

PARTNERING WITH COMMUNITY BANKS TO OFFER ALTERNATIVE FINANCING SOLUTIONS IN AGRICULTURE

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Community bankers know the challenges presented by struggling farming operations. Look to Ag Resource Management (ARM) as a partner for creating strategies that manage risk for you and your farmer customers.

A troubled loan puts a bank in a precarious position: It must either refuse a request for additional funding or extend more capital into a loan that's already troubled. Neither scenario holds much appeal.

ARM can help banks address efficiency and performance by managing some of the risk in their ag-loan portfolio. ARM can offer alternative financing that allows farmers to plant their crops, move forward with the season and continue generating income — and the bank won't have to advance further capital.

Banks have historically made operating loans based on real estate assets, but many farmers now own only a small piece of land and lease most of their acres. Because ARM relies on this season's crop for collateral, ARM can take on the operating loan while banks continue to manage equipment and real estate term debt.



"Sometimes bankers need somebody to stand with them in order to provide the farmer an operating loan to farm that year — that's where ARM comes in."

-Gerald Kruger, ARM market leader

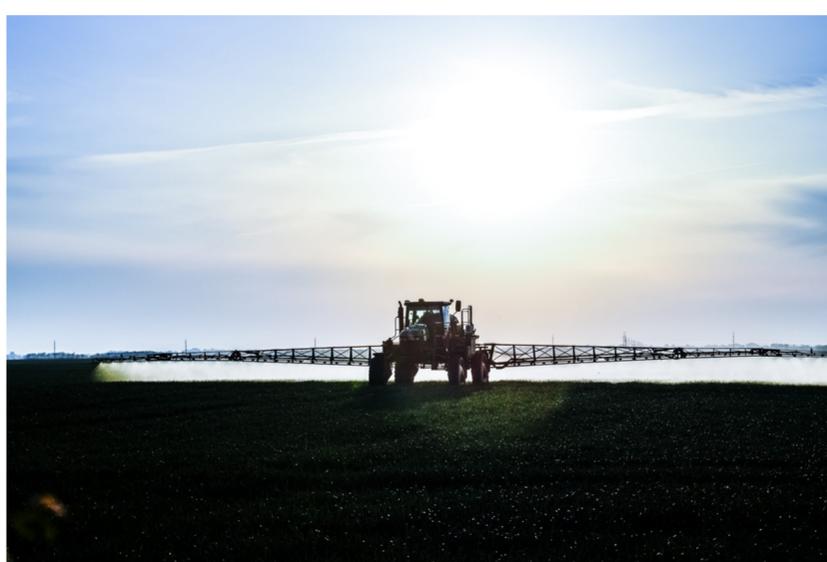
BENEFITS FOR COMMUNITY BANKS

Partnering with ARM offers community banks many benefits:

- Improve the balance sheet and financial performance.
- Maintain relationships using a sustainable plan and without increasing commitment in a regulatory environment that may advise exiting the relationship.
- Continue existing relationships in a tough landscape for finding new customers.
- Reduce reputational risk. Offering a path forward shows that a bank wants to offer value to and help its farmers, thereby avoiding the appearance of marginalizing its farming client base.

ARM assistance creates a path forward for a troubled farming operation. Often, these clients just need to get through a rough spot. ARM can bridge the gap and give the farmer time, while helping the bank preserve the long-term relationship with that customer.

If the path forward for a farming operation is bleak, then ARM's involvement for a year can offer everyone time to plan an orderly liquidation. The farmer and the bank usually come out better given the extra time.



HOW ARM WORKS WITH FARMERS

Every farm situation is different, and many financial challenges arise through no fault of the farmer. Listening to a farmer's pressure points allows ARM to adapt and fit that farmer's situation. Next, attention shifts to the farm's balance sheet and cashflow. ARM needs to understand the leverage position on the balance sheet to attract alternative financing solutions. Then it becomes possible to secure a line of credit for the season.

After identifying a financing solution, ARM sets up a systematic process to help manage risk. For example, ARM helps the farmer acquire the proper amount of crop insurance, spend capital on the inputs required to realize the highest potential yield and pay the loan when the crop is harvested. This in-depth involvement in the operation increases the chance of success.

ARM also serves as an advisor to help farmers right-size their balance sheets. This might include recommending the sale of a parcel of land or a piece of equipment. These changes can put the farmer in a better position to secure financing through the bank in the following year.

"We're not trying to compete with community banks. We can partner with the bank to help them continue working with a farm client when the financial situation or regulatory pressures might make that difficult." -Jason Brown, ARM market leader

To learn more, contact your nearest Area Manager or visit us at ARMLEND.COM