GETTING BANKS TO "YES" WITH SMALL, DIVERSIFIED FARMS
Presenters

- NGFN Overview
- Getting Banks to “Yes”
  - Introduction
  - Report from the Field
  - Simplify the Process
  - Next Steps
- Questions and Answers
- Upcoming Webinars, etc.
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• NGFN Overview
  o Jeff Farbman, Wallace Center at Winrock International
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Moving more good food to more people

John Fisk, PhD
Director, Wallace Center at Winrock International

Marty Gerencer
Manager, National Good Food Network
NATIONAL GOOD FOOD NETWORK: VISION
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Increase small- and medium-sized grower viability

Add economic vitality to rural and urban areas

Reach children and families where they live
NATIONAL GOOD FOOD NETWORK: ACTIVITIES

ngfn.org/sysco2009
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.
NATIONAL GOOD FOOD NETWORK: LOCATIONS
NATIONAL GOOD FOOD NETWORK: STRUCTURE

Advisory Council

- Institute for Agriculture and Trade Policy
- American Friends Service Committee
- Michael Fields Agricultural Institute
- Good Natured Family Farms
- Food Alliance
- Appalachian Sustainable Development
- Sustainable Food Lab
- SCALE, Inc.
- SYSCO-Grand Rapids
- Karp Resources
- WellSpring Management
- Agriculture and Land-Based Training Association
- Leopold Center for Sustainable Agriculture
- Farm to Table / Southwest Marketing Group
- NE Sustainable Agriculture Working Group
- Center for Food and Justice at Occidental College
Regional Teams

**West**
- Agriculture and Land-Based Training Association, Salinas, CA
- Center for Food and Justice at Occidental College, Los Angeles, CA

**Southwest**
- Farm to Table / Southwest Marketing Network, Santa Fe, NM
- American Friends Service Committee, Albuquerque, NM

**Southeast**
- Appalachian Sustainable Development, Abingdon, VA

**Northeast**
- Northeast Sustainable Agriculture Working Group, Belchertown, MA
- Sustainable Food Lab at The Sustainability Institute, Hartland, VT

**Midwest**
- Leopold Center for Sustainable Agriculture, Ames, IA
- Sysco and NGFN Partnership Regions: Grand Rapids, Kansas City area and Chicago
NATIONAL GOOD FOOD NETWORK

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  - Patty Cantrell, Regional Food Solutions
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Getting Banks to “Yes” with Small, Diverse Farms

National Good Food Network
Webinar: December 16, 2010
Moderator: Patty Cantrell, Regional Food Solutions

Susan Cocciarelli, C.S. Mott Group at MSU
Dorothy Suput, The Carrot Project
Denise Dukette, New England Bank
“No” far too common for smaller, diverse farms

Even experienced farmers with bankable operations are not getting loans.
The Project’s Big Idea

Develop a tool that can increase the flow of capital to small and mid-sized farms by helping entrepreneurs communicate risk and lenders assess risk.
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Financing Farming in the U.S.

- National applied research project
- Team of lenders, technical assistance providers
- 2010 findings:
  - Strong social and economic potential
  - Story same across the country
  - Limited capital and technical assistance available
  - Borrowers do not fit conventional lending model
One Solution

Structured risk assessment framework to:

- Help farmers prepare applications
- Build lender capacity, involvement
- Strengthen food system nationally
Our Purpose Today

- Review current situation
- Introduce concept: Credit/risk model
- Invite your engagement
  - Inventory your community
  - Suggest active, ready lenders
  - Learn with us as we go
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Our Clients
Who’s Receiving Loans?

- Small and midsized farms having difficulty accessing credit
- Using ecologically sound production practices
- Products entering local and regional markets
- Most gross revenue less than $250K a year
- 2,750-sf greenhouse to 3.6 acres to 420 acres
What’s the Need

Farmer Survey

Lender Focus Groups

RESULTS & REASONS

Pilot Investments
Carrot Projects

- Microloans:
  - Vermont
  - Massachusetts
  - Maine
- Sharing lessons learned
- Collaborative research
Key Program Components

- Lender
- Loan and risk capital
- Farmer outreach
- Financial and business technical assistance
- Capacity for loan due diligence
Farmers’ Reasons to Work with Us

- Appear approachable and friendly
- Been turned down by another lender
- New business with little financial history or low but growing profits
- Flexible on what we can use for collateral
- Can take a second position behind another lender
- Provide or connect to technical assistance
Improving Communication: Farmers & Lenders

- Lender capacities
  - Servicing
  - Underwriting
  - Capital
  - Technical assistance

- What’s missing?
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Getting Lenders to “Yes”

Potential Borrowers
- Smaller, diverse farms
- Complex business model
- Unique risks
- Need for capital growth

Potential Lenders
- Want to minimize risk
- Need to understand business model
- Need to identify suitable lending structure efficiently
Credit/Risk Model --
Multiple Benefits

- Help farmer explain business model, $ needs
- Provide common terms for credibility, comfort
- Target applicable risks and how business plan addresses them
- Offer validated framework for risk assessment
Credit Scoring – a proven methodology

- Developed originally for consumer lending
- Relies on key data to predict future performance
- Adapted successfully to small business lending
- Allows lenders to use scoring range in underwriting process
Model for Small, Mid-size Farms

- Not a black box, absolute guide
- Framework to capture common, relative risks
- Basis for enhancing borrower-lender dialogue
- Adaptable for specific niches
Common Information, Language.

- Help farmer target, address risks
- Help TA focus resources
- Help lenders understand and process applications
- Apply to broad range of farms, lenders/investors
Agricultural Credit/Risk Model

Building a bridge to loan capital

W.K. Kellogg Foundation
Food & Community Program

THE carrot PROJECT
Creating small farm financing solutions
Takeaways

- Nation’s lending in sector is limited, isolated
- We can simplify model, increase capital flow
- You can take action:
  - Note resources, interest in your community
  - Suggest lenders active in this sector, or ready to enter
  - Stay in touch and learn with us as we go
Next Steps

- Develop prototype
- Build learning community
- Test in actual loan activity

Your ideas welcome!
Contact Us

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Project Report  
http://foodsystems.msu.edu/docs/financing_farming_in_the_us.pdf