



NorthwestSM

FARM CREDIT SERVICES



Helping New Ag Producers Grow



Objectives

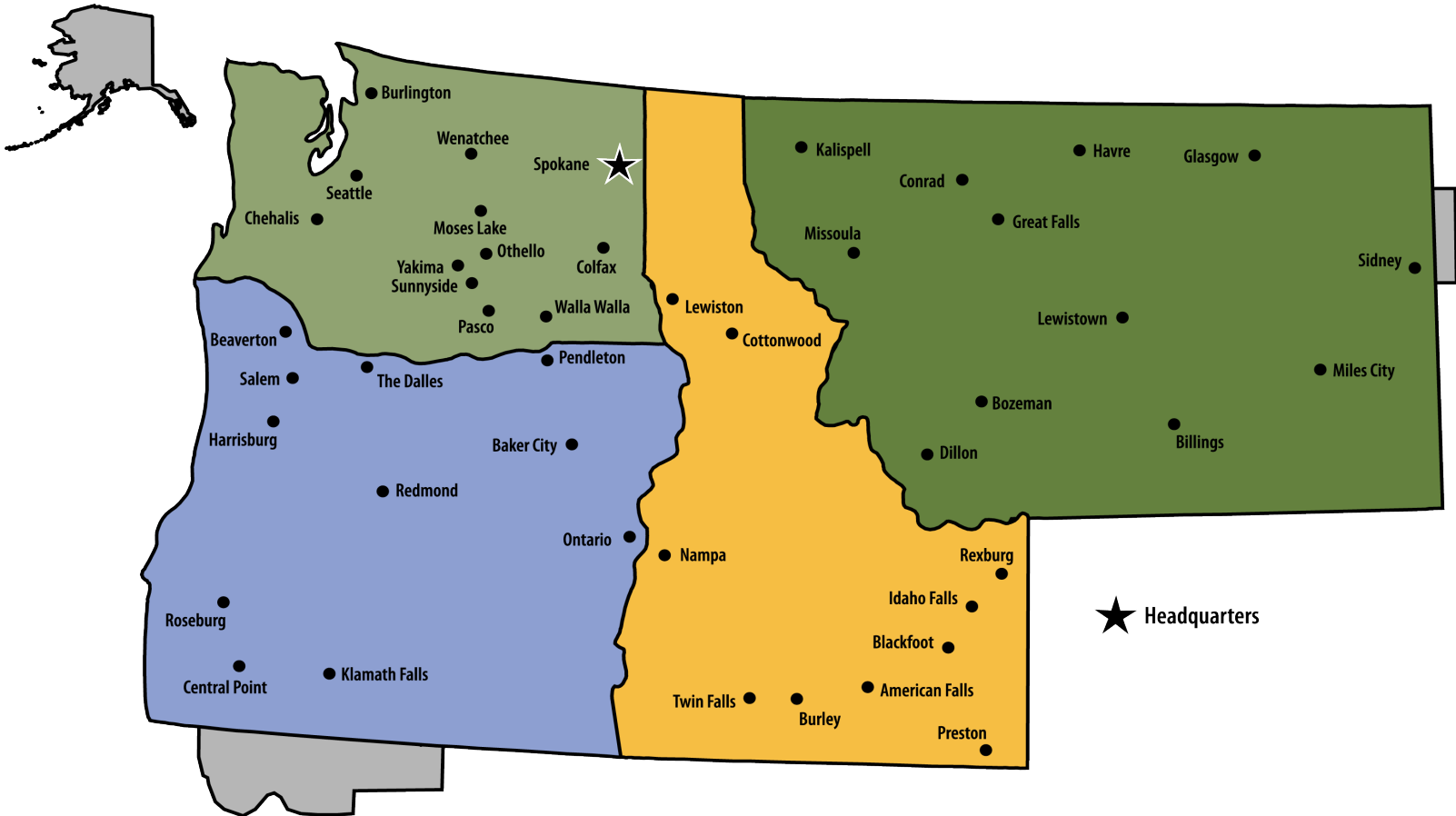
- **Who is Northwest Farm Credit Services?**
- **What services do we provide?**
- **How are loan decision made?**
- **What are some obstacles our applicants face?**



Who is Northwest FCS?

- **Part of the Farm Credit System**
- **A farmer-owned lending cooperative**
- **Serving Washington, Oregon, Idaho, Montana, & Alaska**
- **With 550 employees & 45 offices**
- **Providing over \$10 billion to 13,000 farmers, ranchers, agribusinesses, aquatic harvesters, timber producers, & rural home owners**
- **Financing 32% of the value of farm production in Washington, Oregon, Idaho, and Montana**

Northwest FCS Locations





Who is Northwest FCS?

- **Loan Programs**
 - Real Estate purchase
 - Operating expenses
 - Livestock and equipment purchases
- **We also provide leasing services, appraisal services, and life, mortgage, disability, and crop insurance programs.**



Who is Northwest FCS?

- **We offer a specialized program called AgVision**
 - A program designed to meet the needs of customers with at least one of the following characteristics:
 - **Young** (35 years of age or younger)
 - **Beginning** (10 years or less agricultural experience)
 - **Small** (Producer with annual gross farm production of less than \$250,000)
 - **Recognized minority** (African American, Native American, Alaskan Native, Hispanic, Asian, and Pacific Islanders)



Northwest FCS: AgVision

- **Who Qualifies under the AgVision program**
 - Aspire to be or is a full time Ag producer
 - Has a acceptable credit history
 - And again, meets at least one of the following characteristics.
 - Young, Beginning, Small, and Minority Producer

Northwest FCS: AgVision



- **Benefits of the AgVision Program**

- Stakeholder of Northwest FCS and eligible for patronage.
- Reduced or waived fees
 - Up to \$2,000 loan origination fee
 - Up to 2,000 appraisal fee
- Competitive interest rate
- Access to our knowledge center that provide industry studies and benchmarks
- Leadership Opportunities through our Local Advisor committees

How are loan decision made?



The 5 C's of Credit

- **Character**
- **Capital**
- **Capacity**
- **Collateral**
- **Conditions**





Character

- Your experience in the operation
 - Operating
 - Financial
 - Marketing
- Have a business plan in place
- Have a good credit score



Character

- Credit Report
 - Credit Score above 650
 - Have no late payments
 - Have minimum credit card balances
 - Have no outstanding collections or liens
- Review your credit report at least once a year
 - www.annualcreditreport.com

Character – Business Plan



- **General**
 - Name
 - Date
 - Production year
- **Financial**
 - Current year **income and expense records**
 - Current **balance sheet**, projected **balance sheets**
 - Past **three year's tax return**
 - Complete **cash flow budget**
- **Farm Plan**
 - Land-base -- list each tract, total acres, location, owned or leased (include terms).
 - Number of acres and crops to be grown on each tract, yield, estimated price per unit
 - Livestock -- list total number by classification (cows, bulls, etc.) List number of head to be produced, pounds per head for sale, and estimated price per pound.
 - Conservation practices
 - Marketing plan including when and how products will be marketed

Character – Business Plan



- **Risk Philosophy**

- Insurance – do you have Life or Health insurance.
- Insurance - Crop - crop hail, multi-peril, amount of coverage, cost, agent and company.

- **Expansion Plans**

- Plans to purchase real estate.
- Plans to rent additional real estate.
- Proposed source of capital.
- Proposed repayment plans.
- Equipment purchases -- date, item, cost, and type of financing.

- **Personal**

- Experience
- Goals -- list short-term and long-term

Capital



- Your financial position – what you own and what you owe
- Financial Statement: **Balance Sheet**
- Financial ratio we look at is debt to asset (leverage)
 - Want to see this ratio below 65%
 - This shows the producer has a stake in the game, will make sure to make good financial and management decisions.



Capacity

- Can you Repay the loan
- It's one of the most important factors for any operation
- Financial Statement: **Income Statement and Cash Flow budget**
- We want to see an earnings margin of 10% of your gross income.

Collateral



- The security that backs up the loan
- Examples: farm ground, farm equipment, crop inventories, livestock, etc.
- Will try to line up collateral with type of loan being made
 - Operating loan – crops
 - Equipment loan – machinery & equipment
 - Real Estate loan – farm ground being purchased
- Generally, a lender would like to be below 80%
 - Loan Amount/Collateral Value

Conditions



- Terms of the loan
- **Example:** Length of loan, fixed vs. variable rates, FSA guarantee, crop insurance, life insurance requirement, etc.
- If there is weakness in the other C's, we can add conditions to help mitigate the risk to Northwest FCS and customer

What are Obstacles Applicants Face?





Obstacles Applicant Face

- Don't have a 3-5 year marketing plan
- Not sure how to construct income projections
- Low credit score
- Struggle completing loan application
- No or minimal down payment money
- High debt level
- Minimal understanding of financial statement
- Weaknesses in record keeping
- Hesitation to disclose all the information necessary

Northwest FCS: AgVision



- If you have any questions regarding Northwest FCS or the AgVision program, contact:
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