



SURVIVING THE CURRENT DOWN TREND IN COMMODITIES-

IS THE FARM ECONOMY REPEATING THE 1980'S?

IS YOUR BALANCE SHEET READY?

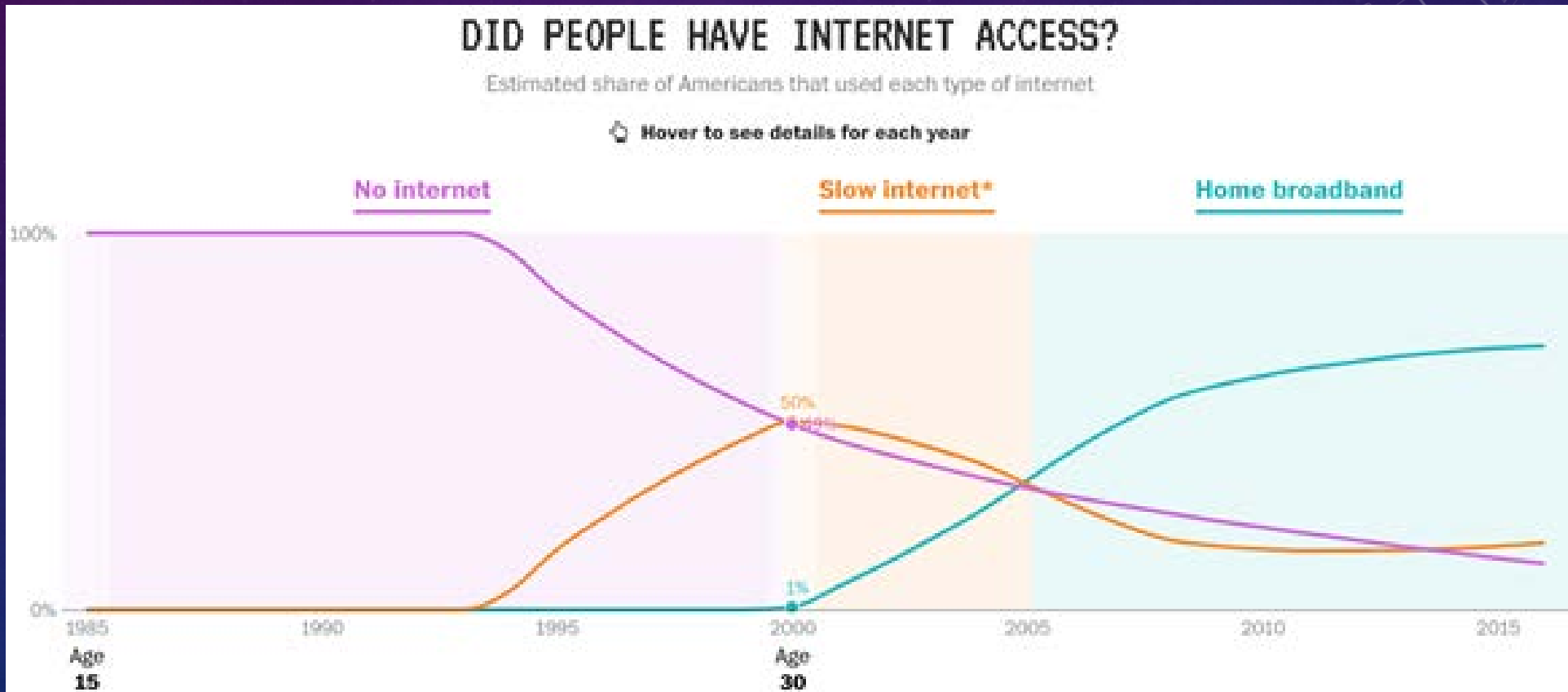
IS YOUR ATTITUDE READY?

NANCY BOETTCHER- INB-INLAND NORTHWEST BANK AND STILL A PROUD COUGAR

THINGS TO THINK ABOUT IN 2017- AND I QUOTE

- *"Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy."* – **Dale Carnegie**
- *"Be decisive. Right or wrong, make a decision. The road of life is paved with flat squirrels who couldn't make a decision."* – **Unknown**
- *Don't be afraid to go out on a limb. That's where the fruit is."* - **H. J. Browne**
- *"Once you've accepted your flaws, no one can use them against you."* - **George R.R. Martin**
- *Rage is to righteousness as certainty is to wisdom. Constantly mistaken for each other, they're hardly ever in the same room."* **J.K. Rowling**
- *"Strategy is a commodity, execution is an art."* —**Peter Drucker**
- *Intelligence is the ability to adapt to change."* - **Stephen Hawking**
- *"Remember when people had diaries and got mad when someone read them? Now they put everything online and get mad when people don't. Wow, how the world is changing..."*

HAVE THINGS CHANGED A LOT OR WHAT?



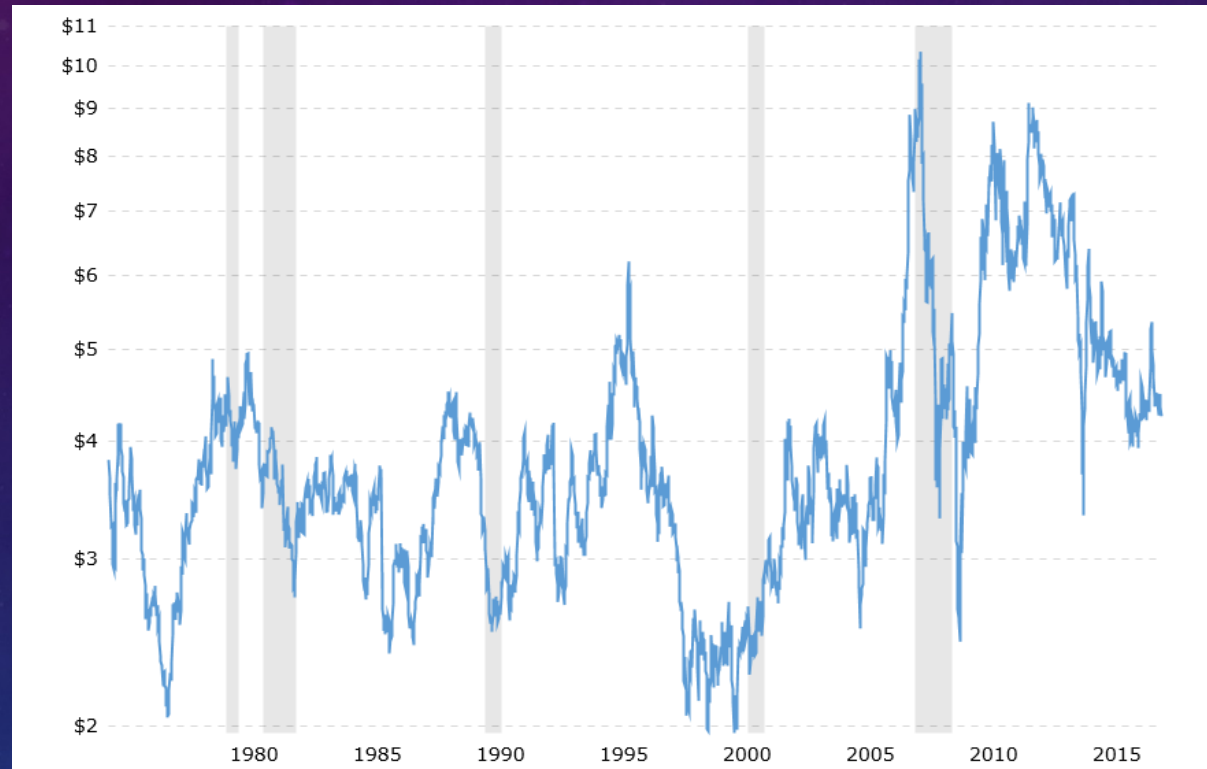
CONDITIONS OF THE 1980'S, AND WHERE ARE WE NOW? COMMON TRAITS....

- Rising interest rates
- 4 years of US net farm income declines
- Rents on ground higher than what the commodities can pay
- Wheat, corn and soybeans prices below breakeven
- Small farmers having extremely tough time
- New equipment sales stalled out
- Rural communities are dying
- Debt is increasing
- International Markets and political instability-
- US Presidents from outside politics- supply side economics

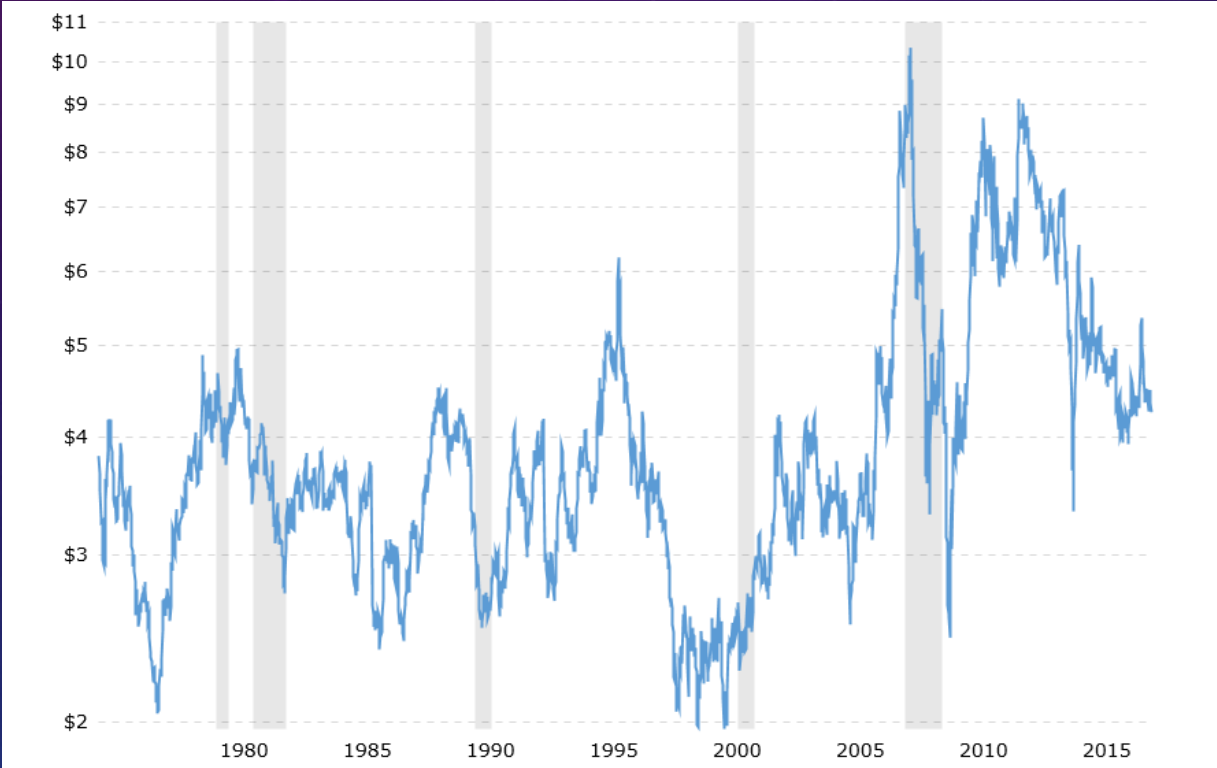
FROM 1980 TO 2017-SIGNIFIGANT DYNAMIC CHANGES- THE BAD

- International competition
- Fewer buyers- mergers, acquisitions
- Fewer farmers-consolidations
- Fewer Ag lenders with less experience
- More government regulations to follow- environment, trucking, banking, labor, etc
- Lack of dependable labor supply
- Inflationary input prices-Relative prices of fertilizer, chemicals, etc
- Water rights questions
- Speculator's role in the marketplace redefined
- Relative prices of wheat, corn and soybeans \$4 WHEAT-EEEEK! No set asides, no acreage reductions, direct subsidies.

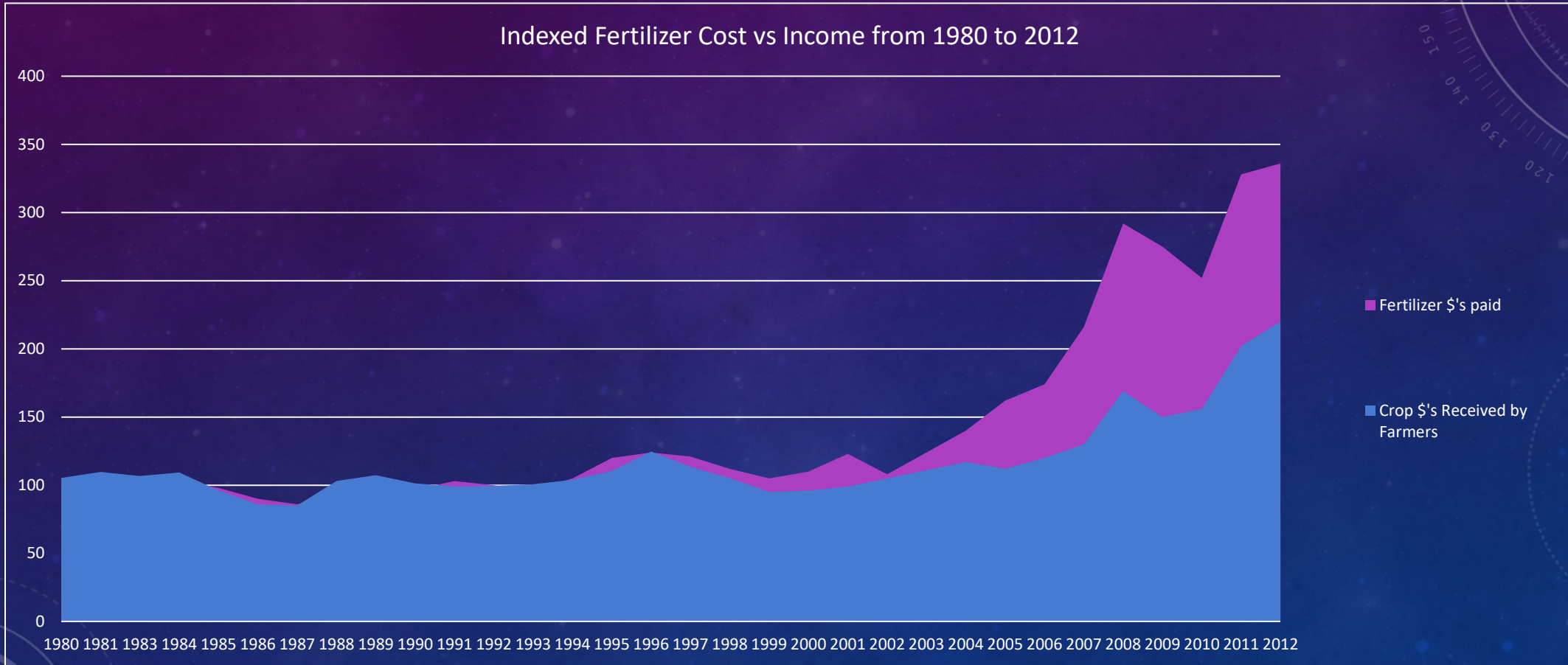
WHEAT PRICES HISTORICAL AND TRENDS



CORN PRICES HISTORICAL AND TRENDS



INPUT COSTS- THE SQUEEZE- PARADIGM SHIFT



FROM 1980 TO 2017-SIGNIFIGANT DYNAMIC CHANGES- THE GOOD—MAYBE...

- Technology- precision ag, water mgmt, cell phones,GMO, plant breeding, GPS
- Interest rates 5% vs 17.5% on long term debt
- Marketing information accessibility
- Global marketing opportunities
- Transportation infrastructure improvements
- Less delinquent debt, credit card debt
- Bank arbitrations, Chapter 12 bankruptcy protections
- High real estate prices – Oxymoron

OTHER POSITIVE NOTES

- Overall farmers balance sheets are stronger than they were in the 1980s
- Liquidity lessons were learned- Cash makes you the boss
- Farm debt to asset ratios are currently 11% versus 23% in the 1980s
- Low volatility in interest rates- 1% swing versus 6% swing
- Equipment replacements have been high , deferred maintenance low
- Inflation has been relatively flat- CPI- even deflation
- Domestic supply of fuel

HOW DO YOU SURVIVE?

- Niche marketing- organic, farm to market, etc
- Specialty crops
- Vertical integration
- Open dialogue- expansion, retraction,
- Forward contracting, hedging
- Use technology for efficiency, knowledge, etc
- Crop insurance considerations

NOW WHAT DOES THAT HAVE TO DO WITH THE MINT INDUSTRY?

- While other crops suffer how much of the load can your mint crop carry?
- Pressure from other parts of the USA to plant mint?
- When making long term decisions use averages.... Know your breakevens
- Lock in input prices when you can, sales prices when you can- take some of the uncertainty out of the equation.
- Prices for livestock associated commodities are improving.
- No real profitability for grains seen, alternatives.

NOW WHAT?

- *Don't downgrade your dream just to fit your reality. Upgrade your conviction. To match your destiny."* — **Stuart Scott**
- *There are lots of people who would love to have your bad days. Always remember perspective and be thankful."* **Unknown**
- *"Don't be afraid to change. You may lose something good but you may gain something better."* - **Unknown**