



Farm Case Study



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Bloomfield Farm Charlotte, Vermont Highlighting Cohousing and Cooperative Land Ownership

by Matthew Burke, Farmer



Since 2006, my wife, Tanya, and I have been growing for farmers markets, restaurant and grocery sales, and for a small CSA, on land owned in common by a group of cohousing residents. Our farm, Bloomfield Farm, is a small, diversified farm, producing organic vegetables, herbs, flowers, and eggs.

In the early 2000's, the founding members of Champlain Valley Cohousing Development Company sought a property to create a residential farming village. While no one of the original group intended to make their living from farming, they offered land and included two affordable housing units in the project for potential farmers. The members intended to attract a farm enterprise, by combining resources to enable farmers to access land with a degree of affordability in an otherwise costly land market.

Tanya and I are the sole partners and farmers in our farm, a Limited Liability Company. Common Pastures Cohousing is organized as a Homeowners Association (HOA). As we own a household in the HOA, we are also members of the HOA, but the farm and the HOA are independent entities.

The entire land use agreement process was handled internally among the residents. The outcome of the original work included the lease to Bloomfield Farm, and a general Land Use Agreement document that could apply to any later requests for use of land. The Bloomfield Farm lease, (as well as any other land use agreement), is monitored annually by a small member committee tasked with the overall management of commonly-owned farm and forest land. We drafted an agreement, as well as a template used subsequently by others, and presented it to the committee where, upon discussion, modifications were made, agreement was reached, and the proposal was approved by a committee on behalf of the HOA. At that point the agreement was signed by the farmers and the HOA representative, as a formal land lease.

Combining assets such as land or capital among multiple owners offers both strengths and challenges that need to be considered carefully. Advantages for us have included:

- Several households sharing the cost of the land purchase.
- Sharing of capital/overhead and possibly operating expenses, such as utilities.
- Providing assurance of tenure for lessees. May allow no- or low-cost lease, or even payments for land management services.
- No rent or mortgage for farm land.
- Coordinating multiple uses and users of property, over time and space.
- Inspiring other enterprises to complement existing. Option to create part-time or seasonal work among non-farming residents.
- Allowing for agreed baseline management practices, in this case, organic standards, although not necessarily certified.
- Allowing for another set of eyes to review land use, look out for problems (e.g., electrical issue in an old barn) within infrastructure and business plan, to offer suggestions for success.

Some potential challenges can be:

- Agreement on land use requires some clearly defined process for making group decisions, and providing ongoing oversight and a venue for hearing grievances.
- Group process takes time, especially early on. It requires careful communication and patience.
- The process of drafting and approving proposals may deter some activity, although this has gone smoothly in our experience.
- There is a need to have the agreement in writing, for reference and to update.
- It's critical to give ample notice, and allow for feedback and modification to accommodate diverse perspectives.
- Issues of dividing utilities and coordinating competing uses. Where land is owned in common, space and resource base limitations can be an issue.

Related Models Defined: Cohousing

Cohousing is a type of collaborative housing in which residents actively participate in the design and operation of their own neighborhoods. We farm and live at Champlain Valley Cohousing. Also in Vermont, Cobb Hill Cohousing has a number of independent enterprises, as livelihoods and hobbies, with a high percentage of residents participating in some farming enterprise, in some cases multi-family, and multi-generational. The community founders acquired the property with the clear intention of supporting active farming, combining two former farm properties with existing infrastructure. For more info: <http://www.cohousing.org>, <http://www.champlainvalleycohousing.org>, <http://www.cobhill.org>.

Related Models Defined: Cooperative Land Management

Cooperative Land Management is the voluntary enrollment of a portion of one's land into a program that would collectively manage sections of neighboring parcels, with the purpose of creating a larger parcel suitable for farming (e.g., sheep grazing or vegetable production). Landowners retain ownership of their individual parcels and the specifics of the land management agreement between all parties must fit the unique nature of landowner preferences and available land resources. The actual hands-on management of the land may or may not include landowner. Erickson, D. L., et al. 2011. Landowner willingness to embed production agriculture and other land use options in residential areas of Chittenden County, Vermont. Landscape Urban Plan.



Here are some lessons we have learned, when working on commonly-owned land:

- Allow for periodic (annual) review, updates and modifications of the land use agreement. It is important to be able to revisit this in order to make necessary modifications to maximize the arrangement's success.
- Identify clearly who has authority to approve agreement, and create a written agreement.
- It's best for land owners to speak as one voice, through a smaller group, with identifiable person or legal entity with authority. Smaller committees make sense for discussions between the farm entity and the land owner.
- Both the farm entity and the land owner need insurance.
- Common infrastructure helps share investment and maintenance costs, and maximize benefit of use.
- Separate the farm enterprise from the community or landholding entity. Financially and legally this may simplify the arrangement and reduce risk.
- Decision making must explicitly address security of tenure for farmers.
- Include a commitment to sustainability.
- Prioritize livelihoods over hobbies.
- Bring in outside help as needed.
- Give preference to owners and residents to use land first.
- There is a balance between allowing inspiration and initiative, and following process.
- Terms of transfer and termination of the enterprise must be clear.
- First come-first served. Respect existing enterprises.
- Find land with existing infrastructure to inspire multiple and adaptive uses.
- Be as clear with friends and family as you would be with a new group.

In addition to commonly owned land, a new farmer or landowner may pursue several related opportunities, including commonly-owned capital assets, complementary enterprises among several farms, producer cooperatives, public or private institutional support, public lands and infrastructure, and working with landowners to share the benefit from enrollment in the Vermont Use Value Appraisal (Current Use) program.

Fixed costs such as use of land or capital could be granted at no or low cost. Owning some built capital, such as barns, wells or fencing gives cooperating land owners the potential to continue operation should enterprises change or fail. Collective or common²³ ownership of infrastructure helps defray overhead for the farmer. Labor costs could still be covered by farm, as a variable cost of operation.

Integrating enterprises, seasonally or in adjoining locations, may also allow for shared capital among enterprises, without involving the land owner. A cooperative is a formal business structure recognized in many states. A group of farmers may organize themselves as a producer cooperative in order to pool resources such as land, financial or built capital, or equipment, or may cooperatively market or distribute goods.

Schools, hospitals, senior living centers, and other institutions may offer land, capital resources, and other support. This may serve to meet the goals of the institution while supporting a farming enterprise that could be managed independently or within the structure of the organization.

Towns may offer public land or infrastructure, such as storage or slaughter facilities, for farming and forestry, as a public common, or through a low-cost lease to an independent farm. A common farm, using community land, may serve as an important asset to the community, by providing food to those in need, allowing public participation and education, or by simply putting unused or under-valued community land to productive use.

Related Models Defined: Shareholder CSA

To start a shareholder CSA, a core group of people, mostly non-farmers (Community) pool resources to hire (Supported) a producer or farmer (Agriculture). The core group of non-farmers is responsible for covering production costs of the farm (including the farmers' income needs) and may even invest in and own the capital assets. This core group cooperatively manages the marketing, membership, distribution, share costs, etc., while the farmer focuses on growing a high quality and quantity of produce for distribution according to the manner the members determine. In this sense, the non-farmers are not consumers strictly, but rather, they are active members of a farming cooperative which pays a farmers to farm. Importantly, the cost of membership is not related to the value of the food received, but rather the costs of the farming operation. The Temple-Wilton Community Farm in Wilton, New Hampshire is the longest-running shareholder model in the USA.

²³ Collective or common ownership can be governed by various types of legal agreements. A cooperative is one example created by state law that operates under specific principles and specialized taxation rules. The farm in this case study is not structured as a cooperative.



In cases where the farm operation enables the land to qualify for property tax benefits, the land owner entity can reinvest these savings in whole or in part into common infrastructure, or other mutually beneficial expenditures, such as cover cropping to build soil fertility, and reduce fixed or operating costs to farm.

References:

Adam, Katherine L. *Community Supported Agriculture*. ATTRA Publication #IP289. 2006.

"Community Supported Agriculture: An Introduction to CSA". *Biodynamic Farming and Gardening Association*. 2009. <http://www.biodynamics.com/csa.html#howworks>

Temple-Wilton Community Farm, "A Brief History of the Farm". <http://www.templewiltoncommunityfarm.com/a-brief-history-of-the-farm/>

The case studies included in this guide are provided as examples of how farmers have used or are exploring various financing mechanisms and are not an endorsement by UVM or UVM Extension of the business practices outlined. This guide is for educational purposes only, and does not constitute legal advice. Individuals remain fully responsible for their own management decisions and for compliance with all applicable laws and regulations, and are encouraged to consult independent legal and business counsel.



Farm Case Study



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Fair Food Farm East Calais, Vermont Highlighting Creative Use of Promissory Notes

by Emily Curtis-Murphy, Farmer



Fair Food Farm was conceived during a winter that my husband and I both spent unemployed with our first baby in remote North Troy, Vt. We had each been laid off from our jobs, and wanted to work for ourselves, as it seemed unreliable to expect a steady job or a living wage working as a farmhand. We love the idea of our children growing up on a farm, and we dreamed of a livelihood we'd love everyday. We planned to feed all of our neighbors (and especially low-income families) through a farm store based Community Supported Agriculture program that would provide healthy whole foods at a lower price than local big box supermarkets. Our rotation of livestock pastures, forage crops and vegetables would build healthy soils to nourish our new community in Calais, Vt.

Two years in, we've been struggling to service our debt and keep up with daily expenses, and found we need to overhaul the business plan we thought would lead to profitability by now. Those farmhand jobs glow brighter in the receding autumn light on this farm where we don't have enough money to do things efficiently; where things don't happen on time because we try to do too much; where we can't afford our plans, needs, and obligations; and where I awake in the night more frequently than our newborn son wondering how long we can keep operating at a loss, and what happens if we can't.

In the spring of 2010, we hiked into our new home - a one-room rented cabin with no hot water on a farm six miles from our freshly plowed 10-acre leased field. We had a borrowed tractor for two months, two old trucks and some borrowed implements. We found a historic grist mill to lease as a farm store, and we were off and farming!

In June we were approved for a start-up business loan from the Vermont Agricultural Credit Corporation, but we only had enough collateral for a \$9,000 loan. Our business plan required at least \$15,000 to get going, so we went looking for more money. Selling shares in the business was too complicated for us. We worried about maintaining control of decisionmaking, legal costs and potential tangles with the SEC. We needed loans with affordable interest rates to cover our operating expenses, and with all of our meager collateral committed to our start-up loan we had limited options. I got the idea to approach individuals from reading the socially responsible investing periodicals that my mom sends me.

There are increasing numbers of investors interested in putting their money to work for positive change.[1] Some people want to see a monetary return on their investment, others are more interested in building "social capital." This could mean facilitating the growth of a rural economy, supporting sustainable agriculture, improving access to fresh food, or educating local youth about the joys of farm work. There are few ways to have a more immediate impact than loaning money to an entrepreneur, and by doing so directly they avoid the fees associated with supporting the administrative functions of a fund. The lendee also benefits from a lower interest rate because they don't need to pay for these services either. But direct loans can be risky for the lender. While Vermont did have the second lowest rate of business failures in the U.S. in 2010[2], start-up businesses are tenuous, with under 50% surviving longer than 5 years[3].

Loan seekers should expect some degree of due diligence desired by the lender. There are options for investors that provide more safety checks than a direct investment or loan to a small business; organizations put resources into preforming "due diligence." Their experts evaluate a loan application or investment opportunity by checking references, reviewing the business plan, and looking over financial reports and projections to verify accuracy. Private individuals, however, may not have the in depth knowledge of agricultural businesses required to understand the details of the plan you provide. Some lenders might not even ask to see your financial data and projections, but will give a loan based on your perceived good character.

I attended the Slow Money National Gathering in Shelburne, Vt. in June 2010 to learn more about who is interested in the Slow Money³⁵ concept, and how I might take advantage of this interest in "investing as though food, farms, and fertility mattered,"[4] to garner more capital for our nascent farm business. At lunch I talked with a bank executive interested in our project. She agreed to loan us \$6,000, and I offered to write the promissory note. After I read a number of samples on the Internet, and checked out the Uniform Commercial Code that governs this form of contract on the websites of the Cornell University Law School Legal Information Institute (<http://www.law.cornell.edu/>) and the Vermont State Legislature (<http://www.leg.state.vt.us/>), I adapted a promissory note prototype to our needs. The lender and I discussed payment details, and we signed and sent it. Easy! And much quicker than the process we submitted to for our VACC loan.

I did not have a lawyer check over any of our promissory notes, but I suggest that would be prudent. I decided to keep it simple, and omitted anything draconian sounding to make it favorable to us in the sad case we make late payments or default. Punitive fees and climbing interest rates fall in this category, as do acceleration clauses such as this example: "If any required payment under this note is not paid when due, or if an event of default occurs, the entire outstanding principal balance hereof plus accrued interest thereon shall, at the option of the lender, be immediately due and payable without notice of demand." [5] We removed such ideas from our contract. If you must include a penalty, I suggest a clause such as "If payment is 15 days late, a surcharge of \$10 will be incurred." Another fee to look out for is an early repayment fee, because one may want to refinance higher interest rate debt, or pay it off early. The

³⁵ Slow Money is a non-profit alliance hosting regional and national gatherings, providing financial products and services and promoting the "Slow Money Principles: new ways of thinking about the relationship between food, money and soil." For more information, visit <http://www.slowmoney.org>.



amounts and method of payment should be clearly laid out. It is usually cheapest to pay by check. Bank transfers incur hefty fees, and PayPal makes good use of money passing through, holding it for as long as possible in its own coffers.

I now know that we should have looked for more money at the beginning; we have had expensive cash flow problems from the beginning, we don't have equipment that we need, and many things keep breaking. More promissory note loans for operating expenses have kept our cash flow limping along. In the past year and a half we have secured two more short-term operating loans for which we used promissory notes. I wrote one, and a neighbor-lender wrote the other. We have also taken a loan from another farmer and from family members for which we only have verbal agreements.

It takes a lot of talking to people and asking to come up with loans from individuals; I feel like I really earned each one. I need to spend more time soliciting interest in supporting our farm business, and am planning on applying for loans for 2012 from a number of institutional sources as we adapt our business plan to meet the greater demand of different markets than we originally planned to serve. But I love the connection of a personal loan, and we will continue to seek them out as we work out ways to grow our farm towards profitability. Small lenders are simpler to negotiate a favorable agreement with, will not report late payments automatically to a credit agency, and may be willing to work with you on repayment terms if you experience hardship.

What we learned the hard way:

- We bought some equipment with short-term loans. This was a mistake, because it is harder to pay back loans when you haven't put all the money to work to make more money.
- You won't get it unless you ask. Small loans take as much time to procure as big loans, so ask for more.
- Things will probably go worse than you expect once you start farming, and you don't want to end up in a situation where you are trying to work without a vehicle that you can't afford to fix. So give yourself a cushion.
- Not having enough money is really REALLY expensive.

Works Cited

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SILLO SESSIONS CONCERT SERIES
BREAD AND BUTTER FARM

→ **SATURDAY, DECEMBER 17TH**
BREAD AND BONES
Bread and Bones perform award-winning original music with traditional roots. They are Richard Ruane on vocals, guitar, tenor and 5 string banjos, mandolin and ukulele; Beth Duquette on vocals and Mitch Barron on fretless, fretted and upright basses and vocals.

→ **SATURDAY, JANUARY 14TH**
BOW THAYER AND THE HOLY PLOUGH
Bow Thayer and The Holy Plow combines the talents of three of Vermont's most unique musical minds. In this acoustic trio, songwriter and rocker Bow Thayer has provided his provocative and dynamic original music for reinterpretation through the lens of guitarist/producer Kristina Stykos and the northeast kingdom's fiddler par excellence, Patrick Ross.

→ **SATURDAY, FEBRUARY 11TH**
POSSUMHAW
PossumHaw is a dynamic, original, authentic bluegrass and folk quintet from Burlington, Vermont. Originally formed in 2004, the band has evolved to combine award-winning, evocative songwriting and singing with top-notch bluegrass instrumentation. On the stage, PossumHaw offers a genuine, energetic, and highly entertaining performance without gimmickery.

→ **SATURDAY, FEBRUARY 25TH**
SETH GLIER
Despite his relatively young age, Seth Glier is a seasoned troubadour, traveling all over the United States and performing over 200 dates a year. In 2010 he opened for Edwin McCain and The Verve Pipe, appeared with his idol James Taylor and performed on main stages of the prestigious Falcon Ridge and Kerville Folk Festivals, with rave reviews and a constantly expanding fan base following him every step of the way.

All ages. Doors at 7pm. Visit www.breadandbutterfarm.com for ticket information.
Presented by Silo Music at Bread and Butter Farm - 200 Ledyard Farm Road Shelburne, VT

Bread & Butter Farm
Shelburne, Vermont
Highlighting Purchasing the Farm
and Community Financial Support

by Corie Pierce, Farmer

**Background**

Bread and Butter Farm is co-owned by Corie Pierce and Adam Wilson and was purchased in 2009. We opened for business in May 2010. The farm is located in Chittenden County, Vt. in the towns of Shelburne and So. Burlington – straddling the town line. We are a diversified farm operating a micro raw milk dairy, grass-fed beef, vegetables (focusing on winter greens production), wood-fired oven bakery, and pastured pork. We have a farm store and we attend two local farmers markets. We also sell our bread, greens, and beef wholesale to local accounts. We do on-farm events, most notably our seasonal, weekly Friday night “Burger Nights” where we sell our own burgers and salads. We are considering developing educational programs for children and also hosting other community events at our farm

Acquiring the Farm – Vermont Land Trust Conserved Farm – Proximity to Population Centers

We purchased the farm in September 2009 from the Leduc Family who had owned and operated the farm for the previous 180+ years. Being in Chittenden County, the farm value was over \$2.2 million. The Leduc Family worked with the Vermont Land Trust who facilitated the purchase of the development rights⁴⁰ with the Shelburne and So. Burlington Land Trusts, Vermont Housing and Conservation Board, and many private land owners near the farm. We were then able to purchase the land at a more reasonable price of \$225K.

The proximity of the farm to several populated towns (Burlington, So. Burlington, Shelburne, Williston, etc.) has proven to be a key to the early success of the farm. We envisioned a community farm and we have structured much of our planning and marketing to get as many people as possible to come to the farm. Again, the location has been critical to our success.

For farmers looking for land, working with private landowners to consider conservation is a highly encouraged route to go. It’s slower, but worth it for access to more affordable land. Proximity to populated towns is also a critical consideration. We wanted to do most of our business from the farm and through direct marketing channels with as few deliveries as possible. We also wanted to create a community farm engaging customers directly with the land, plants, animals and farmers, so we wanted to find land close to a relatively high population. Purchasing land with the development rights sold to the Land Trust was the only way we could have afforded land in Chittenden County. Farmers looking at cheaper land in more remote areas should be realistic about their potential markets and the need to travel more for farmers’ markets and deliveries.

With all this being said, we have operated on a very tight budget in our first two and a half years and it will continue to be tight for a while. Our combined 15 years of farming and business management experience has been critical in our ability to raise needed capital, develop a sound business plan, and manage the business to operate in our start up years. For new farmers who need to invest a large percentage of their savings into land and all the associated costs, this leaves little for other needed capital investments so the business has to be large enough and economically viable to make it all work. We will continue to work long, hard hours to figure this out to make it work, but we are committed to it and are hopeful it can happen in today’s world!

Community Supported Farm – Grass Roots Raising Capital – Initial “Getting off the Ground”

When we decided to apply to purchase the farm, we knew we would need some operating and start-up capital right away, in addition to the money for the land purchase. We knew that to support two families, and to grow, raise and produce enough to be economically viable we had to invest in infrastructure early on and quickly. Within the first year we wanted to build our bakery, update the dairy barn, build our first greenhouse, and put in perimeter fencing for their dairy herd and growing beef herd. Adam had an existing bakery (he had built an oven on a friend’s property) and had been bringing his bread to the Burlington Farmers’ Market for a full season. He had built a loyal customer base so we tapped into this group of supporters to see if any of them could help the farm to launch. We offered “memberships” where individuals could purchase a membership that came with a 10% discount on future food purchases from the farm. For example, a \$1000 membership was valued at \$1100 worth of farm product. Members could use their “declining balance account” to shop for all farm products at the farm and at the farmers’ market. We raised \$60K in memberships to put towards capital start-up costs. These ranged from \$500-\$10,000 per membership share, most were in the \$500-\$1000 range with a few larger memberships with some unique terms we developed with each individual and a lawyer. The shares were paid back with long-term “discounts” given to the member, not interest paid back.

In addition to the financial support, this also built in a loyal customer base that then helped to spread the word. Adam had about 10 of his customers become members. We then began doing openhouses at the farm every month that attracted an additional 15 members to have 25 initial members.

40. The “purchase of development rights” refers to the legal process in which land trusts secure a conservation easement on the property, restricting any future building development on the land that is not allowed by the easement. Some land trusts work with beginning farmers to secure the easement at the time of property ownership transfer. In effect, this can significantly lower the purchase price. The beginning farmer pays the “agricultural value” portion of the land purchase price, the land trust pays the “development value” portion, and the seller takes away full fair market value.



First Two Years – Diversity of Funding Sources

In addition to the memberships, we knew we needed additional capital in the first year and a half. Without 3 years of proven business experience or collateral, we were hard pressed to get a traditional bank loan. We looked for a diversity of sources and secured several loans, both traditional and non-traditional.

One loan was a family loan with a 4.5% interest rate. Additionally we secured two microloans from the Carrot Project⁴¹ and NOFA-VT⁴² - \$15K each with about 4.5% interest rate. All of those loans were secured in 2010. In 2011 we brought on one more loan through FSA.⁴³ Additionally we worked with the local USDA/NRCS office to apply for programs applicable to their farming models and received grants for fencing, laneways for stream protection, stream restoration, and a season extension greenhouse.

In the fall of 2011, we launched the second round of memberships, this time targeting smaller amounts (\$300) but building our customer base especially for the slower winter months. This push for membership in November has helped to create a buffer going into the lower cash flow season.

Burger Nights – Added Value Through Agritourism

“Burger Nights” started in June 2010. Every Friday evening we serve our own burgers and salads from the gardens. The mood is festive with live music each week. The event is great for all ages and the food is simple and delicious. This idea to bring people to the farm started with the idea of getting more folks to the farm store and has turned into a community- and farm-building event. Burger Nights are not only a good potential money maker but also great marketing. It is a weekly event that allows us to bring people to the farm. Burger Nights are an opportunity for us to showcase the farm and mingle with farm supporters.

The success of our first year of this event took us by surprise and is an exciting opportunity for us to have a higher margin venture on our farm. There are a lot of details to manage, more inherent risk (having 300+ people on your farm regularly has a lot of associated risks), and has challenges with weather, consistency, staffing, etc. However, if we can manage it well, the up sides are tremendous so we are using our less-busy season to figure out the details to make it all work. Will we do Burger Night forever? We aren’t sure yet, but it seems like a great event for us for our first several early years



Image used with the permission of Jarrett Frankel

Financing in the Future – From Years 1+2 to 5 Years and Beyond

The farm has been able to get a fast start that has brought immediate business to the local economy. We have been able to employ between two and six people at any given time in year two and are looking to grow after year three. We have been able to give farm tours and field trips for many local schools and love to share their farm with kids and adults of all types.

We’re in the midst of planning out the next five years. The goal is to not take on more debt for two to three more years and to pay back the loans initially taken out. We’re in the midst of building initial production areas focusing mostly on building the vegetable and beef operations. We’re currently enrolled in the state program “Farm Viability”⁴⁴ to work with an advisor to create a five-year business plan. With the experience of using diverse financing strategies, we are in good shape for accessing needed capital in the future from a variety of sources.

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41. The Carrot Project Microloan program operates in Maine, Massachusetts and Vermont. For more information, visit <http://www.thecarrotproject.org> or contact info@thecarrotproject.org or call (617) 674-2371.

42. Northeast Organic Farming Association of Vermont has a revolving loan fund program. For more information, visit <http://nofavt.org/programs/farm-financial-resources/revolving-loan-fund> or contact NOFA-VT at (802) 434-4122 or info@nofavt.org.

43. USDA Farm Service Agency (FSA) has farm ownership and farm operating loan programs. Contact your local FSA office for more information. To find the nearest office, visit FSA’s website at <http://www.fsa.usda.gov>.

44. The Vermont Housing and Conservation Board (VHCB) coordinates the Farm Viability Enhancement Program, with a team of professional business management consultants across the state who meet with farmers to develop customized business plans. For more information, visit <http://www.vhcb.org/viability.html> or contact VHCB at (802) 828-2117.



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Packaged for:

Sugar Mountain Farm L.L.C.
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West Topsham, VT 05086
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Pastured Pork Bred, Born & Raised on Our Vermont Farm

Natural Casings
Fully Cooked & Smoked

UNCURED HOT DOGS

No Nitrates or Nitrites Added, Not Preserved
Keep Frozen or Refrigerated Below 40°F at All Times

Made from Sugar Mountain Farm Pastured Pork

Good Wholesome Food
from our family farm
to your family's table

We free-range our heritage
bred pigs sustainably and
humanely on grass & dairy
without growth hormones or antibiotics.
We do not use gestation or farrowing crates.
Federal regulations prohibit use of hormones in pork.
Think Globally. Buy Locally. Do Good. Live Well & Prosper.

US
INSPECTED
AND PASSED BY
DEPARTMENT OF
AGRICULTURE
EST. 6363

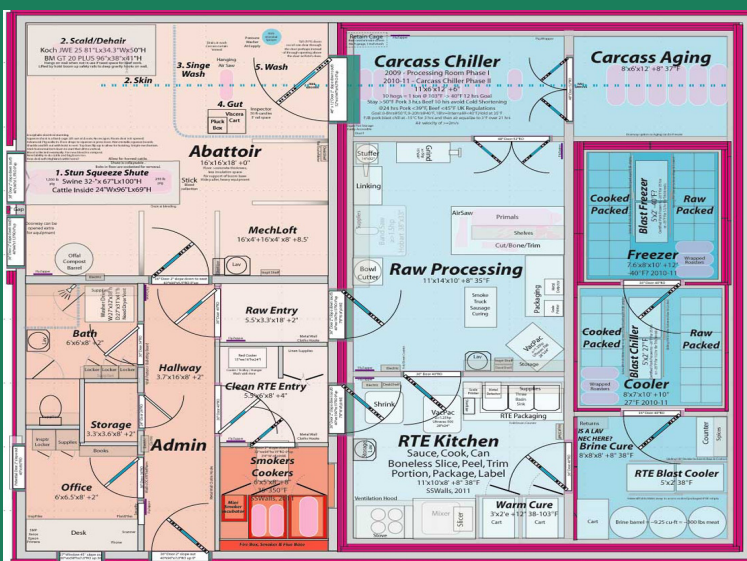
Ingredients: Pork, Water, Non-Fat Dry Milk,
Maple Syrup, Salt, Spices.
ALLERGEN STATEMENT: CONTAINS MILK.
Made with natural sheep casings.
Gluten Free.

NoWeirdStuff.org

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Food with
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Sugar Mountain Farm
West Topsham, Vermont

Highlighting Bootstrapping, Vendor
Financing, Pre-buys and the Quest to Build
On-Farm Slaughter Infrastructure

by Walter Jeffries, Farmer



In April of 2008 the owner USDA slaughterhouse and butcher shop we had been working with announced to us that he wanted to get out of meat processing. He was tired of the employee problems, the equipment failing and the general hassles of an aging plant that was getting further and further run down. He asked us if we wanted to buy it. It was an hour from us and we knew of the problems - no, we didn't want them.

However, I had been researching since 2004 about building our own on-farm USDA meat processing facility. My plan had been to start construction in 2014. The butcher's announcement was a wake-up call to us. We immediately met with the state agency of agriculture and then the USDA about what would it take to setup our own facility.

They were encouraging but warned that it was very expensive and the permitting was very difficult.

We have several advantages that would keep the costs down, such as I'm the engineer and architect, our family is the construction crew, we already have the land and being on-farm doing only our own livestock simplified some issues. Over the course of the following year I researched options, worked up a business plan, rough engineering plans, got all of my permits and we saved our pennies. Having an idea, a plan and a goal is great but without money we can't buy concrete, wood, steel or equipment. In fact, it takes money to save money - our existing meat processing uses 36% to 50% of what we earn on every animal that goes to slaughter.

What has not worked for us:

Banks:

- Would not lend to us despite us having excellent credit, a great deal of collateral, high net equity, decades of borrowing and repayment history, business and farming experience and a solid business plan, etc:
- Told us "Not lending at this time to new or expanding businesses." We heard these exact same words from many a banker!
- Were hesitant to lend to farms.
- Were hesitant to lend to self-employed people.
- Were hesitant to lend if we're doing the construction even though we're experienced.

Government grants:

- We were told there were none for building on-farm slaughter infrastructure, despite later finding out they had given grants to others.
- We were told we were not qualified since only doing processing for our own farm despite the fact that what we are doing is helping other farmers by freeing up processing slots, and we're sharing how we did it so others can do it themselves.

Government loans - direct or guaranteed:

- Wouldn't lend to us since we're doing our own construction. We were told we should hire out consultants to do business plan (we already have an excellent plan), architecture (I do it), engineering (I do it), labor of construction (we do it), etc.
- Hiring contractors would make the project cost so much (1.5 to 4.5 million) that it would become unfeasible. The government and bank's requirements to hire everything out seemed to be designed to stimulate the economy, but for us it would produce a debt-dependent business.
- Wouldn't lend to us because we're too small. They wanted projects of \$250K or more, preferably over \$1M.





Since our budget is significantly lower than that, they weren't interested in our project. So we are doing it without government or bank support.

So what has worked?

Savings - We had saved up about \$30,000 for building a greenhouse when this hit us. We diverted that all to building the butcher shop. That bought our initial concrete, wood for form building, electrical installation, etc.

Cash flow - Every penny we can spare goes into our project. We're still dealing with the fact that meat processing uses up 36% to 50% of our gross income. If we were already doing the processing that would be available. Catch-22.

Generous small donations from a number of friends, customers and blog readers.

Local businesses and Farmers who have given us extended terms on supplies (e.g., lumber, steel, hay, electric, equipment, etc) which meant money was freed up to buy hard stuff like concrete.

CSA Pre-Buys ranging from quarter pigs to decades of pork. See <http://SugarMtnFarm.com/csa>

Small to larger loans from individuals - family, friends, customers and a visionary angel who read about our project in the newspaper.

Benefits of not working with the government and banks have been:

- We pay significantly lower interest rates.
- People who loan to us earn significantly higher interest rates than they get at banks.
- Spreading out the cost between many people rather than putting it all in the hands of one lender.
- We know our lenders personally and they know us - their farmer, relative, and friend.
- Keeping it all more tightly tied locally.
- Less paperwork.

- Because we were not forced to do it the "Big Way" of hiring consultants and such for everything the project came in at about the budget I had originally projected with a small increase for inflation in the past three and a half years. We will probably be able to open for cutting meat within 15% of my original projection three years ago which is very good. Today we have spent only about \$100K of the \$150K that I originally projected.

- Because we're working on a tight budget we kept things simple. This means less debt load which means lower interest payments and the project is viable instead of being an impossible burden as it would be if we had spent a million dollars or more.

In the end, commercial lenders were of no use in the funding of our project. We fell back on our own resources and those of our local community. This makes our project truly Community Supported Agriculture.

The case studies included in this guide are provided as examples of how farmers have used or are exploring various financing mechanisms and are not an endorsement by UVM or UVM Extension of the business practices outlined. This guide is for educational purposes only, and does not constitute legal advice. Individuals remain fully responsible for their own management decisions and for compliance with all applicable laws and regulations, and are encouraged to consult independent legal and business counsel.



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