



Coalition to Support Iowa's Farmers : *Farming for the Future Conference*

Financing Your Livestock Farm

Ames, Iowa

January 17, 2018

Jayne Unga, U.S. Bank

Northern Division Agriculture Specialist

Financing Your Livestock Farm

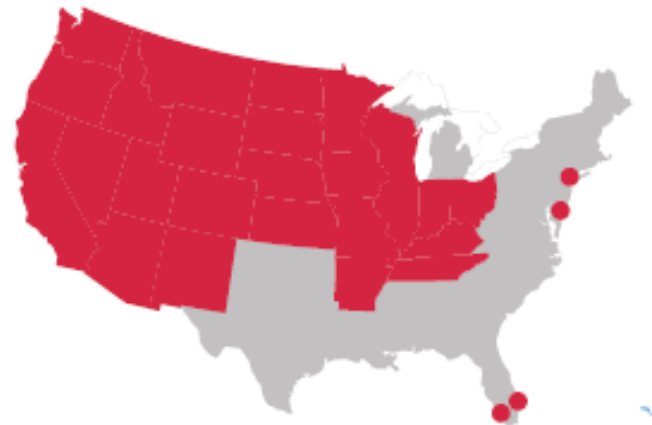
- **Jayme Unga, Divisional Agriculture Specialist**
 - Grew up on a dairy farm in Dubuque County, IA
 - Graduated from Iowa State University with B.S. in Agricultural Business, Double Major in Business Finance, Minor in Agronomy, Area of Emphasis of Farm Management
 - Worked in seed corn research for Northrup King Seeds
 - Worked for Murphy Family Farms with contract hog production
 - Have been an Ag lender for 20 years
 - Managed 76 accounts with outstanding loan balances over \$73 million ranging from \$25,000 to \$13 million in size.
 - Currently oversee the development of Agriculture Credit, Lenders and Policy for U.S. Bank throughout Iowa, southern Minnesota and central Illinois
 - Past Chairman/board member of the Iowa Agriculture Development Division
 - 7 time recipient of the IADD Banker of the year award for most young farmer loans
 - Operate a small row crop operation (all corn) near Boone, IA



Financing Your Livestock Farm

U.S. Bank, N.A.

- 7th Largest Agriculture lending bank in the country (based on American Banking Association rankings)
- \$1.96 billion in Agriculture loans (as of September 30, 2017)
- Located in 25 states
- Agriculture portfolio is primarily focused in the Midwest with Iowa as the leader
- Offer all types of farm loans:
 - Operating
 - Equipment
 - Livestock / Livestock Facilities
 - Construction
 - Real Estate
- Also Offer:
 - Retail (Consumer / Home) loans
 - Credit Cards
 - Financial Planning Services / Transition Planning Services
 - Farm Management Services
 - Insurance Products
 - Depository Services



Financing Your Livestock Farm

Benefits of Livestock:

- Diversified revenue stream
 - Can be a stable revenue stream if contract production
- Way to justify additional labor needs on a farm
 - Return of a family member
 - Hired Labor
- Manure benefit
 - Increased yields
 - Natural hedge against fertilizer prices
 - Organic matter building
 - Micro nutrients and beneficial organisms



Financing Your Livestock Farm

Challenges of Livestock:

- Permitting Rules and regulations
 - Good idea to use the Coalition to help you with these items
- Neighbor Perceptions
 - Also a good reason to use the Coalition for help
- Capital / Financing acquisition



Financing Your Livestock Farm

- What a lender is looking for:
 - Know your numbers
 - Cost of production
 - Profit margins
 - Know your Risks
 - What are they
 - Mitigation plans
 - Have a plan
 - Where do you want to go short, intermediate, and long term
 - Cash Flow is King
 - Profits are what pay the daily bills and build equity long term
 - Equity is important but does not pay the bills
 - It is important to be able to withstand the bad times
 - Not the solution for bad cash flow
 - Usually the thing a young farmer lacks the most of



Financing Your Livestock Farm

- What your lender expects of you continued:
 - Understand your risk and how to mitigate it
 - Price
 - Quality of product
 - Weather
 - Contract
 - Hedging
 - Establishing reasonable expectations
 - Living expenses or “Keeping up with the Jones” syndrome
 - “New Paint” disease
 - Able to hear the word no
 - If something is a poor financial decision, you must be open to that opinion
 - Open Communication
 - During good times and bad it is important to have an open channel of communication



Financing Your Livestock Farm

Typical loan requirements:

- Market animals
 - 25% equity
 - Maturity to match life cycle of the animal
- Breeding Livestock
 - 25% equity
 - Maturities vary based on animal type and age for example:
 - Sows typically 3 years
 - Cows 5 years to 7 years
- Facility Loans (buildings) / Improvements (feed yards)
 - 25% to 30% equity
 - Maturity based on economic life of the building
 - May also be based on length of contract
- Real estate (land)
 - 25% to 30% equity
 - Maturities range from 20-25 years



Financing Your Livestock Farm

Options for young farmers:

- Micro Loans with FSA
- FSA Guaranteed loans
 - Can be used to buy market animals, breeding stock, facility loans, and real estate
- FSA 5/45/50 loans
 - For land and facility purchases
 - Cannot be used for Construction
 - Not for breeding stock or market animals
- FSA 50/50 loans
 - Also for land and facility purchases
 - This program CAN be used for construction
 - Not for breeding stock or market animals
 - Also can be used by established farmers



Financing Your Livestock Farm

Additional Program Available for Young and Beginning Farmers

- Iowa Agriculture Development Division Program
 - Beginning Farmer Loan Program
 - Loan Participation Program
- Eligibility
 - Net worth driven
 - Maximum Net Worth = Currently \$645,284
 - Types of financing:
 - Breeding livestock
 - Equipment
 - Buildings
 - Land
 - Maximum loan amounts:
 - \$534,600 for real estate
 - \$250,000 for livestock buildings
 - \$62,500 for breeding livestock and machinery
- What is the benefit?
 - Reduced interest rates
 - I.e. if a regular interest rate was 5.0% the IADD program would reduce that to approximately 3.9%



Financing Your Livestock Farm

Options for non young and beginning farmers:

- FSA Guaranteed loans
 - Can be used to buy market animals, breeding stock, facility loans, and real estate
- FSA 50/50 loans
 - Also for land and facility purchases
 - This program CAN be used for construction
 - Not for breeding stock or market animals



Financing Your Livestock Farm

- Why is managing your price risk so important?
- Dairy Expansion Example
 - \$1.4MM loan request by a young farmer to expand the dairy barn and herd early 2017
 - Required Class III Milk Futures to be \$16 or better to maintain positive cash flow
 - At the time the construction was approved Class III Futures traded over \$17 for the next 12 months on average
 - Current milk prices are averaging \$14.73

Futures Quote Class III Milk

Last **14.02** Change **-0.06** High **14.13** Low **13.92**

[Tue, Dec 12, 2017]:DLF18 Price: 14.27



	CBOT Class III Price
January	\$ 16.50
February	\$ 16.88
March	\$ 16.89
April	\$ 16.96
May	\$ 17.07
June	\$ 17.30
July	\$ 17.46
August	\$ 17.66
September	\$ 17.70
October	\$ 17.63
November	\$ 17.58
December	\$ 17.30
12 Mo Ave	\$ 17.24

Month	Year	CBOT Price
January	2018	\$ 14.02
February	2018	\$ 13.59
March	2018	\$ 13.57
April	2018	\$ 13.89
May	2018	\$ 14.26
June	2018	\$ 14.70
July	2018	\$ 15.14
August	2018	\$ 15.33
September	2018	\$ 15.50
October	2018	\$ 15.63
November	2018	\$ 15.56
December	2018	\$ 15.53
January	2019	\$ 15.43
February	2019	\$ 15.53
March	2019	\$ 15.55
April	2019	\$ 15.55
May	2019	\$ 15.60
June	2019	\$ 15.60
July	2019	\$ 15.65
August	2019	\$ 15.82
September	2019	\$ 16.00
October	2019	\$ 16.10
November	2019	\$ 16.50
Next 12 months ave =	\$ 14.73	
Next 23 months ave =	\$ 15.22	

Financing Your Livestock Farm

Questions?

Thank You.

Jayme Ungs

Vice President, Divisional Ag Specialist

724 Story Street

Boone, IA 50036

515-433-6713

Jayme.ungs@usbank.com

