

CATALOG INFORMATION

Dept and Nbr: AGBUS 105 Title: AGRICULTURE FINANCE
Full Title: Agricultural Finance
Last Reviewed: 2/14/2022

Units		Course Hours per Week		Nbr of Weeks	Course Hours Total	
Maximum	3.00	Lecture Scheduled	3.00	17.5	Lecture Scheduled	52.50
Minimum	3.00	Lab Scheduled	0	6	Lab Scheduled	0
		Contact DHR	0		Contact DHR	0
		Contact Total	3.00		Contact Total	52.50
		Non-contact DHR	0		Non-contact DHR	0

Total Out of Class Hours: 105.00

Total Student Learning Hours: 157.50

Title 5 Category: AA Degree Applicable
Grading: Grade Only
Repeatability: 00 - Two Repeats if Grade was D, F, NC, or NP
Also Listed As:
Formerly: AGBUS 72

Catalog Description:
In this introductory course, students will explore federal agricultural loan and credit programs, agricultural lending, financing options, private equity investment, venture capital, financial institutions, financial and investment analysis. In addition, students will examine financial risk, insurance, futures exchanges, legal aspects of agricultural finance, and the principles and practices for financing different forms of legal business organizations in agriculture.

Prerequisites/Corequisites:

Recommended Preparation:
Eligibility for ENGL 100 OR EMLS 100 (formerly ESL 100) ; AND MATH 150

Limits on Enrollment:

Schedule of Classes Information:
Description: In this introductory course, students will explore federal agricultural loan and credit programs, agricultural lending, financing options, private equity investment, venture capital, financial institutions, financial and investment analysis. In addition, students will examine financial risk, insurance, futures exchanges, legal aspects of agricultural finance, and the

principles and practices for financing different forms of legal business organizations in agriculture. (Grade Only)

Prerequisites/Corequisites:

Recommended: Eligibility for ENGL 100 OR EMLS 100 (formerly ESL 100) ; AND MATH 150

Limits on Enrollment:

Transfer Credit:

Repeatability: Two Repeats if Grade was D, F, NC, or NP

ARTICULATION, MAJOR, and CERTIFICATION INFORMATION:

AS Degree:	Area	Effective:	Inactive:
CSU GE:	Transfer Area	Effective:	Inactive:
IGETC:	Transfer Area	Effective:	Inactive:
CSU Transfer:		Effective:	Inactive:
UC Transfer:		Effective:	Inactive:

CID:

Certificate/Major Applicable:

Both Certificate and Major Applicable

COURSE CONTENT

Student Learning Outcomes:

At the conclusion of this course, the student should be able to:

1. Discuss the major sources of agricultural finance.
2. Analyze financial risk and identify appropriate financial options for businesses.
3. Identify and discuss the major federal agriculture loan programs.
4. Evaluate an agribusiness organization and identify appropriate legal documents required for financing.

Objectives:

At the conclusion of this course, the student should be able to:

1. Explain the importance of finance in agribusiness
2. Identify the different types of financial statements and their functions
3. Analyze the features and requirements of federal agricultural loan programs
4. Discuss the functions of lending institutions in agribusiness
5. Describe the types of debt and their cost benefit analysis in agribusiness
6. Demonstrate knowledge of financial analysis
7. Demonstrate understanding of capital budgeting methods
8. Explain sources of risk and risk management in agricultural finance
9. Demonstrate knowledge of investment analysis
10. Describe basic legal documents used in agricultural finance
11. Explain how financing guidelines are applied in agribusiness
12. Discuss futures exchange, forwards and futures contracts
13. Explain the steps in developing an agriculture business pro forma

Topics and Scope:

I. Introduction to Agribusiness Finance

- A. Agribusiness finance
- B. Agribusiness producers
- C. Importance of finance in agribusiness
- D. Domestic trends in agribusiness finance

II. Financial Accounting Concepts and Documents

- A. Understanding balance sheets
- B. Measuring income
- C. Comparing cash and accrual accounting
- D. Financial statements
 - 1. Cash flow
 - 2. Profit and Loss
 - 3. Owner's equity
 - 4. Financial ratios
- E. Common Issues in agricultural finance

III. Investment Analysis

- A. Return of owner's equity
- B. The DuPont identity of return on equity
- C. Asset management ratios
- D. Financial efficiency ratios (profitability, solvency, liquidity, repayment, loan-to-value)
- E. Common Size financial statements

IV. Agricultural Insurance

- A. Role of insurance in agriculture
- B. Types of agricultural insurance (crop, animal, farm property, equipment)
- C. Federally-backed agricultural insurance versus commercial insurance

V. Agricultural Lending

- A. Interaction between lenders and borrowers
- B. Commercial banks
- C. Government-related lending
 - 1. Farm Service Agency (FSA)
 - 2. Farm Credit System (FCS)
- D. Federal Agricultural Mortgage Corporation
- E. Private Financing
 - 1. Private equity investments
 - 2. Venture capital

VI. Financing Business Organizations in Agriculture

- A. Types of legal business organizations
- B. Business Organizations and Financing models
- C. Business organizations and equity generation
- D. Business types and the transfer of capital
- E. Estate management and tax implications

VII. Financing Options

- A. Farm storage facility loans
- B. Real Estate (Farm Housing) loans
- C. Operating loans
- D. Farm ownership loans
- E. Line of Credit loans
- F. Equipment loans
- G. Micro loan program
- H. Financing existing versus startup businesses

VIII. Agricultural Loans

A. Types of loans

1. Short term
2. Intermediate
3. Long term

B. Requirements and application for FSA loans

C. Requirements and application for commercial loans

IX. Business Pro Forma

A. Definition of a Pro Forma

B. Types of Pro Forma

C. Components of a Pro Forma

D. Steps in developing a Pro Forma

X. Capital Budgeting

A. Time value of money

1. Compound interest
2. Annuities
3. Basic loan calculations
4. Determining Annual Percentage Rate (APR)
5. Refinancing analysis
6. Cash budgeting

B. Net present value

C. Income taxes and capital budgeting

D. Leases and leasing

XI. Risk in Agribusiness

A. Financial and business risk

B. Sources of business risk in agriculture

C. Attitudes toward risk

D. Market valuation of risk

E. Risk management in agribusiness

XII. Future Exchanges

A. Definition of the Futures market

B. Major commodities exchanges

C. Futures and Forward prices

D. Forwards contracts

E. Futures contracts

XIII. Legal Aspects of Agricultural Finance

A. Contracts

B. Promissory notes

C. Security agreement

D. Mortgages versus deeds of trust

E. Life cycle of loans

F. Loans defaults and foreclosures

G. Determinants of interest rates

Assignment:

1. Weekly reading (20-30 pages)

2. Case Studies (8-10)

3. Problem sets (4-6)

4. Two term papers on topics such federal loan programs, agriculture insurance, agricultural investment, risk management, agricultural finance policies and trends (3-5 pages)

5. Agricultural lenders resource binder

6. Quizzes (3-5)
7. Exams (2-3), including final exam

Methods of Evaluation/Basis of Grade:

Writing: Assessment tools that demonstrate writing skills and/or require students to select, organize and explain ideas in writing.

Term papers, case studies

Writing
15 - 35%

Problem Solving: Assessment tools, other than exams, that demonstrate competence in computational or non-computational problem solving skills.

Problem sets

Problem solving
15 - 25%

Skill Demonstrations: All skill-based and physical demonstrations used for assessment purposes including skill performance exams.

Agricultural lenders resource binder

Skill Demonstrations
5 - 10%

Exams: All forms of formal testing, other than skill performance exams.

Quizzes and exams, including final exam

Exams
40 - 60%

Other: Includes any assessment tools that do not logically fit into the above categories.

None

Other Category
0 - 0%

Representative Textbooks and Materials:

Financial Management in Agriculture (7th). Barry, Peter and Ellinger, Paul. Pearson: 2011 (classic)

Agricultural Finance (1st). Moss, Charles. B. Routledge: 2013 (classic)

Fundamental of Agribusiness Finance (1st). Battles, Ralph and Thompson, Robert. Wiley-Blackwell: 2000 (classic)

Farm Financial Standards Council. Financial Guidelines for Agricultural Producers (Annual Report)

Instructor prepared materials