



Welcome Tomorrow's Top Producers

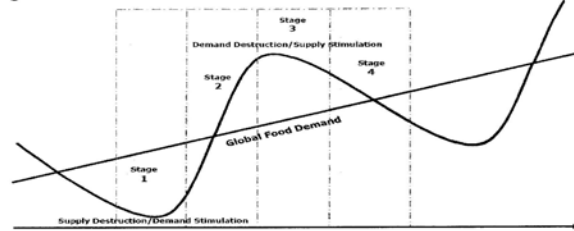
How to Improve Your Operation
One Financial Marker at a Time

January 28, 2014

Inflection Points

Secular Trends
Population Growth
Per Capita GDP Growth
Improving Diets

Cyclical Influencers
Supply / Demand S
Weather Impacts
Ag Policy Impacts



Tremendous Opportunities

- Older farmers transitioning out
- Not fun any more
- Cheaper used equipment prices
- Livestock potential and profitability
- Slower growth in global crop acres
- Technology



Positive changes

- Lower Fertilizer prices
- Lower fuel prices
- Increased Exports
- Increased Ethanol
- Increased Feed



World's Major Crop Area

(million hectares)

	2000	2010	2013	Chg 00-13	Million acres
Corn	137	165	172	40	99
Soybeans	75	103	112	37	91
Rice	152	158	161	9	22
Wheat	216	217	221	5	12
Cotton	32	33	34	2	5
Other Coarse grains	158	141	145	-13	-32
Major Crops	770	817	845	75	+185

Other Coarse Grains include sorghum, barley, oats, millet and rye

DOANE 2013 OUTLOOK CONFERENCE

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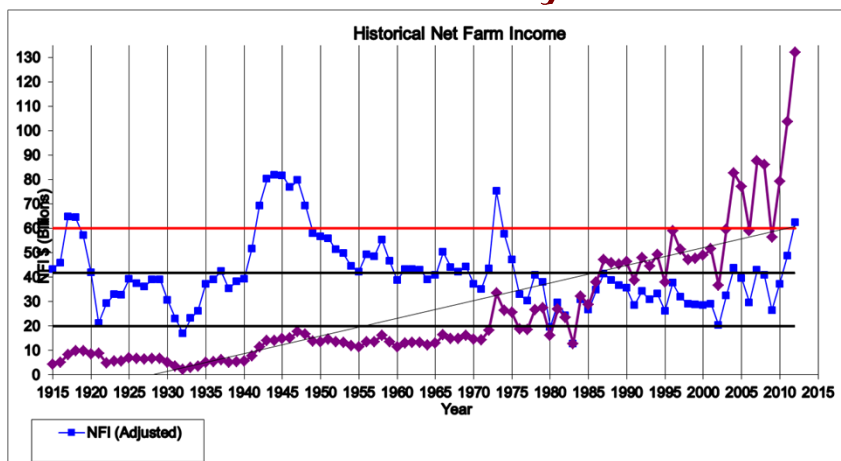
Sources: USDA, Doane

Key Financial Markers

- Working Capital
- Equity
- Return on Assets
- Return on Equity
- Exp/Rev Ratio
- Debt Coverage Ratio
- Withdrawals/Gross Rev
- >20% annual expense
- > 40%
- > 6%
- >16%
- < 80%
- >1.5 to 1
- < 10%

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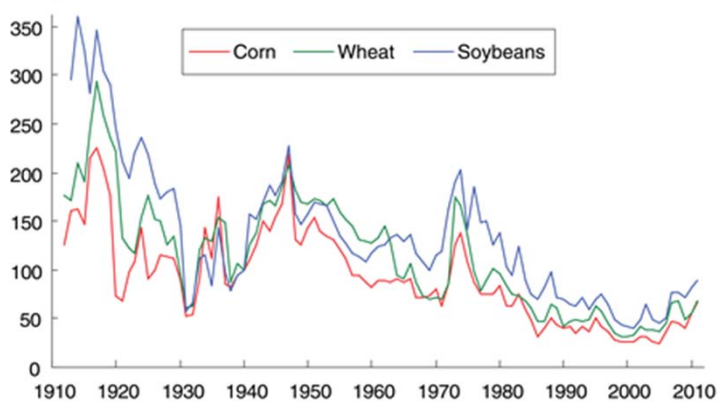
A look at history



Another look

Inflation-adjusted corn, wheat, and soybean prices, 1912-2011

Index, 1940 = 100



Source: USDA, Economic Research Service calculations using data from USDA, National Agricultural Statistics Service and U.S. Department of Labor, Bureau of Labor Statistics.



Still great opportunities

- Your entrepreneurial Skills
- The Empires of the Future are the Empires of the Mind
- More money to be made farming than any other industry
- Understand Cycles and Profit from them



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Diversification

- \$100,000 invested @ 7% for 10 years = \$196,968



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Diversification

- \$20,000 @ 20% for 10 years = \$123,834
- \$20,000 @ 15% for 10 years = \$80,914
- \$20,000 @ 7% for 10 years = \$39,343
- \$20,000 @ 0% for 10 years = \$20,000
- \$20,000 lose it all = \$0
- Total \$264,091
- 34% more than \$196,968



What does the future hold

- “The future has a way of arriving unannounced”
- Drivers of Change
 - Resources
 - Technology
 - Demographics
 - Public Policy

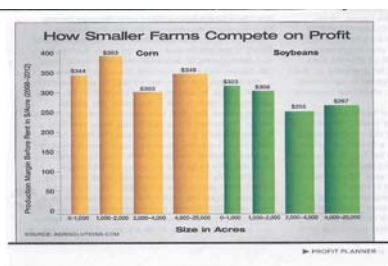


Profitability Not a Function of Size, Type of Operation, or Location

Operation	ROA	ROE
860 acres & custom feeds 4,412 head pig space, 14 yr aver	10%	16.0%
1690 acres 400 head cattle fed 13 year earned NW increase	12.0%	16.5%
12,000 acres corn and soybeans 35 year average	15%	23%
2150 acres corn & soybeans, 5000 sows 11 year average	11%	19.2%
900 acres & 5,400 pigs spaces 9 year average	16%	23%
ROA (Return on Assets) ROE (Return on equity)		



Big is not necessarily most profitable

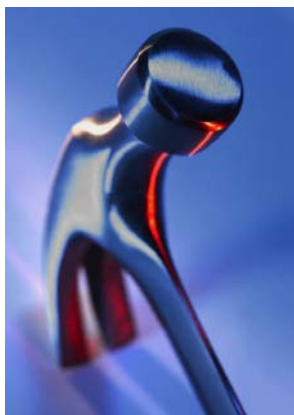


The profitability gap is getting wider

- 300 growers from dozen states
- 2008-2011 four years
- Bottom 10% profit lost \$157/ac
- Top 10% earned \$407 net income per acre
 - AgriSolutions, Birgton, IL



What Should Top Producers Focus On?



What are the most important leverage points to reaching income targets?



Leverage Points of High Profit Farms

Marketing	\$0 to \$315/acre	Realistically
Equipment Mgmt.	\$22 to \$248/acre	
Labor Management	\$9 to \$106/acre	
Agronomic Mgmt.	\$0 to \$165/acre	
<u>Input cost Mgmt.</u>	<u>\$0 to \$85/acre</u>	
Total	\$/ acre	\$100



Look at livestock buildings

- Hog, cattle poultry
- Manure value
- Utilize your labor
- Lenders cooperative



Mono Slope Cattle Barns

- 100 x 594
- 4- 240 hd pens
- 80 x 130 ft pens
- 43 sq ft / hd
- 74 ft loading & sorting
- Out side lots
\$.28/hd/day
- \$.50/hd /day
- FE from 7 to 8
- To under 6
- \$120 per hd savings



Having a Plan

- Makes farming easier and more fun
- Reduces stress
- Worry less about competition
 - John Wooden- won 10 NCAA championships
 - Never had opposing team scouted



New Breed in Production Ag

<h3 style="margin: 0;">Old</h3> <ul style="list-style-type: none"> • People are a cost • Do everything yourself so its done right • Own equipment • Valuations based on asset values • Overhead a necessary evil • Limited working capital • Get things done. 	<h3 style="margin: 0;">New</h3> <ul style="list-style-type: none"> • People are assets • Know what you don't know and hire it done. • Lease equipment • Business value based on multiples of net earnings. • Overhead reduction as a source of capital • Working capital > 50% of revenue • Manage relationships
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What Landlords Want from a Tenant

- Trust
- Honesty
- Transparency/Communications
- Financial Stability
- Money
- Look like you can farm it
- Stewardship
- Extra Effort
- Agronomic management



Four Critical Tasks

- Plant and Production Manager
- Financial Manager
- Marketing Manager
- HR Manager



Capital

- Capital flows to individuals and businesses that are profitable or that have a sound business model.



Best Practices

Farms With Employees		YES	NO
Managerial Accounting			
Do you...			
1)	develop an annual year-end market value balance sheet?		
2)	develop an annual accrual income statement?		
3)	construct a projected income statement?		
4)	monitor the income statement periodically?		
5)	analyze major capital purchases? A) Can I afford to do it? B) Is it a good place to put my money?		
Planning			
Do you...			
6)	have a strategic plan?		
7)	have a Will, succession plan or exit strategy?		
8)	have written SOP's (standard operating procedures).		
9)	have a human resource plan?		
10)	have a written marketing plan?		
Asset Protection			
Do you...			
11)	have an agronomic plan? (including VRT N and seed)		
12)	have an inventory control system?		
13)	use a variety of marketing tools?		
14)	Are your assets protected? A) Insurance products: Federal Crop, blanket farm, Liability, Health, life and disability, identity protection.		
15)	Are you doing all you can to mitigate third party risk?		
Risk Score	Yes 12-15	Green	Low Risk
	Yes 8-11	Yellow	Moderate Risk
	Yes 7 or Less	Red	High Risk
	TOTAL	0	0



Thank You
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