THE carrot PROJECT

Creating small farm financing solutions

Are Northeast Small Farmers in a Financing Fix?
Research Results on Financing Gaps and Program Opportunities

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Thank you.
Dorothy Suput, Executive Director

The Carrot Project is a not-for-profit organization dedicated to making loans and guarantees available and exploring equity options for small and mid-sized farmers and limited resource farmers, and those using ecologically friendly practices. Our model pulls together and takes advantage of the intersection of farmers' needs for financing, their limited access to lenders, and sources of appropriate capital. We also draw on the expertise of existing farm support organizations and information gleaned from economic development activities already underway. Our goal is to increase the amount of financing available for small and mid-sized- farmers *and* increase the number of lenders working with smaller farms.

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OVERVIEW

For today's small, mid-sized, and limited resource farmers, finding sufficient capital to finance their businesses can be a challenge. Tightening regulations, limited USDA-Farm Service Agency budgets, and consolidation of lending institutions have resulted in fewer lenders with agricultural expertise or mandates. Community development finance institutions (CDFI) finance many small businesses, but were pioneered to address urban issues and typically have little or no agricultural expertise. The dominant agricultural lenders in the Northeast -- Farm Credit and the USDA Farm Service Agency-- do offer credit, but neither adequately serves farm operators who are start-ups, have unique business models, or inadequate collateral. The Farmers' Financing Needs Assessment grew out of The Carrot Project's work to address financing gaps for small and mid-sized farms, and farms defined as farms with limited–resources, as well as those using ecologically friendly practices.

The Carrot Project created, tested, and implemented the Farmers' Financing Needs Assessment (the Assessment) to gain a better understanding of the financing obstacles facing small- and mid-sized farms. The survey portion of the Assessment was completed by 706 farms in New York and the six New England States. The information gained from this survey is important to guide the development of alternative financing programs and related technical assistance to meet the needs of the region's farmers without access to existing credit programs. Alternative financing and technical assistance programs meet the needs, for example, of farms with inadequate collateral or lack of credit history and those that may benefit from technical assistance to adjust business plans to increase cash flow or clarify farm business goals and operations. The Assessment was designed to begin answering questions such as what type of farmer – by stage and type of operation and by region -- is unable to find adequate financing, and what type of lending options and equity funding would be appropriate.

The Assessment was successful in providing a starting point to build new or modify existing financing programs. The findings highlight the opportunity for technical and financial assistance addressing many different types of farms, but especially those with low gross farm income and the need for: short- and intermediate-termed loans at a median amount of nearly $30,000; flexible payment options; additional security; and farm real estate financing. Findings also identify initial interest in equity financing. While lower income and start-up farms were the most likely to be denied financing, it is clear that financing and technical assistance programs are needed to address farms at various stages of business development and income levels, or else small and mid-sized farms lacking access to conventional sources of financing will not be served.

KEY FINDINGS

TYPES OF FINANCING

- About one quarter of respondents applied for operating or capital financing, excluding farmland, and of those that applied the median request was $29,000 and $28,000 respectively.
- One quarter of respondents that applied for financing were denied short- or intermediate-term financing.
- Twenty percent of respondents applied for farm real estate financing and the median request was $162,500.
- Twenty percent of respondents that applied for farm real estate financing were denied.
- Respondents perceived that financing with flexible payments was the most difficult to obtain, with longer-term and short-term being the easiest of the three.
- Thirteen percent of respondents expressed interest in equity financing.

CHARACTERISTICS OF BUSINESSES

- The farms most likely to apply for operating or capital financing had farm managers or operators with more than four years of farming experience, higher gross farm incomes, and more mature businesses.
- Start-up farms -- those businesses operating for four years or less -- were 7 percent more likely to apply for financing for farm real estate.
- The perceived ease of obtaining financing was lowest among start-up operations, average among expanding businesses, and easiest for mature businesses.
- Roughly 30% of start-ups and expanding businesses, and 15% of mature businesses were interested in equity financing.
- The type of farm most likely to be denied financing was not easily characterized, but tended to be a start up farm
- The largest percentage of farmers needing additional security to obtain financing was in the lowest gross farm income category.

LOCATION OF BUSINESSES

- The state in which a business was located was not a significant factor in the size of requests for financing or the amount of financing received. However, location seemed to have some effect on the rate that applicants were denied financing.

METHODOLOGY

FARMERS' FINANCING NEEDS ASSESSMENT

The Farmers' Financing Needs Assessment was guided by a four member Working Group (See Appendix A) including farmers, an Extension agent, small farm policy expert, and an Advisory Board member from The Carrot Project. The Assessment had two components. One consisted of two lender focus' groups to provide perspective and insight into the financing situation for smaller farms and to help focus survey outreach. (For a summary of focus group results see Appendix B). The other component -- the Farmers' Financing Survey -- consisted of a survey completed by over 700 farmers in New York and New England. The survey helped us to better understand financing needs by geography, stage of business, and type of business. An extensive outreach campaign to encourage farmer participation was conducted with the help of 35 farm support organizations, including non-profits, associations, departments of agriculture, and universities. (For a list of organizations assisting with outreach see Appendix A.)

The focus for the survey was small and mid-sized farmers, limited resource farmers[1], and those using ecologically friendly production practices. The easiest farmers to contact were USDA certified organic or those using organic practices because of the numerous associations working with this group of farmers. A literature search, interviews, and the focus groups provided no indication that farmers using ecologically friendly production methods were disadvantaged when seeking financing (See Appendices B and G). There are fewer organizations working with small farms, but by default many of these farmers were reached through most of our outreach efforts. Lacking a straightforward way to reach limited resource farmers, it was decided that a more inclusive outreach campaign would be most effective in reaching all target populations as well as gathering responses from the non-target population which could be used for comparative purposes. Approximately 5,000 farmers were reached through mail with an introductory letter and 1-2 follow up postcards. Countless others read about the survey in organizations', newsletters and list-serves as well as on websites and in ads to targeted farm populations.

The survey questionnaire was drafted with assistance from the Working Group and tested by six farmers, some who had affiliations with farm organizations. The survey was available in hard-copy as well as online, where it could be downloaded or completed online using SurveyMonkey.com. Forty-eight percent of surveys were completed online; the rest were manually entered. Analysis was completed using both Survey Monkey and SPSS Inc. statistical analysis software. (See Appendix C for the survey questionnaire.)

The findings summarize 706 farmers' responses to queries about farm financing and their type of farming operation. The survey provides a snapshot of farmers' financing needs. Gross farm and household income was requested for the last completed tax year – 2006. Respondents reported their requests for operating and capital financing for 2006 and for farmland financing between 2001 and

[1] According to the USDA a limited resource farmer or rancher is defined as a person with: 1) gross farm sales of not more than $116,800 in each of the previous two years and, 2) a total household income at or below the national poverty level for a family of four, or less than 50 percent of the county median household income in each of the previous two years.

2006. We did not ask about intentions to seek financing because such information could lead to unrealistic projections. The survey did not measure the number of farm operators who would like to seek financing but did not because of past negative experiences or expectations of rejection. Some of this information was gathered in the numerous comments provided at the end of respondents' surveys.

WHO RESPONDED TO THE SURVEY

More than 730 farmers responded to the survey; 706 were usable responses. The responses from surveys outside of New England or New York were read and recorded, but are not included in this analysis. In comparison to USDA 2002 Census Data, the sample is weighted towards New England. The sample is representative of The Carrot Project's target population – small and mid-sized farms using ecologically friendly growing techniques. A substantial percentage of the farms had low gross farm incomes which may qualify them as limited resource farmers using the USDA definition. In order to determine the number of farms that qualify as such, a county by country analysis would be necessary.

The following points summarize the similarities and differences between the survey data and the 2002 Agricultural Census for New England, New York, and all responses combined. (For details on the comparison and a summary of survey results see Appendices D and E).

- New England is overrepresented in the survey sample.
- The survey sample is comparable in acreage to farms in New England and small for New York. However, when broken down into incremental ranges of acres, e.g. 1-9 acres, the percentages were not comparable for all ranges.
- The survey respondents were more likely to be in higher farm income categories than the general farm population.
- The survey respondents were weighted towards vegetable operations.
- The data was comparable to the Census data in terms of the number of Dairies, Orchards, and Fruit and Berry operations.
- Field crops were underrepresented for New York and Nursery/Greenhouse was underrepresented for the region.
- The survey respondents were heavily weighted toward USDA Organic certification and other types of environmental certifications.
- The survey sample was more likely to have a female as a principal operator than the general farm population.

SURVEY FINDINGS

The good news is that the majority of surveyed farmers are able to obtain the financing they need to run their businesses. The lenders participating in the focus group agreed that for well established farmers with sufficient collateral, cash flow, and a solid business plan, financing is available. Not surprisingly, the survey findings indicate that securing financing is difficult for farmers with limited capital, lack of credit history, and insufficient cash flow. These results confirm that a need exists and gives us an estimate of the magnitude of that need. The reasons for denial provide us with working guidelines or benchmarks for the number and type of farms that may be assisted with a combination of alternative financing and technical assistance. The technical assistance may assist farmers to increase their credit-worthiness and better prepare them to decide if debt financing is in their best interest.

This study examined who was most likely to apply for and be denied financing and the reasons for denial. We recognize that some farm businesses should not receive financing. The 706 farmer responses represent the best regional data set to date addressing the financing needs of small and mid-size farmers. However, the question of which farm businesses should or should not receive financing was beyond the scope of this project. We are operating under an assumption shared by many organizations working with small businesses--that there are viable businesses that are worthwhile credit risks that are underserved by traditional lending institutions. This assumption is girded by our research carried out in 2005 and 2006 that showed that in the Northeast agricultural funding landscape, existing resources leave a variety of gaps.

Private investors and investment firms seeking high returns traditionally have not been interested in production agriculture. USDA – Farm Service Agency (FSA) programs, the federal credit safety net for family farmers, provide mostly direct loans to many counties in NY and New England (Dodson & Koenig).[2] FSA direct loans are focused on specific market segments considered more economically disadvantaged such as racial and ethnic minorities, beginning farmers, and women. A likely reason for the lack of availability of FSA guarantee programs is insufficient FSA certified lenders to carry out the loans. In the Dodson & Koenig study, 'counties where the direct programs were relatively more important tended to be in regions considered non-agricultural' that are considered less competitive with respect to farm credit. This situation corresponds with our findings that depending on a farmer's geographic location, business and financial situation, he or she may not have access to a commercial lender or a lender willing to provide a loan of less than $50,000. State funding for agricultural lending is limited and unlikely to expand in the near future, and participants in at least some state programs are likely to need additional financial support to participate successfully in them (Libby). Finally, not-for-profit micro-loan programs are limited in scope. (For a complete list of sources see Appendix G).

TYPES OF FINANCING

Requests for Debt Financing

The reported need for debt financing for farm real estate, operating, and capital ranged from 20 to 26 percent of respondents (see Table 1). This range is based on the number of respondents that applied for operating or capital financing in 2006 and for farmland from 2001-2006. This information is important because it highlights the percentage of farmers seeking financing in a specific timeframe. These rates are comparable to other studies.

A 2005 USDA Farm Service Agency (FSA) study in Vermont found that insufficient capital or credit was an obstacle to approximately 20 percent of artisan or farmstead cheese-makers for operation

[2] A county was considered as a mostly direct county if between 66.66 and 100 percent of the total USDA supplied farm credit was provided through the direct program.

and expansion of farm businesses. (See Appendix G for list of sources.) A 2002 Cornell University study indicated that 39 percent of New York farmers responding to a survey about factors important to small farm success used a variety of different approaches to secure outside capital for their farms' operations. (See Appendix G for list of sources.) The lower estimate of need, 25 percent, indicated by The Carrot Project survey may be because it is based on actual requests in a given year and the survey asked about *applying* for financing. It therefore left out farmers with an existing line of credit, those receiving financing informally from friends or family members, farmers who wanted to, but did not apply for financing, and those anticipating doing so in future years. In the comment section of the survey, some farmers gave more specific reasons for not applying for financing in 2006. Reasons included: Mature businesses indicating that they did not apply for financing, but would refinance at lower rates if they could improve cash flow; Those who didn't apply because of lack of security or previous negative experiences trying to obtain financing; and Start-up operations that were not yet ready to apply for financing, but anticipated doing so in the next 1-2 years. It should also be noted that a number of respondents wrote in comments stating that their businesses were financed on a cash basis and discouraged the use of debt financing.

	Operating	Capital	Farmland
Percent Request	25%	26%	20%
Average Request	$40,169	$40,326	$198,188
Median Request	$28,889	$28,125	$162,500

Table 1: Requested debt financing in 2006 for operating, capital, and farm real estate between 2001 and 2006.

The median request for operating and capital financing was $29,000 and $28,000 respectively. The median request for farmland was $162,500. Knowing the median request for financing is important when considering the amount of financing needed for a specific program or target population. A median request of $10,000 instead of $100,000 would lead to investment pools of a different size and require different security needs. In the Vermont Cheesemakers' study the average need ranged from $35,000 to $140,000. The respondents to the TCP survey could choose between amounts $10,000 to $100,000 or $100,000 or more. Respondents indicated a need for loans of all sizes, with a larger number requesting loans of a smaller amount (See question 11 in Appendix E).

Operating loans for expenses were defined as being used for seasonal expenses or items utilized in a single year. Capital loans or expenses were defined as being used for equipment, buildings or other items used over several years, but excluding farmland as questions about farmland were handled separately. The responses to questions #11 to #15, discussed above, could be characterized as short-, intermediate-, and long-term loans instead of operating, capital, and farm real estate. (See Appendix C for the questionnaire.) In the survey section referring to the perception of farmers versus what financing was actually applied for, the choice for the terms of financing was short-term, long-term, or flexible (responses to questions #16-18).

Ease of Obtaining Financing

Respondents perceived that financing with flexible payments was the most difficult to obtain, with long-term, and short-term being the easiest of the three (See Table 2). This finding corresponded to lenders' perspective -- that there is an opportunity to provide flexible payment schedules such as deferring principal payments, skipped payments, and annual payments. This information is important because it indicates that flexible payment options should be considered when developing or modifying existing financing programs.

Category	Short-term	Long-term	Flexible
Average Score	1.7	2.0	2.3
% Easy/Very Easy	47%	34%	27%
% Moderate	23%	30%	24%
% Difficult/Very Difficult	29%	36%	49%

Table 2: Comparison of perceived ease of obtaining different types of financing. The table is based on a Likert Scale where 0=very easy, 1=easy, 2=moderate, 3=difficult and 4=very difficult.

Equity Financing

The study's primary focus was debt financing, but questions about equity financing were included to provide a basis for further inquiry. The lenders' focus group identified equity financing as one area of opportunity. This study may offer the first available data about farmers' interest in equity financing. Equity financing was defined as a strategy where an investor will give capital (cash) to a farmer in exchange for partial ownership of the farm or for an agreed upon share of the farm's future profits. There might be an agreement for the farmer to buy back the share of the farm that was sold to the investor. Equity financing is not understood well and the responses provide an important initial benchmark for a little used financing option in agriculture. Thirteen percent of survey respondents expressed interest in equity financing (see Table 3) when there was an option to share profits or a buyback option. By including farmers that are 'somewhat interested' this increases to 30 percent. Interest in offering partial ownership with no option to buy back the share was about 5 percent and is not included in Table 3.

Partial Ownership Options	Buyback Share of Business	Share Future Profits
Interested &Very Interested	13%	13%
Somewhat & Not Interested	77%	77%

Table 3: Interest in different equity financing options.

BUSINESS CHARACTERISTICS

Debt Financing

When trying to understand financing gaps, it is important to compare the characteristics of farms that applied for and received financing with those that were denied financing. Tables 4 -7 show who applied for financing and what type of financing as a percentage of the total responding population by farm income, years in business, farmers' experience, and stage of business. The stages of business that a respondent could choose were not pre-defined. The characteristics of different stages of business and income categories, based on respondents' answers, are described in Appendix F.

The farms most likely to apply for operating or capital financing were those with managers or operators with more than fours years of farming experience, higher gross farm incomes, and more mature businesses (Farms self-identified as in-transition, when asked to describe their stage of business, share similar characteristics to mature businesses). This profile was strongest with operators with gross farm incomes of $117,000 or more who applied for operating and capital financing at 60 percent and 46 percent respectively. This is at least double the application rate for all respondents. Start-up farms (those running businesses for four years or less) were 7 percent more likely to apply for financing for farm real estate than the average of 20 percent. (For characteristics of farm by stage of business, see Appendix F.)

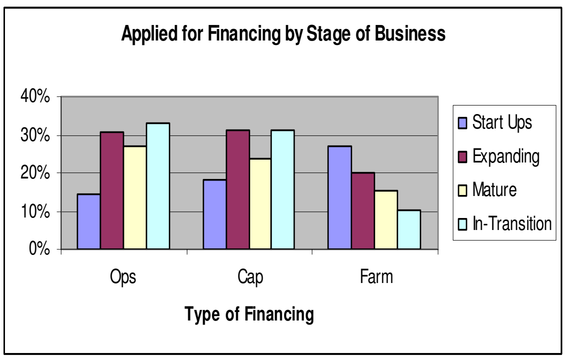

Table 4: Applied for financing by stage of business.

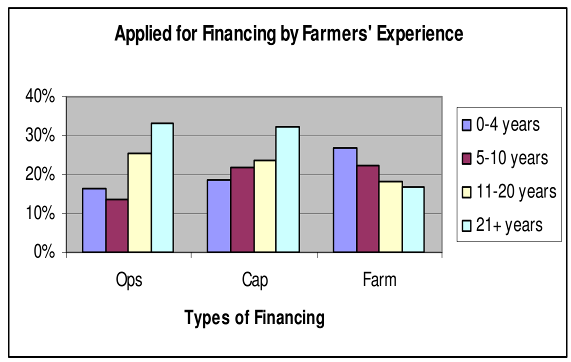

Table 5: Applied for financing by farmers' total farming experience.

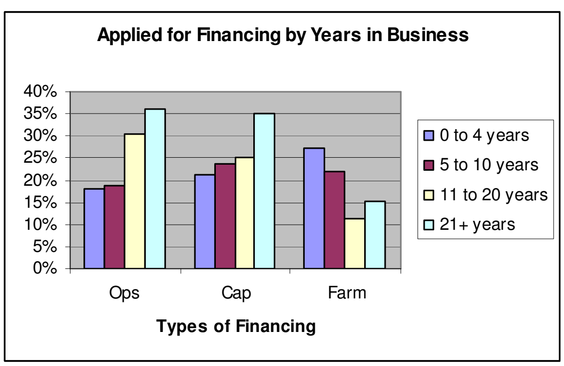

Table 6: Applied for financing by years in business.

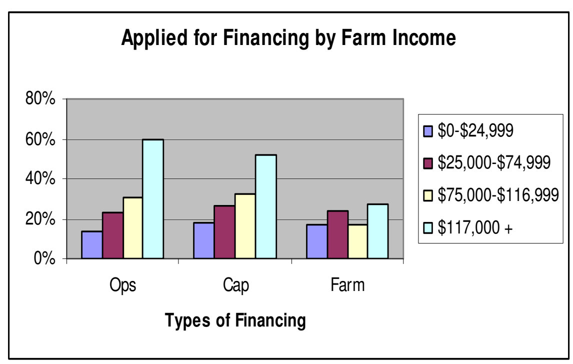

Table 7: Applied for financing by gross farm income.

Perceived Ease of Obtaining Financing

The perceived ease of obtaining financing was lowest among start-up operations, average among expanding businesses, and highest for mature businesses (See Table 8). The perceptions of respondents reflect the actual experience of respondents trying to secure financing, i.e. that newer businesses have more difficulty securing financing. Female respondents tended to have smaller farms, were less experienced, and were more likely to be start-ups than the average respondent.

However, when their rates of denial when equalized for various farm characteristics they were not at a disadvantage in receiving financing, even though they perceived financing to be more difficult to obtain than male respondents.

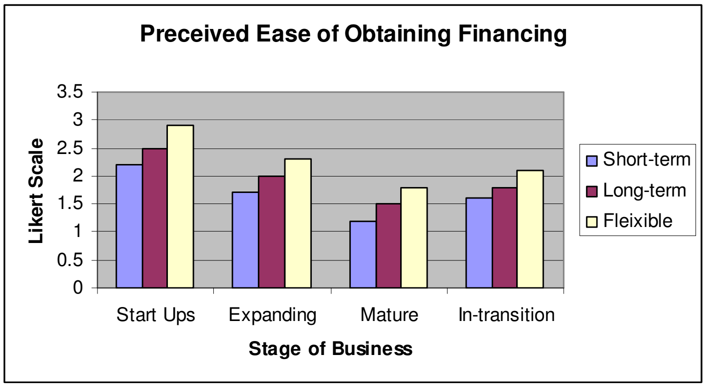

Table 8: Comparison of perceived ease of obtaining financing by different business stages. The average scores were 1.7 for short-term, 2.0 for long-term, and 2.3 for flexible. The table is based on a Likert Scale where 0=very easy, 1=easy, 2=moderate, 3=difficult, and 4=very difficult.

Equity Financing

The greatest interest in equity financing was expressed by start-ups and expanding businesses (See Table 9). The interest from these types of businesses could indicate that for dynamic and growing businesses the available capital is inadequate. It may also reflect receptiveness to new types of financing arrangements. For start-ups, this may be true because of their rate of denial of debt financing; however, this is less likely to be true for expanding businesses based on rate of denial (See Tables 10). Further research is warranted to understand this opportunity in more detail. .

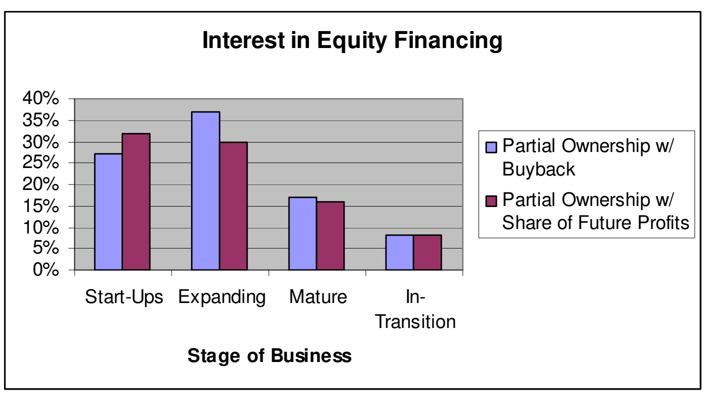

Table 9: Interest in equity financing by stage of business.

FARM FINANCING DENIED

Knowing the characteristic of farms most likely to be denied financing is useful in developing financing programs that best match the needs of these applicants. The two lenders' focus groups affirmed that farmers with no credit history and limited capital are at a disadvantage. The lack of clear trends as measured in this survey by different farm characteristics may point to the complexity of farm businesses and the many different variables that influence a farm's success.

The average rate of denial for operating and capital financing was 25 and 26 percent, respectively. For farm real estate it was 20 percent. When measured by stage of business, start-up operations are the most likely to be denied financing of all types. Farms businesses operating for 4 or fewer years, which are closely associated with start-ups were also likely to be denied financing. Unexpectedly the picture is complicated when examined by a farmer's years of farming experience and gross farm income. The assumption that farmers with more farming experience would be less likely to be denied financing was not necessarily true. In general, farmers with different years of farming experience were denied at a similar rate with the exception of operating capital for farmers with 11-20 years of experience whose rate of denial exceeded 40 percent. Farms with the highest gross farm income were the least likely to be denied financing, and farms in the three lower income categories did not follow a trend (See Tables 10-13). The lack of a clear trend, except with farms reporting the highest gross farm income, in how income and farm experience impacted a farms ability to secure financing may reflect the fact that the single largest group of farms responding to the survey identified themselves as expanding businesses (33 percent). Expanding business had income levels that were similar to the average, but were slightly more likely to be in the highest or lowest income categories, 46% versus 54% in the lowest income category and 26% versus 20% in the highest income category. Sixty-four percent of expanding businesses were operating between 5 to 20 years versus 42 percent in the general survey population.

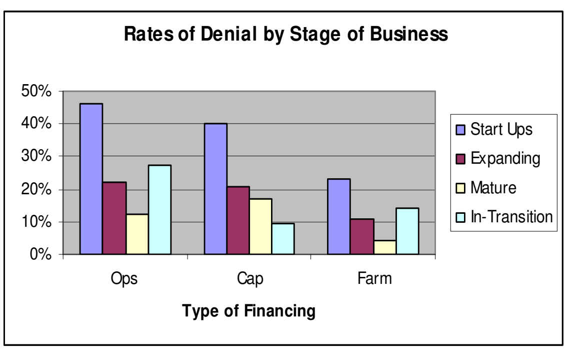

Table 10: Rates of denial by stage of business.

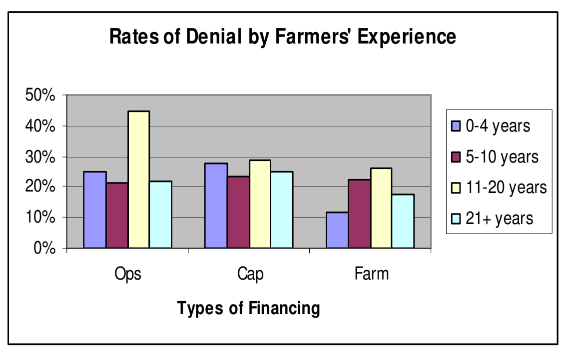

Table 11: Rates of denial by farmers' experience.

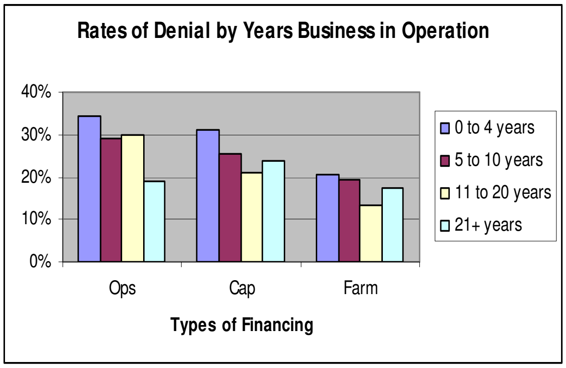

Table 12: Rates of denial by years in operation.

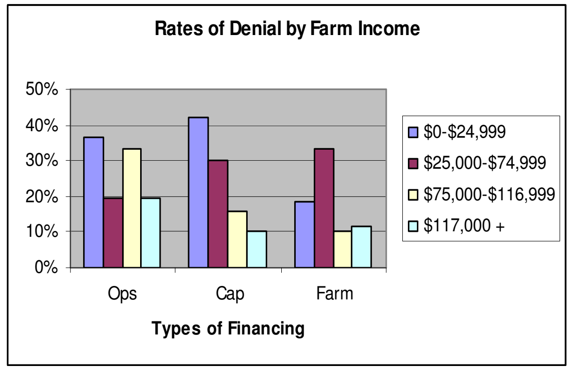

Table 13: Rates of denial by gross farm income.

Business Characteristics

The reasons farm businesses are denied financing are important because they provide a picture of the kinds of problems that may be addressed with business technical assistance, alternative financial services, or both. In general, insufficient cash flow and lack of a reasonable business plan may be addressed with technical assistance. For example, a farms business could be examined to determine if expenses could be lowered or profits increased by adjusting certain aspects of the business and thereby increasing cash flow. Lack of credit history, lenders' unfamiliarity with a specific business enterprise, or lack of collateral might be addressed by alternative financing programs designed to respond to these situations.

In answering why financing was denied, respondents could choose all reasons that applied to their situation which means that respondents frequently chose more than one reason for being denied financing. When responses were divided between reasons that may benefit from technical assistance and reasons where alternative financing may help, the percentages were roughly equal (see Table 14). This situation indicates that both business technical assistance and alternative financing services may be beneficial.

In the TCP survey, start-up farms were the most likely to be denied financing (See Table 10). However, because of their relatively low loan application rate, the number of start-ups denied financing is comparable to the number of expanding businesses (See Table 15). Therefore, programs designed only for start-ups would not meet the needs of expanding businesses which shared different characteristics and were more closely aligned with the characteristics of the average respondent. For example, expanding businesses were likely to be in business for 5-20 years instead of 4 years or less (See Appendix G for more details).

Reasons Given for Being Denied Financing		
Responsive to Tech Assist.	Operating & Capital	Farmland
Insufficient Cash Flow	37%	26%
Lack of Clear Business Plan	5%	5%
I don't know	4%	11%
Total	46%	42%
Responsive to Alternative Financing		
Lack of Collateral	20%	16%
Lack of Credit History	16%	24%
Lender Unfamiliar w/ Business	14%	8%
I don't know	4%	11%
Total	54%	59%

Table 14: Reasons given for being denied operating and capital and farmland financing.

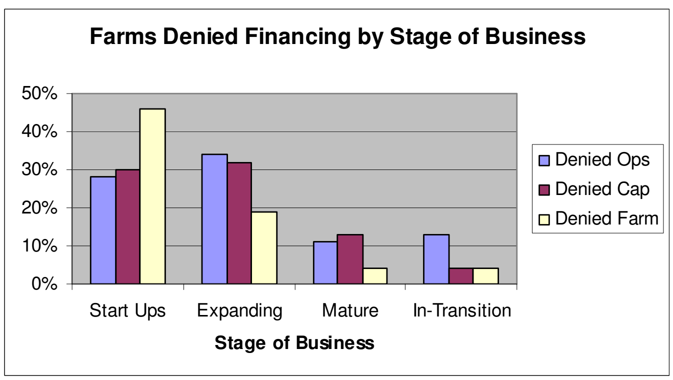

Table 15: The percent of farms denied financing by stage of business.

Nine percent of all respondents were required to provide additional security to obtain operating or capital financing. Farms in the lowest income category were most likely to need additional security to obtain financing (see Table 16). However, adding the next two income categories together is roughly the same percentage. This could mean that programs responding to lack of collateral would be attractive to farms within different income categories.

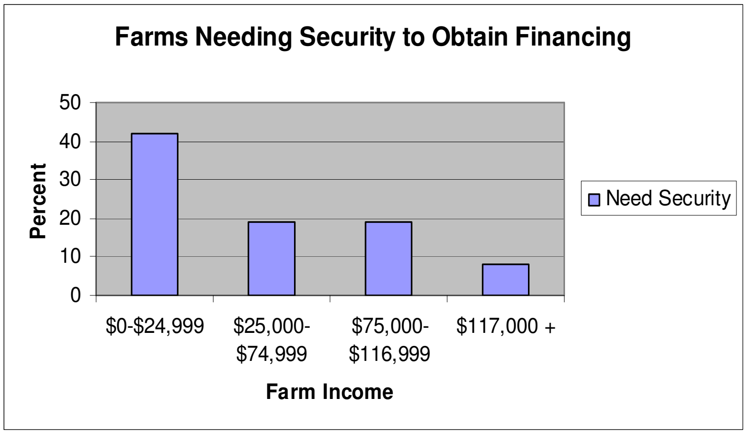

Table 16: Farms needing security to obtain financing by gross farm income.

Location of Business

The location of a business was not a significant factor in the size of requests for financing or the amount of financing received. However, location seemed to have some effect on the rate that applicants were denied financing (See Table 17). The overall average rate of denied applications was 26 percent for capital and operating financing and 20 percent for farm real estate. Maine farmers were denied financing at a much higher rate for farm real estate. This situation with Maine farmers could be an artifact of farmer outreach. Maine Farmland Trust played an important role in reaching out to farmers to encourage them to responding to the survey.

New York and Massachusetts farmers reported slightly more difficulty obtaining operating capital and Massachusetts farmers reported a higher degree of difficulty obtaining capital financing. Farmers in New York and Maine expressed a heightened interest in equity financing (34 percent and 38 percent, in comparison to a 13 percent average) -- involving partial outside ownership with the option for the farmer to buyback the share of the business sold. This may represent an opportunity for future programming. Maine, Massachusetts, and New York farmers may be compared to their peers farming in Vermont. Vermont respondents were more than twice as likely to be diaries(32 percent versus 14 percent) and dairy farmers were most likely to be in the highest gross farm gross income category of $117,000 or more (48 percent versus 18 percent). Not surprisingly, farms in the highest income category were the least likely to have difficulty obtaining needed financing for operating and capital financing. In addition, of all the states included in this survey Vermont has the most extensive number of alternative financing programs to address financing gaps for farmers. Such programs include the NOFA-VT (Northeast Organic Farming Association) revolving loan fund, AgVentures, a for-profit lender serving primarily dairy farmers in the Northern and Western part of the State, as well as farm lending for agro-tourism from the Vermont Community Loan Fund.

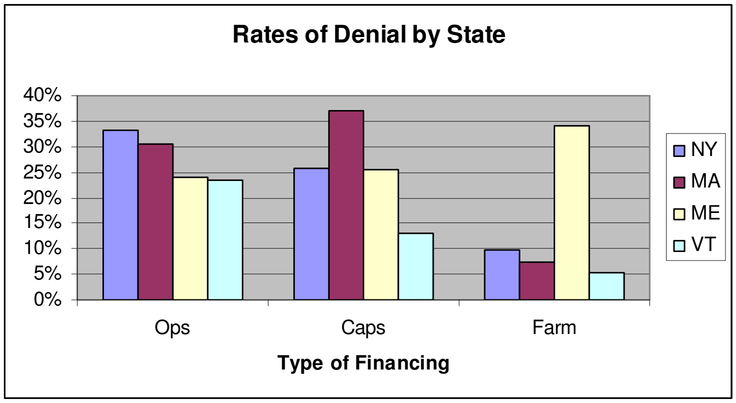

Table 17: Rates of farm financing denial by state.

CONCLUSIONS

This study produces the first set of data that takes a close look at requests for financing for small, mid-sized and limited resource farmers in the Northeast as well as reasons for denial. This survey of farmers' experience with financing generally agrees with an earlier literature research and interviews conducted by The Carrot Project as well as the lenders' focus groups carried out in preparation for the farmers' survey. Where it goes beyond this initial investigation is in: documenting the amounts of financing being sought versus what is offered; describing the types of small farms applying for financing and who is facing obstacles to receive financing; offering reasons for denial; and providing initial feedback on farmers' interest in different types of equity financing. This information is important to more strategically design technical assistance and financing programs that meet the financing needs of an important but underserved population. While this study does not examine which farms should not receive financing, it makes clear that small farmers with a variety of business characteristics may benefit from additional services.

This study concludes that it is not only start up farms that have difficulty securing the financing they need. It was also found that businesses operating more than 4 years are facing obstacles to financing as well. Expanding businesses do not have a higher than average rate of denial, but because of the large number of expanding businesses applying for financing they are well represented in those being denied financing. The study also indicates that more mature businesses -- are likely to face obstacles in obtaining financing. Based on the survey's written comments, one difficulty experienced by mature better capitalized businesses is also inadequate cash flow. However, their inadequate cash flow is likely to involve managing high debt loads. This survey highlighted a few areas where further inquiry may be useful in assisting farmers facing obstacles to obtaining the financing they need.

- A more in-depth examination of expanding farm businesses, operating between 5 to 20 years, may be appropriate to determine how to best meet their specific needs.
- What types of equity financing are compatible with different types of farm businesses and at what stage of operation?
- An examination of if programs addressing small farm issues are sufficient or do programs need to be more attuned to female farmers.

APPENDIX A: Farmers' Financing Needs Assessment Working Group & Farmer Outreach Partners

The Farmers' Financing Needs Assessment Working Group: Chris Cavendish*, Fishbowl Farm; Duncan Hilchey, private consultant and senior Extension associate Cornell University; Kathy Ruhf, Land For Good; John Mitchell*, Heirloom Harvest Community Farm and CSA; and ad-hoc committee member Will Thalheimer, Work-Learning Research.

Outreach Partners: Beginning Farmer Loan Program, NYS Environmental Facilities Corp.; Berkshire Grown; Community Involved in Sustaining Agriculture (CISA); Connecticut Farm Bureau Federation; Connecticut Farmers' Management Team; Conneticut Farmland Trust; Farms for the Future, Maine; Federation of Massachusetts Farmers' Markets; Glynwood Center; High Mowing Seeds; Intervale Center; Just Food; Maine Farmland Trust; Massachusetts Department of Agricultural Resources; Massachusetts Farm Bureau Federation; New York Farm Bureau Federation; New York Vegetable Growers Association; Northeast Organic Dairy Producers Alliance; Northeast Organic Farming Associations of CT, MA, NY and VT; Northeast Sustainable Agriculture Working Group (NESAWG); Red Tomato; Regional Farm & Food Project; Rural Vermont; Small and Beginning Farmers of NH; Southeastern Agricultural Partnership (SEMAP); UVM Center for Sustainable Agriculture; Vital Communities/Valley Food & Farm; Watershed Agricultural Council; Western Mountain Alliance (WMA); Women's Agricultural Network, CT, ME, and VT (WAgN).

In addition, articles or ads were placed in Innovations in Sustainable Agriculture, the Small Farmers Quarterly, The Natural Farmer, and the Core Report.

* This Working Group member was active during a portion of the committees' work that started in the Spring of 2006 and ended in the Spring of 2008.

APPENDIX B: Lenders' Focus Group Results
May 2007

The idea for carrying out the focus groups with lenders originated from The Working Group whose purpose was to draft the survey questions and work out population identification goals. In order to get a better understanding of how The Carrot Project could fill financing gaps, a focus group was proposed consisting of representatives from USDA-Farm Service Agency, credit unions, Farm Credit, and community loan funds. The focus group addressed questions about the types of client they serve. It helped to narrow the survey sampling frame.

The focus group conducted a SWOT analysis. We discussed perceptions of the strengths and weaknesses of the current financing system, opportunities to improve the system, and the threats (or challenges) to initiating any new programs or strategies to making some of these improvements.

Ten individuals representing commercial and non-commercial lenders as well as regional diversity were invited to participate in the focus group which was conducted by telephone. Nine farmers from across the region were also invited. (For a list of participants, please see the Acknowledgements page.) The interview protocol was prepared by Dorothy Suput of The Carrot Project and Duncan Hilchey, a private consultant. Two sessions were conducted. The first had three participants and the second had six. Both sessions were recorded.

FINDINGS

Strengths of the Lending Industry

- The financing industry is well established for farmers with sufficient collateral, cash flow, and a solid business plan.
- The capital is there. Don't see demand from smaller agricultural enterprises.
- More traditional and better-established farm operations are receiving financing.
- Have a farm base with lots of experience and knowledge.
- Farm Credit and FSA are the major players in this region.
- Improvements are being made in farm record keeping and business planning.
- FSA willing to work with higher risk farmers on issues of cash flow and security.
- For agriculture , many more government programs to mitigate risks in comparison to other natural resource based industries.

Weaknesses of the Lending Industry

- Organic/agro-tourism/agro-ventures that need smaller amounts, not financed as often from more traditional types of enterprises.
- Lending difficult for those with limited capital or who don't have capital to support application, plus unproven cash flow history.
- Gap in terms of what farmers need to purchase farmland. Lack of capital/equity to buy real estate.
- FSA has moved from direct loans to guarantees.

- Most commercial lenders in eastern MA are not signed up to work with USDA-FSA guarantee program
- Banks don't deal with projections based on expanded capacity; others lend only on property, but have loan-to-value ratio that make it difficult.
- Process is too long --many, many months (4-8) and even longer to access the funds.
- Farm Credit could do a better job of promoting their programs for young and beginning farmers.
- Offices of lenders that are knowledgeable about agriculture are far and few between.
- Regional unevenness in access to 'good' lenders, loan officers, and reasonable timeframes for processing and accessing funds.
- FSA and state programs require a lot of financial information and it is the same for all sizes of loans- $5k to $100k.
- Lack of capacity with low interest loans or grants to address influx of farmers looking for land.

Opportunities

- Seeing lots of growth on start-up basis for CSA's.
- Growth area in financing for value-added food production rather than in agricultural production, i.e. 2nd stage.
- Consumer interest in local, organic, and specialty foods.
- Programs to defer principal payments, skip payments, annual payments, etc.
- Low cost and patient equity financing.
- Guarantees as a form of equity financing.
- Small loans under $10,000.
- Need for financing non-traditional operations – barge aquaculture, sheep in Mid-coast.
- The tax code for tax shelters, etc.
- Capital that gives time for the learning curve.
- Assisting with farmland ownership.

Challenges

- Seeing lots of growth on start-up basis for CSA's and other value-added products, possibly more risk adverse.
- The Carrot Project repeats what's out there and not using others' work to build on.
- Trying to find and communicate with your market, i.e. customers.
- The Carrot Project should think more broadly and include value-added and agricultural infrastructure.
- Concern that any significant drop in economic activity will affect the purchases of luxury goods such as specialty foods.
- Organic producers have increased production costs and also sell for higher prices, so isn't necessarily a win-win.
- Addressing land issues would require truly significant investments.

- Finding investors not looking for high return-on-investment, but working towards solid cash flow.

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APPENDIX C: Farmers' Financing Survey, Fall 2007

Let me thank you in advance for taking the time to complete this farm-financing survey! The survey is completely private and confidential and it will take you only 10-15 minutes to complete. Your answers will help us determine farm-financing needs of small and midsize farm businesses so that more and better financing solutions can be made available.

Please send the completed confidential survey to: The Carrot Project, PO BOX 400356, Cambridge, MA 02140. If you prefer to complete the survey online using our simple and secure web interface, you can access it at www.thecarrotproject.org/farmer_survey. For questions about the survey, or about the work of The Carrot Project, please contact farmersurvey@thecarrotproject.org or call Dorothy Suput, Executive Director at 617-666-9637. Thank you.

YOUR FARM

1. **Please enter your farm's 5-digit zip code___________________**

2. **Which of the following best describes your farm's MAIN operation?** *(Circle one.)*
   a. Vegetables b. Livestock c. Value-added on farm
   d. Field Crops e. Dairy f. Agro-tourism
   g. Fruit and/or berries h. Highly-diversified
   i. Other *(please specify)* ____

3. **At what stage of development do you consider your farm business?** *(Circle one.)*
   a. Start-up b. Expanding business c. Mature business
   d. Farm business model in transition e. Farm business in decline
   f. Other *(please specify)*
   ____

4. **What best describes your involvement in financial decision-making for your farm?** *(Circle one.)*
   a. Sole decision-maker b. Part of family decision-making
   c. Part of business decision-making d. Provide advice to decision-makers
   e. Not involved f. Other *(please specify)* ______________________________

5. **How long have you owned, managed, or operated your current farm business?** *(Circle one.)*
   a. 0-4 years b. 5-10 years c. 11-20 years d. 21+ years

APPENDIX C: Farmers' Financing Survey,
Fall 2007

6. Indicate the years of total farming experience (including time working for others) of the farm's
primary financial decision maker(s). Also indicate each person's gender.

Financial Decision Makers	**Number of Years Farming** *(Circle the appropriate timeframe for each person.)*				**Gender** *(Circle one)*
Decision-Maker 1	0-4 years	5-10 years	11-20 years	21+ years	Male / Female
Decision-Maker 2	0-4 years	5-10 years	11-20 years	21+ years	Male / Female
Decision-Maker 3	0-4 years	5-10 years	11-20 years	21+ years	Male / Female
Decision-Maker 4	0-4 years	5-10 years	11-20 years	21+ years	Male / Female
Decision-Maker 5	0-4 years	5-10 years	11-20 years	21+ years	Male / Female

7. **How many acres do you currently farm?** *(Write numbers in the blanks below.)*
Also indicate whether you own your own home. (*Circle No or Yes.)*

Number of Acres You Own	**Number of Acres you Lease** (with or without lease fee)	**Do you own your own home?** *(Circle one.)*
		No Yes

8. **Do you farm any land that is certified by the following entities?** *(Circle all that apply.)*
a. Certified as USDA Organic b. Non-certified Organic Farmland c. None
d. Certified as IPM e. Non-certified but transitioning to certification
f. Other Certification *(please specify)*
____

9. **On your 2006 Schedule F tax form, what was your Gross farm income?** *(Circle one.)*
Notes: (1) The term 'gross income' is all your income before expenses, wages, taxes, etc. are subtracted. (2) Your schedule F is an attachment to your Form 1040 Federal Income Tax return.
a. $0 - $24,999 b. $25,000 - $74,999 c. $75,000 - $116,999 d. $117,000+

10. **In 2006, what was your Gross HOUSEHOLD Income?**
Notes: (1) The term 'gross income' is all your income before expenses, wages, taxes, etc. are subtracted. *(Circle one.)*
a. $0 - $24,999 b. $25,000 - $74,999 c. $75,000 - $116,999 d. $117,000+

OPERATING AND CAPITAL FINANCING

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Questions #11, #12, and #13 refer to operating and capital expenses (from institutions, businesses, family, or friends), but do NOT include expenses for purchasing farmland. OPERATING EXPENSES are used for seasonal expenses or items utilized in a single year. CAPITAL EXPENSES are used for equipment, buildings or other items used over many years. For these questions, do NOT include the purchase of farmland.

11. Select the figure CLOSEST to the loan amount you REQUESTED or RECEIVED in 2006.

Notes: (1) Amounts that are equal distance between two numbers should be rounded up, for example $25k would be rounded up to $30k. (2) k=$1,000 in the choices below, so for example $40k=$40,000.

REQUESTED Loan for OPERATING EXPENSES *(Circle the closest amount.)*

$0	$10k	$20k	$30k	$40k	$50k	$60k	$70k	$80k	$90k	$100k

RECEIVED Loan for OPERATING EXPENSES *(Circle the closest amount.)*

$0	$10k	$20k	$30k	$40k	$50k	$60k	$70k	$80k	$90k	$100k

REQUESTED Loan for CAPITAL EXPENSES *(Circle the closest amount.)*

$0	$10k	$20k	$30k	$40k	$50k	$60k	$70k	$80k	$90k	$100k

RECEIVED Loan for CAPITAL EXPENSES *(Circle the closest amount.)*

$0	$10k	$20k	$30k	$40k	$50k	$60k	$70k	$80k	$90k	$100k

12. If you applied for a loan in 2006 but did NOT receive it, how much of a guarantee or additional security did you need to become eligible?

Notes: (1) This question does NOT apply to the purchase of farmland. (2) Amounts that are equal distance between two numbers should be rounded up, for example $25k would be rounded up to $30k. (3) k=$1,000 in the choices below, so for example $40k=$40,000.

Additional Guarantee or Security Needed *(Circle the closest amount.)*

$0	$10k	$20k	$30k	$40k	$50k	$60k	$70k	$80k	$90k	$100k

13. If you had an application for financing that was denied in 2006, what were the reasons(s) that were communicated to you about the denial? *(Select as many choices as are relevant.)*

a. Insufficient cash flow   b. Lack of credit history   c. I don't know
d. Lack of collateral   e. Lenders unfamiliarity with business model
f. I/We didn't apply for a loan in 2006   g. Lack of clear business plan

h. Funds unavailable i. Other *(please specify)*
____

FINANCING THE PURCHASE OF FARMLAND

14. How much loan money did you REQUEST or RECEIVE in the years 2001-2006 to purchase farmland? Notes: (1) Amounts that are equal distance between two numbers should be rounded up, for example $175k would be rounded up to $200k. (2) k=$1,000 in the choices below ($50k=$50,000).

REQUESTED Loan to Purchase Farmland, 2001-2006 *(Circle the closest amount.)*

$0	$50k	$100k	$150k	$200k	$250k	$300k	$350k	$400k	$450k	$500k

RECEIVED Loan to Purchase Farmland, 2001-2006 *(Circle the closest amount.)*

$0	$50k	$100k	$150k	$200k	$250k	$300k	$350k	$400k	$450k	$500k

15. If your application for the purchase of farmland was denied, circle the reason(s) that were communicated to you about the denial. *(Select as many choices as are relevant.)*
a. Insufficient cash flow b. Lack of credit history c. I don't know
d. Lack of collateral e. Lenders unfamiliarity with business model
f. I/We didn't apply for a loan g. Lack of clear business plan
h. Funds unavailable i. Other *(please specify)*
____

TERMS OF FINANCING

Frequently, a farm business receives lower interest rates on loans for capital expenses that are secured by the purchase (property, equipment, buildings) than for loans for operational expenses (working capital) which tend to be for shorter-time periods.

16. How easy is it for you to find SHORT-TERM loans?
a. Very Easy b. Easy c. Moderate d. Difficult e. Very Difficult f. N/A

17. How easy is it for you to find LONG-TERM loans?
a. Very Easy b. Easy c. Moderate d. Difficult e. Very Difficult f. N/A

18. How easy is it to find FLEXIBLE PAYMENT PLANS (for example that increase to match projected income.)?
a. Very Easy b. Easy c. Moderate d. Difficult e. Very Difficult f. N/A

19. Equity financing is a financing strategy where an investor will give capital (cash) to a farmer in exchange for partial ownership of the farm or for an agreed upon share of the

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farm's future profits. There might be an agreement for the farmer to buy back the share of the farm that was sold to the investor.

Would you be willing to offer Partial Ownership Share (with buyback option)?
a. Not interested b. Somewhat interested c. Interested d. Very interested.

Would you be willing to offer Partial Ownership Share (no buyback option)?
a. Not interested b. Somewhat interested c. Interested d. Very interested.

Would you be willing to offer a Share of Future Profits?
a. Not interested b. Somewhat interested c. Interested d. Very interested.

20. How did you hear about this survey?
____

21. If you would be available for follow-up questions by phone, please include your first name and phone number.
First Name _______________________________ Phone Number
____
(optional) (optional)

22. Your comments are welcome. Is there anything else you would like The Carrot Project to know about your farm financing experiences? Please use the space below.

Thank you for taking the time to complete this farm-financing survey! Your answers will help us determine farm-financing needs of small and midsize farm businesses so that more and better financing solutions can be made available. Please send the completed survey to: The Carrot Project, PO BOX 400356, Cambridge, MA 02140

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For questions about the survey or about the work of The Carrot Project, please see www.thecarrotproject.org, or contact farmersurvey@thecarrotproject.org or call 617-666-9637.

Dorothy Suput, Executive Director
The Carrot Project, Somerville, MA

APPENDIX D: Comparison of Survey Sample to USDA 2002 Agricultural Census Data

Numbers of Farms per State and Region

New England is overrepresented in the survey sample. Comparing the sample from the Farmers' Financing Survey to the 2002 Agricultural Census the following similarities and biases in the responses were found. Within New England,

- Responses from Massachusetts, Connecticut, and Vermont farmers were collected within 5% of their representation in the New England population.
- New Hampshire was underrepresented
- Maine was over represented

Including all of New England and New York State:

- CT, ME, and MA were overrepresented
- NH, VT, and NY were underrepresented.

	2002 USDA Agricultural Census			Survey Responses		
Region	Farm #	New England	NE and NY	Farm #	New England	% Total
CT	4,191	15%	6%	62	11%	9%
Maine	7,196	26%	11%	242	44%	34%
Mass	6,075	22%	9%	129	23%	18%
NH	3,363	12%	5%	19	3%	3%
VT	6,571	24%	10%	98	18%	14%
New England	27,396		42%	550		78%
New York	37,255		58%	156		22%
All Farms	64,651			706		

Table 1: Comparison of survey responses to percent in farm population

Acreage

The survey sample is comparable in acreage to farms in New England and small for New York.

- The sample average – 154 acres owned and leased-- is nearer the New England average of 141 acres than the New York average of 206 acres.
- 64% of the survey respondents farms were comparable in size to Agricultural Census data.
- 21%, of survey farms had the smallest acreage; this is 5% more than in New England and 10% more than in New York when compared with the Agricultural Census.
- Farms ranging from 180-499 acres were a similar percentage for New England, but 5% higher than for New York.

APPENDIX D: Comparison of Survey Sample to USDA 2002 Agricultural Census Data

	2002 Ag Census		Survey		
	New York	New England	Sample	New York	New England
Acres/ farm	206	141	154	141	144

Table 2: Comparison of gross acreage. The New England number for the survey excludes NH because only 19 farms responded. Using NH, the average acreage would be 126.

	2002 Ag Census						Survey	
Farms by size:	NE	%	NY	%	TOTAL	Percent	Sample	Percent
1 to 9 acres	4,523	16.0%	2,959	7.9%	7,482	11.4%	138	21%
10 to 49 acres	8,781	31.1%	8,359	22.4%	17,140	26.2%	178	27%
50 to 179 acres	8,881	31.4%	13,474	36.2%	22,355	34.1%	204	30%
180 to 499 acres	4,473	15.8%	8,977	24.1%	13,450	20.5%	102	15%
500+ acres	1,596	5.6%	3,486	9.4%	5,082	7.8%	48	7%
Total Farms	28,254	100.0%	37,255	100.0%	65,509	100.0%	670	

Table 3: Comparison of acreage between Survey Sample and Agricultural Census data.

<u>Gross farm income</u>

The survey respondents had a higher gross farm income than the general farm population.

	2002 Ag Census						Survey	
Farms by income	NE	%	NY	%	TOTAL	Percent	Sample	Percent[1]
$0 to $24,999	21,746	77.0%	25,006	67.1%	46,752	71.4%	354	54%
$25,000 to $99,000	3,167	11.2%	5,798	15.6%	8,965	13.7%	143	22%
$100,000+	3,341	11.8%	6,451	17.3%	9,792	14.9%	160	24%
Farms #	28,254	100.0%	37,255	100.0%	65,509	100.0%	656	

Table 4: Comparison of gross farm income.

[1] The survey gross farm income categories were not the same as the census gross farm income categories. Income ranges from the survey that fell into two separate census ranges were divided in half.

APPENDIX D: Comparison of Survey Sample to USDA 2002 Agricultural Census Data

Type of Farm Operation

The survey respondents were weighted towards vegetable operations and comparable to the Census data in terms of the number of dairies and orchards, fruits and berries. Field crops were underrepresented for New York and nursery/greenhouse were underrepresented for the region.

	2002 Ag Census		Survey
Farms by Type of Operation	New England	New York	Sample
Dairy	11%	20%	14%
Vegetables	11%	9%	24%
Orchards/berries	6%	7%	8%
Field Crops (grains, tobacco)	3%	13%	4%
Nursery, greenhouse	12%	7%	4%

Table 5: Comparison of type of operation.

Certification

The survey respondents were heavily weighted toward USDA Organic certification.

	2002 Ag Census		Survey	
USDA Organic Farms	Farm #	Percent	Farm #	Percent
New England	673	2%	167	44%
New York	428	1%	30	19%
Total	1,101		181	28%

Table 6: Comparison of percentages of USDA Organic Certification.*add numbers

Gender

The survey sample was more likely to have a female as a principal operator than the general farm population.

	2002 Ag Census		Survey	
Women Principal Operators	Farm #	Percent	Farm #	Percent
New England	5679	21%	172/550	31%
New York	5672	15%	49/156	31%
Total	11,351	18%	221	31%

Table 7: Comparison of farm numbers and percentages of women as principal operators.

APPENDIX E: Summary of Survey Responses

For the purposes of survey analysis respondents choosing 'Other' were recategorized, if possible, into existing or new categories based on their written response. Also, some types of Main Operation were consolidated. Eighty-eight records were recategorized affecting questions number 2, 3, and 8. Both the original and recategorized tables are shown.

1. Please enter your farm's 5-digit zip code.

State	Farm #	Percent
ME	242	34%
NY	156	22%
MA	129	18%
VT	98	14%
CT	62	9%
NH	19	3%
	706	100%

2. Which of the following best describes your farm's MAIN operation?

Main Operation	Farm #	Percent
Vegetables	172	24%
Livestock	127	18%
Highly-Diversified	118	17%
Dairy	98	14%
Fruits & Berries	59	8%
Green Industry	30	4%
Field Crops	28	4%
Value-Added on Farm	27	4%
Equine	18	2.5%
Agroforestry, Agritourism, and Other	29	4%
All	706	100%

2. Recategorized

APPENDIX E: Summary of Survey Responses

Answer Options	Response Percent	Response Count
Vegetables	23.9%	169
Field crops	3.4%	24
Fruit and/or berries	8.1%	57
Livestock	15.6%	110
Dairy	13.6%	96
Highly-diversified	9.8%	69
Value-added on farm	2.4%	17
Agro-tourism	1.1%	8
Other (please specify)	22.1%	156
	answered question	**706**
	skipped question	**0**

Original Responses

3. At what stage of development do you consider your farm business?		
Answer Options	**Response Percent**	**Response Count**
Start-up	26.4%	186
Expanding business	31.9%	225
Mature business	20.9%	147
Farm business model in transition	8.9%	63
Farm business in decline	6.2%	44
Other (please specify)	5.7%	40
	answered question	**705**
	skipped question	**1**

Original Responses

Stage of Business	Farm #	Percent
Expanding Business	234	33%
Start Up	192	27%
Mature Business	149	21%
Business in Transition	67	10%
Business in Decline	48	7%
Other	15	2%
All	705	100%

3. Recategorized Responses.

4. What best describes your involvement in financial decision-making for your farm?		
Answer Options	Response Percent	Response Count
Sole decision-maker	37.7%	264
Part of family decision-making	46.5%	326
Part of business decision-making	12.4%	87
Provide advice to decision-makers	0.6%	4
Not involved	0.1%	1
Other (please specify)	2.7%	19
	answered question	701
	skipped question	5

5. How long have you owned, managed, or operated your current farm business?		
Answer Options	Response Percent	Response Count
0-4 years	30.4%	212
5-10 years	23.5%	164
11-20 years	18.8%	131
21+ years	27.4%	191
	answered question	698
	skipped question	8

6.a. Indicate the years of total farming experience (including time working for others) of the farm's primary financial decision maker(s).					
Answer Options	0-4 years	5-10 years	11-20 years	21+ years	Response Count
Decision Maker 1	97	138	148	306	689
Decision Maker 2	87	113	100	138	438
Decision Maker 3	29	18	24	26	97
Decision Maker 4	21	8	9	9	47
Decision Maker 5	11	6	1	3	21
				answered question	694
				skipped question	12

Years Experience	Farm #	Percent
21+ years	306	43%
11-20 years	148	21%
5-10 years	138	20%
0-4 years	97	14%
No response	17	2%
All	706	100%

6. a. Years Experience of decision-maker 1. The number of no response is greater than skipped question because some respondents did not answer for decision-maker 1, but did for other decision makers.

6.b. Select the gender(s) of the farm's primary decision maker(s).			
Answer Options	**Male**	**Female**	**Response Count**
Decision Maker 1	465	221	686
Decision Maker 2	166	278	444
Decision Maker 3	60	34	94
Decision Maker 4	20	23	43
Decision Maker 5	10	9	19
		answered question	**688**
		skipped question	**18**

Gender	Farm #	Percent
Male	465	66%
Female	221	31%
No Response	20	3%
All	706	100%

6. b. Gender breakout for decision-maker 1.

7.a. How many acres do you currently farm? Round your answers to the nearest acre (don't use decimals or fractions).			
Answer Options	Response Average	Response Total	Response Count
Acres You Own	103.805	70795	682
Acres You Lease (with or without lease fee)	49.58309	33419	674
		answered question	682
		skipped question	24

7.b. Do you own your own home?		
Answer Options	Response Percent	Response Count
No	12.7%	87
Yes	87.3%	598
	answered question	685
	skipped question	21

8. Do you farm any land that is certified by the following entities? Select all that apply.		
Answer Options	Response Percent	Response Count
Certified as USDA Organic	26.5%	181
Certified as IPM	2.3%	16
Non-Certified Organic Farmland	20.6%	141
Non-Certified but Transitioning to certification	4.5%	31
None	44.6%	305
Other Certification (please specify)	9.6%	66
	answered question	684
	skipped question	22

Original.

8. Do you farm any land that is certified by the following entities? Select all that apply.		
Answer Options	**Response Percent**	**Response Count**
Certified as USDA Organic	30%	197
Certified as IPM	2%	17
Non-Certified Organic Farmland	21%	147
Non-Certified but Transitioning to certification	5%	35
None	43%	306
Other Certification (please specify)	0.7%	5
	answered question	684
	skipped question	22

Recategorized.

9. On your 2006 Schedule F tax form, what was your Gross Gross farm income? Notes: (1) The term 'gross income' is all your income before expenses, wages, taxes, etc. are subtracted. (2) Your Schedule F is an attachment to your Form 1040 Federal Income Tax return.		
Answer Options	**Response Percent**	**Response Count**
$0 to $24,999	54.0%	354
$25,000 to $74,999	17.2%	113
$75,000 to $116,999	9.0%	59
$117,000 or more	19.8%	130
	answered question	656
	skipped question	50

Original

Range of Gross farm income	Farm #	Percent
$0 - $24,000	354	50%
$117,000+	130	18%
$25,000 - $74,999	113	16%
$75,000 - $116,999	59	8%
No Response	50	7%
All	706	99%

9. No response included.

10. In 2006, what was your Gross HOUSEHOLD Income? Notes: (1) The term 'gross income' is all your income before expenses, wages, taxes, etc. are subtracted.		
Answer Options	**Response Percent**	**Response Count**
$0 to $24,999	25.0%	166
$25,000 to $74,999	46.2%	307
$75,000 to $116,999	15.8%	105
$117,000 or more	13.1%	87
	answered question	665
	skipped question	41

11. OPERATING EXPENSES are used for seasonal expenses or items utilized in a single year. CAPITAL EXPENSES are used for equipment, buildings or other items used over many years. For this question, do NOT include the purchase of farmland. Select the figure CLOSEST to the loan amount you REQUESTED or RECEIVED in 2006 (Amounts that are equal distance between two numbers should be rounded up, for example $25k would be rounded up to $30k). NOTE: k = $1,000 in the choices below, so for example $40k = $40,000.											
Answer Options	**$0k**	**$10k**	**$20k**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**Response Count**
REQUESTED Loan for OPERATING Expenses	473	53	24	30	12	15	5	3	4	2	30	651
RECEIVED Loan for OPERATING Expenses	504	48	23	27	8	7	5	2	2	2	22	650
REQUESTED Loan for CAPITAL Expenses	466	47	38	26	11	12	8	6	6	1	29	650
RECEIVED Loan for CAPITAL Expenses	506	36	34	17	9	8	6	5	7	0	21	649
											answered question	**652**
											skipped question	**54**

12. If you applied for a loan in 2006 but did NOT receive it, how much of a guarantee or additional security did you need to become eligible? This question does NOT apply to the purchase of farmland, only to cover other expenses. Select the figure CLOSEST to the additional amount needed (Amounts that are equal distance between two numbers should be rounded up, for example $25k would be rounded up to $30k). NOTE: k = $1,000 in the choices below, so for example $40k = $40,000.											
Answer Options	**$0k**	**$10k**	**$20k**	**$30k**	**$40k**	**$50k**	**$60k**	**$70k**	**$80k**	**$90k**	**$100k**	**Response Count**
Additional Guarantee or Security Needed	579	17	13	7	2	5	4	2	1	1	12	643
											answered question	643
											skipped question	63

13. If you had an application for financing that was denied in 2006, what were the reason(s) that were communicated to you about the denial. Select as many choices as are relevant.		
Answer Options	**Response Percent**	**Response Count**
Insufficient cash flow	6.7%	43
Lack of collateral	3.6%	23
Lack of clear business plan	0.9%	6
Lack of credit history	2.9%	19
Lenders unfamiliarity with business model	2.5%	16
Funds unavailable	0.2%	1
I don’t know	1.4%	9
I/We didn't apply for loan in 2006	62.2%	401
Other (please specify)	26.4%	170
	answered question	645
	skipped question	61

Original

14. How much loan money did you REQUEST and RECEIVE in the years 2001-2006 to purchase farmland? Select the figure CLOSEST to the amount you REQUESTED or RECEIVED (Amounts that are equal distance between two numbers should be rounded up, for example $175k would be rounded up to $200k). NOTE: k = $1,000 in the choices below, so for example $50k = $50,000.												
Answer Options	**$0k**	**$50k**	**$100k**	**$150 k**	**$200k**	**$250k**	**$300k**	**$350k**	**$400k**	**$450k**	**$500k**	**Response Count**
REQUESTED Loan to Purchase Farmland 2001-2006	503	30	28	14	18	14	8	9	1	2	14	641
RECEIVED Loan to Purchase Farmland 2001-2006	523	24	26	13	15	12	8	7	1	1	9	639
											answered question	**641**
											skipped question	**65**

15. If your loan application for the purchase of farmland was denied, circle the reason(s) that were communicated to you about the denial.		
Answer Options	**Response Percent**	**Response Count**
Insufficient cash flow	1.3%	8
Lack of collateral	0.6%	4
Lack of clear business plan	0.2%	1
Lack of credit history	1.3%	8
Lenders unfamiliarity with business model	0.3%	2
Funds unavailable	0.5%	3
I don't know	1.3%	8
I/We didn't apply for loan	75.2%	479
Other (please specify)	19.5%	124
	answered question	637
	skipped question	69

16. – 18. How easy is it for you to find the following financing?								
Answer Options	**Very Easy**	**Easy**	**Moderate**	**Difficult**	**Very Difficult**	**N/A**	**Rating Average**	**Response Count**
Short-Term Loans	106	92	101	54	69	214	2.734597	636
Long-Term Loans	72	72	124	73	79	218	3.035714	638
Flexible Payment Plans	41	42	73	75	73	333	3.319079	637
							answered question	638
							skipped question	68

19. Equity financing is a financing strategy where an investor will give capital (cash) to a farmer in exchange for partial ownership of the farm or for an agreed upon share of the farm's future profits. There might be an agreement for the farmer to buy back the share of the farm that was sold to the investor.

Would you be willing to offer an equity option in your farm business to an investor?

Answer Options	Not Interested	Somewhat Interested	Interested	Very Interested	Response Count
Offer Partial Ownership Share (with buyback option)	409	134	57	35	635
Offer Partial Ownership Share (no buyback option)	533	63	27	11	634
Offer Share of Future Profits	395	147	62	29	633
				answered question	636
				skipped question	70

21. If you would be available for follow-up questions by phone, please include your first name and phone number.

Answer Options	Response Percent	Response Count
First Name (OPTIONAL):	100.0%	338
Phone (OPTIONAL):	97.3%	329
	answered question	338
	skipped question	368

APPENDIX E: Summary of Survey Responses

22. Your comments are welcome. Is there anything else you would like The Carrot Project to know about your farm financing experiences?	
Answer Options	**Response Count**
	299
answered question	**299**
skipped question	**407**

APPENDIX G: Farmers' Financing Needs Assessment Background Sources

The following descriptions of different types of farms are based on original responses to the survey. For most of the analysis described in this report, as many respondents as possible that answered 'other' to a question were recategorized into existing categories. The percentages below are based on the original data.

Low Gross farm income ($0 - $24,999) shared the following characteristics in comparison to all survey respondents:

- Slightly more likely to be livestock operations, 21% versus 16%, and less likely to be a dairy operation, 6% versus 14%.
- More likely to be a Start-up, 42% versus 26% average, and less likely to be a mature business, 11% versus 21% average.
- More likely to be in business 0-4 years, 45% versus an average of 30%, and less likely to be in operation more than 21 years, 13% versus 27 percent average.
- Average owned and leased acreage was 80 acres versus 150 average

High Gross farm income ($117,000+) shared the following characteristics:

- Less likely to be vegetable operations, 15% versus 24%
- Less likely to be livestock operations, 2% versus 16%, more likely to be a dairy, 36% versus 14%, less likely to be highly-diversified, 6% versus 10%
- Less than 1% are start-ups versus average of 26%, 38% are mature businesses versus 21% average, and 42% are expanding businesses versus 32%.
- Business decision making, 20% versus 12%, is more likely to play a role than family decision-making.
- 50% have been in operation more than 21 years versus 28% average and only 7% have been in operation 0-4 years versus 30% average
- More than 74% have 21+ years of farming experience versus an average of 44%
- More than 90% were males versus an average of 66%.
- Average acreage owned and leased was high, 250a versus 150a.
- More likely to own home, 95% versus 87% average
- More likely to be Certified as USDA Organic, 37% versus 27% and less likely to have non-certified organic farmland, 5% versus 21%
- Higher than average household income with 29% having gross household incomes greater than $117,000 versus 13% average.

Mature Businesses shared the following characteristics:

- Less likely to be Fruit & Berry operations, 11% versus 16%, more likely to be dairy, 21% versus 14%, and less likely to be highly-diversified, 5% versus 10%.
- Much more likely to have business operating 21+ years, 61% versus 27%
- Gross household income is not different from average respondent

- Gross farm income is less likely to be in the lowest income range, 26% versus 54% and more likely to be in the highest gross farm income range, 35% versus 20%
- Slightly more likely to be USDA Certified, 31% versus 27%, and less likely to have non-certified organic farmland, 12% versus 21%.
- More likely to be male, 78% versus 66%
- Average acreage owned and leased is larger, 207 acres versus 150 acres
- More likely to own home, 95% versus 87%

Expanding businesses shared the following characteristics:

- The income ranges were similar to the average, but slightly more likely to be in the highest or lowest income categories. 46% versus 54% in the lowest income category and 26% versus 20% in the highest income category.
- More likely to be operating the current business between 5-20 years, 64% versus 42%.
- More likely to be certified as USDA Organic, 35% versus 27%.
- Expanding businesses were evident at all acreage levels where start-ups tended to have 70 acres or less and mature businesses mostly had 100 acres or more.

Start-up businesses shared the following characteristics:

- They were slightly more likely to be vegetable operations, 31 percent versus 24 percent.
- The majority, 81 percent, were operating for 4 years or less, but ¼ of the start-up farms had more than 11 years of farming experience.
- The primary operator is more likely to be female, 44 percent versus 32 percent, and female operators are most prevalent at the smallest acreage 1-9 acres, 56% versus 21%.
- The total acreage (owned and leased) was 52 acres versus 150 acres average. They were 10 percent less likely to own their home.
- The majority, 88%, are in the lowest income category.

APPENDIX G: Farmers' Financing Needs Assessment Background Sources

THE CARROT PROJECT: SOURCES & RESOURCES
JUNE, 2008

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