



Agribusiness Trends To Watch

🔗 technology lending agriculture

Summary: We provide you with some of the latest Ag trends and ways to support your customers through them.

Since Halloween is coming this month, we thought we would check on the heaviest pumpkin recorded last year. That honor goes to a 2,517 lb. pumpkin grown in NY. As you think about that relative to your own front porch jack-o-lanterns, we bring your attention to some of the latest ag trends.

While many farmers have planted crops the same way for years, some are coming up with innovative business solutions and pivoting crops according to demand. This means they will need you more than ever. So, we not only lay out some of the current trends, but also give some ways you can continue to support your customers through these trends.

Innovations in farming and farm supplies

- 1. Blending CRE with Agribusiness.** In the Midwest, some farmers are buying large buildings and installing indoor farms. One community financial institution (CFI) in MN, which lends about 15% of its portfolio to agribusinesses, made this easier for a farmer by selling him a foreclosed factory building, then adding a well-priced line of credit. The new business sells greens to large retailers, including Wal-Mart, and holds patents on several innovative indoor-farming technologies.
- 2. Marketplace Supply.** Over 7,000 farmers joined the Farmers Business Network (FBN). Led by Silicon Valley investors, FBN looks to disrupt the \$40B US farm supply market by creating an online marketplace, where farmers can buy their goods direct from retailers at better prices. It also allows its members to share data with each other. If this option expands, farmers could cut costs substantially, improving their cash flow and allowing them more flexibility in business investments.
- 3. Technology loans.** CFIs are also supporting agribusiness with goals that go beyond consumers' dinner plates. One of these in IA (that has a 46% ag loan-to-assets ratio) has written loans to a farm that works on cloning technology, allowing them to breed pigs for medical research.

Advisory services needed

Growing numbers of US consumers want to eat food grown without chemical pesticides or fertilizers. Some CFIs lend to organic growers that have the skills to succeed in this sector. The Organic Trade Association reported that organic food sales rose 5.9% from 2018 to 2019 for a total of \$47.9B, surpassing total food sales growth at 2.3%. This upward trend is largely fueled by millennials' desire for healthy food, which becomes even more important as they start families. Paying attention to geographic and demographic buyer behaviors in this sector could indicate whether one of your ag customers should consider organics.

With things changing rapidly and technology playing more of a role in agribusiness, your ag borrowers will rely on you for information on agricultural trends and markets more than ever, as well as financial advice. In expanding these services, you will build more loyalty as you help farmers make important decisions and expand their farming business. We call that a win-win.

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