

LIQUIDITY IS LEVERAGE:

How Working Capital Drives Stability and Growth in Today's Ag Economy



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The agriculture industry is operating in one of the most challenging financial landscapes in decades, driven by rising input costs, unpredictable commodity markets, and tighter access to capital. Producers are balancing the need for stability with the pressure to invest in technology, efficiency, and long-term growth, all while managing weather volatility and changing global demand.

In an environment defined by shifting markets, rising costs, and unpredictable conditions, working capital can function as both a buffer and a planning tool across the agriculture sector. It gives producers the flexibility to make decisions with intention rather than urgency and supports long term stability at a time when stability matters most. When working capital is strong, producers can absorb volatility without disrupting their broader strategy. When it is limited, even small disruptions can create challenges that ripple through the entire operation.

A KEY TOOL FOR STABILITY

Agriculture operates on long, seasonal cycles, with significant gaps between planting, harvest, and revenue. Working capital helps bridge these intervals by allowing producers to keep their operations running efficiently without relying on short term borrowing that often comes with higher costs and less flexibility.

Strong working capital enables you to take advantage of early purchase discounts and secure inputs at favorable prices, because if fertilizer, feed, or fuel costs unexpectedly rise, this liquidity can help protect profit margins and ease financial pressure. Operations with sufficient funds are better equipped to absorb unexpected expenses such as equipment failures or weather-related losses, while reducing the need for reactive measures that may limit future options and support a more strategic, long term approach to managing the operation.

A FOUNDATION FOR GROWTH

Beyond daily stability, working capital supports long-term growth and expansion. Producers with healthy liquidity are better positioned to invest in new technologies, increase acreage, upgrade equipment, or diversify their operations. These investments often require upfront capital, and businesses with strong working capital can pursue opportunities confidently.

Whether the goal is to adopt precision agriculture tools that improve efficiency and reduce input costs or to introduce a new specialty crop, working capital provides the financial capacity to pursue these opportunities without compromising the stability of core operations. Liquidity allows producers to innovate, diversify, and modernize at a pace that aligns with their long term strategy rather than being constrained by short term financial pressure.

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Working capital also enhances a producer's credit profile and can improve access to financing for larger investments such as equipment upgrades, land purchases, or facility expansions. Lenders view adequate working capital as evidence that the operation is well-managed, resilient, and prepared to navigate unexpected challenges.

STRATEGIES FOR BUILDING STRONG WORKING CAPITAL

Every agriculture operation is unique, but several practices consistently support the development and preservation of strong working capital:

- **Regular cash flow monitoring** helps producers anticipate upcoming needs, plan for seasonal fluctuations, and avoid unexpected shortfalls.
- **Strategic debt management** ensures that loan structures align with the useful life of assets, which helps preserve liquidity for short term operational demands.
- **Cost control and operational efficiency** contribute to stronger margins and improved cash reserves over time.
- **Scenario planning** prepares producers for a range of market, weather, and input cost outcomes, allowing them to adjust strategies before challenges arise.
- **Strong banking relationships** provide access to financial tools, guidance, and credit options that support both stability and long term growth.

Your bank should be more than a lender. It should be a strategic partner who can help you model cash flow scenarios, evaluate financing options, and plan for growth or succession with a long-term view. These conversations go beyond a single transaction to support your operation through every season and every stage of growth.

Together, these practices help producers build a solid financial foundation that supports current operations while creating the flexibility needed to pursue future opportunities.

A CHANGING AGRICULTURAL LANDSCAPE

The agriculture industry continues to evolve, bringing new challenges and opportunities. Working capital is more than a cushion; it's a catalyst. It gives you the power to make decisions on your terms, not the market's. In a business defined by uncertainty, liquidity is what keeps you steady and helps you move forward.

