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**ABA CENTER FOR AGRICULTURAL
AND RURAL BANKING
TIP SHEET FOR YOUNG AND BEGINNING FARMERS:
HOW TO BUILD SUCCESSFUL FINANCIAL RELATIONSHIPS**

When it comes to getting started in farming or ranching, young and beginning farmers and ranchers might find bankers are their best friends. With state and national agricultural support programs shrinking, local banks have emerged as the funding source of choice for individuals launching their agricultural businesses.

Young and beginning farmers who don't know where to go for financing may be deterred by the high cost of getting into farming and ranching. Unlike established farmers, young and beginning farmers may also need to learn the basics of creating business relationships and what goes into making financial decisions. Ask around. Often the local banker is recognized as the "go to guy" for financial assistance and advice. Call him or her up and make an appointment to discuss your plans, and keep the following in mind:

1. **Sweat the small stuff.** Keeping accurate and detailed records encourages both short-term and long-term financial planning. Not only does it help you stay organized, it makes it easier for your lender to assess your financial situation.
2. **Develop a business and marketing plan.** You will work smarter and improve your odds when you focus and organize your goals.
3. **Evaluate your capital investments for profitability and payback.** Keeping track of how long it will take to generate cash flows from a capital investment will help you make better financial decisions for the future.
4. **Know your costs.** When you consider your cost of living and expenditures, including depreciation and family living, you'll have a better understanding of your overall financial situation. Your local banker can provide guidelines to monitor your financial ratios.
5. **Decide on what type of operation you want to run.** New farmers and ranchers should either be very efficient, low-cost producers or should add value that someone else will pay for.
6. **Consider supplementing your operation with off-farm income** until your operation is large enough to employ you profitably full-time.
7. **Consider renting** farm equipment or custom hiring instead of purchasing.
8. **Shop around.** Getting price quotes on supplies such as feed, fertilizer and fuel can uncover lower cost sources. Your research might get you a discount from a local, preferred supplier that gives excellent service.
9. **Ask your banker about how to get access to state and federal credit enhancement programs.** Some banks also offer special benefits for first-time schedule F tax filers.
10. **When in doubt, ask for help and guidance from someone you trust**—an experienced farmer or rancher, a trusted adviser or your local banker. You don't have to make these important financial decisions alone.

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