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## 3 C's of Superior Ag Banking

- **Be Conservative in the good times.**
  - Guards against Complacency
- **Be Courageous in the bad times.**
  - Who are the survivors?
  - Opportunities
- **Be Consistent all the time.**
  - Dependability
  - Not viewed as Hot & Cold in the marketplace



## 5 C's of Credit

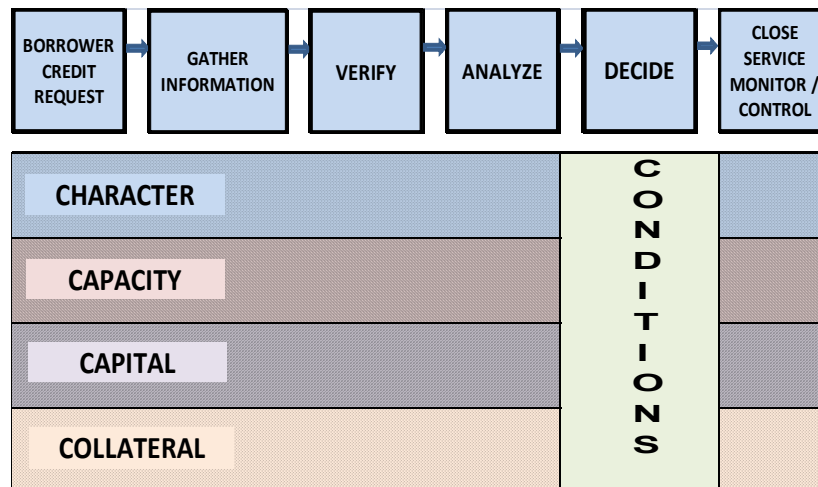
- **Character**
  - Cranium (the 6th C)
- **Capital**
- **Capacity**
- **Collateral**
- **Conditions**



A “**Sound Loan**” is one made to a responsible individual or entity of established integrity who has a respectable operating and financial record or equivalent characteristics of a new business, in an amount sufficient to accomplish a useful purpose. It should be made in an amount and under terms and conditions that will reasonably ensure repayment, usually, without adversely affecting the borrower’s financial position. The loan should be supported by sufficient equity or collateral or both, to afford the lender reasonable protection against loss if adverse conditions occur.



## The 5 Credit Factors and the Credit Decision

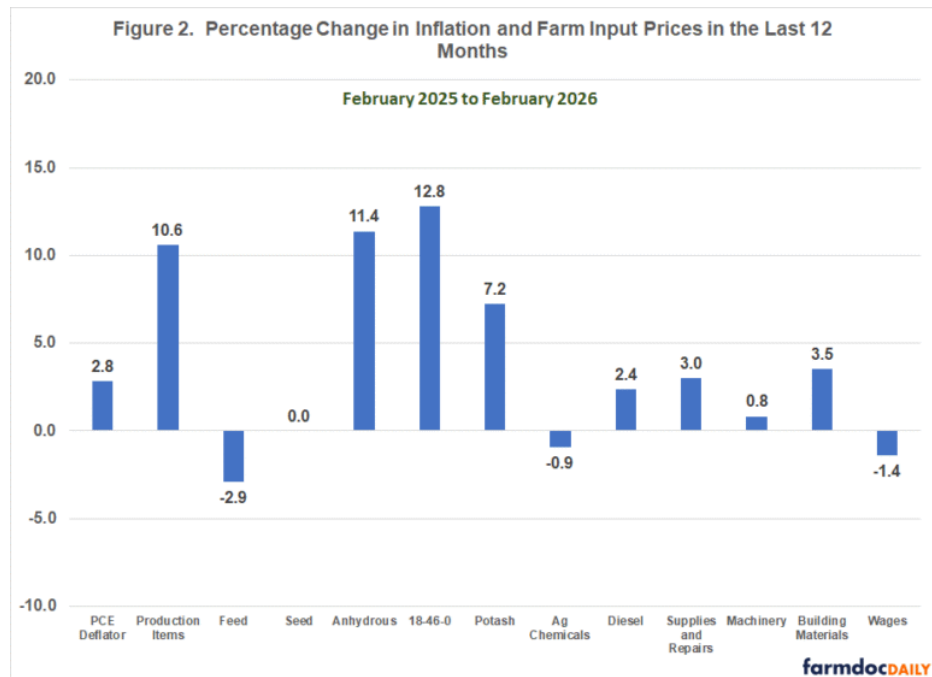
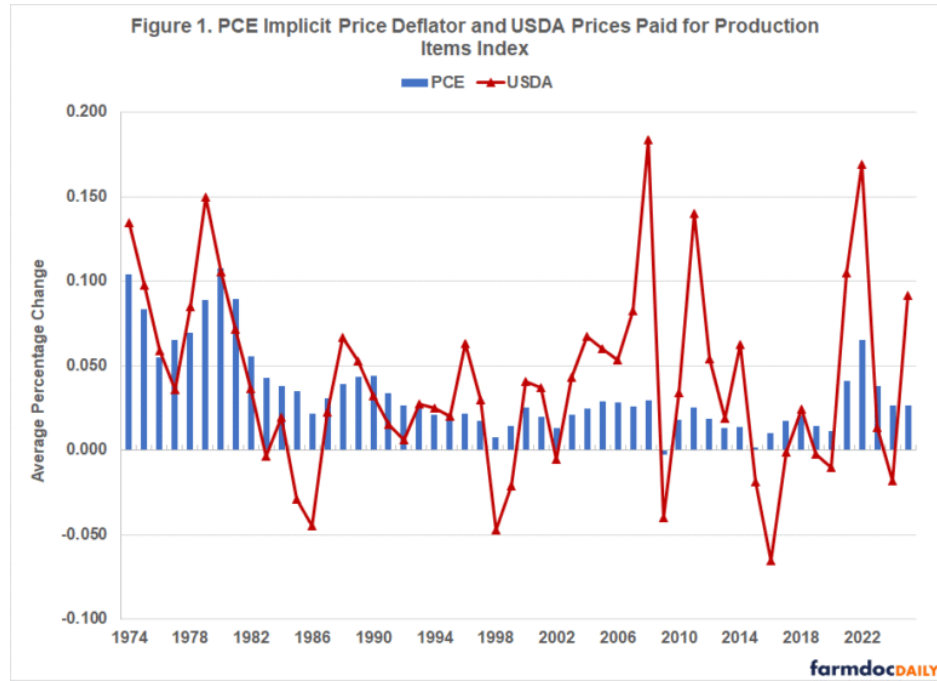


## **EXPERIENCES OVER TIME**



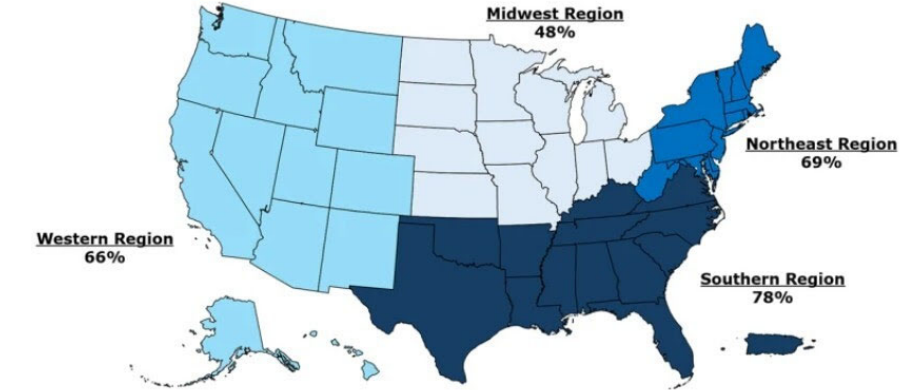
## **TODAY'S TIMES**





## Percentage of Farmers Unable to Afford All Needed Fertilizer

Share of Respondents by Region Unable to Afford All Needed Fertilizer for 2026

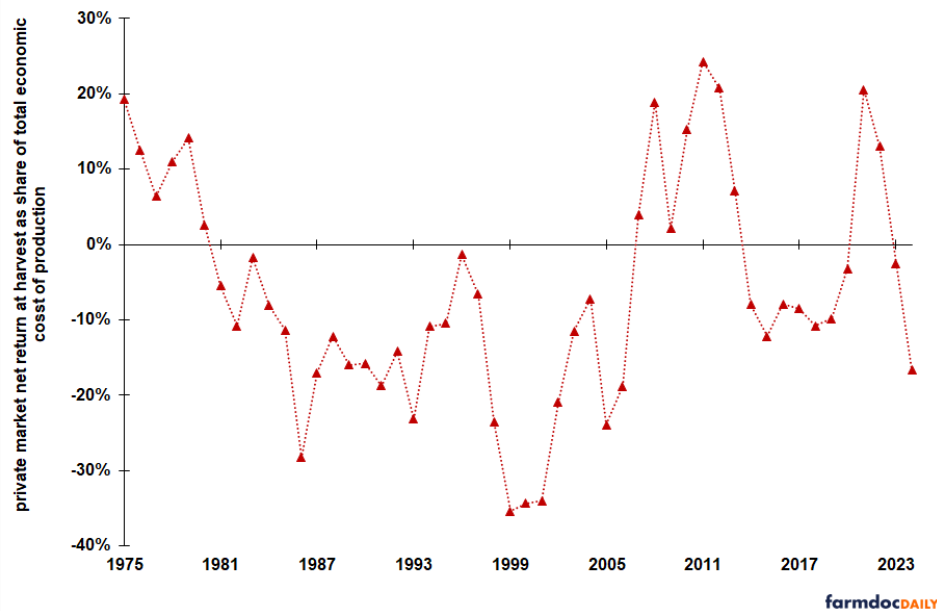


**AFB** American Farm Bureau Federation

Source: AFB Fertilizer Availability Survey; Analysis by American Farm Bureau Federation

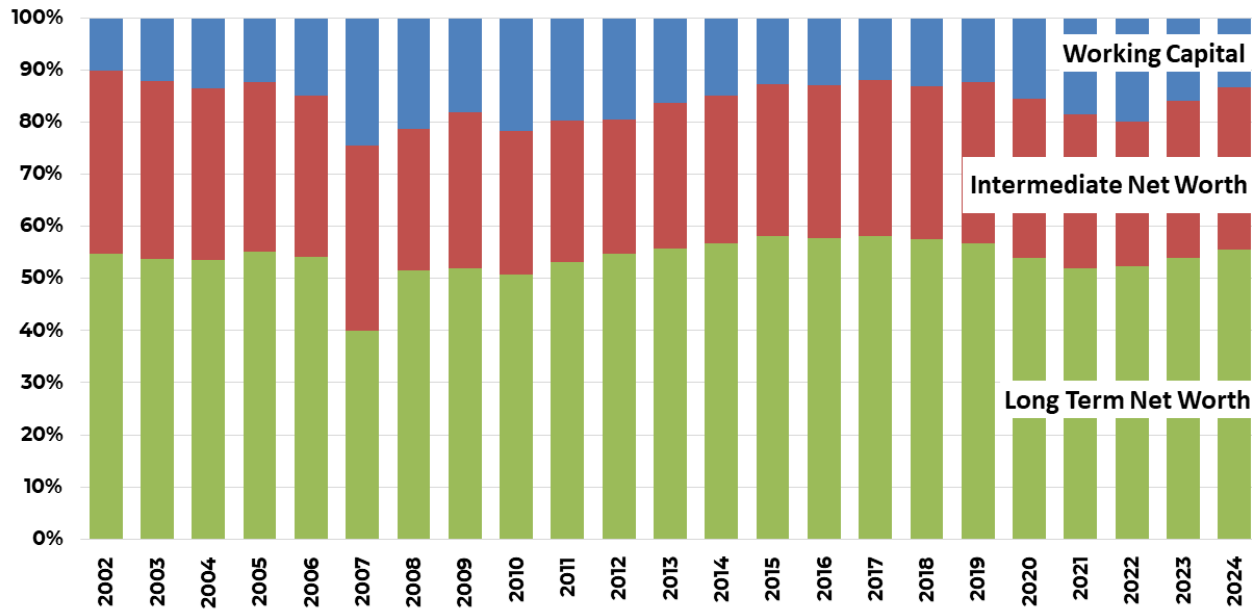


Figure 1. Private Market Net Return at Harvest for US Cost of Production Crops Combined, 1975-2024 crop years



farmdocDAILY

**Figure 1. Components of Net Worth**



farmdocDAILY



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FINANCE

## This bank CEO let his AI clone handle an earnings call — now he's signing an OpenAI deal

PUBLISHED MON, APR 27 2026 8:00 AM EDT | UPDATED TUE, APR 28 2026 4:35 PM EDT

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@stphn\_scn
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**KEY POINTS**

- Customers Bank has signed a multiyear partnership with OpenAI, with engineers set to be embedded at the bank to help automate lending and onboarding. CNBC has learned exclusively.
- The bank is targeting an improvement in its efficiency ratio from about 40% to the low 40s and higher returns starting in 2027, while codveloping finance tools OpenAI could eventually sell to other banks. Customers Bank CEO Sam Sidhu said.
- OpenAI said it was proud to help Customers Bank "as they build a more intelligent operating model that empowers employees," chief revenue officer Denise Dresser said in a statement.

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UP NEXT
Closing Bell: Overline

**TRENDING NOW**

- Trump tells Congress hostilities in Iran 'have terminated' as War Powers deadline hits
- Trump's new executive order, with help from Congress, could increase U.S. retirement wealth up to 77%
- Trump says government gave 'final' bailout proposal for Spirit Airlines as liquidation looms
- I got into Yale, Penn and Dartmouth—my college essay was about my parents' struggle with technology
- S&P 500 rises to record to kick off May trading as oil falls, Fedke chances

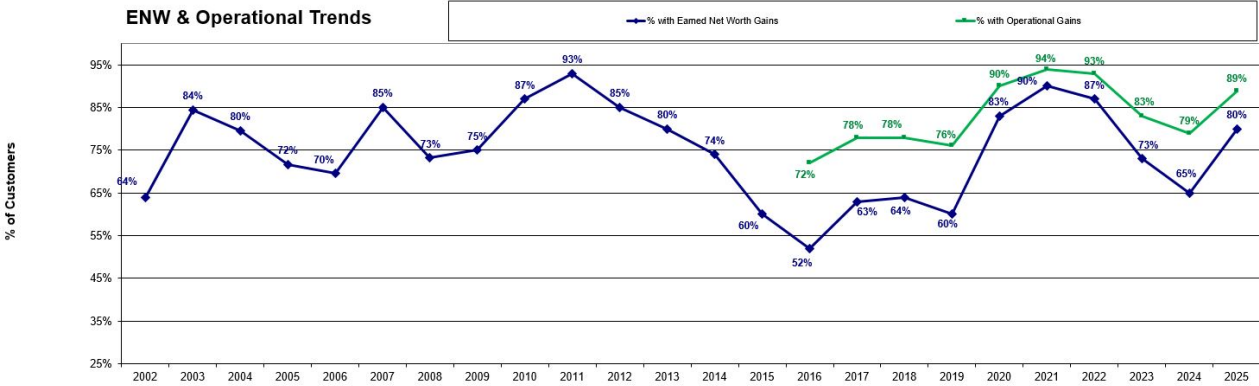
**In this article**
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<https://www.cnbc.com/2026/04/27/openai-partners-with-customers-bank-in-push-to-automate-finance.html>

# Using AI in Your Work



# First Dakota Client Performance



# EXPERIENCING THE CYCLES




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NEWS / LIVESTOCK / BEEF

## Breaking the \$250 Barrier: Cattle Markets Charge to New All-Time Highs

A 75-year low in U.S. inventory and restricted Mexican imports are tightening supplies. As grilling season nears, strong demand and record cash trades continue to propel the market despite geopolitical tensions.

 Michelle Rook · April 15, 2026 10:10 AM

**Record Fed Cattle Prices**  
AgDay's Michelle Rook shares details on how the 75-year low cattle herd— is still fueling record-strong prices.



**Record Cattle**  
**TIGHT SUPPLIES CONTINUE TO SUPPORT RECORD PRICES**  
Prices Are Resilient in Face of Grain War, Gas Prices, Equity Correction

Live cattle futures surpassed the historic **\$250 mark** on Tuesday, driven by record-breaking \$250 cash trades in the North and a **75-year low in U.S. cattle inventory**. Despite geopolitical tensions and higher fuel costs, robust consumer demand and a lack of Mexican imports continue to push both fed and feeder cattle to all-time highs as the industry enters the peak spring grilling season.

After the correction off of record highs late last year — triggered by **President Trump** posting he wanted to lower beef prices — some market watchers were unsure the market would retest those levels. However, live





Markets News Magazines

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## One of North America's Largest Farms Files for Financial Protection, Is Restructuring

According to a letter sent to landowners and leasing partners, President Darrel Monette says this process will allow them to stabilize finances, restructure debt, and continue operating.

By Margy Eckelkamp · April 23, 2026 09:49 AM



Photo by Monette Farms Team Member, Cameron

(Monette Farms (Facebook))

Earlier this week, Monette Group, which farms more than 400,000 acres in Canada and the U.S. filed for financial protection and is restructuring.

The company filed for creditor protector in Canada via the Companies' Creditor Arrangement Act (CCAA) and filed Chapter 15 in Delaware Bankruptcy Court.



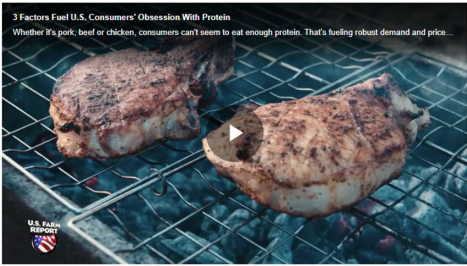
FARM JOURNAL

AGWEB

## 3 Factors Fueling Americans' Obsession with Protein

Whether it's pork, beef or chicken, consumers can't seem to eat enough protein. That's fueling robust demand and prices for livestock producers.

By Tyne Morgan · June 06, 2025 10:48 AM



3 Factors Fuel U.S. Consumers' Obsession With Protein  
Whether it's pork, beef or chicken, consumers can't seem to eat enough protein. That's fueling robust demand and price...

U.S. FARM REPORT

Meat is having a moment, and the craze for more protein is benefiting protein across the board. The fact cattle prices continue to crush records is proof of that, as well as the robust demand for pork.

"I am still bullish of dairy. I'm bullish of beef. I'm bullish of pork and poultry," says Dan Basse, [AgResource Company](#). "I think as you think forward, I see the next two or three years as being the years of protein. It's that side of the fence in agriculture that's going to do very well."

Basse's optimistic outlook on protein hinges on one major factor: consumers' ability to pay for it.

"I'm still bullish of protein, until we see the labor force start to shrink in the United States, and I start to see disposable income coming down. Again, there's not a period looking backward in history that I can find where disposable income on a personal basis has risen this quickly from 2020 to 2025," he says.

"Meat protein, not just pork or not just beef, but meat is having a moment. I'm an economist, so I have concerns on the macroeconomic front, but it is exciting to be in an era where the public's desire for meat protein is growing," says Glynn Tonsor, a professor in the Department of Agricultural Economics at Kansas State University.

# Alternative Financing Options

- **ARM (Ag Resource Management)**
- **FBN (Farm Business Network)**
- **Farm Op Capital**
- **Conterra**
- **Producers Livestock**
- **Trade Credit (John Deere, Case-IH, etc.)**
- **Input Suppliers (Co-op, Pioneer, etc.)**
- **Others**



# Credit Analysis

- **Balance sheet analysis**
- **Earnings/profitability**
- **Cash flow**



## Credit Analysis



*What makes ag different?*

## What makes ag different?

- **Market value balance sheets**
- **Cash accounting**
- **Timing**



## What makes ag different?

### • In a perfect world

#### –Financial Soundness

- Balance sheets with cost and market values

#### –Financial Performance

- Accrual income statement



## What makes ag different?

### • In the real world

#### –Financial Soundness

- Balance sheets at mixed market/cost values

#### –Financial Performance

- Schedule F tax statement

***How can we measure financial performance in the real world?***

# BALANCE SHEET & WORKING CAPITAL ANALYSIS



## Balance Sheet

### A snapshot of:

- Assets
- Liabilities
- Net worth (owner's equity)



- At a specific point in time





## Balance Sheet

<b>Assets</b>	<b>Liabilities</b>
Current (< 1 year)	Current
Intermediate (1-10 yrs)	Intermediate
Long term (> 10 years)	Long term
	<b>Total liabilities</b>
	<b>Net worth</b>
<b>Total assets</b>	<b>Total Liabs + Net worth</b>

## Balance Sheet

<b>Assets</b>	<b>Liabilities</b>
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Long term (> 10 years)	Long term
	<b>Total liabilities</b>
	<b>Net worth</b>
<b>Total assets</b>	<b>Total Liabs + Net worth</b>

Non-current

# Balance Sheet

Assets	Liabilities
Current (< 1 year)	Current
Intermediate (1-10 yrs)	Intermediate
Long term (> 10 years)	Long term
Personal	Personal
	Total liabilities
	Net worth
Total assets	Total Liabs + Net worth

## Balance Sheets: When?

When is the most useful time to complete balance sheets?

- End of the business's fiscal/tax year.



# Asset Valuation

- **Market Valuation**

- assets valued at estimated fair market value

- **Cost Valuation**

- assets valued at original cost less depreciation



## “Market Value” Balance Sheets

- **Current assets**

- Crop and livestock inventories – market
  - Prepaids, supplies – cost
  - Growing crops – cost

- **Intermediate assets**

- Breeding livestock – market
  - Machinery – mixed

- **Long term assets**

- Real estate – conservative market



# Cost Value Balance Sheets

- **Current assets**

- Crop and livestock inventories – market
- Prepaids, supplies – cost
- Growing crops – cost

- **Intermediate assets**

- Breeding livestock – base value
- Machinery – depreciated value

- **Long term assets**

- Land – original cost
- Buildings – depreciated value



## Valuation of depreciable assets

- **Economic depreciation**

A common method is to depreciate a percentage of the value each year

Beginning value  
+ Purchases  
- Sales

- Machinery: 10% per year
- Buildings: 5% per year



## Example Market Value Balance Sheet

	20x0	20x1
Current assets	736,991	695,991
Intermediate assets	465,537	508,835
Long term assets	1,108,280	1,345,390
Total assets	2,310,808	2,550,216
Current liabilities	675,125	489,000
Intermediate liabs	130,055	173,874
Long term liabilities	366,508	622,456
Total liabilities	1,171,688	1,285,330
Net worth	1,139,120	1,264,886
Net worth change		125,766

## Balance Sheet Analysis



- Liquidity
- Solvency
- Financial structure
- Net worth change

# Balance Sheet Analysis

- **LIQUIDITY**

- How easily can assets can be converted into cash
- Current ratio
- Working capital

- **Solvency**

- **Balance sheet structure**

- **Net worth change**



Jim Hill  
1/1/20x1 - Market Balance Sheet

<b>Current Assets</b>			Value	<b>Current Liabilities</b>					Balance	
Cash and checking (Schd A)			76,500	Accrued interest					32,658	
Prepaid exp. & suppl. (Schd B)			114,438	Accounts payable and other accrued expenses					-	
Growing crops			-							
Accounts receivable			-							
Hedging accounts (Schd E)			5,650							
Other current assets			-							
Crops (Schd G)			Quantity	Value/Unit						
Corn			100,841	3.26/bu.						328,742
Corn Silage			959	25.00/ton						23,975
Alfalfa Hay			40	90.00/ton						3,600
Soybeans			18,947	9.50/bu.						179,997
Mkt Ivst (Schd H)			No.	Value/Unit						
Finish Beef			550	183.00/cwt.						780,038
<b>Total Current Assets</b>			<b>1,512,939</b>		<b>Total Current Liabilities</b>					<b>554,760</b>
<b>Intermediate Assets</b>			Market Value	<b>Intermediate Liabilities (Schd V)</b>						
Breeding livestock			-	Int	Principal	P & I	Principal	Intermed		
Machinery (Schd J)			989,986	Rate	Balance	Due	Due	Balance		
Titled vehicles (Schd K)			112,159	John Deere Credit-332E	3.25	7,199	7,260	7,004	195	
Other intermediate assets			-	5thNB-Mach.	4.50	102,320	23,348	18,499	83,821	
<b>Total Intermediate Assets</b>			<b>1,102,145</b>		<b>Total Intermediate Liabilities</b>					<b>84,016</b>

# Liquidity

## Working Capital

**= current assets minus current liabilities**

- Risk reserve to protect against financial downturns
- Available resources to take advantage of financial opportunities



## How Do You Grow Working Capital?

- **Make money**
- **Don't spend all of it**



# Ways to Build Working Capital

- Make money



- Don't spend all of it



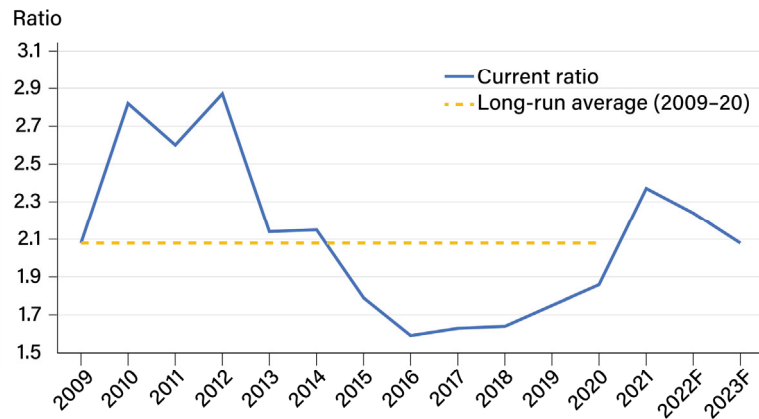
- Refinance / restructure debt



## Digging Into the U.S. Farm Balance Sheet

created by: The ERS Farm Income Team

**Current ratio for 2023 is forecast to be marginally worse than the 12-year average**



Note: F= forecast. Data as of February 7, 2023.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics data product.

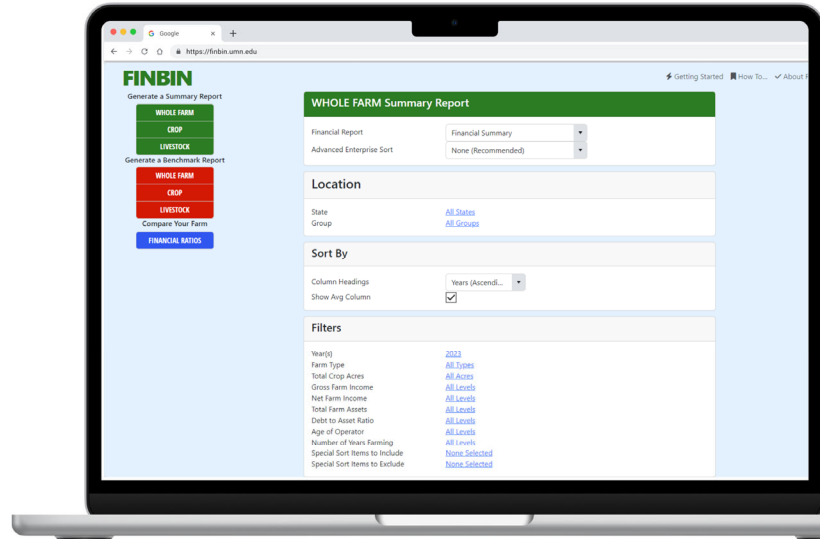


# FINBIN

FINBIN.UMN.EDU

FINBIN is the largest and most accessible source of farm financial and production benchmark information in the country. It places detailed reports right at your fingertips.

- Nearly 3,500 farms annually across several states
- Numerous whole-farm and crop/livestock enterprise reports available
- Accrual-adjusted financial statements using economic depreciation methods
- Multiple, thorough data integrity and quality checks
- Free, open access for querying



FINBIN IS BROUGHT TO YOU BY



DATA PROVIDERS



## Working Capital Burn Rate FINBIN Database

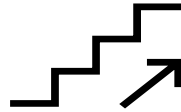
	WC Beginning 2013	WC Beginning 2019	Change	Percent Change
Crop producers	544,000	270,000	(274,000)	(50%)
Dairy producers	272,000	128,000	(144,000)	(53%)
Hog producers	903,000	412,000	(491,000)	(54%)
Beef producers	318,000	147,000	(171,000)	(54%)



# Working Capital Burn Rate

FINBIN Database

	WC Beginning 2019	WC Ending 2022	Change	Percent Change	WC Chg in 2023
Crop producers	270,000	710,000	440,000	+163%	-119,000
Dairy producers	128,000	494,000	366,000	+286%	-94,000
Hog producers	412,000	1,359,000	947,000	+230%	-423,000
Beef producers	147,000	487,000	340,000	+231%	+26,000



# Working Capital Burn Rate

FINBIN Database

	WC Beginning 2013	WC Beginning 2019	Change	Percent Change
Crop producers	192,000	97,000	(95,000)	(49%)
Dairy producers	111,000	59,000	(52,000)	(47%)
Beef producers	95,000	74,000	(21,000)	(22%)

\* Not enough hog farms to track information.

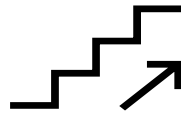


# Working Capital Burn Rate

FINBIN Database

	WC Beginning 2019	WC Ending 2022	Change	Percent Change	WC Chg in 2023
Crop producers	97,000	476,000	379,000	+390%	-114,000
Dairy producers	59,000	313,000	254,000	+431%	-62,000
Beef producers	74,000	339,000	265,000	+358%	-25,000

\* Not enough hog farms to track information.



## Balance Sheet Analysis

- **Liquidity**

- **SOLVENCY**

- Overall financial risk position of the business
- Future borrowing capacity

- **Balance sheet structure**

- **Net worth change**

# Balance Sheet Analysis

## • Measures of solvency

- Net worth
- Debt to asset ratio
- Equity to asset ratio
- Debt to equity



## Solvency

- **Profitable use of debt multiplies returns in profitable businesses**
- **Too much debt:**
  - Adds to financial risk
  - Chokes cash flow
  - Multiplies losses in unprofitable years
  - Limits opportunities!!!



# Balance Sheet Analysis

- Liquidity
- Solvency
- **BALANCE SHEET STRUCTURE**
  - Where is the equity
  - Are assets matched with liabilities
  - No right or wrong answer
- Net worth change



# Financing 101

- Match financing to expected life of the asset



## Example Farm Balance Sheet Structure

	Assets	Liabilities
<b>Current</b>	<b>1,473,655</b>	<b>1,245,559</b>
<b>Intermediate</b>	<b>1,065,537</b>	<b>430,055</b>
<b>Long term</b>	<b>1,108,280</b>	<b>366,508</b>



## Example Farm Balance Sheet Structure

	Assets	Liabilities
<b>Current</b>	<b>1,473,655</b>	<b>645,559</b>
<b>Intermediate</b>	<b>1,065,537</b>	<b>1,030,055</b>
<b>Long term</b>	<b>1,108,280</b>	<b>366,508</b>



## Example Farm Balance Sheet Structure

	Assets	Liabilities
<b>Current</b>	<b>1,473,655</b>	<b>645,559</b>
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<b>Long term</b>	<b>1,108,280</b>	<b>966,508</b>



## Balance Sheet Structure Problems

- **High current debt to current assets**
  - Liquidity problems – strapped for cash
- **High intermediate debt to intermediate assets**
  - Capital replacement problems – can't replace equipment when needed
- **High long-term debt to long-term assets**
  - Limited expansion capacity – can't grow



# Balance Sheet Analysis

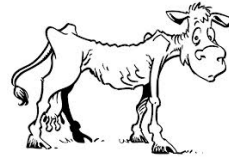
- Liquidity
- Solvency
- Balance sheet structure
- NET WORTH CHANGE
  - Measures overall progress
  - Net worth growth can only happen if:
    - Earnings exceed consumption  
or
    - Market values are increased

## BALANCE SHEET & WORKING CAPITAL ANALYSIS



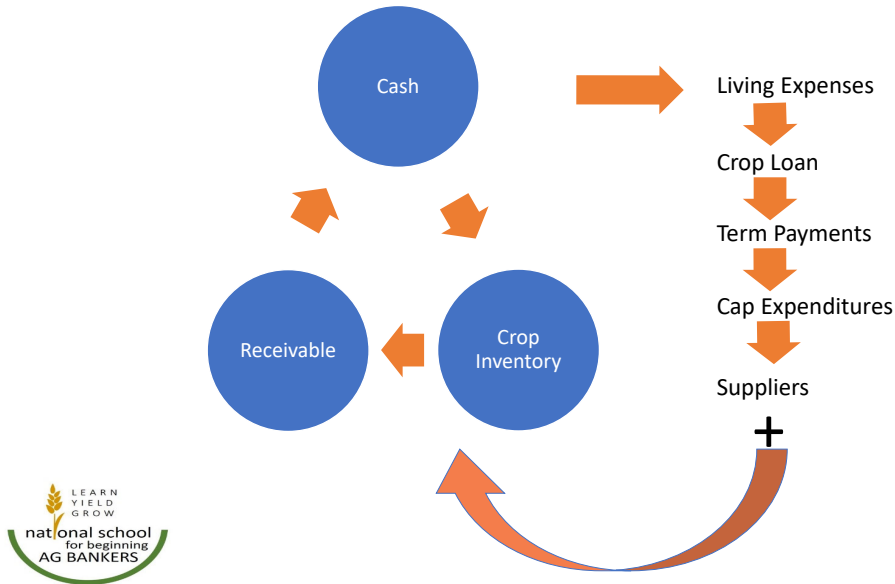
# Capital – Verifying & Documenting the Balance Sheet

- **Have you inspected the property to verify the condition**
  - Does BS value make sense compared to what you observed? (shedded vs. hard-used equipment, thin vs. well-conditioned cows, etc).
  - Make adjustments as needed.
- **Is any M&E shared with another individual?**
- **Are there any leases of M&E, livestock, etc.**
- **Statement copies of large cash/investment accounts.**
- **Understanding real estate legal descriptions**

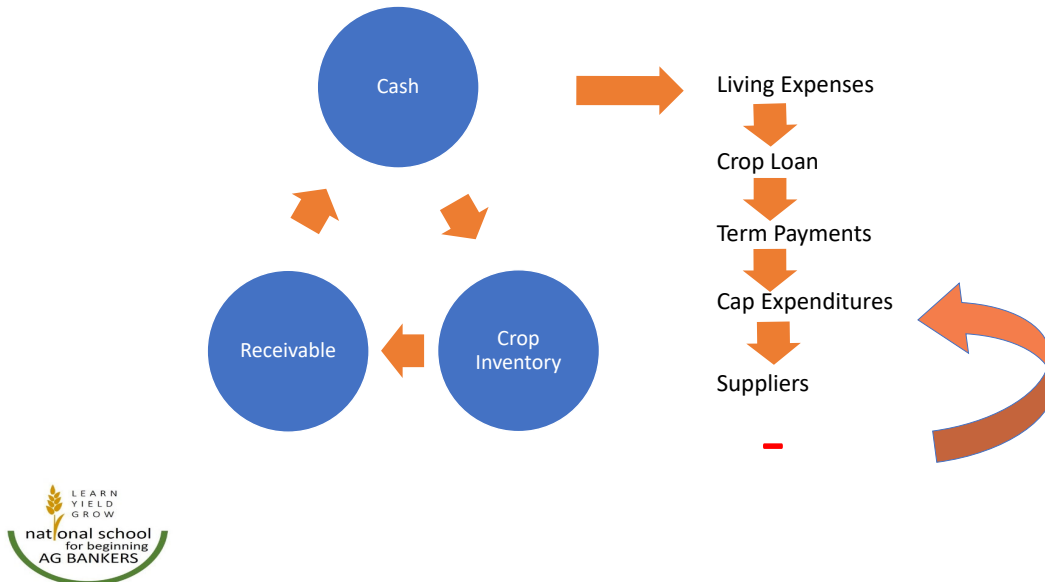


Let's see...accounts payable - that must be this pocket.

# Good Working Capital Management



# Bad Working Capital Management



## Burn Rate - Working Capital

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

**Net working capital \$500,000 = 2.5 years burn rate**  
**Net Income Loss \$(200,000)**



78

## COLLATERAL



# Collateral

- **Collateral:**

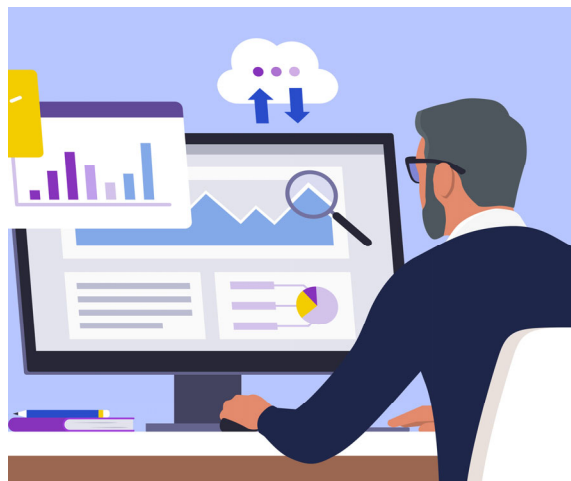
- Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

- **When underwriting any secured loan, a lender needs to understand:**

- the underlying collateral
- its market value
- its liquidation value

## Collateral Control

- **Gather information**
- **Verify and inspect**
- **Set the value**
- **Document the file**



# Types of Values

- **Balance Sheet Value**
- **Current Market Value**
- **Trade-in Value**
- **Auction Value**
- **Liquidation Value (Discount Policies)**
- **Book Value**
- **Appraised Value**



# Set the Value

- **Sources:**
  - Auctions
  - Dealers
  - Newspapers
  - Industry Guides (Machinery Pete)
  - Appraisal
  - SWAG

