

DAVE'S GPS LIVE: NAVIGATING THE ROAD TO AG LENDING SUCCESS

Dr. David M. Kohl

Professor Emeritus, Agricultural and Applied Economics
Virginia Tech, Blacksburg, VA



(540) 961-2094 (Alicia Morris) | (540) 719-0752 (Angela Meadows) | sullylab@vt.edu

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Macro Clinic Video Blog: <http://agstar.com/edge/>

Road Warrior of Agriculture: www.cornandsoybeandigest.com

Ag Globe Trotter: www.northwestfcs.com

Dave's GPS & Dashboard Indicators: www.farmermac.com

Moderation of Super Cycle

- moderation of emerging nations
- biofuels & ethanol
- low value of dollar & interest rates
- mother nature/production concentration

Grain Industry- 7th & 8th Innings

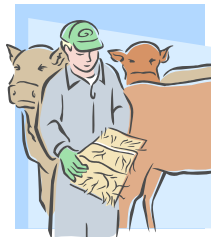
- slowing emerging nations
- softening of ethanol mandates
- supply and demand equation
- southern hemisphere weather
- high overhead / fixed cost structure



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Livestock Industry- 3rd & 4th Innings

- low numbers
- resources moved to grain industry
- 50 to 65 year olds will not return
- solid demand
- lower input cost structure
- young people



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Global Economy Snapshot

Emerging Nations, BRICS, & KIM-T

Country	GDP Rounded to Trillions	GDP Growth YOY	Interest Rate	Inflation Rate	Unemployment Rate
Brazil	2.5	1.9	11.0%	6.15%	5.10%
Russia	2.0	0.80	7.0%	6.9%	5.6%
India	1.8	4.70	8.0%	8.31%	3.8%
China	8.2	7.4	6.0%	2.4%	4.1%
South Africa	0.8	2.0	8.17%	5.7%	24.1%
South Korea	1.1	3.7	2.5%	1.3%	3.5%
Indonesia	0.9	5.72	7.5%	7.32%	6.25%
Mexico	1.2	0.70	3.5%	3.76%	4.65%
Turkey	0.7	0.80	0.25%	0.83%	8.8%
Total/Avg.	19	3.08	6.0%	4.74%	7.3%

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Global Economy Snapshot

Developing Countries or Rich Nations

Country	GDP Rounded to Trillions	GDP Growth YOY	Interest Rate	Inflation Rate	Unemployment Rate
United States	16	2.60%	0.25%	1.50%	6.70%
Euro Area	12	0.50%	0.25%	0.50%	11.90%
Japan	6	2.60%	0.00%	1.50%	3.60%
Germany	3.4	1.30%	0.25%	1.04%	5.10%
France	2.6	0.80%	0.25%	0.60%	10.20%
United Kingdom	2.4	2.70%	0.50%	1.60%	6.90%
Canada	1.8	2.66%	1.00%	1.10%	6.90%
Australia	1.5	2.80%	2.50%	2.70%	5.80%
Total/Avg.	46	2.00%	0.625%	1.32%	7.14%

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World Economy Perspectives- Europe

- German elections
- zero growth
- debt levels
- Euro additions/eliminations
- currency/other



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World Economy Perspectives- China

- new leadership
- population shift
 - rural to urban
- state directed-capital growth
- consumer based capitalism & growth in Asian exports
- trade
- natural resource issues
- social disruptions
- debt:shadow banking



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U.S. & Global Economy on Steroids

Indicator	Status
Wealth Effect	<ul style="list-style-type: none"> • Stock market • Real estate
Dow Jones Average	<ul style="list-style-type: none"> • 2009- 6400 • 2014- 16,460
Japan's Stock Market	<ul style="list-style-type: none"> • 2009- 8500 • 2014- 14,500
Real Estate:	<ul style="list-style-type: none"> • Florida, Georgia, Arizona, Nevada, & Rural America
One Dollar Increase In Stock Market	<ul style="list-style-type: none"> • Spend \$0.04 more
One Dollar Increase In Real Estate	<ul style="list-style-type: none"> • Spend \$0.09 more

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Federal Reserve's Interest Rate Barometer

Indicator	Possible Change	Definite Change	Current Status
Unemployment	7.0%	6.5%	6.3%
Core Inflation	2.0%	2.5%	1.8%
Headline Inflation	4.0%	5.0%	2.0%
GDP	2.0%	2.5%	-1.0%

Watch List:

- Dr. Yellen
- FOMC voting
- FOMC minutes
- Rail traffic
- Shoe shiners
- Copper prices
- Overland trucking
- Baltic Sea index

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Quick Reads on the Economy

Indicator	Status	Metric
LEI		
PMI		
Housing Starts		
Unemployment		
Core/Headline Inflation		

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Producer Views from the Road

How measurements are used in decision making:

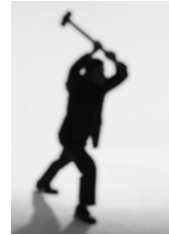


View	Percentage
• Obsessive about measures; used in planning & decision making	28%
• Measure many things, but do not use to improve farm or in decision making	54%
• Track just enough to get by, mainly for taxes & crop yields	18%
Total	100%

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Destructive Behaviors

- greed
- complacency
- high living withdrawals
- lack of lender loyalty
- avoidance



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Potholes for Agrilenders & Producers

- operating loss carryover/inventory not price protected
- incentive programs gone bad
- new lender in town
- coverage ratio/depreciation issue
- accrual income analysis illustrates issue
- operating money from long term assets
- trend analysis to justify the future
- If you have the dirt, you can't get hurt.

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Credit Risks in Agriculture

- volatility
- growth
- widen gap of profitability
- alpha dog/alpha pup- “rent-a-gades & buy-a-gades”
- interconnections/third party risk
- family living & non farm capital expenditures
- farming and ranching- minimize taxes
- transition management
- sixth “C”
- new lender in town

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Burn Rate - Working Capital

Current Assets	\$1,000,000
Current Liabilities	<u>\$ 500,000</u>
Net Working Capital	\$ 500,000
Total Revenue	\$2,000,000
Net Income Loss	\$200,000

Net working capital $\frac{\$500,000}{\$200,000} = 2.5$ years burn rate
Net Income Loss \$200,000

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Cut Above Super Lender

- board & management team support agriculture
- avoid victims & know it all's
- 40-20-40 rule of people
- teacher, coach, & facilitator
- reconnecting “hinge” relationship lending
- WAYNE philosophy
- three “C’s” of lending