

## ***Station #9: CREDIT AND FINANCE***

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### **Station Purpose:**

This station will provide young people with the experience of organizing, preparing and participating in an actual loan request. They will learn proper procedures and how to prepare a loan application request.

### **Station Structure:**

This station is a mock loan interview. Teams will meet with financial officers and present a description of a project along with completed financial data in support of the loan request. The project consists of selecting one of three scenarios that are attached.

Teams are expected to have a detailed written business plan outlining their project. The judges will review loan application documents and the business plan. On the day of the contest, a mock loan interview will take place with the judges inquiring about the project and evaluating its feasibility based on the information presented.

Teams will be evaluated on their written business plan, financial documents, loan request and how well the team communicates their knowledge and understanding of the project and loan process. Teams are allowed to bring any supportive material to this station with copies of their loan application documents, balance sheet, cash flow, breakeven analysis, and business plan. If there is more than one team from a school, please do not use identical information and support documentation.

### **Areas of Study:**

The business plan may include but is not limited to:

- ❖ Description of the borrowing entity
  - Participants and investors; their roles and backgrounds
  - Location
  
- ❖ Explanation of what is to be accomplished by the project
  - Detailed outline of the project
  - Project goals
  
- ❖ Loan application request information
  - Terms of loan requested
  - Amount needed and for what purpose
  - Cost of project
  - Time table
  - Break-evens
  
- ❖ Management of the Project
  - Labor and division of responsibility
  - Environmental issues
    - Manure handling
    - Permits
    - Compliance
  - Animal Health Program
    - Standardization of a program
    - Monitoring procedure
  - Marketing Plan
    - Marketing options
    - Risk Management

- ❖ Who are the applicants
- ❖ Outline of loan request & description of farm operation
  - Estimated Livestock Plans for the next 12 months
  - Estimated Break-evens
- ❖ Description of Non Farm Occupation
- ❖ Balance Sheet\*
  - Current and Fixed Assets
  - Current and Fixed Liabilities
- ❖ Income and Expense Information\*
  - Farm Income
  - Farm Expenses
  - Off-Farm Income
  - Non-Farm Expenses

\*A sample balance sheet and cash flow form are attached. You may use the attached forms or ones of your own choice. You may also use forms available on Iowa State's Ag Decision Maker website.

## CREDIT AND FINANCE

Choose one of the following scenarios below to base your mock loan interview. Complete the requested forms and materials PRIOR to Extravaganza. **Bring these materials with you** for the mock loan interview.

### SCENARIO 1:

Loan Application: To finance the purchase of 150 head of yearling steers to finish out. Purchase month will be December 2020.

Need to purchase all feed.

Complete the balance sheet, cash flow\* and loan request, include any risk management tools and calculate your estimated break-even.

Describe in detail all assumptions made, i.e. owned facilities, leased facilities or cattle custom fed, interest rate, terms of the loan request, and prices used for feed costs. See also details listed under the Credit and Finance station description.

### SCENARIO 2:

Loan Application: To finance the purchase of 30 bred cows to start a cow/calf business. Assume these cows will calve in the Spring of 2021.

Please complete a balance sheet, cash flow\* and loan request for one year. Include any risk management tools used and what your estimated break-even sale price for the calves will be.

Describe in detail all assumptions made including feed costs, interest rate and terms of the loan request. See also details listed under the Credit & Finance station description.

### SCENARIO 3:

Loan Application: To finance the purchase of 150 head of 550# heifer or steer calves backgrounding them to 850#. Purchase month will be November 2020.

Please complete the balance sheet, cash flow\* and loan request for the appropriate time period. Include any risk management tools used and what will be your estimated break-even sales price.

Describe in detail all assumptions made including feed costs, interest rate and terms of the loan request. See also details listed under the Credit & Finance station description.

\*Balance Sheet and cash flow forms are available on Iowa State's Ag Decision Maker web site. Go to [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm) and click on Decision Tools, Finance. You may use these forms or ones of your own choice. The Iowa State forms are free of charge. A sample balance sheet and cash flow form is also attached that you may use.

**PROJECTED CASH FLOW**

**Name:**

**Date:**

**Projections for Year:**

**Projections for Year:**

	Last Year Actual	Period				Projected This Year
<b>Farm Operating Revenue</b>						
<b>Total Cash Farm Oper. Rev.</b>						
Sale of Breeding & Dairy Livestock						
NonFarm Income						
Sale of Capital Items						
Paid-In-Capital						
Borrowed						
<b>Total Cash Available</b>						
<b>Expenses</b>						
Breeding						
Chemicals & Spray						
Feed						
Fertilizer & Lime						
Freight, Trucking						
Gas, Oil, Fuel						
Insurance						
Interest (Mortgage or Other)						
labor						
Machine Hire						
Rent						
Repairs						
Seed & Plants						
Supplies						
Taxes (Not Income Tax)						
Utilities						
Veterinary						
Autos & Trucks						
Other Expenses						
<b>Total Cash Farm Oper. Exp.</b>						
Purchases of Feeder Livestock						
Purchases of Breeding & Dairy Livestock						
Other Purchases for Resale						
NonFarm Expenses						
Living & Income Tax						
Capital Purchases						
Capital Paid-Out						
Debt Payments						
<b>Total Expenditures</b>						

Farm Credit Services of America  
**BALANCE SHEET**

Name \_\_\_\_\_

**STATEMENT OF FINANCIAL CONDITION AS OF \_\_\_\_\_**

CURRENT ASSETS				Amount	CURRENT LIABILITIES*						Amount
Cash on Hand \$ _____ Savings \$ _____				\$	Operating Loans:						\$
Accounts Receivable-Itemize (Sch. A) .....											
Commodity Trading Accounts .....					Credit Card Debt/Other Optg:						
Marketable Bonds and Securities (Sch. B) .....					CCC Loans						
<b>Total Quick Assets</b>											
Prepaid Expenses (Sch. C)											
Investment in Growing Crops (Sch. D)					Int.-FCSA Op.			Int.-Oth. ITL			
Qty.	Crops & Feed Description		Value/Unit		Int.-Oth. Op.			Int. FCSA/ LT			
Descrip tion					Int. FCSA ITL			Int. Oth. LT			
Value/ Unit											
_____	_____ @ _____				<b>Total Interest Payable</b>						
_____					Labor		Mach. Hire				
_____					Repairs		Veterinary				
_____					Crop Exp.		Petroleum				
_____					Rent		Taxes				
_____					Feed		Utilities				
_____					Misc.						
<b>Total Farm Products &amp; Feed</b>											
Market Livestock					<b>Total Farm Operating Accounts Payable</b>						
No.	Description	Avg. Wt	Value/Unit		Incl/SS Tax						
_____	_____	_____	_____		<b>Total Personal Accounts Payable</b>						
_____	_____	_____	_____		Current Portion-Principal Due on:						
_____	_____	_____	_____		Interim Debt-FCSA		Interim Debt-Oth				
_____	_____	_____	_____		L-T Debt-FCSA		LT Debt-Other				
<b>Total Market Livestock</b>					<b>Total Current Portion</b>						
<b>TOTAL CURRENT ASSETS</b>					<b>OTHER CURRENT LIABILITIES*</b>						
<b>TOTAL CURRENT ASSETS</b>					<b>TOTAL CURRENT LIABILITIES</b>						
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>						
Breeding & Dairy Livestock					Mortgage To:	Lien On	%	Mat. Date	Prin. Due in 12 Mos	Amount	
Qty	Description	Avg Wt	Value/Unit	\$							
_____	_____	_____	_____								
_____	_____	_____	_____								
_____	_____	_____	_____								
_____	_____	_____	_____								
_____	_____	_____	_____								
<b>Total Breeding &amp; Dairy Livestock</b>											
Car(s) & Truck(s) (Sch. E) _____											
Machinery & Equipment _____											
No. Acres	Description	Value/Ac.		No. Acres	Mortgage To:	%	Mat. Date	Prin. Due in 12 Mos.	Amount		
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
_____	_____	_____		_____							
Co-op Investment-ACA Stock .....											
Contracts & Notes Receivable (Sch. F) .....											
Retirement Accounts (IRS, Keogh) (Sch.G).....											
Cash Value of Life Insurance (Sch. H) .....											
Other/Assets (Sch. I) .....											
<b>TOTAL NONCURRENT ASSETS</b>					<b>TOTAL NONCURRENT LIABILITIES</b>						
<b>TOTAL ASSETS</b>					<b>TOTAL LIABILITIES</b>						
					Retained Net Worth (Earned Net Worth) .....						
					Capital Accounts .....						
					Revaluation of Assets .....						
					<b>TOTAL NET WORTH</b>						
					<b>TOTAL LIABILITIES AND NET WORTH</b>						

\*List any contingent liabilities below or on supporting schedules.

