Facilitating Farmland Access and Preservation through Social Investment

New Spirit Ventures, LLC is an early phase (start-up) social venture, with the goal of helping farmers committed to organic or sustainable agriculture start, maintain and grow their operations by linking them with socially motivated investors who purchase the farmland they need and lease it to them on long-term leases. In addition the project seeks to provide for long-term land preservation through partnerships with land trusts and conservancies to ensure that the land remains in sustainable farming in perpetuity.

The need for this project is great. Farmers in near-urban areas seeking to establish direct marketing operations as well as farmers in more rural areas seeking to expand crop or livestock operations, cannot access land due to high land prices. These issues are real and pressing for new and existing farmers and also for retiring farmers seeking to keep their land actively farmed.

The project was researched in 2007 and piloted in 2008 on the basis of a commitment from one lead investor. A model lease was developed and applications were solicited from experienced organic farmers needing additional farmland in Kansas, Nebraska, North Dakota, Iowa, Wisconsin and Minnesota. Over twenty farmers applied. A wealth of applications came from young farmers in their late twenties or early thirties as well as farmers wishing to bring their sons or daughters into their operation. Farmers were offered a fifteen year lease with an option to purchase if the investor ever wished to sell the land. A starting rental rate of 4% of the purchase price was projected. The applications were vetted and due diligence was conducted on the most promising applications.

To date three deals have been consummated; two in Minnesota and one in Iowa. One deal was with an organic grain grower, one with an organic dairy and one with an organic grazing operation. Farmers are responsible for any improvements they wish to make to the land. Organic farming practices are stipulated in the lease. The starting lease payment will be recalculated every three years based on changes in local rental rates.

Farmers continue to apply without further advertising and a second investor has come on board. A business plan is being put in place to scale up the effort and a steering team and advisory group of supportive organizations has been formed. Some type of hybrid for-profit, non-profit legal structure is being considered for the future. Other plans for the future include:

- Establishing an organic farmland investment fund to pool investor dollars for this purpose
- Tapping foundations to create a special fund for beginning farmers
- Use of flexible and crop-share leases
- Use of leases with a guaranteed option to purchase at certain milestones
- Lease to purchase options
- Model lease for use with land with homes and buildings
- Innovative, cooperative land holding mechanisms among multiple farmers in a region
- Working in urban fringe and targeted conservation areas