

## Acquiring financial capital

**Y**ou've got the discipline and determination required to make your business succeed. When the time comes to expand, and borrowing money seems inevitable, that same discipline and determination will be required to help you repay your loans as scheduled.

You know that. But convincing the money lender? That's another story entirely. The key is preparation. Knowing in advance what's required before you meet with a lender will make the experience less daunting and a positive outcome much more likely.

With that in mind, the financial team at Explore Local have put together these tips to help you prepare for the borrowing experience and increase your chances for success.

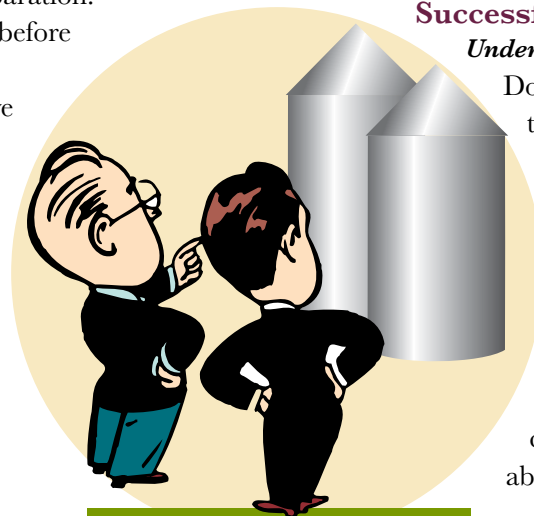
### How much to borrow

Determining how much money and the type of financing you'll need is as simple as adding up all the known and anticipated costs of the expansion or new business venture.

Calculate the cost for capital assets like land, buildings and parking, equipment and its installation, and your need to pay for the day to day expenses of running the business like buying ingredients, paying for staff, rent, utilities and consultant fees etc.

Keep in mind that the term debt is often used for capital purchases whereas an operating line (or line of credit) is used to supply working capital. Be liberal

with your anticipated costs and conservative with your assumption of sales. Add 10 per cent to the expenditures of start-up costs to cover unforeseen expenses, and reduce your revenue expectations by 10 per cent. If, based on those assumptions, all payments can be maintained, you're on the right track financially.



### Successful credit approval

#### *Understand Your Requirements*

Do your homework online and see what the creditors are offering for loan packages. Select the one that best suits your needs in amortization period, interest rate and payment frequency.

#### *Ask Questions*

Call the financial institution that is best able to meet your needs. Find out the information they need for credit review and timelines, and ask about the approval process.

#### *Know Your Limitations*

Apply for the loan based on your ability to make payments and still have money leftover for personal living costs and savings. Be honest with yourself and resist the urge to over-borrow—just because more money than you need is offered doesn't mean you have to accept it.

#### *Create a Checklist*

An incomplete application will only be declined, so gather all the information the lender requires in advance of your meeting. *Read more about this step on page 3.*

### KNOW THE SCORE!

Financial institutions have their own credit "scores" or they use the ones generated by third-party credit bureaus—but they likely won't share them with you.

You should contact [Equifax](#) or [TransUnion](#) credit bureaus directly to get a copy of your credit report (free) and also your credit score (nominal fee) **before** you start looking for money. That way, you know where you stand and can use your rating to negotiate terms.

Continued on page 2

## Your credit score

Lending institutions use different formulas to calculate credit scores, and your score is also affected by your own financial behaviour.

Consistently paying your credit commitments on time and spending within your limits (credit card balances should be kept at less than 70% of your borrowing limit) will improve your credit score. The longer you maintain that status, the more your credit score improves.

Having a mix of revolving credit (e.g., credit cards) and installment credit (e.g., a car loan) is seen as a good indicator of your ability to manage credit—provided all payments are up to date. And it's never a good idea to apply for credit just because you can—only open a new credit card account when you actually need one.

Conversely, late payment of bills, a credit card balance consistently near the maximum or exceeding the limit will lower your credit score.

However, if you never use credit cards you're not establishing a credit history, and that can be as harmful to your credit score as negligent payments. It's actually better to use credit in moderation, keep your balances low, and pay on time.

## Stating your case

So you've chosen a lender and made that first appointment. It's important that you arrive prepared—bring all the business documents they told you to bring when you called for an appointment (see more about this on page 3).

Develop a 30-second compelling pitch for your business that will catch the lender's attention but keep it realistic.

If this gets the interest of the lender you can tailor your approach to tell them the rest of your plans and future revenue streams.

Know your costs of production—if asked and you don't know your costs, there's not much chance of getting that loan.

Show your prospective lender what your financial ratios are before and after the changes you are planning.

Show them you can repay the new loan in addition to all of the other cash flow obligations of your business.

Your prospective lender will give your financial management ability a high grade if you can speak their language: Know what liquidity means and what yours is; what solvency means and what yours is; what profitability means and what yours is.

For more detailed information on any of the topics discussed here, check out the live links in the sidebar at the right. ●



For more information on where and how to access financial resources and other valuable financial information, check out these options:

### [Explore Local Financial Resources for Local Market Producers and Processors](#)

This is not a comprehensive list of all available programs, but a starting point from which to build. Available in spreadsheet or PDF format.

### [New Venture Specialist's Biz Info](#)

This site has lots of great information about starting and growing a business. Check out the [Financing](#) page under the *Starting a Business* tab for tons of finance-related resources.

### [Alberta Agriculture and Forestry](#)

The above link takes you to a page with numerous free publications on a variety of topics. Below are a few of the finance-related documents, but visit the website to view all available publications:

### [Developing a Business Advisory Board](#)

### [Working With Your Lenders](#)

### [How Much Money Do I Need?](#)

### [Where Can I Get Money?](#)

### [How Do I Get Money?](#)

### [Get the Loan You Need](#)



## Applying for a Commercial LOAN

Once you decide to take the plunge and apply for a business loan, your chosen lender will require detailed financial information from you before you can sign on the dotted line and collect your cash!

Below is a list of the information you will be asked to provide. For more detailed information on applying for a commercial loan, watch for *Explore Local's Financial Advice Webinar* series coming soon.

- Security – Collateral
- Business plan
- Business' financial details
- Projected financial statement outcomes and ratios
- Accounts receivable details
- Accounts payable details
- Personal financial details
- Insurance information
- Past tax returns
- Agreement on future ratios

## Proposed Safe Food For Canadians Regulations Questions and Answers

The proposed *Safe Food For Canadians Regulations* (SFCR) may impact your farm direct operation. As the SFCR are still in consultation phase, the following information could change before the proposed regulations become law.

For full details on the proposed changes and how they may affect your business, read our special [food regulations issue](#), published in March 2017, complete the [online tools](#) and register your concerns before April 21.

### 1. Will Alberta farm direct vendors who sell only within Alberta have to be licensed?

A licence is not required if you only sell food products within Alberta.

### 2. Who needs a licence?

A licence is required by everyone who:

- imports food
- manufactures, processes, treats,

preserves, grades, packages, or labels food for export or to be traded inter-provincially

- requests an export certificate
- slaughters food animals for export or to be traded inter-provincially

Use the [Would You Need a Licence Tool](#) to determine whether or not you would be required to have a licence.

### 3. What would a licence cost?

The Canadian Food Inspection Agency (CFIA) is reviewing its service standards and fees to verify they are in line with the actual cost of delivering the services and treating all industry sectors equally. Before the CFIA changes any of its service standards or fees, it will consult with stakeholders.

### 4. What is a preventive control plan (PCP)?

A preventive controls plan is a written plan that demonstrates how hazards and risks to your food products are identified and eliminated or reduced to an acceptable level.

### 5. What is required for Alberta farmers' market vendors to sell pickled carrots, pickled eggs, fruit pies, breads, cereal mixes, fruit vinegars, homemade pasta or egg noodles, dried saskatoons, flavoured honey, pea butter, beef jerky or fudge at neighbouring farmers' markets in B.C. or Saskatchewan?



Continued on page 4

**Questions and Answers**  
from page 3

They would require a license. They would also require a preventive controls plan (PCP) unless the proposed exemption for micro businesses with \$30,000 or less in gross annual food sales applies.

In addition, the traceability requirements would apply. CFIA suggests using this [online traceability tool](#) to determine your requirements.

**6. Will vegetable CSA box program operators be able to offer pick-up locations in neighbouring provinces? (e.g. can a market**

**gardener near Grande Prairie, AB have a drop off location in Dawson Creek, B.C.)?**

A license is not required to grow and harvest fresh fruits and vegetables to be sent from one province to another. However, if you package them in the field, you will need a licence to package them. The operator would require a preventive controls plan (PCP) unless the proposed exemption for micro businesses with \$30,000 or less in gross annual food sales applies.

*Note: In this example the CSA box includes only fresh fruits and vegetables*

*and no other foods such as jams, jellies, pickles, meat, eggs, etc.*

**7. What's involved in terms of inspection requirements?**

Inspection requirements are to be determined and will be based on risk.

**8. Will farmers' market vendors moving into selling at specialty retail stores need a one-step-back traceability plan?**

Only the retailer would require a one-step-back traceability plan.

If you would like to provide feedback about the proposed regulations, visit the CFIA website and click on the [Have Your Say](#) button. ●

## Upcoming Events

### WORKSHOP SERIES

#### TROUBLESHOOTING SHELF LIFE

**Tue, Apr. 11, Airdrie**

**\$25 incl. gst, lunch, refreshments**

One of the challenges of producing your own processed food product is knowing how long the product is good for. This workshop will help small scale food processors understand the process of determining shelf life. **To register call 1-800-387-6030.**

#### FOOD LABELLING FOR LOCAL MARKETS

**Wed, Apr. 12, Airdrie, Thu, Apr. 13, Leduc, 9am-11:30am, Free, lunch is on your own**

Learn how to meet regulations while promoting your products; protect your

business and your customers from undeclared food allergens; demystify food labelling information

Following the interactive half-day workshop, Explore Local will offer one-on-one food label coaching. Sign up when you register or at the workshop. Bring your existing or proposed food label to be reviewed.

To register or for more information, contact Delores at (780) 427-4611 or [delores.serafin@gov.ab.ca](mailto:delores.serafin@gov.ab.ca). To connect toll-free please call 310-0000 first.

#### MARKETING ESSENTIALS: INTRO TO MARKETING

**Wed, Apr. 12, Airdrie**

**\$25 incl. gst, lunch, refreshments**

This one-day workshop will focus on practical information and tools to help

you develop and implement an effective marketing strategy for your business. **To register call 1-800-387-6030.**

#### MARKETING ESSENTIALS: TELLING YOUR STORY

**Wed, Apr. 19, Airdrie**

**\$25 incl. gst, lunch, refreshments**

Interesting stories about you and your business are effective sales tools. They build customer commitment and loyalty.

**To register call 1-800-387-6030.**

### EVENTS



For more information on any of these, or future events, [click here](#) or call [1-800-387-6030](tel:1-800-387-6030).

**Field Notes** is published up to four times per year and is available online at [explorelocal.ca](http://explorelocal.ca). For further information about anything you've read here, or to be included on our email list, please contact Donna Skorworodko at [donna.skoworodko@gov.ab.ca](mailto:donna.skoworodko@gov.ab.ca).