

PHOTO: MICHAEL GEISSINGER

Growing Potential

A state rural development loan gave Jason Scott capital to expand the family farm. **BY DEBORAH R. HUSO**

When 29-year-old Jason Scott graduated from college seven years ago, his parents saw it as the perfect time for him to begin taking over the family farming operation on Maryland's Eastern Shore, which comprised more than 1,500 acres of row crops.

His father was transitioning into off-farm employment, and Scott was looking to get back to the land, following in the footsteps of at least six generations before him.

But even with his family's long legacy of farming corn, soybeans, wheat and barley, which they market through local feed mills, Scott knew he was going to have a tough row to hoe as a 20-something farmer looking to get his feet wet in agriculture.

"I knew in order to be profitable I had to own

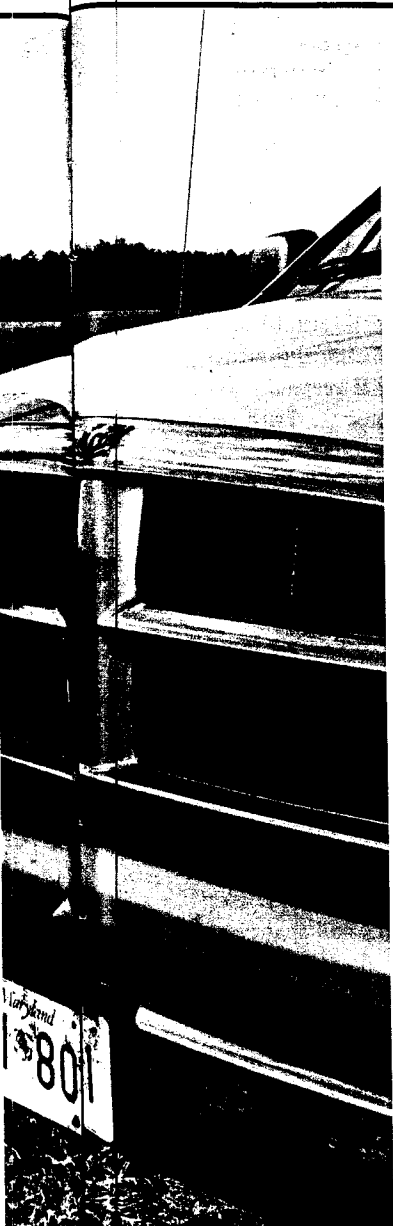
some land," he says, "and it's a good investment for retirement, too."

In 2007, 181 acres of cropland came up for sale adjacent to the family farm near Hurlock. Scott had been keeping his eye on that piece of land for some time, and had even tried to buy it once before.

LOAN OPTIONS. Eager not to miss this second opportunity, he paid a visit to a family friend and director of policy at his local Farm Credit office.

"I talked to him about whether or not I could afford to buy the land," Scott says, knowing that his age and lack of a long credit history were probably strikes against him.

His Farm Credit agent told him about a loan program through the Maryland Agricultural and Resource-Based Industry Development Corporation



(MARBIDCO). The program would allow him to borrow money for the land at a low interest rate without having to jump through as many hoops necessary with a USDA loan and without the level of credit requirements of a commercial lender.

Scott ultimately applied for MARBIDCO's Maryland Resource-Based Industry Financing Fund Loan (MRBIFF), a low-interest loan program that finances up to \$800,000 (in partnership with a commercial lender) for real estate purchases.

"MRBIFF is our workhorse loan program," says Stephen McHenry, MARBIDCO's executive director. "If a producer's credit risk is too high, they can approach us."

MRBIFF is one of two such loan programs MARBIDCO offers to help young and established farmers expand operations. Since the programs were founded almost four years ago, MARBIDCO has financed 48 loans, half of which have gone to young and beginning farmers like Scott.

"The folks coming to us are doing so because they need help that's not available from

a commercial lender," McHenry explains.

The producers MARBIDCO has helped finance run the gamut from row-crop growers to dairy and poultry farmers.

A GODSEND. For Scott, the MRBIFF loan offered him just what he needed to expand his farming operation. He was able to borrow up to \$250,000 with a 2% interest rate for the first five years and a 5% interest rate for the second five years.

After that, the note comes due, and if Scott isn't able to pay it off in full, he'll transfer the loan to a commercial lender.

Scott says the MRBIFF loan was something of a godsend for him. It enabled him to buy more land directly adjacent to the family farm, which he oversees almost entirely on his own now with occasional

evening and weekend help from his parents, and the loan's low interest rates allowed him to pay down other farm debt.

"I've been able to adjust another loan with Farm Credit from 30 to 15 years, and I've refinanced for lower interest rates," he explains.

Saving on interest allows for greater cash-flow for growing the farm, particularly when times are tough, which Scott admits they have been with last season's heat and drought.

Scott is forging ahead, however, well aware of the challenges of being in the agricultural industry.

"I went to college to get an engineering degree to get away from the farm," he says with a laugh.

"But I ended up getting a degree in agricultural resources and economics instead."

He also holds a master's degree in business from Salisbury University. A few horticulture classes in college were all it took to get him hooked on farming again. "I was getting bored with the business classes," he adds, "and I realized just how much I loved agriculture."

Growing AN OPERATION

- ▶ To be profitable as a farmer, recognize that you have to own land. You can't lease everything. Land is an investment for the future and your retirement.
- ▶ Explore varied financing operations. Often, your local Farm Credit office can point you to innovative loan programs if you're considered a high credit risk.
- ▶ Be prepared to provide a well-thought-out business plan to lenders. "They want you to prove you're interested, so they know you'll pay back the loan."
- ▶ Look for low interest rate programs, and refinance for lower interest rates whenever you have the opportunity.



A solid business plan can open lenders' doors for young farmers.