FROM THE FIELD

By Jim Hemann, Ag Lending Officer — Searcy Branch

EXPERT ADVICE FOR THE NEXT GENERATION OF FARMERS

Starting a journey in agriculture is both rewarding and challenging. At AgHeritage Farm Credit Services, we are committed to supporting our Young, Beginning, and Small (YBS) farmers as they navigate the complexities of agricultural financing. In this inaugural "From the Field" feature, I'm sharing key insights to help you prepare for a successful partnership with your lender.

LAYING THE GROUNDWORK: YOUR FIRST STEP

The most critical first step for anyone starting a farming operation is to develop a clear and realistic business plan. When you walk into our office, we need to understand the heartbeat of your operation:

- Production Goals: What commodities, products, or services will your agricultural operation provide?
- Financial Outlook: What are your expected costs and projected income?
- Experience: What level of agricultural experience do you bring to the table?
- Repayment Strategy: How, specifically, do you plan to repay the loan?

UNDERSTANDING THE "5 C'S OF CREDIT"

Whether you are a first-generation farmer or come from a long line of producers, lenders typically evaluate borrowers based on the 5 C's of Credit:

1. Character: Your credit score, repayment history, and reputation within the community.

2. Capacity: Your demonstrated ability to repay the debt.

3. Capital: Your existing savings, investments, or other assets that can support repayment.

4. Collateral: Assets like equipment or real estate that secure the loan.

5. Conditions: Interest rates, loan terms, and other factors that may affect your ability to repay the loan.

While younger farmers may naturally have less capital or collateral, strong performance in the other categories can often help offset these shortfalls.

GATHERING YOUR FINANCIAL RECORDS

Before our first meeting, please have your documentation organized. Generally, we require:

- At least three years of income tax returns (if available).
- A current balance sheet or financial statement.
- A recent W-2 if you are relying on non-farm income for repayment.
- Context for any negative information that might appear on your credit report.

RESOURCES FOR SUCCESS

You don't have to do this alone. There are several programs designed specifically to assist beginning farmers:

- USDA Farm Service Agency (FSA): Offers Guaranty Loans and Participation Loans.
- AgHeritage Partnerships: We frequently partner with the FSA to provide financing to family farmers who might not qualify for traditional credit.
- Local Extension Offices: These are invaluable resources for technical tools and services as you get started.

YOUR ACTION PLAN FOR THIS WEEK

If you do one thing this week to become "lender-ready," let it be this: Get organized and start that business plan. Be realistic about your expectations and understand that it takes time to make a loan. It is very common that the lender may need additional information along the way, so be prepared.

We are here for YOU! If you have any questions on how to get started, please reach out to any of us at a local AgHeritage branch office.