“Gaining Access to Credit”

Farm Credit –
For ALL Your Capital Needs

Teresa Harris – Area Manager
Paul Eberly – Commercial Team Leader & Capital Markets
The Farm Credit System is a nationwide network of lending cooperatives that serve rural America.

Farm Credit of the Virginias Mission: to provide a reliable source of credit for American Agriculture by making loans and providing insurance to qualified borrowers.
What Types of Loans Are Available?

- Operating
- Cattle & Equipment
- Real Estate
- Leases
- Young, Beginning, Small Loans
Know your credit score!

What is a credit score? What are the ranges?

What influences your score?

- Repayment
- Amount & Type of Debt
- Time in Life
- Account Diversity
- Account Inquiries
What is a Balance Sheet?

- Snapshot of assets & liabilities at a given point in time
- Separate personal & business
- Current, Intermediate and Long Term
- Net Worth: Assets - Liabilities
What is an Income Statement?

- Measures income/profitability over a period of time
- Revenue less Expenses
- Does not include:
  - Debt Payment
  - Distributions
  - Capital Purchases
What is needed?

- Prior years income statements/tax returns
- Production Record – if currently in business
  - Examples include:
    - Bu/ac – Grain
    - Calves Sold
Executive Summary
Mission, Goals and Objectives
  ✓ SMART
Background – Summary of the Industry
Organization Matters:
  ▪ Business Structure, Management Team and Risk Management
Marketing Plan
Financial Plan & Projections
Traditional “5 C’s” of Credit

- **Character** – History, reputation & integrity
  - **Capacity** – Can you repay the loan?
- **Capital** – What is your net worth?
  - **Collateral** – How are you going to secure the loan?
- **Conditions** – Special agreements, typically based on the other 4 C’s
5 C’s Revised

- **Character – Turns into Management Ability**
  - This takes place during GROWTH
    - Can you manage through the change?

- **Capital – Split into Equity and Liquidity**
  - Liquidity = Assets that can be converted to cash in ≤ 12 months in relation to Liabilities that have to be paid in ≤ 12 months
If you are knocking it out of the park in the primary C’s (Character, Capital[equity/liquidity] and Capacity) the secondary C’s (Collateral and Conditions) will be less of a concern for you and the lender.
Reasons to Expand/Upgrade

- **Market Demand**
  - You could sell more product than you are currently able to produce

- **Efficiency Gains**
  - Getting more out of what you already have
    - Most of the time = bigger machine vs. smaller machine

- **Cost Cutting**
  - Producing what you already are but at a lower cost, such as replacing labor with equipment
Pitfalls of Expansion/Upgrade

- “Better is better before bigger is better”
  - Efficiency is most often better than volume
- Growing too fast
  - Operating capital can be a ‘killer’
- Rent vs. Buy Dilemmas
  - Should I buy my own silage chopper or should I continue to custom hire?
What to Bring to Your Lender

❖ Evidence of the Market Demand, Efficiency Gains or Cost Cutting that
  ✔ To be expected with upgrade/expansion

❖ Updated Business Plan
  ✔ To include the increase in Sales - Market Demand or Efficiency Gains OR Lower Costs – Efficiency Gains or Cost Cutting you are expecting
What Resources are Available?

* Knowledge Based Resources:
  • Farm Credit
  • Extension
  • CPA’s/Accountants/Financial Consultants

* Funding Based Resources:
  • Farm Credit
  • Small Business Administration (SBA)
  • Farm Service Agency (FSA)
  • Other Lenders
Questions?
Teresa Harris — Farm Credit of the Virginias, ACA

- Professional Career at Farm Credit and Farm Involvement
  - Lender for 28 years within the positions of Loan Officer, Branch Manager, Area Manager and recently promoted to Country Living Business Line Leader
  - Family currently owns and runs Millwood Farm — Raise cattle, meat goats and sell natural beef

- Educational Background
  - Bachelor of Science, Animal Science, Virginia Tech

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Professional Career at Farm Credit

• Commercial Team Leader – March 1\textsuperscript{st}, 2013 – Present
  • Leading and managing several commercial agriculture lending teams
• Corporate Credit Analyst – June 1\textsuperscript{st}, 2005 – March 1\textsuperscript{st}, 2013
  • Provided credit analysis to our Agribusiness & Capital Markets unit

Educational Background

• Master of Business Administration – Eastern Mennonite University, 2011
• Bachelor of Science, Animal and Poultry Science – Virginia Tech, 2005
• Minor, Agricultural and Applied Economics – Virginia Tech, 2005

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