ROCKY MOUNTAIN ROUND-UP
2011 CATTLE INDUSTRY ANNUAL CONVENTION AND NCBA TRADE SHOW

# Financing in the Age of

*Cattlemen need to help their banker understand their operation.*

*Story by*
**KINDRA GORDON**

Communication is the foundation to building a better relationship with your ag lender, emphasized Rod Alt and Jud Jesske. Based in Amarillo, Texas, Alt specializes in loans to the ag sector as a loan officer with Wells-Fargo. Jesske is vice president of ag business finance for Farm Credit Services of America and is based in Omaha, Neb.

"We are in the business of loaning money, and we want to help your operation succeed," Jesske said. But to do that, he added, "You need to help your lender understand your operation. Nobody can present or tell your story better than you."

Specifically, when you meet with your lender, know your numbers, the duo recommended. "Whether you want to maintain your operation or expand, to ensure you continue to have access to credit in coming years, the better and more often that you can share your financial performance with your banker, the stronger the relationship you will build," explained Jesske.

Alt said, "Accurate financial statements with accrual-based numbers, projections, or any peer analysis of comparable nearby operations are all good information. The more information you bring your lender, the easier and faster they can make a decision."

If you are planning to expand your operation or to change an enterprise, Jesske and Alt added, it's important to also develop a business plan and then explain to the banker how these changes will affect your operation.

# Uncertainty

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— *Rod Alt*

"Your banker wants to know if the expansion makes sense, how it will impact labor and equipment needs, and what the projections are for profit and loss," said Alt.

"We want an honest assessment," he added. "Even if you show a loss in the first or second year, we want to see that. We recognize that the cattle cycle is cyclical. We understand that, and so your projections must be realistic."

Additional considerations this duo emphasized in working with lenders included:

- Select a lender who understands agriculture and understands your business. "If you are approaching a lender who does not specialize in ag loans, how can you expect them to stay with you in difficult times in the industry, if they don't have knowledge about the industry?" questioned Alt.
- Pay attention to market trends on your own and utilize that in your business decisions. "Don't wait until your banker tells you that you have to buy or sell," said Jesske.
- Someone in the business should have the role of CFO (chief financial officer) and have a clear and complete picture of the operation's financial situation. "Don't view this job as a chore; view it as a tool to make the business better," suggested Alt.
- Show your risk management practices. Jesske stated, "This is becoming a bigger lending factor. Demonstrate what plan you have in place to handle volatility in the marketplace."


Rod Alt and Jud Jesske emphasized the need for producers to educate their bankers to give them a better understanding of the business.

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In closing, Alt and Jesske shared optimism for the future, stating that they anticipate a lot of available credit and rapid growth in the ag sector. Alt emphasized that it will be the creditworthy clients who have built relationships with their lenders who will have access to that capital.

Jesske concluded, "Cattlemen who can demonstrate an intimate knowledge of their financial position, have a track record of producing profits, and operate with honesty and integrity will continue to have access to credit in the future."