

Ag Lenders:

*Help Your Producers Seize Opportunities In The
2020 Ag Commodity Markets*

MOODY'S
ANALYTICS

Better, Faster Decisions

Ag Webinar: March 3, 2020 | Doug Johnson

Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*



Join Doug Johnson from Moody's Analytics and Mike Pearson from the Zaner Group and Co-Host Of Ag News Daily as they discuss:

Educating Your Producer On How To Seize Opportunities In Our 2020 Ag Commodity Markets

Producers "Producing" Is Not The Challenge Today. Getting Producers To "Profitably Market What They've Produced" Is The Challenge.

Have You Ever Heard The Saying: Using The Grain Bin As A Checkbook? That Is Not Effective Marketing And Not Sustainable For The Future.

Join Doug & Mike as they discuss thoughts on what will be required for Producers **and** Ag Lenders to remain sustainable as our industry faces continued commodity market challenges.

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Agenda

- Introductions
- Market Outlook & Key Drivers
 - *Trade Agreements*
 - *Global*
 - *United States*
- Moving the Needle
 - *Value of Your Time*
 - *Tractor Drivers*
 - *Business Mindset*
- Action Plans



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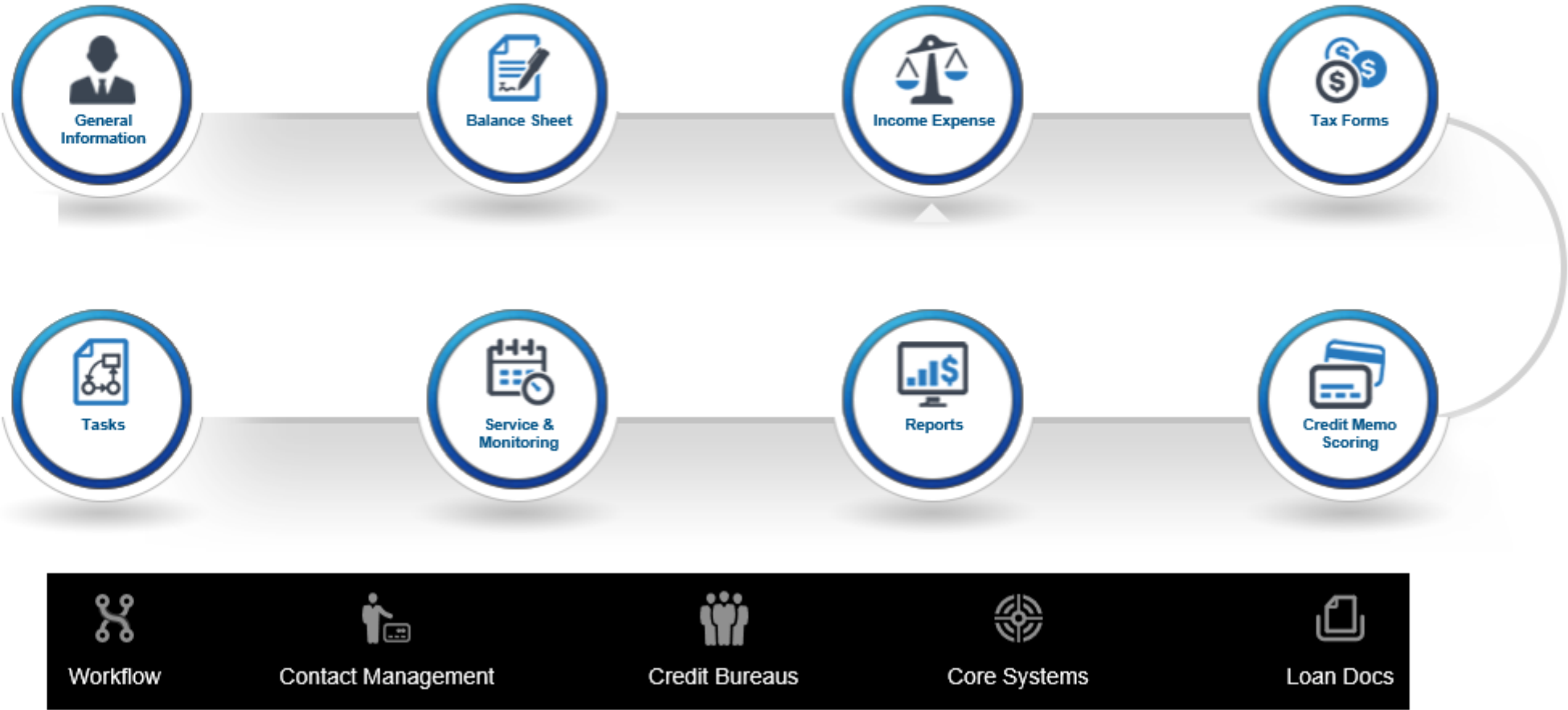
Moody's Analytics Lending Cloud

 SaaS Platform

New:

Ag Peer Benchmarking

Ag Scorecards



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Ag Peer Benchmarking

- Create Value
- Eliminate Excuses
- Create Opportunities
- Drive Results



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Ag Scorecard

- 4 Models
 - Crop
 - Livestock
 - *New:* Feedlot
 - *New:* Dairy
- Compare Internally
- Model Confidence
- Quicker Decisions

Your Bank Risk Rating

Score Now

Score = 1.50
REVIEW

2 Good

Financial Statements and Forms calculated from:
Balance Sheet: Inc. / Exp.:
12/31/2015 01/01/2015

| Criteria | | Wt % Review |
|------------------------------|--------------------|-------------|
| Management Experience | Greater than 15yrs | 12.50 - |
| Experience in Industry | 10-15 years | 12.50 ✓ |
| Risk Management | Pro-Active | 12.50 ✓ |
| Debt to Equity | 3.59 | 12.50 ✓ |
| Current Ratio | 1.42 | 12.50 ✓ |
| Return on Assets | 15.09% | 12.50 ✓ |
| Term Debt Coverage Ratio | 1.92 | 12.50 ✓ |
| Margin of Collateral to Loan | 3.03 | 12.50 ✓ |

Comments

Moody's can help
predict Probability
of Default (PD)
and identify
potential Risk in
your portfolio

Moody's Ag Scorecard

Score Now

8.27 %=PD Risk Rating: 13

Criteria

| | |
|--------------------------|--------|
| Liquidity Ratio | 0.91 |
| Debt to Assets | 51.29% |
| Term Debt Coverage Ratio | -0.36 |
| Interest Expense Ratio | 4.01% |
| Return on Assets | -3.98% |

Ag Sector Type Crop

Industry Conditions Declining

Diversification of Products Non-Diversified

Years in Relationship 1-3 Years

Conduct of Account Fair

Farm Conditions Fair

Experience in Ag 3-15 Years

Financial Reporting and Formal Planning Poor

Risk Management Fair

Comments

Format Size Ω A- ✂ 📄 📌 ↶ ↷ B I U ↵

Wordpad for User Comments

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Presenters



Mike Pearson

Zaner Group & Co-Host of “Ag News Daily”



Doug Johnson

Director – Ag. Strategist

Moody’s Analytics Lending Cloud

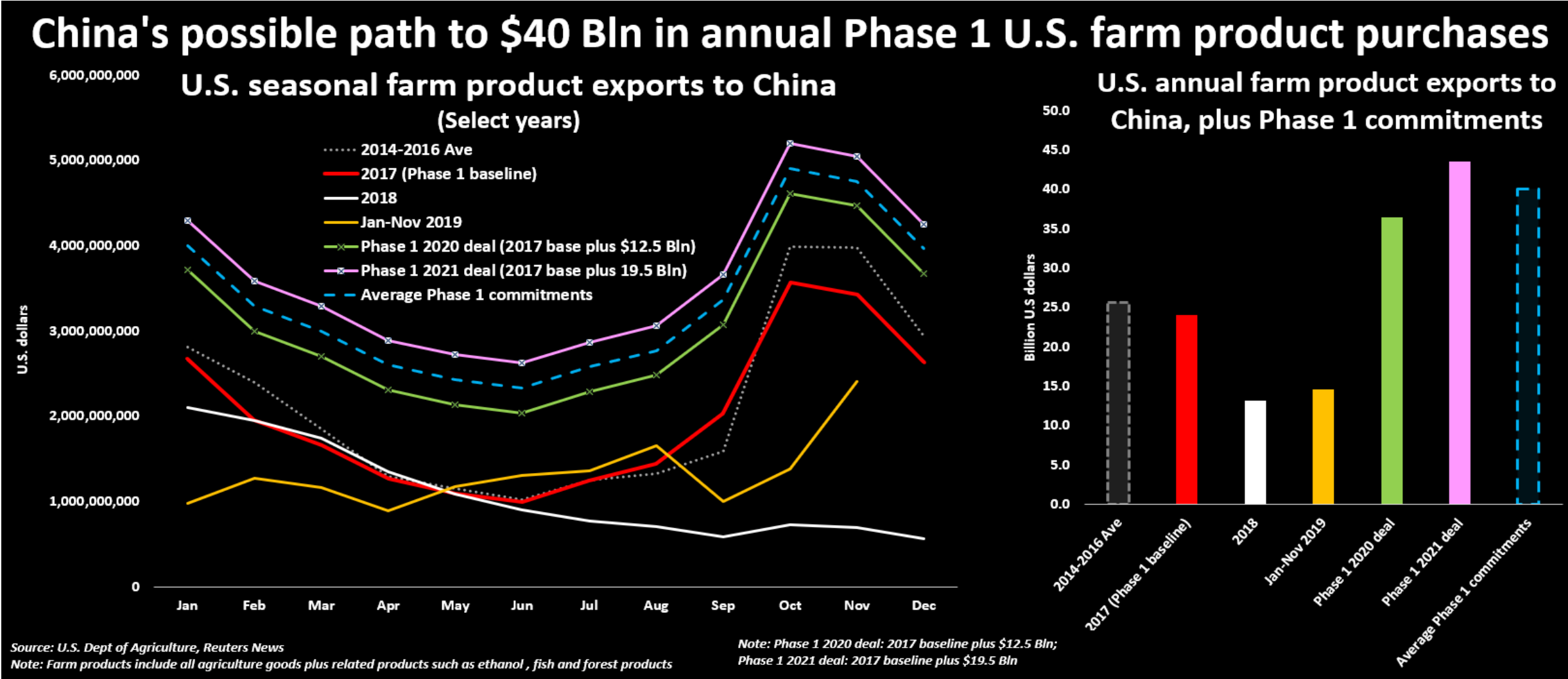
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Trade Agreements & Partnership



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Phase One China Trade Deal



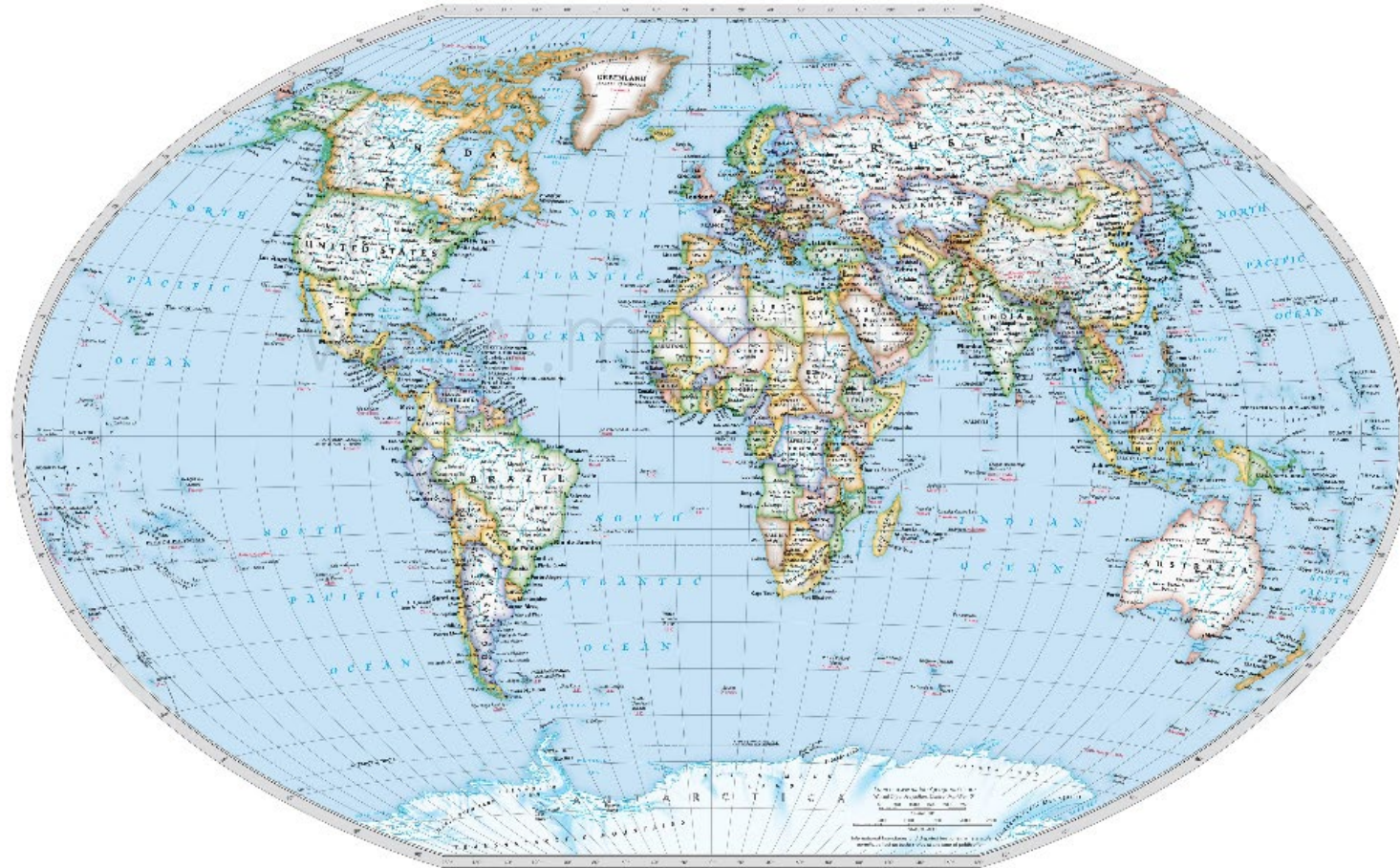
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Coronavirus (COVID-19) New Threat to Ag?



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Global Outlook & Key Drivers



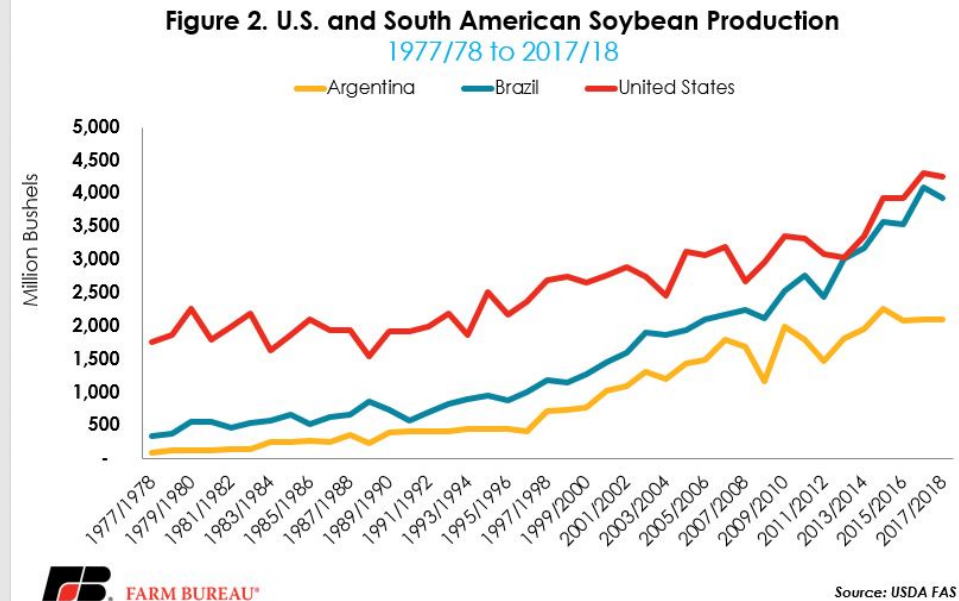
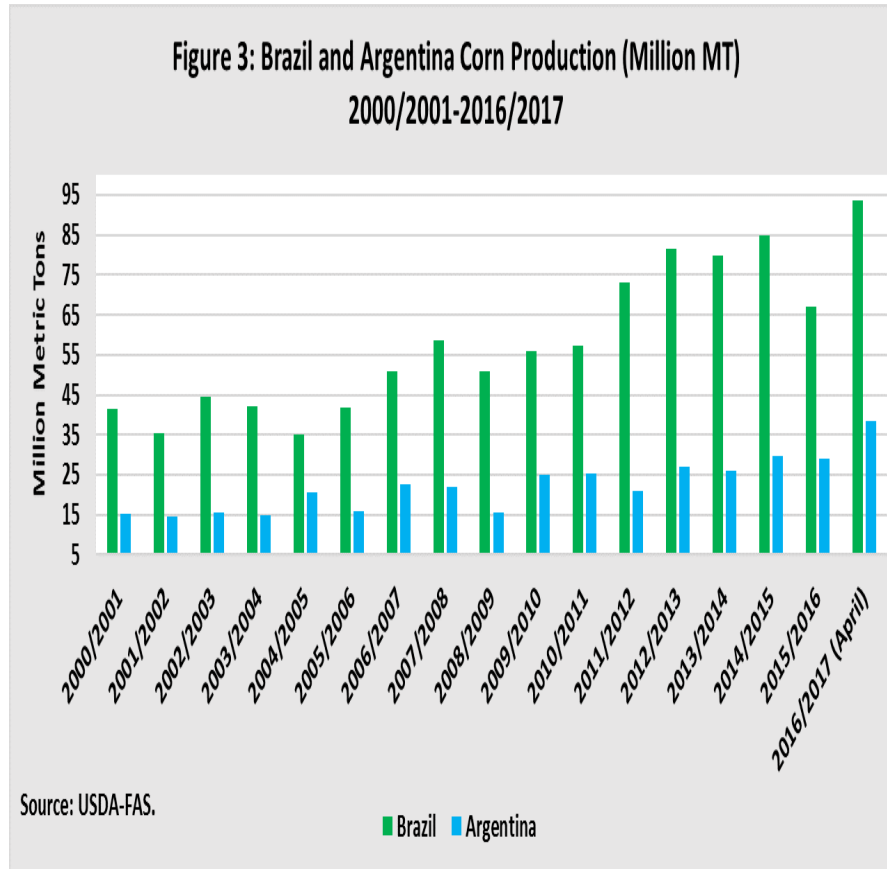
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US Dollar Strength Continues



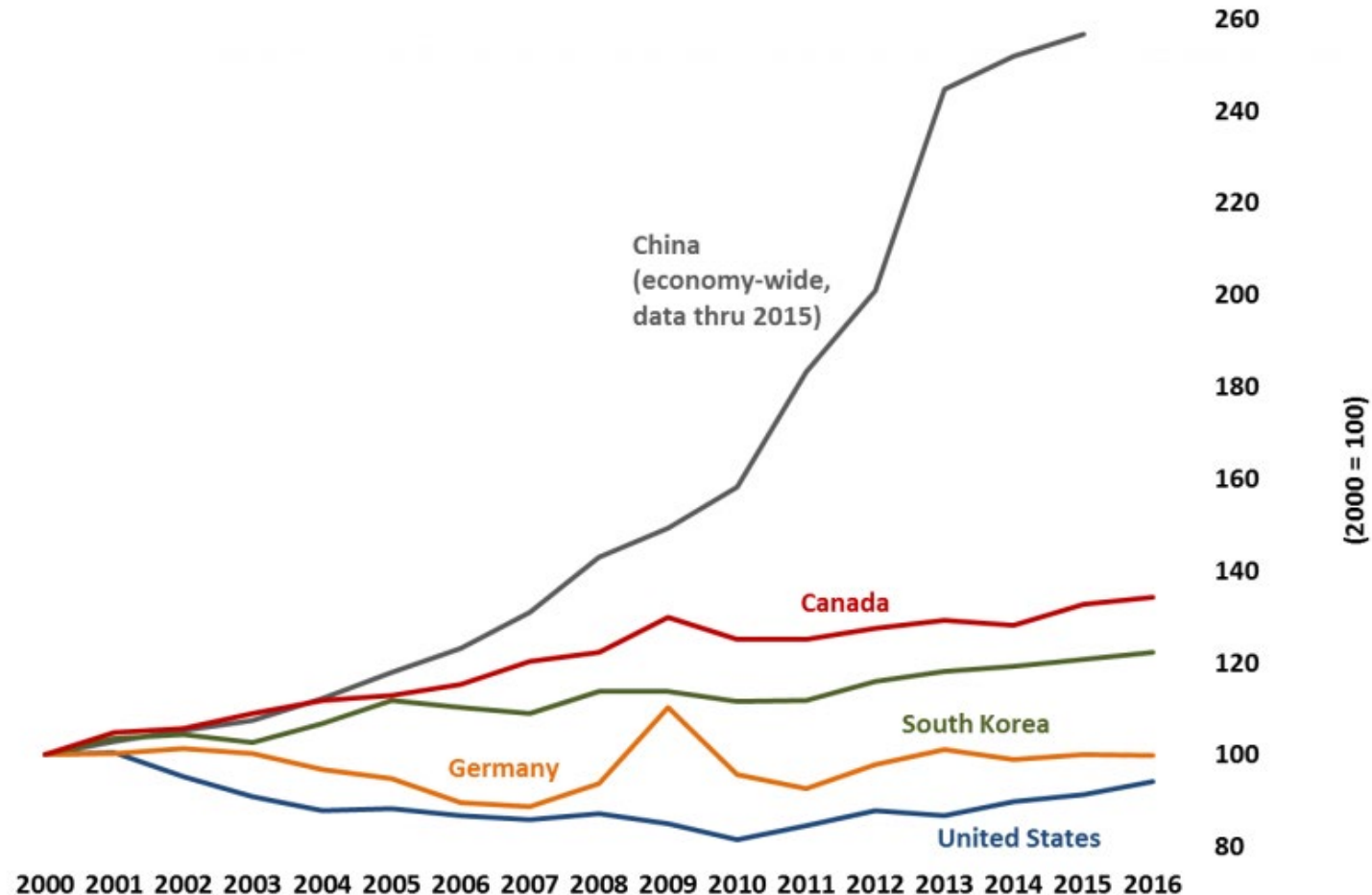
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Global Production continues to increase



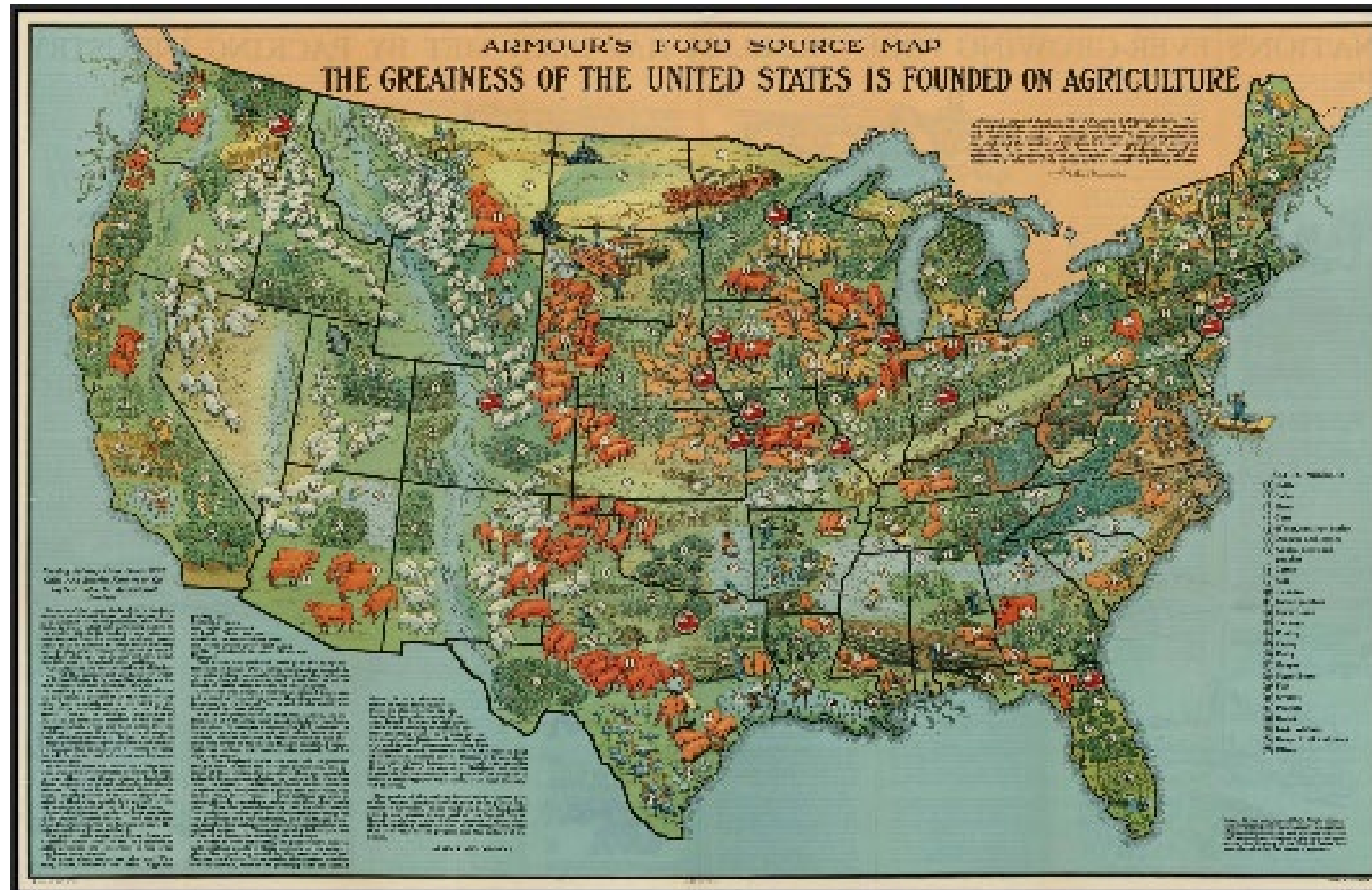
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Changing Asian Labor Market



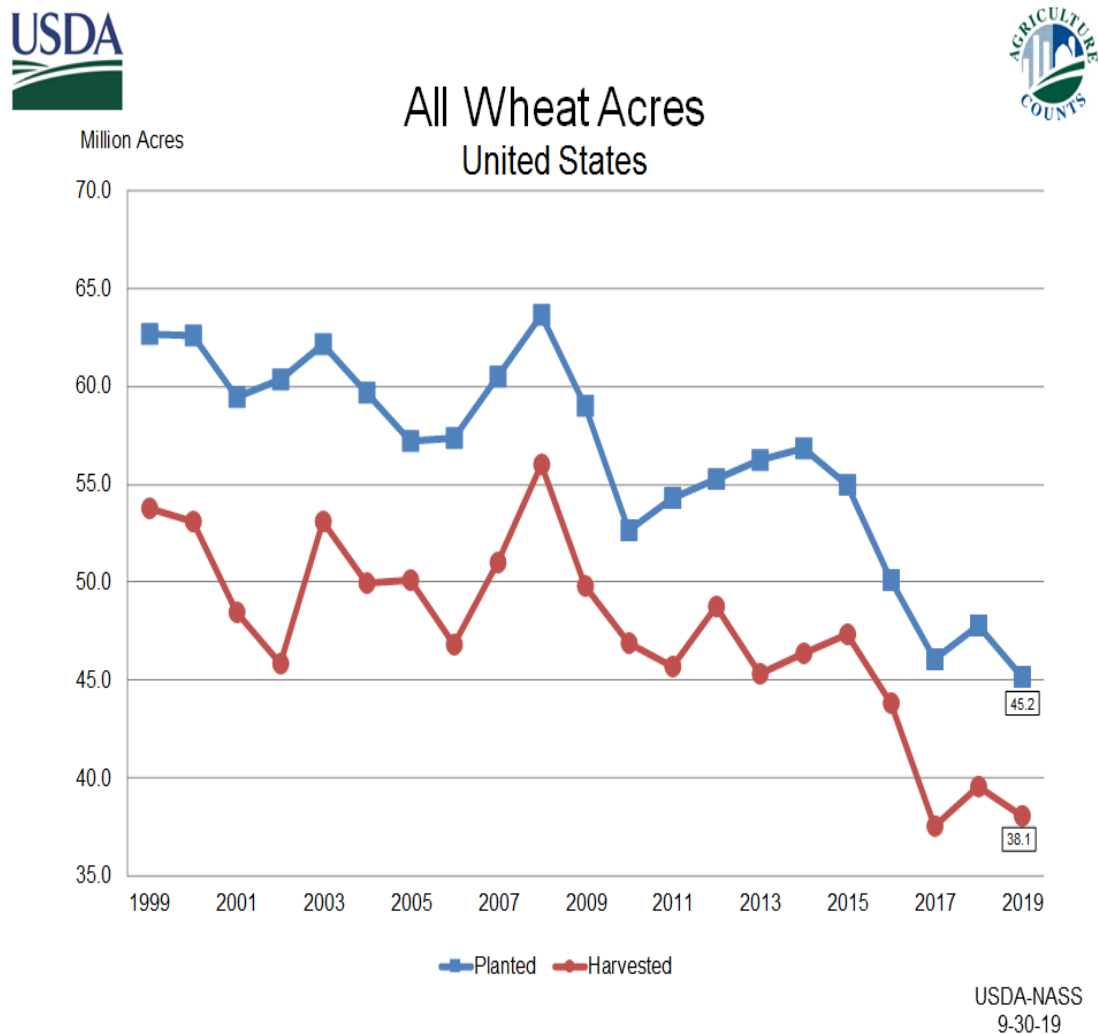
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US Outlook & Key Drivers



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US Demands and Trends

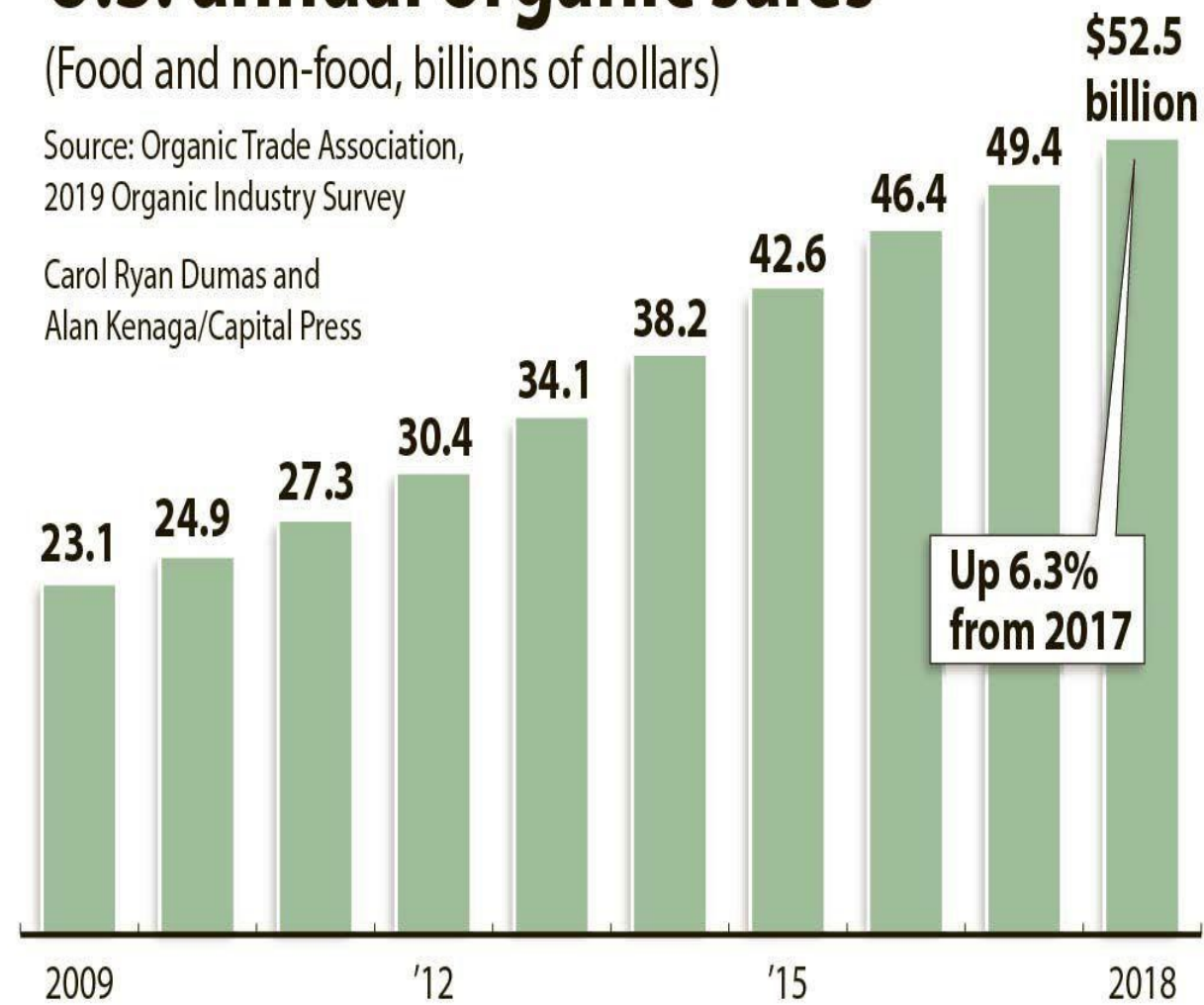


U.S. annual organic sales

(Food and non-food, billions of dollars)

Source: Organic Trade Association,
2019 Organic Industry Survey

Carol Ryan Dumas and
Alan Kenaga/Capital Press



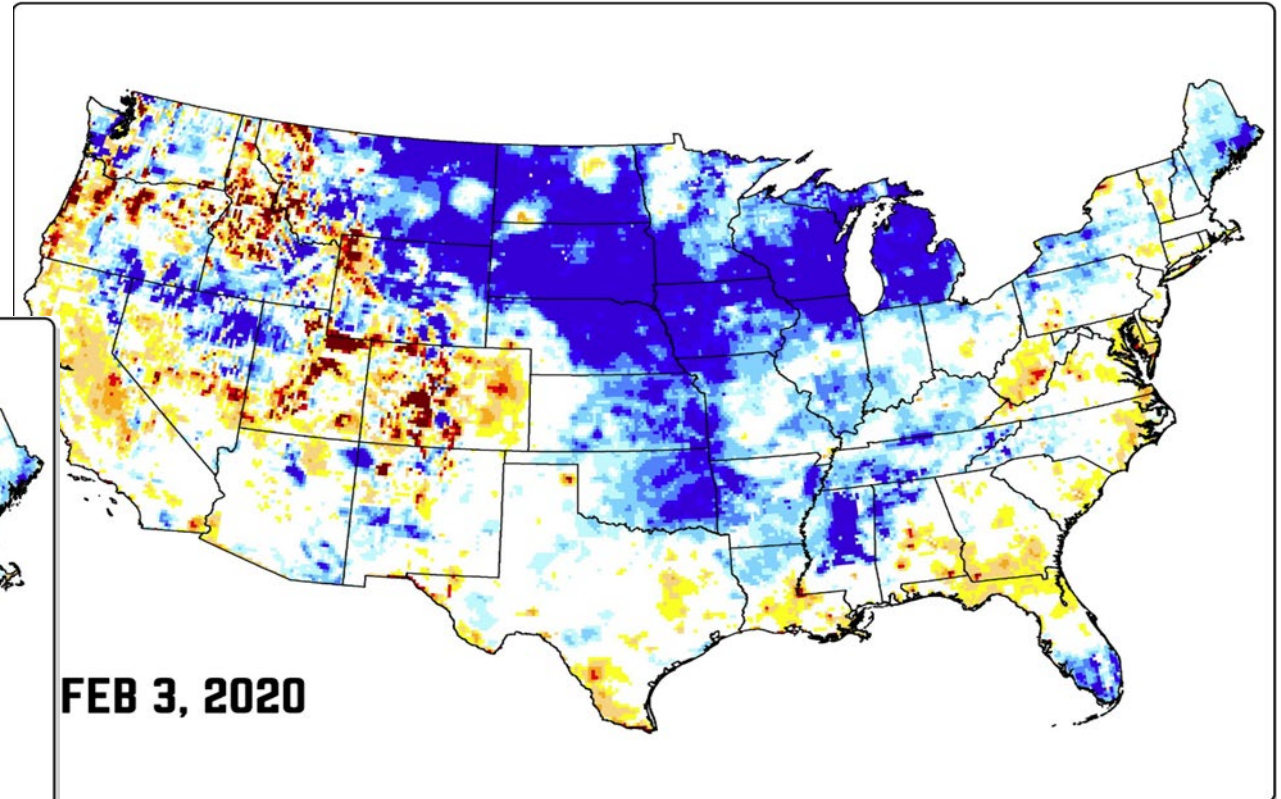
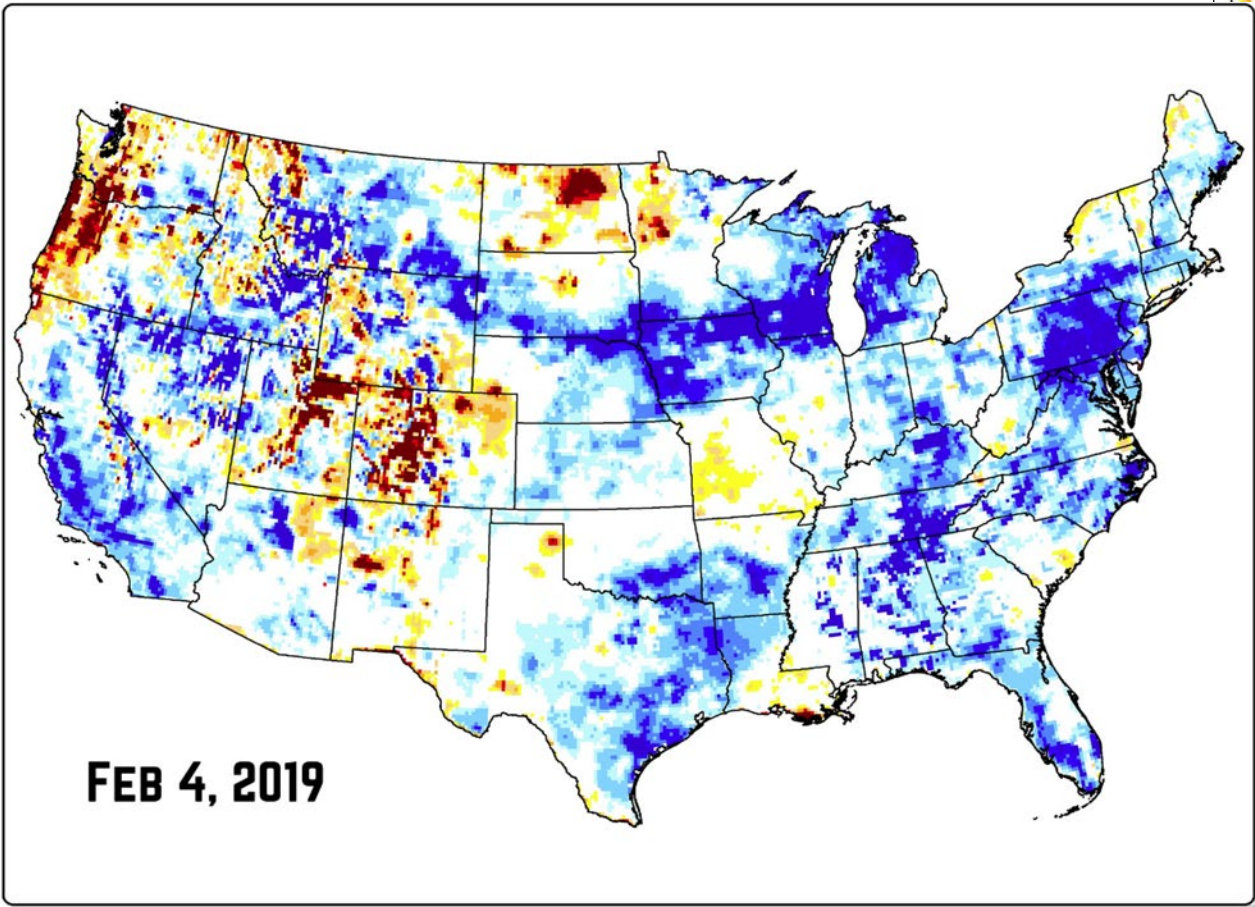
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Corn Markets



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Weather



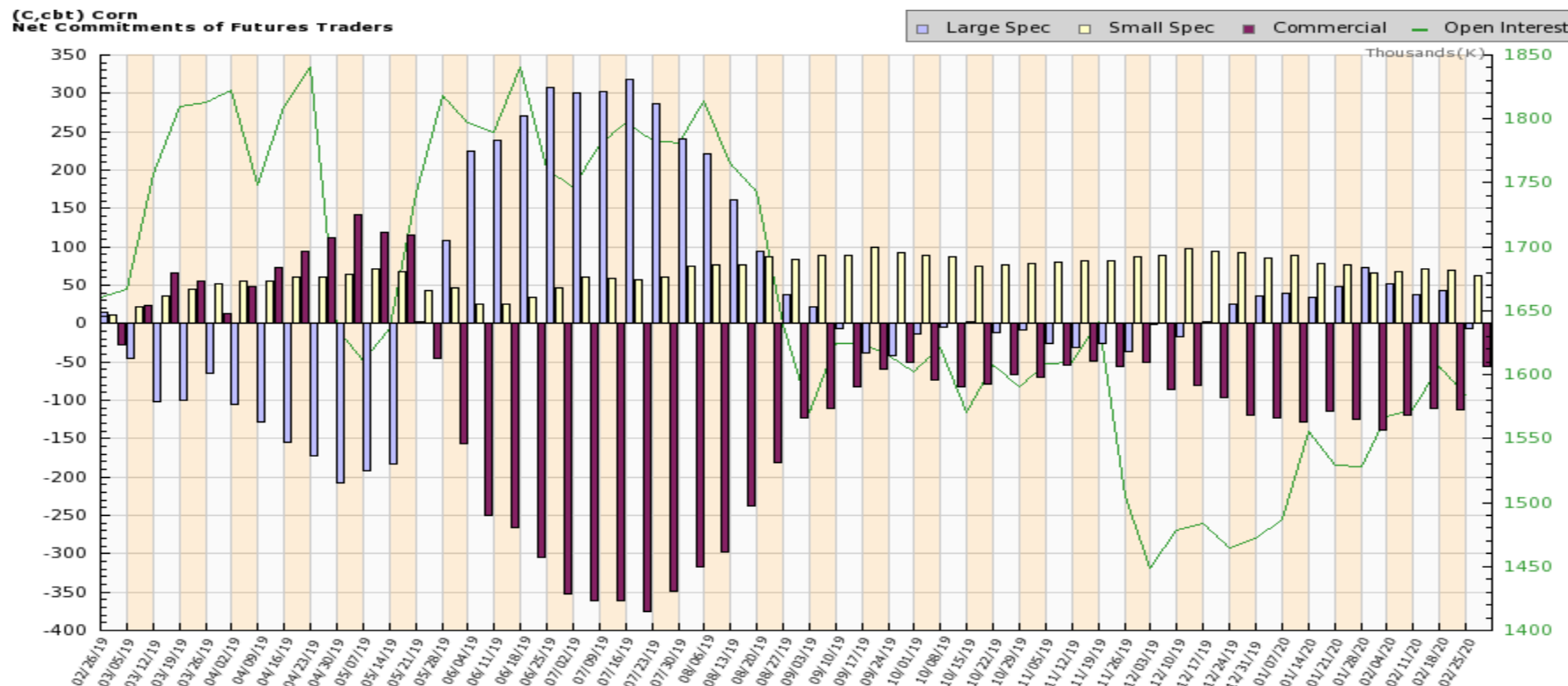
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CBOT May, December Corn Contract



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Corn Commitment of Traders Report



Charts compiled by Software North <http://cotpricecharts.com/commitmentscurrent/>

| --- Large Speculators --- | | | | ----- Commercial ----- | | | | -- Small Speculators -- | | | Open | |
|---------------------------|------|---------|---------|------------------------|------|---------|---------|-------------------------|--------|---------|---------|-----------|
| # | Long | Short | Bullish | # | Long | Short | Bullish | Long | Short | Bullish | Intrest | |
| 01/28/20 | 449 | 320,909 | 247,489 | 56% | 676 | 644,948 | 784,769 | 45% | 240391 | 173,990 | 58% | 1,528,284 |
| 02/04/20 | 459 | 315,451 | 262,832 | 55% | 665 | 657,402 | 777,929 | 46% | 240632 | 172,724 | 58% | 1,567,004 |
| 02/11/20 | 456 | 313,255 | 275,034 | 53% | 661 | 666,543 | 776,702 | 46% | 247986 | 176,048 | 58% | 1,573,430 |
| 02/18/20 | 472 | 330,723 | 286,950 | 54% | 652 | 676,616 | 790,447 | 46% | 249108 | 179,050 | 58% | 1,607,877 |
| 02/25/20 | 458 | 321,828 | 328,960 | 49% | 638 | 680,129 | 736,162 | 48% | 245637 | 182,472 | 57% | 1,584,614 |

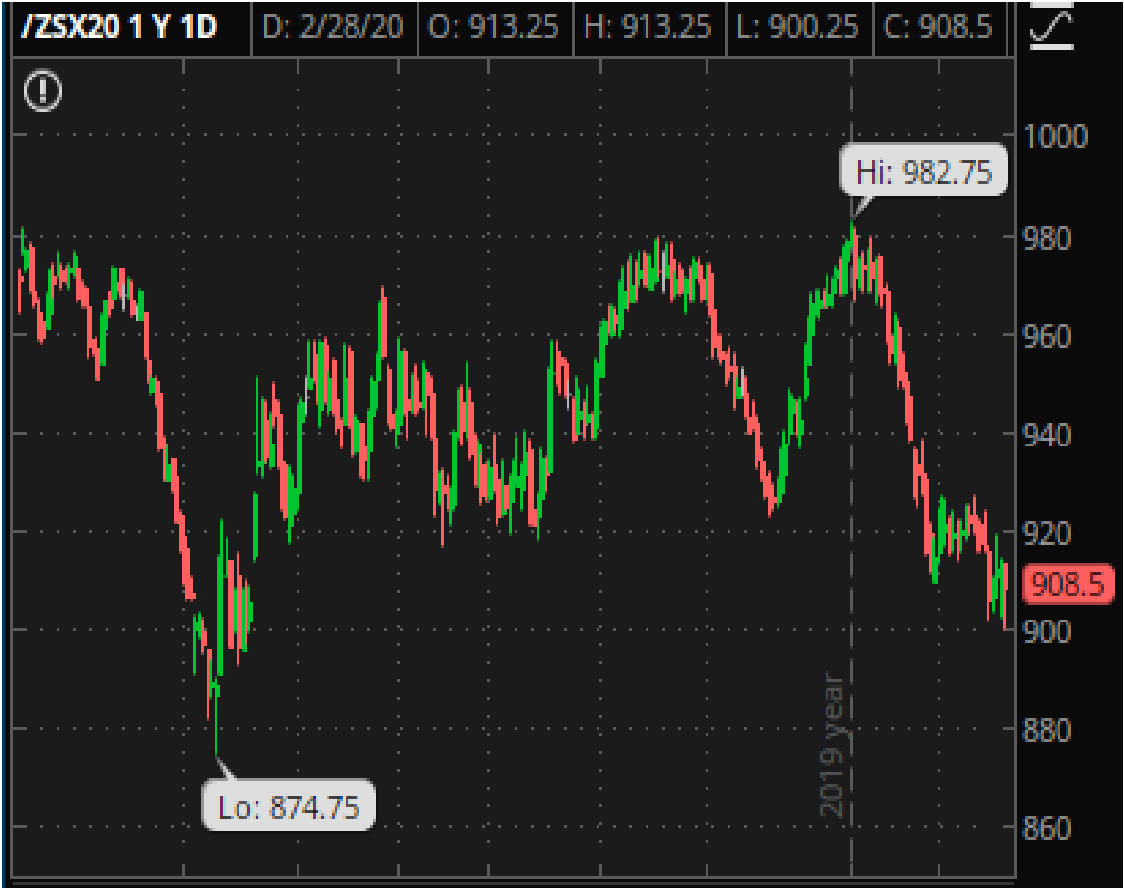
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Soybean Markets

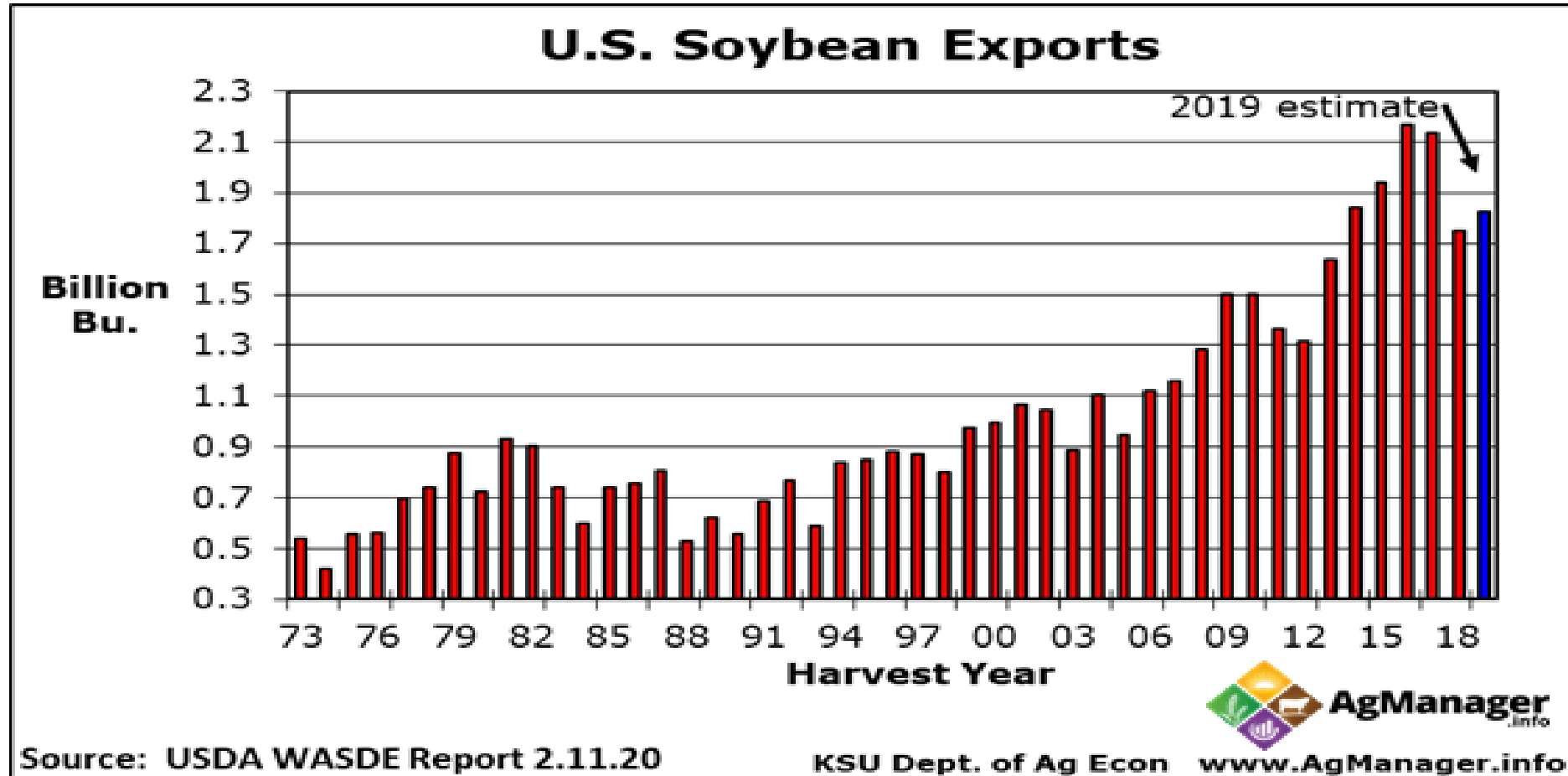


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May, November Soybean Contract



Slow Exports Continue



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Wheat Markets



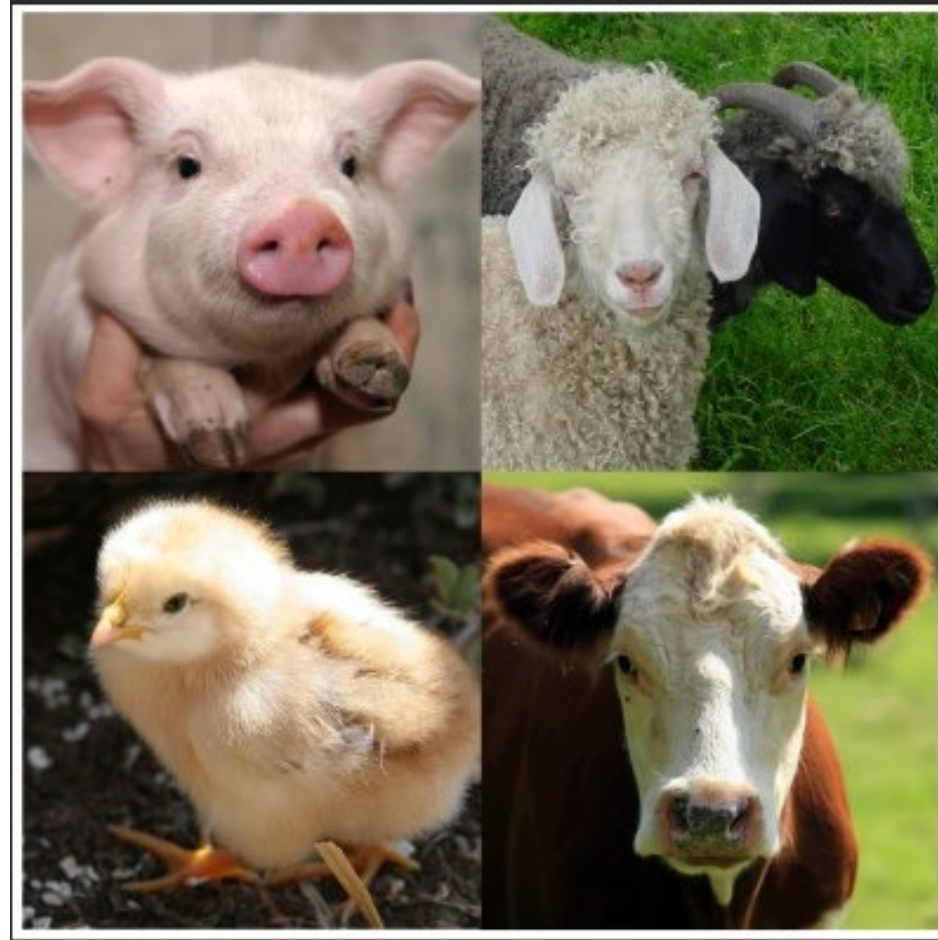
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May 2020 Chicago Wheat



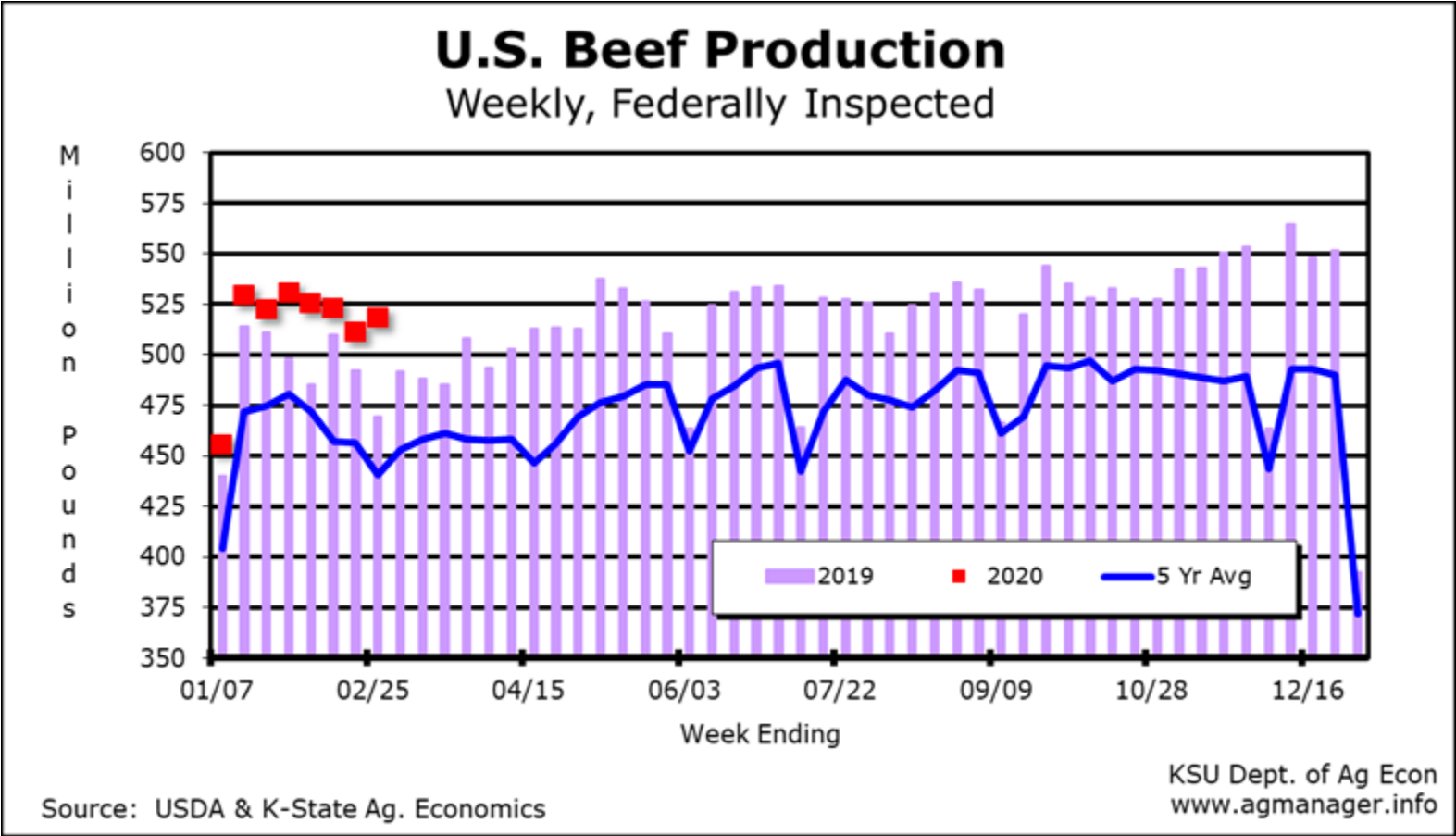
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Livestock Markets



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Beef Demand



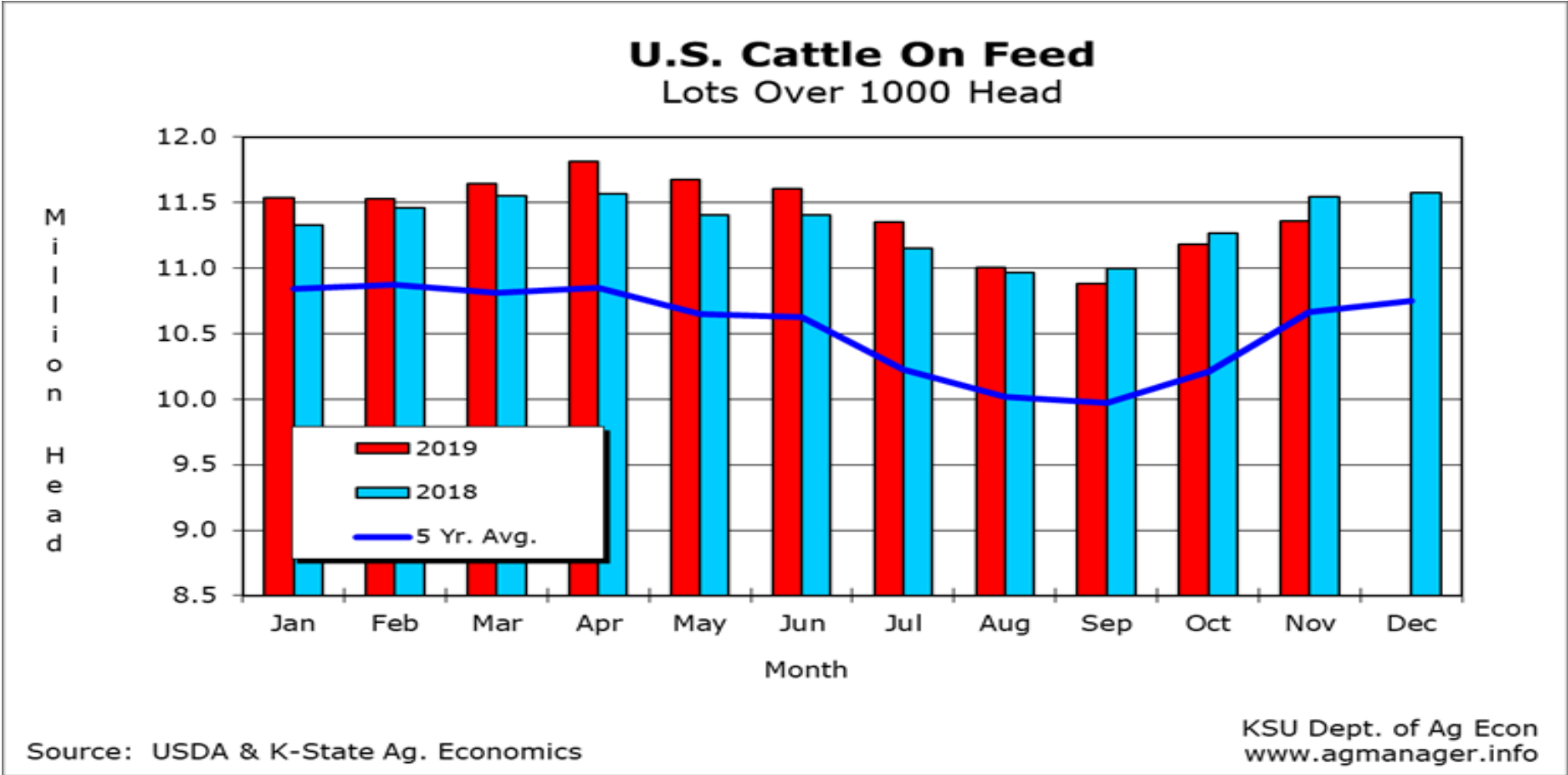
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April 2020 Live Cattle



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Cattle on Feed



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April 2020 Feeder Cattle



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Dairy Markets



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Class III Milk Outlook

Class III Milk Mar '20 (DLH20)

16.31s -0.01 (-0.06%) 02/28/20 [CME]

CLASS III MILK PRICES for Fri, Feb 28th, 2020

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Find the latest Class III Milk prices and Class III Milk futures quotes for all active contracts below.

Intraday

Main View

[options quotes](#)
[flipcharts](#)
[download](#)

Latest futures price quotes as of Sun, Mar 1st, 2020.

| Contract | Last | Change | Open | High | Low | Previous | Volume | Open Int | Time | Links |
|-------------------|--------|--------|-------|-------|-------|----------|--------|----------|----------|-------|
| + DLG20 (Feb '20) | 16.98s | -0.01 | 16.98 | 17.00 | 16.98 | 16.99 | 41 | 2,683 | 02/28/20 | ⋮ |
| + DLH20 (Mar '20) | 16.31s | -0.01 | 16.27 | 16.33 | 16.22 | 16.32 | 345 | 3,101 | 02/28/20 | ⋮ |
| + DLJ20 (Apr '20) | 16.17s | +0.15 | 15.91 | 16.19 | 15.91 | 16.02 | 338 | 2,520 | 02/28/20 | ⋮ |
| + DLK20 (May '20) | 16.27s | +0.17 | 16.07 | 16.31 | 16.04 | 16.10 | 222 | 2,090 | 02/28/20 | ⋮ |
| + DLM20 (Jun '20) | 16.42s | +0.09 | 16.29 | 16.48 | 16.25 | 16.33 | 235 | 2,127 | 02/28/20 | ⋮ |
| + DLN20 (Jul '20) | 16.70s | +0.08 | 16.62 | 16.76 | 16.58 | 16.62 | 127 | 1,036 | 02/28/20 | ⋮ |
| + DLQ20 (Aug '20) | 16.86s | unch | 16.81 | 16.90 | 16.77 | 16.86 | 86 | 985 | 02/28/20 | ⋮ |
| + DLU20 (Sep '20) | 17.07s | +0.10 | 16.96 | 17.07 | 16.95 | 16.97 | 31 | 1,082 | 02/28/20 | ⋮ |
| + DLV20 (Oct '20) | 17.16s | +0.12 | 16.94 | 17.16 | 16.94 | 17.04 | 40 | 749 | 02/28/20 | ⋮ |
| + DLX20 (Nov '20) | 17.09s | +0.09 | 16.99 | 17.10 | 16.92 | 17.00 | 68 | 777 | 02/28/20 | ⋮ |
| + DLZ20 (Dec '20) | 16.92s | +0.02 | 16.88 | 16.92 | 16.80 | 16.90 | 29 | 741 | 02/28/20 | ⋮ |
| + DLF21 (Jan '21) | 16.61s | +0.04 | 16.61 | 16.61 | 16.61 | 16.57 | 7 | 328 | 02/28/20 | ⋮ |

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Pork Markets



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April 2020 Lean Hogs



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Farm Bill Updates



| | | |
|----------------------------|---------------------------------|----------------------------|
| Hemp | | Marijuana |
| Cannabis sativa | SPECIES | Cannabis sativa |
| 0.3 percent | PSYCHOACTIVE CONTENT | 10 percent |
| Auto parts, soap, concrete | USES | Getting high |
| \$452 million | ESTIMATED DOMESTIC MARKET VALUE | \$10 billion-\$120 billion |

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Moving Producers to Managers: Where to Focus

**What is an
hour of your
time worth?**



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The **Answers** aren't in
the Financial Statements

The **Questions** are

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“Don’t Tell Me What You Value, Show Me Your Budget.

If You Show Me Your Budget, I’ll Tell You What You Value”*

*Source: Farm Journal’s AGPRO article with quote from Curt Covington December 5, 2019

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Moving the Needle: Producer to Manager

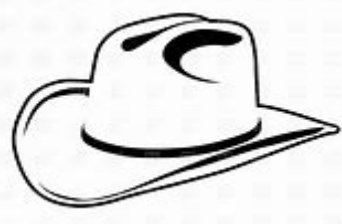


10% of Producers always “find a way” to lose money

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Moving the Needle

Producer to Manager Mindset



Value-Add discussions
OR
Are you just talking?

Value



Do they have a Growth Plan
Do they have a Succession Plan

Future Mindset



Do they have a Marketing Plan
Is it a Written Marketing Plan

Business Mindset



Do they know ***THEIR*** Cost of Production
Do they know ***THEIR*** Break-Evens

Basic Knowledge

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During the 1980's we had a weeding out of
Marginal Producers

Today's we're experiencing a weeding out of
Marginal Managers

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Your Time vs. Your Value

If you don't take care of the good borrowers,
you'll only be left with the bad

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Dr. Kohl's Business IQ Management Factors

| Customer Checklist | Green (3-4 points*) | Yellow (2 points) | Red (1 point) |
|---|---------------------|-------------------------|--------------------------|
| 1. Knows cost of production | Written | In head | No idea |
| 2. Knows cost of production by enterprise | Written | In head | No idea |
| 3. Goals- business, family & personal | Written | In head | No idea |
| 4. Record keeping system | Accrual | Schedule F (one & done) | No idea |
| 5. Projected cash flow | Written | In head | No idea |
| 6. Sensitivity analysis | Written | In head | No idea |
| 7. Understand financial ratios, break evens | Written | In head | No idea |
| 8. Work with advisory team and lender | Yes | Sometimes | Never |
| 9. Marketing plan written and executed | Yes | Sometimes | Never |
| 10. Risk management plan executed | Yes | Sometimes | Never |
| 11. Modest lifestyle habits, family living budget | Yes | Sometimes | Non existent |
| 12. Written plan for improvement executed | Yes | Sometimes | Non existent |
| 13. Transition plan/Business Owner plan | Yes | Working on plan | Non existent/controversy |
| 14. Educational seminars/courses | Yes | Sometimes | Never attend |
| 15. Attitude | Proactive | Reactive | Indifferent |

*Extra Points:

- **Progressive Business** may receive 4 points for #2,6,7,8,14
- **Struggling Business attempting turnaround** may receive 4 points for #3,5,8,11,12

| Score | Overall Analysis |
|-------|---|
| 35-50 | Strong management rating & viability |
| 20-34 | Moderate risk & viability; will most likely show previous refinancing |
| <20 | High risk & lack of long term viability |

Source: Dr. David M. Kohl, Professor Emeritus, Virginia Tech

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Marketing Skills: *Walk Through The Story*

1. <10% Farmers have & execute on Marketing Plans
2. Historically majority sells crop at bottom 1/3 of markets
3. Stored grain should not be the Checkbook
4. Home Run Mentality: “I’ll make it back next year”

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Silos of Agriculture



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Bridging the Silos Together



Showing more than numbers & trends

- Refi “Lifestyles” or “Farm Losses”
- If Refi’d already
 - What’s the next step
 - How far are should we go

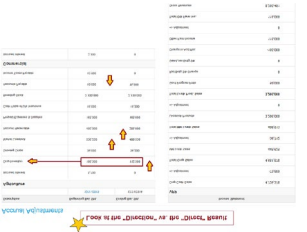
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Assemble the Puzzle

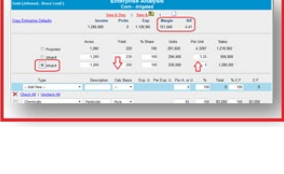
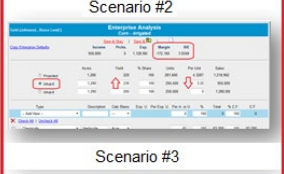
- Basic Education
- Explains Why
- Provide Options
- Create Value



| Customer Checklist | Owner (Lender) | Bank (Lender) | Regulator |
|--|----------------|---------------|-----------|
| 1. Know your customer | Yes | Yes | Yes |
| 2. Know your customer's business | Yes | Yes | Yes |
| 3. Know your customer's credit history | Yes | Yes | Yes |
| 4. Know your customer's cash flow | Yes | Yes | Yes |
| 5. Know your customer's assets | Yes | Yes | Yes |
| 6. Know your customer's liabilities | Yes | Yes | Yes |
| 7. Know your customer's net worth | Yes | Yes | Yes |
| 8. Know your customer's income | Yes | Yes | Yes |
| 9. Know your customer's expenses | Yes | Yes | Yes |
| 10. Know your customer's debt | Yes | Yes | Yes |
| 11. Know your customer's credit score | Yes | Yes | Yes |
| 12. Know your customer's credit history | Yes | Yes | Yes |
| 13. Know your customer's credit rating | Yes | Yes | Yes |
| 14. Know your customer's credit limit | Yes | Yes | Yes |
| 15. Know your customer's credit terms | Yes | Yes | Yes |
| 16. Know your customer's credit conditions | Yes | Yes | Yes |
| 17. Know your customer's credit covenants | Yes | Yes | Yes |
| 18. Know your customer's credit events | Yes | Yes | Yes |
| 19. Know your customer's credit remedies | Yes | Yes | Yes |
| 20. Know your customer's credit rights | Yes | Yes | Yes |



| Item | Value | Unit |
|------------------|-----------|---------|
| Beginning Equity | 1,000,000 | Dollars |
| Ending Equity | 1,000,000 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |
| Equity Change | 0 | Dollars |



Customer Checklist

1. Know your customer

2. Know your customer's business

3. Know your customer's credit history

4. Know your customer's cash flow

5. Know your customer's assets

6. Know your customer's liabilities

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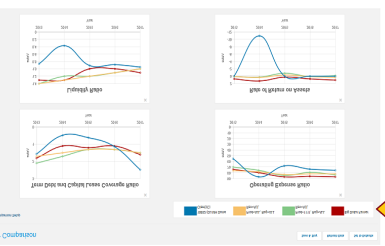
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18. Know your customer's credit events

19. Know your customer's credit remedies

20. Know your customer's credit rights



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60 Second
Stress Test

Income / Expense Trends

Agriculture

Borrower Projection

↓

1/1/2016
12/31/2016
Borrower Projection

4 Yr.
Average

Best

↓

1/1/2016
12/31/2016
Stress Test-Best

Worst

↓

1/1/2016
12/31/2016
Stress Test-Worst

1/1/2015
12/31/2015
Tax Return

1/1/2014
12/31/2014
Tax Return

1/1/2013
12/31/2013
Tax Return

Operating Income

| | | | | | | | |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Crop Sales | 4,725,378 | 2,742,669 | 2,692,669 | 200,000 | 2,555,111 | 4,633,505 | 3,582,058 |
| Livestock Sales | 225,625 | 621,396 | 745,675 | 0 | 856,900 | 878,185 | 750,500 |
| Poultry Sales | 0 | 25,000 | 40,543 | 100,000 | 0 | 0 | 0 |
| Dairy Livestock Sales | 220,000 | 220,121 | 258,494 | 0 | 321,561 | 246,411 | 312,511 |
| Example of a SubTotal | 220,000 | 245,121 | 299,037 | 100,000 | 321,561 | 246,411 | 312,511 |
| Dairy Cull-Cows - Form #4797 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Milk Sales | 3,205,000 | 1,011,158 | 1,213,390 | 0 | 1,202,611 | 1,761,511 | 1,080,511 |
| Ag Program Pmts | 50,000 | 50,000 | 38,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Crop Insurance Proceeds | 15,000 | 56,575 | 13,500 | 50,000 | 26,300 | 65,000 | 85,000 |
| Custom Hire Income | 0 | 25,000 | 0 | 100,000 | 0 | 0 | 0 |
| Other Income | 100,000 | 230,246 | 100,000 | 620,982 | 100,000 | 100,000 | 100,000 |
| Coop Distributions | 0 | 12,500 | 0 | 50,000 | 0 | 0 | 0 |
| Total Operating Income | 8,541,003 | 4,994,664 | 5,102,271 | 1,170,982 | 5,112,483 | 7,734,612 | 5,960,580 |

| | | | | | | | |
|---|---------|--------|---|--------|---|---|---|
| Livestock Sal:Purch For Resale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Purchases for Resale | 0 | 23,975 | 0 | 95,900 | 0 | 0 | 0 |
| Purch. For Resale Livestock Sales | 463,134 | 0 | 0 | 0 | 0 | 0 | 0 |
| Purch. For Resale Dairy Livestock Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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Breakeven Analysis

Producer Projection
Margin
Breakeven

Scenario 1:
Yield ↑
Price ↓

Scenario 2:
Yield ↓
Price ↓

Enterprise Analysis

MASTER: Gold Way Farms-DJ(C) Corn - Irrigated

[Copy Enterprise Defaults](#)

| | | | |
|---------|-----------|----------|-------|
| Income | Exp. | Margin | B/E |
| 806,400 | 1,061,120 | -254,720 | 4.145 |

| | Acres | Yield | % Share | Units | Per Unit | Sales |
|--|------------------------------------|----------------------------------|----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
| <input type="radio"/> Projected | 1,280 | 220 | 100 | 281,600 | 4.3287 | 1,218,962 |
| <input type="radio"/> What-If | <input type="text" value="1,280"/> | <input type="text" value="230"/> | <input type="text" value="100"/> | <input type="text" value="294,400"/> | <input type="text" value="3.05"/> | <input type="text" value="897,920"/> |
| <input checked="" type="radio"/> What-If | <input type="text" value="1,280"/> | <input type="text" value="200"/> | <input type="text" value="100"/> | <input type="text" value="256,000"/> | <input type="text" value="3.15"/> | <input type="text" value="806,400"/> |

| Type | Description | Per A. or U. | % | Total | % C.F. |
|--|----------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| <input type="text" value="-- Add New --"/> | <input type="text"/> | <input type="text" value="0"/> | <input type="text" value="100"/> | <input type="text" value="0"/> | <input type="text" value="100"/> |

| ✕ | Type | Description | Calc Basis | Exp. U. | Per Exp. U. | Per A. or U. | % | Total | % C.F. | C.F. |
|--------------------------|-----------------------|------------------|------------|---------|-------------|--------------|-----|---------|--------|------|
| <input type="checkbox"/> | Chemicals | Herbicide | Acre | | | 62 | 100 | 79,360 | 0 | 0 |
| <input type="checkbox"/> | Chemicals | Pesticide | Acre | | | 65 | 100 | 83,200 | 0 | 0 |
| <input type="checkbox"/> | Gas / Fuel / Oil | Tractor Fuel & C | Acre | | | 75 | 100 | 96,000 | 0 | 0 |
| <input type="checkbox"/> | Insurance Exp. | Crop Insurance | Acre | | | 38 | 100 | 48,640 | 0 | 0 |
| <input type="checkbox"/> | Rent - Land / Animals | Land Rent | Acre | | | 250 | 100 | 320,000 | 0 | 0 |

Ag Lenders: Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets

Earned Equity Analysis

| Gold (Johnson) , Bruce Lee(C) | | Earned Equity / CDRC | | | Shift / Clear |
|--|------------|--|--|--|--|
| | | Save & Stay | Save & | Save & Menu | |
| Beg. Balance Sheet Date | | | 12/31/2012 FYE 2012 | 12/31/2011 FYE 2011 | 12/31/2010 FYE 2010 |
| Ending Balance Sheet Date | 3 Yr. Avg. | <input checked="" type="checkbox"/> 12/31/2013 FYE 2013 | <input checked="" type="checkbox"/> 12/31/2012 FYE 2012 | <input checked="" type="checkbox"/> 12/31/2011 FYE 2011 | |
| Beginning Equity | 6,032,209 | 6,636,877 | 6,246,294 | 5,213,455 | |
| Ending Equity | 5,871,907 | 4,732,550 | 6,636,877 | 6,246,294 | |
| Equity Change: | -160,302 | -1,904,327 | 390,583 | 1,032,839 | |
| Less: Outside Contributions: | 21,667 | 0 | 65,000 | 0 | |
| Plus: Withdrawals: | 150,000 | 450,000 | 0 | 0 | |
| Valuation Changes: | | | | | |
| Breeding Stock : (+/-) | 116,667 | 0 | 125,000 | 225,000 | |
| Mach & Equip : (+/-) | 107,450 | 59,850 | -58,985 | 321,485 | |
| Vehicles : (+/-) | 0 | 0 | 0 | 0 | |
| Real Estate : (+/-) | 139,267 | -148,000 | 565,800 | 0 | |
| Buildings & Improv : (+/-) | 0 | 0 | 0 | 0 | |
| Valuation Adjust This Year: | -235,050 | 538,150 | -696,815 | -546,485 | |
| Cumulative Valuation Adjust: | -831,645 | -705,150 | -1,243,300 | -546,485 | |
| Total Earned Equity | 5,040,262 | 4,027,400 | 5,393,577 | 5,699,809 | |
| Earned Equity Change | -395,352 | -1,366,177 | -306,232 | 486,354 | |

Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*



Look at the "Direction" vs. the "Direct" Result

Accrual Adjustments

| Description | Beginning Bal. Sht. | Ending Bal. Sht. |
|------------------------------|---------------------|------------------|
| | 12/31/2015 | 12/31/2016 |
| Agriculture | | |
| Accrued Interest | 5,700 | 0 |
| Crop Inventory | 186,300 | 112,500 |
| Growing Crops | 36,000 | 36,000 |
| Market Livestock | 536,250 | 499,538 |
| Account Receivable | 450,000 | 285,000 |
| Prepaid Expenses & Supplies | 165,000 | 165,000 |
| Cash Value of Life Insurance | 15,000 | 15,000 |
| Breeding Stock | 2,100,000 | 2,100,000 |
| Accounts Payable | 10,000 | 15,000 |
| Income Taxes Payable | 12,500 | 0 |
| Commercial | | |
| Accrued Interest | 2,300 | 0 |

| Income Statement | |
|-------------------------|-----------|
| VFP | |
| Crop Cash Sales | 4,725,378 |
| +/- Adjustment | -73,800 |
| Total Crop Sales | 4,651,578 |
| Mkt Lvstk Sales | 445,625 |
| +/- Adjustment | -36,712 |
| Total Mkt Lvstk Sales | 408,913 |
| Livestock Products | 3,205,000 |
| +/- Adjustment | 0 |
| Total Lvstk Prod. Sales | 3,205,000 |
| Gov't Program Pmts | 50,000 |
| Rsd Brdg Stk Change | 0 |
| Gain/Loss Brdg Stk | 0 |
| Change in Acct Rec | -165,000 |
| Other Farm Income | 115,000 |
| +/- Adjustment | 0 |
| Total Oth Farm Inc. | 115,000 |
| Gross Revenues | 8,265,491 |

Directional
Accrual

Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*

FFSC Ratios

- **Education:** *Share your analysis*
 - Help Borrower understand Risk

Current Ratio

This ratio (usually expressed as XX:1) indicates the extent to which current farm assets, if liquidated, would cover current farm liabilities. The higher the ratio, the greater the liquidity.

Computation:

Total current farm assets
÷ Total current farm liabilities
= Current Ratio

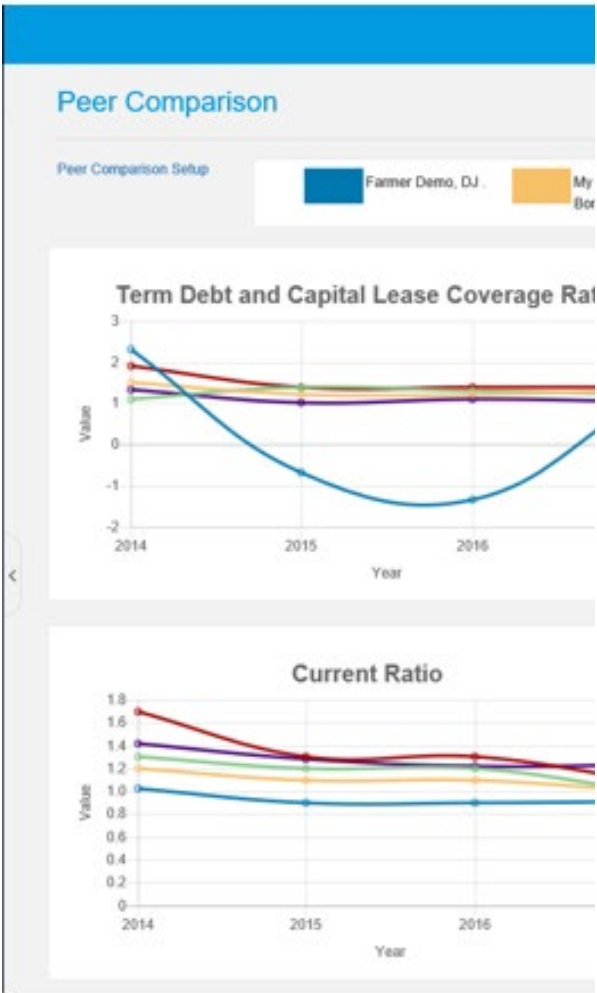
Debt To Asset Ratio

This ratio measures financial position. The debt/asset ratio compares total farm debt obligations owed against the value of total farm assets. This ratio expresses what proportion of total farm assets is owed to creditors. This ratio is one way to express the risk exposure of the farm business. It can be calculated using either the cost or market value approach to value farm assets. If the market value approach is used to value farm assets, then deferred taxes on the assets should be included as liabilities. This ratio is most meaningful for comparisons between farms when the market value approach is used to value farm assets. The higher the ratio, the more risk exposure of the farm business.

Computation:

Total farm liabilities
÷ Total farm assets
= Debt/Asset Ratio

Ag Lenders: Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets



How Do I Compare

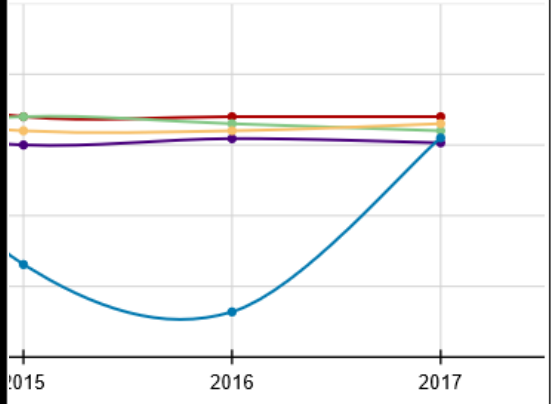
- Ag “Peer Benchmarking”
 - Internal
 - State
 - Regional
 - National
- Tell the Story
- Remove Subjectivity
- You’re not the “Bad Guy”
- Create Your Value

Peer Comparison

Date Printed: 7/30/2019

My Bank - Corn >\$500k Northern Plains - Corn NE - Corn

Debt Coverage Ratio



| My Bank - Corn >\$500k | Northern Plains - Corn | NE - Corn |
|------------------------|------------------------|-----------|
| 1.50 | 1.10 | 1.90 |
| 1.20 | 1.40 | 1.00 |
| 1.20 | 1.30 | 1.09 |
| 1.30 | 1.20 | 1.03 |

| My Bank - Corn >\$500k | Northern Plains - Corn | NE - Corn |
|------------------------|------------------------|-----------|
| 249 | 14 | 39 |
| 250 | 12 | 38 |
| 235 | 11 | 30 |
| 184 | 9 | 23 |

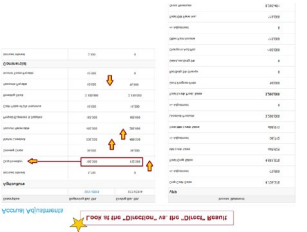
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Assemble the Puzzle

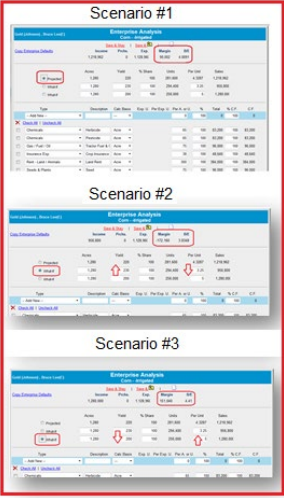
- Basic Education
- Explains Why
- Provide Options
- Create Value



| Customer Checklist | Owner & Family | Business & Assets | Debt & Liabilities |
|---|----------------|-------------------|--------------------|
| 1. Know your production | Yes/No | Yes/No | Yes/No |
| 2. Know your production expenses | Yes/No | Yes/No | Yes/No |
| 3. Know your production income | Yes/No | Yes/No | Yes/No |
| 4. Know your production assets | Yes/No | Yes/No | Yes/No |
| 5. Know your production liabilities | Yes/No | Yes/No | Yes/No |
| 6. Know your production net worth | Yes/No | Yes/No | Yes/No |
| 7. Know your production cash flow | Yes/No | Yes/No | Yes/No |
| 8. Know your production credit history | Yes/No | Yes/No | Yes/No |
| 9. Know your production tax history | Yes/No | Yes/No | Yes/No |
| 10. Know your production insurance history | Yes/No | Yes/No | Yes/No |
| 11. Know your production legal history | Yes/No | Yes/No | Yes/No |
| 12. Know your production medical history | Yes/No | Yes/No | Yes/No |
| 13. Know your production social history | Yes/No | Yes/No | Yes/No |
| 14. Know your production criminal history | Yes/No | Yes/No | Yes/No |
| 15. Know your production employment history | Yes/No | Yes/No | Yes/No |
| 16. Know your production marital history | Yes/No | Yes/No | Yes/No |
| 17. Know your production divorce history | Yes/No | Yes/No | Yes/No |
| 18. Know your production bankruptcy history | Yes/No | Yes/No | Yes/No |
| 19. Know your production foreclosure history | Yes/No | Yes/No | Yes/No |
| 20. Know your production repossession history | Yes/No | Yes/No | Yes/No |



| Item | Value | Value | Value | Value | Value |
|-----------------------------|-----------|-----------|-----------|-----------|-------|
| Beginning Equity | 6,028,286 | 6,028,287 | 6,248,284 | 6,214,451 | |
| Ending Equity | 5,975,867 | 6,722,096 | 6,678,897 | 6,248,284 | |
| Equity Change | -52,419 | 6,693,809 | 6,050,613 | 6,214,451 | |
| Less: Dividends | 21,347 | 0 | 0 | 0 | |
| Plus: Withdrawals | 158,389 | 455,239 | 0 | 0 | |
| Equity Change | 136,633 | 0 | 0 | 0 | |
| Beginning Cash | 119,347 | 0 | 0 | 0 | |
| Ending Cash | 167,489 | 0 | 0 | 0 | |
| Cash Change | 48,142 | 0 | 0 | 0 | |
| Beginning Debt | 157,049 | 0 | 0 | 0 | |
| Ending Debt | 157,049 | 0 | 0 | 0 | |
| Debt Change | 0 | 0 | 0 | 0 | |
| Beginning Assets | 119,347 | 0 | 0 | 0 | |
| Ending Assets | 167,489 | 0 | 0 | 0 | |
| Assets Change | 48,142 | 0 | 0 | 0 | |
| Beginning Liabilities | 157,049 | 0 | 0 | 0 | |
| Ending Liabilities | 157,049 | 0 | 0 | 0 | |
| Liabilities Change | 0 | 0 | 0 | 0 | |
| Beginning Net Worth | 119,347 | 0 | 0 | 0 | |
| Ending Net Worth | 167,489 | 0 | 0 | 0 | |
| Net Worth Change | 48,142 | 0 | 0 | 0 | |
| Beginning Total Assets | 119,347 | 0 | 0 | 0 | |
| Ending Total Assets | 167,489 | 0 | 0 | 0 | |
| Total Assets Change | 48,142 | 0 | 0 | 0 | |
| Beginning Total Liabilities | 157,049 | 0 | 0 | 0 | |
| Ending Total Liabilities | 157,049 | 0 | 0 | 0 | |
| Total Liabilities Change | 0 | 0 | 0 | 0 | |
| Beginning Total Equity | 119,347 | 0 | 0 | 0 | |
| Ending Total Equity | 167,489 | 0 | 0 | 0 | |
| Total Equity Change | 48,142 | 0 | 0 | 0 | |

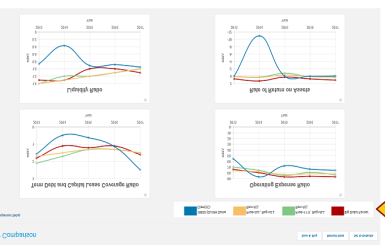


Scenario #1

Scenario #2

Scenario #3

| Item | Value | Value | Value | Value | Value |
|-----------------------------|-----------|-----------|-----------|-----------|-------|
| Beginning Equity | 6,028,286 | 6,028,287 | 6,248,284 | 6,214,451 | |
| Ending Equity | 5,975,867 | 6,722,096 | 6,678,897 | 6,214,451 | |
| Equity Change | -52,419 | 6,693,809 | 6,050,613 | 6,214,451 | |
| Less: Dividends | 21,347 | 0 | 0 | 0 | |
| Plus: Withdrawals | 158,389 | 455,239 | 0 | 0 | |
| Equity Change | 136,633 | 0 | 0 | 0 | |
| Beginning Cash | 119,347 | 0 | 0 | 0 | |
| Ending Cash | 167,489 | 0 | 0 | 0 | |
| Cash Change | 48,142 | 0 | 0 | 0 | |
| Beginning Debt | 157,049 | 0 | 0 | 0 | |
| Ending Debt | 157,049 | 0 | 0 | 0 | |
| Debt Change | 0 | 0 | 0 | 0 | |
| Beginning Assets | 119,347 | 0 | 0 | 0 | |
| Ending Assets | 167,489 | 0 | 0 | 0 | |
| Assets Change | 48,142 | 0 | 0 | 0 | |
| Beginning Liabilities | 157,049 | 0 | 0 | 0 | |
| Ending Liabilities | 157,049 | 0 | 0 | 0 | |
| Liabilities Change | 0 | 0 | 0 | 0 | |
| Beginning Net Worth | 119,347 | 0 | 0 | 0 | |
| Ending Net Worth | 167,489 | 0 | 0 | 0 | |
| Net Worth Change | 48,142 | 0 | 0 | 0 | |
| Beginning Total Assets | 119,347 | 0 | 0 | 0 | |
| Ending Total Assets | 167,489 | 0 | 0 | 0 | |
| Total Assets Change | 48,142 | 0 | 0 | 0 | |
| Beginning Total Liabilities | 157,049 | 0 | 0 | 0 | |
| Ending Total Liabilities | 157,049 | 0 | 0 | 0 | |
| Total Liabilities Change | 0 | 0 | 0 | 0 | |
| Beginning Total Equity | 119,347 | 0 | 0 | 0 | |
| Ending Total Equity | 167,489 | 0 | 0 | 0 | |
| Total Equity Change | 48,142 | 0 | 0 | 0 | |



Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*

Points to Remember

Time:

#1 Commodity

Trust:

Trust But Verify

Attitude:

Owens or Excuses

Innovation:

Thinking Forward



Driving a Business:

Data Driven or Tractor Driver

Collaboration:

Finding Partners

Succession Plan

Is There A Plan

Keeping Famers Farming and Ag Lenders Lending

Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*

Action Items

- Define your Value-Add goals
 - *Top Producer Needs*
 - *Bottom Producer Needs*
- Leverage Business IQ worksheet
 - *Lender do on Producer*
 - *Producer do on Producer*
- Discuss strengths/weaknesses
 - *Help them understand what that means*
- Provide a “Take Home Packet” Binder



Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*

Remember....

Never Confuse

Self-Worth

With

Net-Worth



Ag Lenders: *Help Your Producers Seize Opportunities In The 2020 Ag Commodity Markets*

Keeping Farmers Farming & Ag Lenders Lending



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