



## Is AgTech Watering Your Customers?

by [Steve Brown](#) Topics: [business customers](#), [technology](#), [lending](#)

**Summary:** Competition is growing as agricultural-focused fintech firms (agtech) are entering the market. We offer some tips to help.

The internet is truly powerful, and as you prepare to target customers and retain existing ones this year, we thought you might like to know some statistics. For instance, for every \$92 spent generating traffic online, only \$1 is spent converting customers; people spend about 5 hours each week shopping online; 58% of buyers want the first sales call to include pricing information; and 63% of all mobile phone users access the internet from their phone.

When you think about how best to market to customers, one area that is of interest to many banks is agricultural lending. After all, it can be an important and profitable market for community banks. As with most things though, increased competition from agricultural-focused fintech firms (agtech) is shaking up this area and forcing banks to reconsider their offerings.

Leading the charge is ProducePay, a 3Y old company that buys crops from farmers and resells the crops. It shares any profit made on the exchange with farmers, minus a commission. While this exchange does not exactly mirror the way banks make loans, the principle is the same and the competition is evident. This agtech provides short-term access to financing to farmers, helps them manage the sale of the crops, and even offers farmers a share in the proceeds. ProducePay has reportedly financed more than \$850mm in produce since its inception.

Farmers Business Network is also on the scene working with farmers. It started as a data platform to help farmers get important information downloaded from farm equipment on productivity, field performance and seed selection. The company recently added an app with crowdsourcing to help farmers better understand seed pricing. Now farmers are able to buy most supplies online and get flexible payments or loans through third-parties.

For ag-borrowers who have been rocked by commodity price movement in recent years, the promise of agtech loans has been too appealing to ignore. Among the reasons many farmers consider this option: upfront financing with the promise of a share of the profits; efficient payment models; better crop insurance.

How can ag-lending community banks compete?

**Look to new forms of collateral.** Community banks typically manage ag portfolios on a case-by-case basis, weighing the assets, liabilities and credit of each customer. If you haven't already, expand the focus to the borrower's entire cash flow, with a close eye on all revenues and expenses. You might gain some insight about how various customers manage their debt or repay existing loans. You might also be able to surface equipment, land or other real estate as forms of additional collateral.

**Help ag-borrowers restructure debt.** Borrowers need more support than ever in the restructuring of outstanding debt. Bankers can support borrowers by giving them more options for refinancing loans. You might be able to extend repayment for as long as 10 or 15Ys and lock in quality customers. Also, banks may consider allowing borrowers to structure the timing of payments to better align with season cash flow cycles.

Keep watering your ag customers just like they water their own crops and you stand a good chance of expanding these relationships over time, no matter the online players.

# ECONOMY & RATES

Rates As Of: 01/11/2019 11:41AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.41	0.06	0.06
6M	2.50	0.03	0.03
1Y	2.56	-0.03	-0.03
2Y	2.54	0.05	0.05
5Y	2.52	0.01	0.01
10Y	2.70	0.01	0.01
30Y	3.03	0.02	0.02
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.43	5.50	3.90	

[More Market Rates](#)

## BANK NEWS

### CFO Succession

[Almost half of CFOs surveyed by HR firm](#) Robert Half say they don't have a succession plan, with 67% of those indicating they do not plan on departing in the near future. The usual CFO search can take up to 6 months, so like other companies; community banks should have succession plans in place for all executive positions.

### Mortgage Debt

The average mortgage as of Q2 2018 according to Experian was \$132,029. Households are paying 9.8% of their disposable personal income to stay current on all of their loans, including mortgages according to the Fed, which is significantly below levels over the past 30Ys.

### More Noncash Payments

[The Fed's recent payments study](#) showed that noncash payments growth was larger between 2017 and 2016 than in previous years. Card payments increased 10.1% in transaction number and 8.4% in value. Debit cards increased the most. Check payments, dipped in number by 4.8% during the same timeframe while ACH payments increased by 5.7% by number and 6.9% by value during that period.

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