

Livestock Facility Lease Program

CSIF Farming for the Future Conference
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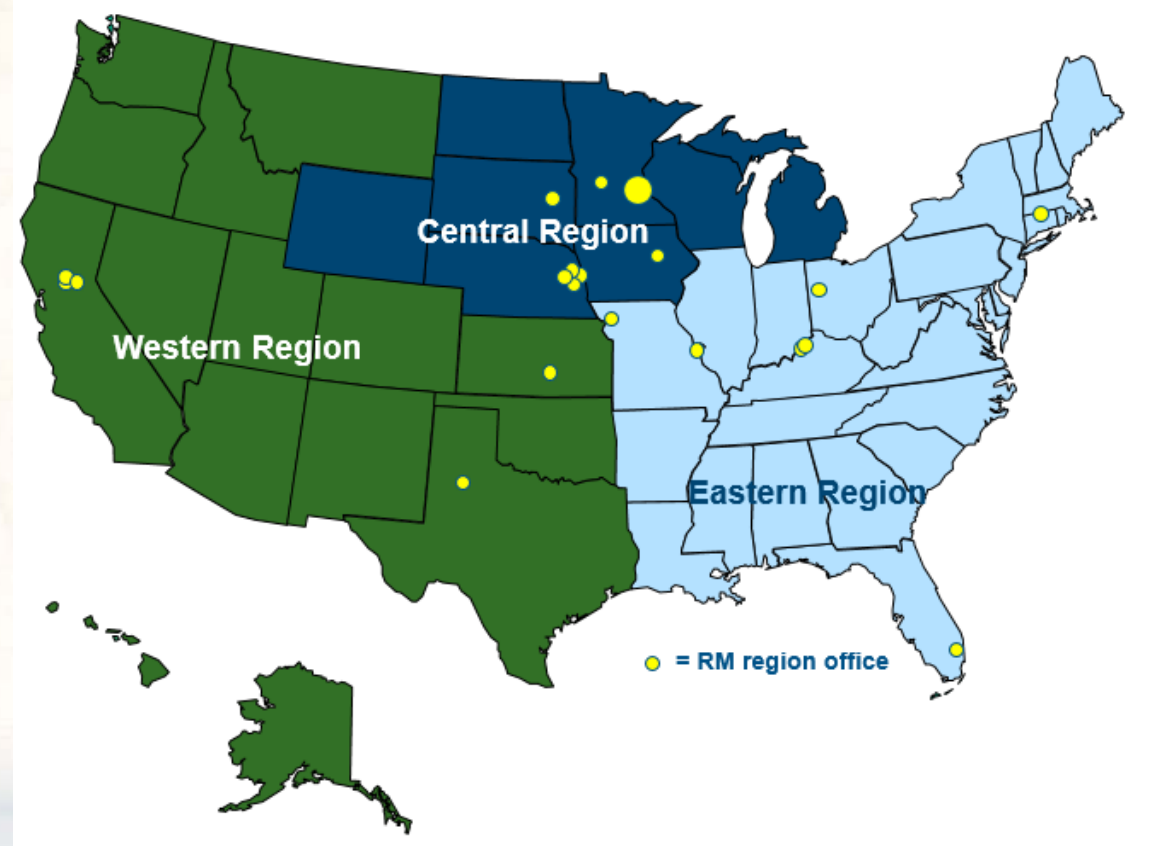


Farm Credit Services
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FARM CREDIT LEASING TEAM MAP

Farm Credit Leasing,
Relationship Managers
who cover FCSAmerica:

- **Dana Benning**,
based in Waverly, IA
- **Jim Jensen**, based in
Watertown, SD
- **Aaron Jensen**, based
in Omaha, NE



AGENDA

- Leasing – Factors to consider
- Tax Advantages
- Credit Standards
- Loan vs. Lease - which one is right for me?



WHY LEASE?

- **Primary Reasons:**



- Trade Depreciation for a Low Rate “Cost to Own” (can still expense lease payments as an operating expense)
- Cash Flow – 12 year lease terms
- Generational Transfer of Assets-Residual can be purchased by future generation/entity to help with estate tax situation



CONTRACT FINISHING BARN

Lease Program

Typical Lease terms on contract finishing barns

- 10 year – 15% PRO Residual
- 12 year – 15% PRO Residual

Lease rates are typically .75% - 1.25% lower than conventional financing



TAX ADVANTAGES

- A True Lease allows you to write-off the rental payments as an operating expense*.
- A tool for managing tax liability - you'll have even write-offs for the life of the lease, more closely aligns with integrator payments*.
- Residual Transfer* of Asset potentially allows you to transfer the asset without it being subject to gift taxes or inheritance taxes.

* Consult your tax advisor

INFORMATION REQUIREMENTS

- Current balance sheet
- 3 years income statements (tax returns)
- Construction contract with detailed list of all costs
- Grower contract



CREDIT STANDARDS

- Credit terms same for loans or leases
- Swine
 - New finishers generally appraise at 100% of cost
 - New nurseries generally appraise at 85 – 95% of cost
 - Standard is 85% LTV – Actual LTV is subject to credit approval.
- Ability to use equity in other RE vs. cash down payment
- Cattle/Poultry – varies due to industry

Every situation is case-by-case



CREDIT STANDARDS

- 10 or 12 year terms most common
- Terms subject to contract coverage
 - Contract should be at least 70% of term, i.e. 10 year contract for a 12 year lease
- Compliance with all DNR requirements – confirmation letter from DNR

Every situation is case-by-case



LOANS VS. LEASING

- Cash flow considerations
- Section 179/Bonus Depreciation
- Estate planning, transfer of assets to next generation
- Using equity in RE in lieu of cash down

We educate producers on the options and help them decide what's right for them



COMMITMENT TO AGRICULTURE

- Agriculture is all we do
- 21 of the top 29 swine producers in the U.S. work with Farm Credit Services of America
- Financed contract hog barns for over 25 years
- Great opportunities to bring young people into agriculture





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Questions?



THANK YOU!

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