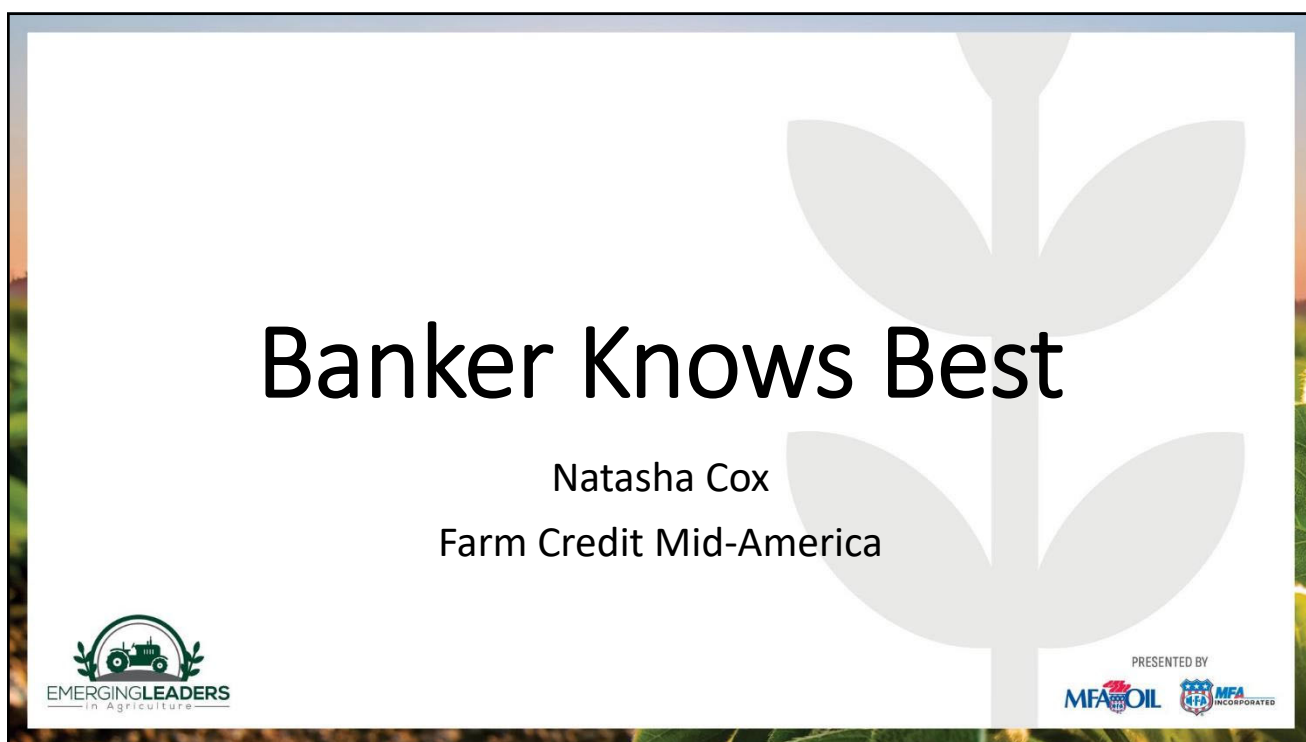




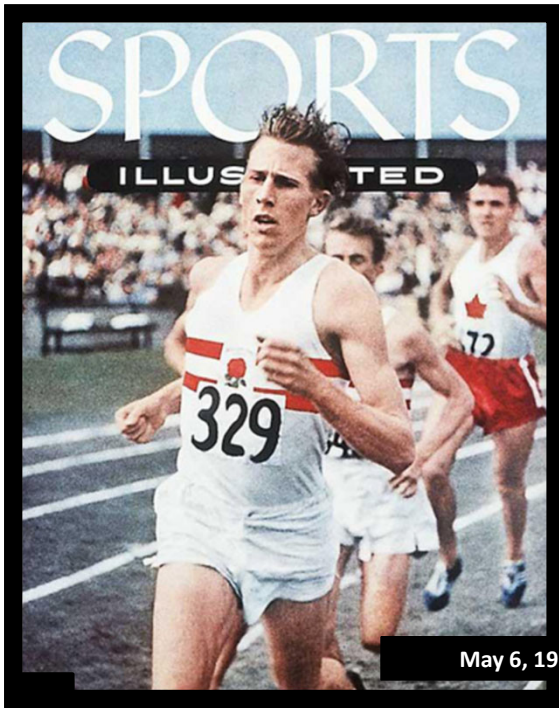
1



2

3:59.4

3



May 6, 1954

## Sir Roger Bannister

*Brit, Neurosurgeon, Phenom.*



4



**490 BC**

5

**Impossible**

6

18X

7

What changed?

8

**impossible**

9

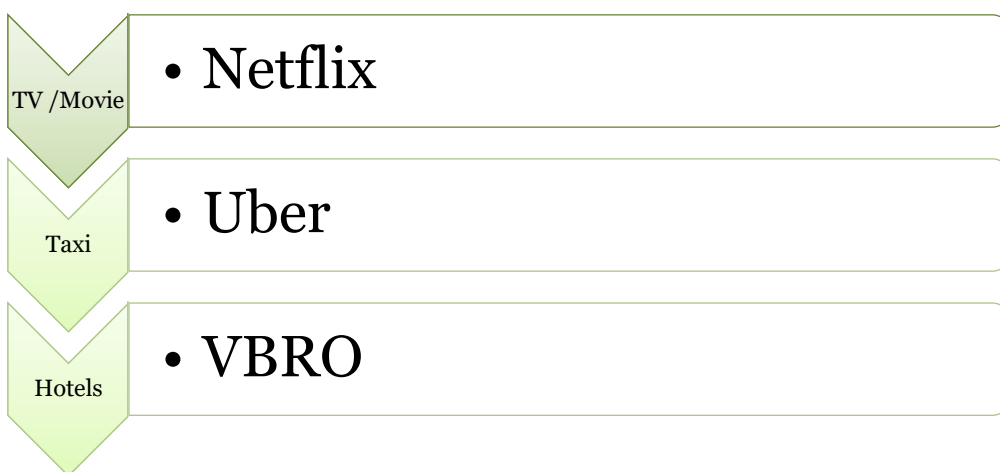
**What's your 4  
minute mile?**

10



11

# Velocity of Change



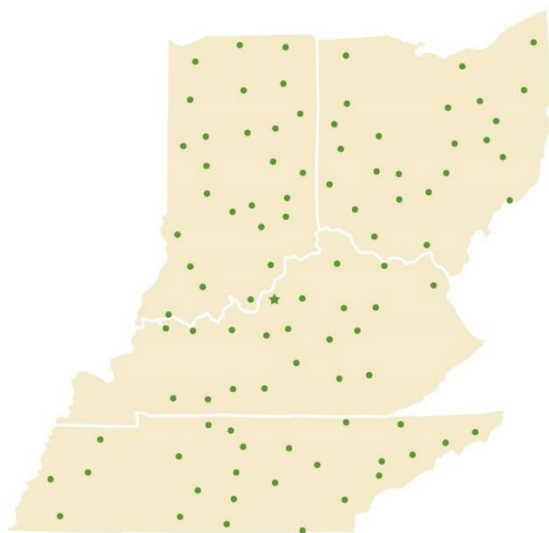
12



## Farm Credit Mid-America

\$30 billion ag lending  
**cooperative**

Provide loans and leases to  
farmers, agribusiness, and rural  
residents



13

## WHY ARE WE HERE?



Understand  
what a lender  
needs to help  
make the farm  
financially  
successful



14



# Lender Expectations

15



## CHARACTERISTICS OF TOP PRODUCERS

When we ask our loan officers, "What are the qualities of your best customers?" here's what they said:



Continuous improvement, always seeking feedback



Accurate, consistent information is readily accessible



Ability to have a constructive conversation



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## WHAT YOUR LENDER EXPECTS FROM YOU?

Update financial information every year	Use your loan proceeds for their intended purpose (i.e. RLOCs)	If things need changed, you come to the table with a game plan
Pay your loans on time, and communicate ahead of time if that is going to be an issue	Know your breakeven	Know your short-term and long-term goals for your operation
Be as invested in your business as you are asking us to be	That a "yes" or "no" decision has you and your operation's best interests at heart	Mitigate risk

17

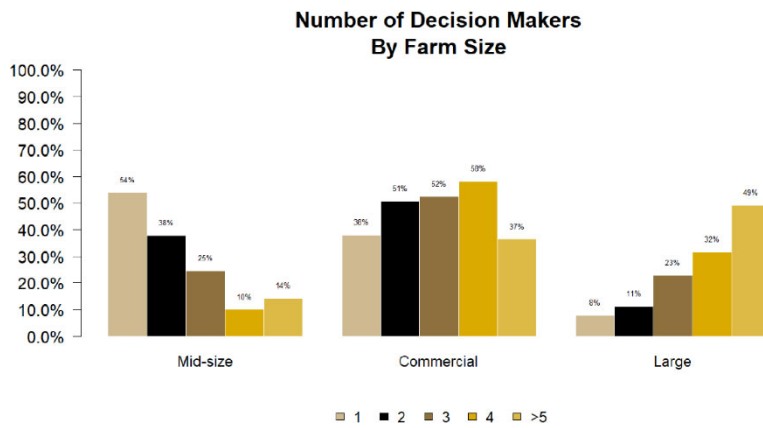


## WHAT SHOULD YOU EXPECT FROM YOUR LENDER?

Flexibility	Dialogue on what short-term debt can do to your long-term goals	Communication style that matches yours
Financial analysis based on information you provide	Financial tools and resources	Know your short-term and long-term goals for your operation
Explanations on "yes" and "no" loan decisions	Understand how to calculate and communicate the ratios of your operation	Explain options when times get difficult

18

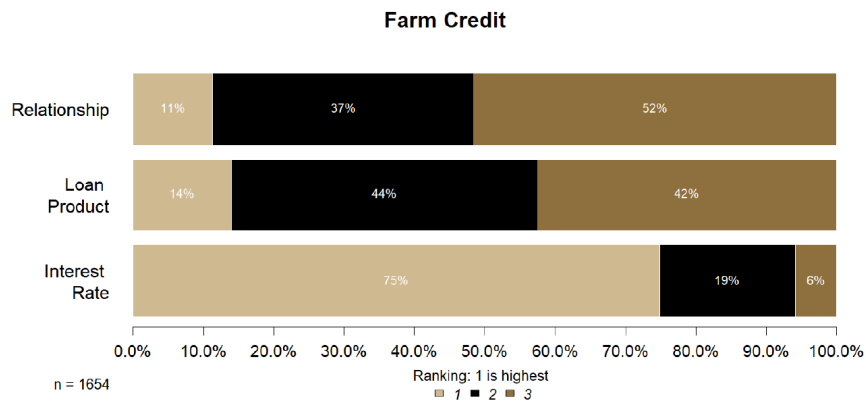
## Key Decision Makers



18

19

## What's Important to the Borrower

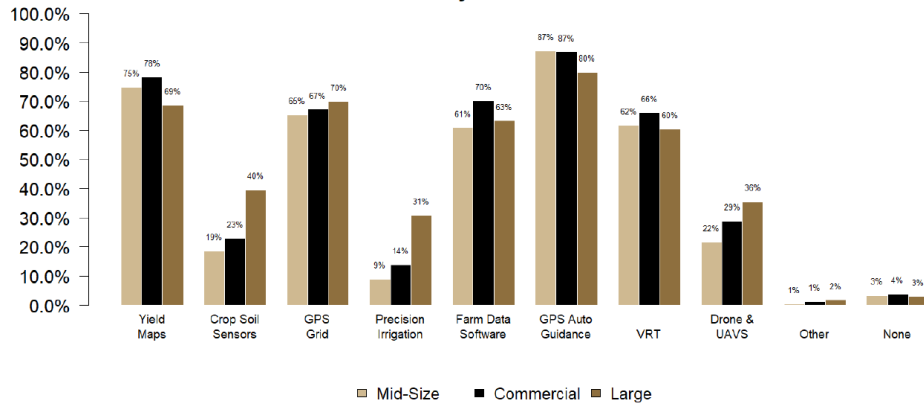


20

## Farms of the Future



**Data Technology Use**  
Please Indicate which of the Following Types of Farm Data Technologies You Use By Size

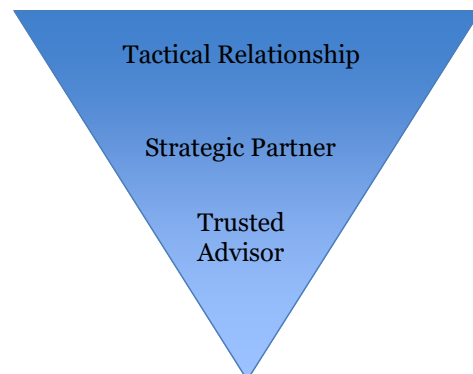
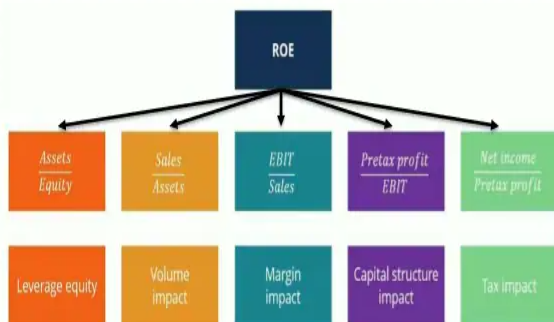


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## Velocity of Change



### DuPont Analysis



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# Levers



Cost

Output

Yield

People

Assets

23

Goal Setting



24

## GOAL SETTING



### Set short-term and long-term goals

- Personal, family, and business
- Need to mesh
- Provides direction/priorities for action
- Starting point to mark accomplishment

### Share your goals

- Family and business partners → Budget
- Business investors → **Business Plan**



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## THE BUSINESS PLAN



### Why does my lender care if I have a business plan?

- Outlines a customer's goals and objectives
- Challenges customers to think through "what if" scenarios
- Helps your lender to understand your operation
- Hold yourself accountable
- Gives insight into management capacity

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## ELEMENTS OF A GOOD BUSINESS PLAN



What does your lender look for?

Realistic and measurable goals

Time and effort put into the plan

Evolves with your operation

The more your lender knows about your operation, the better partner they can be.

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## THE BUSINESS PLAN



### What should my business plan include?

- Capital Request
- Business Overview
- Production System
- Competitive Advantage
- Crop/Livestock Plan
- Insurance and Contingency Plans
- Financial Projections

The form is a comprehensive business plan template for Farm Credit Mid-America. It includes sections for:

- Capital Request:** Fields for loan request amount, term, and payment frequency.
- Business Overview:** Fields for Name, Email, and Business Plan Date.
- Financial Projections:** A detailed table for projecting annual cash flow, including Farm Income (Crop, Market Livestock, Breeding, Livestock Purchase, Other Agricultural Products, Government Payment Income, Custom-Hire Income, Other Farm Income, Non-Farm Income) and Farm Expenses (Fuel, Insurance, Interest, Labor, Rent, Repairs, Storage, Taxes, Utilities, Veterinary, Other Farm Expenses, Total Farm Expenses).
- Non-Farm Expenses:** Fields for Depreciation, Interest, Other Non-Farm Expenses, and Total Non-Farm Expenses.
- Other Sections:** Fields for describing how the loan proceeds will be utilized, how the request contributes to the success of the operation, the responsibilities of Farm Credit, and the background in agriculture.

28



A detailed business plan with well thought out goals goes a long way for a lender.



29



Character and management is something you can control.

What if it were your personal money?

30

## Financial Information



31

Do you provide updated financial  
information yearly to your lender?

32



## WHAT IS A BALANCE SHEET?

Shows the overall financial position of an operation, or person, at a particular point of time.

It is a static document, consisting of..

Assets      &      Liabilities  
What you own      What you owe



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## ASSETS VS. LIABILITIES



### Asset:

Property owned by a person or business that can be converted into cash.

### Liability:

Debts owed by a person or company. Settled by transfer of money, goods, or services.

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## BALANCE SHEET MISSES



### Most Commonly Missed Items:

- Accounts Payable/Receivable
- Grain Inventory
- Details on debts (rate, term)
- Medical bills
- Fuel
- Inventory for other businesses
- Spouse's information

35

### Pro-Tip

"It's NYE!  
We interrupt  
this  
celebration  
to...look at  
year end  
financials"

### 12/31 Balance Sheets are a BIG DEAL

- Keeps things consistent
- Lines up with your taxes
- Lender get's a complete picture...**Accruals!**

36



## KEY NUMBERS – BALANCE SHEET

Here's what we can calculate from a Balance Sheet...

Total Equity  
(Net Worth)

Working  
Capital

Equity to Asset  
Ratio  
(Solvency)

The stronger these ratios, the more options you have available as a producer.

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## TRENDS

If we have correct information, year over year...we can identify trends

TOTAL EQUITY



WORKING CAPITAL



EQUITY TO ASSET RATIO



38

If we want a quality decision...

We have to start with quality information.



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## WHAT IS AN INCOME STATEMENT?



Farm Credit Mid-America uses your taxes to put together an income statement.

Your income statement captures three things:

- Revenue
- Expenses
- Depreciation



Ultimately it shows us how **PROFITABLE** your operation is.

40





## KEY TERMS

---

Revenue –	Total income derived from the sales of goods or services
Expenses –	Costs incurred by a business through their operations to earn revenue
Depreciation –	Decline in the value of a physical asset as it used over time
VFP –	Value of Farm Production. All income generated by a farm business, minus the cost of inputs, feed, and purchased livestock. For grain operations it is usually the same as GFI

41

What does your income statement tell us about your profitability?

42



## KEY NUMBERS – INCOME STATEMENT

Here's what we can calculate from the Income Statement...

Working  
Capital/VFP  
(Liquidity)

Debt  
Coverage  
Ratio

The stronger these ratios, the more options you have available as a producer.

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## HOW MUCH WORKING CAPITAL DO I NEED?

\$100K in working  
capital looks very  
different based  
on if you farm 20  
acres or 2,000

The best way to answer that question is to look at your liquidity.

That number will tell you how much cushion you have, relative to the size of your operation.



44

## DEBT COVERAGE RATIO



For every dollar of debt  
that I have –  
how much extra  
do I have  
to service that debt?

### Risk Levels:

>1.5

1.2-1.5

<1.2

**Projected DCR looks at  
what we EXPECT to  
happen in the next year.**

45

### Pro-Tip

“I’ve never  
seen a farmer  
go broke  
paying taxes.”

- Dr. Kohl

### There are worse things than paying taxes:

- “I’d rather buy something new than pay Uncle Sam” can be a trap
- Purchasing a \$250K piece of equipment to save \$5,000 in taxes isn’t always the best idea
- We know tax mitigation is an important strategy for your business – consider discussing with your CPA and lender to identify your best option

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## COLLATERAL



Assets or resources used to secure a debt for a note or mortgage, that should value more than your loan amount.

How does a lender determine the value of collateral?

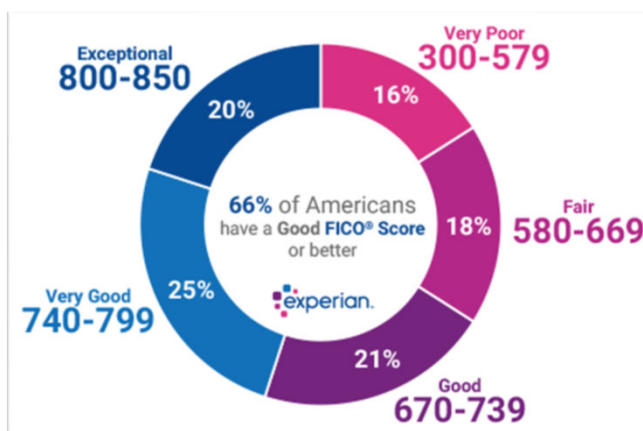
How much collateral does a lender need?

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## YOUR CREDIT SCORE IS YOUR FINANCIAL GPA



**How likely are you to default in the next 24 months?**



<https://www.experian.com/blogs/ask-experian/credit-education/score-basics/what-is-a-good-credit-score/>

48



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# Questions

