



WORKING CAPITAL FORECASTS GOVERNMENT EXPERTS  
RETURNS RISK MANAGEMENT SOYBEANS CROP INSURANCE  
MARKET RISK OUTLOOK INCOME FORAGE FRIENDS  
**GROWINGON® 2016**  
PRICES CATTLE INSIGHTS CORN OPTIMISM SWINE  
REGULATIONS COMMODITIES REVENUE EXPENSES  
CAUTION LAND VALUES MARKETS WEATHER INPUTS



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FARM CREDIT

**Answers for the  
Current Ag Cycle**



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## Agenda

- Current Environment
- Narrow the Gap
  - Through Crop Insurance
  - Through Fixed Cost Reduction
- Tools to help you
- Break
- “Solutions for Success” Steve Johnson
- Q&A



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## Landscape – current environment

- Lower commodity prices
- Little change in input costs
- Little change in cash rental rates
- Tighter livestock margins
- Increased environmental, social and regulatory risk
- Relatively low interest rates
- Land values are still strong



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## The Gap

- Typical Operation

- Corn following soybean rotation

	December corn - Chicago Board of Trade (CBOT)				
	Actual Production History (APH) Yield				
	Production Cost (total)				
Revenue Guarantee	<u>\$396</u>	85%	Gap	<u>\$6</u>	/acre
	<u>\$372</u>	80%	Gap	<u>(\$18)</u>	/acre
	<u>\$349</u>	75%	Gap	<u>(\$41)</u>	/acre

- Now what?



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## Narrowing the Gap through Insurance

- Maximize Revenue Guarantee

- Review policy options

- Yield Exclusion (YE), Trend Adjustment (TA), Yield Adjustment (YA), Beginning Farmer and Rancher (BFR)

- Coverage levels

- Level by practice, maximize subsidy

- Yield history review

- Unit structure

- Supplemental products and Crop Hail

- 6 bushel increase could enhance insurance policy by \$20/acre



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## Leveraging Crop Insurance

- Insurance is the safety net for marketing plans
- Take advantage of forward price contract opportunities
- Talk to us about your individual guarantees

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## Narrowing the Gap by Lowering Fixed Costs

- Fixed costs
  - Owned Land - Re-amortize
  - Machinery/Equipment - Refinance
  - Rented Land - Renegotiate
  - Family Living - Re-assess
- Where you as producers can make the most difference
- Analyzing and adjusting your fixed costs could reduce the gap by \$50-\$100/acre

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## Association's Financial Guidelines

	Green	Yellow	Red
Working Capital per acre	> \$200	\$200-\$100	< \$100
Owners' Equity	> 60%	50-60%	< 50%
Real Estate P&I + Taxes per Acre	< \$200	\$200-\$300	> \$300
Machinery P&I per Acre	< \$50	\$50-75	> \$75
Breakeven per Bushel	< \$3.50	\$4.00	> \$4.50



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## Land Value Trends

- Farm Credit Services of America/Frontier Farm Credit updates benchmarks every 6 months.
- This information is based on Real Estate sales in each local area.

State	Six Month	One Year	Five Year	Ten Year
Iowa (21)	-4.65%	-10.45%	71.53%	168.58%
Kansas (7)	2.94%			
Nebraska (18)	-2.81%	-4.37%	113.18%	254.04%
South Dakota (23)	0.76%	3.03%	110.46%	261.34%
Wyoming (2)	6.79%	7.94%	20.12%	72.60%



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## Sustainable Lending Levels

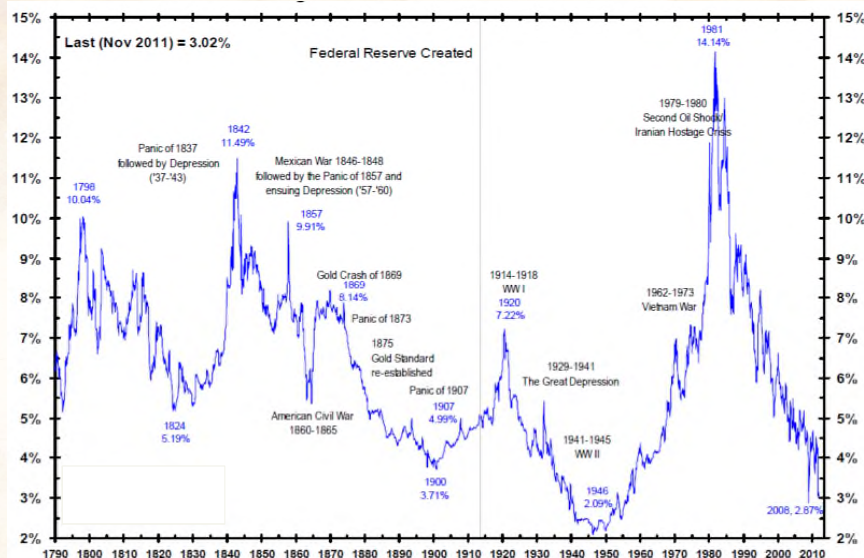
- Created to protect customers & cooperative from over leveraging balance sheets
- Implemented a Maximum Dollar per Acre Loan based on Sustainable Income Levels
- Reliable and dependable financial partner

Our credit philosophy: Conservative in Good Times, Courageous in Tough Times



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## Long Term Interest Rate



## Strong Financial Partner

Highlights	2015	2014	2013
Loans	\$1.8 billion	\$1.7 billion	\$1.6 billion
Members' Equity	\$357 million	\$333 million	\$312 million
Net Income	\$31.2 million	\$28.5 million	\$28.0 million
Cash-Back Dividends Declared	\$7.5 million	\$7.0 million	\$7.0 million

We put cash in YOUR hands to benefit  
YOUR local community



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## Now What?

- **Understanding the gap**
  - Review your specific situation with our local team of experts
  - Utilize our free digital tools
- **Maximize your operation's potential**
  - Make the best crop insurance decisions
  - Leverage available financial strategies

**Let us help you!**



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