

COORDINATING CREDIT AND FINANCING FOR FARMERS

Steve Kluemper, Vice President - Credit



Steve Kluemper

- ❖ steven.kluemper@greenstonefcs.com
- ❖ Steve's team at GreenStone is responsible for underwriting, approval and administration of credit to commercial producers, processors and suppliers in the agricultural industry. Since graduating from Purdue University with an Agricultural Economics degree, Steve has worked with these agricultural industries as a lender with various institutions across the U.S. and also earned his Food and Agribusiness MBA from Purdue.



GreenStone

- ❖ \$6.4 Billion agricultural finance cooperative headquartered in East Lansing, Michigan with 36 regional offices covering all of Michigan and Northeast Wisconsin delivering \$4 Billion of rural credit
- ❖ \$2.4 Billion portfolio of commercial producers, processors and suppliers in the regional and national agricultural industry with sales above \$5 million administered by industry experts in the Commercial Lending and Capital Market teams



Why differentiate above \$5 Million

- ❖ Deliver industry expertise to large dairy, cash crop, poultry, potato, pork, greenhouse, fruit and other agribusinesses
- ❖ Increased credit concentration calls for industry specific underwriting, cash flow and sensitivity analysis and peer comparison
- ❖ Competition for credit changes to regional and national banks and lending organizations which have a different level of legal documentation and monitoring and well as treasury management systems



Agriculture needs ag capital

- ❖ Cooperatives, banks, insurance companies, input suppliers, equipment dealers, investors, the government and others are all ag capital providers at local, regional and national levels
- ❖ Ag capital providers as a community must work with each other and the ag customers to understand the needs and nuances of the ag customer and provide reliable and constructive capital, leadership and relationships



Ag capital providers have niches

- ❖ No one ag capital source will meet the entire capital structure need of a farmer
- ❖ Each capital source has a different risk and return profile and attractiveness to the customer
- ❖ As an ag capital provider, it is important to focus on your niche and know which other capital providers can be called on to fully meet the capital needs of your customer



What can ag capital providers do

- ❖ Get to know and regularly meet with other local ag capital providers to understand them and share knowledge
- ❖ Encourage better record keeping, reporting, planning and management systems from customers to improve access to capital and timeliness of capital decisions
- ❖ Understand how capital provider entrants and exits (both firms and employees) affect the strength of the local ag capital provider community



Ag capital provider questions

- ❖ What do they see happening in the industry and with local customers that affect capital decisions and repayment
- ❖ What changes are happening in related industries and non-related industries locally, nationally and internationally that will have an affect on local customers
- ❖ What questions do they suggest you ask your customers or changes do they suggest to your policies



Steve's perspective for good times

- ❖ As a senior secured lender, I prefer to provide most of the credit as efficiently as possible based on customer supplied monthly cash flow budgets and look to unsecured suppliers to have 30 day terms or less and push hard to get paid when those terms are exceeded
- ❖ This allows the supplier to have an early warning sign and reason to visit with the customer and gather more information if payments are late



Steve's perspective for good times

- ❖ If competitors are offering terms as a sales tool, then work with another ag capital provider that has the staff and expertise to compete
- ❖ Don't go outside of your niche into the low margin, high risk business of lending
- ❖ Confirm with legal counsel that your credit policies don't trip you up with new regulations



Steve's perspective for bad times

- ❖ When cash flow slips and repayment schedules need to be adjusted, I will ask other capital providers to adjust theirs as well so we all go through it hand in hand and everyone is fully aware and depending on the management team to pay us all back
- ❖ This is my way of having you help me assess the character part of the 5 C's as we work with a leveraged credit



Steve's perspective for bad times

- ❖ Character, Capacity, Capital, Collateral, Conditions; in that order
- ❖ Having this good source of local supplier capital available will allow the senior secured lender and the entire local ag capital community to provide an environment where agriculture can flourish in the good times and the bad



Steve's advice for supply co-ops

- ❖ Input suppliers aren't lenders and don't sell cars because they don't have expertise in either so allocate capital to better uses than receivables
- ❖ Have a board-approved rainy-day fund, allocation mechanism and credit policies for members that are in a pinch and need capital
- ❖ This gives management the ability to protect the other members from those who don't pay



THANK YOU!

