

Is Leasing a Good Option?

Paula Hartfiel, KAP's National Leasing representative answers some frequently asked questions about agricultural leasing

When it comes to major ag equipment and building purchases, it helps to ask: What is the best method to purchase and is leasing one of the options to consider? We interviewed Paula Hartfiel, KAP's National Leasing representative about ag leasing.

Why should a farmer consider leasing?

PH: The reasons for leasing are as varied as the number of companies that use leasing as a key financial tool. However, for a farm operation leasing does provide 100 per cent financing, and fixed regular payments. It means avoiding large capital outlays, and preserving both working capital and bank lines of credit.

What equipment can be leased?

PH: You can lease almost anything although there are certainly some assets that are more advantageous to lease than others. Through the KAP program, members can lease everything from photocopiers and computers to forklifts, combines, grain bins and ag buildings.

Who can lease?

PH: Really any KAP member operating a farm operation is eligible. If it's for the farm business, a lease can be arranged.

What factors determine a person's credit approval?

PH: There are a number of factors we look at including the type of business, the length of time in business, the financial condition of the operation, references from financial institutions, and credit bureau ratings.

Who actually owns the leased equipment?

PH: The leased item is owned by National Leasing during the lease period. At the end of the lease period, the farmer may exercise their option to purchase the item outright. After this purchase the item is owned by the farmer.

How is a lease priced?

What are the factors?

PH: A number of factors go into determining the price and payment schedule. Payment terms can be set-up based on the business cycle, so they can be set-up from monthly to annually. The other factors are of course the cost of the equipment, the

length of the lease, the option selected at the end of the lease, and the forecasted cost to finance the lease.

If a farmer decides to lease, what are the steps?

PH: The next step is to submit a credit application, which is available on the KAP website www.kap.mb.ca. After it is submitted, the rest of the process is usually completed in 24 hours. This will include a credit check and approval, drawing up the final lease agreement requiring the farmer's signature – which can be faxed. When the equipment is delivered and you sign off that everything was received in good order, we immediately pay your equipment/bin dealer and invoice you for the first lease payment.

My bank usually requires a down payment when I borrow. How much is the lease down payment?

PH: This is actually a common misconception. Leasing does not require



