

Scottish Agritourism Monitor Farm Programme

Meeting Six Report – EAST CENTRAL

What do Banks think of Lending to the Agritourism Sector?

DRIFT, North Berwick – Wednesday 5th February 2020



The sixth East Central meeting of the three-year Scottish Enterprise Agritourism Monitor Farm Programme took place on Wednesday 5th February 2020.

The meeting focused on the topic of lending, and heard the views of three different bank managers on the following areas;

- Lending to the agritourism sector;
- What has worked well in agritourism projects they have funded;
- What agritourism businesses need to do to raise £1 million.

25 individuals from farming/agritourism enterprises attended the event from all over Scotland with people travelling from as far north as Aberdeenshire and as far south as Dumfries.

Guest speakers for the evening were;

- Stephen Buchan and Stuart Tait from Clydesdale Bank;
- Russell Pinkerton and Stuart Kenny from Royal Bank of Scotland;
- Sarah Tyson from Bell Ingram representing the Agricultural Mortgage Company (AMC).

MEETING SUMMARY

Prior to the meeting, each bank manager received four different scenarios which they gave feedback on to help attendees establish a mixture of factors that are critical to the success of a new project/development gaining finance.

Does your new venture seem reasonable?

- Do your research and make sure the new project/venture is realistic and achievable;
 - o Are you in the right location?
 - o What is the current market for that product/service like in your area? Is there too much competition nearby?
 - o New development idea/structure – will you need to build/develop? If you are planning development of a building will it be within the location of farming enterprise?
 - Always take into consideration the fact that one day you might want to sell/develop the enterprise further – is this achievable where you are situated?
 - Is the new enterprise for succession purposes? Make sure that if you want to run the business separate to the farming enterprise that this is achievable, and plans/proposals/agreements are put in place;
 - **Banks will want to see a succession plan in place for the business;**
 - o What is the impact of managing another enterprise – do you have the time/capacity?
 - Do you need additional staff?
 - Do they have the skills set? If they don't have the skills, what do they do?
 - Are the other business partners/family members involved and happy with the proposals?
- Talk to advisors – not just the banker. Speak to solicitors, accountants etc.
 - o Get advice/guidance from more than one legal advisor – shop around.

Applying for a loan

- Key decisions will depend on your own individual circumstances. You should always discuss with a specialist financial adviser or accountant for guidance on what options suits you best;
 - o Fixed or variable interest rate?
 - o Length of loan – sometimes taking out a longer repayment may be the better option;
 - o Standard mortgage or interest only?
 - o Combination?
- **SWOT analysis;**

- Do a SWOT analysis prior to applying for funding to make sure your strengths, weaknesses, opportunities and threats are discussed highlighted and that you are aware of the potential challenges/opportunities the new business venture may have;
- Create your business plan and then do a second SWOT analysis if you are successful with funding. Some of the areas you highlighted in the first analysis may have changed etc. after you have secured the funding;
- **Business Plan** – there is no such thing as too much information. Remember your bank manager needs to sell your story to the funders/people who approve loans. So, they need as much evidence as they can get to help achieve this;
 - Speak to your financial advisers/bankers face to face/on the phone and find out exactly what they need for you;
 - Every bank/advisor will expect different things so make sure you are clear with what they need;
 - The more organised and prepared you are the quicker/easier the process is;
 - There is never too much information you can provide;
 - Photos – add as much images/visuals to your business plan to make sure you give a clear vision of what you want to achieve;
 - Financial projections – DON'T pick numbers out of the air. Show your workings/findings on how you have got to the budget/loan/funding you require. The more evidence the better chance you have;
 - Do a 3-5-year business plan/cashflow for the new development;
 - Put in a cashflow that is realistic BUT reasonable – e.g. if you think you'll need £10 million but there could be the possibility to go slightly over budget, apply for a bigger loan to make sure this is taken into consideration;
 - State the people that will be involved. Again, banks want to see the 'whole picture' of what you are expecting to do with the funding. Is the funding opening up opportunities for family to come home to work, is it giving someone a responsibly/step forward in their career?
 - Share CVs/personal achievements etc. from those individuals;
 - Evidence of outside income – e.g. is there other employment generating income for the business (do you have someone that's part of the business earning a salary that can go back into the business?);
 - Pensions, shares and other investments can all help fund capital or payback;
 - You can also use buildings etc. against as security. This doesn't necessarily have to be part of the farm business. It could be a house/flat of a family member as long as they are happy and in agreement;
 - You will need evidence of previous years accounts (usually 3-5 years);
 - **An existing customer will be at an advantage of receiving a funding HOWEVER this does not mean new customers will not be successful.** If you are a new customer, you need to make sure you have all the evidence/support/facts/figures you need to apply for the funding. You are a new customer, so they have no history of you or your business;
- **Always consider 'Plan B';**
 - If you are not successful – what plans do you have for the future? Will you apply again? Always take a positive away from a negative;
 - Your bank manager wants to secure the loan for you, it's a positive for them and their reputation so they will do everything they can to help. Make sure you work with them;
 - If you are successful but there are additional requirements, have you considered what they may be (e.g. working with the council for road access etc.);
- **Other considerations you should look at;**
 - Your passions – is it something you really want to do? What are you passionate about? Is the whole team passionate?
 - Equity;

- Have you looked in to grants/other sources of finance?
- **Ability to repay;**
 - Although it may seem sensible to take the quicker repayment option – you are probably best taking the longer repayment time if the bank is offering it. This gives more security if your business is slow are starting to generate enough income (e.g. wedding venues you will have to invest heavily at the start but may not get bookings for a number of months after you have secured the funding/started the loan repayments);
 - Phasing money – do you need the full loan all at once? Would it be better trying to apply for funding that you can receive gradually over a certain period?
 - Be careful with big deposits - make sure you have the cashflow there to help and don't rely on deposits – e.g. if you are setting up a wedding venue don't rely on a big deposit before the venue is underway;
 - If you have assets how do you maximise them?
 - Is your current business profitable? **It is highly unlikely you will be considered for a business loan if your current business/enterprise is not seen to be making profit;**
 - Remember what you invest in the new venture it is very unlikely that the business will generate that value. E.g. if you invest £10 million the business could be worth £5 million or £50 million by the end. Forecasting budgets is essential;
 - Re-finance – this may be an option a few years into a loan if you can do so (e.g. you can reduce interest from 5% to 3%).

TOP TIPS FOR SUCCESSFULLY GAINING FINANCE:

- ✓ Do your research and make sure the new development/idea is right for you;
- ✓ Talk to more than one financial advisor and get an insight for exactly what they expect from you before applying for a loan/funding;
- ✓ Give as much information as possible to help sell your story – the more details your bank manager has the more opportunity they have to secure funding;
- ✓ Always have a Plan B;
- ✓ Ensure you can repay – base your lending/funding decision on what suits your business best (every business has a different situation);
- ✓ Carry out a SWOT analysis;
- ✓ Make sure ALL the family/business partners are passionate and fully committed.

RESOURCES

[Click here](#) to get access Sarah Tyson from Bell Ingram's presentation from the meeting on Wednesday 5th February 2019.

[Click here](#) to access AMC's 'checklist' of information they require before putting an application for lending together.

Click on the following links for resources provided by RBS;

[Business hub](#) - article on the vision for 2020 for the agriculture sector. This site has a wealth of articles covering a variety of topics that will be of interest to people running their own businesses, regardless of the sector;

[Entrepreneur Accelerator](#)

[Women in business/Back Her Business/ The Rose Review](#)

To find out more on how to speak to one of the guest speakers from the meeting, please contact the Scottish Agritourism Monitor Farm Programme facilitator Caroline Millar; caroline@agritourism-monitorfarm.com who will put you in contact.

BUSINESS FEEDBACK

Do you think you will require to raise finance for any agritourism projects in the next two years? If so, how much (from any source including own funds)

- Yes, say 60% on a building project. 40% would come from us;
- Potentially a second phase of project £50-100k;
- Possibility;
- Possibly – already expanding at moment;
- Yes, 25K;
- Yes, 600K;
- Yes, own funds. Borrowing 30k;
- Possibly but unsure of numbers at this stage;
- £150k;
- £80k;
- Don't know;
- Over a million;
- Possibly £100k;
- Not sure looking into it.

What three things will you change as a result of what you have learned?

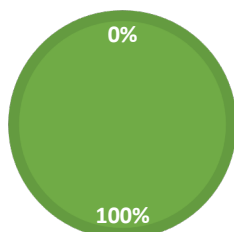
- Look into threats to the project;
- Speak to more than one lender;
- Start conversation early;
- Won't change anything but good to hear;
- Going to discuss with partners and work out how much do we need;
- Call bank manager and arrange a meeting;
- Interested in banks unsecured lending;
- Unsecured lending – for the young ones;
- Look at borrowing to speedup growth of your business;
- Better idea of what banks need;
- Engaging with financiers early on x2;
- Make sure we can articulate our vision;
- Examine plan B;
- Engage more pro-actively with current banker;
- Investigate alternative funding/ different banks;
- Over preparation is key;
- Approach to finance;
- Planning preparation;
- Approach to presentations;
- Understanding the difference between loans from banks and AMC and the processes;
- I will meet and discuss my banking options;
- Shop around rather than stick to same bank x2.

What did you enjoy about the meeting?

- Interesting to hear feedback on real life scenarios;
- Range of guest speakers;
- Informative x2;
- Interesting topic;
- Learning about the process of borrowing money x3;
- The willingness of speakers to engage with the audience;
- Openness;
- Informal interaction with lenders;
- Networking;
- Quick structure;
- Plenty opportunities to ask questions;
- Brill hospitality.

As a result of the meeting are you more aware of what is involve in preparing a request for funding from a lender?*

■ Yes ■ No



Have you experience of applying to borrow money from the bank to invest in your agritourism business?



*Comments

- Knew a lot already but good to update;
- Learned how to be prepared for the questions they will ask, conversation and being open/honest about everything;
- Yes – preparation is key;
- What banks require in terms of information;
- Current interest rates;
- Aware if benefit of speaking to bank early;
- Very useful;
- Cash flow projections;
- Found information from all speakers;
- How well you must be organised;

EAST MEETING FOUR ATTENDEES

There were 25 attendees at the meeting on 5th February 2020. A full list is detailed along with links to their websites/social media channels.

No.	First Name	Surname	Ticket Type	Company	Website
1	Stuart	McNicol	Agritourism/Monitor Farmer	DRIFT./Castleton Events	https://www.facebook.com/DRIFTeatdrinkrelax/
2	Jo	McNicol	Agritourism/Monitor Farmer	DRIFT./Castleton Events	https://www.facebook.com/DRIFTeatdrinkrelax/
3	Bobby	Lennox	Agritourism/Monitor Farmer	Lennox of Lomond	https://www.shemoreonlochlomond.com/
4	Anne	Lennox	Agritourism/Monitor Farmer	Lennox of Lomond	https://www.shemoreonlochlomond.com/
5	Kay	Wilson	Agritourism/Monitor Farmer	Lennox of Lomond	https://www.shemoreonlochlomond.com/
6	Dougie	Wilson	Agritourism/Monitor Farmer	Lennox of Lomond	https://www.shemoreonlochlomond.com/
7	Robin	Austin	Agritourism business	Barstobrick and Fellend Farm	https://www.barstobrick.co.uk/
8	Ellen	Austin	Agritourism business	Barstobrick and Fellend Farm	https://www.barstobrick.co.uk/
9	Chris	Scott-Park	Agritourism business	Portnellan Farm LLP	http://portnellanfarm.co.uk/



10	Freda	Scott-Park	Agritourism business	Portnellan Farm LLP	http://portnellanfarm.co.uk/
11	David	Scott-Park	Agritourism business	Portnellan Farm LLP	http://portnellanfarm.co.uk/
12	Jasmine	Jackson	Agritourism business	Kersheugh	https://www.facebook.com/jacksonsfarmventure/
13	Grant	Turnbull	Agritourism business	Carr's Hill	http://www.carrshill.co.uk/
14	Geraldine	Hamilton	Agritourism business	Crosswood Hill	www.crosswoodhill.co.uk
15	Selina	Cairns	Agritourism business	Errington Cheese	https://www.erringtoncheese.co.uk/
16	Michael	Hardie	Farmer looking to diversify	Unknown	
17	Shona	Ross	Farmer looking to diversify	The Doune Farm	
18	Russell	Calder	Farmer looking to diversify	Killduff Farm	
19	Alex	Peace	Farmer looking to diversify	Unknown	
20	Amy	Peace	Farmer looking to diversify	Unknown	
21	Sheila	Bannerman	Farmer looking to diversify	The Old Manse Farm	
22	Sally	Williams	Farmer looking to diversify	R & A Wilson Ltd	
23	Ruth	Williams	Farmer looking to diversify	R & A Wilson Ltd	
24	John	Auld	Farmer looking to diversify	The Firm of Elizabeth Auld	
25	Linda	Tinson	Industry Representative	Ledingham Chalmers	