Ten Compelling Reasons to Be Optimistic in Agriculture

- 50/70/70 Rule
- 1995-2013- Top 20% livestock/crop producers had 10% returns
- one size does not fit all
- young people, women, and minorities are the “new energy”
- technology, innovation, and bio-engineering information
Ten Compelling Reasons to Be Optimistic in Agriculture

- talent wars in agriculture and rural America
- 1 in 6 jobs in U.S. are directly or indirectly connected to agriculture
- retail, entrepreneurial segments
- emerging nations, BRICS & KIMT, think globally but act locally
- raising a family- value systems/living expenses

Grain Industry- 7th & 8th Innings

- slowing emerging nations
- softening of ethanol mandates
- supply and demand equation
- southern hemisphere weather
- high overhead / fixed cost structure
Livestock Industry- 3rd & 4th Innings

- low numbers
- resources moved to grain industry
- 50 to 65 year olds will not return
- solid demand
- lower input cost structure
- young people

Global Economy Snapshot
Emerging Nations, BRICS, & KIM-T

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Rounded to Trillions</th>
<th>GDP Growth YoY</th>
<th>Interest Rate</th>
<th>Inflation Rate</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>2.2</td>
<td>1.9</td>
<td>11.0%</td>
<td>6.37%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.1</td>
<td>0.90</td>
<td>7.5%</td>
<td>7.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>India</td>
<td>1.9</td>
<td>4.60</td>
<td>8.0%</td>
<td>8.31%</td>
<td>3.8%</td>
</tr>
<tr>
<td>China</td>
<td>9.2</td>
<td>7.4</td>
<td>6.0%</td>
<td>2.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.4</td>
<td>1.6</td>
<td>5.5%</td>
<td>6.6%</td>
<td>25.2%</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.3</td>
<td>3.9</td>
<td>2.5%</td>
<td>1.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.9</td>
<td>5.21</td>
<td>7.5%</td>
<td>6.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.3</td>
<td>1.8</td>
<td>3.0%</td>
<td>3.51%</td>
<td>4.92%</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.8</td>
<td>4.3</td>
<td>8.75%</td>
<td>9.16%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Total/Avg.</td>
<td>20.1</td>
<td>3.51</td>
<td>6.58%</td>
<td>5.83%</td>
<td>7.44%</td>
</tr>
</tbody>
</table>

Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)
Date: 7/3/14
World Economy Perspectives - Europe

- German elections
- zero growth
- debt levels
- Euro additions/eliminations
- currency/other

World Economy Perspectives - China

- new leadership
- population shift
  - rural to urban
- state directed-capital growth
- consumer based capitalism & growth in Asian exports
- trade
- natural resource issues
- social disruptions
- debt: shadow banking
World Economy Perspectives-
India, Brazil, Russia, & Others

- inflation
- government intervention
- productivity
- fragile five
- other

U.S. & Global Economy on Steroids

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth Effect</td>
<td>• Stock market</td>
</tr>
<tr>
<td></td>
<td>• Real estate</td>
</tr>
<tr>
<td>Dow Jones Average</td>
<td>• 2009- 6400</td>
</tr>
<tr>
<td></td>
<td>• 2014- 16,964</td>
</tr>
<tr>
<td>Japan's Stock Market</td>
<td>• 2009- 8500</td>
</tr>
<tr>
<td></td>
<td>• 2014- 15,370</td>
</tr>
<tr>
<td>Real Estate:</td>
<td>• Florida, Georgia, Arizona, Nevada, &amp; Rural America</td>
</tr>
<tr>
<td>One Dollar Increase In Stock Market</td>
<td>• Spend $0.04 more</td>
</tr>
<tr>
<td>One Dollar Increase In Real Estate</td>
<td>• Spend $0.09 more</td>
</tr>
</tbody>
</table>
Federal Reserve’s Interest Rate Barometer

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Possible Change</th>
<th>Definite Change</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>2.0%</td>
<td>2.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Core Inflation</td>
<td>2.0%</td>
<td>2.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Headline Inflation</td>
<td>4.0%</td>
<td>5.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Watch List:
- Dr. Yellen
- FOMC voting
- FOMC minutes
- Rail traffic
- Shoe shiners
- Copper prices
- Overland trucking
- Baltic Sea index

U.S. Economy Update

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Yellow/Red</td>
</tr>
<tr>
<td>Factory Utilization</td>
<td>Green</td>
</tr>
<tr>
<td>Housing</td>
<td>Yellow</td>
</tr>
<tr>
<td>Oil/Interest Rates</td>
<td>Yellow</td>
</tr>
<tr>
<td>LEI &amp; PMI</td>
<td>Green</td>
</tr>
</tbody>
</table>
U.S. Farm Real Estate Values

Annual Percentage Change in US Farm Real Estate Values
1910-2014

Source: Dr. Steve Isaacs, University of Kentucky

2012 Farm Real Estate Value By State
Dollars per Acre and Percent Change from 2011

2013 Farm Real Estate Value By State
Dollars per Acre and Percent Change from 2012

2014 Farm Real Estate Value By State
Dollars per Acre and Percent Change from 2013
Producer Views from the Road

How measurements are used in decision making:

<table>
<thead>
<tr>
<th>View</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Obsessive about measures; used in planning &amp; decision making</td>
<td>28%</td>
</tr>
<tr>
<td>• Measure many things, but do not use to improve farm or in decision making</td>
<td>54%</td>
</tr>
<tr>
<td>• Track just enough to get by, mainly for taxes &amp; crop yields</td>
<td>18%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Major Credit Risks in Agriculture

- volatility in extremes equals fragile
- interconnections/third party
- alpha dogs/alpha pups
- land value correction
- 6 year financial economic whitewater
- widen gap of profitability
- concentration of debt
- family living
- outside business capital expenses
- growth missteps
Canary in the Credit

- coverage ratio under 100%
- working capital under 10% of revenue
- total debt/EBITDA (net income plus interest and depreciation) above 7 to 1
- debt to asset ratio exceeds 50%
- operating expense to revenue ratio (excluding interest and depreciation) above 85%

Top Ten Straight Actions (1)

1. know thy cost of production by enterprise
2. get efficient before getting bigger
3. three “P’s” - People, Profit, & Planning
4. keep one year of debt payments or two months of average expenses in cash
5. use an advisory team
Top Ten Straight Actions (2)

6. withdrawals & living costs will be a competitive edge: $80 vs. $240/acre
7. working capital: 33% of expenses
8. burn rate on working capital
9. relationship lender: producer-lender communications
10. rule of goal setting: 80-16-4