrics are successful, we sometimes fall in the trap of not meeting our long-term goals. Why? Because normally things that are successful in the long-term are painful, slow, and hard in the short-term. Nobel prizes are not won for what we did today. Nobel Prizes are won for a lifetime of achievement.

So, what principles can we take away to improve our daily performance.

**1. Focus on the long-term.** With pig farming, veterinary practice, or generally in life we do not get to quit tomorrow. We have to do this for the next 5, 10, 20, 30 years. We need to understand our goals,

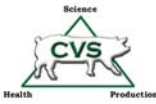
have a vision of how we are going to reach those goals, and continue to work hard every day on the important processes that get us to achieving those long-term goals.

**2. Focus on processes not results.** The stock market and baseball got very focused on results. "Did I have a high return today? Did I win the game?" We do these things as well. "Did I drive down prewean mortality? Did I make breeding target?" While we have to worry that we are doing the things that make short-term sense, we have to do them in a manner that yields long term results. We have to focus on "How did I make breeding target? Did I breed the right sows today? Did I save prewean mortality because I followed the standard operating procedures?"

Wall Street fell off the table because they did not follow the basic rules of lending. "Was I lending to people who I thought could pay back?" It looked good in the short-term, but it has clearly bit us hard in the long-run. Are we doing those same things every day in how we approach our jobs to make sure that we are successful over the long-term?

**3. Remembering it's not all hugs and kisses.** Every great success story always has some tragic step backwards early in the story. We, while doing our job every day, have to remember that some days do not go so well. We make mistakes, but it is not "if" we make mistakes, it is "how we respond" to those mistakes that will determine if we are going to be successful in the long-run. Always remember to hold your head high, admit that it was wrong, and then think of how you are going to solve it. That will lead to greatness.

**4. Keep things in perspective.** This year the LL's fans are the best example of this. I have numerous friends and family who seem to be diehard LL's fans (*they clearly have some genetic defect that prevents them from dealing with reality, but we will deal with that in a separate discussion*) who think that their team is always going to win. They get new hats, shirts, etc every year, they get excited, and this year they had their tickets bought to the World Series. What happened after the loss to the Dodgers? Well, a couple of my friends went out and burned all of their LL's paraphernalia because they were so disgusted that their team did not win the series. (This is a true story and they were sober, which for



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## Boom, Bust, and Baseball Cont.

them, is a change when they did it. Maybe that explains more than I thought.)

Now, those of us who are more rational about baseball than your run-of-the-mill Cub fan saw this as being highly predictable. Right? The fact that the Cubs lost was nothing new, we expected it to happen, and it was going to happen. However, my friends who are the Cub fans could not keep that in perspective. Understand that every time something goes wrong it is not a crisis. How many times in our own lives do we sit back and make a bigger deal out of things than what they really need to be? Hey, it was going to happen, I did it, I behaved the way that was going to make it happen, and now I just need to pick myself up and go on. This is a great lesson for resiliency and overall life happiness.

Well, I hope you now can make the clear tie between baseball, the stock market, and how we run pig farms on a daily basis. I know; this is not your typical Carthage Corner article. Well, let's be clear.

I am not your typical veterinarian. My friends (yes, Doug and I have some, ok ) say I may not be the typical human being, but let's not go there because that is a whole other conversation. But if there is one thing I can leave you with, it is to think about the long-term. How do I become successful? Not today, not tomorrow, but over the next year, 5 years, or 10 years to meet my goals and make myself and the company successful.

Jim

p.s. I just wanted to author this under a *nom de guerre* like the cool author as I secretly want to be and I AM SO NOT COOL but they made me sign my name, maybe I will protest but if this is like the NFL I will be deactivated for a game then placed on waivers and my golf game is not good enough to support me, so I had to bend to the will of the machine and return to my role as part of the giant medial industrial complex...



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