

Water Street Solutions offers financial personal training

PEORIA, Ill. — How do you make a living in agriculture these days? Everything's always shifting.

The rules change. And some of the outside factors are just ridiculous.

Whether you're a crop producer, a livestock producer or both, the challenges are there. The H1N1 flu is one factor that has contributed to a lot of pain in the pork industry.

Long-term perspective helps farmers with marketing

HARMON, Ill. — Farmer David White said being on board with Water Street Solutions has made him a much more informed marketer than he was before.

White said he's much more aware of what's going on in the grain industry. He farms 2,000 acres of corn and seed corn.

White said he's used other services in the past that just seemed to give suggested sales.

"Water Street Solutions is a lot more in depth, understanding my financials and working with me individually," he said. "Now it feels like I'm not out here all by myself."

White noted that the long-term perspective that comes from the partnership with Water Street Solutions helps him control his emotions in the market.

"That's something that really helps," he said.

Water Street Solutions

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The ethanol roller coaster, the current economy, input prices — they're all making it a challenge to create a profit from your farming operation.

Water Street Solutions can help a producer minimize the impact of the chaos, and look at the situation from the perspective of what can be done.

Darren Frye is the founder and chief executive officer of the company. He said the answer is not an easy one, but a process that takes time and discipline.

"The only way to get a clear picture of the financial health of an operation is to look closely at the current profitability, establish goals for long-term performance, manage risk and understand commodity markets inside and out," he explained.

The Three-Part Solution

The Peoria-based firm helps farmers build strategies for profitability, by starting with a financial analysis of a farming operation. It's the first step in the company's "three-part solution."

The other two elements are crop insurance and commodity marketing. Combining these three ideas allows farmers to leverage for success.

Water Street Solutions is the only company out there that brings these three elements together to help farmers. All three pieces probably are used by many farmers and important in their own rights.

Here's why the combination is important.

Crop insurance currently is subsidized by the government. As the program works now, having crop insurance allows a producer to feel confident forward marketing a crop — because even if weather destroys the crop, the insurance is there to guarantee it.

This allows a farmer to take advantage of positive selling signals long before a final harvest result is known. Crop insurance also can protect against changing commodity prices from early spring to harvest time.

The revenue policies can be used as a "built in" put option in a marketing strategy, creating a floor price. Having a company that knows crop insurance and knows marketing is critical to making this work.

Marketing strategies can provide great risk management, but that's tough to orchestrate without knowing

the ins and outs of the specific operation.

It's like a doctor prescribing medication for you, without first examining you and running some tests. It's best to build a marketing strategy after taking a look at a thorough financial analysis of a farm.

As you might imagine, this is tough to deliver through a newsletter that contains the same recommendations for all customers. Recommendations for hedging and strategies are best done on an individual basis.

Information from the financial analysis also connects to the selection of crop insurance. This allows the producer to make a better policy choice, because there's financial data to show a farmer's financial risk tolerance or their ability to be more aggressive.

All of these factors are taken into account when the crop insurance specialists from Water Street Solutions walk a client through a policy selection matrix to determine the best fit for an individual grower.

Individual Attention

Frye started his consulting business in 1994 with a strong desire to help farmers benefit from the things that he had learned about the advantage created by combining financial analysis, crop insurance and commodity marketing.

Previously called Agri-Business Solutions, the company has grown quickly in the past three years. Currently, the firm has more than 70 employees and serves customers in eight states. Illinois has the largest customer and employee bases in the company, followed by Nebraska.

The business model is built on individual attention. Each customer is assigned an ag finance specialist to do the financial analysis, a crop insurance specialist to review the crop insurance strategy, a market advisor to work on the marketing strategy and a relationship manager to make sure all of those parts come together for the best outcome for the producer.

Information among the team is shared through a sophisticated customer relationship management tool, custom built by the company's software development staff.

The company culture is built around seven core values that speak loudly about the kind of company this is. The

values are stewardship, servant leadership, integrity, commitment, courage, loyalty and passion.

One of the definitions of stewardship focuses on pursuing purposes that transcend short-term self-interest. Decisions in the company are made based on what's best for the customer.

Servant leadership is a philosophy supporting people who serve, first, in their life and work. The thought is that the best servers are the best leaders.

Some of the qualities that can be seen in a servant leader include empathy, awareness and foresight. Certainly, all of those qualities are important to the business.

Integrity is a given when dealing with the livelihoods of those in rural America. Courage means the ability to face the issues in front of us, instead of hiding from them.

Sometimes that means tough conversations with co-workers or clients. Commitment means staying the course, completing the plan.

Loyalty in this business model means well-trained employees who deliver superior service, resulting in customer loyalty. And passion is why many of the staff works in agriculture.

It's where they grew up. They have an affinity for the business and the people.

Learning Curve

Customers that come on board find out that they're not just turning their decisions over to someone else. It's a partnership.

And like any good partnership, it has some interesting dynamics — growing pains, if you will.

"The first year of the relationship is typically a tough one, because the trust needs to be built in the first year. Some of our marketing strategies can be fairly complex, and if a farmer is not as familiar with futures and options and hedging, they need to trust and learn," Frye noted.

The company has a number of ways to teach farmers about the ins and outs of marketing, because people have different learning styles. The learning happens:

- During on-farm visits, where a farm profit specialist, a relationship manager or a market advisor walk through scenarios on a white board;

- Over the phone, with a market

advisor — sometimes while both parties are viewing an educational DVD on the topic;

- On conference calls, where weekly changes in the market are shared, looking at both fundamental and technical factors;

- Online, through Water Street University — the company offers a 4-week educational seminar with a selection of classes that's delivered several times a year; and

- At conferences, where Water Street Solutions clients gather for social time and learning — from outside experts, Water Street Solutions staff and from each other.

"We feel that our clients are best able to work with us when they're engaged in the learning process and have a good understanding about how the tools work," Frye said.

A Financial Personal Trainer

As the economic climate stays volatile, and the factors around managing the financial aspects of a farm don't get any easier, farmers keep looking for help. Frye said it's tough for a farmer to be an expert at every element of his operation.

"Farmers perform so many different functions within their operations — agronomist, herdsman, mechanic, employer — and staying on top of financial performance can be a real challenge, especially when the farmer doesn't find numbers interesting," he said. "Our three-part solution puts a framework around their operation and provides the stability they need to confidently succeed."

The process is a bit like hiring a personal trainer to help you with your fitness. That trainer has expertise in weight lifting, aerobics, and nutrition.

That trainer is able to look at your situation and your habits from the outside — comparing you with other people he knows — and make suggestions for improvement. That trainer is going to meet you at the gym and stay in contact to make sure you're working out and eating right.

Sometimes, you're going to be tired of that trainer or disagree with a recommendation. But the job of the trainer is your fitness, and he feels success when you are healthy.

So what does a financial personal trainer look like? A financial personal trainer has a background in agriculture and knows the outside factors that are pushing on profitability, but also knows what a healthy farm balance sheet looks like.

A financial personal trainer can spot when you spend too much money on equipment or let your emotions control how you market your crop.

A financial personal trainer is out at your farm, sometimes in the combine with you, or on the phone on the days when the markets are the most volatile.

And a financial personal trainer feels success when you feel success — when you're able to get that loan or achieve growth goals or other benchmarks that you've defined as success. Water Street Solutions is your financial personal trainer.

For more information about the company, go to www.waterstreet.org.