

# *“Gaining Access to Credit”*

## Farm Credit – For ALL Your Capital Needs

**Teresa Harris – Area Manager**

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& Capital Markets**

VIRGINIA  
Beginning Farmer & Rancher  
COALITION PROGRAM



*Webinar Series*



# What is Farm Credit?

- ❖ 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**



# Preparing to Meet Your Lender

## ❖ 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

 [AnnualCreditReport.com](https://www.annualcreditreport.com)

# Balance Sheet

## ❖ 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

# Income Statement

## ❖ What is an Income Statement?

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



# Historical Data

## ❖ What is needed?

- ✓ Prior years income statements/tax returns
- ✓ Production Record – if currently in business
  - Examples include:
    - Bu/ac – Grain
    - Calves Sold



# A Business Plan

- ❖ 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  $\leq 12$  months in relation to Liabilities that have to be paid in  $\leq 12$  months

# 5 C's Revised

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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# Paul Eberly – Farm Credit of the Virginias, ACA

## ❖ Professional Career at Farm Credit

- Commercial Team Leader – March 1<sup>st</sup>, 2013 – Present
  - Leading and managing several commercial agriculture lending teams
- Corporate Credit Analyst – June 1<sup>st</sup>, 2005 – March 1<sup>st</sup>, 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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