## **2022 Agriculture Insights**

Thursday, December 8, 2022 – 8:30am

Hosted by The First Citizens National Bank Ag Lending Team and Dr. Freddie Barnard

## Welcome!



#### Welcome!

As the past several weeks have shown, the business climate across the world continues to be tumultuous and uncertain. Because we are a trusted partner in our local communities, we're honored to provide expert resources to the community through our Business First Content Series. We're excited to bring Dr. Freddie Barnard to this venue with all his expertise and experience.

While none of us can predict the future, we hope this presentation provides insight into the current agricultural lending climate, what data you can use to benchmark your farm's performance over others in the area, and what the best next steps for you might be.

We'll also provide space for questions and answers, both from Freddie and our Ag Lending Experts.

Thank you for joining us – we'll get started by turning things over to Freddie Barnard.





### PROFITABILITY BY THE NUMBERS: WHAT SECRETS WOULD YOUR FARM RECORDS REVEAL?

#### THE FIRST CITIZENS NATIONAL BANK

**DECEMBER 8, 2022** 

#### **UPPER SANDUSKY, OH**

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## Disclaimer

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#### PROFITABILITY BY THE NUMBERS: WHAT SECRETS WOULD YOUR FARM RECORDS REVEAL?

Common External Factors, but Major Individual
 Differences

- **-**Current Situation in Agriculture: Financial Reporting
- Key Financial Ratios to Determine Strengths and
- Weaknesses
- Purdue Spreadsheet: Accrual-adjusted Income Statement
- Impact on Loan Repayment of Changes
- Keys to Operating in the Current Environment
- **Questions and Answers**

#### There are Some Common Financial Environment Conditions across Producers

- Generally Profitable 2006-2013 Period for Grain Operations, Followed by Multiple Years of Lower Net Farm Incomes...but now Some Relief !
- Higher Capital Purchases using Borrowed Funds, Rapid Depreciation Methods during the Profitable Period...Is Now the Time to Buy?!
- Principal Payments on Term Debt Remained with Lower Net Farm Incomes!
- Higher Family Living Withdrawals during the Profitable Period Remain During the Lower Income Periods
- Uncertain Government Payments
- Low Interest Rates...but Increasing!
- Increasing Land Values

#### However, There are Some Important Differences in Financial Characteristics across Producers

- Financial records vary across producers, as well as manager understanding
- Family living withdrawals vary across producers
- Crop Yields in 2019, 2020 and 2021, depending on location
- Grain prices have improved dramatically, but marketing practices vary across producers
- Operating expenses vary across producers
- Leverage levels vary across producers
- Consequently, repayment capacity varies across producers
- As a result, effectiveness of operating changes will vary across producers

### Characteristics of Higher Profit Farms 2011 through 2020

- Illinois Farm Business Farm Management Association (FBFM)
   5,000+ Cooperators in FBFM
- 2011 through 2020 Average
- Profit Defined as Management Returns/Acre
- Top One-third and Bottom One-third
- 4 Geographic Areas
  - Northern
  - Central-High
  - Central-Low
  - Southern

## Characteristics of Higher Profit Farms 2011 through 2020

- Crop Costs:
  - Fertilizer
  - Seed
  - Pesticides

## Power and Equipment Costs:

- Fuel
- Repairs
- Machine Hire
- Lease Expense
- Economic Depreciation

Characteristics of Higher Profit Farms 2011 through 2020 Average

- Larger in Size
  - **200 800 Acres**
- Higher Crop Yields
  - Corn: 9 16 bushels/acre
  - Soybeans: 4 6 bushels/acre
- Crop Shared a Larger Percent of Acres
  - 7 14 Percent Higher Percent

### **Characteristics of Higher Profit Farms - 2011 through 2020 Average**

- Higher Gross Returns
  - \$104/acre \$132/acre
- Lower Costs
  - Crop Costs: \$32/acre \$41/acre Lower
  - Power and Equipment: \$34/acre \$43/acre Lower
- Management Returns/Acre
  - \$233/acre \$256/acre

#### Current Situation: Financial Reporting and Credit Analysis

#### Data:

- Indiana Producers
- 72 Farms
- **2005**

#### **Results:**

•	Record-keeper	
	<ul> <li>Respondent or Spouse</li> </ul>	78%
	<ul> <li>Other Family Member</li> </ul>	18%
	Primary Reason to Keep Records	
	<ul> <li>Income Taxes</li> </ul>	99%
•	Prepare Balance Sheet	80%
	Own a Computer	96%
	Use Computer for Record-Keeping	<b>87%</b>
•	Use Accrual Accounting to Measure Profitability	21%

#### **Financial Reporting and Credit Analysis: Five Lessons Learned on the Road 2016-22**

- Schedule F vs. Accrual-adjusted Income Statements
- Few Monthly or Quarterly Projected Cash Flow Statements, with almost no Actual to Projected Cash Flow Comparisons
- Multiple Years of Operating Expenses in one Operating Line, with Few Separate Inventory Loans for Old Crop Operating Lines
- Family Living Withdrawals Taken from Business Checking Accounts, with Some Examples of \$20,000 Used for Family Living Expenses

# Farm Financial Standards Council (FFSC)

- Background
- Goals
- Current Activities
- Recommendations

# **Goals of the FFSC**

- Recommend Guidelines for ...
  - Financial Reporting
  - Financial Criteria and Measures
  - Information Management
- Continue a Forum to Address Future Issues

## **Financial Statements**

- Balance Sheet
- Income Statement: Accrual-adjusted
- Statement of Owners Equity
- Statement of Cash Flows...But We Often Use the Projected Cash Flow Statement



**Balance Sheet vs. Income Statement Financial Stages During a Farmer's Life** 

## <u>Data</u>

- Illinois Farm Business Farm Management (FBFM)
- **1996-2002**
- Asset Valuation: Market
- Income Statement: Accrual-adjusted

#### **Selected Credit Analysis Measures**

<u>Measure</u>	<u>&lt;30</u>	<u>30-39</u>	<u>40-49</u>	<u>50-59</u>	<u>60+</u>	<u>8-year</u> <u>Average</u> <u>All Farms</u>
Debt-to- Asset	47.1	40.2	35.9	30.3	15.6	30.2
Current Ratio	1.6	1.5	1.5	1.4	2.4	1.6
Interest Expense	4.6	6.1	6.6	7.9	5.7	6.6
Debt Servicing	14.0	15.4	15.3	17.3	12.4	
Term Debt and Capital Lease Coverage	2.0	1.5	1.4	1.1	1.7	1.4

## Why Did the Debt Servicing and Repayment Capacity Measures Deteriorate for the 50-59 Year Age Group?

•	Help Younger Generation Get In	
•	Help Older Generation Get Out	
•	College	
•	Marriages	
•	Spouse - Retires	
•	Divorce	
•	Other	



## **Family Expenditures**

Table 1. Farm and Family Sources and Uses of Dollars - Average per Farm in Illinois, 2004-2007.

Item	2007	2006	2005	2004
Net non-farm income	\$31,668 \$103,675	\$29,614 ¢04,756	\$27,810 \$55,030	\$27,280 \$03,704
	\$193,073	\$94,750	\$33,030	393,704
Contributions	\$2,303	\$1,888	\$2,058	\$1,816
Medical	8,071	7,665	7,433	7,320
Life Insurance	3,039	2,978	2,900	2,753
Expendables	<u>46,881</u>	<u>42,463</u>	<u>40,352</u>	<u>40,700</u>
Total Non-Capital	(60,294)	(54,994)	(52,742)	(52,589)
Capital	<u>6,118</u>	<u>4,692</u>	<u>5,542</u>	<u>5,960</u>
Total Living Expenses	(\$66,412)	(\$59,686)	(\$58,285)	(\$58,550)

# **Family Living Expenditures**

	<u>2020</u>	<u>2019</u>	<u>2013</u>	<u>2007</u>
No. Farms	1088	1257	1307	XXXX
No. Family	2.6	2.6	2.7	XXX
Nonfarm Income	\$47,892	\$44,871	\$38,019	\$31,668
Living Expenses				
Contributions	\$2,947	\$3,085	\$3,874	\$2,303
Medical	10,712	10,866	10,417	8,071
Ins., Life & Dis.	5,093	5,174	4,492	3,039
Expendables	<u>57,920</u>	<u>59,769</u>	<u>61,933</u>	<u>46,881</u>
Total Non-cap	. \$76 <b>,</b> 672	\$78,894	\$80,716	\$60,294
Capital	4,354	<u>    5,446                               </u>	8,414	<u>6,118</u>
Total Living	\$81,026	\$84,340	\$89,130	\$66,412
Percent Change	NC	NA	-5.4%	34.2%

Income Statement Cash vs. Accrual-adjusted 3-year cash average vs. accrual-adjusted

#### <u>Data</u>

- Illinois FBFM
- 1045 Farms
- **2002-2006**
- Asset Valuation: Market
- Income Statements: Schedule F Cash Basis and Accrualadjusted



Year	Median Absolute Difference: (Accrual-Adjusted – schedule F)/ Accrual-Adjusted				
2002	16,820	56%			
2003	31,351	61%			
2004	43,223	63%			
2005	23,445	52%			
2006	45,510	63%			

Years Averaged	Median Absolute Difference (Accrual-adjusted – Schedule F)/ Accrual-adjusted				
2002-04	\$26,726	52%			
2003-05	\$30,817	52%			
2004-06	\$34,770	54%			
5-Year					
2002-06	\$28,253	52%			

	Median Absolute Difference: Annual Gross Revenue Growth Rate 2002-06					
Years Averaged	Less than 5%	5-10%	Greater than 10%			
2002-04	46%	51%	54%			
2003-05	41%	49%	58%			
2004-06	41%	50%	61%			
5-Year						
2002-06	39%	52%	55%			

	Median Absolute Difference: Debt-to-Asset Levels				
Years Averaged	Less than 20%	20-40%	Greater than 40%		
2002-04	44%	56%	60%		
2003-05	45%	56%	61%		
2004-06	47%	57%	63%		
5-Year					
2002-06	44%	55%	60%		

Accrual-adjusted Income Statement Documents Needed

- Beginning Balance Sheet
- Ending Balance Sheet
- Income Tax Return
  - Schedule F
  - **Form 4797**

## Analysis Tool Farm Business Management for the 21<sup>st</sup> Century

- Spreadsheet
- Website Address:
- www.agecon.purdue.edu/files/EC712.xlsx

# **Financial Criteria**

- Profitability
- Liquidity
- Solvency
- Financial Efficiency
- Repayment Capacity

## FARM BUSINESS FARM MANAGEMENT COMPARATIVE DATA

#### Website Addresses:

www.farmdoc.illinois.edu/finance/benchmark\_pdf

www.iowafarmbusiness.org/PRES10/2010

www.northlandfbm-morehead.com/reports

http://agmanager.info/kfma/

## **Profitability Measures FFSC Definitions**

- Rate of return on farm assets = (NFI\* + farm interest expense value of operator and unpaid family labor and management)/average total farm assets
- Rate of return on farm equity = (NFI\* value of operator and unpaid family labor and management)/average total farm equity
- Operating profit margin ratio = (NFI\* + farm interest expense value of operator and unpaid family labor and management)/gross revenue\*\*
- \* NFI = net farm income
- \*\* The ratio can be calculated using either gross revenue or VFP.



#### **University of Minnesota Comparisons**

	ROA <sup>1</sup> High 20%	ROA Low 20%	ROE <sup>2</sup> High 20%	ROE Low 20%	OPMR* <sup>3</sup> High 20%	OPMR* Low 20%
2014**	11.0	-5.1	15.1	-13.7	27.0	-16.5
2017**	6.6	-3.7	8.3	-13.2	19.1	-12.2
2018	6.5	-4.4	7.9	-16.2	18.4	-14.9
2020	10.6	-2.5	14.9	-11.2	26.0	-10.1
2021**	14.6	-1.1	21.6	-8.0	32.8	-3.8

\* This ratio was calculated using Gross Revenue (GR).

\*\* The number of farms in each quartile is 705 (2014), 583, (2017), 688 (2018), 666 (2020) and 489 (2021).

- <sup>1</sup> Rate of Return on Farm Assets.
- <sup>2</sup> Rate of Return on Farm Equity.
- <sup>3</sup> Operating Profit Margin Ratio.

#### **University of Minnesota Comparisons**

	ROA High 20%	ROE High 20%	ROA Low 20%	ROE Low 20%
2014	11.0	15.1	-5.1	-13.7
2017	6.6	8.3	-3.7	-13.2
2018	6.5	7.9	-4.4	-16.2
2020	10.6	14.9	-2.5	-11.2
2021	14.6	21.6	-1.1	-8.0

# Liquidity and Solvency Ratios

- Current ratio = total current farm assets/total current farm liabilities
- Working capital to gross revenue\* = working capital/gross revenue or value of farm production
- Debt-to-asset = total farm liabilities/total farm assets
- Equity-to-asset = total farm equity/total farm assets
- Debt-to-equity = total farm liabilities/total farm equity
- Discussion question. If the debt-to-equity ratio equals
   1.0 what is the debt-to-asset ratio?



#### **University of Minnesota Comparisons**

	Current Ratio High 20%	Current Ratio Low 20%	Working Capital to GR High 20%	Working Capital to GR Low 20%
2014	2.4	1.3	35.0	18.5
2017	2.2	1.1	40.0	8.0
2018	2.1	1.1	40.2	5.1
2020	2.3	1.2	36.9	12.1
2021	2.7	1.6	47.6	18.3

#### **University of Minnesota Comparisons**

	D/A¹ High 2o%	D/A Low 20%	E/A² High 20%	E/A Low 20%	D/E <sup>3</sup> High 20%	D/E Low 20%
2014	33.0	45.0	67.0	55.0	0.48	0.80
2017	36.0	49.0	64.0	51.0	0.55	0.96
2018	35.0	51.0	65.0	49.0	0.53	1.03
2020	38.0	47.0	62.0	53.0	0.61	0.89
2021	42.0	51.0	58.0	49.0	0.71	1.04

<sup>1</sup> Debt-to-asset.

<sup>2</sup> Equity-to-asset.

<sup>3</sup> Debt-to-equity.

## **Operational Measures**

## FFSC Definitions, Except Revenue Per Full-time Labor Ratio

- Asset turnover ratio = gross revenue\*/average total farm assets
- Revenue/full-time laborer ratio = gross revenue\*/number of operators and employees
- Operating expense ratio = operating expenses (excluding interest and depreciation)/gross revenue\*
- Depreciation expense ratio = depreciation expense/gross revenue\*
- Interest expense ratio = interest expense/gross revenue\*
- NFI ratio = NFI\*\*/gross revenue\*

\* This ratio can be calculated using either gross revenue or VFP.
 \*\* NFI = net farm income



#### **University of Minnesota Comparisons**

	ATR*¹ High 20%	ATR* Low 20%	OER* <sup>2</sup> High 20%	OER* Low 20%
2014	40.9	30.9	70.7	97.7
2017	34.8	30.7	72.1	96.4
2018	35.1	29.8	71.1	97.7
2020	40.6	25.2	68.7	90.8
2021	44.6	29.5	63.5	88.5

- \* This ratio was calculated using Gross Revenue (GR).
- <sup>1</sup> Asset turnover ratio.
- <sup>2</sup> Operating expense ratio.

#### **University of Minnesota Comparisons**

	DER*1 High 20%	DER* Low 20%	IER* <sup>2</sup> High 20%	IER* Low 20%	NFI Ratio* High 20%	NFI Ratio* Low 20%
2014	5.0	9.5	2.4	5.8	22.3	-13.3
2017	6.3	7.7	3.2	6.3	18.9	-10.3
2018	6.4	7.3	3.6	6.3	18.8	-11.3
2020	5.2	8.6	3.1	8.1	22.9	-7.5
2021	4.4	7.2	2.4	5.6	29.7	-1.3

\* This ratio was calculated using Gross Revenue (GR).

<sup>1</sup> Depreciation expense ratio.

<sup>2</sup> Interest expense ratio.

## Selected Credit Analysis Measures FFSC Definition, Except Debt Servicing

- Term debt and capital lease coverage ratio = [(NFI + total nonfarm income + depreciation expense + interest on term debts + interest on capital leases) total income tax expense withdrawals for family living]/annual scheduled principal and interest payments on term debts and capital leases
- Debt servicing = (interest expense + annual scheduled intermediate and long-term principal payments)/gross revenue\*

\*The ratio can be calculated using either gross revenue or value of farm production



#### **University of Minnesota Comparisons**

	Term Debt Coverage Ratio High 20%	Term Debt Coverage Ratio Low 20%
2014	3.37	-0.45
2017	2.35	-0.16
2018	2.51	-0.22
2020	3.57	0.48
2021	5.31	0.91

- \* This ratio was calculated using Gross Revenue (GR).
- <sup>1</sup> Asset turnover ratio.
- <sup>2</sup> Operating expense ratio.

#### **Alternatives For Improving Loan Repayment Capacity: Spreadsheet Uses**

- Sensitivity Analysis "Stress Test"
- Evaluate Alternatives
- Prioritize Alternatives

Alternatives For Improving Loan Repayment Capacity: Base Case Farm Financial Measures

- Debt-to-Asset = 30 Percent
- Interest Rates on Operating Debt = 3.5
- Interest Rates on Term Debt = 5 Percent

Alternatives For Improving Loan Repayment Capacity: Base Case Farm Financial Measures

- Debt-to-Asset = 46 Percent
- Interest Rates on Operating Debt = 3.5
- Interest Rates on Term Debt = 5 Percent

## U. S. Ag Sector, Gross Farm Income Annual Percentage Change

Year	Amount Billions	Percent Change
2013	\$456.1	
2014	470.3	3.1
2015	422.6	(10.1)
2016	399.4	( 5.5)
2017	413.2	3.5
2018	414.0	0.2
2019	424.3	2.5
2020	437.2	3.0

Sensitivity Analysis Scenarios

1. Decrease Gross Farm Revenue by 5 percent
2. Decrease Gross Farm Revenue by 10 percent

## U. S. Ag Sector, Production Expenses Annual Percentage Change

Year	Amount Billions	Percent Change
2013	\$355.8	
2014	386.0	8.5
2015	355.0	(8.0)
2016	345.6	(2.6)
2017	346.5	0.3
2018	340.1	(1.8)
2019	344.8	1.4
2020	354.1	2.7

Sensitivity Analysis Scenarios

- 3. Increase Total Operating Expenses by 5 percent
- 4. Increase Total Operating Expenses by 10 percent

## U. S. Ag Sector, Gross Farm Income and Production Expense Annual Percentage Change

Year	Gross Farm Income Prod. Expense Percentage Change		
2013	1.1	2.1	
2014	3.1	8.5	
2015	(10.1)	(8.0)	
2016	(5.5)	(2.6)	
2017	3.5	0.3	
2018	0.2	(1.8)	
2019	2.5	1.4	
2020	3.0	2.7	

Sensitivity Analysis Combination Scenarios

- **5. Decrease GFR by 5% and Increase OE 5%**
- 6. Decrease GFR by 5% and Increase OE 10%
- 7. Decrease GFR by 10% and Increase OE 5%
- 8. Decrease GFR by 10% and Increase OE by 10%

3.5 Percent on Operating Debt
5.0 Percent Interest on Term Debt Low vs High Debt-to-Asset

•	<u>Scenarios</u>	$\mathbf{D}/\mathbf{A}=30$	<u>D/A = 46</u>
•	Base	3.03	2.01
•	1 R↓5	2.45	1.65
•	2 R↓10	1.87	1.30
•	3 E↑5	2.63	1.77
•	4 E <b></b> ↑10	2.23	1.53
•	5 R↓5 E↑5	2.05	1.42
•	6 R↓5 E↑10	1.64	1.18
•	7 R↓10 E↑5	1.47	1.06
	8 R↓10 E↑10	1.06	0.82

Impact of Increasing the Interest Rate on two Levels of Leverage Base Farm Financial Measures

- Debt-to-Asset = 30 vs. 46 Percent
- Interest Rates on Operating Debt = 3.5 and 6.0
- Interest Rates on Term Debt = 5 and 7.5 Percent
- Working Capital to Gross Farm Revenue = 19 Percent

6.0 Percent on Operating Debt7.5 Percent Interest on Term DebtLow vs High Debt-to-Asset

•	<u>Scenarios</u>	<b>D/A = 30</b>	<u>D/A = 46</u>
•	Base-Low Int.	3.03	2.01
•	Base-High Int.	2.50	1.61
•	1 R↓5	1.99	1.31
•	2 R↓10	1.49	1.01
•	3 E <b>↑</b> 5	2.15	1.41
•	<b>4 E</b> ↑10	1.80	1.21
•	5 R↓5 E↑5	1.64	1.11
•	6 R↓5 E↑10	1.29	0.91
•	7 R↓10 E↑5	1.13	0.81
	8 R↓10 E↑10	0.78	0.61

Debt-to-Asset 30 and 46 Percent Term Market Interest Rates of 7.5 Percent Term Interest Rate Fixed at 5 Percent Base Farm Financial Measures

- Debt-to-Asset = 30 vs. 46 Percent
- Interest Rate on Term Debt Fixed at 5 Percent when the market is 7.5 Percent
- Interest Rate on Operating Debt at 6.0 Percent
- Working Capital to Gross Farm Revenue = 19 Percent

30 Percent Debt-to-Asset 6.0 Percent on Operating Debt and 7.5 Percent on Term Debt vs. 6.0 Percent on Operating Debt and 5.0 Percent Fixed on Term,

•	<u>Sc</u>	enarios	<u>Variable</u>	Fixed-Term	
•	Base		2.50	2.87	
•	1	<b>R</b> ↓5	1.99	2.28	
•	2	R↓10	1.49	1.70	
•	3	E <b>↑5</b>	2.15	2.46	
•	4	E <b>↑10</b>	1.80	2.06	
•	5	R↓5 E↑5	1.64	1.88	
•	6	R↓5 E <b>↑</b> 10	1.29	1.48	
•	7	R↓10 E↑5	1.13	1.30	
	8	R <b>↓10 E</b> ↑10	0.78	0.90	

46 Percent Debt-to-Asset

6.0 Percent on Operating Debt, 7.5 Percent on Term Debt and WC to GR at 19 vs.6.0 Percent on Operating Debt, 5.0 Percent Fixed on Term Debt and WC to GR at 50 Percent

•	<u>Scenarios</u>		<u>Var.&amp;WC/GR=19</u>	Fixed&WC/GR=50
;	Ва 1	se R↓5	1.61 1.31	2.03 1.68
÷	2	R↓10	1.01	1.33
ł	3	E <b>↑</b> 5	1.41	1.80
÷	4	E <b>↑10</b>	1.21	1.56
÷	5	R↓5 E↑5	1.11	1.44
•	6	R↓5 E <b>↑</b> 10	0.91	1.20
•	7	R↓10 E↑5	0.81	1.09
	8	R <b>↓10 E</b> ↑10	0.61	0.85

### **10 Keys to Operating in the Current Environment**

- 1. Do not abandon proven credit standards
- 2. Focus on profitability accrual-adjusted income statements
  - Large operations
  - Highly Leveraged
  - Farms in transition
- **3.** Be Aware of the "Wealth Effect" Purchase of Capital Assets when Profits and Repayment Capacity are Declining
- 4. Repayment Capacity vs. Solvency Understand and RESPECT Impact of Increased Levels of Leverage on Repayment Capacity
- 5. Manage Interest Rate Risk Lock in Low Term Interest Rates

### **10 Keys to Operating in the Current Environment**

- 6. Reduce Production Risk with Crop Insurance
- 7. Reduce Market Risk with a Disciplined Marketing Plan
- 8. Pay Attention to Liquidity Increase Working Capital to Gross Revenue for More Highly Leveraged Borrowers
- 9. Get Guarantees on Questionable Loans When is the Best Time to Get a Loan Guarantee?
- 10. Use the Financial Tools Available to Conduct Sensitivity Analysis or "Stress" Testing, and to Evaluate and Prioritize Alternatives

#### WHAT SECRETS WOULD YOUR FARM RECORDS REVEAL?

- Thank-you for Your Attendance and Attention!
- Questions?

#### We Welcome Your Questions!

- We'll answer as many questions as we can, with both speakers.
- Simply raise your hand to ask a question and our speaker and/or moderator will call on you.





- Annual Requirements
  - Complete Federal AND State Tax Returns
    - Personally
    - Any Entity Which Has More Than 20% Ownership
      - Along with K-1s
  - Personal or Agricultural Financial Statement
    - Assets/Liabilities/Net Worth
  - Current Business Balance Sheet and Income Statement (YTD)
- Performance Measures
  - Liquidity (Current Ratio)
  - Leverage (Debt-to-Equity)





- Repayment Capacity (Cash Flow)
  - Debt Service Coverage (Minimum 1.3x)
  - Historic Trends
- Collateral
  - Loan-to-Value Ratio
  - Loan-to-Cost Ratio
  - Loan-to-Acre Ratio (on Land Loans)
- Credit
  - History
  - Bureau Score (typically TransUnion)



- Mitigating Factors
  - Net Worth
  - Deposit Relationship with FCNB
  - Repayment History with FCNB
- Dec. 31 Carryover (from one tax year into another) vs. Dec. 31 Line of Credit (Operating Debt) Balance
  - Income
  - Stored Grain as of 12/31
  - Delayed Payments
  - Crop Insurance Proceeds



#### • Expenses

- One-time Major Expense
- Prepaid Inputs





#### **Farm Finance Scorecard**











#### **Speaker Series Upcoming Event Information**

This concludes our presentation. Visit firstcitizensnational.com/2022-ag-event or use the QR to view and download the presentation.

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## Thank you!

