



Expectations of Lenders When Financing Anaerobic Digesters

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"YOU WANT A LOAN, YOU SAY? HA, HA, THAT'S A GOOD ONE!... WHERE IN THE WORLD DID YOU HEAR THAT BANKS MADE LOANS?!"



Digester Lending Disclaimer:

How many digesters has Farm Credit of New Mexico currently lent money on?

0



Would Farm Credit of New Mexico be willing to lend on digesters?

Yes – But as lenders we need to be educated just like you!



What are Ag lenders going to look at when financing a digester project?

The same factors that they will look at with any specialized facility project.



Those factors are:

Character

Capital

Capacity

Collateral

Conditions



Character issues

- *Will need to have a proven dairying operation with a history of good production and overall financial management.*
- *As the Farm Credit system is currently chartered an outside investor(non farmer/dairyman) would not be an eligible borrower.*
 - *That means we will be looking at mostly full time dairyman that have been in the dairy business.*



Capital issues

- *Strong financial ratios*
 - *Liquidity*
 - *Owner's equity*
 - *Net Worth*
 - *Etc.*



Capacity issues

- *Varying and very unique revenue streams that require a case by case study.*
- *Digester technology is generally being driven by environmental concerns/nutrient management.*
 - *so how does a digester affect cashflow in the short and long term?*



Our concept is simple. We intend to lose money on every sale but make it up on volume.

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Collateral issues

- *Very Specialized facility*
 - *For Farm Credit lending purposes it would have to be part of a dairy facility and not a stand alone facility.*
- *Currently very little market data available to appraisers in arriving at a contributory value of a digester to a dairy facility.*



Collateral issues – continued

- *Ever changing technologies mean that what's the best today may be obsolete tomorrow.*



Condition issues

- *Need to understand and approve of agreements with the power companies.*
- *When split financing and/or government guarantees are utilized all parties need to understand what lien priority each entity has.*



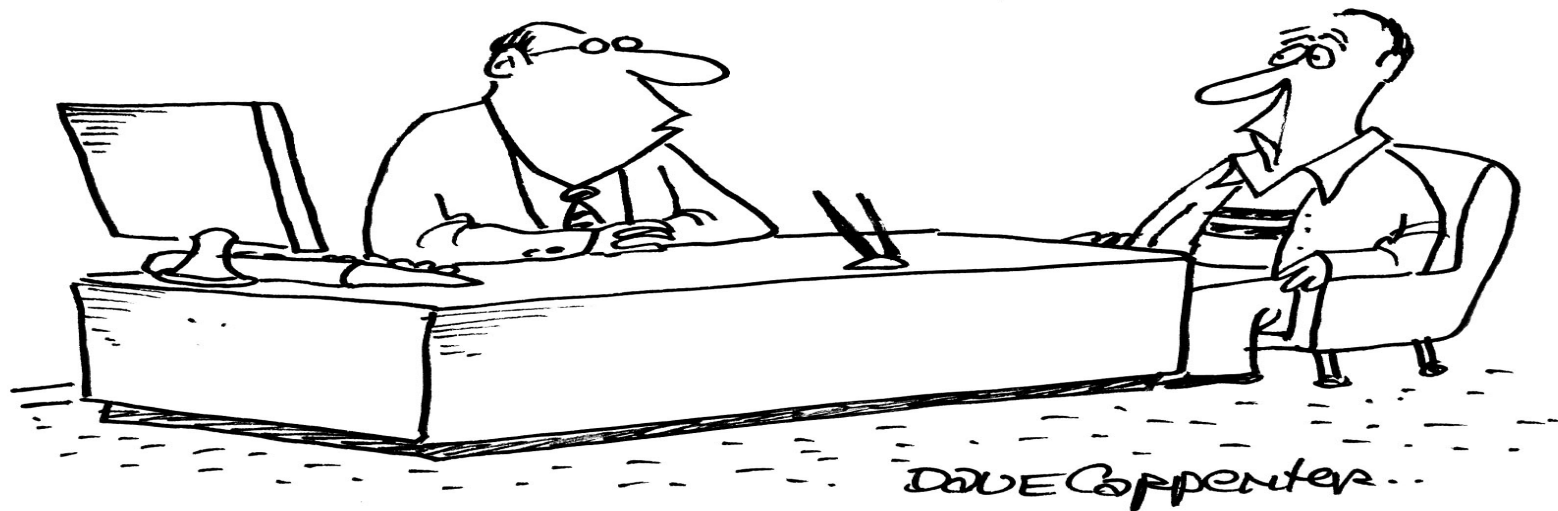
What would encourage a lender to lend money on a digester?



How to make your lender say yes!

- Long term relationship with your loan officer/bank with proven trust on both sides.
- Well thought out business plan showing how this will be beneficial to your operation.
- Government assistance in the form of high percentage guarantees and grants to get the adaptation more common.

CITY SIDE BANK
6% LOANS



" YOU'RE PART OF THE 6% WE WON'T
BE LENDING MONEY TO... "

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