



2023 PA Veteran Farming Conference – Horizon Farm Credit



ABOUT ME

The History of Mitch Freeman

- Born & raised in Coudersport, PA on a crop/maple syrup farm
- Graduate of Penn State | 2017
 - B.S. - Agribusiness Management
 - Minor – Military Studies
- Farm Credit Employee since 2018
 - Underwriting
 - Loan Officer
 - Lending Manager
 - Currently covering:
 - Elk, Cameron, Clearfield, McKean
 - Potter, & Tioga County
- PA Army National Guard Field Artillery Officer
 - Currently Battery Commander of C BTRY/1-109th FA
- Own a farm with my family in Coudersport
- Follow us on Facebook! [Freeman Family Farm, LLC](#)



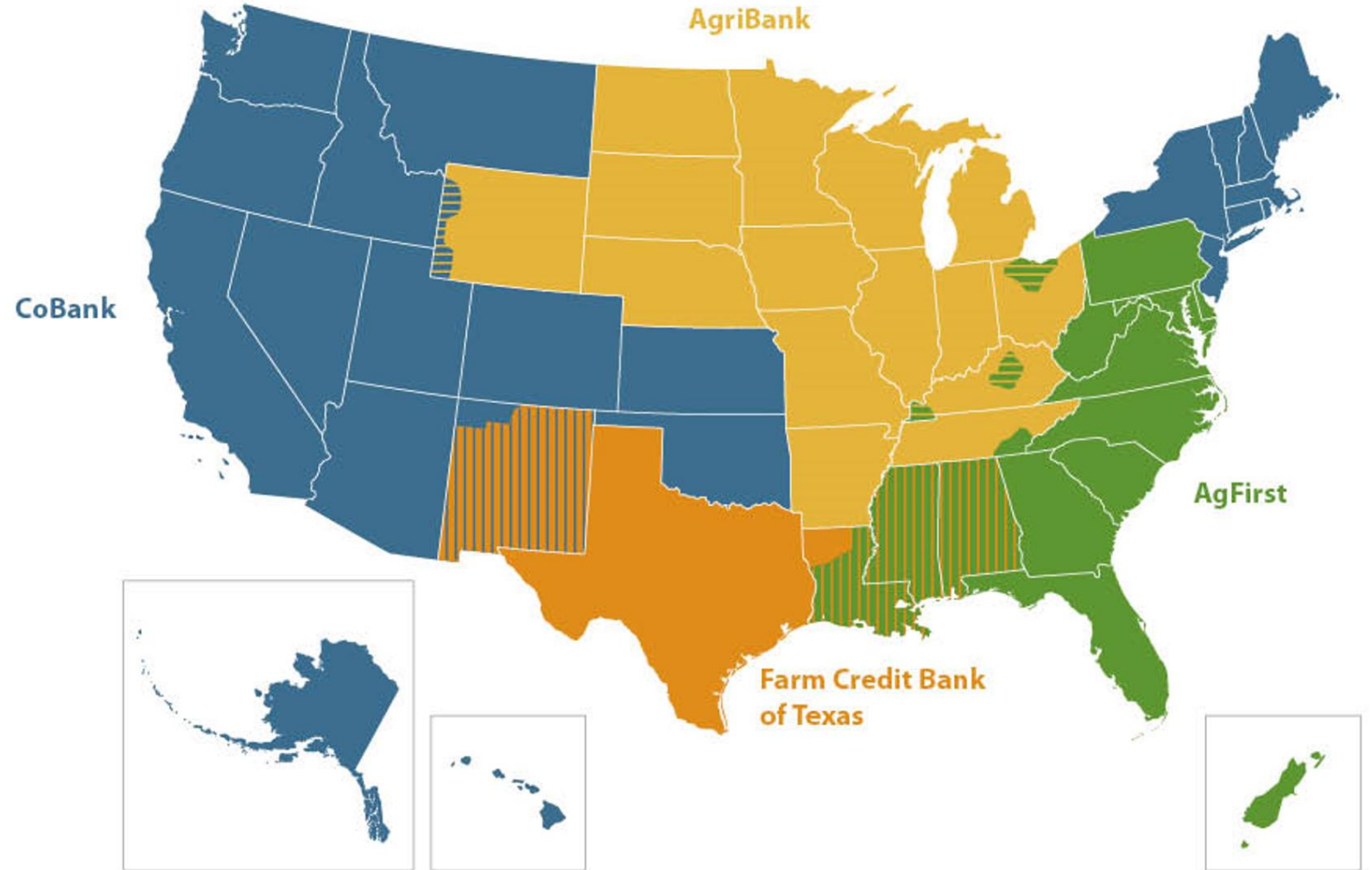
WHY A FARM CREDIT SYSTEM

- Created by US Congress in 1916 to provide a dependable source of credit to agriculture
- Approximately \$343.9 billion in loans to over 600,000 member/owners (farmers, ranchers, rural homeowners, ag cooperatives, rural utility systems and agri-businesses)
- More than one-third of total credit needs by US ag are met by Farm Credit
- Farm Credit does not take deposits

SYSTEM OVERVIEW

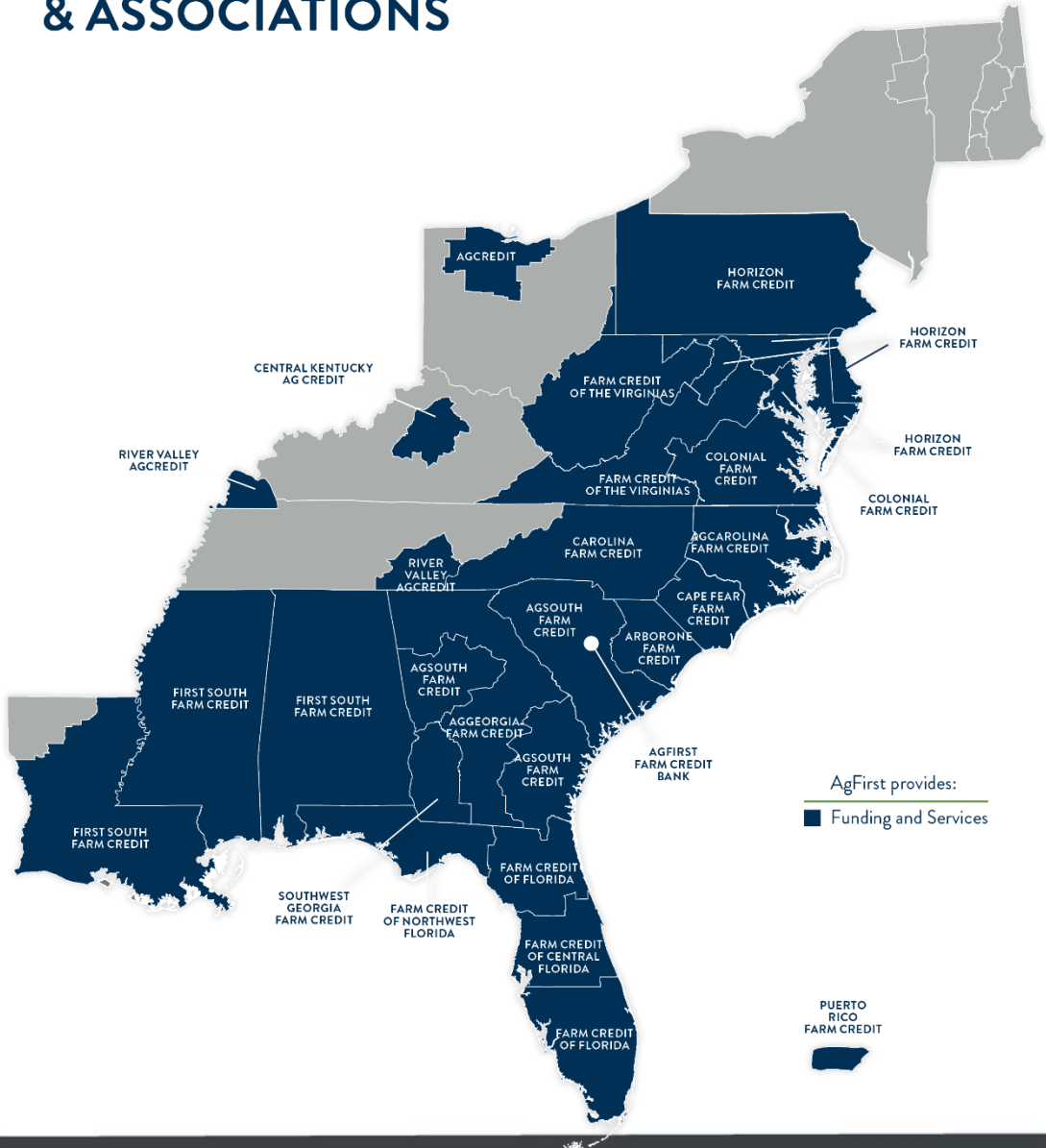
The Four Banks

- 4 Regional Farm Credit Banks
- 65 locally owned Farm Credit associations
- Each governed by board of directors (elected by borrower-members)
- Associations provide credit for:
 - real estate loans
 - commercial loans
 - rural home mortgages
 - financial services (farm record keeping, estate planning, appraisals, etc.)



AGFIRST FARM CREDIT BANK & ASSOCIATIONS

THE AGFIRST DISTRICT



HORIZON FARM CREDIT OVERVIEW

Horizon Farm Credit Footprint

- 24 Offices covering 100 Counties
- Delaware, Pennsylvania, and counties in Maryland, Virginia and West Virginia

Member-Owners: 22,839
Voting: 20,763
Non-Voting: 2,076

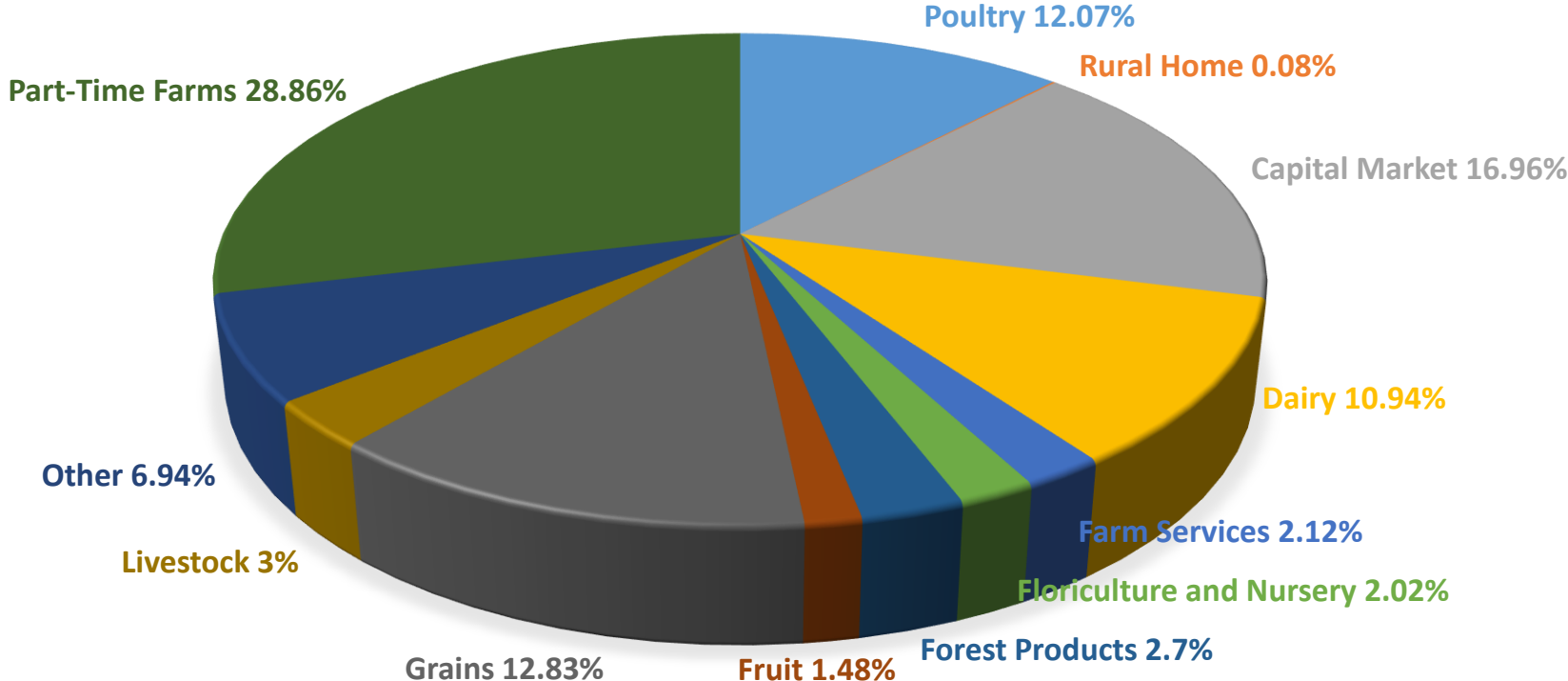
Loan Volume: \$5.6 B
Net Income: \$164.8 M
Total Capital: \$1,149 M
Capital as a percentage of assets: 19.2%
Total Assets: \$5,784 M

HORIZON FARM CREDIT *Regions*



HORIZON AT A GLANCE

PORTFOLIO BREAKDOWN BY COMMODITY



HORIZON FARM CREDIT OVERVIEW

Products & Services



PRODUCTS

- Farm loans
- Equipment loans
- Livestock purchases
- Operating loans
- Refinancing
- Young, Beginning, Small Farmer loans
- Building/Fencing loans
- Lot loans
- Home loans
- Personal/Auto loans
- Leases

SERVICES

- AutoDraft
- FastCash
- AccountAccess
- AutoBorrow
- Full range of business services
(i.e. Treasury Management, Letters of Credit, etc. only offered in PA)
- Crop Insurance

HORIZON FARM CREDIT OVERVIEW

Sectors We Serve

- Protein
- Crops
- Forest Products
- Rural Infrastructure

Protein

- Hogs
- Pork
- Cattle
- Beef
- Dairy
- Poultry
- Eggs
- Turkey
- Aquaculture & Fisheries
- Processing Facilities



Crops

- Orchards
- Grains, Oil Seeds & Mills
- Greenhouse & Nurseries
- Processing & Marketing



Forest Products

- Timberlands
- Paper and Pulp
- Packaging
- Lumber & Panel Mills
- Wood Pellets



Rural Infrastructure

- Utilities
- Midstream
- Renewables
- Cable operators
- Wireless
- Data Centers
- Fiber



PATRONAGE

What is Patronage?



A patronage return is a way of distributing the association's net income to its member-stockholders and is a unique benefit of our cooperative structure. A member's return is based on the portion of interest earned on his or her loan and the eligible interest earned by the association.

Patronage returns benefits to member-borrowers by reducing their cost of borrowing.

[Patronage Program](#)

2021 RETURNED PATRONAGE DIVIDENDS:
\$133M

HOW IT WORKS:



Take out a loan

When you receive a loan with us, you purchase stock - \$1,000 or 2% of your loan, whichever is less.



Make your loan payments

You are eligible to receive a patronage payment the year after you take out a loan.



Receive your patronage

via check or ACH (direct deposit)

Past distributions are not a guarantee of future distributions.

Patronage returns **reduce your cost of borrowing by lowering your effective interest rate and giving you cash back.** For example:

- ▶ You accrue \$10,000 in interest
- ▶ Farm Credit declares a 20% patronage distribution
- ▶ You receive \$2,000 in patronage returns

The more business you do with us, the larger your potential patronage return.

Eligibility

Who can borrow?

The **Farm Credit Act** focuses Farm Credit associations' lending to specific industries and activities.

Full-time farmers, including timberland owners, are eligible for **any loan purpose**. Entities that are taking **agricultural production risk** or who's operations are directly related to agriculture production are generally considered fully eligible borrowers. Many processors and marketers of agricultural products that produce some portion of its throughput are fully eligible.

If a Borrower is not fully eligible, Farm Credit may lend to a business who's primary operations are functionally similar to those of an eligible borrower. These lending authorities are referred to as Similar Entity lending authorities. Financing to Similar Entities allows Farm Credit to broaden its support of the value chain that is critical in supporting farmers /rural America.

- An example of a Similar Entity is a Food Processor who does not take agricultural production risk.

Eligibility & Parameters

General eligibility requirements include:

Financial Requirements

- 690 minimum FICO score
- 35% debt to income ratio
- Part-time Farmers
- Other Ag Asset Borrowers

General Loan Parameters:

- 80% loan to value for residential, part-time farms and personal properties
- 70% loan to value for specialized real estate, timberland, recreation, bare land, and investment properties
- Up to 100% financing on equipment



YOUNG, BEGINNING, & SMALL FARMERS

Young = 35 & Under

Beginning = 10 Yrs. or Less Farming

Small = <\$250K annual gross farm income



Access to Credit

- Low interest term and operating loans
- Low interest Best Management Practice (BMP) Loans
- FSA or other Government Agency Loan Guarantee
- Fee Reimbursement
- Farmland Financing – Conservation easement

Deepen Your Roots

We also work closely with industry organizations and universities to help you network and keep up to date on research and trends.

Understand Your Farm Financials

In addition to promoting and sponsoring local workshops and training across our territory, our AgBiz Masters program is a two-year interactive educational learning series that will help you master everything from strategic business planning to cash flow projection.

HORIZON FARM CREDIT FINANCING

Lots and Acreage

- We understand the value of appealing land
- NO acreage limits
- Multiple parcels, tracts, and deeds? – No problem!
- Financing for multiple reasons:
 - Expansion
 - Recreational hunting/fishing
 - Future home buildings
 - Timberland and investments
- Offer:
 - Unique lending needs for nonconforming properties
 - Unconventional water source, lot size, building design, location, etc.



5 C'S OF CREDIT



CHARACTER

A lender will look at a borrower's reputation and standing in the local ag community.



CAPITAL

A borrower's personal investment in the ag operation.

CAPACITY

A borrower's ability to repay the loan based on current income and debt.



COLLATERAL

Lenders will evaluate the land being used to secure the loan.

CONDITIONS

The state of the overall economic environment, including interest rates and purpose of the loan.



CHARACTER

- Honesty and ethics
- Open and regular communication
- A person's credit score *can* indicate their character

CHARACTER

A lender will look at a borrower's reputation and standing in the local ag community.



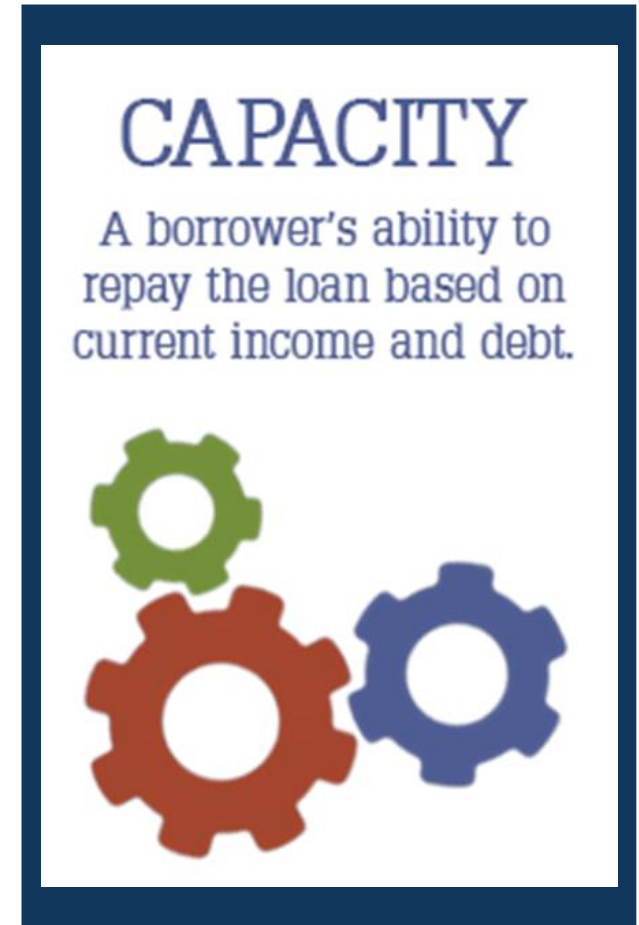


CAPITAL

- A balance sheet
 - The financial position of a business/person at a particular point in time
- How does net worth grow?
 - Earned, gifted, appreciated in value?

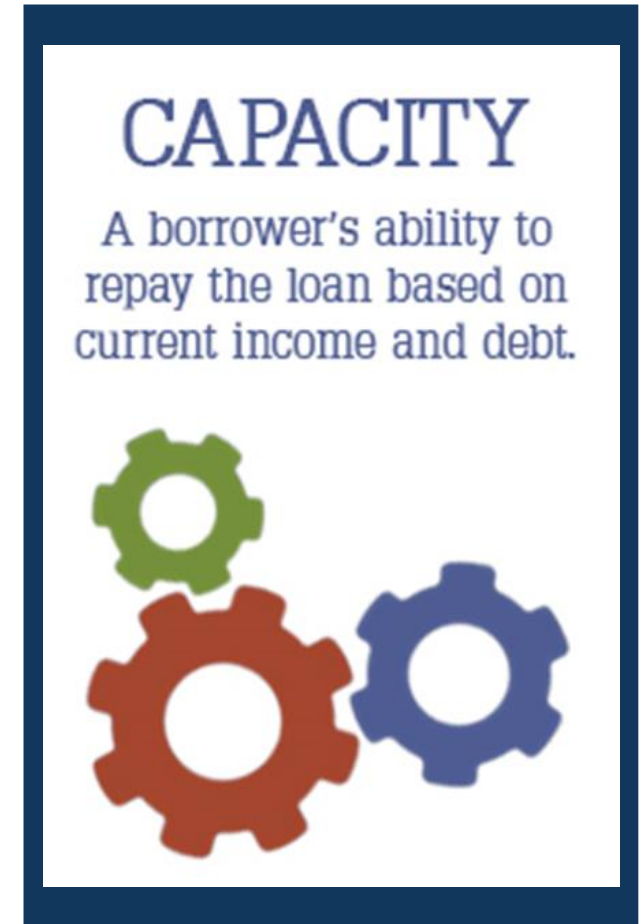
CAPACITY: Repayment Ability

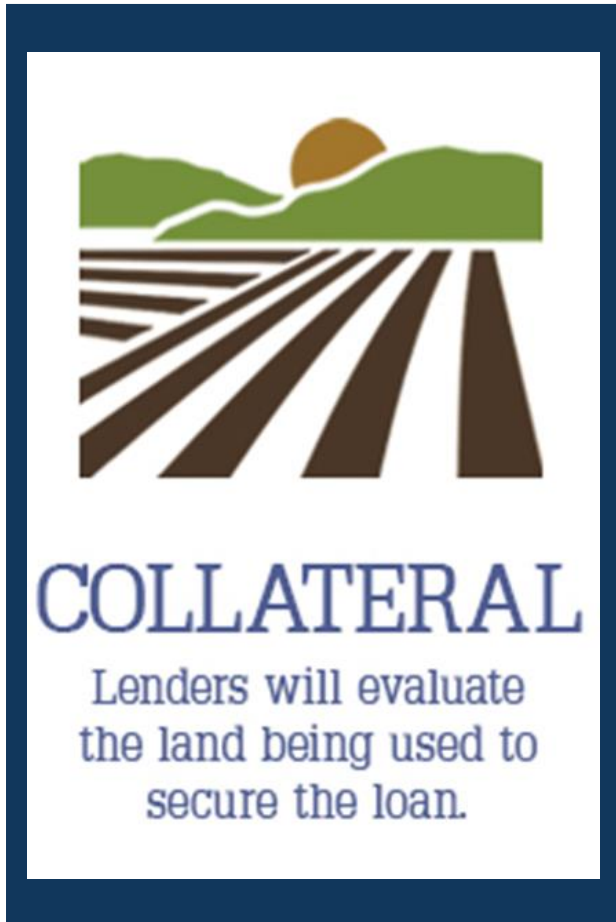
- The business' profitability and its ability to meet all obligations
- Plus – Capital for growth, necessary capital expenditures, and other contingencies.



CAPACITY: REPAYMENT ABILITY

- Income statement
 - All schedules of the tax return (cash basics)
- Cash flow projections
 - Prices and costs
 - Capital purchases





COLLATERAL: Security for the loan

- Secondary source of repayment
- Asset pledged matches loan term
- Down payment
 - Your equity in the loan
 - Cash down or other collateral pledged
 - Requirements based on asset financed and loan term

CONDITIONS: Terms

- Loan amount
- Amortization (repayment) period
- Purpose of the loan
- Loan covenants:
 - Financial reporting in the future
 - Maintain insurance
 - Other depending on situation

CONDITIONS

The state of the overall economic environment, including interest rates and purpose of the loan.



Typical Loan Application:

- 3 Years of a Federal Tax Returns
- Completed Balance Sheet/Personal Financial Statement
 - Assets & Liabilities
- Copy of Driver's License
- Soft Pull of your Credit Report
 - (Hard inquiry if we go through the complete loan application)
- Business Plan
 - Executive Summary – What & Why
 - Company Description
 - Market Analysis
 - Organization & Management
 - Service or Product Line
 - Marketing & Sales
 - Funding Request
 - Financial Projections
 - Appendix – Supporting documents

LET'S STAY IN TOUCH

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