



Joel Lorenzen
Chief Credit Officer and
Chief Operations Officer
Farm Credit Services Southwest
Tempe, AZ

Agriculture in Uncertain Times

June 17, 2009

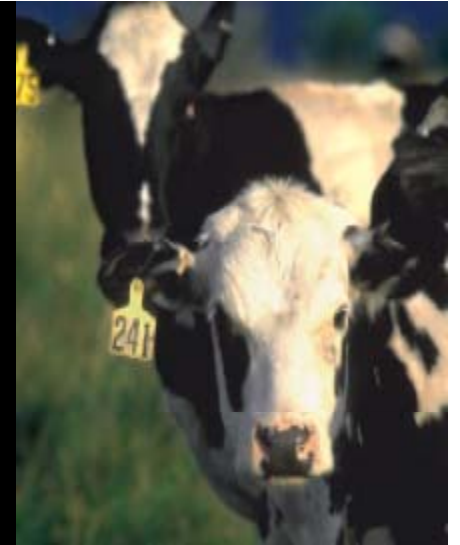
Joel L. Lorenzen

Chief Operation Officer

Chief Credit Officer

Farm Credit Services Southwest

Tempe, Arizona





How good is your lender?

- Are they committed to your industry?
- Do they know your business?
- Do they talk “straight” with you about your business?
 - ❖ Do they share where you stand compared w/peer group?
 - ❖ Do they sometimes ask the hard questions?
- Do they avoid surprising you on short notice?
- Do they share options and strategies for you to consider?
- Does your business run better with them?

Consideration for Long Term Lending Relationships

- Five “C’s of Credit
 - ❖ **Capital** (Equity and Liquidity): leverage for operating credit needs and contingencies
 - ❖ **Capacity** (Repayment): profitability and cash flow
 - ❖ **Collateral** : Last resort for repayment
 - ❖ **Conditions**: Terms of the loan
 - ❖ **Character** (Management):
 - ❖ Is the farm/ranch run like a business?
 - ❖ Business management skills?
 - ❖ Financial records & business plan?

Business Plans



➤ Unwritten plans

- ❖ Limited use – ultimate cost is often the of life cycle of the business

➤ Written Plans: Strategic Plan & Financial Plan

- ❖ Communication with owners and stakeholders
 - Benchmark for tracking progress
 - Agreement on business direction
- ❖ Strategic Plan
 - Objectives, Strategies, and Actions
 - Action steps to fulfill strategies
 - Accountability to others

Business Plans



➤ Financial Plans

- ❖ Production Plan (crop or livestock)
- ❖ Operating Budget
- ❖ Capital Budget
- ❖ Enterprise Tracking

➤ What can I do to improve?

- ❖ Education on finance and accounting
- ❖ Get help, read books, take classes
- ❖ Hire accountant

12 Steps to Prosperity



1. Positive relationship with lender who is committed to your industry and understands your business
2. Excellent financial records and management reports
3. Complete enterprise analysis (segment or commodity) - minimize less profitable segments
4. Assess staff capabilities (including family members) and make adjustments as needed
5. Minimize expenses/costs whenever possible
6. Manage the whole margin - costs and sales

12 Steps to Prosperity



7. Renegotiate rents, leases, term contracts if possible
8. Reduce family living expense withdrawals
9. Utilize all available risk management tools (insurance, hedging, fixed rates)
10. Take steps to maintain or increase liquidity (sell assets if necessary)
11. Take multiple actions sooner to preserve options
12. Capture opportunities – efficiency and/or expansion

Summary

- Identify small issues before they become problems and solve them
- Planning process identifies and takes advantage of opportunities

