



Jerry Nickel *President and Founder, Midwest Ag Finance*

The background:

Midwest Ag Finance was founded in Rushville in 1998 as an alternative to large financial institutions.

"As the banks in Indiana consolidated, the larger banks did not have the capacity to do the restructuring work that had

typically been done by the community banks they had purchased," Nickel recalls. "There were fewer people doing that work and I saw that niche."

Agribusinesses and farms require special types of financial planning services, and Midwest Ag offers agriculture, Farm Service Agency and commercial loans, as well as equipment leasing and crop insurance.

"Crop insurance is a material part of our business," Nickel qualifies. "That's our fee income product, if you will. And the lending side is the predominant part of our business."

What's the biggest challenge facing your industry?

Nickel declares that volatility is the greatest threat to both his industry and his clients at the moment as pressure mounts on American farmers and costs escalate.

"Right now, while everybody reads headlines about how high some of the commodity markets are and how real estate values have climbed, they don't focus on how quickly their costs are rising," he asserts. "This is the 34th crop I've helped finance, and I don't remember any time where there was as much volatility as there is right now. It is a far more volatile world for our clients, and us by extension, than I can remember."

Global circumstances are the main driver in agricultural fluctuations, according to Nickel.

"There are a lot of world economic causes, like low interest rates," he ascertains. "And we have a lot of people to feed and more markets for our commodity. Generally, as demand becomes

more global and technology allows us to grow big crops, but then weather takes it away, it just causes great volatility in the markets."

He says that hinders those in the agriculture finance sector as well.

"If you have a borrowing customer whose income stream becomes more volatile, the quality of your loan assets becomes more volatile," Nickel pronounces.

What's your best opportunity for continued growth?

Nickel expresses the nature of the industry has changed as technology allows for larger harvests and growth.

"Technology has become much more of a driver of efficiency and consolidation in production agriculture because the producer units are getting larger," he says. "In the credit business, you are financing larger dollars than you used to. When I started

my career many years ago, a \$1 million line of credit was pretty rare. Now, it's becoming much more common."

Market corrections and hopefully stability are in the process of emerging, but Nickel holds little certainty that will happen in the near future.

"History tells us that we may see a correction in asset values, and how the industry deals with that will be something to watch," he relays. "I won't tell you that correction will be in

the next 10 years, but it's possible. And technology in agriculture is like technology in any business. It will continue to march on."

But no matter what the market holds for Hoosier farmers and his business, Nickel maintains that Midwest Ag remains about personal relationships.

"We just continue to take care of the people we have and hope they'll tell their neighbors," he replies. "It's a relationship business; it's not transactional at all."



INFORMATION LINK

Resource: Jerry Nickel, Midwest Ag Finance, at www.midwestag.com