



What Have We learned?

What Do We Need to Apply?





**Jay Penick,
President and Chief Executive Officer,
Northwest Farm Credit Services**

June 10, 2009

Today

- Stressed agricultural markets
 - Downturns in timber, nursery, poultry, hogs, dairy, and cattle, industries
 - Higher costs and significantly reduced prices
- Ethanol
 - Facing economic downturn and lower oil prices
 - Gas dropped from more than \$4 to less than \$2.50 per gallon
 - Feed (e.g. corn) prices fall
 - Ethanol industry in crisis (e.g. bankruptcies)
- Housing bubble burst; prices drop off table
- Credit markets are much tighter
- Commercial banking industry in financial turmoil



Jay Penick,
President and Chief Executive Officer,
Northwest Farm Credit Services

June 10, 2009

Impact: Changing Lender Focus

- Changed perceptions and attitudes surrounding the finance industry
 - “Anything goes to nothing goes” significantly reduces credit availability
 - Credit quality, delinquencies, and repayment capacity are moving in the wrong direction quickly
 - Capital availability is the bigger question
 - Followed by which borrowers get approval and the dollars they need
- Interest rates are stable or a little lower
 - But, lenders are requiring spreads that are 100 or more basis points higher than a year ago on the same quality deals



Cori Price

Vice President

Senior Commercial Loan Officer

South Valley Bank & Trust

What are the critical actions farmers/ranchers should be performing to keep their business healthy in the current economic/business climate?

- Capital expenditures – must pay for themselves
- Non-essential improvements/purchases should be delayed
- Expense control
- Tighten personal family living expenses
- Review marketing plans – have more than one option



Joel Lorenzen

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

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



DAWN THILMANN

Professor of Agribusiness and Agribusiness Extension Economist, Colorado State University

Five Stages

5 STEPS

- Planning
- Define Mission and Objectives
- Strategies and Action
- Monitoring Key Projects/Objectives
 - Crucial to 1st year in new enterprises
- Organizational Realignment
 - Revisit personal, financial and value issues
 - Are partners needed? Alliances needed?



EDWARD USSET

Grain Marketing Specialist, Center for Farm Financial Management, University of Minnesota

Have a Plan!

- ✓ A marketing plan is a proactive strategy to price your grain that considers your financial goals, cash flow needs, price objectives, storage capacity, crop insurance coverage, anticipated production, and appetite for risk

Proactive, not reactive, not overactive





Raleigh Curtis, past General Manager, Mid Columbia Producers, Inc.

Wheat as an
example of
commodity
price declines.



2008-2009!?!

Now what

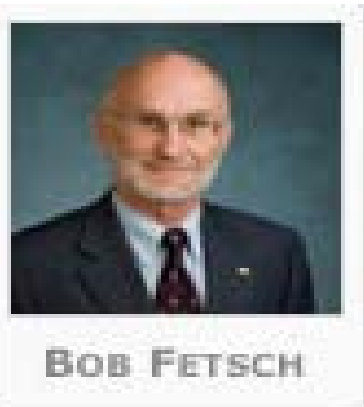


BOB FETSCH

By Robert J. Fetsch, Ph.D.,
Extension Specialist Human Development &
Family Studies & Professor
Department of Human Development & Family
Studies
Colorado State University

Why Is Managing Tough Times Important?

- When times are tough, people are more likely to have problems with:
- Stress
- Anger
- Depression and emotional problems
- Suicide
- Family conflict and turmoil
- Disruption of family relationships



Farm and Ranch Family Stress and Depression: A Checklist and Guide for Making Referrals¹

Roger T. Williams
Professional Development & Applied Studies
University of Wisconsin-Madison

Robert J. Fetsch
Human Development & Family Studies
Colorado State University

SIGNS OF FARM AND RANCH STRESS

The last few years have been difficult for farm and ranch families. Many are experiencing financial and emotional stress as a result. There are several signs or symptoms when a farm family may be in need of help. These are signs that can be observed by friends, extended family members, neighbors, milk haulers, veterinarians, clergy persons, school personnel or health and human service workers. These signs include:

- **Change in routines.** The rancher or ranch family stops attending church, drops out of 4-H, Home makers or other groups, or no longer stops in at the local coffee shop or feed mill.
- **Increase in illness.** Farmers or farm family members may experience more upper respiratory illnesses (colds, flu) or other chronic conditions (aches, pains, persistent cough).
- **Appearance of farmstead declines.** The farm family no longer takes pride in the way farm buildings and grounds appear, or no longer has the time to do maintenance work.
- **Care of livestock declines.** Cattle may not be cared for in the usual way; they may lose condition, appear gaunt or show signs of neglect or physical abuse.
- **Increase in farm or ranch accidents.** The risk of farm accidents increases due to fatigue or loss of ability to concentrate; children may be at risk if there isn't adequate childcare.
- **Children show signs of stress.** Farm and ranch children may act out, decline in academic performance or be increasingly absent from school; they may also show signs of physical abuse or neglect.



**Gary Brester, Professor, Department of Agricultural
Economics & Economics, Montana State University**

I Hate Change!

General Eric Shinseki

(U.S. Army Chief Of Staff)

“If You Don’t Like Change,

You Are Going To Like Irrelevance Even Less”



GARY BRESTER

Gary Brester, Professor, Department of Agricultural Economics & Economics, Montana State University

Who Has The “Bright” Future?

- 1. Above Average Profits Depend Upon The Development Of A Strategic Advantage**
- 2. Commodity Producers Need To Generate Low-Cost Advantages**
 - a. Size**
 - b. Technology**
 - c. Efficiency**
- 3. Differentiated/Focus Producers Need To Be Excellent Entrepreneurs**

What have we learned?

- Current conditions have put certain sectors of U.S. agriculture in a precarious spot and economic conditions are rapidly bringing challenges to many other producers.
 - » **It may be as challenging as it has ever been for some producers**
- To survive and succeed, agricultural producers will need to be proactive as the business of the “business” has never been more important.

There was consensus!

- Excellent financial records as well as a business plan that is adaptive and forward looking to meet this and the next set of challenging times are a necessary input for the operation of the farm or ranch.
 - » **Financial records with analysis and a business plan may be one difference in getting financing!!**
 - » **They also may provide valuable insights for families working their way through troubled times.**
 - » **Working capital/liquidity are also critical to stay in credit markets.**

It requires work!

- Marketing requires dedication, diligence, and discipline but there are opportunities to take that extra dime or to find that profitable niche.**
- Work on keeping the mental health strong of farm and ranch families and the human resources involved in the agricultural production business, is as important as the business of business and growing the crop.**

Our Challenge for You!

- Many of the folks who made presentations are available if you'd like to follow up with them.
- Access the materials - including the wealth of decision tools and other resource materials.
- Our human resources are stretched thin but we *challenge* you to take the information available from this series, or other places cited during the series and put them to work . . .
- . . . to make a difference with those farm and ranch families who are working through uncertain times.

Questions?

