

Exploring Options

Kansas Agricultural Mediation Services supports the Kansas ag community by providing confidential ag-related legal, financial and mediation resources at no cost. Contact us by calling **800-321-3276** or visit ksre.k-state.edu/kams.

**KANSAS AGRICULTURAL
MEDIATION SERVICES**

800-321-FARM

EVENTS

102nd Annual Roundup - Hays

Aging with Attitude

Active Aging Expo

Cover Crop Field Day

Ag Women of the Heartland

International Symposium
on Beef Cattle Welfare



**Kansas Agricultural
Mediation Services**
2A Edwards Hall
Kansas State University
Manhattan, KS 66506
800-321-FARM
ksre.k-state.edu/kams
kams@k-state.edu

Working with Lenders When Finances are Tight

With low ag commodity prices and the resulting drop in net farm income it is important to map out proactive financial strategies to navigate the situation.

A good place to begin is by having a conversation with your lender. Communication is vital to relationships with lenders because they don't like surprises. Communication and honesty are often cited by lenders as keys to a good relationship between themselves and farmers.

It is advisable to prepare a financial statement and have facts and figures organized when meeting with your lender. Showing a banker you have a firm understanding of your strategy and the farm's overall financial situation will give the banker more confidence in doing business with you.

When meeting with your lender have a list of short-term and long-term goals for the farm. Also, be open to exploring your options when the economic situation shifts.

Do your homework, be prepared, but most of all keep communicating. Kansas Agricultural Mediation Services offers support services that can help with each of these steps in working with your lender. If discussions with your lender become difficult our experienced mediators can help restore lines of communication within a neutral setting and at limited cost to you.

Steps to Working with Lenders

- Understand your operation's current situation, history and trends.
- Review your loan documentation and status to determine the position and relationship of creditors.
- Meet with a financial advisor (accountant, farm analyst, etc.) to discuss options that may be available to improve cash flow and viability.
- Explore what changes you are willing to make in your operation.
- Communicate regularly with your lender—before things become an issue.
- Use available independent resources to help with preparation, analysis and advice.

FSA Direct Loan Delinquencies and Restructuring Options

Farm Service Agency (FSA) direct Farm Loan Program loans come due at the end of the calendar year and FSA's direct loan delinquency report for the month of February gives a fairly accurate statement of how many borrowers were unable to make payments on their FSA direct loans. The map available at ksre.k-state.edu/kams shows the number of FSA direct farm loan borrowers who are delinquent on their loans as of January 31, 2016.

(continued on next page)

Eight percent of FSA direct loan borrowers were delinquent on their loans, which translates into a total of 258 borrowers statewide. This is an increase over 2015 when the delinquency rate was 5.4 percent with 161 borrowers delinquent. The substantial drop in grain prices has contributed significantly to the delinquencies and will have an impact in the years to come as producers adapt and recover.

FSA Direct Loan Restructuring Options

Once a FSA direct loan borrower becomes 90 days delinquent, (usually around April 1st) FSA will send out the required paperwork to the borrower to apply for restructuring of their FSA direct loans. The application must be filled out and returned within 60 days from the date of receipt. FSA borrowers have rights and options if they are delinquent on an FSA direct loan, but they need to respond timely to FSA's notice of loan servicing alternatives to take advantage of them.

If the borrower responds timely, but FSA denies the restructuring application because a feasible plan cannot be shown to make payments on the FSA loan as well as with other creditors, then one of the options the borrower has is to request mediation through Kansas Agricultural Mediation Services (KAMS) and access farm financial counseling support. Assistance from KAMS is available to both producers and lenders as they explore options concerning cash flow or ag credit deadlines. Call 800-321-3276 for no cost, confidential support.

QUICK LINKS

**Kansas Agricultural
Mediation Services**

Succession Planning

**KSRE Farm Analyst
Program**

**K-State Research and
Extension**

AgManager.info

Kansas Agrability

Farm Service Agency

USDA

Facilitation Services Available for Succession Planning

The average age of U.S. producers continues to rise and families will need to explore options for the transitional feasibility of current and future owners. Succession planning is a step by step process where families work together to develop a plan to incorporate the next owner and pass on knowledge and resources that will sustain the operation.

Farm and ranch families may be uncertain of how to begin developing a succession plan and need guidance moving forward. This is where a succession planning facilitator plays a key role. "The facilitator can help the family identify strengths, barriers and opportunities as they pass the farm business on to the next generation. They guide family members to resources and individuals who can help them find the information they need to develop an effective succession plan" said Jerry Jost, facilitator and mediator for Kansas Agricultural Mediation Services.

Jost describes a facilitated meeting as guiding participants through shared discussions about important issues. "A facilitator helps families set an agenda and works to enable all voices to be heard within a respectful environment. While the facilitator remains neutral with the content of the discussion, they help everyone keep track of the substantive issues and options raised by the family as they chart their path forward."

Facilitators have received succession planning training and have experience working with farm and ranch families. Their skills provide guidance and support as families cultivate options for creating a succession plan. Facilitation services can be requested by calling Kansas Agricultural Mediation Services, 800-321-3276.

Families may also visit the succession planning website and navigate through a variety of resources, including "Transition Planning: 12 Steps to Keep the Family Farming" and more topic focused areas such as estate planning or "FamilyTALK." The website is available at ksre.k-state.edu/kams/succession.



**Kansas Agricultural
Mediation Services**
2A Edwards Hall
Kansas State University
Manhattan, KS 66506
800-321-FARM
ksre.k-state.edu/kams
kams@k-state.edu