

# Food Finance Institute

Institute for Business & Entrepreneurship



UNIVERSITIES OF  
WISCONSIN

# What We Do

- Financial consulting for food & farm entrepreneurs,
  - so they can make better strategic decisions
  - and raise the money they need to grow.
- Financial Management Boot Camp
  - 1-on-1 Business Consulting
  - Coaching Cohorts
  - Fellows Program



# FFI Food & Farm Business Consultants



**Sarah Larson**

Director, Food Systems



**Tera Johnson**

Innovative Finance



**Brad Rostowfske**

Food & Bev, Fellows



**Andy Larson**

Farm Programs



**Peter Robertson**

Food Brands



**Eric DeLuca**

Food Systems

- Find us at <https://foodfinanceinstitute.org/>



Ashley Tibbits

Assistant Vice President  
Ag & Commercial Loan Officer

## *About Me*

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- Born and Raised in Mineral Point
- UW-Platteville graduate
  - Agribusiness w/ Marketing emphasis
- Working in Banking for 16 years

# *Benefits of Community Banking*

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- Relationship–Based Banking
  - We Are Your Advocate
  - Character is key
- Many Loan Options Available
  - Based on your individual operation
  - We're able to be creative

# *Benefits of Community Banking*

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- Your lender is invested in your venture
  - If you succeed – the community succeeds
- Local Decisions Making
- Use us as a resource

**Choose a Bank that is Right for You!**

# *Loan Options*

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- **Land Purchase Transactions**
  - 20% down
    - Cash
    - Equity in Existing Real Estate
    - Farm Service Agency or other 3<sup>rd</sup> party



# *Loan Options*

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- **Operating Line of Credit**
  - Start-up funds to purchase inventory
  - Feed costs or Crop Inputs
  - To be paid once product is sold

# *Loan Options*

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- **Equipment or Livestock Loans**
  - Usually up to a ~7 year amortization
  - Payments due Monthly, Quarterly, Semi-Annually or Annually
    - Based on your cash flow

# *Deposit Accounts*

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- Business Checking and Savings Accounts
- Electronic Services
  - Online Banking / E-statements
  - Debit Cards
  - Payroll & ACH Transfers
  - Remote Deposit Capture / Credit Card Processing



United States  
Department of  
Agriculture



# What FSA has to Offer

**Farm  
Service  
Agency**

**[fsa.usda.gov](https://fsa.usda.gov)**

# Quick eligibility requirements

- **Temporary Credit**
- **Acceptable credit history**
- **Operator requirement**
- **Must produce something vs. providing a service**
  
- **Offer two type of products**
  - Direct loans and guaranteed loans
  - Will focus on direct loans today

# Two types of loans

## Operating Loans (OL)

- Used for livestock, machinery, equipment, annual operating expenses (refinance for these purposes as well)
- Up to \$400,000 total
- Term dependent on purpose of loan (typically up to 7yrs for breeding livestock and equipment)

## Farm Ownership loans (FO)

- Used for land purchases, building repair/ construction, farm purchases
- Up to \$600,000 total (3 different options available)
- Term dependent on purpose of loan (typically 30yrs)
- **Need 3yrs of farm mgmt. exp.**

## Micro Loans (ML)

- **More streamlined process, requires less documentation on both the applicant and FSA.**
  - Typically Processing time less so quicker approval process
- **Can have a ML for both FO and OL**
- **\$50,000 limit total**
- **Same eligibility requirements**
  
- **ML are a great way to get started and to start a relationship with FSA**

# What FSA is seeing

- **Seeing a lot of joint financing (partnering with another lender) to conserve cash**
  - Then using cash to operate
- **Seeing a lot of operations having non-farm income**
- **Seeing people trying to add value to their operations**





**MidWestOne**  
**Bank**<sup>®</sup>

## **Financial Resources for Agripreneuers**

May 30, 2024

**Nicholas Felder**

**Vice President, Commercial/Ag Banking  
Lancaster, WI**

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# Keys to Successful Banking



# Keys to Successful Banking

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- **Relationships**
- **Creativity in Financing**
  - Look into all available options

# Relationships



# Relationships

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- **Ignore the sign on the door**
- **Who can you call in the middle of the night?**
- **Who do you trust to give you radical candor?**
- **Who will advocate for you when you need it the most (not when you want it the most)?**
- **To whom can you brag about your most recent accomplishments or disclose your failures without judgement?**



**Who doesn't like a buffet?**

# Who doesn't like a buffet?

**Conventional  
Financing**

**Dealer or Provider  
Financing**

**FSA Financing**

- Direct
- Guarantees

**USDA Financing  
(Guarantees)**

**SBA Financing  
(Guarantees/Partner)**

**Other Money Lenders**



# SBA Lending & Agri-preneuers



Lending partner



Loan



Small business  
(You)

SBA reduces risk and enables easier access to capital.

# SBA Lending & Agri-preneuers

- **7(a) Loans**

- Guarantee loan program with \$5Mil max
- Used for:
  - Acquiring, refinancing, or improving real estate and buildings
  - Short- and long-term working capital
  - Refinancing current business debt
  - Purchasing and installation of machinery and equipment, including AI-related expenses
  - Purchasing furniture, fixtures, and supplies
  - Changes of ownership (complete or partial)
  - Multiple purpose loans, including any of the above
- Fees:
  - Could be up to 3% of the guaranteed portion at origination in addition to normal closing costs
- Rates are variable or fixed with Wall Street Journal Prime as the base rate
- Loans with a term of 15 years or more will have a 3-year 5/3/1% prepayment penalty

# FY 2024 SBA Program Fees (10/1/23 – 9/30/24)

Gross loan size	Fees (Customer Paid)	On Going Servicing Fee (Bank Paid)	Notes
Loans of \$1,000,000 or less	0.00% of guaranteed portion	0.00%	All Maturities
\$1,000,001 to \$2,000,001	1.45% of guaranteed portion to \$1MM + 1.70% of guaranteed portion over \$1MM	0.55%	Maturities that exceed 12 months
\$2,001,001 to \$5,000,000	3.5% of guaranteed portion up to \$1MM + 3.75% of guaranteed portion over \$1MM	0.55%	Maturities that exceed 12 months
\$1,000,1001 to \$5,000,000	0.25% of the guaranteed portion.	0.55%	Maturities of 12 months or less

# SBA Lending & Agri-preneuers

- **504 Loans**

- Partnership program with banks and CDCs (split lending) \$5.5Mil max
- Used For:
  - Existing buildings or land
  - New facilities
  - Long-term machinery and equipment with a useful remaining life of a minimum of 10 years, including project-related AI-supported equipment or machinery for manufacturing products
- Fees:
  - Up to 1.50% at origination in addition to normal closing costs (currently \$0)
  - Up to 0.364% of outstanding balance paid annually
- Rates can be lower than market

# SBA Lending & Agri-preneuers

- **Microloans**

- Used for a variety of purposes that help small businesses expand with \$50,000 max (Avg \$13,000)
  - Working capital
  - Inventory
  - Supplies
  - Furniture
  - Fixtures
  - Machinery
  - Equipment
  - Proceeds from an SBA microloan cannot be used to pay existing debts or to purchase real estate
- Fees: None as of today
- Rates are in line with market

# SBA Lending & Agri-preneuers

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- **Uses will generally be for an expansion/addition or to add value to an existing product**
- **Dairy Farm for facility expansion**
- **Grain Farm for grain processing**
- **Vegetable Farm for commercial kitchen/processing space/coolers**

**Thank you!**





**COMPEER**  
FINANCIAL™

# Compeer Emerging Markets Loan Program



Paul Dietmann, Sr Focused Lending Specialist - New Markets  
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# Emerging Markets Program

- For farmers marketing their products directly to consumers or engaged in value-added ag
- Microloan up to \$75,000
  - Easy underwriting
  - Quick loan decisions
  - Low interest rates
  - Lots of business planning help
- Loans from \$75,000 to \$1 million+ too
- Tax lease program



Whether your farm is a non-traditional operation marketing directly to consumers – or through local and regional food systems – our dedicated and experienced team can provide **financial solutions** designed to help you succeed. And we'll will guide you every step of the way.

[COMPEER.COM/EmergingMarkets](https://COMPEER.COM/EmergingMarkets)

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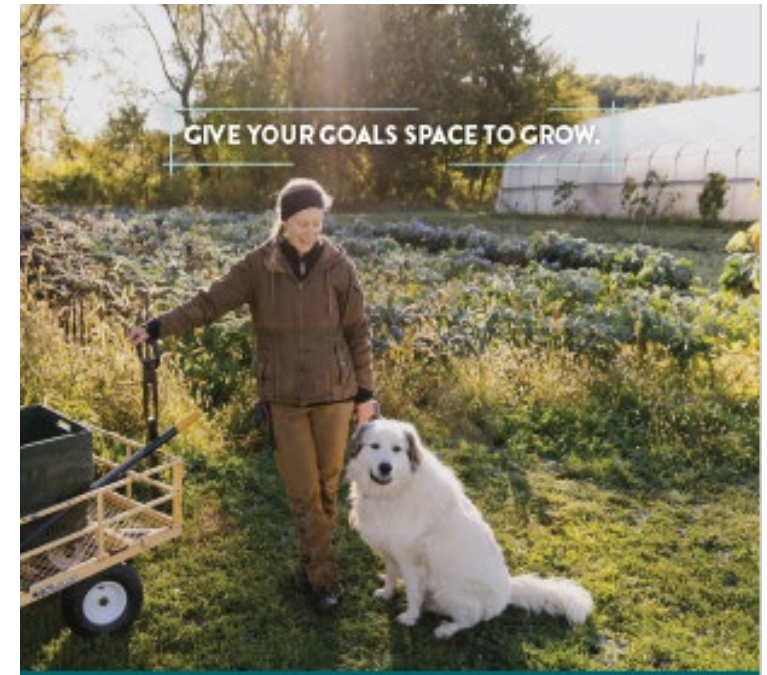
# Why did compeer create a loan program for this segment?

- It's a small but rapidly growing segment of agriculture in our territory
- Helps us meet FCA guidance to better serve farmers operating in local and regional food systems (FCA Bookletter 066)
- By helping these farmers succeed when they are new and small, we'll have them as members when they gain experience and grow larger



# Emerging Markets Program started in 2017

- Portfolio grew from zero, to \$3 million in early 2020, to \$32 million today
- Majority of our borrowers are first-generation farmers
- Many of our farms are primarily operated by women
- Significant number are immigrants
- We're often providing their first farm loan
- Most knew nothing about the Farm Credit System
- Portfolio performance has been excellent



#### LET'S MAKE YOUR PLANS & REALITY, TOGETHER.

We see potential in your plans. Whether your farm is a non-traditional operation marketing directly to consumers — or through local and regional food systems — our Emerging Markets lending specialists can provide financial solutions designed to give you the tools needed to succeed. And our experienced financial team will guide you every step of the way.

Partner with us to make your goals possible.

[COMPEER.COM / EMERGING MARKETS](https://www.compeer.com/emergmarkets)



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## Emerging Markets clients include:

- Fresh market vegetable farms
- Grassfed meat producers
- Small-scale meat processors
- Poultry producers
- Orchards
- Farm-based B&Bs
- Organic specialty grain growers
- Artisan grain millers
- Incubator farm & green burial cemetery
- Cider tap rooms
- Flower farms
- Herb growers/processors
- Greenhouse operations
- Bison ranchers
- Amish sawmills and farm machinery shops
- Amish cheese cooperative
- Organic vegetable processor
- Tannery

# Beyond loans, we collaborate with many organizations serving the sector in IL, MN, WI

- Nonprofits such as Marbleseed, Renewing the Countryside, Liberty Prairie Foundation, & many more
- University Extension in all three states
  - Sponsor & speak at conferences, workshops, training programs
  - Provide direct financial support
  - Write letters of support for grant proposals and participate in projects
- We also offer several grant programs





**Thank you!**

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