



**ArborOne™**  
FINANCIAL

# **2009 Row Crop Outlook**

**2009 Ag Lenders Perspective**

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## ***Challenges facing Ag lending in 2009:***

- **Volatility in the credit markets:**
  - **Credit funding?**
- **Volatility in grain prices**
  - **What will they be?**
  - **Will they support debt repayment?**
- **Uncertainty in input cost**
  - **How much will it cost to grow the crops?**
- **Integration stability**
  - **Will we have local plants to continue to buy the commodities?**

## ***Challenges cont....***

- **Off farm job losses**
  - **How will this affect house hold cash flows?**
  - **Health Insurance cost for the family?**

***Material that will need to be collected to process the application:***

- **Update Balance sheet**
  - **Assets**
    - **Current**
      - **Cash**
      - **Crops on hand to sale**
      - **Investment in growing crops**
      - **Supplies on hand**
    - **Intermediate**
      - **Equipment purchases and sales**
    - **Long Term**
      - **Real Estate Purchase and sales**

## ***Application Material cont.....***

- **Cont....**
  - **Liabilities**
    - **Current**
      - **Debts due within a year (Suppliers)**
    - **Intermediate**
      - **Debts due within 1 to 10 years (Credit cards, equipment)**
    - **Long Term**
      - **Debts due 10 years or later (home, land)**
- **Updated Federal Tax returns (at least three years of recent tax returns)**

## ***Application Material cont.....***

- **Production and Projections**
  - **Yields**
  - **Prices**
  - **Acres**
- **Projected Income and Expenses for the upcoming year**
- **Marketing Plan**
- **Insurance coverage levels**

# ***What the Ag lender wants to see when a credit application is taken:***

- **Will the credit application be beneficial or supportive to the farming operation?**
- **How do the applicants historical financial trends look?**
  - **Positive Growth, Neutral, or negative growth (Balance sheet net worth change)**
- **Production history**
  - **How does he perform from year to year with his yields?**

## ***Application cont....***

- **Cash flows**
  - On farm
  - Off farm
- **Collateral**
  - Will the potential loan be properly securitized for the term?
  - Will the Loan to value meet underwriting requirements?

## ***Application cont....***

- **Risk Management**
  - **Will there be adequate insurance coverage?**
  - **Can the customers balance sheet support a risky type of insurance for his operation?**

***AG Lenders most important phrase for  
2009 is?***

**Risk Management!!!!!!!!!!!!**

# ***What to look for in an Ag Lender??***

- **A History of sound and profitable Agricultural financing**
- **Farm Knowledge** – Do they know the industry? Do they know the challenges farmers face?
- **Competitive loan products**
- **Flexible financing-** Can their loans fit your needs?

# ***What to look for in an Ag Lender??***

- Is my bank going to be here tomorrow?
- Will my bank still finance farms if things get tough??