

Montana Department of Agriculture

Agriculture Development Division

303 N. Roberts, PO Box 200201

Helena, Montana 59620-0201

406-444-2402

406-444-9442 fax

Dear Loan Applicant and Project Supervisors:

This loan application booklet is provided to help you in the process of applying for a Junior Agriculture Loan.

A brochure about the loan program is also available from the Montana Department of Agriculture, FFA Advisors, and County Extension Agents. It describes the basic guidelines and qualification requirements for loans. You will find it helpful in answering questions and assisting you when filling out an application.

This booklet consists of instructions for completing the application and the application form. Forms should be completed as thoroughly as possible to avoid any delays in processing your application.

This application form resembles those used by private lenders so applicants will gain practical experience in applying for and obtaining an agricultural loan.

We request that you establish a three-member local loan committee and that the committee review your application and provide recommendations to you and the Montana Department of Agriculture. The committee will review the economic feasibility of your enterprise as well as your personal need, abilities, and eligibility. It may be beneficial for you to be present during the committee review should questions arise.

If you need more information or assistance, please contact the Agricultural Finance Program Specialist at 444-2402.

Mail completed application forms to:

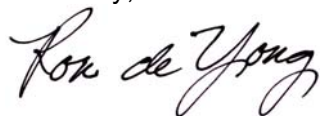
Montana Department of Agriculture

P. O. Box 200201

Helena, Montana 59620-0201

Thank you for your interest and cooperation.

Sincerely,



Ron de Yong

Director

JUNIOR AGRICULTURE LOANS

The Junior Agriculture Loan Program is designed to enable members of 4-H and FFA, especially those unable to obtain financing elsewhere, to finance their projects.

The overriding purpose of the Junior Agriculture Loan Program is the education of those who participate. One benefit of the program is developing financial responsibility, which is so vital to the success of any individual.

By obtaining and managing a Junior Agriculture Loan, you will develop an understanding of the documents involved in the loan process. You will learn the meaning of cash flow and the importance of keeping accurate records. Not only is record keeping essential to the success of any business, but also you will benefit from learning good record keeping practices early in life.

The project itself can be rewarding because of the knowledge and skills you will gain through active participation in your agricultural project.

Loans are available for youth aged 9-11 up to \$3,500 and for youth aged 12-21 up to \$8,500 with a maximum term of five years. Loans will be made for 90% of the first year's costs not to exceed the maximum amounts. For current interest rates, please contact the Finance Program Specialist at 406-444-2402.

RECORD KEEPING

You are considering a business venture when you decide to apply for a Junior Agriculture Loan. As with any type of business, records are essential for both economic and legal purposes. Records are used for analyzing where you are, where you have been, and most important, where you are going. Agriculture records fall mainly into three categories.

1. **Documentation records** - Your documentation file should contain copies of contracts, bills of sale and receipts, loan documents you have signed, and all correspondence you have sent or received.
2. **Production records** - Production records are primarily a listing of your assets and what they are doing (performance and efficiency). They are used to identify strengths and weaknesses of your project. Some measures of production are:
 - a. Units of input - pounds of feed, supplement, veterinary expenses, etc.
 - b. Units of output - pounds of gain, size of offspring (weaning weights), pounds of product produced (milk & wool), etc.
3. **Financial records** - Planning the financial future of your project is not only important for your lender in analyzing your loan request, but most importantly; to yourself-how profitable your project is or will be. There are primarily three basic statements used in financial record keeping:
 - a. **Financial Statement** - sometimes called the balance sheet or a net worth statement. This is a listing of assets owned and what you owe. From these figures you can determine ownership or equity.

Assets	-	Liabilities	=	Net Worth
(what you own)	-	(what you owe)	=	(your ownership)

- b. **Income Statement** - sometimes called a profit or loss statement, measures profitability over a period of time (usually one year). It details the difference between incoming money and operating costs to show net income (the profit you have generated). Net income is what you have available for debt repayment and eventually for yourself to meet your goals.
- c. **Cash Flow Statement** - is perhaps the most valuable tool in analyzing your project. Simply stated

it tells the story of **how** and **when** you receive and spend your money. Since you are starting your project, your cash flow will be your "best estimate" of your plan. But don't stop there! Your cash flow statement can serve as a record of past performance, as a monitoring tool for current performance, and as an aid in planning for the future. Also, it can help you with your marketing plans.

YOU CANNOT DETERMINE WHAT PRICE TO SELL FOR IF YOU DO NOT KNOW WHAT YOUR COSTS ARE!

Your records should be accurate and complete. It is important to know costs of production and to establish a realistic sales price objective, which provides a reasonable profit. This is essential to good marketing strategy.

DEFINITIONS

Accrue - to accumulate, as interest "accrues" on a loan.

Applicant - a person who is applying for a loan, job, etc.

Balance Sheet - a condensed statement showing the nature and amount of a person's or business's assets, liabilities, and capital on a given date. The balance sheet shows, in dollar amounts, what the person or business owns, owes, and net worth (the difference between assets and liabilities). The balance sheet is also known as a financial statement.

Business Plan - Identifies key factors for analyzing whether a business is truly viable.

Cash Flow Statement - a statement estimating the monthly or annual cash you will be receiving, less the amount you will be spending. It may cover a few months or a number of years.

Co-signer - a person who signs a promissory note, along with the primary borrower, thereby becomes a party to the loan on the same terms as the primary borrower. The co-signer is equally obligated to the repayment of the entire debt, in the event of default by the primary borrower.

Collateral - Specific property owned by the borrower, which the borrower pledges as security for the repayment of a loan. The borrower agrees that the lender shall have the right to sell the collateral for the purpose of liquidating the debt if the borrower fails to repay the loan at maturity.

Credit - Allowing the use of some good or service, with the borrower promising to pay for that use at a later date.

Financial Statement - See Balance Sheet.

Financing Statement (FS-1) - Used to "perfect" a security interest against a secured piece of property. Filed with the Secretary of State's office.

Interest - the amount charged a borrower by the lender for the privilege of using borrowed money.

Liability - financial obligation of a borrower to a creditor.

Lien - 1. Security interest created by a financing statement.

2. A legal right granted to an individual by the authority of a court, to control or to enforce a charge against one's property until some debt is paid or otherwise satisfied.

Loan - an amount of money which one individual lends to another, usually with a percentage of interest for the use of those funds.

Maturity - the date upon which a note becomes due and payable.

Net Worth Statement - see Balance Sheet.

Principal - the original or remaining amount due and payable on a note. Provides the basis for computation of interest.

Proceeds - the total amount of money received in any transaction, whether through a sale or by borrowing money.

Promissory Note - the primary document used in making a loan. A negotiable promise, which serves as evidence of the borrower's debt to a lender.

Rate of Interest - the percentage of the principal amount, which is annually charged for the use of money. Also

known as APR - annual percentage rate.

Record Keeping - a method of tracking of important happenings and transactions within a business.

Repayment Ability - One's capacity to repay a loan.

Repayment Plan - A plan for repaying a debt. See: Market Plan and Cash Flow Statement.

Responsibility - a duty, obligation or burden.

Security - what the borrower puts up to guarantee payment of the loan. Collateral.

Security Agreement

1. The actual agreement, in writing, between the lender and the borrower, which promises goods as collateral.
2. A claim on property that the borrower gives the lender to secure a loan.

Simple Interest - Interest charged only upon original or outstanding principal. The formula for calculating the amount of simple interest is:

$$\text{Principal} \times \text{Interest rate} \times \text{Length of loan} = \text{Interest}$$

Suppose you borrow \$1000.00 at 7.5% interest rate for one year. The amount of interest due would be: $\$1000 \times .075 \times 1 = \75.00 You would owe \$75.00 in interest when the loan was due, so you would pay a total of \$1075.

INSTRUCTIONS

The entire application should be filled out as accurately and completely as possible to avoid delays in processing. Additional information can be submitted on separate attachments. Signatures shall be as they appear on legal documents and shall be in ink.

APPLICATION FORM The numbers preceding the following instructions correspond to numbered items in the application.

1. Give the miles and compass direction to your home from the nearest town. Enter whether your parents own and/or rent a farm/ranch. Give the total number of acres owned and/or rented by your parents and the number of acres that are irrigated and the number of acres that are non-irrigated.
2. If you have personally recorded a brand with the Montana Department of Livestock, draw the brand carefully. State the position of the brand on the animal and whether it is for cattle or horses. **Applicants for loans to conduct cattle projects are required to have a brand registered with the Montana Department of Livestock.**

Example: DA, right hip-cattle, right shoulder-horses

3. Briefly describe your experience in agriculture including any achievements at home or in school. How many years have you lived on a farm/ranch? What chores or jobs have you done? Be sure to describe any experience that is related to the project that will be funded by the loan.
4. Describe your plans upon graduation from high school. Will you attend college, vocational school; stay on the farm/ranch, work, etc.?
5. List precisely (number and description) what you wish to purchase with the loan funds and the cost of each item. It is important that this be as accurate as possible. If your loan is approved, you will be required to spend the funds as stated unless the Montana Department of Agriculture agrees to other options.
6. Explain your reasons for applying for a loan and what will you gain from your loan project? What will the profits be used for? What do you expect to learn from the project? When your loan is paid in full, do you have plans for continuing the project?
7. If the loan funds will be used to purchase livestock, please identify the market or person from whom you plan to obtain the livestock and the expected purchase price (applicants purchasing livestock through

auction yards should estimate a reasonable purchase price).

8. Enter the total first year cost of your project. This amount should be the same as Subtotal Expenses for Year 1 on **Worksheet B**.
9. Enter the amount of the loan being requested. The Department of Agriculture can lend up to ninety percent (90%) of the total first year costs not to exceed \$3,500 for ages 9-11 and \$8,500 for ages 12-21.
10. Estimate and list the sum of principal and interest you plan to pay each year. **Loans must be repaid within five years.** If income will allow, you may wish to pay the loan in less than 5 years. There is no penalty for early payment of the loan.

CALCULATING YOUR PAYMENTS

Annual payments required for a \$100 loan.

INTEREST RATE	7.00%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
YEAR								
1	\$107.00	\$108.00	\$108.50	\$109.00	\$109.50	\$110.00	\$110.50	\$111.00
2	\$55.32	\$56.08	\$56.46	\$56.85	\$57.23	\$57.62	\$58.01	\$59.39
3	\$38.10	\$38.80	\$39.15	\$39.51	\$39.86	\$40.21	\$40.57	\$40.92
4	\$29.52	\$30.19	\$30.53	\$30.87	\$31.21	\$31.55	\$31.89	\$32.23
5	\$24.40	\$25.05	\$25.38	\$25.71	\$26.04	\$26.38	\$26.72	\$27.06

EXAMPLE: You wish to finance the purchase of 5 head of bred cows for your project at a cost of \$625 per head. 5 head X \$625 = \$3,125. You plan on repaying the loan from annual calf sales over a five-year period. What would be the annual payment of principal and interest for a \$3,125 loan at 9.5% interest for five years?

By following the 9.5% interest rate column down to five years, you will find the estimated payment required would be \$26.04 per \$100. For a loan of \$3,125 your calculations would be:

$$\$26.04 \times 31.25 (\$3,125 \text{ divided by } 100) = \$813.75 \text{ yearly payment.}$$

11. Borrowers will be required to make a yearly payment, which is normally scheduled to be paid on December 31st of each year. If the timing of your income is such that another payment date is better, please list this desired date. Arrangements can also be made for monthly payments where appropriate.
12. Your application for a Junior Agriculture Loan must be reviewed and signed by a three member local committee. The committee is asked to make recommendations in the space provided and to provide assistance to the Department of Agriculture in determining eligibility and ability of applicants. Such recommendations may include, but are not limited to, periodic inspection of your project by the committee, periodic reports to the committee, approval of purchases by committee, etc. The local committee is encouraged to take an active role in observing and assisting in your project.

The local review committee can consist of agricultural education instructors, extension agents, 4-H leaders, agriculture loan officers, or others who are active in the agricultural community. In many communities, a committee has already been established. If a committee has not been established in your community, you can work with your county agent or agricultural education instructor to obtain assistance in forming a local committee. If you need further assistance, contact the Montana Department of Agriculture, Agricultural

Finance Program Specialist.

13. Describe all property and assets and their total value on the left side of the Financial Statement. Include livestock now owned (horses, cattle, etc.), vehicles, land, personal property, savings, etc. These assets are normally used as collateral for your loan.
14. On the right side of the Financial Statement list all debts that you now owe, to whom the debt is owed, the monthly or yearly payments, and the balance of each debt remaining to be paid.
15. First complete **Worksheet A**. Enter the projected yearly expenses for each of the first three years of your project. Enter **TOTAL INCOME** from the bottom of **Worksheet A** on line 15 of **Anticipated Income and Expenses** (page 11).
16. First complete **Worksheet B**. Enter yearly expenses for each of the first three years of your project. Enter **NET YEARLY EXPENSES** from Line 24 of **Worksheet B**.
17. Subtract line 16 from line 15 and enter the difference. These figures are an estimate of the profit or loss from your project. **Loan applications with a negative cash flow will not be accepted.**
18. **Worksheet A** is used to list all the **estimated** income from your project for the first three years. For example, a sheep project will have income from the sale of lambs, cull ewes, and wool. If you have income from a source not specifically listed on **Worksheet A**, enter it under **Other**. For example, income from a truck farm would be listed under **Other** in the Crops section.

A category for **Labor income** is provided to enter labor income that will pay project expense. Enter a figure here only if you have expenses on **Worksheet B** that will be paid by labor income. For example, your parents may provide pasture in exchange for your labor. In this case, enter a cost for Pasture on **Worksheet B** and an offsetting figure for Labor income on **Worksheet A**.

In the **Price** column enter the estimated price you expect to receive when you sell livestock or commodities from your project. For example, an estimated price for calves may be 70 cents per pound.

Enter the number you expect to sell under **# Sold** and the total income from that sale under **Income**. Estimate these figures for the next three years. For example, you own ten bred cows; you may expect to sell eight (450#) calves (**# Sold**) the first year at \$.70 per pound (**Price**) for an income of \$2520. (8 X 450# X \$.70 = \$2,520. Second and third year sales may vary depending upon your inventory, etc.

19. Worksheet B: ENTER ACTUAL COSTS FOR ALL EXPENSES REGARDLESS OF THE METHOD OF PAYMENT (FROM PROJECT INCOME, OTHER FUNDS, LABOR EXCHANGE, ETC).

If you have expenses not specifically listed on **Worksheet B**, list them under **Other**. Enter the cost of the expense item under **Cost/unit**. For example, if you plan to purchase hay, the **Cost/unit** may be \$50 per ton. Under **Units** enter the number or amount of the expense item you plan to purchase, i.e. 16 tons

Enter the total cost (**Cost/unit X units = Cost**) under the **Cost** column.

20. Add the actual costs of all expenses and enter the total for each of the three years.
21. Determine the amount you wish to borrow and enter that amount in the space provided. The amount of the loan cannot exceed ninety percent (90%) of first year costs.
22. Subtract line 21 from line 20 and enter the difference. Under the 2nd year and 3rd year columns, enter the **SUBTOTAL** figures from line 20.
23. Estimate the yearly amount of your **loan payment** using the estimated payment table on page 5. Enter this

amount on line 23. The amount of your payment will depend upon the size of your loan, the number of years required for repayment, and the interest rate. If necessary, obtain assistance from your parents, project supervisor, or the local loan committee.

24. Add line 22 to line 23 and enter the sum in the proper space. These figures are an estimate of the **NET YEARLY EXPENSES** of your project.
25. **Worksheet C** estimates the inventory associated with your project for three years. Estimate the figures to the best of your ability and enter them in the proper space. If you plan to repay your loan in less than three years, then estimate inventory or production through the length of the loan.

LIVESTOCK: Enter total numbers including production for the calendar year **prior to sales**. For example, you purchase ten bred cows in October; your estimated inventory for the calendar year might be ten breeder cows and nine calves. Inventory for the following year will account for any reduction due to sales or death loss.

CROPS: Estimate production in bushels, tons, etc. for the amount of acreage planted.

26. Please provide a carefully drawn map to your home and/or the location of your project. The map will be used by the Agricultural Finance Program Specialist to visit your project.
27. Once your loan is approved, the loan papers and loan funds will be mailed to the financial officer specified on your application. The financial officer will explain the loan documents to you and will assist you in signing the loan documents. Applicants may be required to open a joint checking account with the Department of Agriculture. Loan funds would then be deposited in this account and the account would be maintained and used for financial transactions involving the loan project. Normally a member of the local loan committee will be designated as the department's representative to sign on checks and withdrawals.
28. The lease is a legal document that describes the agreement you have with your parents or others to use property or goods. The lease should be carefully completed and agreed to by both parties. Fill out all portions of the lease in ink. **BE VERY SPECIFIC.**

Please describe the location of the property where you project will be conducted in the space provided. For livestock projects, the compass direction and miles from the nearest town will be adequate. For crop projects, you must provide a legal description down to the quarter section. The owner of the land can provide you with a legal description. If not, you can get a legal description at the County Clerk and Recorder's Office.

Be specific on the details of the lease agreement. Please list the number of acres and whether the property is irrigated or dryland? If you will be paying for the use of property, specify the dollar amount (usually in dollars per animal unit month or dollars per acre per month). If you are exchanging labor for feed, etc., describe the details? Summer labor, weekend labor, after school labor, or all of these? Be sure to include the length of the lease.

JUNIOR AGRICULTURE LOAN APPLICATION
MONTANA DEPARTMENT OF AGRICULTURE
AGRICULTURAL FINANCE PROGRAM

Note: Please follow the directions preceding this application form.

Applicant's name

Parent's/Guardian's names

Address

City State Zip

County

Phone

Social Security Number

Year in school

Age

4-H Club/FFA Chapter

1. Our farm/ranch residence is located _____ miles _____ (direction) from _____
_____(City) on _____ (highway or county road).

My parents/guardians own and/or rent a farm/ranch (**circle one**) with _____ irrigated acres
and _____ non-irrigated acres.

Will your project be conducted at this location? _____ If not, describe location _____

2. Describe your recorded brand and its position: _____

3. Describe your family's farm/ranch operation and your experience including number of years, chores,
equipment operated, livestock raised and/or owned, and all operations you are familiar with: _____

4. Describe your career and educational plans after high school _____

5. Describe how the loan funds will be used:
Purchase of livestock: (number) _____ (kind) _____
Operating expenses:(describe) _____
Machinery, buildings, other capital investments: _____
Other: _____

6. Describe your plans for your proposed project. Include current and future plans for livestock, crops,
machinery, and what you hope to gain from the project. _____

7. **Livestock project:** Where do you plan to purchase your livestock and at what price? _____

8. Enter the total first year estimated cost of your project: \$ _____

9. Enter the amount of loan request _____

10. Enter estimated yearly payments:

1 st Year \$	_____
2 nd Year \$	_____
3 rd Year \$	_____
4 th Year \$	_____
5 th Year \$	_____

11. **Note:** Payments are normally scheduled for December 31 of each year. If you prefer another date please specify: _____

I am unable to provide financing on my own or to secure the necessary credit from other sources at reasonable rates and terms. I certify that the statements made by me in this application are true, complete, and correct to the best of my knowledge and are made in good faith.

Signature of applicant

Date

Signature of parents/guardians

Date

12. **LOCAL COMMITTEE RECOMMENDATIONS AND SIGNATURES**

Amount of loan recommended by committee: \$ _____

Other recommendations of the committee or project supervisor _____

Project supervisor

Date

Title

Phone

Committee member

Date

Title

Phone

Committee member

Date

Title

Phone

Financial Statement

13. Assets (Property owned)			Liabilities (Debts owed)		
	Quantity	Value		Payment	Balance
Livestock			Livestock		
Cattle					
Sheep					
Hogs					
Horses					
Other					
Equipment			Personal property		
Personal Property					
Real Estate			Real estate		
Subtotal					
Other assets			Credit card		
Cash			Other debt		
Checking					
Savings					
CD's, Bonds					
Other					
Total			Total		

ANTICIPATED INCOME AND EXPENSES

Use Worksheets A and B (Pages 11 and 12) to determine total income and expenses.

	1 st year	2 nd year	3 rd year
15. Total Income (Worksheet A)			
16. Net Expense (Worksheet B)			
17. NET INCOME (Line 15 - line 16)			

18. Estimated Project Income

Worksheet A

Income Source	Price	Year One		Year Two		Year Three	
		# Sold	Income	# Sold	Income	# Sold	Income
Livestock							
Calves							
Market cattle							
Bulls							
Culls							
Lambs							
Wool							
Culls							
Weaner pigs							
Market hogs							
Culls							
Other							
Subtotal							
Crops							
Spring wheat							
Winter wheat							
Malting barley							
Feed barley							
Hay							
Other							
Subtotal							
Miscellaneous Agribusiness							
Custom Work							
Labor Income							
Other							
Subtotal							
Total Income							

19. Estimated Project Expense

WORKSHEET B

Expense Description	Cost/unit	YEAR ONE		YEAR TWO		YEAR THREE	
		Units	Cost	Units	Cost	Units	Cost
Hay							
Grain							
Other feed							
Pasture/land lease							
Veterinary							
Breeding fees							
Livestock purchase							
Seed							
Fertilizer							
Chemicals							
Insurance							
Building/fence repair							
Equipment purchase							
Equipment repair							
Fuel and oil							
Utilities							
Market commissions							
Other							
20. SUBTOTAL							

21. Requested loan amount							
22. SUBTOTAL (20 - 21)							
23. Estimated loan payment							
24. NET EXPENSE (22 + 23)							

25. Estimated inventory and production

WORKSHEET C

	Year One	Year Two	Year Three
Description	INVENTORY	INVENTORY	INVENTORY
LIVESTOCK			
Breeding cows			
Replacement heifers			
Feeder cattle			
Market cattle			
Bulls			
Breeding ewes			
Replacement ewes			
Lambs			
Market lambs			
Rams			
Breeding sows			
Replacement gilts			
Piglets			
Weaners			
Market hogs			
Boars			
Other			

CROPS	Year One	Year Two	Year Three
Spring Wheat			
Winter Wheat			
Malting Barley			
Barley			
Hay			
Stored crops			
Other			

26. Please use the following space to draw a map showing the best route to your home and/or location of your project. Include major landmarks and mileage between them.

North

27. Please provide the name, address, and phone number of a financial officer who will assist you with any financial questions you may have and with signing the loan papers.

NAME _____

BANK _____

ADDRESS _____

CITY _____

PHONE _____

LEASE AGREEMENT

(This is a basic lease agreement. Every lease agreement should be tailored to the specific needs of the parties involved).

This agreement, made and entered into this _____ day of _____, _____ between _____ whose address is _____ hereinafter called the Lessor(s), and _____ whose address is _____, hereinafter called the Lessee, witnesseth that the Lessor(s) have this day leased or provided for use unto the Lessee the following real property, situated in _____ County, Montana, described as follows: _____

_____ to have and to hold from this date to the _____ day of _____, _____.

The **Lessee agrees to provide** the following to the Lessor: (**specify details of the lease agreement**, i.e. labor, payments, chores, specific duties) _____

in return, the **Lessor will provide** to the Lessee: (**specify details of lease agreement**, i.e. pasture, feed, use of facilities, use of buildings, trucking, **number of livestock**, etc.) _____

This lease agreement shall terminate on _____, _____

Signature of Lessee

Date

Signature of Lessor

Date

Signature of Witness (Supervisor)

Date