

Supporting Agriculture

Financing your farming business

**RABDF Business
Debates**

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We love lending to successful businesses!

- Your objective is to provide evidence to demonstrate that your business will be successful
- Preparation of a business plan

How do we assess a proposition to borrow money?

Two key elements:

Serviceability

Security

CAMPARI ... with ICE – a good place to start

Character

Ability

Means

Purpose

Amount

Repayment

Insurance

Interest

Commission

Extras

Character

The person who is going to make the plan a reality

- track record
- reputation

Ability

Professional ability:

- experience
- skills
- technical knowledge

Financial ability:

- business management
- financial forecasts
- monitoring the business

Means

The person's stake in the business:

- for an existing business - net worth
- for a start-up – cash available

Purpose - what is the finance for?

- capital expenditure
- working capital
- legal fees, stamp duty etc.

Amount

- is it enough?
- could it be too much?
- how does amount relate to stake invested?
(LTV – loan to value)
- how structured?
 - term loan? what term? overdraft?

Repayment (1)

Serviceability

- financial forecasts (profit, cash, capital)
- relationship to previous performance (recent accounts)
- relationship to comparative data (benchmarking)
- sensitivity analysis (what if...)

Repayment (2)

- source of repayments - from profits? other sources?
- would a capital repayment holiday help
- could an interest only loan be suitable?
- period of repayment?

Insurance (i.e. security)

- bank is not lending its own money
- what happens if it goes wrong?
- bank takes security to protect its lending
- security could be provided by property, stock, guarantees
- life cover

Interest, Commission, Extras

Rate of interest charges reflects reward for risk

- lower risk means lower interest rates
- interest rate protection (fixed, caps, bases, collars)

Commission

- lending fee for setting up borrowing

Extras

- life assurance cover etc