

**Funding Opportunities  
With Farm Credit East**



**STRONG AT THE ROOTS**  FARM CREDIT EAST

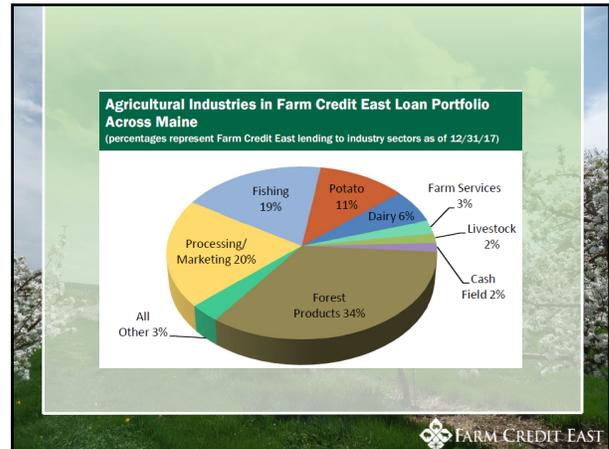
**Farm Credit System**

- System created by the U.S. Government in 1916
- Purpose: to provide reliable credit to farmers, commercial fishermen, foresters, and rural America
- Today the system is comprised of 80 independent, customer-owned cooperatives who raise funds, and provide financial services
- Focused entirely on natural resource based industries—in good times and in bad
- 100+ year track record of supporting agriculture

 FARM CREDIT EAST

**Farm Credit East**

- Provides a wide range of credit and financial services to Northeast agriculture
- One of the larger Farm Credit Associations, with \$6.6 billion in loan volume
- Owned by the 14,500 customers we serve
- 475 employees in 20 offices

 FARM CREDIT EAST


**Financial Services to Help Farmer Success**

- Loans & Leases
- Tax Planning & Preparation
- Record Keeping
- Payroll and Compliance
- Estate Planning, Grant Writing
- Business Consulting
- Crop Insurance
- Appraisal Services
- FarmStart
- GenerationNext

 FARM CREDIT EAST

**Farm Credit East Loans**

- Direct credit for land, buildings, capital improvements, operating needs
- Loans with FSA and FAME guarantees
- Serving thousands of young, beginning, small, and veteran farmers through out traditional lending programs
- FarmStart investments for beginning farmers who may not meet the traditional underwriting criteria

 FARM CREDIT EAST

## YBSV & Beginning Farmers

- Incentives can be provided for Young, Beginning, Small and Veteran Farmers – reduced fees, assistance with FSA loan fees, etc.
- FarmStart LLP- Working capital or operating funds to help startup farmers. A loan of up to \$75,000 is offered after farm business planning and budgeting are completed. This program is aimed to help beginning farmers who are unable to obtain financing through conventional programs.



## Financing: What Do Farm Lenders Look For?

- The Five “C’s” of credit



## Character

- Demonstrated performance with past creditors
- Credit Score (Should be 700+)
- Indicate existing debt
- Know what is on your report
- Share and explain any problems that exist



## Capacity

- What are your earnings today? What will earnings be after investment is made? How will you repay the loan?
- History is important:
  - Income Statement
  - Cash Flow Statements
  - Tax Returns
- Projections & budgets
- What if things don't go as planned?
- Do budgets include off-farm income? This may be important to include with a start-up/part-time venture.



## Collateral

- The Lender's fall back position
- Real Estate is best
  - Livestock
  - Machinery/equipment – less specialized the better
  - Inventory
- What is the collateral asset really worth?
  - Fair Market Value (FMV)
  - Net Recovery Value (NRV)
  - What will it get at auction?



## Capital

- Do you have any skin in the game?
- Net worth, or debt-to-asset ratio
- How much do you own net of debt?
- Market value vs. book value
- Balance sheet



## Conditions

- “The deal” – including term of the loan, financial covenants, negative covenants, etc.
- Financial covenants can include debt coverage ratio, outside financing limitation, etc.
- Term of the loan: Should be equal to or shorter than the life of the asset being
  - Real estate- 10 to 30 years
  - Machinery/Equipment – 3 to 7 years
  - Livestock- 1 to 3 years
  - Inventory – less than 1 year



## Loan Term

- “1 more year of payments and it’s all mine!”



- Don’t finance beyond the useful life of an asset



## How Does Lender Arrive At A Decision?

- Character**
  - The Individual
  - Who are we lending to?
- Capacity**
  - Repayment Ability
  - Where is the business going?
- Capital**
  - Financial Position & Financial Progress
  - Where does the operation stand today?
  - How did it get there?
- Collateral & Conditions**
  - Basis of approval
  - How much risk is involved?



## Lenders Want To See:

- Earnings history – 3 years past tax returns, personal & business (if applicable)
- Financial statement or balance sheet- personal & business
- Review credit report ahead of time to make sure it is accurate. This will disrupt your timeline.
- Business Plan for new or diversifying business
  - Does not have to be complex- need a description of the business, rough budgets, description and representation of how you will pay back the loan
  - \* Note – payback plans that are based on new businesses or projected increases are risky.



## Lender “Turn-offs”

- Financials - Poor records, high existing debt, low credit scores
- Too much reliance on collateral, not enough on earnings
- Low personal investment
- Unrealistic expectations: “Build it and they will come” business plans
- No “plan B”. Have not thought about the “What ifs”  
What are your plans if prices fall, weather does cooperate, vendor or markets drop
- \* Lack of cooperation and commitment when times get tough- We are in it for the long haul, you need to be too.



## Resources

- Web & Social Media
  - FarmCreditEast.com
  - YouTube.com/FarmCreditEast
  - Twitter: @FCEast
  - Facebook.com/farmcrediteast
- Contact Information
  - Shannon Webber – Assistant Vice President/Loan Officer
  - Kathryn Bisson – Credit Representative/FarmStart Advisor

