CONCEPT OF PROVIDING

EQUIPMENT LEASING

The purpose of a concept paper on equipment leasing is to provide a comprehensive overview and understanding of the concept of equipment leasing, its advantages, and its potential applications in various industries. This concept paper aims to outline the key elements and considerations involved in leasing equipment, including the parties involved, the terms and conditions, and the benefits for both lessors and lessees.

The concept paper will explore the various types of equipment leasing arrangements. It should discuss the key features as well as suitability for different business needs and objectives.

Additionally, the concept paper will address the economic and financial implications of equipment leasing. It should analyze the impact of leasing on cash flow, profitability, tax considerations, and balance sheet management. The paper may also explore the potential risks and challenges associated with equipment leasing and suggest strategies to mitigate these risks.

Moreover, the concept paper will discuss the potential sectors or industries that could benefit from equipment leasing, such as agrivoltaics, construction, transportation, manufacturing, healthcare, and IT. It will provide specific examples and case studies to illustrate how equipment leasing has been successfully implemented in these industries.

Overall, the purpose of a concept paper on equipment leasing is to provide a thorough understanding of the concept and its potential benefits, risks, and applications. It should serve as a valuable resource for businesses and individuals interested in exploring equipment leasing as a viable option for acquiring necessary equipment without significant upfront costs.

WHO

The concept of equipment leasing is developed by FARM CREDIT ARMENIA Universal Credit Organization (FCA UCO) and it will serve for development of equipment leasing market for agricultural production and machinery related to ag. Industry. The FCA UCO will expand its leasing operations in construction, medical, and IT equipment.

The FCA UCO was established in 2006 and started its operation in Armenia (after registration by Central Bank of RA) since 2007. The FCA UCO has 9 regional offices and provide farm credit services to more than 1000 small and medium households, small and medium agribusinesses in rural areas of Armenia. The organization has full capacity and highly trained staff for providing financial services to farmers and other related business sectors.

WHAT

The FCA UCO has expanded its network to 9 regions of Armenia since its establishment in 2007. During these years of dedicated service and hard work the organization has gathered sufficient information about the trends and development opportunities in credit and leasing sectors of Armenia. It is high time for investing money and time in further development of the leasing component of the company. The FCA UCO aims to address the financial constraints faced by farmers and agricultural businesses when it comes to buying expensive farming machinery and equipment. By offering flexible leasing options, the FCA UCO can provide farmers with access to the latest and most efficient agricultural equipment, enabling them to boost productivity, reduce costs, and stay competitive in the industry.

Key Services

Equipment Leasing: The primary service of the FCA UCO will be to lease a wide range of agricultural equipment, including tractors, combines, harvesters, irrigation systems, and more. The leasing terms would be customized to meet the specific needs of individual farmers and agribusinesses.

Flexible Payment Structures: The FCA UCO will offer flexible payment options, such as monthly, quarterly, or seasonal payments, based on the specific requirements of each customer. This would help farmers and agribusinesses manage their cash flow effectively and align their payments with the seasonal nature of agricultural operations.

Equipment Maintenance and Support: To ensure the efficient use of the leased equipment, the FCA UCO will provide maintenance and support services. This would include regular equipment inspections, repairs, and access to technical expertise to address any operational issues promptly.

Equipment Upgrades and Exchanges: The FCA UCO will offer opportunities for equipment upgrades, allowing farmers and agribusinesses to access newer and more advanced machinery as technology evolves. Additionally, farmers and agribusinesses will have the option to exchange leased equipment for different models or types if their operational needs change over time.

Educational Resources: The FCA UCO will provide educational resources and training programs to educate farmers and agribusinesses on the efficient and safe usage of the leased equipment. This would help farmers and agribusinesses optimize their operations and maximize productivity.

Benefits for Farmers

Cost Savings: Leasing agricultural equipment eliminates the need for large upfront investments, reducing the financial burden on farmers and agribusinesses. They can allocate their capital towards other essential aspects of their farming and production operations.

Access to Latest Technology: By leasing equipment, farmers can continuously access the latest technological advancements without worrying about the high costs associated with purchasing new equipment. This enables them to enhance productivity and keep pace with industry developments.

Flexibility and Scalability: Leasing will provide the flexibility to adapt to changing operational needs and scale operations up or down as required. Farmers can adjust their leased equipment based on seasonal demand, specific projects, or changes in their production methods.

Maintenance and Support: The FCA UCO's maintenance and support services will ensure that leased equipment remains in optimal working condition, minimizing downtime and maximizing operational efficiency.

Sustainability: Leasing allows farmers to adopt more sustainable practices by accessing highly efficient equipment, reducing emissions, and minimizing waste. This contributes to environmental conservation and enhances the farm's overall sustainability profile.

The FCA UCO will invest the available resources and efforts to develop leasing business in the following sectors of agriculture:

1. Viticulture – the wine production industry in Armenia is growing. The demand for Armenian wine is gradually increasing in local and international markets. The wine and grape production industry needs gradual modernization. There is a need for new type of equipment and machinery which will improve the efficiency of the mentioned production processes.
2. Animal Husbandry - This sector has potential for growth and investments in the import of machinery and equipment. The Ministry of Economy of Armenia is subsidizing this sector of agriculture as state priority investment sector
3. Horticulture – Armenia has a diverse climate and a growing horticulture industry. As a result, there are various horticulture equipment available in the country.
4. Intensive orchards - Intensive orcharding involves the use of modern and efficient practices to maximize the yield and quality of fruit crops. In Armenia, where agriculture plays a significant role in the economy, intensive orcharding is increasingly being adopted to enhance productivity and ensure sustainable fruit production.
5. Open field production – Open field production in Armenian agriculture sector refers to the cultivation of crops in open fields, typically exposed to natural environmental conditions. In Armenia, open field production is a common method for growing a variety of crops. The choice of crops depends on factors such as climate, soil conditions, and local agricultural practices, availability of appropriate machinery.
6. Irrigation technologies – Armenia faces challenges related to water scarcity, and efficient irrigation technologies play a crucial role in optimizing water use in agriculture. Various irrigation technologies needs to be introduced in Armenia to enhance water efficiency and improve crop yields.
7. Post harvest technologies – Post-harvest technology in Armenia plays a crucial role in preserving the quality and extending the shelf life of harvested agricultural products. These are few of several aspects of post-harvest technology that in Armenia needs: (a) Cold Storage Facilities; (b) Packaging and Sorting Systems; (c) Quality Testing and Quality Control; (d) Post-harvest Pest Control.
8. Agrivoltaic technology – Agrivoltaics technology, also known as solar farming or solar sharing, combines agricultural activities with solar energy production. Agrivoltaics involves the installation of solar panels within agricultural fields, optimizing the utilization of land and sunlight.

HOW

To effectively market the agricultural equipment leasing services, the FCA UCO will employ various strategies, including:

Targeted Advertising: Utilize online platforms, industry publications, and agricultural trade shows to target farmers and agricultural businesses actively seeking cost-effective equipment solutions.

Partnerships and Collaborations: Collaborate with agricultural associations, farming cooperatives, and local distributors to promote leasing services and reach a wider customer base. Offering referral incentives could also be a way to encourage partnerships.

Demonstrations and Testimonials: Organize equipment demonstrations and provide testimonials from satisfied customers to build trust and showcase the benefits of leasing agricultural equipment.

Educational Content: Develop informative and engaging content, such as blogs, videos, and webinars, to educate farmers about the advantages of leasing equipment and how it can optimize their farming operations.

Customer Support: Provide exceptional customer support throughout the leasing process, building long-term relationships with farmers and ensuring their satisfaction with the services provided.

By implementing this concept for an agricultural equipment leasing and effectively promoting its services, the FCA UCO can benefit from enhanced productivity, reduced financial burden, and increased sustainability while supporting farmers in their quest for success.

Here's an example to illustrate how agricultural production equipment leasing works:

Let's say a farmer needs a tractor for their farm. Instead of buying a new tractor, they can opt for leasing. They find a leasing company that specializes in agricultural equipment leasing and negotiate the terms of the lease agreement.

The lease agreement will typically include details such as the lease term, monthly payments, maintenance responsibilities, and end-of-lease options. The farmer can choose the lease term that suits their needs, whether it's a short-term lease for a specific project or a long-term lease for ongoing operations.

Once the lease agreement is finalized, the farmer can take possession of the tractor and start using it for their agricultural production. They will make regular lease payments to the leasing company for the duration of the lease term.

At the end of the lease term, the farmer usually has a few options. They can choose to return the equipment to the leasing company, renew the lease for a further period, or even purchase the equipment at a predetermined price called a residual value.