



BEYOND BOOTSTRAPPING

How A Local Farm Credit Association Can Help You Grow

While SPIN-Farming is low capital intensive to make it easy to get started, there comes a time for some SPIN farmers when they want to grow more than backyard crops. They want to grow the business. For some that means moving from the low-road to the high-road by investing in a commercial cooler. Others need commercial grade facilities to produce value-added products like jellies, preserves or baked goods. Others want to diversify into livestock or poultry production, cheese making or crafts or fiber arts or hand-crafted farm implements. Still others want to expand by acquiring increased acreage or by growing year round with greenhouses. Whether your expansion plans include a brewery, a compost operation, or a mobile lunch business, a local Farm Credit Association may be able to help by providing a source of credit.

The farming industry has always been a highly collaborative one. The smartest and most progressive farmers routinely turn to Farm Credit for not only financing, but also ideas and advice. Because of their long-standing support of all scales of operation, from large to small, Farm Credit loan officers are uniquely positioned to see what is and isn't working in the field and marketplace. They have many customers who are wrestling with the same challenges faced by all farmers and are in a privileged position to share this hard won experience.

They regard SPIN as part of an exuberant, expanding experiment that provides a whole new sense of what can be done, and how it can be done, and they want to be a partner in creating a bright future for farming. So if you have harnessed your entrepreneurial urge to a great idea and have a solid business plan to back it up, your local Farm Credit loan officer would like to get to know you. Here's some background to help make the introduction.

What is Farm Credit?

Farm Credit is a government chartered organization that lends directly to individual borrowers. Its sole mission, since 1916, has been to ensure a permanent source for reliable and competitive credit for farmers to enhance and expand their businesses. There are about 90 local lending Associations that cover the country. You can find the lending Association nearest you at the Farm Credit website - www.farmcredit.com. Click on the map to see all the locations.

How Does Farm Credit Operate?

Farm Credit is a network of co-operatives, owned and governed by the same farmers it serves, similar to a credit union. Each of the Farm Credit lending Associations elects their own board of directors and through a professional lending staff manages and controls its own business activities, operations and financial performance. Farm Credit is not part of the government and receives no funding from the government.

What size loans does Farm Credit make?

The typical loan is \$50,000 or less, so Farm Credit's scale of thinking is right in line with the SPIN farmers mindset of making more from less, and keeping debt levels manageable. That doesn't

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mean that getting a very small loan from Farm Credit is always the most cost effective option (a loan from a few hundred to a few thousand dollars may be cheapest from a credit card company, especially if they are offering a special deal).

What types of financing needs does Farm Credit cover?

A SPIN farmer should find receptive consideration for just about any sensible need they have – whether it be for equipment, operations or real estate, as long as it is supported by a sound business plan. Farm Credit is a commercial lender to agriculture, so borrowers typically have to be engaged in the production of agriculture crops for profit. SPIN farmers will therefore have to be able to show a track record of achieving consistent and meaningful levels of production and income from previous growing seasons.

How does Farm Credit determine if I qualify for a loan?

Because it has a specific mission to lend to agriculture, Farm Credit has an extensive process to determine that the borrowed funds will be used for agricultural purposes, after which a credit decision is made, often by using a score card rating system that statistically quantifies your probability of repayment, based on a number of factors. While the systems vary by institution and by type of loan, most use credit bureau information (your credit score) as a key component, along with any repayment history you have from any prior loans, including car loans. Other considerations include the percentage of the loan to the total amount needed, time at present address, number of years in farming, ownership equity and net income. Very small loans are less likely to be made because they are not worth the cost of writing and administering them. An easier alternative may be accessing credit via a credit card company.

Are there any stipulations for a Farm Credit loan?

Farm Credit needs to see repayment capacity from income from your farm operation, but off-farm income can also be counted. You do not have to farm full time or own land, but if you don't own land you should be able to show that you have access to land through a lease that allows enough time to earn enough money to repay the loan.

What are the rates and terms?

Rates and terms are determined by each local Farm Credit Association. Repayment schedules may be adapted to the timing of crop production and income. For example, borrowing in the spring for planting may not have to be repaid until harvest. When seeking a loan remember that while rates and terms may be foremost in your mind, what the loan officer is interested in is a good business plan showing how you will earn money to repay the loan.

I am in what used to be a rural area, but it can't be considered that now. Will that work against me?

The folks at Farm Credit know the distinction between rural and urban is blurring, and that farming is beginning to occur wherever it makes sense. They especially recognize that urban edge farming is the new frontier for young and beginning farmers, and they stand ready to finance farming as they find it, even if that is in the middle of an urban jungle or on the suburban fringe.

How do I get started?

Find your local office at www.farmcredit.com and give them a call. Briefly explain what you have in mind, and find out who you can speak with about your business plan.

How can I learn more?

More free pass-along downloads showing SPIN-Farming in action are available at www.spinfarming.com

SPIN-Farming Makes Agriculture Accessible to Anyone, Anywhere!