



## YOUR AGRO-BUSINESS SOLUTION

www.solutionsaffaires.ca 819.849.0644 accueil@solutionsaffaires.ca

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# The Umbrella Syndrome

“A banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain.” — Mark Twain



**Robert Savage, Agronome, MBA**  
CEO Solutions affaires experts-conseils

Immediately after leaving his neighbour's house, Dennis Brown went to meet with his banker. Thinking it would never happen, old Mr. Bradbury had finally decided to sell him the piece of land he was longing for. It was just a matter of getting a loan, signing some papers and soon after, he would be seeding an additional 80 acres of grain corn. It was a dream come true! However, the dream turned out to be a complete nightmare when his banker calmly informed him that his loan request had been refused. What the heck could have gone wrong?

**Establish your credit rating**

Asking for credit when you need it is much like calling for a life-preserver when you're about to plunge over Niagara Falls. Why bother trying to save someone from a helpless situation? Instead, take advantage of the opportunity while your boat is afloat and out of danger to increase your line of credit. Doing so will ensure that, when facing much harder times, there will be a little financial pillow on which to rest your head.

**Know thyself**

When applying for a loan your banker will, among other things, base his decision on the overall economic state of agriculture, your warranties, your credit history, and your management skills. He will also consider your family history. Indeed, even family ties can be used to evaluate your loan worthiness. Are you a descendant of a reliable family? Even though this seems a little far-fetched, like a double-edged sword, your ancestry could play in your favour or, alternately, leave you with two strikes against you. You need to be aware of any rotten apples on your family tree!

**Be prepared**

Having a great project is a good way to start. Convincing your banker of the value of your project, however, may be difficult. Be prepared for all contingencies and more. **DO** have a solid and detailed project, based on even stronger financial projections, be honest with your ideas, outline your strengths and weaknesses, and have a strategy to impact the potential risks related to your project. You should also have a plan 'B' ready in case plan 'A' is rejected. **DO NOT** underestimate the costs of your project, nor overestimate your production capacity or marketing skills. Most of all, do not assume that your banker is your best friend.

**Get help**

Should you, like Dennis Brown, be confronted with a loan request refusal, but really need the credit to realize your dream project, then appeal to the expertise of professionals who can help you understand why you got refused, and how you could turn the wind in your favour. A refusal certainly indicates that your banker doesn't feel safe with your project, but it could also mean that he hasn't received the right data to properly analyse your request. Clear explanations that highlight the

strengths of your project remain your best strategy.

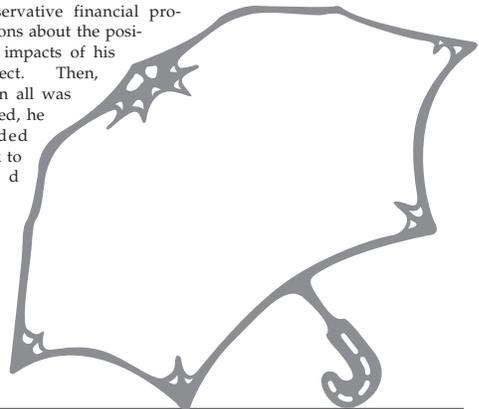
**Shop cautiously**

If, after all is said and done, your banker refuses to budge on his decision, it might be that your situation is much worse than you think. It may also indicate that either your bank or your banker is risk averse to your type of project. In that case, go shopping. Once again, appealing to the help of an expert who understands the banking system might save you a lot of time and frustration.

Dennis Brown did his homework and finally got his loan. He took the time to explain why the last few years had been rough and, most of all, showed conservative financial projections about the positive impacts of his project. Then, when all was signed, he headed back to

Mr. Bradbury's place with a token of appreciation under his arm.

*Having worked for over 16 years for various organizations—including the Caisse populaire Desjardins, the Office du crédit agricole du Québec and Farm Credit Canada—Robert Savage, founder of Solutions affaires experts-conseils, has established an innovated approach to farm consulting services. With the help of a multidisciplinary team of experts, Solutions affaires experts-conseils can get your farm on its way to greater profitability by working with your existing resources and by having access to a network of professionals involved in agribusiness.*



## Farming by the Numbers

**Total number of farm trucks in Canada in 1976: 444,369**

**Total number of farm trucks in Canada in 1991: 526,808**

**Total number of farm trucks in Canada in 2006: 466,798**

**Number of trucks on the average Canadian farm in 1976: 2**

**Number of trucks on the average Canadian farm in 1991: 2**

**Number of trucks on the average Canadian farm in 2006: 2**

Source: Statistics Canada Census of Agriculture 2006

