Ohio Cooperative Development Center

Financing Resources for Growers

October 13, 2016
Ohio Cooperative Development Center

- Cooperative education
- Formation counseling
- Member education
- Bylaw development
- Board training
- Feasibility studies
- Business plan assistance
- Resource linkages

Our mission is to improve the economic condition of rural areas in Ohio and West Virginia through the development of all types of cooperative businesses and cooperative-like groups.
Ohio and West Virginia Food Hub Network

Peer exchange, educational network for food hubs and incubator training farms serving wholesale or institutional markets. Educational programming is focused on addressing developmental barriers.
Today’s Presenters

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Farm Loan Manager
USDA Farm Service Agency

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USDA Farm Service Agency
Financing Resources for Growers

Farm Service Agency’s Farm Loan Programs

Frankie Stith-Scott
Farm Loan Manager
USDA Farm Service Agency
Ohio Farm Service Agency

- FSA supports and helps ensure a healthful, stable, accessible and affordable food supply
- FSA also fosters good land stewardship, which will help preserve our agricultural land for generations to come
- FSA provides financing to assist family size farms to start and enlarge their agricultural operations
Farm Loan Programs provide loans, loan guarantees, and business planning to eligible farmers, ranchers, and others to promote, build, and sustain family farms in support of a thriving agricultural economy.
Types of Loans

► Supervised Credit

► Direct – Made & Serviced by FSA
  ► Borrower applies directly to Farm Service Agency (FSA)
  ► $300,000 Maximum Limit

► Guaranteed – Made and Serviced by Lender
  ► Lender deals directly with borrower
  ► Lender applies to FSA for guarantee
  ► $1,399,000 Maximum Limit
Overview of Ohio Farm Loan Programs

► Ohio’s Loan Portfolio

► Guaranteed Borrowers
  ► 3,656 $ 940,022,713

► Direct Borrowers
  ► 1,659 $ 186,130,340
  ► Total $1,126,153,053

► Kinds of Loans
  ► Farm Ownership Loans
  ► Operating Loans
  ► Youth Loans -10 to 20 yr olds in FFA, 4-H, etc.
Farm Ownership (FO) Loan Purposes

- Acquire or enlarge a farm
- Promote soil and water conservation
- Make capital improvements
- Refinancing (only for guaranteed loans)
Operating Loan (OL) Purposes

- Purchase machinery, equipment, and livestock
- Annual operating expenses
- Family living expenses
- Refinance debts for operating expenses
- Guaranteed Loans only – 5 year Line of Credit (LOC) loans for annual operating and family living expenses. No refinancing except annual operating debt incurred for current crop year.
Interest Rates and Loan Terms

► Interest Rates: Tied to Gov’ts Treasury Bill Rate
  ► Direct FO – 1.5 to 3.125%
  ► Direct OL – 2.125%
  ► Guaranteed
    ► Negotiated between the lender and the borrower
    ► Interest rates of these programs may not exceed the rate lender charges average farm customer
  ► Length of loan is generally determined by useful life of security
    ► OL - 1 to 7 years
    ► FO - maximum of 40 years
Targeted or Reserved Funds for Use by Specific Farmers

Two specific categories:

1. Under represented groups - Socially Disadvantaged Applicants (SDA)
   - African American
   - Hispanic
   - American Indian or Alaskan Native
   - Asian or Pacific Islander
   - Women

2. Beginning Farmers
Beginning Farmers: Who is considered a beginning farmer (BF)?

- An individual or entity who:
  - Has not operated a farm for more than 10 years
  - Meets basic eligibility requirements for the loan program he/she is applying
  - For FO purposes, does not already own a farm greater than 30% of the average size farm in the county of the farm purchase
  - If entity, all members must be related by blood or marriage
  - All stockholders in a corporation are eligible beginning farmers
Down Payment (DP) Loan Program

► Beginning Farmer or Socially Disadvantaged Farmer
► Direct loan to purchase farm real estate
► 5% down payment
► Maximum loan amount is 45% of the lesser amount of:
 ► The purchase price of the farm
 ► The appraised value of the farm, or
 ► $667,000
► No limitation on the purchase price
► Interest rate is the greater of the direct FO rate less 4% or 1.5%
► Terms not to exceed 20 years
Recent Example of a Down Payment Loan

- **Purchase Price of Farm**: $800,000
- **5% Down Payment**: $40,000
- **FSA Direct DP Loan**: $300,000
  
  1.5% Interest and Jr. Mortgage

- **Guaranteed Loan**: $460,000
  
  1st Mortgage

Since a guaranteed loan is made in conjunction with DP program, fee is waived and 95% guarantee is authorized.
If the Applicant is Not a BF, or a Down Payment is Not Available….

Recent Example of Participation Loan

- **Purchase Price of Farm**    $ 800,000
- **FSA Participation Loan**   $ 300,000
  - 2.5% Interest, Jr. Mortgage
- **Guaranteed Loan**          $ 500,000
  - 1st mortgage
Microloan Program (ML)
Cultivating big dreams on a smaller scale

- What is a Microloan?
  - An operating loan, either annual or term; or a farm ownership loan, that does not exceed $50,000
  - MLs have an abbreviated application process/fewer forms/more proportional to smaller operations
FSA’s Vision for the Microloan Program

- An entry way for operators who perceive that FSA loans are only for larger, established farms or may be intimidated by the paperwork:
  - Bridge for Youth borrowers to transition to larger scale operations
  - Alternative/Urban Agriculture Operations – A fit for smaller nontraditional niche farms
Microloan – Managerial Ability and Alternatives

- Got Experience?

Applicants not meeting the general requirement for farm management experience may still be eligible. Alternatives include an apprentice relationship, past participation with organizations such as FFA, 4-H, Beginning Farmer programs and Community Based Organizations. Even prior small business management experience combined with a self-directed apprenticeship can allow applicants to start farming with a Microloan.
Ohio Farm Loan Program Contacts
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FSA Web Sites

► http://www.fsa.usda.gov
Contains basic program information and updates for agency programs for all states.

► http://www.sc.egov.usda.gov
Contains downloadable Agency forms for use by the public.

QUESTIONS??
2016 Farm Storage Facility Loan (FSFL) Program

Farm Storage Facility Loans

Farm Storage Facility Loan Program
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Topics to be covered

• FSFL Program Overview
• Eligible Producers
• Eligible Commodities
• Recent Program Changes
• Application Process
• Approval Process
FSFL Program Overview

• Provides for low-cost financing for on-farm storage, handling facilities, and storage and handling trucks.

• No grant money involved. Only low interest loans.

• Maximum loan amount is $500,000.

• Loan terms are 3,5,7,10 or 12 years depending on the loan collateral and loan amount.
FSFL Program Overview

• Interest rates are announced monthly. Your interest rate is locked in based on the date of loan approval.

• Interest rates for October:
  
  3 year loan -  .875%
  5 Year Loan -  1.125%
  7 Year Loan -  1.50%
  10 Year Loan -  1.625%
  12 Year Loan -  1.750%
Eligible Producers

- Any person who is landowner, tenant or sharecropper who has an interest in an eligible commodity.

- There is no “Credit Test” to qualify.
Eligible Commodities

• Eligible Commodities have been expanded to include all of the following:

 Corn, Grain Sorghum, Soybeans, Small Grains, Hay, Honey, Renewable Biomass, Fruits and Vegetables (Cold Storage Facilities), Maple Sap,

RECENT PROGRAM CHANGES

• Storage and handling equipment was amended to include:
  – New or used
  – Portable or permanently affixed

• Added storage and handling trucks
  – New or Used
• Microloans were introduced effective May 3, 2016.
  – Microloan limit is $50,000 (Aggregate outstanding FSFL loan amount.)
  – Down payment reduced to only 5%.
  – Producers can self-certify storage capacity needs.
  – Loan Terms are 3 or 5 years for used.
  – Loan Terms are 3, 5, or 7 years for new.
Loans Over $50,000

- Minimum down payment is 15%.
- Requires up to 3 years of production history to show storage/handling need.
- Loans over $100,000 require additional security other than UCC-1 filing.
  - Can be 1st mortgage on real estate.
  - Can be letter of credit from bank.
• Loans on portable storage and handling equipment and storage and handling trucks can be disbursed prior to purchase.

• Loans on permanently affixed equipment will be disbursed after completion of the project. (Example Grain Bin, Hay Storage Barn)
FSFL Permanently Affixed Storage Equipment Examples

• Grain Bins, Cribs, Walk-in Storage Coolers, Flat-Type Storage Structures, Cold Storage Structures, Bulk Tanks, Grain Dryers, Grain Legs, Etc....
FSFL Portable Handling and Storage Equipment Examples

Some Ineligible Items:

Application Process

• File form CCC-185 and provide $100 non-refundable application fee.

• Provide detailed description of project or equipment to be purchased.
  – Estimate of cost from contractor.
  – Sales contract for portable storage and handling equipment.
Application Process

• Provide Cash Flow and Balance Sheet along with Tax Returns.
  – $25,000 or less – 1 Year Tax Return
  – Over $25,000 – 3 year Tax Return

• Provide copy of deed for permanently affixed equipment.
Approval Process

• FSA will complete an Environmental Evaluation.

• FSA will complete a Financial Analysis showing ability to repay.

• Verify producer eligibility and equipment eligibility.

• FSA County Committee will take action on the request outlining conditions of approval.
• FSA will evaluate the equipment to be purchased. Obtain serial numbers, VIN numbers etc.

• Confirm down payment has been paid to the seller/supplier.

• FSA will file UCC-1 security agreement with the Secretary of State.

• FSA will contact the producer to set up loan closing date.
Requirements After Disbursement - Portable Storage Structures, Drying and handling Equipment and Handling Trucks

- Applicant must provide FSA an original sales receipt for the purchase within 15 days.
- Proof of Peril Insurance. (Crop Insurance Not Required)
- For Trucks:
  - Proof of auto insurance.
  - Proof of registration fees.
  - Certificate of Title.
Requirements For Loan Disbursement – Permanently Affixed Equipment

- Project must be completed and ready to use.
- Obtain Peril Insurance on the loan collateral.
- FSA will complete an on-site Inspection.
- Obtain Crop Insurance on FSFL commodity.
  - Federal Crop Insurance
  - NAP Coverage (Non-Insured Assistance Program)
- Provide proof of minimum down payment paid.
- Loans over $100,000 must provide additional security.
- Lien Waivers/Severance Agreements Required.
Storage and Handling Trucks

Additional details

- Can be new or used. (No older than 15 Years)

- Must obtain a clear Certificate of Title. (FSA will hold the title)

- Must provide proof of full coverage insurance. (Comprehensive and Collision)
Eligible Storage and Handling Trucks

• Cold storage trucks that can be ice-cooled or equipped with any variety of mechanical refrigeration system.

• Flatbed Trucks

• Grain Trucks with a mounted grain body.

• Storage Trucks with a chassis unit such as a box truck or box van.
Ineligible Storage and Handling Trucks

- Semi Trucks
- Pick-up Trucks
- Dump Trucks
- Trucks with more than 4 axles or with a GVW rating over 60,000 pounds.
Program Re-Cap

- Low Interest loans on portable or permanently affixed storage structures and handling equipment.
- Includes new and used equipment.
- Application and $100 fee must be paid prior to purchase and delivery.
- Micro Loans available up to $50,000.
Questions
Additional Information

• [WWW.fsa.usda.gov/pricesupport](http://WWW.fsa.usda.gov/pricesupport)
  – Fact Sheets
  – Program Handbook
  – Storage Needs Calculator
Questions?

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