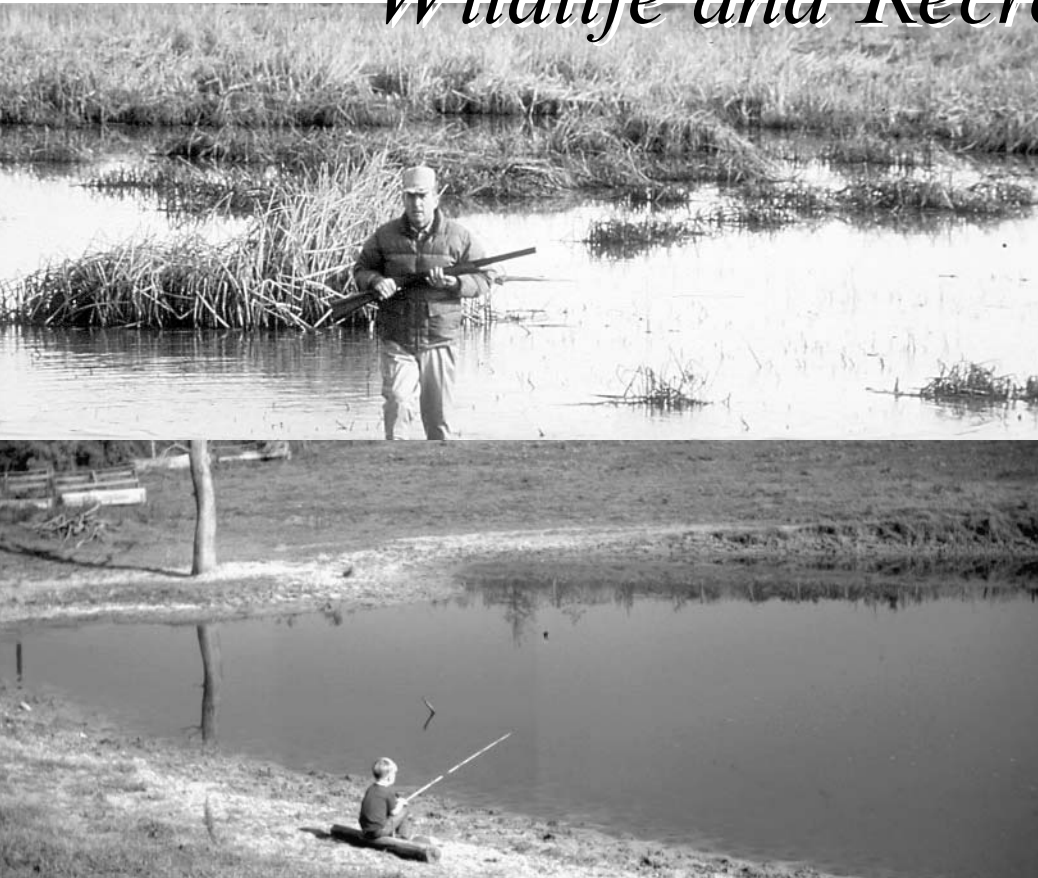


NATURAL RESOURCE ENTERPRISES

Wildlife and Recreation



FINANCING YOUR NATURAL RESOURCE-BASED ENTERPRISE

Wildlife, fisheries, and other natural resource-based recreational pursuits constitute America's newest billion-dollar industry. In 2001, expenditures on wildlife-related recreation in the United States were estimated at \$108 billion. Expenditures on wildlife, fisheries, and related outdoor recreation exceeded \$974 million in Mississippi alone in 2001. Mississippi is uniquely positioned to receive a wealth of economic benefits as a result of the increasing public interest in and demand for access to wildlife, fisheries, and outdoor recreation.

Starting a business is hard work, and you must conduct a large amount of research to be sure that

you want to get involved in this venture and to ensure that you will be successful in it. You must consider and address issues like tax laws, state and federal laws and regulations, liability issues, and safety issues before you approach a lender.

If you are already a landowner and have sufficient capital available for the development of an enterprise, there is little need to seek financing. If, on the other hand, you desire to establish and sustain a wildlife- or fisheries-related recreational enterprise and have limited funds or land available, financing is likely to be of utmost importance to you.

NATURAL RESOURCE ENTERPRISES

FINDING A LENDER

If you conclude that financing your natural resource-based enterprise is a necessity, you will need to find out which lender will best serve your purposes. Several financing options are described below.

Commercial Banks

Most borrowers contact their local commercial bank first. Unfortunately, in many cases a commercial bank is only interested in short-term loans, so you may need to look elsewhere for financing.

Farm Credit Lending Institutions

- ✓ Federal Land Bank Associations
(www.landbanksouth.com,
www.mslandbank.com)
- ✓ First South Farm Credit
(www.farmcreditsouth.com)

The Farm Credit System, through its locally owned and operated cooperative lending operations, is a source of financing that offers long-term loans at competitive and attractive interest rates. Loans through the Farm Credit System can be for the purpose of purchasing real estate, improving real estate, debt refinancing, and consolidation. Interest rates can be variable or fixed with monthly, quarterly, semi-annual, or annual payments. Also, the Farm Credit institutions have “young,” “beginning,” and “small farmer” programs with several attractive features for those that qualify.

Farm Service Agency

(www.fsa.usda.gov)

The Farm Service Agency (FSA) is a part of the United States Department of Agriculture (USDA). The FSA makes and services both direct land ownership and operating loans. FSA also has a guaranteed loan program and a participation loan program. FSA guaranteed loans provide conventional lenders with up to a 95 percent guarantee of the principal loan amount. In the participation loan program, FSA lends up to 50 percent of the amount financed and the conventional lender provides the other 50 percent.

Mississippi Development Authority

(www.mississippi.org)

Mississippi Development Authority (MDA) makes interest-free loans to eligible start-up operations. MDA funds up to 20 percent (or \$200,000 — whichever is less) of the cost to construct or update facilities interest-free for up to 15 years. The conventional lender guarantees this loan and MDA is assured of repayment.

Owner Financing/Family Members/Investors

Owner financing may be an option to consider when a seller is interested in the sustainability of the property and is willing to finance the sale. Interested investors may also want to finance a natural resource-based enterprise if they expect a fair return on their investment and/or use of the enterprise once the operation is up and running. A family member with money to invest and confidence in the ability of the borrower to repay may also be willing to extend a loan.

WHAT LENDERS NEED

The Five Cs of Credit

All commercial lenders look for the same basic characteristics in a borrower. They are known as the “Five Cs of Credit”:

- Character - Personal credibility of the borrower,
- Capital - Financial position and progress toward financial stability,
- Capacity - Ability to repay the loan,
- Collateral - Other property or capital to secure the loan,
- Conditions - Basis of ultimate loan approval.

Business Plan

The most important information required by a lender is an up-to-date, complete, and accurate business plan. There are several good business plan models on the World Wide Web that can assist you in developing a sound business plan. A few sites available for this purpose include:

- ✓ www.bplans.com/sp/
- ✓ www.mississippi.org. This comprehensive web site was created by the Mississippi

Development Authority, whose principle purpose is economic development. At this site, the “Entrepreneur's Tool Kit” found under the Business Development section is very useful, containing a detailed explanation and example of each area of the financial plan, as well as a universally accepted personal financial statement.

(Note: Because web links can change, if you have trouble locating any of the links provided in this publication, please refer to the appendix on page 4 which gives the mailing address and phone number for each organization.)

Within the larger business plan, lenders will look for a sound and detailed financial plan. Critical components of a financial plan are:

- ✓ A cash-flow statement,
- ✓ Sources and uses of funds,
- ✓ Income statement,
- ✓ Balance sheet.

When you approach a lender, it is important to establish a personal relationship with a loan officer who understands a borrower's needs. It is the loan officer's job to assess the borrower's credit quality, or the “Five Cs of Credit,” to understand strengths and weaknesses of the business plan, and, if they have experience with natural resource-based enterprises, to offer sound advice on plans and goals of such an enterprise. It is a good idea to call ahead and find out what information the loan officer will need as they consider an application for loan. Be prepared to answer questions and give all information as required by the lender.

Inventory

A lender will also be very interested in reviewing an inventory of your physical resources and labor resources. This inventory includes:

- ✓ Number of acres in the enterprise
- ✓ Unique physical, biological, or landscape features

- ✓ Water resources availability
- ✓ Type and extent of vegetative cover
- ✓ Current land use (crop, pasture, timber)
- ✓ Other comparable enterprises in the area (competition)
- ✓ Adjacent land use and management history (if known)
- ✓ Supplies, vehicles, equipment owned or needed
- ✓ Potential risks (environmental hazards, unsafe structures)
- ✓ Status of existing wildlife and fisheries populations
- ✓ Number of employees on hand or that will be needed
- ✓ Employee special expertise needed
- ✓ Level of employee compensation (base pay, benefits)
- ✓ Need for customized services (guided hunts, tours)
- ✓ Opportunities for expansion

Financing a natural resource-based enterprise does not have to be a frightening or cumbersome process. Be sure to have a sound, complete, and comprehensive business plan, and be prepared to answer any and all questions about your enterprise. It is the loan officer's job to evaluate credit quality and to determine what, if any, special programs are available to make your plan work. Consider the lender as a partner, ask pertinent questions, draw on their financial expertise, and heed their advice.

APPENDIX

Bplans.com

www.bplans.com/sp/
144 E. 14th Ave.
Eugene, OR 97401
Phone: (541) 683-6162
Fax: (541) 683-6250

Mississippi Development Authority

www.mississippi.org
501 North West Street
P.O. Box 849
Jackson, MS 39201
Phone: (601) 359-3449
Fax: (601) 359-2832

Federal Land Bank Association of South Mississippi

www.landbanksouth.com
500 Greymont Ave., Suite D
Jackson, MS 39202-3446
Phone: (601) 355-8500
Fax: (601) 355-8511

Land Bank of North Mississippi

www.mslandbank.com
P.O. Box 667
Senatobia, MS 38668-0667
Phone: (662) 562-9664
Fax: (662) 562-7783

First South Farm Credit

www.firstsouthfarmcredit.com
P.O. Box 1709
Ridgeland, MS 39158
Phone: (800) 955-1722
Fax: (601) 977-8368

Farm Service Agency, Mississippi Office

www.fsa.usda.gov
P.O. Box 14995
Jackson, MS 39236
Phone: (601) 965-4300
Fax: (601) 965-4184



msucares.com

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