

# Funding Farm Businesses in WNC

Exploring microlending for organic farmers in WNC.  
Organic Growers School White Paper 10/20/14

Background: Tom Elmore asked for research regarding access to capital for beginning farmers. Questions arise, such as: Is access to capital a barrier for the farmers we serve? Do lending programs exist in our area? What models make the most sense? What are the benefits and risks to OGS? What does it mean to manage a project like this in terms of staff and other costs? Is further research and development available via grant money for this?

Context: In our forming strategic plan, our farming goal #1 is to increase the number of viable organic farmers in our region. Our objective is to prepare farmers to create viable farming enterprises through providing a seamless process for the new grower to move from early interest to successful organic farming. One of the four strategies is "Access to Resources," which includes capital and equipment.

Approach: This white paper is an introductory exploration with further tasks listed to pursue as desired and as funded.

Summary: An ocean of information is available on this subject with more creative ideas appearing regularly. The level of priority is questionable as the need has yet to be determined.

## 1. Federal

United States Department of Agriculture (USDA) has a webpage devoted to [Small Farm Funding](#) and there's also a [video](#) describing the resources. USDA, Farm Service Agency, Farm Programs:

- Farm Loan Program Information, [here](#).
- Loans for Beginning Farmers and Ranchers, [here](#).
- Minority and Women Farmers and Ranchers, [here](#).
- Microloans, [here](#)
- Locate Farm/Ranch Properties for Sale, [here](#).

*Next Steps: NSAC has created a "[Guide to USDA Funding for Local & Regional Food Systems](#)" that would be great to look over. In general, next steps include research who and where they loan programs are, who are contact person is, what kinds of projects they are funding, and disseminating info to our farmers.*

## 2. State

- Here is a really great [microloan program](#) at the Minnesota state level but I didn't easily see something like this in our state.
- Small Business Agencies: There are plenty of small business funded organizations and loan programs. [Thrive NC](#), Economic Development Partners offers resources on [funding and capital](#) and SBTDC of course offers all kinds of resources for small business including [capital opportunities](#). I'm guessing these organizations don't translate easily to farmers.
- Carolina Farm Credit: Technically, they are private but there does seem to be federal and state involvement in this network. We know the local branch well. Not sure what policies and procedures are in place for microlending.

*Next Steps: More involvement, research, and connection with all of these options.*

## 3. Local/Community

- [Slow Money NC](#): Inspired by a visit from Woody Tasch (founder of Slow Money) in May of 2010, a few folks in North Carolina set out to build resilience in their local food economy by catalyzing loans to local, sustainable food and farming businesses. Since then **more than 60 farmers and local food entrepreneurs have received over 125 Slow Money loans from generous donors totally over 1.2M.** [Carol Peppe Hewitt](#) is the driving force behind this and is

often the only one to organize events in WNC. These events inevitably do raise money for local folks. She welcomes other organizers and champions.

- [Mountain BizWorks](#): A non-profit that helps local small businesses start, grow, and create jobs through loans, classes, and coaching. <http://www.mountainbizworks.org/>
- [Accelerating Appalachia](#): Sara Day Evans is the founder and director of “the world’s first [nature-based business](#) accelerator, connecting innovative businesses, investors and mentors aligned with people, place and prosperity.” They attract and scale high-impact, seed-stage businesses in the following sectors: Sustainable Food, Farming, Clean Energy, Forests, Fiber/ Textiles, Green Building, Craft Brewing/ Distilling, Nutraceuticals/integrative medicine **and** other innovative triple bottom-line businesses with special consideration for innovators and entrepreneurs from marginalized populations.

*Next Steps: Learn more about Slow Money, have a meeting with Mountain BizWorks, and have already reached out to connect with Sara Day Evans. More involvement, research, and connection with all of these options.*

## 4. National/International Programs

Kiva.org is a non-profit organization with a mission to connect people through lending to alleviate poverty. Leveraging the internet and a worldwide network of microfinance institutions, Kiva lets individuals lend as little as \$25 to help create opportunity around the world. Learn more about [how it works](#). More than 1.2M lenders, more than \$625M in loans with a 98.81% repayment rate. They work with 284 field partners and 450 volunteers in 80 countries. There are some US-based partners. Most look like micro-lending organizations.

This fabulous website, [beginningfarmers.org](#), offers these amazing resources:

- [The Center For Rural Affairs](#) is a great resource which offers a [List of Beginning Farmer Financing Programs](#). Also be sure to check out their [Getting Started on Farm Finances Page](#) for lots of useful tips on planning your financing strategy.
- [The Ag Grant Guru](#) has a great blog that lists funding opportunities at the federal, state and local level as well as giving tips on applying for, managing and reporting for grants.
- Learn about Aggie Bonds for Beginning Farmers by clicking on the “types of state ag loan programs” drop down menu at the [National Council of State Agricultural Finance Programs](#) website.
- [The Center for Farm and Rural Business Finance](#) offers an excellent publication called [A Farmers Guide to Agricultural Credit](#) which explains the lending process and what you will need to secure any kind of farm loan. It is highly recommended.
- [RAFI USA](#) has a publication called [The Farmer’s Guide to Agricultural Credit](#). This guide was written to help farmers understand agricultural finance, and to help them be better prepared for the credit application process. It introduces some effective planning tools farmers can use to increase their opportunities in accessing capital. Also offered are appendices containing resources for further learning.
- [The Center for Farm Financial Management](#) has a number of great tools, and lots of information to help farmers make sound financial decisions.
- [Building Sustainable Farms, Ranches, and Communities](#) “is a guidebook written for anyone seeking help from federal programs to foster innovative enterprises in agriculture and forestry in the United States. Specifically, the guide addresses program resources in community development; sustainable land management; and value-added and diversified agriculture and forestry.”
- [Karen Klonsky](#), an Extension Specialist at University of California, Davis has written a simple, but excellent document called [How to Finance a Small Farm](#) and [Kent D. Olson](#), a UC Davis Cooperative Extension Economist has written one called [Farm Leases and Rents](#). Both publications are valuable resources, and are part of the University’s excellent [Family Farm Series](#) of publications.
- [The Carrot Project](#) “is a non-profit organization dedicated to creating financing solutions for small- and midsized farms, limited-resource farms, and those using ecologically sound practices. Our singular program model is designed to incubate and establish alternative financing programs in combination with business technical assistance.” Although their loan programs are focused specifically on farmers in New England, (and now expanding to New York) they do have a great deal of information that may be applicable and useful to beginning farmers everywhere. These include reports such as ‘[Lessons Learned: The 2009 Microloan Fund for New England Farmers](#)’ and [Are Northeast Small Farmers in a Financing Fix? Research Results on Financing Gaps and Program Opportunities](#) relevant to beginning farmer financing, and a quarterly [E-Newsletter](#). Their [Farmer Resources Page](#) lists both Farm Financing Options and Farm Business and Financial Planning Resources, some of which are Multi-state, while others are New England (and New York) specific and listed by state. New England (and New York) Farmers can apply for their [Farm Financing Program](#). They also provide [Information for Investors](#) interested in using their financial resources in a socially responsible way, by investing in projects that help to foster the growth of new farmers.
- [The Equity Trust Fund](#) is capitalized by socially motivated investors and donors. It uses its capital to make low-interest loans for community development, educational or agricultural projects: That promote the long-term interests of local communities as well as their individual members; That demonstrate the efficacy of land ownership models that balance the interests of individuals and communities; That promote social and economic justice; That promote environmentally conscious, economically sustainable land use; and that would be unlikely to receive financing from conventional sources.

- [The Organic Farming Research Foundation \(OFRF\)](#) provides grants for organic farming research. Please Note – OFRF now has two separate RFP's for grant applications: A [Request for research proposals](#), and a [Request for education and outreach proposals](#)
- Check out the [Association for Enterprise Opportunity](#) for information on MicroEnterprise Loans

*Next Steps: At first glance it seems like partnering with Mtn. Biz Works might be the best approach to working with kiva.org. The other list was too exhaustive to get through, although at a glance, fabulous material. Much more research is needed.*

## 5. Good Ideas to Implement

- [Giving circles](#) are a form of participatory [philanthropy](#) where groups of individuals donate their own money or time to a pooled fund, decide together where to give these away to [charity](#) or [community projects](#) and, in doing so, seek to increase their awareness of and engagement in the issues covered by the charity or community project.<sup>[1]</sup> Many circles, in addition to donating their money, also contribute their time and skills to support local causes. Here's a network that helps connect people: <http://www.givingcircles.org/>.
- [California FarmLink](#) provides [farm financing](#) and critical access to capital for small- and mid-sized farms in California through a combination of direct lending, referrals, and connections with alternative financing. FarmLink strives to become the premier farm microlender in California and a national leader in alternative farm financing. Their services include:
  - [FarmLink's direct lending](#) currently features loans from \$5,000 to \$250,000 that can be used for production (one-year seasonal operating loans) or for equipment and infrastructure (multi-year loans).
  - They work closely with FSA (Farm Service Agency), banks, credit unions and other lenders to refer farmers to other sources of financing that FarmLink cannot yet provide, including land loans.
  - They connect farmers with alternative financing such as Kiva Zip, Slow Money, and customer-supported financing. As a Kiva Zip trustee, FarmLink may endorse farmers that already have a relationship with FarmLink for 0% loans up to \$5,000. FarmLink can also connect farmers with local Slow Money groups and counsel farmers on how to structure customer-supported financing.
  - Beginning Farmer and Rancher [Individual Development Account \(IDA\)](#) Pilot Project
- Pitch Slam: I first heard about this project from Kelly Shea of White Wave who explained that a panel of experts judges the entrepreneurs to "pitch" their idea in a short period of time – two minutes. The [new businesses](#) are vetted through an application process and the event has large audience participation. Judges have experience with agriculture and/or starting new businesses. After the two minutes are up, the panel asks questions about the business plan, finances, markets, etc. It's a high pressure situation. Investors are in the audience. [Naturally Boulder](#) does this and it's their [10<sup>th</sup> annual](#) event. 25 entrepreneurs participate. Winners [receive](#) business consulting, branding services, data mining, a booth at expo west, website services, etc. \$40,000 in value.

*Next Steps: Investigate giving circle creation, look at funding for furthering the reach of WNC FarmLink, and create a pitch slam, in conjunction with Slow Money and/or Accelerating Appalachia.*

## 6. Questions & Thoughts:

**Tom's Question: Is access to capital a barrier for the farmers we serve?**

Lee's Thoughts: Not sure how we go about finding this out. Add the question to our past member survey, talk with Tim Richards, other statistics available without reinventing the wheel?

**Tom's Question: Do lending programs exist in our area?**

Lee's Thoughts: Exploring #3 more fully.

**Tom's Question: What models make the most sense?**

Lee's Thoughts: This is a big question. Not sure we'd have that answer until we spent considerable time with this list.

**Tom's Question: What are the benefits and risks to OGS?**

Lee's Thoughts: Most organizations match lenders to borrowers and stay out of money handling. That seems like a wise model. I don't know of models where we would be the lenders so I'm in that respect, not much risk. If I am missing the point here, please rephrase.

**Tom's Question: What does it mean to manage a project like this in terms of staff and other costs?**

Lee's Thoughts: It's one of our many strategies within our many objectives. But is this a priority? If we aren't sure farmers need this service, not sure why we'd make it a priority. We're clear that other things like planning, support, and access to feed are barriers. Maybe better to start there? In terms of staff time and expenses, we'd need to define the scope of the project further before answering that with hard numbers.

**Tom's Question: Is further research and development available via grant money for this?**

Lee's Thoughts: Likely. One idea is to expand WNC FarmLink or a Beginning Farmer Program, when we have one, to include this function. Maybe it is worth writing into the next BFRDP grant application in January 2015?