

AG LENDING TOPICS ENTERING 2022

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TOPIC OVERVIEW

1. 2021 Summary
2. 2022 Projections
 - Crop Revenues - Planning Prices & Yields
 - Expenses - Input Prices
3. Loan Structures/Options
 - FSA Guarantee Lines of Credit
 - Interest Rates
 - Guidelines to Consider

2021 SUMMARY

- Drought
- Commodity prices
- Government assistance (CFAP & PPP)
- End result: Financial progress

Where did the results go?

- Working capital
- Capital expenditures (i.e. land prices, demand for equipment & pickups, Polaris Ranger and recreational watercraft inventories, etc.)

DID YOU KNOW?



- \$141 million of PPP loans distributed to those engage in “farming” industries in the highlighted area below for an average receipt of \$30,658





2022 PROJECTIONS

REVENUE FACTORS

- Yield
 - (APH, 3/5 year average, prior year)

- Price

Commodity	2022 FSA	FSA Typical Year	*2022 N/C Cash
Corn	\$4.50/bu	\$3.75/bu	\$5.08/bu
Soybeans	\$11.25/bu	\$9.50/bu	\$12.35/bu
Spring Wheat	\$6.75/bu	\$5.25/bu	\$8.35/bu

*As of 01/19/22 at CW Valley Co-op

2022 PROJECTIONS



EXPENSE FACTORS

NDSU Cass Cty '21 vs. NDSCS '22 Crop Proj	Corn		Soybeans		Spring Wheat	
	2021	2022	2021	2022	2021	2022
Seed	\$100.50	\$100.00	\$ 65.80	\$ 61.00	\$ 23.00	\$ 25.00
Fertilizer	\$106.63	\$190.00	\$ 3.30	\$ 8.00	\$ 82.24	\$160.00
Chemicals	\$ 28.00	\$ 27.00	\$ 39.00	\$ 40.00	\$ 38.00	\$ 31.00
Crop Insurance	\$ 11.00	\$ 20.00	\$ 6.00	\$ 15.00	\$ 5.00	\$ 15.00
Fuel & Drying	\$ 49.81	\$ 32.00	\$ 12.19	\$ 13.00	\$ 14.82	\$ 13.00
Repairs	\$ 29.57	\$ 54.00	\$ 20.00	\$ 29.00	\$ 21.75	\$ 26.00
Operating Interest	\$ 7.51	\$ 16.00	\$ 3.33	\$ 8.00	\$ 4.34	\$ 7.00

2022 PROJECTIONS



	Corn			Soybeans			Spring Wheat			All Crops Total		
	2022 FSA	FSA Typical	N/C Cash	2022 FSA	FSA Typical	N/C Cash	2022 FSA	FSA Typical	N/C Cash	2022 FSA	FSA Typical	N/C Cash
Crop Income	393,750	328,125	444,500	196,875	166,250	216,125	219,375	170,625	271,375	810,000	665,000	932,000
Seed	50,000	50,000	50,000	30,500	30,500	30,500	12,500	12,500	12,500	93,000	93,000	93,000
Fertilizer	95,000	95,000	95,000	4,000	4,000	4,000	80,000	80,000	80,000	179,000	179,000	179,000
Chemicals	13,500	13,500	13,500	20,000	20,000	20,000	15,500	15,500	15,500	49,000	49,000	49,000
Crop Insurance	10,000	10,000	10,000	7,500	7,500	7,500	7,500	7,500	7,500	25,000	25,000	25,000
Fuel & Drying	16,000	16,000	16,000	6,500	6,500	6,500	6,500	6,500	6,500	29,000	29,000	29,000
Repairs	27,000	27,000	27,000	14,500	14,500	14,500	13,000	13,000	13,000	54,500	54,500	54,500
Operating Interest	8,000	8,000	8,000	4,000	4,000	4,000	3,500	3,500	3,500	15,500	15,500	15,500
Land Rent	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	240,000	240,000	240,000
Miscellaneous	4,125	4,125	4,125	750	750	750	4,125	4,125	4,125	9,000	9,000	9,000
Available for Non-Land Term Pmts/Lease, Farm Insurance, Utilities, Labor & Family Living, Professional Fees, and Non-Farm Debt Service	90,125	24,500	140,875	29,125	(1,500)	48,375	(3,250)	(52,000)	48,750	116,000	(29,000)	238,000

*500 acres of each crop factored with yields of 175 bu corn, 35 bu soybeans, and 65 bu wheat with land rent of \$160

2022 PLANNING & FSA INFORMATION



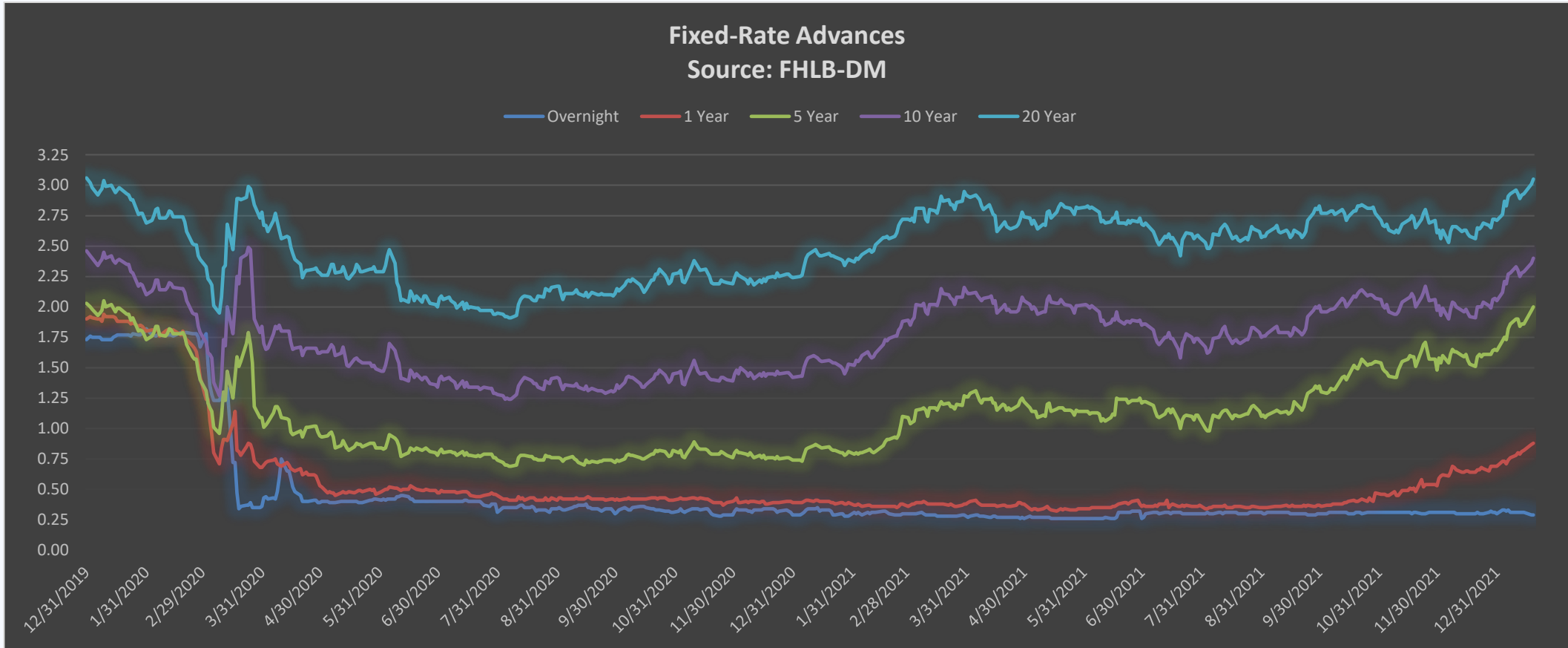
1. **Tough to create a 2022 plan with positive term debt coverage**
 - Using 2022 planning prices, conservative yields, and increased input prices
2. **FSA requires a positive ending cash number**
 - **Term debt coverage (TDC) and working capital change can both be negative**
 - Must use FSA's planning prices for uncontracted production
 - Can use 3-year average or "return to normal input prices", per Jason Winkels
 - Accomplished by receiving all income/receivables in plan and carrying payables
3. **FSA Guarantees**
 - \$1.825 million max per borrower
 - Guarantee fee is 1.5% of the guaranteed amount
 - *Example: \$500,000 LOC with 90% guarantee = \$6,750 (\$500K*90%*1.5%)
 - Try to limit guarantee fees by doing a 5 year RLOC to pay fee once
 - *If line needs to be increased, supplementary line set up

Term Debt Coverage

		<i>Farm</i>
Net farm income from operations		-32,210
Depreciation	(+)	90,424
Personal income	(+)	35,260
Family living expense	(-)	90,000
Personal interest expense	(-)	418
Principal payments on personal debt	(-)	11,984
Income taxes accrued	(-)	15,000
Interest on term debt	(+)	27,184
Capital debt repayment capacity	(=)	3,256
Term debt payments		405,669
Payments from cap sales & refinance	(-)	286,887
Normal term debt payments	(=)	118,782
Capital debt repayment margin		-115,526
Term debt coverage ratio		0.03

Ending cash balance	(=)	9,000
Beginning operating loan balance		449,833
Peak operating loan balance (Jan)		449,833
Ending operating loan balance		331,081

INTEREST RATES



HOPE FOR THE BEST, PREPARE FOR THE WORST



CASH FLOW GUIDELINE

≤ 43% of Projected Crop Incomes

(\$1 million ex)

• Land Requirements	\$300K	30.0%
• Land Rent	\$276K	27.6%
• Real Estate Taxes	\$4K	0.4%
• Land Debt Service	\$20K	2.0%
• Chattel Requirements	\$85K	8.5%
• Chattel Lease/Rent	\$50K	5.0%
• Custom Hire	\$ 5K	0.5%
• Chattel Debt Service	\$30K	3.0%
• Personal Requirements	\$45K	4.5%
• Net Family Living	\$20K	2.0%
• Non-Farm Debt Service	\$25K	2.5%
	\$430K	43.0%

KEY FINANCIAL RISK MITIGATES

INDIVIDUAL



FARM



THANK YOU!



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