

- Cash is always king
- If you need to extend your overdraft facility give yourself plenty of time to arrange it
- Have a detailed and concise plan prepared
- Our top tips for your relationship with the bank manager

Agriculture is not escaping the impact of coronavirus – calls from some processors to reduce milk output, and milk price reductions from others being good examples.

Cash is king and changes to output or costs may result in you needing to increase your overdraft facility. In the current climate you may well find your bank manager receptive to this, but they will be very busy with requests for business interruption loans and others seeking similar overdraft extensions.

Our advice is not to leave requests until the last minute. Give your bank manager plenty of notice and go prepared. This will enable them to respond more quickly and will prevent delays.

## Preparation in advance of requesting an increased overdraft facility

- **Challenge yourself over any short-term cash savings that can be made in the business.**  
**Why:** Before approaching the bank it will also be worthwhile challenging yourself to see if there are any short-term cash savings that can be made– delaying capex etc. This will also demonstrate to the bank you are making every effort to mitigate the cash challenges.  
**Tip:** Consider capex plans – what is essential and what can be deferred; assess if any variable costs can be reduced without affecting output.
- **Prepare a budget for the year ahead including a cashflow and profit forecast**  
**Why:** A cashflow will show exactly where your overdraft is likely to go over the next 12 months. Importantly it will show when the peak requirement will occur and the maximum facility you will require. This gives both you and the bank clear visibility on where the business is going. It will also help you manage your cash position. For example, delaying any capex until the peak requirement is past to prevent it going as high and compounding the problem.  
**Tip:** Do not be over-optimistic in your budget assumptions. It is better to ask for all you want from the outset rather than going back for a second bite of the cherry later in the year. The bank may not be so accommodating second time around.
- **Prepare a farmer's statement or balance sheet at the start of the year.**  
**Why:** This shows the bank a summary of your assets and liabilities. Importantly it will include a list of your debtors and creditors i.e. other people you owe in addition to the bank.  
**Tip:** If 1 April is the start of your financial year you should be preparing one of these for the accountant anyway. Doing it now is a lot easier than trying to do it in 6 months when the accountant asks for it. BCMS will help with livestock, you will need to count the deadstock.
- **Produce a clear and concise report pulling out the budget assumptions and key messages from the budgets.**  
**Why:** this will help the Bank Manager assess the situation quickly and speed up the approval process.  
**Tip:** Use your consultant to help prepare this. They will also be able to produce the budgets and financial statements for you.

It goes without saying that after the short-term challenge it will be important to review why the business has run short of cash and investigate ways of mitigating this in the future. Finally, here are our three best tips for a long-term successful bank relationship.

**1. Once you have agreed an overdraft requirement with the bank, do not exceed it, ever.**

Banks will assess your business on how you manage your account with them. If you can see yourself going over your limit (monitoring the business against the cashflow on a regular basis will alert you to this) then again inform your bank manager at least 2 weeks before for the reasons given above.

**2. Communication is key.**

Your bank manager is important to you - keep them involved and be able to provide all the information they request to be able to help you. A good farm accounting system (e.g. Xero) will help in this respect. It should not involve more work – information the bank requires should mirror what you already have in place to manage your business.

**3. Involve your consultant.**

They usually have a good relationship with the local bank managers, can provide good benchmarking information and help you improve business and technical performance. They are also well versed in preparing budgets and on systems for monitoring business performance.

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For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225