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Here are some submissions from Nebraska for the Professional Papers.

Professional Paper: Stresses at Renewal Time

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Stresses at Renewal Time

Shortly before Christmas, I was watching a Christmas movie with my family about a farm family who was in jeopardy of losing the operation if they didn't come up with the required payments by January 2nd. You can guess, as well as I did, that it was a Christmas miracle and the necessary funds were found on Christmas Eve. While the story was predictable, it made me wish the struggles of the real farm economy could be fixed in less than 2 hours, with no family arguments and the only unknown being *how* it would be solved, not *if*.

The reality is that some operations are going to be faced with the real issue of foreclosure. Others will need to look hard at restructuring debt, switching lenders, making major changes to their operation and/or living, and maybe even selling off excess assets. So how can you make your operation be the best it can be through a stressful renewal season? Here are a few things to consider before you go into your renewal appointment:

1. **Be prepared.** Come into your renewal appointment with a plan. Have detailed estimations of your costs for the coming year, a cash flow that makes sense and is grounded in reality (no \$7 corn sales), and include reasonable spending for family living. If your cash flow shows significant changes from previous years, come with an explanation. Example: "My family living is down 20% from last year. We have a monthly budget and a commitment from our family to stick to it. We will send monthly accountability reports to show we are serious." If you just reduce family living to make the cash flow work without a plan on how to make that change actually work, it's not believable.
2. **Be honest.** Being honest with yourself is just as important as your lender. Take a hard look at your operation and figure out WHY your operation is having a tough time at renewal. It isn't just because commodity prices are down. If that was the case, then every operation would be experiencing this stress and they are not. So what's different about your operation? What costs have changed in the past 5-6 years? Are there any that you can make a different choice about?
3. **Be Accountable.** This is YOUR farm operation. YOU get to make the choices about how the money is spent. Many times I hear, "we just don't have a choice on how much we spend." The reality is you make choices every day. You can choose a different seed variety or a different seed vendor (or any other input). You can choose to operate older equipment instead of having the latest and greatest technology. You can choose if you buy a \$60,000 family vehicle or a \$30,000 one. You may have to make unpleasant choices, but they are still your choices to make. The choice of whether or a not a bank

continues to finance you may not ultimately be yours, but the choices that were made that led to that decision were yours.

Being ready for your appointment may only be half the battle, but it will show you have a commitment to turning your operation around.

When a Farm Operation Loan is Denied

If your bank does deny continued funding, there are still some things to think about:

1. **Your current bank is not the only one who can finance your operation.** You can go back to the “drawing board”, get even more organized and prepared and try another bank or two.
2. **If you are unable to obtain credit elsewhere, you may qualify for a loan from the USDA Farm Service Agency.** The funding for these loans can change from year to year and are set by the government so there may be a first come-first serve access to these loans. More information about these loans can be found at:
https://www.fsa.usda.gov/Internet/FSA_File/fsa_br_01_web_booklet.pdf
3. **Consider liquidating some assets.** It may seem like you can't operate without ALL of your equipment, but maybe it would be a good time to rent some of those larger assets such as a combine or have your harvest done by a custom harvester. If you sell some equipment so you can retire debt, you may be able to put yourself into a position where you can service the remaining debt while continuing to farm. You may also need to liquidate some land to keep going. Don't forget to hold back some proceeds for income taxes.
4. **Bankruptcy may be a word that comes back into normal conversation.** Our office is dusting off those old books and taking some classes to get back into the mindset and be prepared for the questions that may start to come both to avoid and to deal with the potential reality. Bankruptcy comes with complications that a good attorney and accountant will be necessary but the laws are there for a reason and may be a good tool for your operation to continue.

Seek Expertise and Engage Your Support Network

Regardless of the outcome, going through a stressful renewal is tough on everyone. I don't know a single lender who got into the business with the goal of putting farmers out of business and I don't know a single farmer who wanted their business to end with a liquidation. Using your management team is going to be important. It may seem silly to be paying professional fees when you are trying to cut costs, but many of these issues are very complex and require detailed expertise. It is also stressful for your family. Consider professional counseling to protect those relationships, your marriage and your mental health. Talking about financial struggles is never fun, but keeping it to yourself could cause even bigger consequences.

There are sources of help available to you. The University of Nebraska Extension team has developed a team of educators trained to help producers improve their financial literacy. You can contact your local extension agent for more information. The State of Nebraska also has the Farm/Ranch Hotline ready for immediate help. You can call 1-800-464-0258 to find financial, legal, counseling services and referrals.