

Working With Your Lenders – Keep Them in the Loop

At a conference of agricultural lenders, the participants were asked for their thoughts on the most important things that farm owners and managers could do to maintain effective relationships with their lenders during periods of hardship. It is important to note that these lenders were fully aware of the difficulties that their clients were facing then, and continue to face today.

Here are some of the key points that were offered as suggestions to farm owners and managers facing financial uncertainties.

1. Your account manager does not like surprises. Keep in touch with your lender(s) even if it is just to let them know your current thinking. The benefit is that your account manager may be able to give you some feedback on your ideas. The key message is to communicate early rather than late.
2. It is important for you to make a full disclosure of your situation. Do not hide anything from your account manager; such an action could impair the capabilities of your account manager to work with you. You need to have the ability to provide accurate and up-to-date financial information.
3. Take the initiative. If your lender has not requested this information, provide the lender with your projections for cash needs. A monthly cash flow (projected) will provide your account manager with the following:
 - a. What to expect in terms of cash revenues, cash expenses and debt obligations.
 - b. Knowledge of payments due to other creditors as well as any new debts or obligations.
 - c. Knowledge of future financial obligations (purchases) that may require your lender's involvement.

4. If you have to sell assets, your account manager needs to be part of the process. You want to avoid the situation where, without advising your lender, you have sold assets that are held by the lender for security and then used the funds elsewhere.
5. When you are selling assets and inventory, talk to your accountant to fully understand the tax implications. You can also gain some assistance in financial planning.
6. Develop a clear understanding of the timeframes you have to work with. In other words, know how much time you have to deal with a particular issue, and be sure to stay current on that issue. For example, hanging on to livestock too long may mean that they'll be more-severely discounted. Therefore, it is critical that you constantly assess when you may be out of pasture or feed, and to monitor your capacity to purchase these items.

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Originally prepared by
Ted Darling
Agricultural Risk Specialist, Airdrie

Dennis Dey
Economic Consultant, Olds

For more information, contact

Alberta Agriculture and Rural Development
Alberta Ag-Info Centre toll-free at 310-FARM (3276).

Website: www.agriculture.alberta.ca