

Farmers - Finding Finance!

As we all know it has been increasingly difficult to get funding from high street Banks over the last 5+ years. This is down to a number of factors from changes in Financial Services Regulations and a reduction in local Relationship Managers in Banks to difficult periods in the Agriculture industry.

With changes already underway to subsidy payments, Agricultural businesses are facing a significant change in their income streams and potentially profits. This makes it the perfect time to sit down and look at what you want to do with the business going forward and what financial support you need to do it.

For many, you may just want to continue as you are, in which case this could mean working with your professional advisors to ensure you are on the best schemes available for your farm and reviewing all costs. Refinancing your existing borrowing could reduce your monthly outgoings.

For others you may want to take advantage of the strong beef and sheep prices and increase numbers – does this mean more storage sheds, increased feed costs? Work out the numbers before approaching a funder. How much additional income will there be and what are the associated costs – net profit and cash generation are key to borrowing for expansion.

Maybe you want to go big?! If you have a successful operation you may want to replicate it on another farm.

Perhaps you are considering diversification. As a result of Covid, the last 12 months has seen a boom in “staycations” and the popularity of UK holidays looks set to continue. There are a huge range of leisure and tourism diversification options available to agricultural businesses.

Everything from pods and holiday cottages through to outdoor adventure centres and forest schools can provide you with an additional income stream and can be very successful if they are planned and managed well.

Do your homework! Put the time and effort into planning for your funding proposal, make sure that your idea will work for you and your business, not just financially. Cover off the risks don't just assume that everything will go to plan. Build in a contingency – will it still work if sheep prices drop by £25 per head, if milk price drops to 26ppl or your holiday cottage occupancy rates are 40%.

It is always good to speak to your existing Bank as you have a relationship and track record with them but Bank policies and appetites do change and what you want to do may not fit with them.

Don't be disheartened by this as your existing Bank is not the only option.

Commercial Finance Brokers work closely with all of the high street Banks as well as specialist Agricultural Finance providers.

We have access to a range of products including short term finance which would enable you complete a diversification project or could be used to purchase a farm whilst yours is on the market so that you don't miss out.

Asset finance can enable you to raise cash against machinery and equipment or purchase new/used kit from a dealer or privately with some funders even able to finance farm machinery over 15 years old.

There is 25 year money available from some funders which gives you the peace of mind that your interest rate will not be changed throughout that period (unfortunately we can't say the same about

Bank of England rates!). There is even flexibility around how and when you make your loan repayments so it aligns with your business cashflow.

There are many funding options available and it may be that this is the first time you are looking somewhere other than your existing Bank for finance. With experienced Agricultural Relationship Managers in our team who understand the industry we are able to put a strong application to funders on your behalf.

You will already be working with professional advisors, such as accountants, solicitors, land agents and consultants who are experts in their field. We are experts in our field of finance and we are here to help you with your funding needs.

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