

Agricultural Update

September 10, 1999

General

[America Bankers Association \(ABA\)](#) Provides 10 Tips for Americas Farmers

1. **In tough times cash is king.**

Carefully examine every capital purchase that will require additional debt. Ask yourself if the expenditure will generate the cash flow needed to pay for itself. If the new item can't create enough new cash to pay for itself over a reasonable period of time, defer the purchase.

2. **Let a farm budget be your financial road map.**

You are flying in the dark financially if you don't have a budget for all income and expenses. A farm budget helps you maintain the direction of the business and must be updated frequently.

3. **Objectively look at your farm's financial position and performance.**

Are you getting the maximum return from your investment? If not, why not? Are your non-farm assets generating a maximum return? Is it possible to sell any farm or non-farm assets that are not contributing to the financial health of your farm and family finances?

4. **Examine how your debt is structured.**

Do you have an imbalance between long- and short-term debt? Is it possible to increase your long-term debt to pay down your short-term debt? You may be able to increase your monthly cash flow by spreading out your short-term debt over a longer period of time. Be cautious when getting a loan against long-term assets such as your farm real estate, it's like drawing against your savings account. If you're going to use your long-term equity, make sure your need is extremely significant.

5. **Prepare for your financial review with your banker.**

Have current inventories, cash flows and balance sheets ready for your review with your banker. Provide the information needed. Often bankers spend time with customers looking for misplaced information instead of concentrating on resolving important issues. If you are having financial problems, put your thoughts about how to resolve them on paper so your banker can review them with you.

6. **Ask your banker about the USDA's guaranteed loan program.**

Your banker may be able to restructure your farm debt over a longer period with a lower interest rate if the USDA provides a credit guarantee to the bank. If your banker does not know about the program, set up an appointment to go with your banker to your local USDA Farm Service to find

out how it works. USDA provides credit guarantees to banks for more than 45,000 farm and ranch borrowers.

7. Review your hazard and fire insurance coverage.

Increasing your deductibles can lower your premium. Carefully review every item on your inventory list and consider eliminating coverage on obsolete or low-risk items.

8. Carefully examine your life insurance policies.

Many whole life policies contain provisions that allow you to borrow against the cash surrender value at low rates or allow you to deduct the premium costs from the cash surrender value. What type of life insurance do you have? Is it worthwhile to maintain a costly whole life policy when you could get the similar coverage from a less expensive term policy?

9. Deal with financial problems immediately.

Talk to your banker early and often. A good way to avoid serious financial problems is to identify and resolve them early. Farmers and ranchers are independent, and don't like to talk about financial problems. However, solving financial problems often requires a team approach. Create a personal "board of directors" comprised of people you know and respect who can be your sounding board. Make sure your banker is a member.

10. Maintain a clear perspective.

One of the best ways to think through business problems is to get away from them. For example, take a weekend off--and not just to attend a farm show--or resolve to see at least one movie before it comes out on video. However you do it, it is important for you to put your concerns aside temporarily and shift your focus to other activities--it will make your home team stronger.

Ten Tips for Tough Times was written by ABA's John Blanchfield, with the help of agricultural bankers from all over the country.

Have you ever wondered where the production of major crops occurs in the U.S.

The National Agricultural Statistical Service maintains a web site that houses U.S. maps, color coated by production, of how acreage harvested and yields vary across counties. You can easily identify that while Missouri crops suffer, Missouri is a relatively small producer of corn and soybeans relative to other regions of the U.S. Maps from 1994 to 1998 can be accessed at: <http://www.usda.gov/nass/aggraphs/cropmap.htm>. I would like to acknowledge David Reinbott for first making me aware of this web site.

Web Sites to Check

Missouri crop condition doesn't fair well

- [corn](#)
- [soybean](#)

Floriculture is a big business, maybe a viable opportunity

- [Historical U.S. wholesale sales](#)

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