



Robert Syron
Director of Credit
Wilbur-Ellis Company

Ag In Uncertain Times

helping producers and others meet the challenge...



“Operating in the face of uncertain credit”

Wilbur-Ellis Company
Robert Syron
Director of Credit
June 17, 2009



First of all – Let's set the Stage

- Wilbur-Ellis Company is an agricultural supply company.
- We do not want to be a bank and cannot play that role in today's marketplace.
- We would prefer that the bankers provide adequate funding to help our customers pay their Wilbur-Ellis Company bills each month.
- That said – the discussion topics for this seminar are relevant in our company as well --

Discussion Topics

- Ag Credit today.
- What do we consider when a customer asks us to offer extended payment terms?
- What should a farm or ranch business do if they find themselves in financial trouble?
- How important are lending institution / vendor relationships?
- What are the critical actions to keep your business healthy in the current economic climate?

Ag Credit Today

- Wilbur-Ellis Company considers Credit the #1 concern in our company in 2009/2010.
- We believe money is generally available in the traditional lending institutions, however, criteria and lending limits are tightened.
- The customers will need to be better prepared to talk to their lenders with current balance sheets, profit and loss statements, crop/livestock production plans and realistic cash flow budget projections.
- Naturally more of the customers will look towards the crop input suppliers for extended terms due to credit tightening and bank closures. If the customers default on the payments to the suppliers, the suppliers are forced into carrying these balances which elevates the supplier risk.
- We have spent several months preparing for the challenges we face in 2009 (credit decisions, expense control, managing our balance sheet, etc.)
- We are focusing on strict adherence to our Credit Policy.

Ag In Uncertain Times



What do we consider when a customer asks us to offer extended payment terms?

- First of all – the customer needs to ask themselves – “why wasn’t I provided full financing?” If the bank doesn’t provide all of their operating needs – then who is?
- If a customer expects the suppliers to carry the balance we need the information to support the request and we will make the decision on whether to extend credit based on the same criteria as a bank.
- Current account applications, balance sheets, and profit and loss statements are not always attainable.
- Cash flow projections – where is our payment coming from?
- Is there a 1st lien security position available?
- Do they have an operating lender or some other source of funds for their operating needs?
- Product pricing and margin considerations will be increased to mitigate our credit risk.
- The customers will be required to meet our credit underwriting standards and there will be minimal exceptions.

What should a farm or ranch business do if they find themselves in financial trouble?

- Recognize and accept the situation as soon as possible.
- Contact their major creditors as soon as possible to inform them of the situation and start working on a resolution.
- Work through the situation internally, if capable, or GET HELP.



How important are bank / vendor relationships?

- The average producer may struggle as much as anybody in 2009/2010 obtaining adequate funding at their traditional lending source.
- Who is going to provide the additional funding? What are the alternatives? Keep in mind that suppliers such as Wilbur-Ellis Company provide 30-40% of the crop input needs – fertilizer, crop protection, and seed. It is in everyone's best interest to find alternative solutions if the grower is credit worthy.
- There will need to be more coordination and working together between the banks and the supply vendors – 3rd party agreements, sharing revenue, first lien positions on security, etc.
- Wilbur-Ellis Company currently works with other lending institutions through point-of-sale financing and participating our accounts receivable -this has been a positive experience for all parties, especially the customers.



What are the critical actions to keep your business healthy in the current economic climate?

- Manage the balance sheet – focus on reducing debt and improving liquidity.
- Implement cost cutting measures.
- Complete a due diligence on the elevator, processor or any company that purchases their farm/ranch production. Are they financially sound?
- Carefully consider whether expansion is prudent at this time. Is the expansion just to get bigger or does it fit with their core objectives?

Thank You

Ag In Uncertain Times

