



# 5 Strategies for Preserving Liquidity & Increasing Competitiveness



A large grain elevator and several grain bins in a field at sunset.

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# State of the State

## LIQUIDITY PRESSURE IS MOUNTING

Today's ag lenders and community banks are feeling the pressure as they navigate portfolio tension, high interest rates, and an intensified marketplace.

- **Portfolio tension:** Due to evolving workplace cultures post-pandemic, with many companies opting for work-from-home or hybrid models, regional and community banks that have a high concentration of commercial real estate loans may be feeling strain across their portfolios. As a result, banks might be considering reassessing their balance sheet and tightening standards on new loans.
- **Interest rates:** The Federal Reserve Bank raised its federal funds rate aggressively over the last couple of years—in fact, it was the fastest pace in 40 years. This level of increase, at this pace, significantly increased the competition for deposits.
- **Fintech competition:** Fintech companies and non-regulated financial entities are meeting the evolving needs of consumers, particularly their demand for more efficient, digital channels that they can access when and where they want to.

As lenders, you need a comprehensive strategy that alleviates liquidity pressure, increases your competitiveness, and allows you to meet the evolving needs of your producer and farmer clients—all at the same time. That's where we come in.

In this eBook, we explore what ag borrowers are looking for from their financial partners today and the steps lenders and banks can take to preserve liquidity and attract and retain clients.

Let's dive in,

*The AgriAccess Team*



“We uniquely understand what lenders are up against in today’s market. They need to preserve liquidity and continuously innovate and show up as a resource for their borrowers. We’re here to help them with that juggling act, providing options for them to expand their capacity and offering the latest products and services their clients are expecting.”  
– Don Slagle, Director Business Development, Agri-Access



# Know Your Borrowers

## WHAT AG BORROWERS ARE LOOKING FOR

The producers and farmers you serve are experiencing their own challenges, particularly tighter margins over the next couple of years. In 2022, net farm income reached an impressive \$185.5 billion, but the sector saw a 16% decrease in net farm income last year—and this year, the farming sector is expecting yet another net farm income decrease by 25.5%.

As uncertainties lie ahead, producers and farmers are leaning on you, their financial partner, to understand their options for readjusting their balance sheets and restoring working capital. The lenders that will rise to the top offer:

- **Flexible, competitive solutions:** Borrowers seek lenders who offer flexible loans and repayment plans that accommodate ag production cycles and cash flow patterns. Whether your borrower needs a long-term fixed rate, a revolving line of credit, or a variable rate, working with a secondary market partner like Agri-Access expands your product offerings and allows you to compete in the market and more easily respond to your clients' unique needs.
- **Specialized knowledge:** Producers and farmers want their financial partners to understand the challenges and opportunities they're facing, including land and equipment purchases, commodity price volatility, seasonal fluctuations, regulatory changes, succession planning, and more. Your products and services need to accommodate their unique circumstances around these factors.
- **Personalized relationships:** You're not just financial institutions to your clients. You're partners in progress, expertly balancing consistent services and continuous growth. You cannot be bystanders, rather active guides, helping your ag clients adopt the right tools and technologies to propel their financial operations forward.







ICBA data reveals that 81% of loan applicants are satisfied with their community bank experience, a significantly higher rate than large banks, finance companies, and online lenders.

# 5 Strategies for Preserving Liquidity & Increasing Competitiveness

## *What competitive lenders do well*

Today's lenders have a tall order—you're navigating liquidity pressures while also trying to show up competitively and creatively for your clients. Deploying the right strategy and taking the right steps will allow you to tackle everything with ease.

### 1. **PROVIDE ACCESS TO LONG-TERM LOAN PRODUCTS.**

Banks cannot always offer their clients 15, 20, or 30-year fixed rates, but secondary market partners like Agri-Access can. We serve as a source for long-term loan products with Farm Credit-level rates, giving you greater access to larger pools of capital to improve your liquidity. Note that some product options provide prepay flexibility in a potential declining rate environment.

You can essentially offload your client's loan while maintaining your customer relationships.

The process itself is quite simple:

- The loan starts with the lender.
- The secondary market partner assumes the credit and liquidity risk for the loan, often serving as a behind-the-scenes partner.
- The lender earns the loan-servicing income to grow their business.



## 2. PARTICIPATE YOUR LOANS.

Participating loans will increase lending capacity, improve capital management, and decrease credit risk—and doing so doesn’t need to be complicated. Agri-Access participation lending is simple, streamlined, and straightforward with just seven steps.

| 7 Steps for Participation Lending |                                                        |
|-----------------------------------|--------------------------------------------------------|
| 1                                 | Prepare and complete the application package           |
| 2                                 | Submit the appraisal                                   |
| 3                                 | Submit title work                                      |
| 4                                 | Lock your rate                                         |
| 5                                 | Prepare loan documents and review closing requirements |
| 6                                 | Funding the loan                                       |
| 7                                 | Post-close tasks                                       |

## 3. GROW WITH YOUR BORROWERS.

Digital advancements continue to sweep the ag landscape, shifting how farmers and producers approach their work. This transition can be challenging, with many still preferring the manual or physical products and tools they know and love. As local lenders and community banks, you must evolve with your borrowers and help usher in new best practices designed to strengthen their operations.

“How ag lenders support their clients is constantly evolving, just as the agriculture industry is,” said Scott Jarck, VP, Relationship Manager, Agri-Access. “Lenders and bankers need to keep pace with new tools, technologies, and processes so their borrowers not only feel educated and confident in their decisions but also comforted knowing their financial partners are looking out for them. When you grow with your clients, you build trust. It’s that simple.”



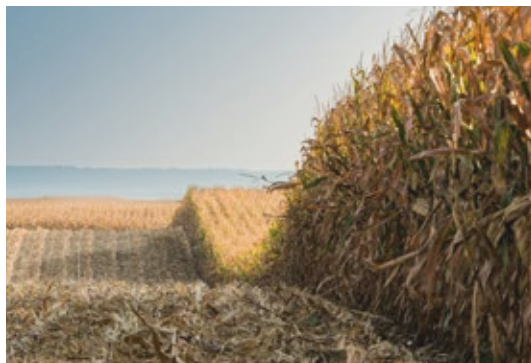


## 4. EXPAND YOUR PRODUCT PORTFOLIO AND SERVICES.

When you expand your product portfolio and enhance the services you provide to borrowers, everyone feels better equipped to accommodate the demands of the new ag market. In turn, your capacity expands, too, and you can service more clients and grow your business.

Partnering with Agri-Access allows you to grow your ag lending portfolio with:

- **Extended Lending Capacity** — Farm and ranch real estate loans for bare land and highly finished properties, \$100,000-\$100 million per transaction.
- **Expanded Product Offering** — Fixed rate products with flexible prepayment options and convertibility (variable rate to fixed rate) provide a multitude of solutions for your clients in this economy where the Fed is anticipated to reduced interest rates.
- **Scorecard** — Online application and quick underwriting decisions for loans up to \$5 million in 48 hours or less.
- **Maintain Customer Relationships** — From start to finish, your lending organization remains the lender of record and owns and services the loans.
- **Appraisal Services** — Tap our appraiser network with offices across the U.S. with specialties in farm and ranch land, dairies, livestock facilities, wineries, vineyards, and orchards.
- **Niche Lending** — Ag expertise and assistance with complex, high-value transactions, including financial, property and legal analyses, business plan review and negotiation.
- **Leasing** — End-of-agreement buyout option provides borrowers flexibility and cash management control.
- **Liquidity Protection** — Preserve lending capital with the flexibility to repurchase the purchase interest.
- **Reduced Loan Risk** — Extended terms, up to 30-year amortization.
- **Land Development Loans** — Comprehensive business and land analysis for permanent planting financing.
- **New Commodities** — Resources and analysis to help establish emerging markets in your region.
- **Easy-To-Use Tools** — The Lender Portal simplifies administration, processing and tracking loans, with 24/7 encrypted access.

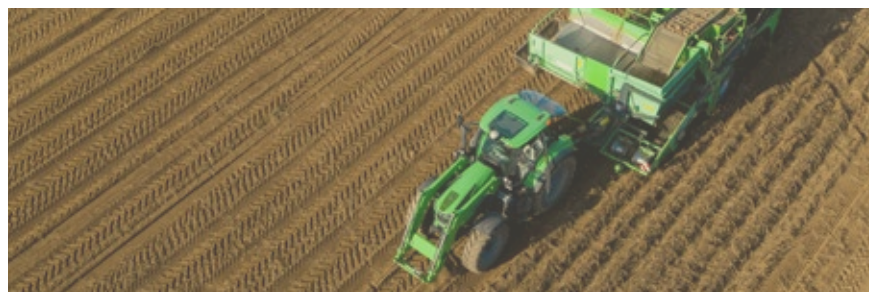


## 5. IMMERSE YOURSELF IN THE AG WORLD AND BE A RESOURCE.

Ag lending is fundamentally different from other industries when it comes to financing. Your clients not only expect you to be familiar with their world but to deeply understand the trials and tribulations they navigate year in and year out. To serve as a true resource to them, stay in the know about:

- **Cash flow fluctuations** — Ag production is highly seasonal, with farmers and producers requiring larger amounts of capital at the beginning of the growing season and repayment schedules aligned with production and harvest cycles.
- **Climate and environmental risks** — Farmers and producers are exposed to unpredictable risks like extreme weather, diseases, infestations, and more that can severely impact their livestock and crops.
- **Volatile commodity prices** — While not every commodity is constantly under pressure, many producers and farmers are likely to experience tighter margins this year or next and will need to restore working capital when they're impacted.
- **Capital-intensive operations** — Agriculture assets—land, equipment, livestock—are (typically) incredibly expensive and require a long-term investment strategy to determine whether and when to pursue new assets or continue operating with what they have.
- **New technologies** — Digital technologies are starting to change agriculture practices, especially in support of green initiatives. Farmers need thought partners to know which practices and technologies complement their production and which don't—and, of course, how to finance any operational changes on the horizon.

“Ag lenders cannot only talk the talk—they have to walk the walk,” said Don Slagle, Director Business Development, Agri-Access. “The most successful bankers and lenders take a specialized approach to ag lending, tailor their financial products to accommodate their unique industry, and continuously learn about the micro- and macro-economic factors that could impact their clients.”



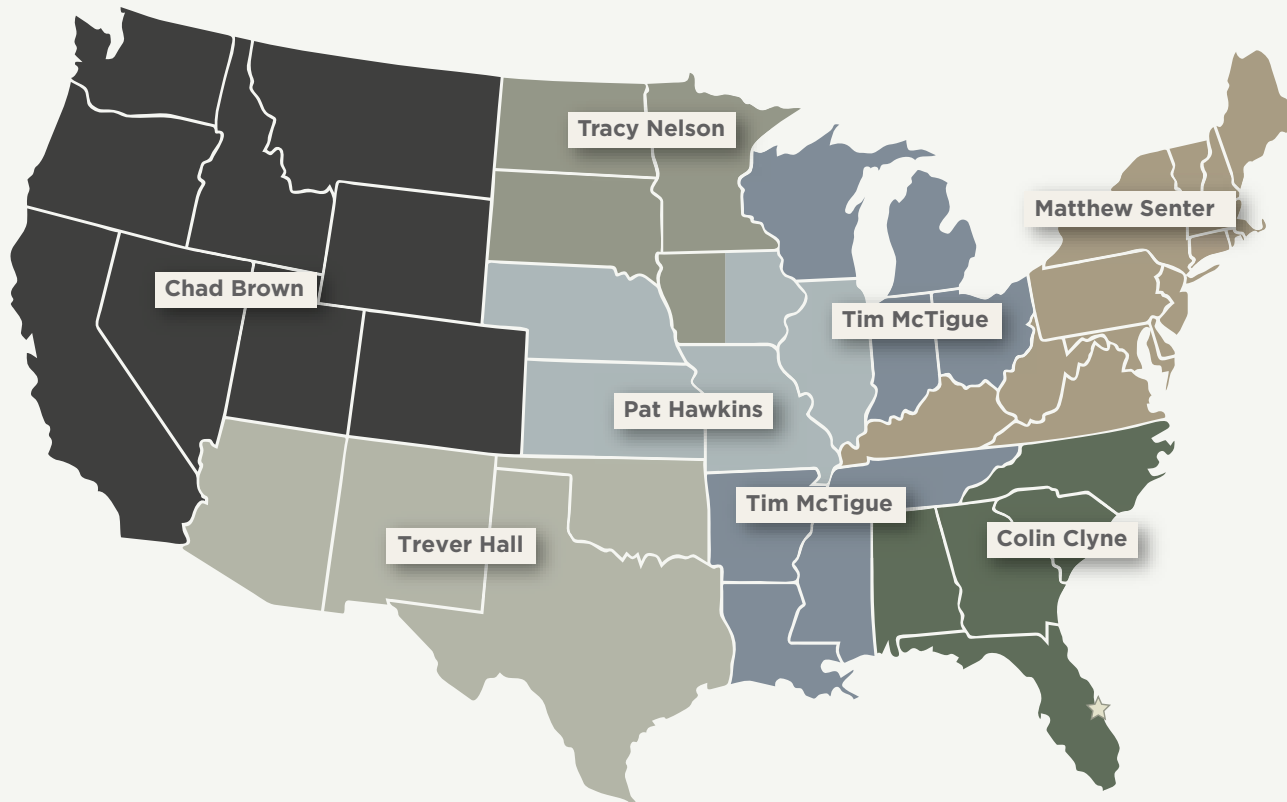


# Working with Agri-Access

*Ready to connect? Set up time with an Agri-Access relationship manager.*

Our approach to lending at Agri-Access is specifically designed to support local lenders and community banks as they navigate liquidity challenges and seek new, enhanced ways to support their ag borrowers.

At Agri-Access, we serve as a secondary market partner—one that understands the constant fluctuation of the ag market, expertly guides financing cycles, and offers flexible solutions and services that bring greater stability to lenders and their borrowers. We're here to help answer questions, ensuring everyone makes well-informed, confident decisions for the betterment of their businesses and operations.



## Relationship Managers

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