Credit Risks in Large Agribusinesses

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Outlook for Agricultural Risk Mitigation
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IOWA FARM BUREAU
Plenty of Risk to Go Around

• Risk Exists in
  – Multiple Forms
  – For All Entities
  – In All Directions

• Risk Management Requires Understanding
  – Type of Risk
  – Acceptable Risk
  – Value of Risk
  – Available Alternatives (and their consequences)
U.S. Net Cash Farm Income

Source: USDA-ERS, August 2018
Challenging the Status Quo

• Changing Size and Number of Farms
• Challenges in Service
  – Market Size
  – Market Segmentation
  – Market Share
• Consolidation of Agribusinesses
• Concentration within Ag Lending
Tightening Credit

• Financial Institutions Challenged
  – Past and Pending Legislation/Regulation
  – Policies
    • Reporting
    • Requirements - ALLL
      – Thresholds
      – Triggers
      – The Times
    • Restrictions
  – Point of Service
  – Prospects and Partners
Impact of Patrons

• Significant Market Share
• Overwhelming Manageable Scale
  – Global Juggernauts
  – Diverse Partners ( Syndication )
• Risk to Lender
• Risk of Sourcing Ag Lender
• Community/Regional Impact
  – Outflow of Credit Impact
  – Disruption of Economic Multiplier Effect
Changes and Chances

• Cash Flow Management
• Cost Control
• Credit Management
• Reduce
• Reuse
• Recycle
Growth in Sophistication

- Complexity of Service
- Needs for Flexibility
- Technology Frontier
- Managing Market Access and Capability
- Information Exchange
createGenesisBlock();

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