

Farmland Financing Program

The **Farmland Financing Program** is a loan program that will be administered by Finance PEI that will be available to new and expanding PEI farmers seeking to purchase farmland as well as to PEI farmers involved in farmland succession. The purpose of the program is to make it easier for PEI farmers to purchase farmland and to better establish their current operations.

The loan program will have two streams available to eligible PEI farmers:

Stream # 1:

Finance PEI will provide 5-year term loans to PEI farms, up to 90% to 100% of purchase price of farmland, to a maximum of 150 acres (including related/associated entities) at an interest rate of 4% with blended payments (principal and interest), commencing immediately.

Stream # 2:

Finance PEI will provide 5-year term loans to PEI farms, up to 80% of the purchase price of farmland, to a maximum of 450 acres (including related/associated entities). Through this stream, the farming operation will have the option of selecting either:

- a) Interest only payments for a period of 5 years at the prevailing interest rates; or
- b) A fixed interest rate of 4% over the 5-year term of the loan with blended payments (principal and interest), commencing immediately.

The farm must be able to produce the remaining 20% of the purchase price through other sources (i.e. equity, vendor take back, other lenders, etc.).

Additional Information:

Loan requests through this program will be subject to the due diligence process to be completed by the staff of Finance PEI. Business plans, including projected financial statements for a 3-year period (balance sheet, income statement, cash flow statement, and supporting notes), completed by a professional accountant, will be required to support the loan request. In addition, Finance PEI will require 3 years of historical financial statements (if applicable) and appraisals to be completed by an accredited appraiser on the farmland being purchased. Finance PEI will also examine management experience, debt servicing ability, and other security available, etc.

PEI farmers will only be eligible to apply under one stream of the program. They are not able to receive financing under both streams of the program.

To be eligible for this program, the farmers must meet the following criteria:

- The farmer must have an acceptable combination of five years of post-secondary education in agriculture and/or work experience in a farming operation;
- Under expansion/succession, the farming operation must be a viable business venture with a minimum annual sales of at least \$15,000 from agricultural commodities or 25% of the individual's income from farming, supported by Income Tax Returns;

- Under new entrants, financial statement projections (including balance sheet, income statement, cash flow statement and supporting notes) will be required to indicate: i) the annual sales of \$15,000 from agricultural commodities will be met and ii) adequate debt servicing to support the proposed farmland purchase;
- The applicant(s) must be a Canadian citizen and a permanent resident of PEI;
- The applicant(s) must have a valid Environmental Farm Plan and soil conservation plan for the farmland being purchase.

Finance PEI will require a first security position over the farmland being financed as well as guarantees from the shareholder(s). Additional security may be required as necessary.

Finance PEI will only finance the purchase of farmland through this program. Financing through this program will **not** be made available for the purchase of woodland, barns/warehouses and equipment. Financing for these assets will be considered under existing Finance PEI programs.

Finance PEI will only provide financing for new purchase/sale transactions. Financing will not be provided through this program to repay existing lender and/or to unlock possibly equity.

Agriculture Lending Navigator:

Finance PEI and the Department of Agriculture and Forestry have designated specific staff members as a part of this program to assist farming operations involved in a farm succession plan and/or to assist new and expanding farmers. The navigator will highlight some of the pros and cons of the two financing streams and will be knowledgeable of other programs available to PEI farmers.