



“Ag in Uncertain Times” What we learned from the 80’s

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Ag in Uncertain Times
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Ag in Uncertain Times

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Extension Risk Management Education Program

University of Delaware – Northeast Region

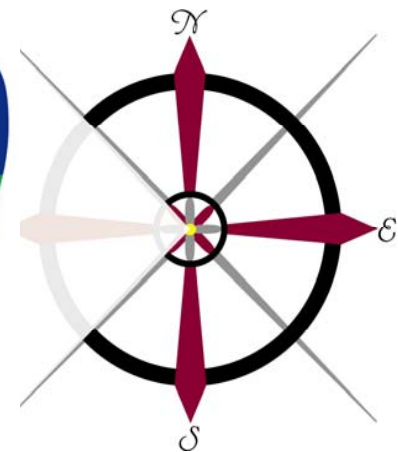
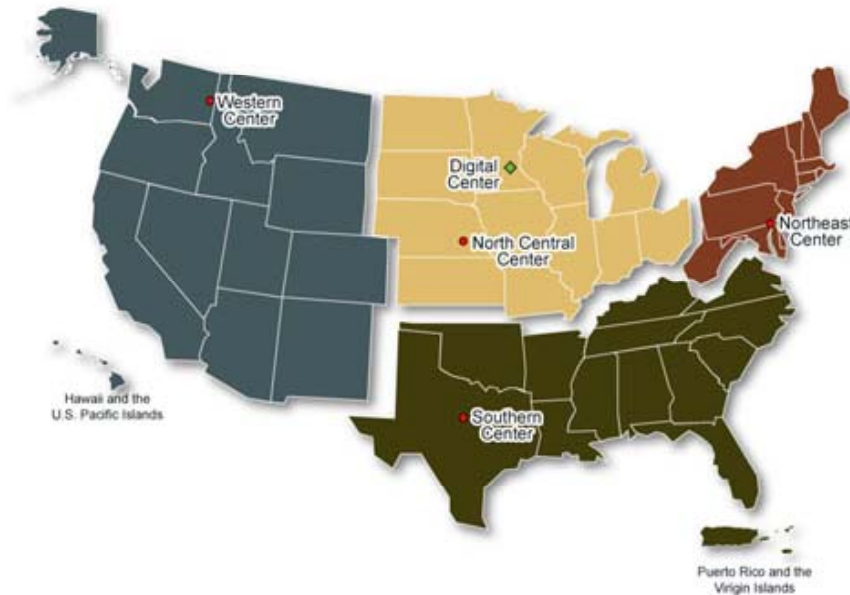
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Ag in Uncertain Times

- History
- Always producers experiencing financial stress
- Not cry wolf but definitely increased



Ag in Uncertain Times

- Situation in the 1980's
 - Asset values rapidly declining, land 75%
 - Interest rates at 16% - 18% - 22%
 - Cash Flows tight
 - Many producers insolvent at “Fair Market Value”
 - Liquidation = Lender write off's
 - Lender problems resulted
 - Chapter 12 –1987, Shared Appreciation Agreements FSA



Ag in Uncertain Times

- Situation in 2009
 - Asset Values have softened a bit
 - Interest rates are very low
 - Worldwide Financial Crisis
 - Volatility in both the cost of inputs and the value of production sold has caught many in a squeeze
 - Cash Flow is terrible
 - Lots of Credit Card debt
 - Many producers still have significant equity



Credit Cards

The Average American Family Has:

- **\$6,892 in Credit Card Balances.**
- **On 9 different Credit Cards.**
- Average consumer credit card rate: **13.88%**
- Average student credit card rate: **14.45%**
- Average business credit card rate: **10 - 11%**



Ag in Uncertain Times

- Situation in 2009
 - Decision
 - Preserve Equity?
 - Roll the Dice?
- People in Stress (drowning man)



Ag in Uncertain Times

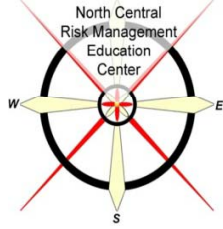
- Lessons Learned from the 80's
 - Role of Extension Professionals
 - Not the expert but Facilitator/Coach
 - Gather information and Identify Key Issues
 - Helping producers generate THEIR alternatives/options
 - Helping producers evaluate THEIR alternatives/options
 - Empowering producers so they can make THEIR decisions



Ag in Uncertain Times

- Lessons Learned from the 80's
 - You will be asked “What should I do? or What would you do if you were me?”
 - It is very tempting and great for your ego to have producers under stress putting so much trust in you, but...
 - Asking the right questions is much more effective than telling producers what to do

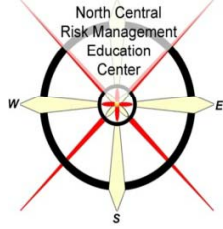




PROCESS

- Introduction
 - Convey to Producers that you are:
 - Competent and that you have experience
 - That they can trust you with their situation
 - That you will be confidential
- Ask the question.
 - What brings you in?
 - How can I help you?
 - After the question, shut up and listen

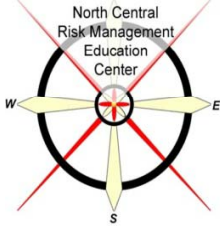




PROCESS

- Listen
 - Gather facts, information, feelings and understanding about the situation
 - Listen/observe with all your senses
 - Ears, what are they saying
 - Eyes, the non-verbal stuff, interaction between parties
 - Intuition, what else is going on
 - Temptation to pigeonhole
 - Observe all members in the meeting
 - Spouses
 - Children





PROCESS

- Gather information
 - What is your lender telling you?
 - Do you have a balance sheet?
 - Are the assets valued at fair market value?
 - Are there any other debt obligations?
 - What else should I know?
 - Do you have any income and expense records or tax returns?
 - Have you done a cash flow?

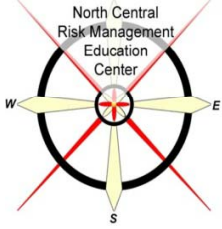




PROCESS

- Identify the urgency of the situation
 - Are there any “time sensitive” issues
 - Deadlines
 - Foreclosures/ replevins
 - Food, health, medical, mental, housing or utilities
- Identify “Key Issues”
 - Financial
 - Solvency, Liquidity, Cash Flow, Profitability or debt structure
 - Personal/Relationships
 - Lender confidence, Communication, health, marriage race





PROCESS

- Help Producers focus on the “First Hurdle in their race”
- What would you like to see happen?
 - Stay the same, no changes
 - Who do you want to make the decisions, you or your lender





PROCESS

- If something had to be liquidated? What would it be? Prioritize
- Are your Assets Earning their Keep?
- What do you think your options are?
 - Begin to help **THEM** Identify **THEIR** alternatives/options





PROCESS

- List all options including do nothing
- Are there any alternatives you absolutely would not consider?
- Is there more information that needs to be gathered in order to make an informed decision?
 - Tax Consequences
 - Family members opinions
 - Other

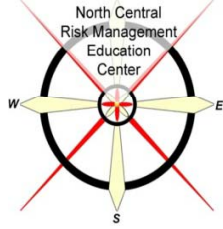




PROCESS

- Help them produce a “To Do” list.
 - Who is responsible to make sure it is done?
 - By when?
- What will happen after they gather the information?
- Review to make certain they are on board
- Give your contact information and when it is and is not appropriate to contact you
- What else can we do today?

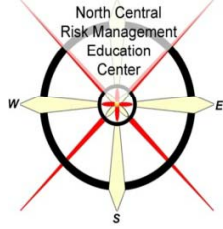




PROCESS

- Are you sleeping OK at night?
 - Normal people under stress like you are going through experience
 - Problems sleeping
 - Sleeping all the time
 - Substance abuse
 - Marriage problems
 - Difficulty in making decisions
 - If you would like to discuss how other people who are going through the same things handle this contact.....





PROCESS

- Resources
 - Mental health
 - Housing, heat, utilities and food pantries
 - Hot Lines
- Your contact information again
- I like to shake their hand when they leave...just something about the personal contact.



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