



**Rabo
AgriFinance**

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Structuring Credit for High Growth Farms

Structuring Credit for High Growth Farms

- Financial Considerations
- Managing Risk
- Financial Statement Standards



Financial Considerations



Liquidity

- Positive trend in working capital
- Working capital / gross expense > 25%
- Renting acres vs. ownership acres
 - Minimum \$300 WC/acre vs. \$200 WC/acre
- Cash is King!

Financial Considerations



- Borrowing base concept
- Debt/asset levels depends on industry
 - Crops – less than 50%
 - Feedlots – less than 75%
 - Ranching – less than 50%
 - Swine – less than 65%

Financial Considerations



- Manage capital expenditures
- Repayment capacity considerations
- “Balanced” balance sheet
- Financial covenants

What Does “RTP” Mean?

Risk Tolerance Policy

Brett Favre



Tim Tebow



Peyton Manning



Managing Risk



- Counter party risk
- Commodity / product risk
- Interest rate risk
- Information risk
- Put it in writing

Financial Statement Standards



- Cash vs. accrual quality of financials
- Borrower prepared financials (\$0-3 mln)
- Compiled financials (\$3-10 mln)
- Reviewed financials (> \$10 mln)
- Audited financials (> \$10 mln)