



Charles Holt, an independent consultant with the Farm Consultancy Group, talks about important and sometimes tough business issues facing dairy producers today. Here he shares some tips on how to successfully secure a loan, or overdraft increase, from your existing – or a new – bank.

Thorough planning is vital – without it the answer will probably be 'no'

# Take a confident approach



**L**ooking to change your bank? Or perhaps you're looking to extend an overdraft or take out a considerable loan to invest in new buildings or a milking parlour? Producers seem to be 'shopping around' at the moment when it comes to their financial affairs – the unprecedented pressures of the past 12 months mean that many are looking for a better deal. So, if that's you, what can you do to take the pain out of what is, without doubt, a difficult and daunting process and make sure you get a positive outcome?

It's all down to planning and putting forward a comprehensive and honest report about you, your business and your finances. The key is to present the bank manager with a proposition that can help them to say 'yes'. Remember, they have little power – they have to go to their manager or credit committee and put forward a case for you and your business. So arming them with as much information – in a clear and concise format – is essential. The bank has to be able to see that its investment is secure and that it will see a return.

## Comprehensive plan

Putting together a formal written plan, be it for a loan or to extend an overdraft, is not for the faint hearted. It can take weeks, usually with the help of a consultant or farm secretary.

The bank manager needs to know what you're trying to do and why. Are you buying some land? Are you improving cow housing? Are you increasing your overdraft and, if so, why?

They need to see that you're being realistic about the figures – do they add up? Will there be a return on the investment? Three things are essential here – a budget profit and loss, a budget balance sheet and a cash-flow budget.

The farm story is also important and some historical figures will help here. If

the business has made a profit for five years in a row but 2012/2013 saw a loss or a break even due to the tough climatic and economic conditions then explain it. History is important. It demonstrates that your business can make a profit in a 'typical' year and that the additional overdraft you're asking for is required to see you through what every bank manager knows was an exceptionally tough 12 months. So put that in your report. Make sure you're honest too. If your credit report is blotted, perhaps by a CCJ, add that in and explain why it's there. It may have been a minor dispute with a feed company, for example. That's not uncommon. So be open about it. The bank will run a credit check and they will find out. If you've not been truthful that won't go in your favour.

## Estimated value

Assets and collateral are important too and an estimate of your farm and business value should be included. The bank will request a formal valuation when they make you a conditional loan offer, but it needs a reference point. Bear in mind that banks will lend up to 65% of the value of the asset put forward for collateral for the loan, but between 25% and 30% is far more comfortable – for the business and the bank.

People are important too. The bank manager wants to know exactly who they're lending the money to. So include in your report details about who owns and who manages the business. Highlight skills and competences – emphasise the positive. Including a brief CV of all key staff in the proposition will also bolster the bank's confidence.

Confidence really is king. The bank wants confidence in you and your business. And armed with a thorough and well-planned proposition, there is a far greater chance that the answer will be 'yes'.