

Name of Breakout Session: **Building Relationships and Securing Financing for New Enterprises: Tips and Tricks for Working with Your Local Banker and Impact Investors**

Name of Notetaker: Tyler Lindquist and Mercedes Taylor-Puckett

Number of attendees: 19

Who was in the room? (general geographies, types of roles, or list of attendees if intros are done)

Marlin Bates: KSRE DG Co

Jennifer Winchester: JCCC and grass-fed beef farm

Paul Stock: KU

Molly Kennan: New Roots for Refugees

Tom Buller: KSRE DG Co, farmer

Hannah Bourbon: traditional farmer and lender, Marion KS

Mercedes Taylor Puckett: KFU

Wally Meyer: KU School of Business entrepreneur center

Imogene Harris: Network Kansas

Larry Justice

Tyler Lindquist: Cap City Bank

Sarah Gilliland: land owner living in MN

Lynette Miller: Economic Development Edwards Co

Tyler Peters: Frontier Farm Credit

Nancy Chapman: KSRE JoCo Master Gardener, son is beginning farmer

Jacqueline Smith: Central Grazing Co and SlowMoney NEKS

Jeff Hill: Mid America Bank (Baldwin, Lawrence)

Rosanna Baumann: Cedar Valley Farms

Lisa Bartel – Harvey Co

**Key points from speakers: (list 7-10 main points):**

- Jeff Hill – Mid America Bank  
Non-traditional lending structure, mainly secured by RE. They offer 50-40-10 loans, 50% lender, 40% FSA, 10% down  
Lending/approval generally based on quantitative analysis as opposed to qualitative as loans are subject to regulation.
- Tyler Peters – Frontier Farm Credit  
Discussed the Development Fund. Work one-on-one with smaller farmer/producers discussing business planning, bookkeeping, marketing, etc. Loans cannot typically be used for real estate, machinery, equipment, vehicles – more of a capital investment based on present or short term goals, to assist in withstanding market risks. Loans are up to \$150k, 60 month interest only loans that can be refinanced or paid off after that time. A six-member group approves loans. 6 month progress reports are typical. Additional classes available for customers.
- Jacqueline and Rosanna discussed the “Slow Money” program, a global network of groups based in Boulder, CO. Organization works with food related business owners and investors on rethinking investment of money, a movement. Each group operates differently but follows the general principals. In Douglas County they have an open application process. Applicants

who are selected to present their business and needs to investors but cannot ask for a specific dollar amount (to keep from being subject to certain lending regulations). Generally loans are less than \$20k, with varying rate and terms. In 4 years investors have given over \$800k and have a low default rate. Have a Facebook page and website [www.slowmoneynekansas.org](http://www.slowmoneynekansas.org)

- Imogene discussed “NetWork Kansas” which is growing an entrepreneurial environment by means such as providing financing through E-Community loan funds program, the Start Up Kansas Loan program which provides gap funding up to 150% of other other financing. Loans are less than \$75k or \$45k based on the area. Kansas Capital Multiplier Loan was also discussed, used for larger projects where an excess of \$100k is needed. Monies available are based on revolving funds. The entrepreneurial tax credit was also discussed but didn’t quite catch what was that entailed. [www.networkkansas.com](http://www.networkkansas.com)
- Wally Meyer discussed the “Red Tire” program offered through the University of Kansas. Connects viable businesses who lack a successor or exit program with buyers/investors to help keep those businesses operating in communities. Students and faculty provide the service at no cost and includes a 3<sup>rd</sup> party analysis/valuation. The program is funded by a grant. [www.redtire.org](http://www.redtire.org)
- Several discussed the responsibility for farmers/producers to be diligent in bookkeeping and have financials up-to-date before approaching a lender/investor. Several provided the names of software to assist: QuickBooks, FarmBooks, etc. Heather mentioned farmers need to have the confidence to feel worthy of investment when entering a discussion, also to continually educate yourself about your operation and investigate what others in the same industry are doing.
- Some pitfalls discussed were:

A lack of education/training available for small business owners on how to develop business plans, understand bookkeeping, creating a financial statement, securing financing, etc. Some offered that college often provide those services, as well as the FSA.

Jacqueline discussed the difficulty in finding banks/lenders that understand direct to consumer production. Marlin wondered if there is a critical mass where more lenders/investors would be more educated and comfortable providing funds to farmers/producers.

Rosanna discussed the difficulty of securing financing through traditional lending lacks an empathy for qualitative analysis – the non-financial impacts on a family/community.

Farmers/producers continually need sources of financing, need resources readily available.

Sarah brought up a lack of communication infrastructure (i/e cellular, internet) in some rural areas, which is needed for businesses to be successful in modern society.

A pitfall that came up after the workshop was understanding how to mitigate personal liability , securing of finances, what legal repercussions can exist for farmers/producers. Might be good to have a speaker on that at a future conference.

**Was there a lot of energy on a particular topic? Which one(s)?**

A lack of education for farmer/producers on how to keep good books, but the importance of doing so- imperative in fact seemed to come up often.

Much of the time was spent hearing from lenders and the speakers. Farmers or would-be farmers did express frustration on a lack of beginning farmers support—from basics such as what enterprise would be best suited to the land I own, to how to establish good business/record keeping practices—and opportunities for those currently farming to step up their record keeping accounting systems with their highly diverse operations.

**What generated lots of questions?**

Classes/education on small business formation, recordkeeping/bookkeeping classes. Several offered places to start to find resources, i.e. colleges, FSA offices, etc but nothing concrete. I believe Tom mentioned meeting with KSU in the near future and discussing this.

I feel some farmers/producers really want to understand why banks are not as eager to lend as others. As Jeff and I pointed out, lending is based on risk, collateral, and a quantitative analysis among other things. At this time lenders do not have adequate means to gather qualitative data, measure it, let alone analyze it. Everything a bank does has to be able to be documented and explained to auditors if necessary as we are Federally regulated.

**What did people need more information about?**

Classes/education on small business formation, recordkeeping/bookkeeping classes.

What borrowers need to bring to the table when discussing financing with a lender/investor.

I personal observation: There are seemingly so many financing streams available, have a central list and guidance on what opportunity best fits the need.

**What tools did people express needing to move forward?**

Business classes/education for farmers/producers – or a list of resources to assist.

I feel a general sentiment exists that banks need to get a bit more educated on farmer/producer businesses in their community. As much as a borrower needs to be prepared about their own

business, the lender also needs to understand the needs of the borrower. Understand the direct to consumer market.

There were few farmers in the room and it may be that an operator needs to be at the point that they are seeking funding to “know what they needed to know”. Aggregating the available funding options seems to be the most basic effort that could then be enhanced by documenting what types of operations have successfully utilized these options and providing the farmers tips for success with that particular lending stream.