

Travel Tips on the Ag Banking Roadway

Finpack Lenders Conference
December 11 2024

S J Miller, Fox St Advisors



On the Road Again...



Know your vehicle



Stay on the road



Enjoy the sights along the way

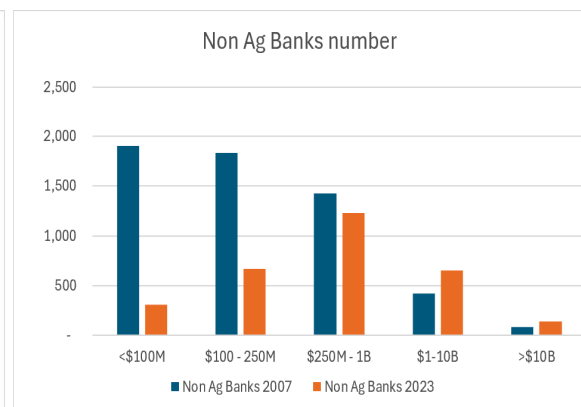
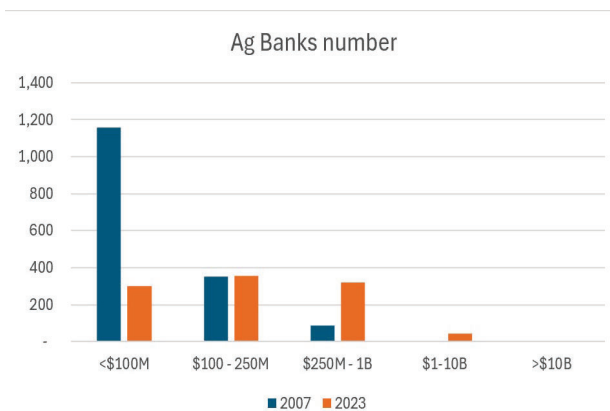


Know your vehicle

- Your bank
 - Fuel level – analysis and decision credit



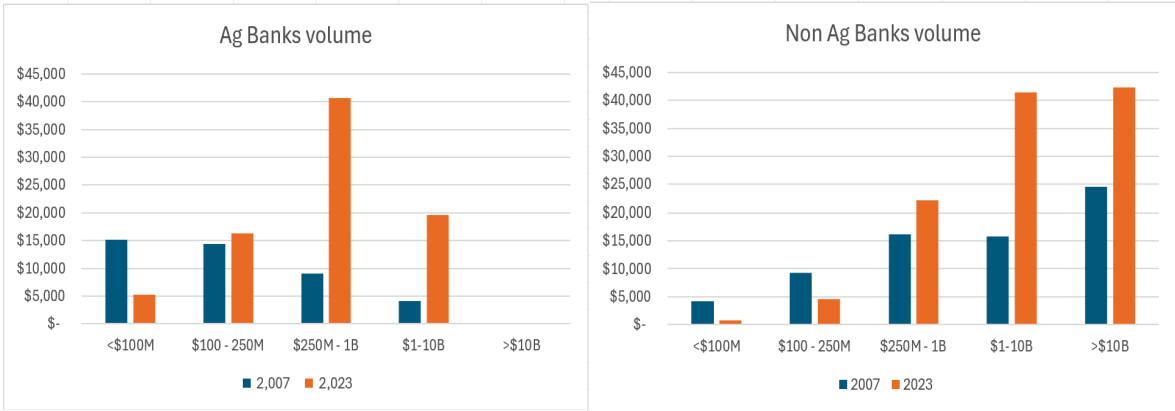
Changing Ag Banking Landscape



Source: farmdocdaily.com June 2024



Changing Ag Banking Landscape



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What is your Credit Box?



Leverage



Cash flow



Risk rating



Collateral



Structure –
amortization,
covenants



Advance rates



Reporting
requirements



Know your vehicle

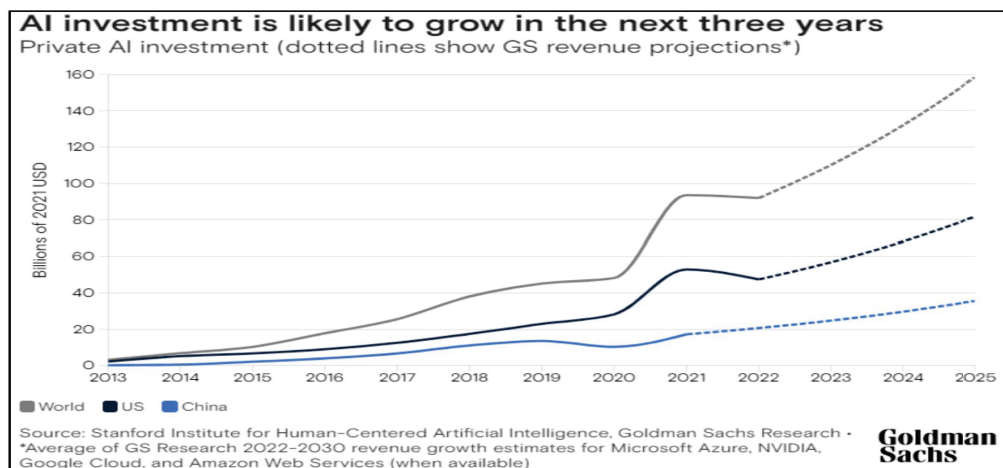
- Your bank
 - Fuel level – analysis and decision credit
 - Fluid levels – co-workers, documentation staff



Fluid Levels

- Co-workers
 - Relationship managers
 - Credit Analysts
 - Risk Officers
 - Senior Management
 - Coordinators or Admin
 - Documentation staff
 - Legal – internal/external

Investment in AI



Know your vehicle

- Your bank
 - Fuel level – analysis and decision credit
 - Fluid levels – co-workers, documentation staff
 - Tires – Management



Tires – Management

Ag Department management

- Experience through cycles

Commercial Banking management

- Knowledge of Agriculture
- Experience through cycles

Senior management

- How do you keep them informed/educated

Board of Directors

- How do you keep them informed/educated



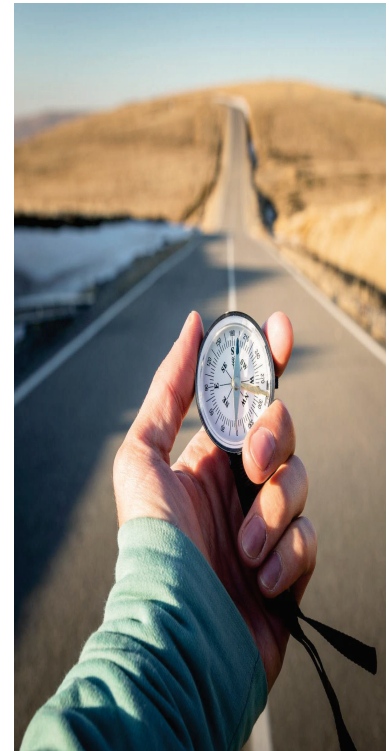
Know your vehicle

- Your bank
 - Fuel level – analysis and decision credit
 - Fluid levels – co-workers, documentation staff
 - Tires – Management
 - What do your sensors tell you?

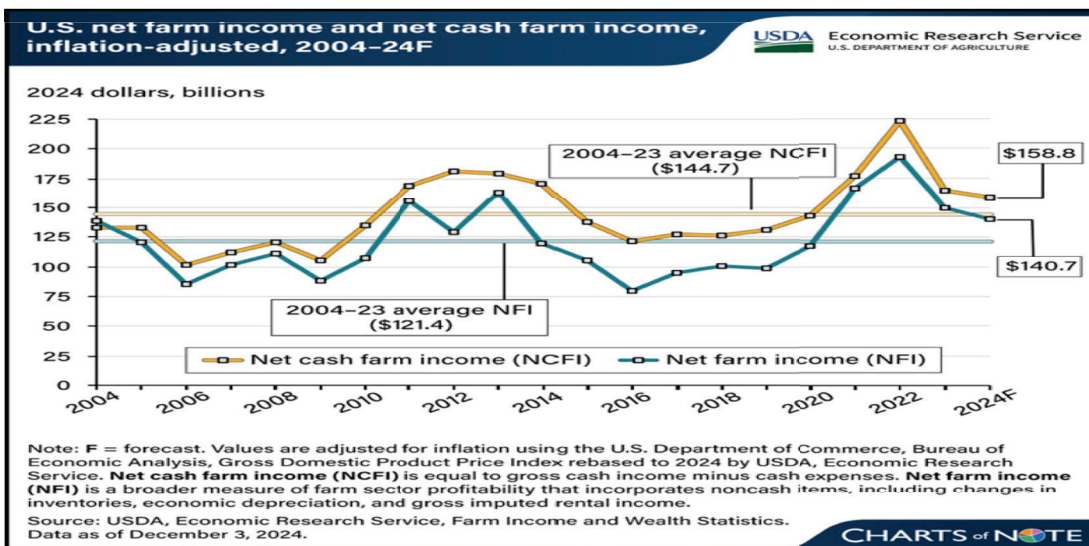


Stay on the Road

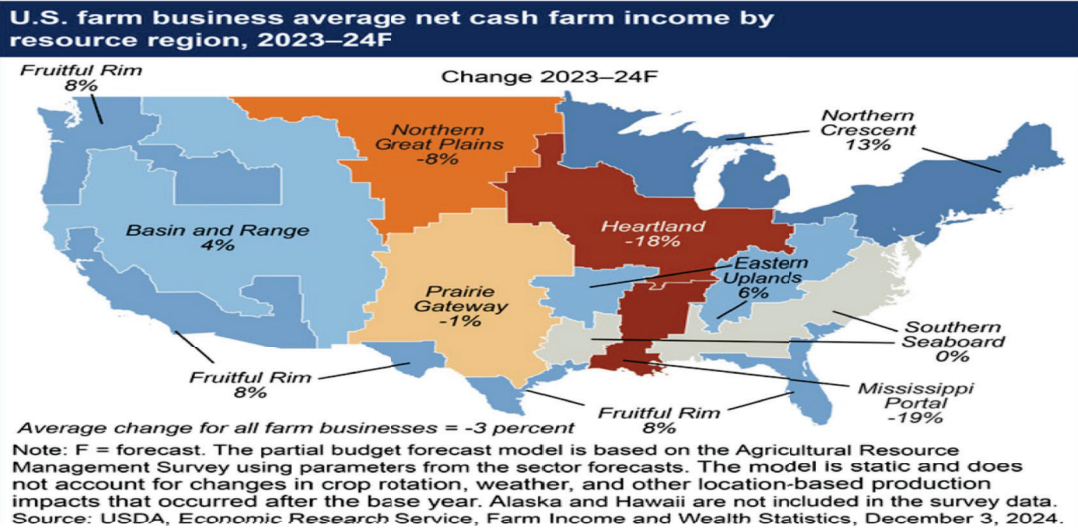
- Credit standards – where are the lines
- Speed limit – pricing, margins, monitoring systems



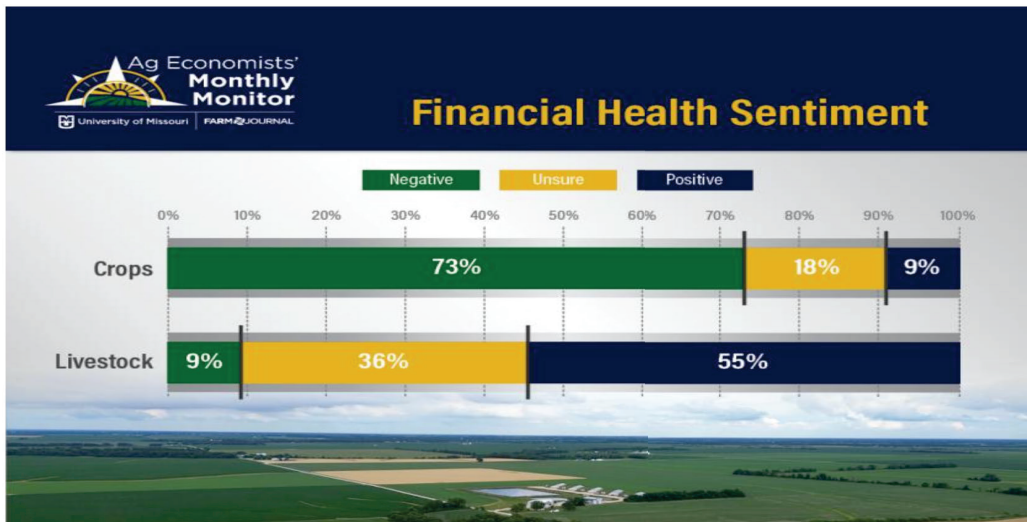
Going the wrong way



Livestock good, Crops bad...

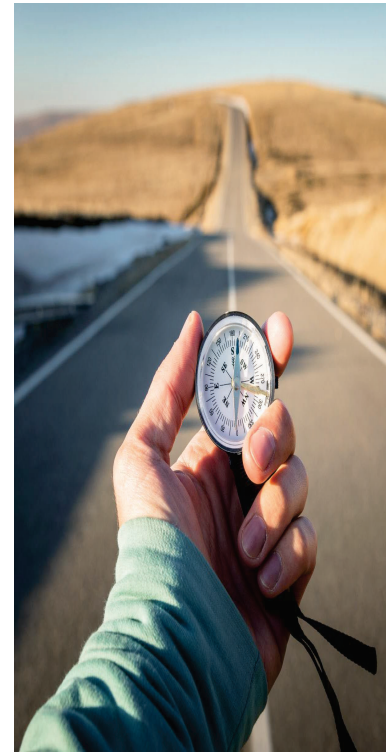


Farmer Sentiment



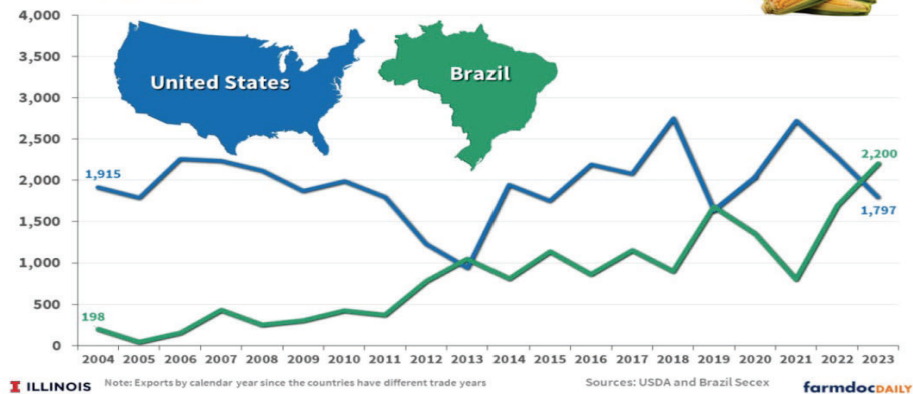
Stay on the Road

- Credit standards – where are the lines
- Speed limit – pricing, margins, monitoring systems
- Emergency vehicles – weather events, tariffs



Export challenges

Figure 1. Total Corn Exports by the United States and Brazil
in million bushels



ILLINOIS

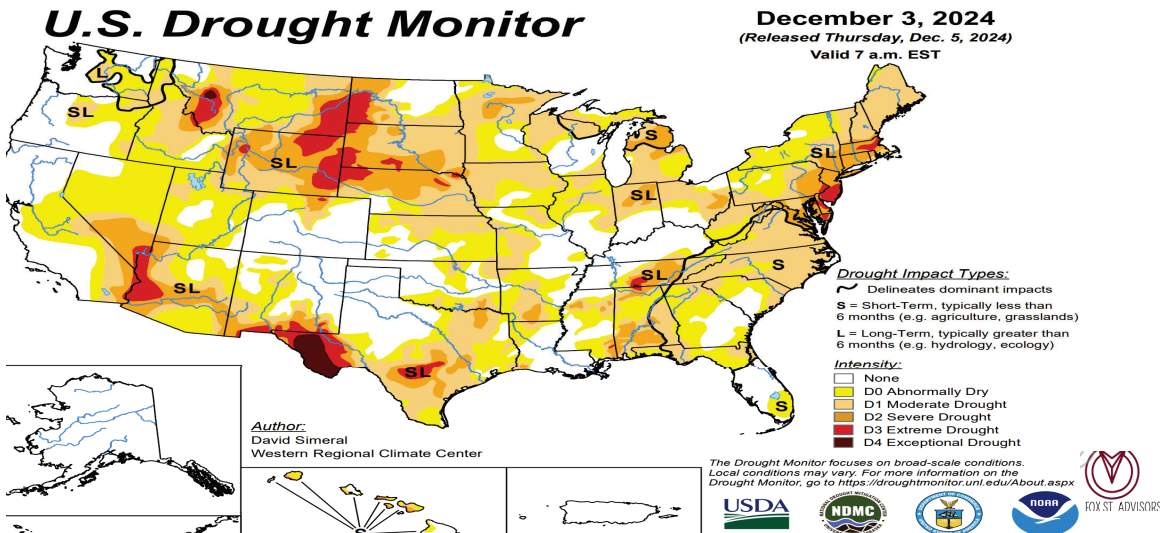
Note: Exports by calendar year since the countries have different trade years

Sources: USDA and Brazil Secex

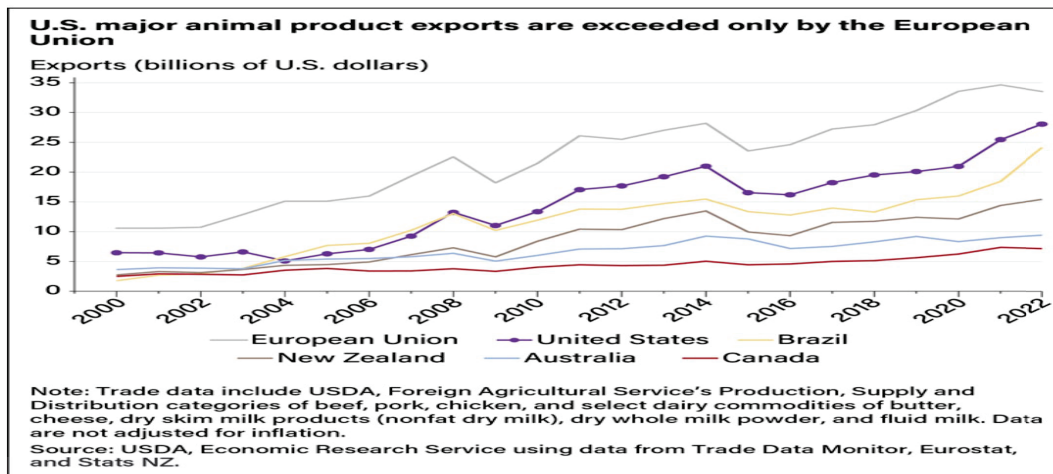
farmdocDAILY



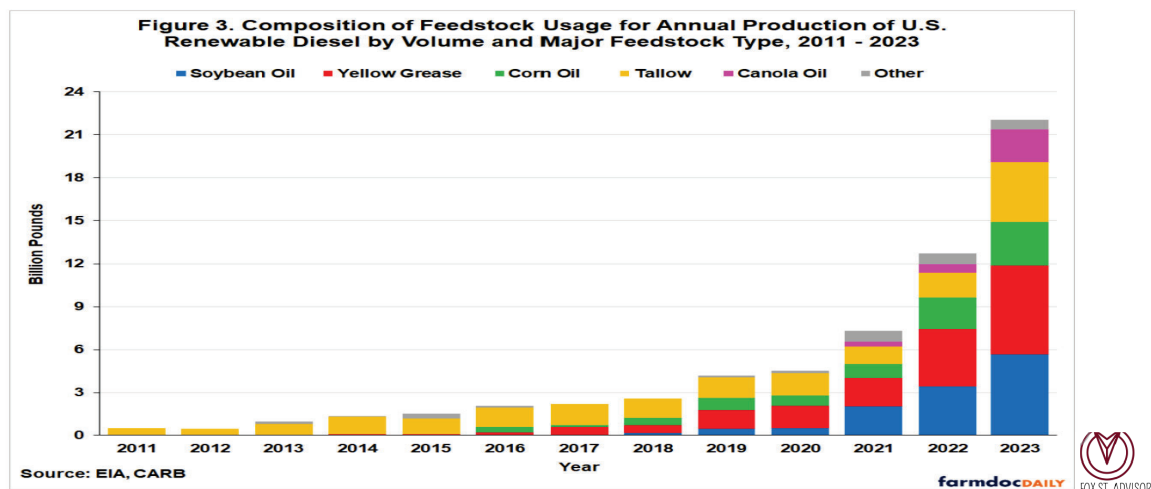
Drought persists



The Trend is your Friend

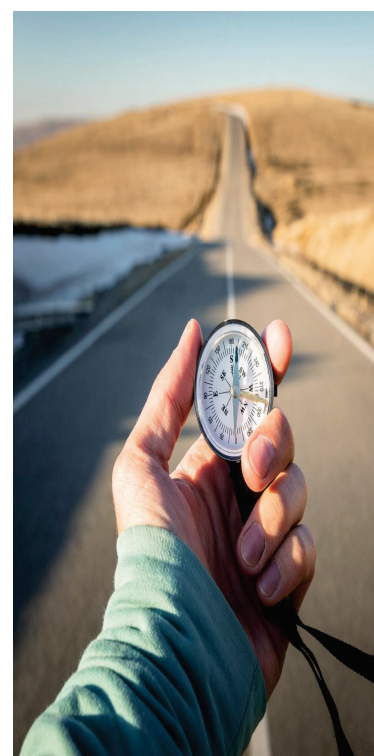


Opportunity: Are you knocking?



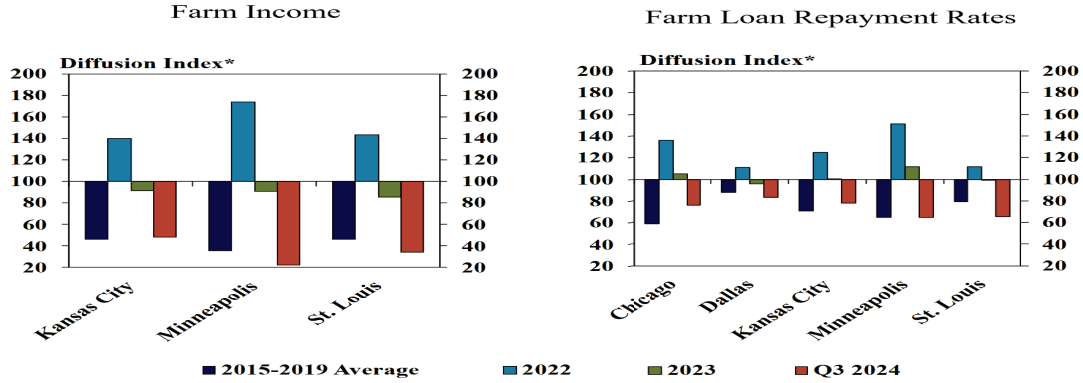
Stay on the Road

- Credit standards – where are the lines
- Speed limit – pricing, margins, monitoring systems
- Emergency vehicles – weather events, tariffs
- Consequences of breaking the rules of the road – problem loans, workouts, charge-offs



Income and Repayment slows down

Chart 1: Farm Income and Loan Repayment Rates

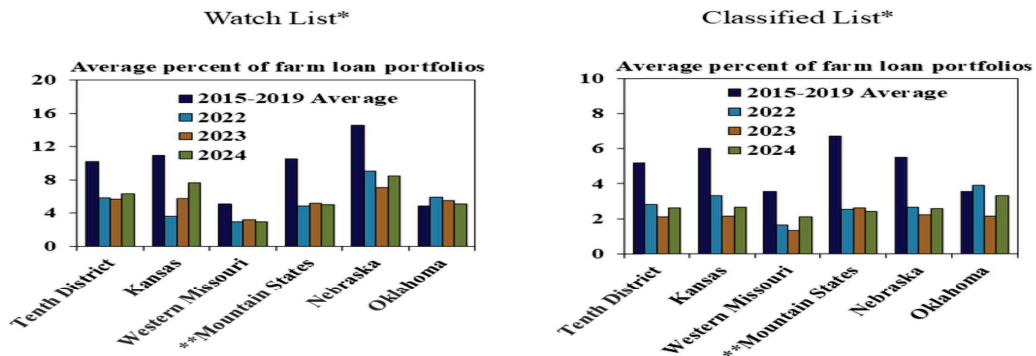


*Bankers responded by indicating whether conditions during the current quarter was higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.
 Note: Information about farm income is only collected for the Kansas City, Minneapolis, and St. Louis Districts.
 Sources: Federal Reserve District Surveys of Agricultural Credit Conditions



Problem Loans tick up

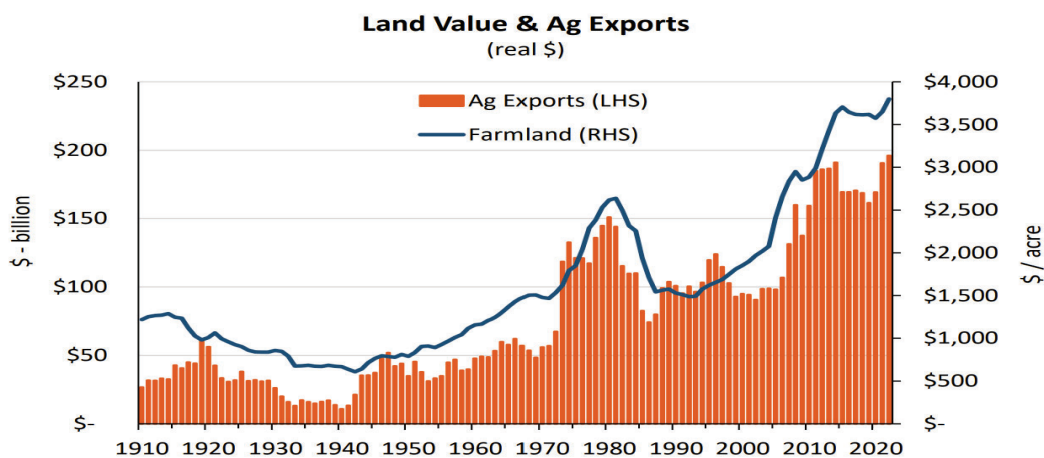
Chart 5: Problem Loan Rates, Q3



ote: Respondents were asked to indicate the percentage of their bank's farm loan portfolio currently on the "Watch" and "Classified" lists.
 For purposes of this article, a "Watch List" loan is interpreted as a qualifying credit but is being closely monitored for potential problems (deterioration in borrower financial conditions, management changes, etc.). A "Classified List" loan is a loan with a defined weakness (adequate debt service, insolvent bilateral position, etc.) that requires specific documentation and potential bank reserve adjustments.
 * Mountain States include Colorado, northern New Mexico and Wyoming, which are grouped because of limited survey responses from each state.



Tied at the hip?



Source: Farmer Mac 2024



Enjoy the sights along the way



Attend industry events



Engage in your profession



Become a trusted advisor



Work your network

