

Farm Financial Standards Board

July 14, 2016

What a Lenders looking for?



Northwest[®]
FARM CREDIT SERVICES

Approach to the Market

- Navigating in a complex business world
- Shift in Strategy:
Focused approach on customers business
Operations and Operational risk vs Credit
Extension.

Operational Understanding

- In Depth knowledge of:
 - Customers Business operations and strategic direction.
 - Customers core earnings engine
 - Management of the Balance Sheet
 - The journey. How have they made investment decisions?
 - Assessing customers leadership capacity and their ability to execute.
 - Level of Consciousness.

Strategic Approach

- Three Legged Stool
 - Production – Processing – Marketing.
 - Recognizing business models integration.
- Strategic Alternatives
 - Recognition of a operational vision.
 - Growth
 - Non Growth

Strategic Business Strategy



Growth Strategies

- | | |
|-----------|---|
| Expand | <ul style="list-style-type: none">• Frequently used• Incremental versus significant |
| Diversify | <ul style="list-style-type: none">• Addition of new enterprises• May spread management too thin• Core competency considerations |
| Replicate | <ul style="list-style-type: none">• Copy existing operation in a different site• E.g. multiple dairies |
| Integrate | <ul style="list-style-type: none">• Moving forward, backward, or horizontal• E.g. grower-packer-shippers |

*Adapted from "Strategic Alternatives in Growth & Downsizing" by Alan Miller, Boehlje, and Dobbins

Rightsizing Strategies

Focus/
Specialize

- Improve efficiencies and reduce costs

Intensify/
Modernize

- ↑ production through the same fixed asset base
- ↓ production costs (e.g. double shifts)

Network

- Create economies of size
- E.g. alliances, partnerships, etc.

Delay/
Wait & See

- Decision trigger is key
- Not a long-term strategy

Downsize

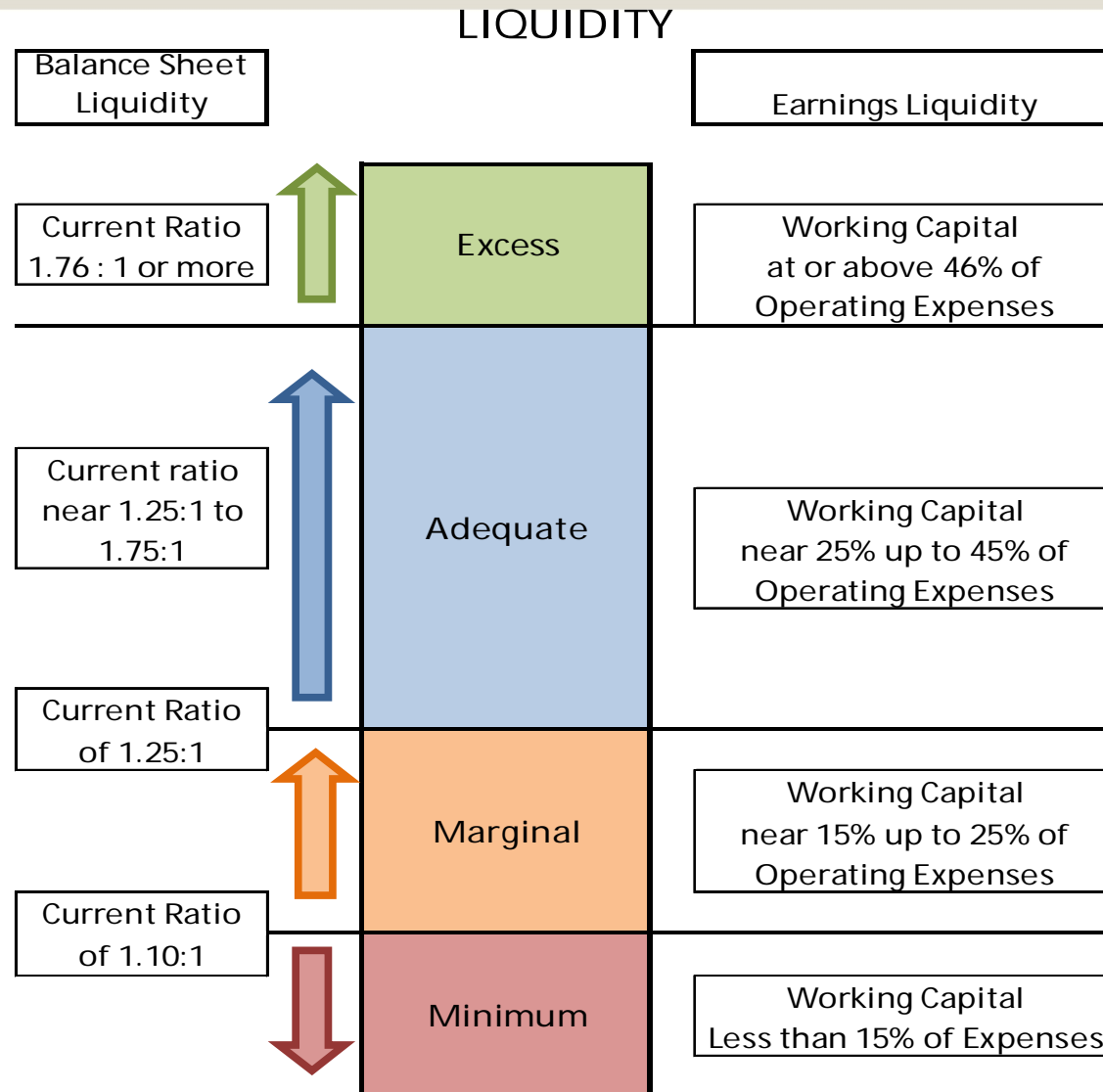
- Doesn't necessarily mean business exit
- May help improve focus and/or efficiency

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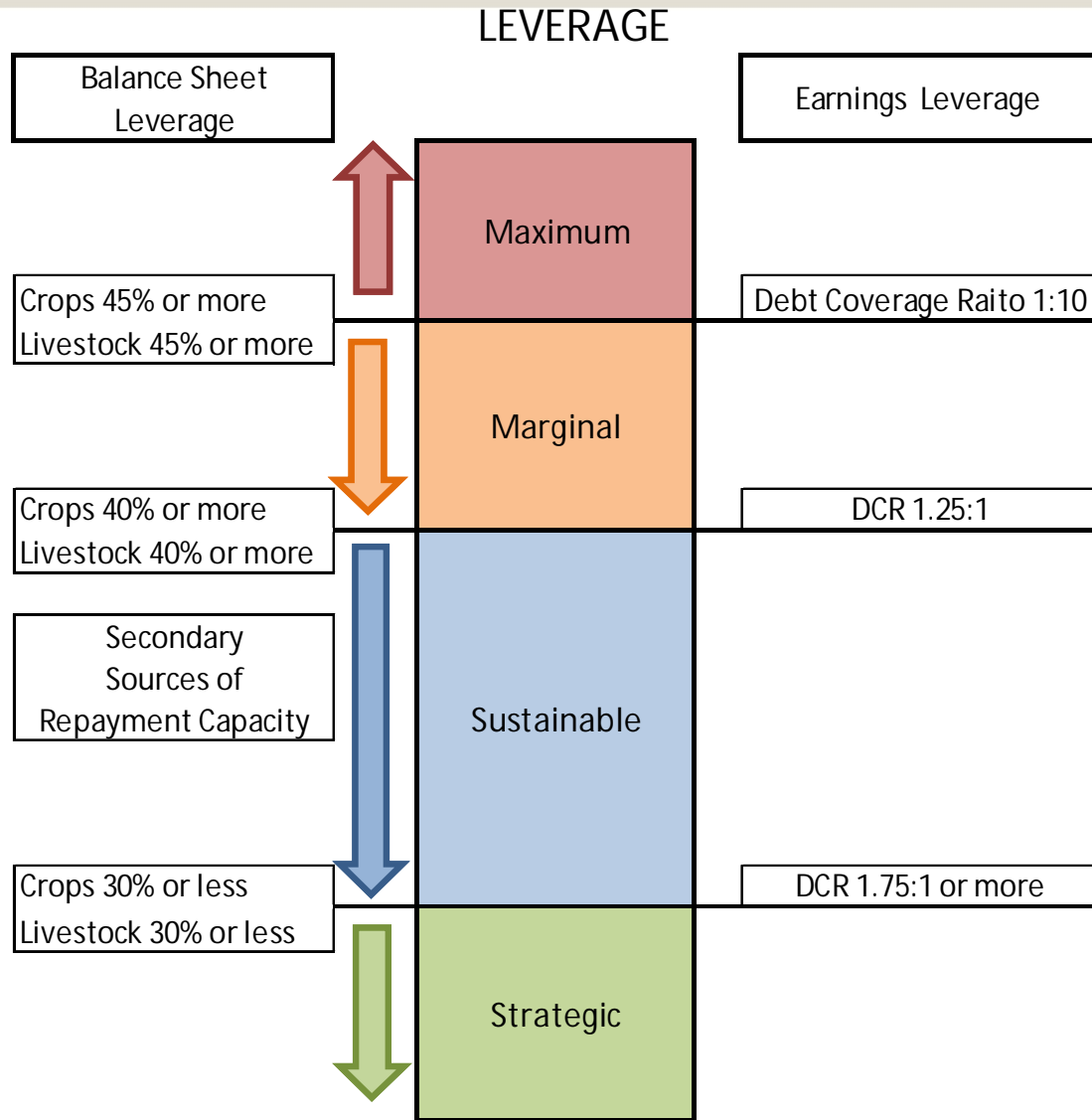
A photograph of a herd of brown cows grazing in a lush green field. In the background, there is a line of tall, thin trees under a clear sky. The text "Financial Capacity" is overlaid in green at the bottom of the image.

Financial Capacity

LIQUIDITY



LEVERAGE



Questions?

Thank You