



The Smart Money Grower Series

Talking to Your Banker

With decreasing opportunities for financing your agricultural enterprise, it more than ever imperative you present yourself to your banker in the best possible light. The following information should assist you to do this.

- I. Be confident. How do you accomplish this? Be organized in your presentation. No Shoeboxes. Be honest in your presentation. Submit complete and realistic information. Work hard to build a good relationship- this is very important. One of the important ways to impress your banker is to start the renewal process as early as possible.
- II. Your Banker is part of your team.
 - a. The banker is part of your production team much as is your fieldman, your warehouse, and your wife.
 - b. The banker should be on your team all year long, not just a renewal time.
 - c. Invite your banker to your operation, in the case of a fruit producer, three times a year- bloom, post thinning (set the set crop, and Harvest.). Your Banker should know as much about your operation as you do. If necessary drag him kicking and screaming through your operation. Believe it or not, the banker on the long run will appreciate this treatment.
 - d. Renewal- Start Early. You will receive lots of forms with lots of blanks to fill in. Fill in each blank, they all have a purpose.
 - e. Renewal, good and bad- discuss the bad as well as the good. If Bad, tell him what you did to mitigate the bad. If it is good, brag!
- III. Business Plan- write one. It does not have to be long and involved. The plan should answer three questions. 1. Where have I been 2. Where am I today 3. Where am I going- replanting, diversification, outside employment?
- IV. Financial Statements/ Balance Sheet-
 - A. Assets- Current and Non-current.
 - B. Liabilities- Current and Non- Current.
 - C. Net Worth- what is left over if you sold all of the assets.
 - D. Remember, a balance sheet is a snap shot of your financial position on a given date.
 - E. Prepare your financial statement on the same date or close every year.

- V. Assets- Tell the banker the basis you are using for valuation of assets,
 - a. In the case of fruit- Bank estimate, grower estimate, warehouse estimate, or multiyear average.
 - b. Land- Recent appraisal, estimated market value, or assessor's valuation.
 - c. Equipment and machinery- depreciated value from your income tax statement, or owners estimate of value.
 - d. Once you have established the basis, **Do Not** change.
- VI. Liabilities- Fill in **All** blanks accurately.
- VII. Net Worth- Assets minus Liabilities equal Net Worth.
- VIII. Ratios- the 4 biggies, Working Capital, Current Ratio, Debt to Worth, and Debt to Asset. Calculate these ratios and tell the banker if they changed from the previous year and why.
- IX. Budget- Explain major changes, both up and down, from the previous year.
 - a. Justify the changes.
 - b. Family Expenses- is a very important part of the budget. This is what you are telling the banker you will be living off for the coming year. Create a personal budget that is the basis for the line item on the Farm Budget. This is an item that always cut- show the banker it is important and realistic.
- X. Cash Flow. Mortgage Interest plus Depreciation plus Profit or (Loss) equals Cash Available to service Long Term Debt. This should equal 125% of debt to be serviced. Very important information especially if you have carryover debt to be refinanced.
- XI. Review-
 - a. Take Control.
 - b. Be prepared up front with information.
 - c. You do the talking- answer the banker's questions before he asks them. Lets him know you understand your operation.
 - d. Be accurate, explain your BASIS used in asset valuation.
 - e. Fill in all blanks, no shoeboxes.
 - f. Invite your banker to your house.
 - g. Prepare a Business Plan.
 - h. Use same date to complete financial information.
 - i. You open the conversation submitting the documents including the Cash Flow calculation.

Be positive, be confident

If you have any questions, feel free to call me- Peter V. Rodionoff, WSU Cooperative Extension, Wenatchee- 509-667-6540.

February 9, 2003