

## Struggling with a credit application

And then you are sitting – as students from a secondary school – in an important meeting room of the Rabobank Heerenveen-Zuidoost Friesland.

This recently happened to Sieteke Landman (17) from Balk, Hilde-Marije de Jong (17) from Woudsend and Anouk Osinga (17) from Heeg. The three VWO-students – students on the secondary school the Bogerman College in Sneek – had to apply for a loan of 150.000 Euro for the expansion of milkingparlour in Groningen with arguments and financial analysis. Jeen Nijboer, manager Food and Agri of the bank, analyzed the credit application in a critical way.

Normally, students on a secondary school don't learn much about practical things. Most of the things they learn stem from theoretical perspectives, but Folkert Groenveld, teacher home economics, and his acquaintance and agricultural consultant Hein-Willem Leeraar were convinced that obtaining knowledge is possible in a different manner. Leeraar gave lectures and together they developed the plan that the students should be able to visit the bank and present their credit application. 'They obtain a lot of experience', Groenveld says, 'they learn to present themselves, they learn to work with deadlines, they are being questioned about their work and thoughts in a professional way and the subject will automatically be more interesting'. Regarding this, Sieteke, Hilde-Marije and Anouk lived the life of farmer Jaap Mansholt who wants to borrow 150.000 Euro from the bank to double the capacity of his stable. Not in order to milk more cows, but to win time for the extension of the tillage of the farm consisting of 50 hectares of rented land. The son of the farmer will take over and his hart lies with beets, wheat and potatoes instead of cows.

The amount of investment necessary they inquired about asking a nearby mechanization company. After that the three ladies elaborated the nature of the company, the results, investments, new credit, balance and financial results in detail. They also calculated the solvability (76%) and cashflow (76.000 Euro).

Nijboer wants to know what their view is on the solvability. 'The solvability is not a problem', answers Sieteke. 'Normally the solvability percentage lies around thirty right?' 'Correct, answers Nijboer. The capital position of farmers is not often a problem, because they have land in possession. Most of the time the risky part is profitability. Will the farmer be able to pay his bills? Therefore, the character of the farmer and the profitability are more important than solvability'.

The Rabo manager also wants to know why in the application is written that the future milk price will be 32 cents, whereas now it lies around 41 cents. 'Well because Leeraar explained that the milk price is able to drop to 25 cents. Therefore we have chosen a careful average'. 'Very remarkable', Nijboer explains. 'This is exactly the internal price we use at the bank'. The Rabo manager says their application is well constructed and tells them there will be no problem with the loan. 'On a short term I will come with an offer'.

The students have learned a lot from this experience. 'I live in a rural area, but I know nothing about farmers', Anouk says. 'Through this way we learned which financial situations are occurring on an agricultural business'.