

Understanding Farm Lines of Credit:

A Vital Resource for Agricultural Operations

►► What is a Farm Line of Credit?

A farm line of credit is a flexible financial tool that provides farmers with access to funds to cover operating expenses such as purchasing seeds, fertilizers, equipment, or paying labor costs. It is specifically designed for agricultural operations. Think of it as a safety net, allowing farmers to bridge gaps in cash flow and manage unforeseen expenses that may arise during the course of a growing season.

►► How does it work?

Unlike traditional loans with a fixed amount and repayment schedule, a farm line of credit operates more like a revolving credit line. Farmers are approved for a certain credit limit based on factors such as farm income, assets, and credit history. They can then borrow funds as needed, up to the approved limit, and repay the borrowed amount along with any accrued interest.

One of the key advantages of a farm line of credit is its flexibility. Farmers can draw funds as needed, making it easier to manage seasonal fluctuations in expenses and income. For example, they may use the line of credit to purchase seeds and fertilizers in the spring, cover operating costs throughout the growing season, and then repay the borrowed amount after harvesting and selling their crops.

►► Benefits for Farmers:

1. Cash Flow Management: Agriculture is a cyclical business, with income typically coming in only once or twice a year. A farm line of credit helps farmers smooth out cash flow by providing access to funds when needed, reducing the risk of cash shortages during critical periods. 2. Flexible Repayment: Unlike traditional loans, which require fixed monthly payments, a farm line of credit offers flexibility in repayment. Farmers can structure the repayment of the borrowed amount and interest based on their cash flow and the timing of their agricultural income.



3. Emergency Funds: In addition to covering day-to-day expenses, a farm line of credit can serve as a safety net in case of emergencies, such as crop failures, equipment breakdowns, or unexpected market downturns. Having access to readily available funds can help farmers weather unexpected challenges and keep their operations running smoothly.

4. Opportunity for Growth: With access to additional capital, farmers can seize opportunities for expansion, whether it's investing in new equipment, expanding acreage, or diversifying their operations. A farm line of credit provides the financial flexibility to capitalize on opportunities for growth and innovation in agriculture.



Does the line of credit ever close?

The length of time you can use a line of credit, and the rules around it, typically range from 2 years to 10 years. This depends on things like what you're using as collateral (something valuable you promise to give the lender if you can't pay back the loan) and how much debt you have.

There are two main types of lines of credit. The first is a revolving line of credit, which works much like a credit card. You can borrow money, pay it back, and then borrow again up until an end date. At that end date, you have to pay back anything you still owe in full.

The second type is a non-revolving line of credit. With this, you can borrow up to a set maximum amount. But as you pay some of it back, you can't borrow that amount again. You only get one chance to borrow up to the maximum.

A Revolving Line of Credit is most appropriate for a borrower that has consistent cash flow needs during the course of a year; whereas a Non-Revolving Line of Credit is designed for a specific purpose that once accomplished will fully repay the amount borrowed, think financing for a crop where the funds are borrowed over time, but will be full repaid by the end of the harvest.



What is the difference between a loan and a line of credit?

2 main distinctions: 1. A term loan is fully disbursed at origination, immediately accruing interest owed by the borrower. After closing a line of credit, the borrower accesses the funds when needed. 2. A loan will have a scheduled principal repayment whereas a line of credit allows for more flexibility in repaying the amounts borrowed. Further, the borrower can reborrow funds when needed. Used properly, the line of credit allows for easier access to capital and lower transaction costs over the life of the line of credit term.



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➤ How long do I have to pay it back?

Repayment terms vary based on several factors, but lines of credit are structured to match the borrower's financing needs and cash flow.

Interest is typically paid on a monthly basis. Principal payments can be made at any time, but any outstanding balance will be fully payable at maturity.

➤ How long does it take to get a line of credit?

Depending on the size of the line of credit requested, the longest time it should take is approximately 30 days if secured by real estate and an appraisal is necessary.

➤ Is there a minimum or maximum for lines of credit?

There are no minimum or maximum amounts for lines of credit. The amount is designed to fit the needs of the borrower. However, certain costs like appraisals, legal, title, etc. can make a really small line of credit cost prohibitive.

➤ What do I need to get started:

A member of the Farm Credit lending team is happy to assist but generally current tax returns, current financial statements and the upcoming season's projected income and expenses are good places to start in order to determine the proper amount and structure of the right line of credit.



In the dynamic world of agriculture, where uncertainty is a constant companion, having access to reliable financial resources is essential for farmers. A farm line of credit offers the flexibility, convenience, and peace of mind that farmers need to navigate the challenges of modern agriculture and sustain their livelihoods for generations to come. By providing a lifeline during times of need and a pathway to growth and prosperity, farm lines of credit play a vital role in supporting the backbone of our food supply chain.

At Farm Credit of Central Florida, we provide financing for farms, homes and land. If you have questions, please visit our website www.farmcreditcfl.com or reach out to your loan officer by calling 863-682-4117.