

Resources for Small and Beginning Farmers: A Guide to Financial and Technical Assistance



Janet Davis, a Food Roots NW IDA Graduate
Source: Don's Waterfall Farms



How Does Farming in Greater Philadelphia Compare?

	Greater Philadelphia	Nationwide
Percent of principal operators that are “full-time” farmers	47.8%	45.1%
Average Size of Farm	80 Acres	418 Acres
Average Sales per Farm	\$107,000	\$138,000
Average Expenses per Farm	\$102,000	\$109,000

(Source: USDA 2007 Census of Agriculture)



Weavers Way
Source: DVRPC



Who is a Beginning Farmer ?

USDA defines beginning farmers and ranchers as those who have operated a farm or ranch as the *principal operator* for 10 years or fewer.

- **22** - % of all US farms operated by *beginning farmers*
- **49** - Ave. Age of a farmer that started farming between 1998 and 2007 (survey period)
- **174** - Ave. number of acres owned by *beginning farmers*
- **461** - Ave. number of acres owned by *established farmers*
- **34** - % of *beginning farmers* list farming as primary occupation
- **45** - % of *all farmers* list farming as primary occupation
- **\$1.9** Million – Ave. value of agricultural assets for a farm that Grosses \$50,000 in sales (ave. sales needed to see a profit)

(Source: USDA 2009 Beginning Farmers and Ranchers Survey)



Why Should We Care About the Next Generation of Farmers?

- Aging Farmers
- Decrease in mid-sized farms (more small farms, more large farms, losing “ag in the middle”)
- Food production is land intensive; land is expensive; land is a major farm asset
- Who’s going to farm all of this preserved land?

Source: Flickr User
Marci Green



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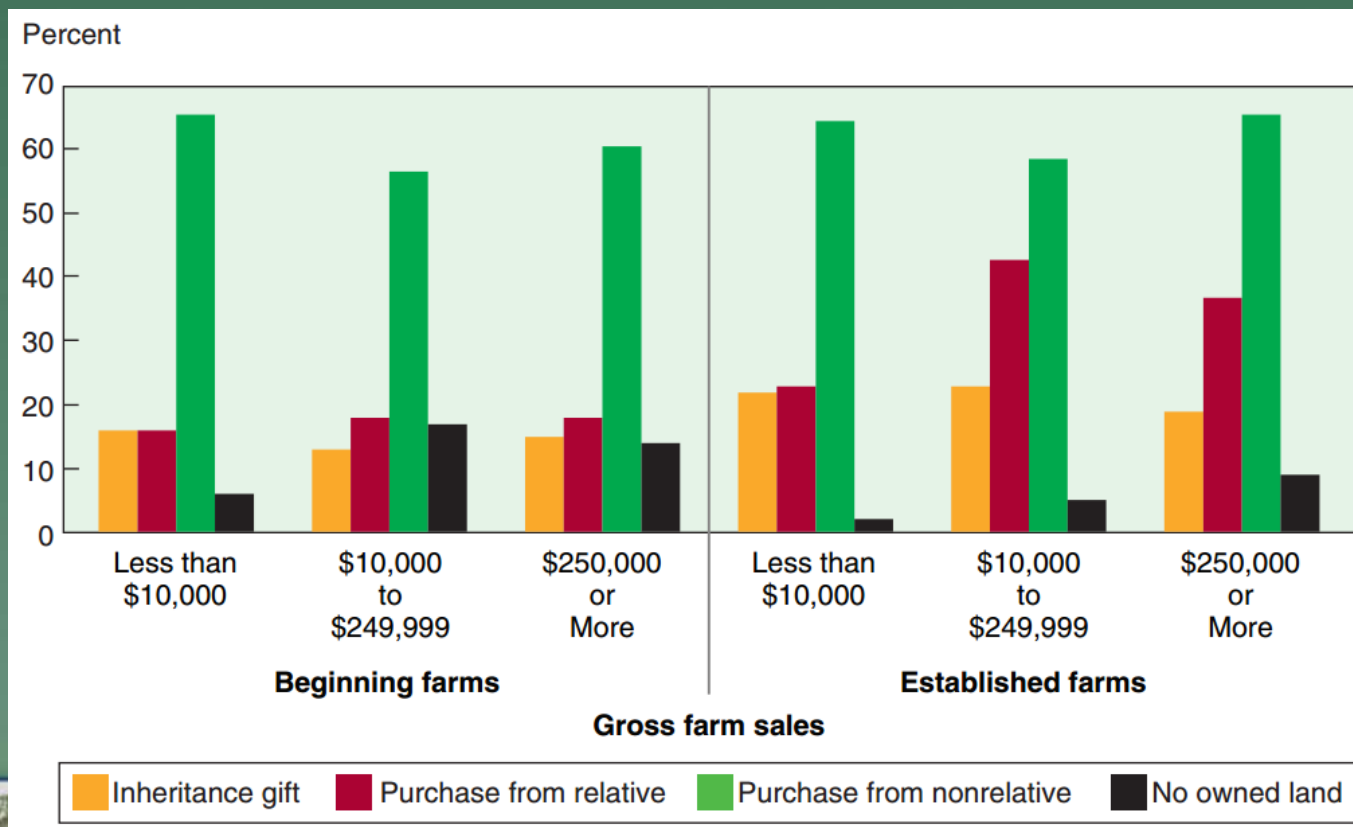


Why Should We Care About the Next Generation of Farmers?

- More and more farmers coming from non-farm backgrounds
- No land to inherit or buy from relatives; no existing business to inherit
- No mentor

Methods of Land Acquisition

Source: USDA, ERS, Agricultural Management Survey, 2010

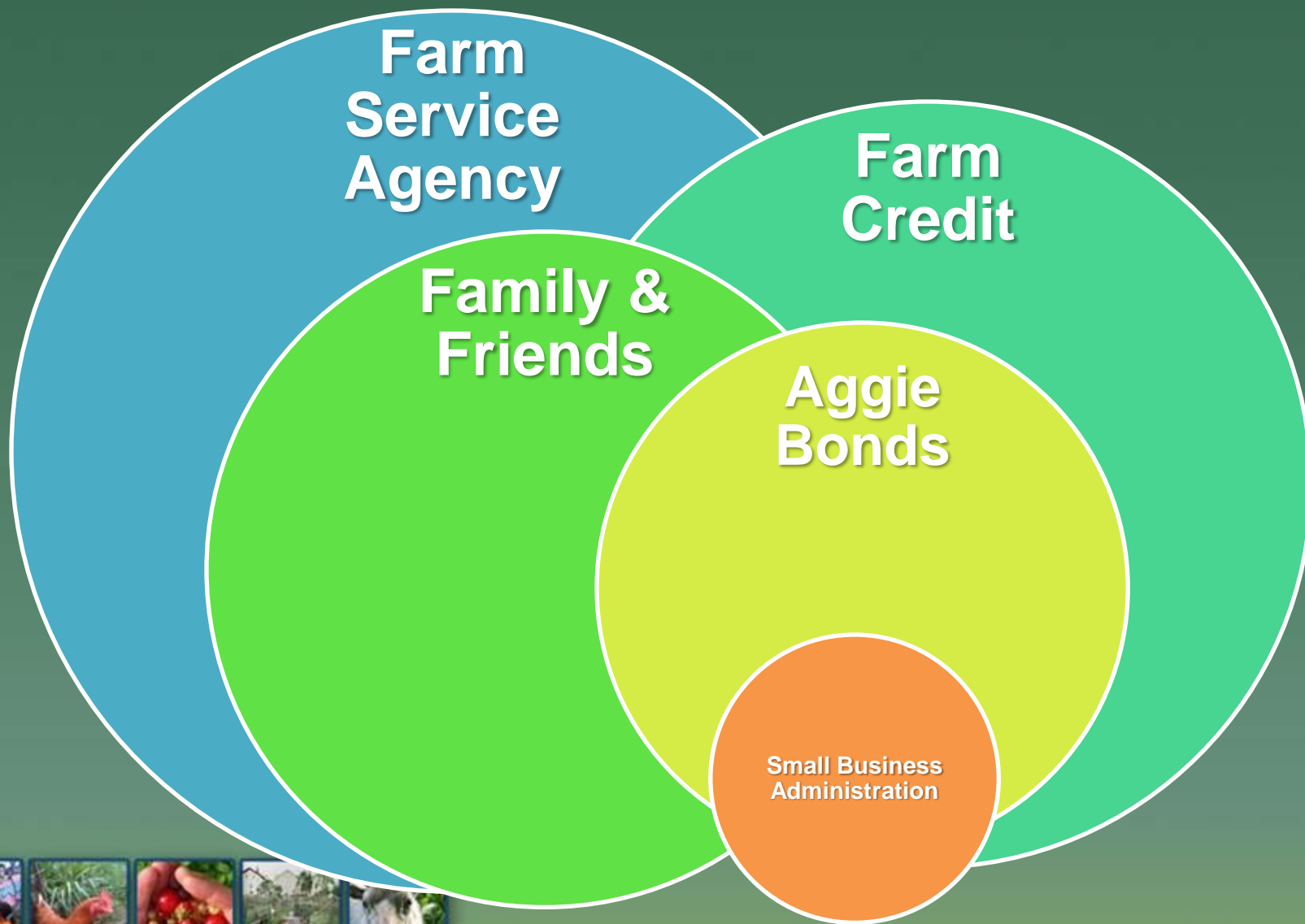


What Are the Challenges to Financing New/Beginning Farmers?

- Farmers need more financial management knowledge and experience
 - Business plans and cash flow projections are particularly important
- Difficult for financial institutions to service small loans
 - Hard to finance operating expenses
- Financial institutions don't know how to work with non-traditional farmers
- Many small financial and technical assistance programs competing for same audience and same resources



What's Out There – Traditional Financial Assistance

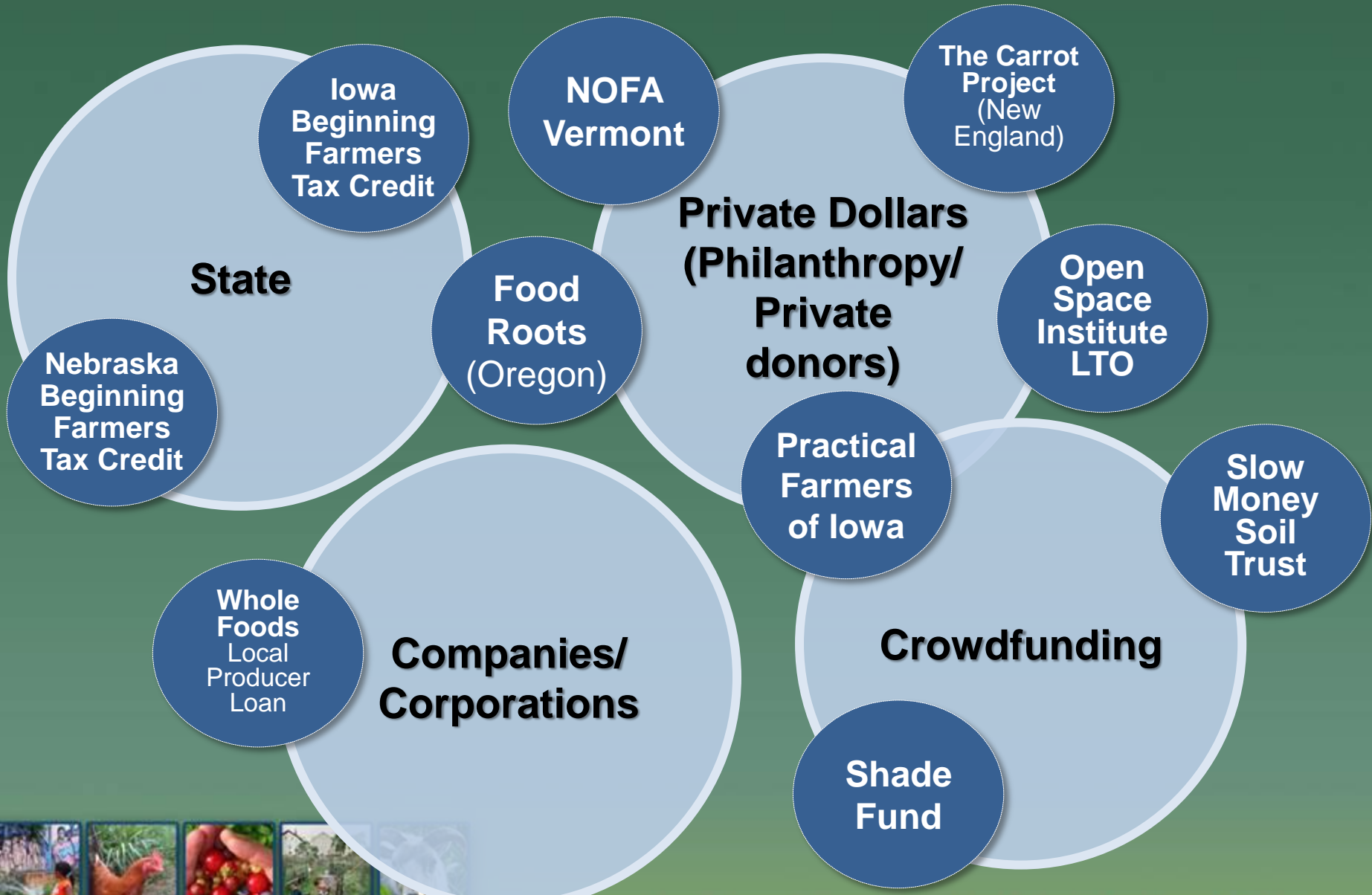


FSA Microloan Program

- Unveiled January 2013
- Intended to “better serve the unique financial needs of **beginning, niche, and small family farm operations**”
- Like a FSA Direct Operating Loan, but with smaller loan amount and fewer application requirements
- Loans up to **\$35,000** with repayment terms of up to **7** years
- Requires a **simplified balance sheet** and **cash flow summary** instead of a full business plan and three-year production history
- Requirements for **farm management experience modified** – will accept non-farm experience, 4-H, and farm incubator programs
- **Collateral** of at least 100% of loan value is required



What's Out There – Non-Traditional Financial Assistance



Case Study: The Carrot Project

- Administers four geographic-specific programs in the Greater Berkshires, Maine, Massachusetts, and Vermont
- Provides loans from \$3,000 to \$35,000 with 1 to 7 year terms
- Loans can be used for working capital or capital needs such as equipment or buildings
- Partners with local lending institutions, such as a regional bank, a CDFI, or an economic development agency
- Solicits investments to fund the initial loan & risk capital
- Provides certain loan origination and underwriting services usually performed by a lender like farmer outreach, technical assistance (business plan and cash flow preparation), staffing a volunteer loan review committee, and site visits



Case Study: The Carrot Project

- 70% of Carrot Project borrowers are beginning farmers
- Majority of applicants need 5 to 15 hours of technical assistance
- Since 2009:
 - Worked with more than 60 farm and food businesses, 4 lending institutions, and 23 investors
 - Made over \$400,000 in loans to 30 of the 60 businesses
 - 0 borrowers have defaulted



Matthew Burke, Bloomfield Farm, Microloan Recipient
Source: E. Ferry, The Carrot Project



Case Study: Nebraska Beginning Farmer Tax Credit

- Incentivizes agricultural asset owners to lease agricultural land, machinery, or livestock to a qualified beginning farmer
- The owner receives a tax credit equal to 10% of the cash rent or 15% of the value of the share crop rent
- Example:
 - 100 acres x \$250 cash rent per acre = \$25,000 total cash rent
 $\$25,000 \times 10\% = \$2,500$ tax credit each year for three years
Total of \$7,500 tax credit over 3 years
 - 100 acres x 200 bushels per acre = 20,000 bushels
20,000 bushels x 50% (owner's share) = 10,000 bushels
10,000 bushels x \$3.50 (price per bushel) = \$35,000
 $\$35,000 \times 15\% = \$5,250$ tax credit each year
Total of \$15,750 tax credit over 3 years



Case Study: Nebraska Beginning Farmer Tax Credit

- Requires a three year lease term, proof of a financial management class, net worth statement, and a projected cash flow analysis
- No limit on number of participants
- Since 2000:
 - Helped 716 beginning farmers
 - Provided over \$4.5 million in tax credits to 860 agricultural asset owners

Scott Wagner's Farm
Source: Nebraska
Agriculture and You 2013



Case Study: Whole Foods Local Producer Loan Program

- Provides loans ranging from \$1,000 to \$100,000
- Loan can be used for capital expenditures (livestock, equipment, crops, etc.) or working capital
- Select Whole Foods Regional and Store Buyers recommend producers that are either already selling in a Whole Foods store or outside producers that meet Whole Foods quality standards
- Producers that are endorsed by the Region are sent to the global office for loan approval
- The regional and global offices Whole Foods will review:
 - Income
 - Cash flow
 - Business plan
 - Return on investment
 - Collateral



Case Study: Whole Foods Local Producer Loan Program

- The average loan is \$52,000 with a 5% interest rate and 5 year payback period
- Since 2007:
 - Whole Foods has made 165 loans to 142 different producers, totaling \$9.03 million
 - The LPLP has a default rate of 7.1%
 - All of the defaulted loans were given out prior to 2009

Source: LPLP Quarterly,
Q3 2013



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What's Out There – Technical Assistance



Start2Farm

National Sustainable Agriculture Information Service

National

Sustainable Agriculture Research and Education

Vermont New Farmer Project

Regional

Cornell Northeast Beginning Farmers Network

Northeast Organic Farming Association Of New Jersey (NOFA-NJ)

New Jersey

The Seed Farm

Select County Programs

Delaware Valley College

Chester County Economic Development Council (CCEDC)

Pennsylvania Association Of Sustainable Agriculture (PASA)

Penn State Extension

Pennsylvania

Pennsylvania Small Business Development Centers (PASBDC)

Pennsylvania Department Of Agriculture Center For Farm Transitions

PA Farm Link



Recommendations to Improve Access to Capital and Knowledge

- Create a financial program that capitalizes on regional capacity
 - More coordination between technical and financial assistance providers to either scale up or specialize
 - Opportunity for states to create tax credits, individual development accounts, and other tools to support new/beginning farmers
- Create a financial tool that complements existing agricultural lending



Source: Peace Crops



Recommendations to Improve Access to Capital and Knowledge

- Create communities of practice at county and regional levels
 - Opportunity for county or regional entity to coordinate private, public, and nonprofit service providers. (Ex. Chester County Ag Service Provider Mixer in January 2013)
- Create a financial and technical assistance clearinghouse by State or Region
- Establish relationship lending



Ginger Salkowski
Source: R-evolution Farm



Questions?



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