



# The Farmer's “Market”



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## Message from the President

ALAN HOSKINS

Those of you who have read this article in prior issues of the American Farm Mortgage newsletter are well-aware of my natural interest in farm equipment. I truly enjoy attending in-person auctions, as well as tracking online sales. As most of you know, equipment values have increased in dramatic fashion during the 2021 calendar year. For example, I recently attended an annual combine auction where machines with similar hours and options increased by between \$40,000 and \$60,000 over the 2020 auction's prices.

In addition to equipment, those who have priced grain bins and related equipment have experienced sticker shock at a similar level. The same can be said for farm shops as well. Most grain producers and their respective insurance provider are accustomed to ensuring changes are made to the farm's seasonal protection level relative to on-farm stored grain. What steps have you taken to ensure the value of your equipment, grain storage facilities, shop, machinery storage buildings, etc.? Are they adequate given the value inflation we have seen in all of these categories?

In August 2020, there were multiple farmers in Iowa that saw catastrophic damage due to the derecho. I am certainly not saying anything of that nature is likely to occur to your farm, but how many of you know from first-hand experience, or by witnessing a near-by neighbor, the effect of losing a combine due to fire?

Losing a piece of equipment or other farm assets during the busy season is traumatic enough. Having that type of experience and then learning your insurance coverage is insufficient due to the rise in equipment and farm fixed-asset costs is an easily preventable circumstance. Please take advantage of the value provided by your insurance agent and ensure your assets are adequately protected.



# CAPTURING AG THROUGH YOUR LENS

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**\$250 VISA GIFT CARD**



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**PHOTO CONTEST DEADLINE:**  
**FRIDAY, OCTOBER 29, 2021**

## When Your Plate Is Too Full: Delegate More to Stress Less

By Jennifer Shike  
AG Web

Think about the tasks and duties that fill your day. Do you continually put some off? Do some not match your talents? Are there ones you just don't like?

If so, it's time to delegate. This business best practice is helpful to any leader and can help you feel less overwhelmed, overloaded and scattered, says Marlene Eick, a leadership coach from Wooster, Ohio.

Taking more off your plate starts with shifting your mindset and asking the hard questions, Eick says. It also requires a willingness to share the workload.

"Most of us struggle with letting go of work we've done habitually for years," adds Mark Faust, president of Echelon Management. "But delegating just part of the lowest priorities immediately frees time you can spend on the top priorities and makes a mighty impact."

Eick and Faust recommend farm leaders ask these questions to delegate better spend their time.

### 1. What can someone else do?

Take an inventory of everything on your plate. Consider what tasks could be shared or outsourced to someone else. Eick says it is important to consider your personal tasks, too.

"We can often lighten the load of all the things we have to do by thinking what about what we can delegate in our personal life to make space for those professional tasks or projects we have going on," she says.

### 2. Who can do it?

Think about to whom you should delegate, encourages Faust. His advice: Don't overload one person.

Based on the tasks at hand, who are you looking for? Someone who has entry-level skills? A high schooler? A new college graduate? Or do you need a talented contractor to come in and help with a project?

"Being very clear about what you need is critical," Eick says. "Make sure you train or instruct them accordingly."

### 3. How can you get work to them?

Determine a process to share tasks easily. This could be via a daily e-mail, morning phone call or consistent meetings.

"Find the right way to regularly communicate because no one can read your mind," Eick says. "They want to help you, but they can't know what you need unless you are communicating that to them."

As you assign duties, explain why these tasks are important, Faust says. "Provide context about how a project or task fits into the big picture."

### 4. How will you hold the person accountable?

You want to be available to your team but not micromanage.

"Some of my CEO clients find a daily five-minute update to be beneficial for keeping themselves and direct reports on track," Faust says. "At the least, it is good to check once every few days."

# Evaluate Your Farm's Capital Stack

By Sara Schafer  
AG Web

## Is your operation poised for financial stability?

The cheapest option isn't always the least expensive. That's especially true when it comes to your farm's capital costs.

With higher profit potential versus recent years, now is a smart time to analyze your capital structure and options, says Peter Martin, finance and growth consultant with K-Coe Isom.

"Capital can come from many sources: debt, equity, supplier financing, even friends and family," he says. "If you're happy with where your operation is, cheap capital may be good. But if you're looking to grow, diversify or try something new, paying a little more for capital may bring worthwhile advantages."

## Rate Sensitivity Analysis

Evaluate your capital structure from both tangible and intangible perspectives, Martin says. How can you make yours more flexible, cheaper and more tailored to your operation's goals?

From a hard-cost perspective, take a deep dive into your loan portfolio, suggests Ashley Arrington, founder of ag consulting firm Agri Authority. Consider your loan portfolio, she says, and ask these questions:

- How would my debt load be affected by an increase in rates?
- Is something being aggressively amortized that could be toned down for year or so?
- Could some debts be combined and re-amortized?
- How are my payments timed? Are they timed to coincide with cash flow?

"Your banker should be able to help answer these questions," Arrington says. "Just don't want to wait until the last minute to run the numbers to see how different interest rate levels will impact your operation."

Beyond the hard costs, consider capital-cost intangibles, Martin says.

"For example, there may be a strong advantage with capital flexibility," he says. "Is your lender willing to work with you to help you get where you're trying to go? Will they give you the freedom to buy what, when and where you want? Is working with that lender a yearly grind or more aligned as a partner for the future? All that's worth something, even if your cost may be a little higher."

## Be Poised for Good Times

Many farmers applied and were given funds through the Paycheck Protection Program (PPP). That combined with higher commodity prices mean farmers are securing fewer loans through traditional lending, says Joe Caffee, president and CEO of the First State Bank of Middlebury, Ind.

"Banks and financial institutions are getting more and more competitive for the very best credits because we're all sitting on a pile of cash," he says.

As a result, lending institutions may be willing to provide larger portions of your operating needs or adjust their credit requirements. Now may be the time to replenish or increase your working capital.

For example, maybe you need \$1 million to run your farm. You borrow 50%, or \$500,000. You still need the other \$500,000, so you use

money you've set aside from profits. But what if you had instead borrowed 80% of the \$1 million?

"You still would have your own untouched money that could be used for another opportunity," Martin says. "Some farmers operate with very high levels of debt, others with none. There is no perfect capital structure for all farms, only what works best for your business."

## Calculate Your Cost of Capital

Consider the following factors to understand the true cost of your business capital, says Peter Martin, finance and growth consultant with K-Coe Isom.

**Interest rate.** It's not only important to know the main cost of borrowing but the fees that go with it. These can include origination fees or a fee for an audited financial statement. Have you factored in those costs?

**Supplier finance.** When you borrow from a supplier, the true cost can often reach into double-digit percentages. Why? Because the terms often mean you can't take advantage of cash discounts on the supplier's product or service. Borrowing from a supplier may also preclude you from buying that same product or service for a lower price from another business.

**Equity opportunity.** People often fixate on the visible cost of debt. But remember the equity that's factored into the cost of your capital. You might get a lower interest rate based on the higher equity you bring to the table. But could you make better use of your equity without committing it to your lender?



*Understanding Your Business... From The Ground Up*



We continue to see an increase in **FRAUDULENT** communication – they come in the form of:

•PHONE CALLS •EMAILS •TEXT MESSAGES •LETTERS

We will **NEVER** ask for the following information:

•USERNAME •LOGIN PASSWORD •CARD NUMBER •SECURITY CODES  
•ATM PIN •EXPIRATION DATE •CVV •SOCIAL SECURITY NUMBER

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