

NEW FARMERS NEEDED FOR WISCONSIN AGRICULTURE TO PROSPER Ag Lenders Offer Advice to Young, Beginning and Small Farmers

MT. HOREB, Wis. - April 21, 2003 - Entering the farming business is a difficult task, and the implications for the future of Wisconsin agriculture are enormous. Without new farmers entering the profession, opportunities and infrastructure will continue to decline. "Today's agriculture is capital intensive and generally requires access to expensive inputs, machinery, land and facilities. The initial capital outlay required to enter farming can be tremendous and overwhelming," says Gerald Brian, Sr. Vice President and Chief Credit Officer, GreenStone Farm Credit Services, a member of the Wisconsin Farm Credit System. "Farm Credit knows first hand it's critical to support and encourage young, beginning and small farmers, so we have special policy directing beneficial loan terms and conditions for this group."

Farm Credit takes into consideration the strengths and weaknesses of this sector, says Bryan Mullendore, Sr. Financial Services Team Leader, AgStar Financial Services, a member of the Wisconsin Farm Credit System. He says those meeting the criteria of a young, beginning or small farmer normally are subject to a lower net worth requirement and a willingness to finance a higher amount of collateral on these loans. In general, young, beginning and small farmers can apply for operating, equipment and real estate loans with more relaxed credit standards and reduced interest rates than those offered to normal applicants. Farm Credit also works with Farm Service Agency (FSA) guaranteed loans. These loans allow more flexible terms and can provide additional assistance with interest rates.

Prior to contacting a lender, both Brian and Mullendore recommend developing a thorough business plan. Some things they recommend including are: goals and a timeline to achieve those goals; qualifications as a business manager, including strengths and weaknesses; how raw material inputs will be turned into cash and profit; specific resources needed, their cost, when those transactions will occur and the financing necessary; and, existing risks and how they will be mitigated. Once the plan is written, the feasibility of the plan from a financial perspective should be analyzed. Brian says financial statements, including historic and projected balance sheets and earnings statements, should be prepared, and Mullendore suggests looking at cash flow.

"The most important part of the plan is that it's realistic and conservative. In farming, it's only a matter of time when something won't go according to plan," says Mullendore. "If you don't leave room to maneuver when a setback occurs, you might not be able to continue farming. The more realistic the plan, the more comfortable a lender will be and the more likely the plan will be financed."

When the plan is in place and financing has been acquired, maintaining open and honest communication and a cooperative attitude with the lender is extremely important, says Brian. Besides providing loans, both he and Mullendore point out Farm Credit offers

many other services to minimize risk and assist in farm management, such as financial planning and record keeping, tax preparation and planning, crop insurance, appraisal services and life and disability insurance. Most importantly, an ag lender works with many other farmers and can provide insight on how other operations function and successfully manage their businesses, says Mullendore. However, the lender is not the "key" to business success.

"The new farm business manager is the driving force," says Brian. "If the farm doesn't generate enough profit to repay the principal, it doesn't make any difference how low the interest rate, or if the loan is approved."

The Wisconsin Farm Credit System includes four associations: AgStar Financial Services, Badgerland Farm Credit Services, FCS Financial Services and GreenStone Farm Credit Services. All are part of the Farm Credit Services nationwide network of cooperative lending institutions providing credit and financial services to farmers, ranchers and rural residents. With more than 85 years of agricultural lending experience, the system is the largest single provider of agricultural credit in the United States. For further information, call 1-800-444-3276.

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