

How Bad Conditions Affect Credit Quality

These cumulative pressures manifest in your portfolios through declining debt service coverage ratios, increased requests for covenant modifications, and more frequent workout situations. Understanding which borrowers face the greatest vulnerability—and which have the resilience to weather prolonged stress—is critical for proactive portfolio management.

"The institutions that emerge strongest from this period won't be those who avoided all problem loans—they'll be those who identified risks early, had difficult conversations proactively, and structured solutions before small problems became big ones."

This session provides frameworks for those crucial early identification conversations.

The Ugly: Preparing for Worst-Case Scenarios



Escalating Global Conflicts and Agricultural Fallout

Direct Impact Channels

- Major grain exporters engaged in conflicts disrupting 30%+ of global wheat supplies
- Fertilizer production concentrated in conflict zones creating persistent shortages
- Energy price spikes cascading through entire agricultural cost structures
- Port closures and shipping insurance costs making exports uneconomical

Indirect Consequences

- Currency devaluations making U.S. products less competitive globally
- Refugee crises and humanitarian needs redirecting aid and trade flows
- Political instability in customer nations jeopardizing payment and delivery
- Retaliatory trade restrictions limiting market access unexpectedly

While we hope these scenarios remain hypothetical, prudent board governance requires considering their potential impact on institutional strategy and borrower capacity.



Trade Restrictions and Market Access Risks

The most severe risk facing agricultural is sudden loss of market access through trade restrictions, sanctions, or retaliatory policies.

Operations heavily dependent on specific export markets face existential threats if those channels close.

1

Export Dependency

Identify borrowers with >40% revenue from single export markets

2

Alternative Markets

Diversification options & timelines to pivot production

3

Domestic Absorption

Assess domestic market capacity to absorb displaced export volumes

Cyber Vulnerabilities in Modern Agriculture

Agriculture's cyber vulnerabilities. GPS-guided equipment, automated feeding systems, precision irrigation, and digital financial platforms all present attack surfaces that sophisticated adversaries could exploit.

Operational Technology Risks

Ransomware targeting farm management systems during critical planting or harvest windows could cripple operations. Borrowers lack IT security expertise to prevent or respond effectively.

Financial System Vulnerability

Attacks on agricultural lenders, grain elevators, or payment systems could freeze capital flows and commodity movements during peak seasons, creating cascading liquidity crises.

Infrastructure Threats

Critical dependencies on electricity grids, transportation logistics systems, and telecommunications make agriculture vulnerable to infrastructure-targeted cyber warfare.



Scenario-Based Forecasting: Your Strategic Advantage

What are the right questions to ask?

Examples:

What would happen to our largest borrowers if exports to China stopped tomorrow?

How would our portfolio perform if interest rates spiked another 300 basis points?

Which operations could survive a two-year commodity price depression?

What's our plan if a major cyber event disrupted agricultural commerce for 60 days?

Using the Geopolitical Risk Readiness Matrix

A Strategic Planning Tool for Farm Credit Board Directors

Purpose

To help directors connect global geopolitical trends to local lending realities and build resilience through informed strategic decisions.

1. Identify and Assess Risks

- Review each Risk Category (Conflict, Trade, Inflation, Supply Chain, Cybersecurity, Labor, Energy, Governance).
- Discuss how each one could affect your borrowers, balance sheet, and capital strategy.
- Record early warning indicators you already track — or should be tracking.

2. Score Each Risk

- Use the checkboxes to rate Impact: Low Medium High.
- Use the dropdown to mark your Current Readiness: Low / Medium / High.
- Identify where high-impact and low-readiness intersect — that's your red zone.

3. Prioritize for Action

- Use the Priority Ranking Table to select the top three risks needing board attention.
- Assign ownership, deadlines, and strategic actions for each.
- Consider which initiatives require new investment, contingency planning, or policy changes.

4. Integrate into Strategic Planning

- Bring the completed matrix into your annual strategic retreat.
- Incorporate insights into strategic goals, capital and liquidity planning, risk appetite statements, and governance reviews.

5. Review Annually

- Update the matrix every 12 months or when major geopolitical shifts occur.
- Use it to inform quarterly board education sessions and scenario-based discussions.

Step 2: Score and Prioritize

Assign each risk a **rating**:

- **Impact:** Low (1) / Moderate (2) / High (3)
- **Readiness:** Low (1) / Moderate (2) / High (3)

Then plot each on the **Geopolitical Risk Grid** below:

	High Readiness	Medium Readiness	Low Readiness
High Impact	Monitor closely and sustain capabilities	Strengthen resilience plan	Immediate strategic intervention
Medium Impact	Maintain current strategy	Evaluate mid-term improvements	Build capacity before exposure increases
Low Impact	Routine oversight	Low-priority improvements	Minimal investment needed

Step 3: Integrate Into Strategic Planning

During the board's annual **strategic planning retreat**, directors should:

1. **Review this matrix** to identify top three external threats and corresponding strategic opportunities.
2. Assign **ownership** for each risk (e.g., CEO, CFO, CRO, or Board Committee).
3. Integrate findings into:
 - Strategic priorities
 - Capital and liquidity planning
 - Contingency and scenario exercises
 - Policy and governance updates

Geopolitical Risk Readiness Matrix

Farm Credit Board Directors Strategic Planning Tool

Use this matrix to evaluate your association's exposure and preparedness for global disruptions. Score each category based on its potential impact and your current readiness. Then identify the top three priorities for strategic planning.

Risk Category	Potential Impact on Association	Indicators to Monitor	Impact (Low–Medium–High)	Current Readiness (Dropdown)	Strategic Action Steps
Global Conflict & Security Instability	Disruptions in exports, energy costs, and market volatility.	Energy prices, shipping disruptions, defense spending.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Diversify portfolios; conduct stress tests; strengthen local supply chains.
Trade Policy & Tariffs	Market barriers and income volatility.	Tariff changes, trade negotiations.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Include trade scenarios in planning; monitor borrower exposure.
Inflation & Currency Fluctuations	Reduced margins and borrower stress.	CPI, interest rates, central bank trends.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Conduct inflation sensitivity analysis; review pricing models.
Supply Chain Disruptions	Interruptions in ag inputs and equipment.	Shipping indexes, bottlenecks, domestic production data.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Encourage contingency planning; identify domestic alternatives.

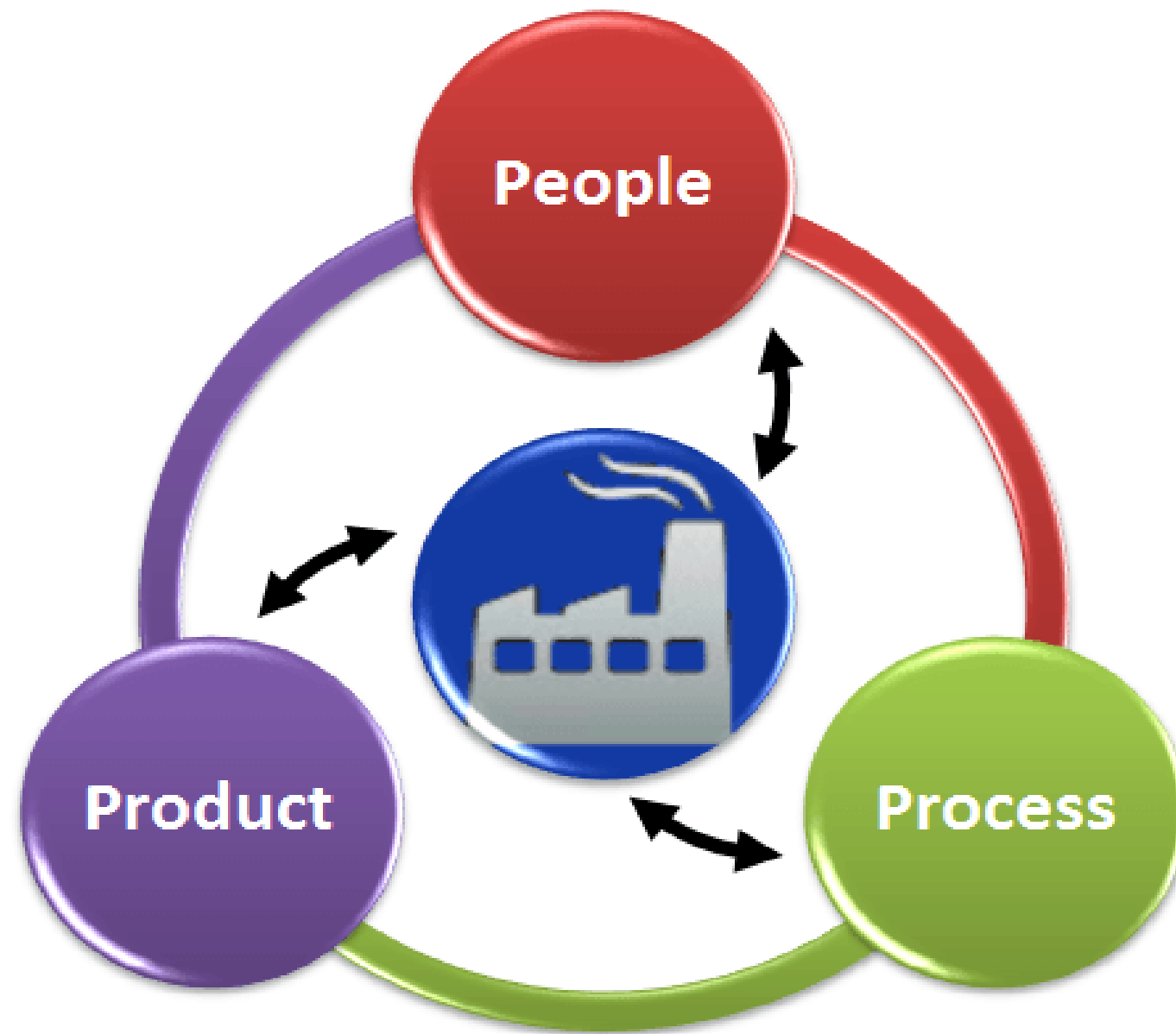
Cybersecurity & Data Sovereignty	Exposure to foreign or criminal cyber actors.	Incident reports, vendor security audits.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Conduct annual cyber audits; update incident response plans.
Labor & Migration Shifts	Workforce shortages; rising wage pressures.	Employment trends, immigration policies.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Evaluate borrower exposure; support automation strategies.
Environmental & Energy Policy	Regulatory and energy cost volatility.	Climate policies, emissions targets.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Assess energy exposure; explore renewable lending.
Political Polarization & Governance Risk	Regulatory uncertainty and policy shifts.	Election outcomes, legislative agendas.	<input type="checkbox"/> Low <input type="checkbox"/> Med <input type="checkbox"/> High	Select: <i>Low / Medium / High</i>	Maintain advocacy relationships; conduct annual policy reviews.

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(Hint: Take a picture of this slide)

Position Your Organization to Thrive





PEOPLE + PRODUCTS + PROCESS



MISSION



VISION



GOALS



12 MONTHS OF ACTION

STRONGER STRATEGY

BETTER DECISIONS

FASTER RESULTS

MARY G. KELLY

www.ProductiveLeaders.com

JANUARY

BUSINESS SUCCESS AND ACCOUNTABILITY

Goals for the month:

1. _____
2. _____
3. _____
4. _____
5. _____

This month I want to do more of these activities:

1. _____
2. _____
3. _____

This month I want to do less of these activities:

1. _____
2. _____
3. _____

This month I resolve to delegate/outsource:

This month I am going to streamline this process:

This month I am going to complete this project:

This month I am going to resolve this situation:

I will contact these 3 people for advice:

1. _____
2. _____
3. _____

I will reach out to these 3 potential decision-makers/clients:

1. _____
2. _____
3. _____

On a scale of 1 through 5, this month was a

5 Fabulous 4 Good 3 Okay 2 Meh 1 Terrible

What could have made this month better?

1. _____
2. _____
3. _____

I am grateful for:

1. _____
2. _____
3. _____

This month I learned:

1. _____
2. _____
3. _____



WHAT DEFINES
YOUR
ORGANIZATION'S
SUCCESS?





MAKE STRONG
DECISIONS

WHAT IS YOUR NEXT STEP?
**WHAT IS YOUR FOLLOW-
UP PROCESS?**





Conclusion

2026 success depends on responsive policies and strategic risk management.

- **Innovation Meets Geopolitics**
Where can you be more efficient, effective, and responsive?
- **AI's Double-Edged Promise**
Where can you better use AI?
- **Build Confidence**
Where can you educate?
Be more transparent?
Help be more resilient?
What do people need from you?

