Dairy Financial Risk Workshop
July 12, 2016

Farm Storage Facility Loans

Table of Contents

• Beneficial Uses of Obtaining a FSFL
• Eligible Commodities
• FSFL Provisions
• Monthly Interest Rates
• FSFL Microloans
• Ineligible Storage Structures
• New/Used Portable Storage & Handling Equipment
• Insurance Requirements
• Storage Calculations
• Security Requirements
• Process for Applicants
Beneficial Uses of Obtaining a FSFL

• Adequate on-farm storage allows producers flexibility and control with regard to when and where the crop is marketed.

• Increased quality control for crops helps ensure higher gross sales and better profit margins.

Beneficial Uses of Obtaining a FSFL

• Competitive loan interest rates and terms as compared to commercial agriculture lenders.

• Loans are designed to guarantee and/or increase on farm storage capacity and provides necessary handling equipment needed to ensure sufficient storability of the harvested production.
FSFL Eligible Commodities

Aquaculture  Yogurt  Cheese  Floriculture
Fruits  Chickpeas  Buckwheat
Butter
Eggs  Lentils  Rice  Triticale
Grain Sorghum  Peanuts  Honey
Hops  Dry Peas  Oats
Maple sap
Meat & Poultry  Nuts
Renewable biomass
Vegetables
NEW FSFL Provisions

Overview:

Policies and procedures for New Eligible Commodities was issued on January 20, 2016.

All new provisions are available to producers of all eligible commodities.

New FSFL Provisions – Approval Authority, Amount and Terms

<table>
<thead>
<tr>
<th>Terms-Years</th>
<th>$100,000.00 or less (COC Approval)</th>
<th>$100,000.01 to $250,000.00 (COC Approval after District Director review)</th>
<th>$250,000.01 to $500,000 (State Committee Approval)</th>
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<td>12</td>
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</table>

3 or 5 year terms only for USED Equipment and/or Storage Trucks
Interest rates for FSFL’s approved during July 2016 are as follows:

- 0.xxx percent with three-year loan terms
- 1.xxx percent with five-year loan terms
- 1.xxx percent with seven-year loan terms
- 1.xxx percent with 10-year loan terms
- 1.xxx percent with 12-year loan terms.

FSFL Microloan (ML) Provisions

Maximum FSFL ML Amount $50,000

(aggregate outstanding balance shall not exceed $50,000)

Example: A producer who currently has an outstanding FSFL for $30,000 would only be eligible for additional $20,000 under ML provisions.

FSFL ML is available to producers of all eligible FSFL commodities

Minimum down payment of 5%

Partial and final disbursement provisions apply.
FSFL Microloan (ML) Provisions

Example:

The net cost of facility or equipment is $50,000, supported by bills and invoices paid in full or partially paid to the supplier or contractor. The minimum down payment paid to suppliers and/or contractors must total 5% ($2,500). $47,500 is the amount eligible for the FSFL ML.

All FSFL equipment financed (new or used) must have useful life for the term of loan.

FSFL ML Storage Need

Producers of all eligible commodities may self-certify to the storage capacity need. A storage capacity worksheet calculator must be attached to the FSFL Application form.
Eligible Storage
Portable or Permanently Affixed/New or Used

• Conventional type bins or cribs designed for storage
• Walk-in prefabricated storage coolers or containers
• Oxygen-limiting and other upright silo type structures designed for storage
• Flat type storage structures
• Bunker-type, horizontal, or open silo structures
• Hay barns/sheds
• Storage containers suitable for proper storage of the commodity
• Bulk tanks suitable for storing honey, maple sap and milk

FSFL’s for Dairy Farm Bulk Tanks

Milking Parlor
Not Eligible

Bulk Tank
Eligible
Eligible Storage
Portable or Permanently Affixed/New or Used

• Uptake and discharge re-circulatory systems that are used for storage and handling tanks for aquaculture producers.

• Renovating existing storage.

Important:
All structures must have an useful lifespan for the term of the loan.

Ineligible Storage Structures

• Temporary structures

• Structures to be used for a commercial purpose, as defined in 1-FSFL, Exhibit 2

• Structures not suitable for storing the commodity for which a need is determined

• Aquaculture holding tanks when the holding or storage structure will have uptake and discharge water that comes from natural sources, tributaries, coastal and ocean waters, perennial waterways. - Full National EA is being completed…
Ineligible Storage Structures – Cont.

- Production and feed facilities
- Livestock pens
- Chicken houses
- Determined to not have a useful lifespan of at least the term of the FSFL

New/Used Portable Storage & Handling Equipment

Necessary equipment and storage systems used to handle and maintain eligible commodities being stored includes, but not limited to:

- Bulk Tanks
- Augers & Pilers
- Conveyors
- Vacuums
- Scales
- Batch Dryers
- Storage Containers (can be transported, hitched, or mounted on a trailer, farm vehicle or truck)
- Wheel Loaders
- Skid Steers
- Gripper & Front-end Loader Attachments
- 3-point Hitch Lifts
- Hydraulic Self-propelled Fork Lifts
New/Used Storage and Handling Equipment and Trucks

Vehicles that store, handle, and transport eligible commodities and equipped with a variety of mechanical or refrigeration systems includes, but not limited to:

- cold storage refrigerated trucks
- grain haulers
- commodity transport vans
- trucks with a chassis unit

Maximum of:
- $100,000 loan amount
- 4 axles
- Gross vehicle weight 60,000 lbs. or less.
New and Used Storage & Handling Equipment and Trucks

May be applied for as a FSFL microloan (up to $50,000) or regular FSFL request (up to $500,000, excluding trucks $100,000 limit)

3 or 5 year loan term for “USED” storage and handling equipment and truck

Used Equipment and Truck Values can be established using:
- Past auction sales
- Internet comparable sales
- Bill of Sale

If determined that these sources are not available to provide a fair and reasonable market value, COC can use practical knowledge and expertise to determine the fair market value.
Ineligible Storage and Handling Trucks

- older than 15 years
- with a salvaged title
- that cannot obtain full coverage automobile insurance
- purchased more than 30 calendar days from the date of the FSFL request.
- determined by STC or COC to not have a lifespan of at least the FSFL term
- determined by STC or COC that are not suitable for the applicable commodity
- cannot obtain the required State emissions and vehicle inspection.

Useful Chart

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Facility Type</th>
<th>Condition</th>
<th>Down Payment</th>
<th>Max Loan Amount</th>
<th>Production History Requirement</th>
<th>Terms (years)</th>
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<tbody>
<tr>
<td></td>
<td>Structure and Equipment</td>
<td>New</td>
<td>15%</td>
<td>$500k</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Used</td>
<td>15%</td>
<td>$500k</td>
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<td></td>
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<tr>
<td>Regular Truck</td>
<td>New</td>
<td></td>
<td>15%</td>
<td>$100k</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Used</td>
<td></td>
<td>15%</td>
<td>$100k</td>
<td></td>
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<tr>
<td>Microloan</td>
<td>Structure, Equipment</td>
<td>New</td>
<td>5%</td>
<td>$50k</td>
<td>Self-certification</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and Truck</td>
<td>Used</td>
<td>5%</td>
<td>$50k</td>
<td>Self-certification</td>
<td></td>
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</table>
Insurance Requirements

**Items**

- Trucks
- Portable facilities
- Permanently affixed facilities
- FSFL eligible commodities

**Insurance**

- Full coverage vehicle insurance (varies by state)
- Property insurance
- All peril structural insurance
- MPCI, NAP, LGM, or MPP-Dairy, as appropriate

Insurance Requirements: Trucks

- obtain full coverage automobile insurance, which may include hazard insurance (by state)
- list CCC as a loss payee
- ensure insurance coverage equals or exceeds the outstanding FSFL balance
- be provided before loan closing and maintain insurance for the term of loan
Additional Security Requirements

Unless STC requires additional security for FSFL’s with an aggregate outstanding balance of $50,000 to $100,000, additional security is only required for FSFL’s where:

- the FSFL exceeds $100,000
- the aggregate outstanding loan balance of all loans to a borrower exceeds $100,000.

Continual access to all FSFL collateral (incl. portable) is required.

Perfecting Liens

File a UCC-1 to provide FSA with a lien on all FSFL facilities.

A lien search must be performed to determine CCC has the required lien position.
FSFL Process for Applicants

1. Discuss FSFL Program with FSA County Office
2. Complete & Submit an Application (CCC-185/CCC-185-1)
3. Pay $100 Nonrefundable Application Fee (Per Applicant)
4. Provide Building Plans & Financial Supporting Documents
5. Ensure Environmental Compliance Before Project Start
6. Receive County Office Approval Letter Before Project Start
7. Have 6-months to Complete Work or Request an Extension
8. Complete All Structural & Equipment Installation Work
9. Provide County Office Final Cost & Down Payment Data
10. Provide Proof that Applicable Insurances were Obtained
11. Receive Partial Disbursement if Initially Requested
12. Attend Closing & Sign All Appropriate Documents

Questions?

Farm Storage Facility Loan Program