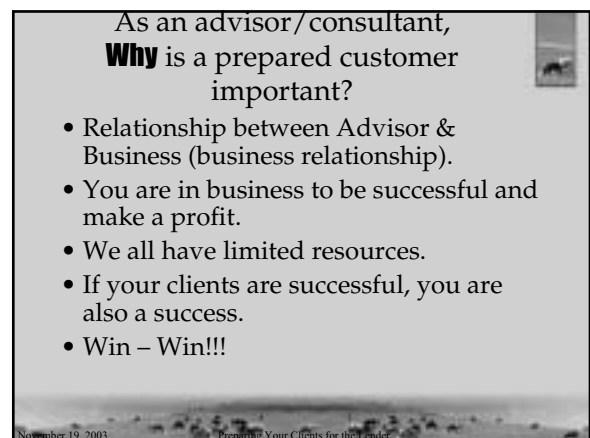
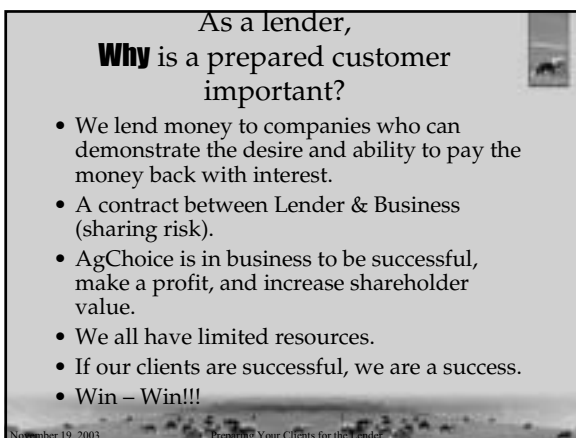
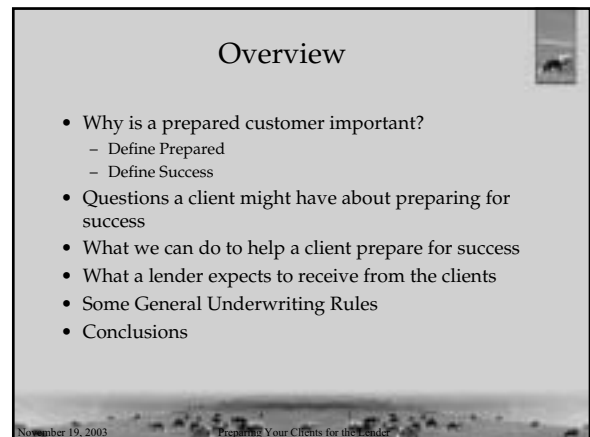
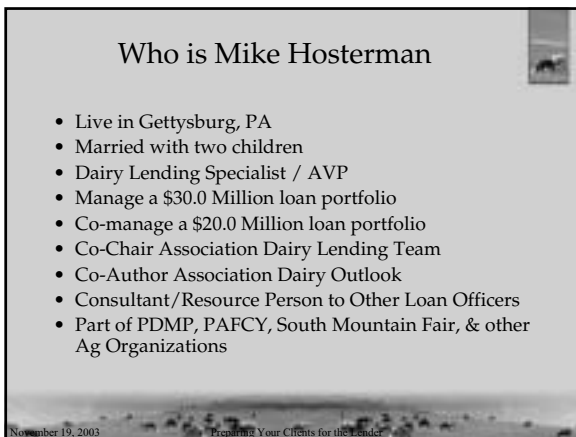
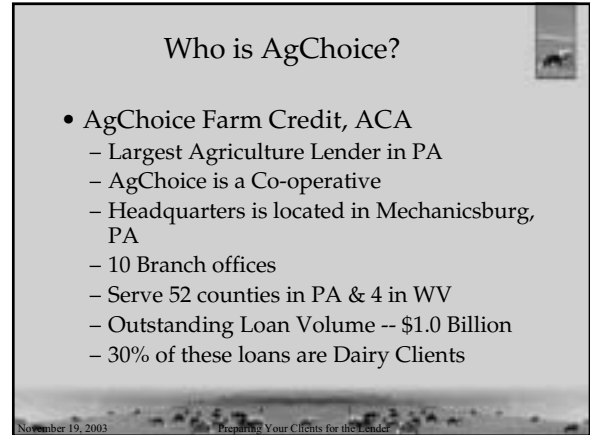
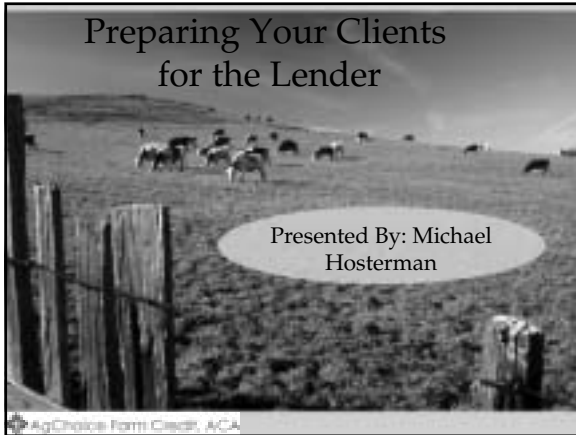


PREPARING YOUR CLIENTS FOR THE LENDER

Michael Hosterman
AgChoice Farm Credit



What is Prepared?

- **To Get Ready**
- To make ready beforehand
- Working out details
- Planning in Advance
- In Written Form

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What is Success?

- **To Succeed**
 - To turn out well
 - To attain a desired goal
- Attainment of wealth, favor, or eminence (great accomplishments)
- When Opportunity meets Preparedness

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Preparing for Success – Questions Client might have



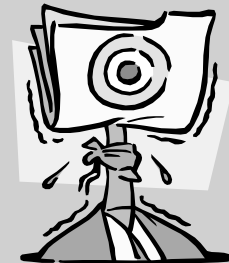
- How can I prepare to be successful?
- When success knocks on your door, will I have a room ready?
- “If you build it, they will come.”
 - From the movie “Fields of Dreams”

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Preparing for Success – Questions Client might have

- What do I need to be successful?
- What do I need for my lender?
- What financial performance will show that I’m successful?
- Is it important to write it down?
- Should I share it?



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What can we do to assist our clients in preparing for success?

Assess what opportunities they have:

- Growth or Expansion of existing business
 - More Cows
 - New Enterprise
 - Better Facilities
 - Partner
- Improving existing business
 - Better profit margins
 - Higher milk quality
 - Increase production per cow
 - Risk management

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What can we do to assist our clients in preparing for success?

- **Written Business Plan**
- Encourage a positive attitude
- Do not dwell on the negatives – eliminate or minimize them
- Encourage focus on things they have the greatest control over and which they do well
- Focus on Profitability, not just production
 - Create a business that is sustainable and attractive to others
 - Look at improving margins, not just cutting costs
- Most of all encourage clients to enjoy what they do and do what they enjoy

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Preparing Your Clients for the Lender

What does a lender need?

- Written Business Plan
 - History / Overview of Business
 - Future Plan
 - Financial Needs of Business
 - Historical Financial Position & Income Statements
 - Projected Financial Position & Income Statements
 - Marketing Plan
 - Risk Management Plan
 - Implementation
 - Who is responsible / accountable

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What does a lender need?

- What are the current financial conditions
- What are the historical profits and earnings
- What is the Break-Even Price – past and future
- What are the cash flow needs
- What will be pledged as collateral (Lender Risk Assessment)

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What does a lender need?

- Financial Statements in sufficient detail
- Year end balance sheets
- Annual milk shipped & \$
- Average cow numbers for the year
- Milk Quality (SCC, etc.)
- DHIA records
- What consultants are utilized
- Heifer raising arrangements
- Contracts for heifer raising, forage production, etc.

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Some General Underwriting Rules

<p><u>Stable Dairy</u></p> <ul style="list-style-type: none"> • Owner Equity – 40% • Term debt coverage ratio – 125% • Liquidity Ratio – 125% • Loan to appraised value – 70% 	<p><u>Expanding Dairy</u></p> <ul style="list-style-type: none"> • Owner Equity – 40% • Term debt coverage ratio – 150% • Liquidity Ratio – 125% • Loan to appraised value – 70%
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Summary

- Prepared Success
 - Prepare – to get ready
 - Success – Attainment of wealth, favor or eminence
- Assess the opportunities
- Encourage a well developed and written business plan
- Encourage positive attitudes
- Main focus – Profitability, not just production
- Most of all Be Happy

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Conclusion

- Create a business that is sustainable and financially attractive to others
- A client's success helps make us successful!!!
- Win – Win!!!

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