

Name: _____ ID# _____

Agricultural Economics 330

Fall 2002

Exam III-A

1. Agricultural loans are being treated more like any other commercial loan. Thus, producers are going to need to be better prepared when it comes to supporting their loan request. What are the 12 questions a farmer should be prepared to answer before approaching a lender for credit? (20 points)
2. As farmers and ranchers pursue value added business opportunities, many of their efforts will fail because they overlooked several critical issues in the process of developing their business plan. Please discuss (don't list) some of the more important things that many producers don't address. (20 points)
3. When evaluating agricultural borrowers, lenders center their analysis around 5 credit factors. What are these factors? (10 points)
4. Describe what is meant by each of the following attributes that a preferred stock may possess: cumulative, convertible and participating. (6 points)
5. In what ways does preferred stock have priority over common stock? (4 points)
6. I discussed 15 attributes of the 21st Century Farm Executive. I have listed 5 of them below. Please describe each.
 - a. They are strategic thinkers.
 - b. They operate in a continuous improvement mode.
 - c. They are more likely to seek input and expertise from outside the business.
 - d. They spend more time on monitoring and analyzing performance.

- e. They see themselves more as the head coach than the boss.
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- 7. In the discussions of successful family businesses and top farm managers, we talked about the importance of communication. What are the kinds of things that executives can do to be more effective in this area? (10 points)

 - 8. The following are 3 qualities of successful family businesses. Describe some of the attributes of each. (15 points)
 - a. Clear procedures and expectations regarding family participation in the business.

 - b. Guidelines and a plan for management succession and business continuity.

 - c. Shared vision, values and goals; and a well formulated strategic plan.

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Exam III-B

1. Agricultural loans are being treated more like any other commercial loan. Thus, producers are going to need to be better prepared when it comes to supporting their loan request. What are the 12 questions a farmer should be prepared to answer before approaching a lender for credit? (20 points)
2. As farmers and ranchers pursue value added business opportunities, many of their efforts will fail because they overlooked several critical issues in the process of developing their business plan. Please discuss (don't list) some of the more important things that many producers don't address. (20 points)
3. The 5 credit factors are listed below. Briefly describe what a lender is looking for in each. (10 points)
 - a. Human/management
 - b. Financial position and progress
 - c. Repayment capacity
 - d. Collateral
 - e. Loan purpose
4. In what ways does preferred stock have priority over common stock? (5 points)
5. Why might an investor prefer convertible debt over either preferred or common stock? (5 points)

6. I discussed 15 attributes of the 21st Century Farm Executive. I have listed 5 of them below. Please describe each. (15 points)
 - a. They anticipate and adapt to the changing needs of their markets.
 - b. They are able to objectively assess strengths and weaknesses in people, including themselves.
 - c. They spend more time thinking about “what if” scenarios and developing contingency plans.
 - d. They see change and challenges as opportunities and don’t tend to view themselves as victims.
 - e. They are always attempting to push the envelope back by trying something new or different, but they are calculated risk takers and excellent risk managers.
7. In the discussions of successful family businesses and top farm managers, we talked about the importance of communication. What are the kinds of things executives can do to be more effective in this area? (10 points)
8. Why is it important that family businesses have both business and family plans? (5 points)
9. If it is so important, why don’t most family businesses engage in strategic planning? (5 points)
10. When there are more than one potential successors to take over management of the business, why is it important to establish a clear basis for successor selection? (5 points)