

Your Rural Bank Manager needs to be, your new ‘Best Friend’

After 9 years of unprecedented good times, where everything was only going one way, and that was ‘UP’, we now need, to regroup and re think.

The good times meant that Banks were happy to lend against equity and poor cash flow, presuming that everything would be worth more, and that there would be a keen buyer out there, for the security that they had just lent money on.

There was plenty of money sloshing around in the world, and in the banks and it seemed that the good times would never end. If your own bank would not do the business for you, then you only had to walk 50 paces down the street, to find another that would. More than that, Bankers were, canvassing for business.

Commodity prices continued to climb, and so did the value of your property.

Everything looked good. But the party is over, and the music has stopped.

Commodity prices have and are continuing to drop like a stone, with some miserable payouts predicted for 09 / 10 season.

Now back to your Bank Manager. Rural Bankers, in particular are a special breed, and almost without exception they have an agricultural qualification. They usually have been to either Massey or Lincoln University. They are likely to have family that is from a rural background, with hopes and dreams of their own. They are usually passionate about the agricultural sector, and its role in the New Zealand economy. They will however, have budgets to meet, and expectations from those above them. At the end of the day they are just human beings, doing the best job that they can.

The Bank are however, the link between the farmer and the availability of credit for the farming business. (I am not talking here, about purchasing more land, but the day to day running of the existing farming business). The Bank will be the one who decides, whether or not you get an increase in overdraft, or a reduction in the interest rate charged, or funds for the much needed new tractor. They will be looking at your

balance sheet, and they will know what your drawings are, how many trips you have had, and so on.

They will likely know what sort of marriage you have, if it is likely to stay stable or if it could be dissolved. The moment you buy a new car they will know, because they will see the hire purchase payment, being loaded against your account. They will be aware of how hard it will be for you to manage, under the reduced payouts. This is all part of their knowledge base, their passion and their hopes for your business.

Things that rural bankers dislike the most are dishonesty, failure to fully disclose information, slowness in providing basic information such as balance sheets and stubbornness. Farmers have a reputation of being stubborn, it does cause a lot of problems, in my opinion and it is something that we need to think seriously about.

Your banker may make suggestions for your business, and they may just fall on deaf ears. If things are getting grumpy, and you still refuse to listen, it is just shortening your rope. Eventually your banker's hand is beside your throat, and it will be he/she who will control what happens to your business. Remember, it is your equity that is at risk, the bank has first dibs on everything, and your equity or risk capital comes last.

So treat your rural banker with respect and kindness. Give them something to show your appreciation for the relationship. Include them in some discussions and the decision making processes. Try talking nicely to them the result may just surprise you. Keep them informed and seriously consider their opinions

When I had my dairy farm, we always gave our rural banker, half a lamb for Christmas, which was truly appreciated. There was also never any problem getting help for anything they we needed.

IN SUMMARY:

- You do need to make your rural banker your new best friend.
- You need them in your team, as we chart these difficult and uncertain times working for you, not against you.
- ‘Those who have the money call the shots’ and at this time, this statement has never been truer.
- Treat your rural banker with respect, keep them informed and for goodness sake take their advice on board.

These are the opinions of Don Fraser of Fraser Farm Finance. Any decisions made should not be based on this article alone and appropriate professional assistance should be sought.

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