

Affording OURLAND.

a finance Literacy Guidebook
for young farmers (and all farmers)

produced by Greenhorns.
CREATIVE COMMONS
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The greenhorns is a grassroots non profit organization based in the Champlain Valley,
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Mission: To promote, recruit and support young farmers in America.

Method: Producing publications, events, media and new media for and about young
farmers, supporting the need for connectivity, resource interpretation, and enlivenment.

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INTRODUCTION

Access to farmland, even in a nation as vast as ours, persists as the top challenge faced by new farmers in this country. The purpose of this little book is to interpret the landscape of options available to young and beginning farmers who wish to access land and credit for starting farm businesses.

We wish it were easier, in America, for those with a dogged determination to succeed and strong experience in farming- either as a family member on a farm or as a new farmer with 4-6 years of farming experience- to start a farm business. This opportunity has long been associated with the tenet of “life, liberty and the pursuit of happiness,” and though it takes serious effort it is still possible to achieve this goal if you go about it in the right way.

Our hope is that we get this book into your hands before you have a credit problem, or a debt problem. To help you begin your business capitalization research in a proactive and responsible manner. And to help you consider your best options for accessing capital for land purchase.

This book cannot claim to be comprehensive, and though it's a start, in all likelihood you have at least a few dozen hours of unglamorous research and paperwork in your future. Consider this a primer on ways to approach finance for your farm, and an invitation to do more research on your own time once you have an idea of which trajectory makes sense for your business. Congratulations on making it this far in your agricultural career, for being serious and thoughtful, and doing your homework. We wish you success, and if you wish for it, hope that you come to own the land that you farm and steward.

A Note from the Editor

This is a historic moment when it comes to our agricultural land base in this country. Transitioning our farm economy, and the productive acreage of this great nation to the next generation is neither simple, nor adequately understood by the parties involved; but it is urgent. There are an estimated 400 million acres of farmland due to transition in the next 20 years, up to $\frac{1}{3}$ of America's farmland in the next 10 years-- whether that farmland ends up in the hands of new farmers, sustainable farmers growing for the regional economy, or whether it ends up in the hands of speculators, investment groups, corporate managers producing commodities for export-- that is the destiny we are engaged with here, and the mechanics that will determine the outcome, on farm after farm, have to do with good decision making about access, managing the business, the relationships, the credit. Better policy frameworks will play a huge role, but so will

the individual actions of hundreds of thousands of actors- farmers both retiring and entering, and the communities that support them. We hope you, our reader, are such an actor.

If you are reading this booklet without having farmed before, but are an aspiring farmer- either first or second career- that's great. If you want a farm, and to earn your living as a farmer, but you haven't done an apprenticeship or worked on a farm in your life please see [Greenhorns Guidebook for Beginning Farmers](#) for advice on starting your career as a farmer, learning the skills, doing the goal setting, and testing it out for a while before you jump into ownership. One step at a time!

How to Use this Guidebook

This guide begins with a history of land access in Chapter 1, an issue that has been plaguing this country since, well, basically its entire life (and before). Reading about how the same issues have resurfaced and evolved through the last several hundred years, from the arrival of the Europeans to today, should get you fired up about getting on some land of your own. There is more at stake here than just some soil to plunk down your plants and animals, so we encourage you to read up on this background information to become a better informed and thus more powerful Greenhorn.

Chapters 2, 3, and 4 all discuss the ins and outs of both traditional and more creative ways of acquiring land. There is probably more out there than you think. Short-term leases, long-term leases, purchases, creative ways of transitioning business ownership, and and trusts are all covered, amongst others, along with helpful tips and resources for further research.

Chapters 5 and 6 discuss financing. Chapter 5 includes more of the traditional sources of financing, including government money and programs, while Chapter 6 discusses some more alternative ways of obtaining cash and credit on the cheap. Don't skip the list of resources and further reading at the end too!

How Not to Use this Guidebook

While we hope that this guidebook will significantly empower you in your quest for farm ownership, we must emphatically state that we are *not* financial or legal professionals, just general farm-service providers and cannot be responsible for documents, agreements, or transactions you enter based on the information in this guidebook. We highly encourage you to have all final documents reviewed by a qualified lawyer and CPA before you sign.

CHAPTER 1

HISTORY

America's national land-access policy, practice, and transactional outcomes vary across a diverse landscape-- it is hard to make large generalizations. One we can make is that this land that we claim as "Our Land", was previously managed in a variety of commons-driven stewardship models by thousands of indigenous cultural groups, and that for the last centuries our democratic notion has revolved around the vast economic opportunity that this vast 'free land' represents.

A large part of the history of farming in the United States is a history of extractive labor-arrangements, consolidations, slave plantations, speculators, and hegemony. It is also a history where new emigrants to this country were able to settle on virgin tracts of lands and build up new towns, family farms and ranches, and a vital rural economy as pioneers across the vast continent.

Traditional tellings of American history emphasize these two contradictory narratives, specialization and intensification as well as vast cooperative schemes to support farmers with affordable equipment.

strong regional models that support social, ecological, and economic resilience of rural producers that contributes mightily to the lesson our history can teach young farmers today. This chapter will provide just a brief overview of the history of land access and ownership in the US: how it has evolved from the arrival of the Europeans to the present day, and how these practices have affected farmers, land health, stewardship and ownership trends.

Historical Context

European emigration to North America was in part driven disenfranchisement and desperation in Europe caused by feudal and post-feudal systems of land ownership and concentration of political and economic power . Many settlements were established for religious reasons, but economic reasons could be almost as compelling. Peasants had little hope for social mobility, but settling in America - and participating in the violent removal of the continent's indigenous peoples- offered economic and social advancement.

Land tenure and ownership in Europe varied widely. Some were more progressive than others, which encouraged the destruction of regional communities and land fertility. The worst could be called genocidal, such as the tenancy systems that dominated Ireland during the great potato famine, estimated death toll from starvation at 1 million, with

another 1 million emigrating from the country, this affected ¼ of the country. The "Highland clearances" in Scotland, and "Enclosure Acts" in England caused similar, though less deadly expropriation of commons, grazing lands, and land rights for peasant farmers. The intense production required for the wars of the late medieval and early modern Europe often served as an excuse for land reform. Consolidated land ownership into the hands of fewer and fewer, disempowering small-holders and reducing them to tenants who were required to provide feudal services to their landlords. In France, the concentration of land ownership into vast Estates and the extreme privation suffered by the majority of citizenry eventually provoked a revolution.

The designers of the American democracy looked to the land to ensure that equality, justice and freedom would prevail in their new nation-- trying hard not to replicate the aristocratic patterns of Europe. Early New England, and the democratic government of the United States was designed by men who thought of themselves as farmers and who desired a nation built and run by land-owning farmers, rather than by aristocrats or mercantilists. Many of these small-holders, and their descendants, moved gradually west across the rich lands of the Ohio River Valley during the late 1700s and early 1800s, setting the stage for later westward migrations.

Cash-crop plantations were worked by chattel slaves in the South, producing a system of oppression which exceeded the worst parts of feudal Europe. The fibers produced on the Southern cotton plantations fed the Industrial Revolution, being sent to the huge water powered mills that sprung up first in England then along the fall line in New England. Advances in technology such as Eli Whitney's cotton gin allowed mass processing of the raw cotton, creating large scale wealth for Southern plantation owners and allowing them to control much of the economic and political power in the early republic.

Large land grants to a small elite class did exist and persisted into the age of democracy along the Hudson river. The typical services required of the tenants who worked the Hudson estates included voting the way the farmers wanted (practiced until the 1820s), days of service with teams of horses for the landlord, and customary rights for the landlord (allowing him to shoot, hunt, log , mine, and in general have access to all the lands of his estate). Mexican Land Grants, Missions, Dutch Land Grants, Texan "head rights" and Slave plantations were similarly structured from often as political favors or ceded as rights to elites. Grants of land were also made to the railroad, and to pay for the construction of the Land Grant System in 1862.

The American Homestead Act, proposed by Whigs and later Republicans throughout the middle of the nineteenth century, was designed to counter the growing power of plantation-owners, by developing the resources of the American West and providing

opportunities for citizens to own land and prosper. It was opposed by advocates of the Southern chattel slavery model, which acted in opposition to the small-holder systems advocated by the act. Only the disruption provided by the American Civil War allowed the act to finally pass in 1862. The land allocated in the act was intended for family scale farming, but investor groups, railroad companies, and development companies were able to achieve massive holdings by manipulating land offices and distorting prices.

The United States has a checkered history when it comes to national policy, practice, and the reality of agricultural land access across its diverse landscape-- so it is hard to make large generalizations. A large part of the history of farming in the United States is a history of extractive labor-arrangements. The traditional tellings of American history emphasize these developments, but other narratives also exist. There is a rich history of cooperative models of farming, which offer exciting alternatives, and contribute to the lessons American farming history can offer to today's agricultural practitioners.

Perspectives on Land Tenure

The history of land tenure in America -- both the pervasiveness of tenant farming and its public perception-- ebbs and flows in cyclical fashion. New World land-conflicts have raged in many spheres 'Free Soil' farmers vs. Slave Plantations in Kansas, 'rent wars' of tenants against absentee landlords on the border of NY/ Massachusetts, the so called "Range wars" during the interval between open and barbed-wire range. Land, access is worth fighting for. The large landholdings of the Northeast were eventually broken up and the landowners were forced to sell their holdings to the farmers working the land. Large landholdings, sometimes referred to as "latifundia" by land reform movements, have persisted in the West and in the South, and especially in arid, ranching regions. Extensive purchasing by non-farming landowners, past and present, have made consolidation of ownership the dominant trend of the past century.

In the late 1930's increasing land tenancy rates and agricultural displacement resulting from the Great Depression coincided with a newly widespread public perception of the environmental and economic dangers of soil degradation. People began to realize the implications of widespread land tenancy: that short-term farm operators would not invest in soil-conserving practices as they would not reap the benefits in the future.

Furthermore, the fact that nearly half of all farmers rented rather than owned their land by 1940 conflicted with the American ideal of the independent farmer. The desperate poverty of "Okies" made famous by WPA programs and John Steinbeck's book *The Grapes of Wrath* built political support for the idea of agricultural reform, but it took a cohort of well placed men, empowered by President Roosevelt, to shift the role of farm policy in this country.

This narrative influenced public policy of the time- widespread tenancy was seen as the root cause of soil degradation and the Dust Bowl, and private land ownership was seen as the solution. Land tenancy was not just blamed for soil erosion, but for the perceived degradation of rural society and its moral fortitude, even referred to as “rural human erosion.”¹ Farmers and policy makers believed that secure land tenure would be enough to motivate farmers to practice responsible soil conservation measures, and that policy change should therefore focus on making farmers more prosperous (and able to purchase land) rather than mandate soil conservation. Programs were also started to plant tens of millions of trees, take land out of cultivation for the restoration of native grasslands, implement conservation districts and conservation reserve programs, and direct payments to farmers for various actions: it was the beginning of the massive modern government interference in farming. Many of the most destructive farm programs we have today were founded during the New Deal, some of our favorite ones are too-- it is thus a moment in agricultural history worth studying!

Tenancy at this time left renters extremely insecure. Landlords could require tenants to leave with a month's notice or less, and it was very common for lessors to move to a new farm every winter- in 1934-35, one third of Iowa's tenant farmers changed residences. Tenants had no right to compensation for improvements made upon the land though they were responsible for damage to it, and contract stipulating conservation practices were rare. During the Depression, landlords used crop share leases more frequently than cash leases due to fears of price declines, which incentivized tenants to grow more cropland, more cash crops and less diversification. In places like North Dakota (wheat land) up to 60% of the land was farmed by tenants, which meant that the owners, who lived in the cities, rather than on the land, made decisions about what was grown-- this served to perpetuate overproduction even as the prices paid to farmers continued to sink. Meanwhile the Crop-lien system meant that tenants borrowed against their future harvest at the store, for equipment, food and supplies, and sank ever deeper into debt.

The trouble was that a state with such extreme dedication to one crop - bread - was so helpless when something went askew with the market for bread. When the world was lean with war and could buy bread, North Dakota fattened; when the world was lean with peace and could not buy bread, North Dakota starved, through drought and bumper crops. A North Dakota farmer ought to be able to lay up enough cash and own enough livestock so that he didn't have to plant wheat at all in such a bad year as this one promised to be. But half the farmers in

¹ Report and Recommendations of the Land Tenancy Committee. Iowa State Planning Board, 1938

the state had to do what a city man told them to do. The economy needed radical changes that were long overdue. The absentee landlords must be stripped of the absolute power they had over their tenants, the railroads and elevators must be forced to abandon their monopolies, and the Wall Street and Chicago speculators must be outlawed. Until those changes were made, George Armstrong Custer must go on obediently plowing up a hundred and sixty acres of dry blowing land and try to get a wheat crop out of it. -*Bones of Plenty*, by Lois Hudson (59)

Out of these historical events were born the Soil Conservation Service to oversee soil management practices (although the SCS lacked teeth--no mandatory conservation practices were implemented at the time, it has become the NRCS Natural Resource Conservation Service) and the Farm Security Administration, which is now the Farm Service Agency and serves as an agricultural lender of last resort. The FSA, intended to transform rural tenant farmers into landowners, was mandated to provide low-interest, long-term loans to tenant farmers to help them purchase land. With agricultural policy focused on raising prices by controlling production, soil conservation became a political and legal justification for government production controls. This was derailed, though, when the Agricultural Adjustment Act, which paid farmers to reduce cultivated acreage, was declared unconstitutional. FDR's ambitions in rural reinvestment and social engineering may not have worked, but he was deeply committed to rebuilding family farming in the United States and to reversing the trend of urban migration, he was informed in this by the Countryside Commission, with luminaries such as Liberty Hyde Bailey on the team.

Although legacies of the New Deal agricultural programs like the FSA remain, public attention to the issues of soil conservation has waned; in years since, another wholesale shift in the nature of land ownership has occurred. Though today's lease agreements are generally not as exploitative as those of the early 20th century, many of the perverse incentives for renters endure and there is once again common use and acceptance of leasing as an economically rational and morally functional land arrangement. In Iowa today, where 60% of farmland is owned or co-owned by women, leases are common and farmland prices are rising higher and higher. In many places farmland may cost up to \$20,000 per acre, with investor groups, speculators, and hedge funds getting into the farmland business. Land leases of \$700 dollars an acre are common for prime corn lands, which has the result of distorting opportunities for other crops, for hay production, and for new-entry farmers. In the Northeast, a major portion of the landbase is owned by non-farming landowners who receive tax abatement through the agricultural use of their lands for hay or cropping. Due to funding cuts, the USDA hasn't come out with figures since 1999, but at that time 42% of farmland was owned by non-operators/ non-farmers.

As of 2012 Of all private U.S. agricultural land, Whites account for 96 percent of the owners, 97 percent of the value, and 98 percent of the acres. (USDA rural development, Who owns the land, 2012)

The numbers of city-dwelling absentee landlords is on the rise, and the connection between ownership and stewardship is strained. Even where landowners have strong connections with the land and want to have it farmed more sustainably, with larger riparian buffers or more extensive cover cropping practices, they often feel isolated and cowed by the massive corn producers who dominate their towns. Under such pressure, they do not exert their power to dictate the terms of cultivation, even though they could use contract law to do so. Many landholders in Iowa, women in their 60-80's, do not believe that young farmers would come and farm their land, live in their homes, and use their barns. According to Leigh Adcock, Director of the Women's Food and Agriculture Network, they feel that the countryside is desolate and face pressure from heirs to sell the land. Once that land is sold, and once the people owning the land no longer live there and have no connection to the place, the prospect of access for newcomers, startup farmers, and less-than-market-price transactions weakens.

In the long term, government agricultural policy started during the Great Depression has encouraged land ownership, but not by small family farmers; rather by large (and increasingly, non-farming) landowners. As land prices have increased, young and beginning farmers lack the the capital to purchase land and the assets to obtain financing. Originally created to help new farmers purchase land, the FSA now takes a conventional and conservative approach to farm financing, making FSA loans inaccessible to most beginning and small-scale producers. FSA has faced numerous discrimination suits in recent years by black farmers in the historic Pigford case. This is not the organization's only structural deficiency; organic producers have long felt misunderstood by small town loan officers used to "Corn, Cotton, Beans, Beef, period".

As land ownership consolidation continues, even renting has become unaffordable for new farmers. Large operators, cash rich from high corn prices and with millions of dollars in high tech equipment in tow, are looking to work more land and can outcompete new entrants even if the profitability of smaller farming, per acre, is higher, as the large farmers have more equity to borrow against. Land is increasingly seen as another (and safer) investment commodity, especially in the midwest where agricultural land prices are steadily high. High crop prices due to drought, ethanol subsidies, and international demand combined with speculation and investor driven land purchases, plus larger farmers looking to secure bigger acreages, mean that even successful farmers have trouble accessing land. This trend has extreme repercussions for the future of food production.

Skipping ahead through history, economic boom-bust cycles have been destructive, accelerating the trend towards farm failures, foreclosures, and leaving larger and larger operations as the "last one standing". From 1900 to 2002, the percentage of the American workforce employed in the agriculture sector dropped from 41% to 1.9%. Farmers bought their neighbor's farms when they failed, and the smaller workforce drove technological investment, labor-saving chemicals, and the rise of monopolistic seed companies such as Monsanto. The business model of such corporations thrives on farmland consolidation; they sell seed and chemicals to farmers whose lands are of such a size that only spraying can be done in a timely fashion.

Until the 1970s, the commodity price support programs implemented during the New Deal era aimed to prevent overproduction through strategies such as paying farmers to leave lands fallow when prices dropped. This lowered production, allowing prices to rise back to a level that was profitable for farmers. A drastic shift in political ideology occurred under President Nixon's Secretary of Agriculture, Earl Butz. Butz envisioned a highly industrialized food system that would feed the world cheaply and efficiently, fueled by the massive production of commodity food crops. He subsequently encouraged farmers to plant "fencerow to fencerow."

Simultaneous industrialization of the food and livestock industries was encouraged by the large-scale production of low-priced commodity crops. This created more demand for the commodity crops used extensively in processed food and animal feed, and fed the process further. The result of these evolutions in agriculture policy and the structure of American food markets has been the increased availability and low market price of certain foods, chiefly manufactured foods and grain-fed meat. These cheap foods are then funneled into markets through school food commodity programs, international "food aid," and shiny marketing: all-too-familiar parts of modern agricultural and food systems.

In summation, land ownership patterns, agricultural policies, and support programs in this country do not favor responsible stewardship, but rather, short-sighted exploitation. What is needed is a reawakening of public and policy consciousness of the importance of solid land tenure for our new generation of farmers, and an exploration of options for supplementing this strategy of land access.

A Brief History of Cooperatives

An early organization, the Rochdale Society of Equitable Pioneers was founded by a group of English weavers in 1844. The group established a list of cooperative operating principles that emphasized organization of member-funded small groups. These

principles, called the Rochdale Principles, were adopted by many subsequent organizers including the Grange Movement, and form the basis for the seven cooperative principles upon which modern organizations operate. The seven principles include: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, providing education and training to cooperative members and the public, cooperation among cooperatives, and concern for community. It is seen as an historical prototype of cooperatives.

The first agricultural cooperatives in the US appeared in the 1810s. These were small-scale, independently organized groups of dairy and cheese producers, and served their members by collectively marketing products and buying supplies in bulk. The Wisconsin Dairymen's Association, founded in 1872, was an especially successful example of such cooperative methods working to organize and direct the economic power of farmers. The value of cooperative marketing increased greatly when the westward expansion of agriculture in the first half of the 19th century brought lower crop prices and higher transport and interest costs to American agriculture. This value only increased when prices dropped drastically during the early twentieth century.

Another key player in the growth of agricultural cooperatives was the Grange movement, which developed after the Civil War to improve conditions in agricultural communities. They specifically encouraged cooperatives in order to remove price-gouging middlemen from agricultural enterprise and allowing farmers and markets work directly with their buyers. Farmers in places like North Dakota were totally dependent on cash crops (wheat) and were usually limited to one provider of elevator and railroad services. While the railroad prices hurt many farmers, farmers who organized were able to ship their goods east, and negotiate as a 'bloc' to achieve better deal on freight costs. The Grange movement flourished as the Progressive Era began, a period of great political activity for economic and social reform that lasted from the 1890s to the 1920s. The Grange movement facilitated the growth of hundreds of farmer and consumer cooperatives across the country, as well as Grange Halls - local community spaces intended to promote local culture and collaboration. Thousands of grange halls popped up across the country, especially concentrated in the Northeast. The idea behind grange halls was that stronger local civic society and social ties meant a stronger local economy and agriculture, one that could rival and supplant the economies and political systems controlled by the monopolistic "robber barons" of the era.

Organizations such as the Farmer's Alliance, the Society of Equity, the Knights of Labor, and the Sovereigns of Industry also encouraged development of cooperatives for farmers and other laborers in the late 19th and early 20th centuries. The American Farmers' Union, National Farmers Union, and Farm Bureau were formed in this time period, and provided significant technical and political support to cooperative efforts.

The National Farmers Union runs cooperative insurance companies to this day, but during the heyday of the cooperative movement feed stores, banks, mills, and elevators were all run "The Coop Way."

During the same era the federal government began to support cooperative organization, forming the Cooperative Extension system and providing funding for farmer cooperatives through the USDA. The Great Depression only increased government support of these efforts with the charter and funding of lending cooperatives for farmers. The 1922 Capper-Volstead Act gave agricultural cooperatives immunity from anti-trust laws, allowing them to compete on a more equitable footing with the larger capitalistic enterprises.

Later in the 20th century, the federal and local governments backed off from supporting cooperatives but the movement continued to flourish. Significant consolidation of cooperatives in the recent past has encouraged a growth of value-added production. The largest cooperatives now operate much like large corporate businesses, with a central focus on economics-based decision making and a strong influence in local and national politics. There are many critics of this consolidation, especially in the dairy world. There, many mega-cooperatives lack transparency and their business practices have called into question their integrity to the cooperative values of their founders. This soul-searching within the cooperative movement is healthy; it helps to maintain the focus on the farmers and farm economies that the movement evolved to promote, and is a sign of the durable resiliency of the cooperative spirit in American agriculture.

As part of the current local food movement, cooperative business and ownership models form a central role in improving the ability of small producers to run profitable farms, grow and market high-value crops, and process added-value products. Cooperative grocery stores played a huge role in cultivating the current market for local and sustainably grown foods, and offer potential for new farmers to move their products to wider audiences. Informed by the history of our movement, the possibilities for creative, community-based ownership of agricultural enterprises are extensive and exciting, some of which will be discussed later in this guidebook.

CHAPTER 2

LAND TENURE BY LEASING

“The cow can pay for the cow, the equipment, or the land. But the cow cannot pay for all three at once.”

Leasing is a great way to start your farming career. If you don't have many assets, and you're still figuring out your ideal size, location, and infrastructure needs, leasing doesn't lock you down. Remember: you could fall in love, shift your farm focus, or want to run for office. Leasing is also cheaper than buying. Overwhelmingly, young farmers are interested in owning their land, or at least their home, barnyard, greenhouse, and base of operations. There are many practical as well as emotional reasons for this: land ownership provides equity to borrow against, it provides security, and it increases in value from good stewardship, new infrastructure, and market value. Owning your own land in a country as big as America would seem like a reasonable goal, but leasing can be a way to slowly build up your assets, connections and financial good standing to eventually purchase. For those startup years, the critical element is building a business that can afford the land. Leasing can give you the time, knowledge, relationships and community stature to get started.

A lease is a contract where you pay someone to make use of their asset. It could be land, equipment, housing, or even livestock. Different leases will have different rules about what “use” of the asset- in this case, land- entails, and how that use is paid for. When it comes down to it, the quality of a lease deal depends largely on the landowner you are working with. Finding someone who supports what you are doing, and with whom you communicate well, is key to a happy arrangement.

While many farmers and landowners feel comfortable with a handshake, it is advisable for even the most friendly of folks to write down the terms of their agreement. The very process of writing a lease can force both landowner and farmer to think ahead about issues they might otherwise not consider until a problem arises... “The ag well-pump is giving out and I can't afford to fix it”... “I never said you could have 20 volunteers out here at once” ... “Shouldn't you provide a porta-potty?” ... “Your sheep got out and decimated my neighbor's roses.” Short-term leases can be banged out in just a few pages; longer-term leases should include sections on liability, condition of buildings, ownership of improvements, etc. A lease should also spell out a process for settling disagreements. Having a record of the agreement, and acknowledgement by signature, minimizes the chance of a misunderstanding, and offers a path forward if one party chooses or is forced to pull out. Most importantly, a lease offers peace of mind – the landowner has recourse in case the agreement is violated, and the farmer is assured you can harvest the crops you have labored to grow. We do know farmers who have

been farming the same land for 20 years on a handshake—but frankly, even they wouldn't recommend it.

Here are the basic components of a good lease, excerpted from a California FarmLink handout. This is not a lease template and should not be construed as legal advice.



Elements of a Good Lease

1. *Preamble.* Describes lessor and lessee. May also describe lease intent.
2. *Description of leased property.* Attach map if possible. If longer-term lease, use legal description from Preliminary Title Report.
3. *Term.* How long does lease last? Initial length, terms of renewal.
4. *Rent.* Lease payment amount, how and when paid, installments, deposits.
5. *Use.* Allowable uses, restrictions or requirements regarding production and other activities, methods, etc.
6. *Operating costs.* Water district fees, electrical use, etc. How assessed, who pays, how billed. Usually tenant must pay all business-related costs.
7. *Maintenance, repairs, alterations.* Who is responsible for maintenance of land/infrastructure. Allowable alterations, whether permission required.
8. *Indemnification and liability insurance.* Holds owner harmless. Must tenant hold general liability policy? If so, specifies amount of coverage.
9. *Taxes and assessments.* Clarifies that owner responsible for property taxes, tenant for all personal/business-related taxes.
10. *Initial condition of premises.* Okay as-is? Improvements or upgrades required before start of lease?
11. *Assignment or subletting.* Allowable or not? If so, conditions.
12. *Compliance with Law.* Reiterates that tenant responsible for all applicable laws re: hazardous materials, labor, environmental regs, etc.
13. *Default by tenant.* What constitutes breach of lease, how remedied or terminated.
14. *Dispute resolution.* To avoid potentially costly attorneys'/court fees, specify mediation, then binding arbitration.

Short-Term Leasing

HOW IT WORKS:

A year-long lease is a common way for landowners to test the waters with a new lessee, or vice versa. Many landlords are unwilling to sign a longer lease until they have a chance to watch you for a season on their land. Often non-farming landowners feel more trepidation than farming landowners about new ventures on their property, and the

conduct of their lessees. Beginning farmers trying out a new location may only want to commit to a year at first, until you can be sure the climate, markets, landlord-relationship, and other conditions are going to work for your business.

WHO IT IS FOR:

For farmers just starting out, or if a long-term lease proves impossible to find, a short-term arrangement can allow you to get started. A one-year lease with option to renew can help build in that “trial period” so important to both parties. It is just as important to actively cultivate your relationship with the landowner, proactively educating him/her about your farming process; and to take good care of the land.

For early career farmers who are comfortable with shared living situations (roommates or parents) and who are keen to stay connected with the city-lights, suburban or peri-urban short-term leasing can be a good fit. Many cities are surrounded by “ghost farms” now subdivided or dilapidated but with good production potential. Look for shorter-term tenure on land trust land, private land, utility land, slivers of farmland, and relics of dairy infrastructure. Churches, schools, and other institutions are often landowners as well. A peri-urban location often means strip malls, demanding suburban neighbors, higher rents, and a lack of agricultural services, but it can also mean great marketing options like buyers clubs, CSAs, fancy food stores, farmers markets, and good restaurants.

PAYING FOR IT:

Rent costs are going to vary in a country as big as ours. Factors might include soil health, organic certification, water costs and other utilities, packing/storage/processing space, fencing, competing uses, and of course- location, location, location. For land that is currently in hay or corn production, it's standard for owners to charge \$50/acre/year in New York state. Some landowners need to prove that the land is in agricultural production for a special property tax reduction and will let you lease for \$1 per year. Others, who may be receiving offers for much higher rents, charge in the hundreds. Strawberry land on California's central coast rents for upwards of \$1,500/acre/year! Still, consider how much income you expect to earn per acre and decide for yourself if rent costs are too high a proportion of that.

The way in which leases are paid can be creatively arranged. A cash-rent is the most common, and requires the lessee to pay a fixed yearly or monthly amount. There are alternative arrangements that allow the landlord to share in the business risk, and help assure the farmer that s/he won't pay more than the farm can afford. These include:

1) *Share lease*. In this model the farmer pays an agreed-upon proportion of his or her income, either before or after expenses. If earnings are low, the farmer is not left in debt

to the landlord. If earnings are high, the landlord may even enjoy higher than usual per-acre land rent.

2) *Share lease with baseline*. This hybrid between share lease and cash lease uses a share formula but assures the landlord a minimum baseline rent payment. It is possible to put in a maximum “cap” as well.

3) *Work-trades or other barter*. A farmer uncertain about available cash can choose to exchange a service (caretaking, dog care, lawn-mowing, forestry, a specific construction project, etc) for use of the farmland. be very clear about expectations and hours of labor, and make sure you have covered all the other essentials of a good lease.

These alternative forms of leasing work best when the landowner and tenant really trust each other. They require meticulous record-keeping, and usually you must divulge your farm records to the landowner. On the other hand, a landowner may be more willing to invest in infrastructure or other business needs if she has a stake in the profitability of the business itself (maybe she invests in greenhouse repairs, and in return is paid a percentage of micro-greens sales from the same). Keep in mind that there are different tax implications for landlords who engage in a farm business via share-lease vs. receiving standard cash rent.

HOW TO FIND IT:

Land linking organizations exist in most regions of the country. The International Land Transition Network², state or regional Land Link programs, land trusts, land conservancies, and public agencies are all good sources for landowners looking for farmers. You can also put up notices at conferences, farm stores, and other watering holes advertising your search for land, your qualifications, and what you are looking for.

Especially if your farm operation is small-scale and mostly powered by humans, consider how you might creatively cobble together small parcels to grow on, finding new parcels piecemeal as you expand. This can be facilitated through community institutions, local government (think vacant lots- in Baltimore and other cities they actually have a facilitator in city government), and obliging neighbors. This strategy has mostly been applied in urban and suburban contexts, where large agricultural parcels are scarce and likely very expensive. Lots of little leases and handshake agreements get complicated and wouldn't suit everyone- negotiating clear terms for land use that works for all parties is a main challenge, and often these arrangements do not provide secure tenure. Advantages are that land may come free or very low-cost, and because

² <http://www.farmtransition.org/netwpart.html>

you are farming in the neighborhoods that (ideally) you are selling to, bringing that food to market is typically easier.

A farm incubator is land and infrastructure usually owned by a university, non-profit, land trust or local government that leases land (typically at a subsidized rate) to start-up farmers on a short-term basis. The goal of a farm incubator is to help new farmers overcome the biggest challenges of farm entry by providing subsidized access to land and other resources that are expensive, hard-to-find, and high risk to invest in. Incubators usually provide shared infrastructure including machinery, processing, water, and structures, and often include training and technical assistance to their incubated farming operations. The idea is that after a few seasons of incubation, the farmer will have accrued enough knowledge and financial stability to be successful, and either move to a new piece of land or continue to rent incubator land as a more autonomous enterprise. The Intervale Center³, which houses the oldest incubator program in the country, takes on one to three new farm enterprises each year, and includes eleven independent farms that continue to operate on land leased from the Intervale Center. These farms continue to share resources such as a cooperative machine shop.

Long-Term Leasing

HOW IT WORKS:

If you're applying for a loan for a new well-pump and irrigation overhaul, or if you plan to enter into a contract for conservation practices with the NRCS, you'll likely need at least a three-year lease to qualify. If you raise perennial crops or plan to construct a greenhouse, for example, you probably need even more than that. Medium- to long-term leases (let's say five years and up) are much harder to come by than short-term leases, as they require the landowner to give up a great deal of control. On the flip side, landowners can also enjoy the stability of dependable income, and of a tenant who is invested in the health of the land and local relationships. The tenant benefits from stability of tenure, by the ability to invest in infrastructure, soil, ecological health, market relationships and other improvements, as well as your attractiveness in the eyes of banks. Longer leases can be a great way to go, but it is important to work with a lawyer to build a waterproof lease that details who owns improvements, prepares for worst-case scenarios, and sets forth a process for conflict resolution if things don't go smoothly.

Farmers with medium-term leases often seek automatic renewal, otherwise known as an "evergreen" lease, guaranteeing the lessee a minimum horizon for phasing out. If you're a grape-grower, for instance, you might have a seven-year lease on a vineyard.

³ <http://www.intervale.org/>

Each year the lease is automatically renewed for another seven years, *unless* one of the two parties chooses to discontinue—in which case the you are entitled to finish out your seven-year term before tenancy finally ends.

How long can a lease be? Depending on which state you live in, an agricultural lease may be up to 50, or even 99 years. These are exceedingly rare in ag-land rents, but are sometimes entered into by families with farmers who go back a few generations, or otherwise public agencies (see the Cuyahoga Valley Conservancy) and community land trusts.

If you're a longer-term tenant farmer who hopes to buy the land someday, you might hold a "right of first refusal," allowing you to step in if anyone bids to buy the property out from under you, and giving you a finite amount of time to match the offer and buy it yourself. The drawback of this, of course, is that you may not have the money to buy it when your landlord decides to sell—but at least you have the chance.

If you're leasing your dream farm, and you're clear with the owner that you wish to buy it someday, the ideal scenario would be "lease-to-own." You may have heard of "land contract sales" or "installment sales," in which you and the landowner would agree today on a price, and your rent payments would go toward the eventual purchase. Usually there is a "balloon payment" due after 5 or 7 years (could be longer), when the landlord wishes to be cashed out by a bank, and you would begin making mortgage payments instead. Seller-financing is great for a number of reasons, but an older landowner cannot usually wait as long as a bank to be fully bought out (hence the oft-used balloon payment). Another issue to watch out for is that a single missed payment in an installment sale can require you to forfeit of all that equity—as you would have broken the contract and the land could technically revert to the owner. It is worth looking into the FSA guarantee program, however, for landowners selling land via land contract sale—this program is intended to sweeten the pot for landowners willing to finance land sales to younger farmers like you.

In sum—if you know that you will be able to farm this land for five, ten, or more years to come, you can invest more your business, and in the health of the land. Long-term tenants are more likely to care for the land responsibly, as they have more stake in its future health. A landlord, meanwhile, gets peace of mind from trusting a land manager/steward who is more than just a tenant, and who makes good decisions because s/he is literally invested in the property. It is important to note: all landowners, all land users, all humans do get old, retire, and finally pass away. All humans also have accidents, illness in the family, and unexpected life changes-- so your lease should have very clear descriptions of what happens in case one or the other party

needs a change. Regardless of our personal lives, the land remains. We support long-term leases that keep that land in farming, the best farming possible.

WHO IT IS FOR:

Although most farmers would generally prefer a long-term lease over a year, such leases are hard to find. It's easier once you have successfully held some short-term leases to prove your trustworthiness, and when you can make a case for why your particular agricultural operation, the landowner getting rent payments, and the underlying land would benefit from having you stick around for a while.

PAYING FOR IT:

You might compare a lease to own agreement with simply taking out a loan from a bank, buying the land, and then making monthly payments against that loan. Depending on your solvency, the owner's preferences, and the bank's terms, one of these could make more sense for you.

The American Society of Farm Managers and Rural Appraisers (ASFMRA) puts out an annual "Trends" publication by state that can be very helpful to get an idea of what agricultural land values are in your area. The publication lists rent and purchase rates by crop-type and by region.

Financial/tax incentives for long-term leasing to beginning farmers can make this a more viable option. This is happening already in Iowa and Nebraska, which both require at least two-year leases to receive tax credit. And remember, the NRCS and FSA can also offer support in the ways mentioned above.

HOW TO FIND IT:

We have a good list of places to start looking for land to rent in the Resources section. Long-term leases are especially appropriate for conservancies, land trusts, and other public-good lessors whose explicit mission is to support farmers. For financing improvements or eventual buy-outs on leased land, see the FSA, non-profit lenders, the farm credit system, or your local bank. For land-use planning tools, consider an holistic goal setting course. For help drafting a lease, first try to document your terms by meeting with the landowner using the guidelines above—then seek legal advice. Check to see if there are any non-profits or subsidized legal counsel that can help you afford the cost in your area—otherwise, the few hundred dollars it might cost for a contract lawyer to review and finalize your lease is probably well worth it.

There are countless government agencies- from the BLM and Forest Service at the federal level, State Parks and Departments of Natural Resources at the state level, to regional parks, utilities, and county and city lands- leasing public land for agricultural

use. New York State is looking into the viability of allowing contractor grazing on state-owned lands, for instance. Water districts and city governments on the west coast famously hire ranchers to manage their lands against fuel build-up. The FarmLASTS report gives extensive examples of such arrangements, and is listed in the Reference section.

Public landholders are (theoretically) beholden to public process—they usually issue a request-for-proposals, and may require a lengthy vetting process to be sure that they are offering leases to individuals who best meet their criteria. This can be slow and frustrating, but we should encourage public landholders to do it, do it well, and avoid the all-too-common practice of defaulting to their local “good ol’ boys.”

For a trove of resources on long-term leases from community land trusts and other public-trust landowners, including a great summary of needs of both farmer and landowner, see Equity Trust, Inc⁴.

No matter which kind of lease arrangement you seek, it is always worth being clear about your business goals, developing good communication skills, and building strong relationships with landowners and your farm mentors.

⁴ <http://equitytrust.org/>

CHAPTER 3

BUYING LAND: BEYOND TENANCY

"Whenever there is in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right." -- Thomas Jefferson to James Madison, 1785.

If you feel ready to own land, a first assessment to make is “Where is the land that I can land on, and what can I afford?”. In this chapter is a range of strategies that go beyond the straightforward purchase of a property- some of them do not even involve loans, mortgages, or debt. Again, this booklet is not intended to be comprehensive, just to give you an overview of the strategies you could employ. We hope it serves as an invitation to further research on your part—in the right direction.

Traditional Purchase

This is the type of farm purchase we are not going to focus on here; your real estate agent will probably have plenty of information for you. At the time of writing this document, interest rates are crazy low...if you can finance your purchase as a first-time homebuyer, and NOT as a farmland purchase, you will probably have an easier time getting a favorable traditional mortgage. For farms that don't fit that bill, see the financing options later in this chapter for how to decide between FSA, Farm Credit, local banks, and other types of lenders.

Sweat Equity Agreements

Farm employees and other aspiring younger farmers are rarely able to save a large enough “nest-egg” to make a farm purchase from scratch. But let's say you have a close relationship with a retiring farmer—an employer, neighbor, family member, or friend—and you would like to take over operation of an existing business as well as land ownership. There are a number of ways you could create a customized “buy out” deal with that retiring farmer, accounting for sweat equity as part of your purchase of an existing farm and farm business. You might even find organizations such as land-links or farm-links, cooperative extension, land trusts and other farmer-support groups who could help you structure such a deal. Farm Aid has a “Farmer Resource Network” that can help you find a Farm Service Provider who is competent and can help you evaluate what makes best sense in your state or locality.

Remember, retiring farmers tend to be land-rich but cash-poor. Sweat-equity agreements allow the retiring farmer to credit you for work toward the farm, without having to pay for it up front with scarce cash. In the case of an heir to the family farm,

the sweat-equity accumulated over years by the one kid who stays home and helps out, can basically be deducted from the value of the farm when it eventually changes hands. This can add up to enough equity to actually help Junior buy out his siblings when it comes time to transfer the farm to the next generation. If you are planning to take over the family farm or farmland, estate planning is necessary to help both generations evaluate the assets you are working with and negotiate the best ways they can be transferred. The key to valuing sweat equity is to WRITE DOWN the agreements made, and keep meticulous records!

Other sweat-equity agreements help farm employees earn a stake in the farm business, by offering business ownership shares in exchange for a reduction in wages, for example. Two such examples are the Employee Stock Ownership Program (ESOP), where employees earn stock in a company based on their labor contributions; and a common approach by kiwis in dairy called **Sharemilking**.

In this arrangement, designed to transfer wealth and farm ownership, the young farmer who works for a retiring farmer is able (over time) to take over the herd, the business, and maybe even the farm. Every third heifer calf and her subsequent milk belong to the young farmer. This algorithm for dairy transfer exemplifies the 'Fair Deal' absent in much of the discussion around farmland access for non-farm born producers. Over the course of a few years, the young farmer comes to own the milk cows, and is able with this liquid (milk) cash to purchase from the farmer the buildings, the tractors, and ultimately the dairy business itself. The old farmer can keep a hand in the business, stay active and engaged and keep living on the home farm while 'milking' the income stream of the slow buyout, and the young farmer has a chance to earn his way into a terribly unprofitable sector of the ag economy. Of course this is complicated by debt loads, milk quotas, farm viability issues, and the general decline of dairy -- but it is a useful model to consider as we think through 'paying off' the retiring farmers a little bit at a time, in a cooperative and participatory fashion. This practice is very normalized in New Zealand, and you can get great information from the New Zealand grass-based dairy newspapers.

Seller-Financed Purchase

You may have heard of "land contract sales" or "installment sales," in which you and the landowner would enter into a purchase agreement and you would make payments, on a graduated basis or with a trust and annuity. The annuity is a tool to consider in designing a transition plan between a retiring farmer and an aspiring farmer, and is a relatively common method for passing land from one generation to the next in the Midwest. Such an arrangement is essentially a mortgage, but the loan is financed by the seller rather than a bank. The agreement defines specifics of the payment structure,

such as minimum per month payment, and at what point the title of the land will be transferred to the new owner. Installment sales often culminate with a final “balloon payment” due after several years (could be longer), when the landlord wishes to be cashed out by a bank, and you would begin making mortgage payments instead.

Installment Sales or Land Contract Sales are ideal for retired or elderly farmland owners who need to be assured a fixed income for retirement, but are happy to work with a limited-resource beginning farmer. As with sweat equity agreements, seller-financing works best when there is real mutual trust between seller and buyer; in fact it is common for such arrangements to include a “life-estate” for the landowner(s), allowing them to remain in the house on the property for the remainder of their days.

One issue to watch out for is that a single missed payment in an installment sale can require you to forfeit all that equity—as you would have broken the contract and the land could technically revert to the owner. Still, it is well-worth looking into the federal FSA guarantee program—this program is intended to sweeten the pot for landowners willing to finance land sales to younger farmers like you, by securing up to three missed payments by the purchasing farmer. See USDA Farm Service Agency “Land Contract Guarantee Program” also described in Chapter 5, “Financing Basics...”

Cooperative Land Purchasing

We know of cohousing projects that lease some land to one or more farmers to operate on (see East Lake Commons in Atlanta), and innovative housing developments that offer long-term housing and farmland leasing to resident farmers for an on-site CSA (see Prairie Crossing outside of Chicago)... but farmers have also been known to collectively *purchase* farmland—with family members, friends or just willing partners. There is increasing interest by non-farming, local “foodie” investors to have an ownership share in farmland with experienced farmers; the farmer might contribute sweat equity as well as some cash to their ownership share. This model has its pitfalls, as you can imagine. Another model is to find like-minded farmers to invest in land with you and operate a business—either in parallel or together as partners—while sharing infrastructure, machinery, and wisdom. Full Belly Farm CSA in Guinda, California, has been collectively owned and operated by four partners for almost 30 years, and is actively cultivating a new generation⁵.

Similar arrangements have been made within cohousing and intentional communities that integrate farmers into the community. Diana Leafe Christian’s book *Creating a Life Together* focuses on creating intentional communities, but has valuable information on

⁵ “Farmer’s Guide to Securing Land” by California Farm Link

group purchasing of land. Many young farmers we know have succeeded at buying land in partnership with their parents, cashing in on the real estate value of the parents' home, then building the aging parents a home on the new farm. In this way the grandparents can enjoy their grandchildren, and all can benefit within their lifetimes in a shared living arrangement, and shared equity plan that meets many of the needs of young families (including childcare!). Greenhorn Faith Gilbert is working on a dedicated guidebook on this topic, due out middle of 2013.

"Tenants-in-common" is the most basic model for group land ownership (despite the term "tenant," it means ownership); but has its drawbacks (for example, any co-owner in the land is entitled to force a sale whenever s/he is wants to get out). Another common vehicle for group land ownership is the Limited Liability Company (LLC), which allows multiple individuals to own different-sized shares in the land, in a way which provides more legal protection for each individual owner.

"Conservation Purchasing" and Land Trusts

See the following chapter on Accessing Conservation Land for a detailed description of the roles of conservation and community land trusts, and ways that farmers might more affordably access land, while preserving it in the public trust forever.

CHAPTER 4

ACCESSING CONSERVATION LAND

A land trust is a non-profit organization dedicated to the protection of land from urban development and similar threats. While the first American land trusts were chartered to preserve wildlife habitat, open space, recreation and historic sites, land trusts now are also playing an important role in the preservation of agricultural lands.

Today's innovative land trusts are starting to play a role in the affordability of agricultural lands by reducing land values with easements (these innovative easements require productive agricultural use and limit resale values to what is affordable on an ag income), allowing farmers to purchase land for under market value and offering affordable lifetime leases that provide secure land tenure without ownership. This chapter will review the two main types of land trusts- conservation vs. community land trusts- and discuss the options these offer for farmers.

Conservation Land Trusts

Conservation land trusts may choose to protect land by purchasing it *in fee* (buying it outright), or by holding a *conservation easement* against that property. A conservation easement is a real property interest—one “stick” out of an entire bundle of property rights “sticks,” sort of like the driveway easement you might own to cross a neighbor's property, or rights to timber or minerals. A conservation easement typically extinguishes certain development rights, such as the right to subdivide, or to construct additional buildings.

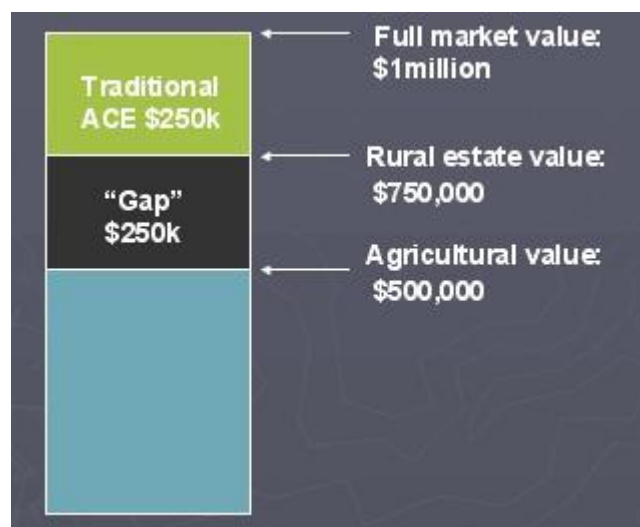
Having given up these real property development rights, the land is rendered less valuable than before; so the difference between the original “full-market” value and the restricted property value becomes the value of the easement. The landowner may choose to sell the easement (usually to a land trust which has raised public funds), or donate the easement, often receiving considerable tax benefits. Each easement has a unique value, ranging from just a small percentage of the property's total value to well over half.

The easement is then held by a land trust or similar non-profit or public agency responsible for monitoring and enforcing the easement forevermore. The landowner and all subsequent owners are subject to the terms of the easement, which is recorded with the property deed. If the land trust ever closes shop, it must transfer its easements to another qualified organization for stewardship.

Agricultural conservation easements (or ACE's) are an important variation of the standard conservation easement, specifically conserving the land for agricultural use and protecting top-quality soils in productive farming areas. Once a property has an agricultural easement that prohibits future development, the value of the property drops significantly, allowing a future farmer to purchase it for sometimes up to half of its market value.

Though definitely a step in the right direction, even with the price reduction from an agricultural easement these lands can still remain frustratingly out of the farmer's reach. There is increasing concern that many ACE programs do not do enough to ensure that these "working" landscapes stay in active production in the next generation, nor do they keep land values at levels affordable to bona fide farmers. In fact, land trusts report that they are concerned that the working landscapes they have worked so hard to protect may actually go out of agricultural production in the next five to ten years. This is because there is strong market demand for rural properties by non-farmers who are willing to pay more for conserved agricultural properties than those lands could support from farm income alone.

For example, consider a forty acre farm property with a modest house within an hour and half driving distance of the San Francisco Bay area, valued at one million dollars. A standard agricultural conservation easement, prohibiting further subdivisions, residential buildings, and location of farm buildings, would bring the property value down to \$750,000. But based on local crop production data and a thorough farm business plan, an organic farmer calculates that she could only afford to buy the farm for five hundred thousand dollars:



Modified from Johnson, Kendra. "Conserving Farmland in California: For What and For Whom? How Agricultural Conservation Easements Can Keep Farmland Farmed." In Sustainable Development Law and Policy, Volume IX, Issue 1.

The result is a “gap” between what the farmer can afford and what the market will bear. Once the land sells to a non-farmer, there is no guarantee under most agricultural conservation easements that it remain in agricultural production.

A few innovative land trusts, mostly in the northeast, have begun addressing the twin problems of A) conserved farmland going out of agricultural production, and B) conserved farmland selling at values beyond the means of working farmers. The first problem (A) can be addressed by going beyond the (negative) prohibition of various land uses to the “affirmative” requirement that the land remain in agricultural production. Massachusetts Agricultural Preservation Restriction, the oldest land trust in the country, uses such language in all of its agricultural conservation easements. Other groups, such as Equity Trust, recommend further requirements such as owner-occupancy of the land, implementation of basic stewardship practices, and the requirement that the owner earn a majority of his/her income from farming. To prevent these lands from selling to non-farmers for prices beyond their agricultural values (problem B), groups like Vermont Land Trust reserve the “Option to Purchase at Agricultural Value” (OPAV). Such a tool may require the land trust to approve future buyers, but at minimum it allows the land trust to step in and prevent sales that outstrip agricultural earning potential by essentially capping the purchase price at an affordable ag value. All of these tools combined have the potential to significantly increase easement values, bringing farm purchase values into the realm of affordability by the next generation of farmers.

Community Land Trusts

Community Land Trusts are also newer on the scene—they pool community resources to purchase lands for the protection of shared social and economic values, such as affordable housing and community gardens. CLTs can play a significant role in securing land long-term for farmers.

In contrast to the “conservation” land trusts described above, a community land trust takes land ownership off the private market and into the hands of the community. The CLT model was started as a way to provide affordable housing to low-income residents, and CLTs are still most active in urban areas—however, they are becoming increasingly relevant to farmers in peri-urban and rural areas, to address the real-estate “gap” described above.

CLT’s usually retain title to land, reserving ownership for the public good and offering long-term (often lifetime and inheritable) leases to qualifying individuals. Because land trusts wish to align the use of their lands with their mission and values, there is usually a vetting or application process for farmers wishing to rent land. These tenure

arrangements can mimic land ownership by providing lifetime and inheritable leases, and giving the farmer ownership of any buildings or other infrastructure that they establish on the land. The ability for a working farmer to earn equity, in addition to operating a farm and affording basic living expenses, makes possible a fair livelihood and reasonable retirement.

Consider the case of a working farm, whose owners become ill or wish to retire, and whose underlying real estate becomes too valuable to maintain agriculture as its “highest and best use.” The community may come together and raise funds to purchase that land, transferring title to a local CLT. The CLT, in turn, ensures that the residence and agricultural infrastructure are in sound working condition, and goes out in search of a qualifying farmer to inhabit, steward, and earn a living from that farm. The two parties negotiate a long-term or “lifetime” lease, usually between 40 and 99 years, and often with the option for the farmer’s children to inherit the lease. They draft a careful agreement whereby all improvements to the farm house, buildings, and other infrastructure may be owned by the farmer, with a formula to account for investment and deterioration, and safeguards to ensure that baseline standards are kept up and that excessive improvements cannot be recovered. The Community Land Trust monitors the farm and maintains a close relationship with the farm family. The farmers benefit from land security without the excessive debt burden of ownership, and the community is assured that a new generation of farmers will eventually carry on that farm’s legacy.

In summary, conservation land trusts and community land trusts have as much in common as they diverge. They are generally locally-based and democratically structured. Both kinds of groups are generally funded by a mix of private donors, foundations, and government. Both are playing crucial roles in the preservation of working land and benefiting from the connections between farmland access, food security, and healthy communities. Let us urge and work with them to ensure that a vibrant community of sustainable farmers and ranchers continues to have access to these lands—for all our sake.

Roles for Land Trusts in Improving Farmland Access and Farm Success

Preservation of Farmland for Future Use

Land trusts play a crucial role in taking overpriced agricultural lands off the open market, or preventing non-farm development on those lands via the use of easements. As non-profit organizations, they do this work for the public good, and usually more permanently than do local and state land use laws. They have raised public awareness about the collective values of open space, habitat, carbon sequestration, productive soils and food security, water quality, history, and working landscapes, and often work in concert with the public sector to serve their communities. They also have great potential to offer

services to producers—especially beginning farmers and ranchers. Some land trusts provide linking services- alerting farmers looking for land to new farms that come on the market. Others lead farm succession trainings for older, land-rich and cash-poor landowners who need to retire but want to see their lands stay in agriculture. Land trusts may hold agricultural conservation easements (discussed above in more detail) to ensure that the land remains available for agriculture—and in some cases actively farmed and affordable to future generations. Or they may retain title to land and lease or sell it on favorable terms to farmers or ranchers.

More Affordable and Favorable Land Leasing/Buying

For several reasons, land trusts can offer more affordable land purchase and leasing arrangements to farmers. First, because land trusts are operated as not-for-profit organizations and some or part of their land purchase costs are generally funded by outside entities, they can decide to account for the public benefit of a farmer's stewardship in determining lease values (by offering reduced rents) or sale prices (by retaining a conservation easement). However, raising the funds for these kinds of transactions can be a significant challenge for local land trusts, and the transaction costs on a small farm are often as costly as they are for larger acreages.

In the case of leasing, land trusts can (and usually do) offer much more favorable lease terms for farmers than traditional short-term arrangements. Community land trusts are known to offer lifetime, inheritable leases, providing the security of land ownership required for farmers to invest in infrastructure. The possibilities for customizing a lease agreement to fit the needs of the farmer are extensive, and land trusts and their farmer- lessors are increasingly pushing the boundaries of traditional lease arrangements.

Farm Incubators

Some land trusts have taken on an even more involved role in beginning farmer assistance - addressing not just the challenges of finding and acquiring land and financing, but the whole gamut of challenges that farmers face when starting a new farm. The Peconic Land Trust on Long Island is one example - they recently established a farm incubator program as part of their broader Farms for the Future program that connects farmers to affordable land leases and purchases. As with technical assistance, the experiences of running a land trust (and, of course, access to land that this brings) positions land trusts very well to administer these important new farmer training services. As land trusts mature, this could be a more common service offered to local communities.

Technical/Legal Assistance to Farmers

Because land trusts must become so skilled at negotiating the legal and financial details of purchasing, selling, and leasing land, they are well positioned to help farmers

negotiate these details as well. More progressive and established land trusts are already doing this- not just linking farmers to land purchase or leasing opportunities, but guiding them through all of the business planning, financing, etc. that is a part of the process.

How to Get on Conserved Land

If you operate with a strong land conservation ethic, and would like to explore the possibility of leasing or buying land that is protected by a land trust, start with the obvious: find out who your local land conservation groups are, be they private non-profit land trusts, or public parks or other conservation districts/agencies. Find out if they have staff in charge of leasing, a standardized RFP-process, or if they can tell you of any properties for sale. If you know of an owner whose land holds significant conservation value (significant acreage, multiple parcels or potential for such, prime soils or habitat, key water rights or riparian access, contiguity with other protected lands, etc.), and the owner wants to work with you, find out if there are any groups who would consider purchase of a conservation easement-- thus reducing the eventual sale value to you (but keep in mind, funding for easement purchases has become scarily scarce). It can take up to a few years to complete a transaction like this, often requiring short-term bridge financing and some expensive payments for farmers for a while.

If the landowner has deep pockets and might enjoy some tax shelter, connect her to her local land trust to consider a “bargain sale” to you, with donation of an easement to the land trust. This can help landowners with a strong conservation ethic ensure that their legacy won’t be squandered by heirs who would sell off the farm for vineyard estates or suburban developments. If the owner has no heirs, she’s a great candidate for a charitable remainder trust: the landowner puts the land into a lifetime trust, she gets a return on that investment (a percentage interest on the asset) but then upon her death, the farm can be donated permanently to an agricultural land trust, thereby protected from development and ideally made available for secure tenure to farmers. The estate-planning tools implied in a deal like this are complex and warrant good legal advice-- but for an elderly landowner looking to ensure that the land stays in farming forever, there are some real options here. And sometimes it takes an enterprising younger farmer, with the resources introduced in this book, to bring those options to the owners’ attention.

If you know of a farm with strong historical, educational, or other lovable value to its local community, consider finding a community land trust (CLT) that would consider undertaking an agricultural project. CLTs have even been known to form *in order to bring about* a specific transaction like this. As mentioned above, CLTs are the right organizations to hold land for the purpose of providing affordable, secure, long-term

tenure with equity-building options to young farmers. For resources on how to draft a radically useful lease, see the section on lease templates in the references chapter at the end of this guidebook.

CHAPTER 5

FINANCING BASICS AND FARM CREDIT FROM TRADITIONAL SOURCES

Land. Infrastructure. Inputs. It doesn't take long to realize that farming costs money, often a lot of it (especially at the beginning), and often at times of the year when there is little money coming in. Even once the hurdle of acquiring land is overcome and initial infrastructure investments are made, it takes time for the farm to start bringing in any cash simply due to the slow and seasonal nature of growing living things. As you build your business, you can smooth out your annual cash flow with season-extension hoop houses, value added shelf-stable products, and frozen products like beef, but for many of us getting started and still developing our infrastructure, having cash for investing in development of more lucrative products and smoothing income through the slow season is critical. Spring can be lean and mean, and if money is tight when the tractor breaks down, not having money can be very expensive.

Without a major fortune to draw from, borrowing money can be the best way to initially grow your business, or accomplish the goal of farm ownership. Some form of credit-- whether money you borrow to make your initial land purchase or to smooth out operating expenses over the agricultural year-- will likely be involved in your farm at some point. This chapter is a brief lesson on credit and how to make it work for you.

Credit Basics

Credit is just moving consumption around in time. You spend money that you will have in the future (gotta be sure about that), and you pay someone else for that privilege.

A Good Credit Rating In and Out of the Mainstream Economy

Keeping a good credit rating in the mainstream economy may well prove important in your life, even if it seems like you live outside the mainstream economy as an underpaid intern living mostly off the books in a rinky dink trailer on a ranch without septic. You may well need to borrow money in the future as a farm owner, so try not to mess it up for yourself by getting forgetful with your credit card bills. If you haven't held down a normal job, have moved around a lot, or have earned very little or inconsistently, in all likelihood you don't have a strong credit rating. You can work to build a better credit rating by getting a credit card, and every month paying on time. There are also countless non-profits that work to support you with credit woes. See the Resources section for that.

Remember that credit also exists in the alternative economy. This may be more intuitive or less intuitive for you-- but your day-to-day actions matter too. If you volunteer in the

fire department or town council, show up and do dishes at community events, sing in the choir or manage a carpool for all the kids, everyone will know you to be reliable-- and will be much more likely to lend you a piece of equipment if yours fails unexpectedly. This means that you'll have a more resilient farm over the long run, and can sometimes squeeze through emergencies with the help of friends rather than bankers and credit cards. Not to say you should behave as a friendly, community-minded person just to improve your chances of getting help later, but be aware that if you isolate yourself on your successful farm- as a newcomer or a native- you may be closing doors on opportunities you can't yet imagine (plus you'll miss out on a bunch of fun and gossip).

Debt and the Precautionary Principle

The precautionary principle: the precept that an action should not be taken if the consequences are uncertain and potentially dangerous.

When you have debt, you are not free to walk away. If you have no debt, you can sell your animals and equipment and decide to travel in Uruguay, you can tend to an elderly parent, fall in love and move across the country, pursue an advanced degree or start an activist campaign. It is important to remember that debt is legally binding and, in our society, almost inescapable. Take the time to clearly and honestly evaluate your goals to make sure that taking on debt makes sense for you.

Borrowing from Uncle Sam

Capitalism may rule the world, but it's long been acknowledged by the US government that agricultural banking needs special treatment. Both the Farm Service Agency (a government-subsidized lending agency under the USDA) and the Farm Credit System (established by Congress in 1916) operate under charters to support farmers. There are earmarks in both programs which explicitly support beginning and socially disadvantaged farmers. These institutions exist because agriculture is (was) considered the foundation of rural American economies-- and even to the American democratic ideal (think amber waves of grain)-- yet traditional lenders have a hard time reconciling the high risks of farming with their for-profit lending objectives. So the following institutions were set up to fill in the gaps.

Farm Service Agency (FSA)

What we currently know as the Farm Service Agency (previously the Farm Security Administration) was founded during the Great Depression as part of Franklin Delano Roosevelt's New Deal and the total reorganization of agricultural programs in this country. The depression created a hostile environment for farm businesses with the

terrible consequence of hundreds of thousands of farm bankruptcies and farm families thrown out by the banks. Many of them moved off to California to work as seasonal laborers in the plantation agriculture system there; many left for cities and factory jobs.

The high land prices, low food prices, and high energy and input costs in the current economy are similarly challenging for American farmers today. Though many growers choose to participate in commodity programs that do offer some shelter from market risks, unlike during the Great Depression era today's American farmers no longer have a comparable demographic or political force with which to shape these programs. We may have a strong market for local, sustainable and organic foods, but the major stakeholders that dominate the agenda in the Farm Bill and food economy are large corporate entities. As commodity production and processing have become consolidated, producers have less and less choice about what they grow, how they grow it, and how they sell it. Though many of you reading this will be setting up to serve direct markets, regional markets and CSAs, it is important to remember that the majority case will inform the loan officer- and that the loan officer is most comfortable dealing with known units (corn-soybean rotation, cow-calf operation, etc.), as these constitute the majority of their business and the easiest paperwork.

HOW IT WORKS:

The FSA offers direct loans to farmers that meet their lending criteria to finance ownership costs (purchasing land, major construction, soil and water conservation, etc.), operating costs (purchasing inputs, animals, insurance, etc.), and in the case of an officially declared emergency. The FSA also guarantees loans through outside lenders for farmers to implement NRCS conservation practices.

The FSA's Farm Loan Information Chart⁶ is an easy access key to the different financing programs available, and their terms. If you find a particularly truculent FSA officer, you may find that your NRCS agent is familiar with programs at FSA and can help guide you, or you can talk with regional sustainable agriculture groups in your state or nearby states for guidance.

Under the relatively new Land Contract Guarantee Program⁷, the FSA guarantees loans by third party agricultural lenders to beginning and socially disadvantaged farmers to purchase land. In simpler terms, FSA would back up a lease to own agreement between two parties. This allows lenders to loan to farmers that they would otherwise be financially unable to lend to. The Maine Farmland Trust is looking into the potential for this program to allow service providers like themselves who already work with beginning

⁶ http://www.fsa.usda.gov/Internet/FSA_File/loanschartoct12.pdf

⁷ http://www.fsa.usda.gov/Internet/FSA_File/lc_guarantee_program.pdf

small farmers, but who have not previously been able to finance loan programs, to do so. If organizations such as the MFT can offer loans this way, they can potentially open up the playing field for financing to these groups.

WHO IT IS FOR:

People who are great at navigating bureaucracy, and with significant farm business experience, good credit and solid assets. People who want to take out bigger loans at a very low interest rate (1.25% for FSA).

PAYING FOR IT:

In practice, FSA loan programs are often ill-structured for small and beginning producers, as many farmers have discovered after a visit to their local FSA agent. “Small” farms to many FSA officers mean 300 acres of row crops as opposed to 1000; small-scale diversified operations often fall into the unfinanceable category of “hobby farm,” or are otherwise too small to be worth the FSA agent’s time. There are stringent requirements for farm managerial experience and training, as well as long processing periods and large loan amounts that often make these programs inaccessible and unappealing to small-scale and young farmers. The FSA is making an effort to better serve small farmers, but the execution on the ground is spotty and depends largely on your local FSA agent. If your agent is less than helpful, do your own homework and go to them fully informed and ready to do some polite advocacy. Their rates are the best on the market, but if you aren’t having luck pursuing this option there may be better ones for you. Know that the FSA recently lost a major discrimination lawsuit against Black Farmers of America, and that they are supposed to be improving their practices. If you feel you have been unfairly treated please tell your local sustainable ag non-profit about this, and tell us Greenhorns too.

The increasing attention to local food economies and diverse producers has led the USDA to expand their financing options to these underserved farmers somewhat. FSA has funds specifically dedicated to financing beginning farmers and ranchers, and, in summer of 2012, the USDA proposed a new microloan program for beginning farmers that reduces management experience requirements and paperwork for loans up to \$35,000⁸. How many funds, and how much of a departure this program will be from the status quo, remains to be seen.

You can improve your odds with the FSA (and for business success) by doing a few things:

⁸ <http://sustainableagriculture.net/blog/for-immediate-release-nsac-comments-on-proposed-usda-microloan-program/>

- Show up in clean clothes, looking professional, with your paperwork in order, with a strong resume and firm handshake.
- Take business planning classes to prepare your business plan. Holistic Management International is such an organization. Lots of the organizations listed at the beginning of our Resources chapter also offer such classes, as do extension offices, community colleges and many rural upliftment programs.
- Keep good financial and production records. Keep all your invoices if you sell products at prices above commodity price point, especially for organic production and the CSA model.
- Have a specific plan for your loan: how much you need and what you will do with it, including a researched budget. Also a plan for what you will do if things *don't* go according to plan. Make sure to plan for timely payback.
- Apply early - plan for at least six months before you will need the money.
- Have a realistic, thoroughly researched farm plan.
- Know your own credit history (but don't pull your credit score too often-- it can actually count against you).
- Build a positive relationship with your lender- start talking early, be prepared, and follow through with your action steps.

HOW TO FIND IT:

FSA agents are listed on the SYCF map of the Greenhorns, also findable in your county NRCS/USDA office, and online at www.fsa.org. Organizations such as MOFGA, California Farmlink and others have worked in setting up relationships between beginning farmers and these agencies. They can reflect with you about what makes you a good candidate or not for this kind of funding and often know the most approachable officer in your area.

Other USDA Grant and Loan Programs- the Farm Bill

Outside the parameters of the FSA, there are many programs funded through the farm bill that seek to offer financial assistance to farmers in different ways. The biggest such program is money for implementing conservation practices, but an increasing variety of Farm Bill programs offer funds for “specialty crops” (fruits and veggies), direct marketing, and more. Examples include Value-Added Producer grants, high-tunnel or fencing matching funds, conservation payments for cover cropping, rural development grants, and cooperative development grants. If you are someone who is good at grant writing during the winters, this could be a valuable service to your own farming operation, or for others in your community.

The National Sustainable Agriculture Coalition's Grassroots Guide to the Farm Bill⁹ offers information on those programs that are appropriate and accessible for small and beginning farmers. Unfortunately, the Farm Bill drama of late 2012 puts in danger many of the newer programs that did address small and beginning farmer needs and potentially cuts funding to conservation programs. We hope that these resources will be renewed in 2013, but time will tell.

Farm Credit Network

The Farm Credit Network, or Farm Credit System, is a quasi-governmental network of banks established in the 1910's that works nationally to provide credit to farmers and farm businesses. Farm Credit East has a pilot Farm Start program¹⁰ geared specifically towards young and beginning farmers. In November 2012, The Farm Credit organization issued a "top-down" booklet to its loan officers, essentially urging them not to discriminate against local food producers, entrepreneurs, and unconventional CSA farmers. This document is a big development- consider printing it out¹¹ and stapling it to the back of your paperwork.

These developments from the higher-ups of Farm Credit are positive for giving small farmers more equitable access to financing. However, their priorities are rooted in conventional approaches and discourses about agriculture. If you are an applicant to Farm Credit, it's good to know where they are coming from. From this video¹² you can easily see what perspective the leadership of this organization brings to their lending. Position yourself accordingly.

Alternative, Non-Governmental Lending Institutions

As other folks and organizations have realized that conventional agricultural credit resources often do not meet the needs of small, diverse and beginning farmers, some have created loan programs tailored towards these producers. Some organizations that work to support sustainable and small farmers offer grants as well as loans (especially agriculture and community development programs). Resources geared towards small business development also can be used for farm business financing. AgStar is one cooperative that provides financial services, business tools, and loan programs for

⁹ <http://sustainableagriculture.net/publications/grassrootsguide/farming-opportunities/>

¹⁰ <https://www.farmcrediteast.com/en/Products-and-Services/FarmStart.aspx>

¹¹

[http://www.fca.gov/newsr.nsf/67293ee60f80035a8525797d005cd6f1/4e39535f4b68e1ae85257a9400633f82/\\$FILE/BL_066_Local-Regional_Food_Systems_10-11-12.pdf](http://www.fca.gov/newsr.nsf/67293ee60f80035a8525797d005cd6f1/4e39535f4b68e1ae85257a9400633f82/$FILE/BL_066_Local-Regional_Food_Systems_10-11-12.pdf)

¹² <https://www.farmcrediteast.com/en/Products-and-Services/Video-Insights/Northeast-Agriculture-The-Next-Ten-Years.aspx>

young, beginning, and minority farmers¹³. California FarmLink is the first land-link organization in the country to offer FSA-guaranteed loans, with a mission to catch farmers not adequately served by existing lenders. Northeast Beginning Farmers has a great web page that lists many more farmer finance resources¹⁴.

Other Factors to Finding a Good Land Deal

Whether you negotiate your finances with a government program like the FSA or another one of the options discussed above, it is worth being well-informed about incentives and benefits for landowners selling to beginning, young, or socially disadvantaged farmers.

Farm Succession Planning

If you are working with family or retiring farmers, which we highly recommend, there are plenty of resources available to help think through the transition. Farm Succession planning, meaning passing of a farm operation from one operator (or generation of family) to the next, often involves estate taxes, deferred payments, and other methodologies to preserve the infrastructure, land, working capital, and fairness to siblings. It is a complicated and involved process for which there exist good programs, thorough PDFs, and informative workshops. Land Link organizations are a good source for these types of tools. It is somewhat outside the scope of this guidebook as we are focused on new land access from the vantage point of new farmers, but we have been very impressed with the research we've done in this sphere; it is solid.

Incentives for Land Rental and Sales to Beginning Farmers

A crucial factor in beginning farmer land access is that retiring farmers be willing to sell their land to this new generation, rather than the developer that might offer them the highest price or fastest return. There is much potential for federal, state and local governments to encourage the sale of farmland by retiring farmers to beginning farmers through tax breaks, loan guarantees, and other incentives. Currently land deals involving land trusts or other parties can take many months to go through, which is a serious disincentive to sellers.

A federal example of this is the Beginning and Socially Disadvantaged Farmer and Rancher Land Contract Guarantee Program (administered by the FSA), which provides federal loan guarantees to retiring farmers that self-finance the sale of their land to a new farmer. This is one of the many very valuable programs added to the Farm Bill in the last couple of reauthorizations.

¹³ <http://agstar.com/enhancingamerica/youngbeginningfarmers/Pages/default.aspx>

¹⁴ <http://www.beginningfarmers.org/funding-resources/>

At the state level, Iowa and Nebraska offer a Beginning Farmer tax credit to any landowner that leases land to a beginning farmer. Both states also offer a tax credit to lenders that loan money to beginning farmers for the purchase of land, allowing the lender to provide a lower interest rate to their borrower (the “Aggie Bond” program). Aggie Bond programs exist in many other states as well.

The USDA Transition Incentives Program (TIP)¹⁵ pays retired or retiring farmers enrolled in the Conservation Reserve Program to sell or lease to a beginning or socially disadvantaged farmer. The USDA Transition Reserve Program (TRP) helps landowners who have land in Conservation Reserve Program (CRP), usually marginal land for crops, keep getting payments on that land by leasing it to graziers or beginning farmers. In some cases this could be abused to put more land in row crops, but in other cases it can allow graziers (goats, small beef operations) get a foothold in an area where most of the land is owned by croppers (like in the Paluse region of Washington State) and farm those areas most suitable to grazing and least suitable for tillage (steep slopes, gorges, soggy bottoms, riparian areas, narrow valleys etc.)

¹⁵ http://www.fsa.usda.gov/Internet/FSA_File/tipfactsheet.pdf

CHAPTER 6

ALTERNATIVE AND COMMUNITY-BASED FINANCING

Central to the concept of localized, community-based food systems is the idea of community investment in local agricultural enterprise. Farmers are investing in the community by growing healthy food, protecting and enhancing the local ecology, and working very hard on tiny profit margins to do so. The benefits of good farming extend beyond the borders of the farmer's farm, and the actions taken by that farmer have enough community importance to warrant community investment- but often we are trapped by the dominant market paradigm. This paradigm excludes values and goods produced that are fundamental to a community-based farm business.

Community members can support these community goods not just by buying CSA shares and shopping at the farmers market, but by investing in farm enterprises in other ways. If you are a local farmer looking for financing to buy land, ask for interest-free loans from community members, or donations. As alternative food economies gain traction in communities across the country, innovative and plucky solutions for financing farms at the local, grassroots level are being invented and implemented as you read! We hope to learn about more and more of these and to revise this guidebook as new models become available for farmers. The rest of this chapter will review some existing options for farmers seeking credit outside the more traditional avenues discussed in chapter five. We will cover both alternative-type loans and non-loan options.

Community-Based Financing Lingo

Community financing: Financial capital exchanged directly between farmers, food processors and people or other entities within their communities. Its fundamental purpose is to enable the creation of products and services for the benefit of the community.

Community capital: Includes human, environmental and financial capital.

Patient capital: Money that can be invested or loaned to the business owner on terms allowing for deferred repayment of principal. These terms can be customized according to the capacity of the enterprise to generate cash flow for repayment of obligation, or to provide other benefits to the lender and community.

Alternative Loans, Agreements, Contracts

It is possible to get a loan without jumping through bureaucratic bank hoops or paying high interest. Below are several potential sources and strategies for those looking to go this route.

Community Development Financial Institutions

CDFIs are financial institutions that provide credit and financial services to low-wealth communities that are underserved by traditional banks-- for example, most rural communities. These include community development banks, credit unions, targeted loan funds, venture capital funds, or corporations - they just have to be certified by the US Department of Treasury as serving the community development mission (they also then receive funds from the Department of Treasury to carry out their programs). Three examples of programs targeting farmer and small rural business enterprise are the Equity Trust Fund, Coastal Enterprises Inc, and the New Hampshire Community Loan Fund.

Community Development Corporations, a type of CDFI, are non-profit community-based organizations that carry out community development projects in their area, focusing on socially disadvantaged populations. Some CDCs will work in the realm of agriculture, and can offer small business loans or financing assistance for local producer cooperatives or value-added projects. Coastal Enterprises is a CDC (it also carries out investment and venture capital projects). Another example of a CDC working on local agriculture infrastructure is Lake County Community Development Corporation in Montana.

Historical Note: Jazz Insurance Schemes, or community supported insurance.

During segregation, progressive African American communities founded social and benevolent societies and associations to support one another with a form of community insurance. These societies held weekly gatherings, at a cost, and the money was used to provide for community members, elders, the sick in times of hardship, to pay for burials etc. Blacks at this time were denied entry to formal insurance in this country. The associations were social in nature, and many housed in little dance halls that also employed musicians to entertain. The Dew Drop House on Lake Pontchartrain is considered the oldest remaining such “jazz hall” that provided a cultural meeting place and sustained the musicians during a golden era for Jazz.

The Promissory Note

This is a formal, written contract for repayment of a loan at a certain rate, over a certain period of time. The “maker” of the note is the one borrowing the money, the “holder” is the one who is owed money. They are very useful in community financing arrangements because the terms of repayment can be defined however the writer wants them to be. You can also borrow/loan without interest.

When drawing up a promissory note for loan payback terms, use the sample documents available, making sure that the core elements of the contract are present, and all terms for the agreement are clearly defined. It’s a safe bet to have an attorney look over the note to ensure that its terms are what you intend, and also tell you if it is subject to regulation as a security. Figuring out whether or not a promissory note qualifies as a security can be complicated. The UVM Guide to Financing the Community Supported Farm¹⁶ discusses federal and state securities regulations in detail, and has a chapter dedicated to promissory notes as well as sample documents in the appendix.

Revolving Loan Funds

This is a pool of money that is available to borrowers on a revolving basis- when one borrower pays back their loan, that money is then available for a new borrower. These loans usually operate at the state or local level, and operate through either government agencies or non-profits that administer the fund. The lending entity is able to offer borrowers a lower interest rate than most banks, as they are not seeking to make a profit off of the transaction and are funded by socially motivated lenders that do not demand a “competitive” rate for return on investment.

A few examples are NOFA-VT’s revolving loan fund¹⁷ for equipment and working capital, Equity Trust’s Equity Trust Fund¹⁸ and Woodbury County of Iowa’s revolving loan fund for interest-free land purchase by organic producers, inspired by the original Homestead Act.

Peer-to-Peer/Microlending and Microfinance

The thinking behind microfinance is that small loan amounts can trigger new business development that creates jobs, new services, and economic activity in a very efficient way with little risk for the investor. Small businesses are a great source of innovation, job growth, and opportunity for the new economy. These loans can come from many places: they can be “peer-to-peer” transactions (whether the two participants know each other or not) made through personal networks, community or regional organizations, or

¹⁶ <http://www.uvm.edu/newfarmer/?Page=business/community-supported-farm-guide.html&SM=business/sub-menu.html>

¹⁷ <http://nofavt.org/programs/farm-financial-resources/revolving-loan-fund>

¹⁸ <http://equitytrust.org/equity-trust-fund/>

an online peer-to-peer lending site such as [Kiva.org](https://www.kiva.org). Often, these loans are interest-free; lenders are acting upon motives other than profit (personal ties, desire to support community/sustainable land use, etc.) and so do not collect interest.

Kiva is a non-profit lender working to provide start-up capital to entrepreneurs in a rapidly expanding microfinance field. [Kiva.org](https://www.kiva.org) has been helping us think through small-number lending for farmers. There are now a few organizations that can give you a 0% microloan-- at Kiva Zip you can get up to \$5,000 dollars through their pilot USA program. Greenhorns and Kiva have been doing a pilot program called Basic Takeaway: 0% interest business startup loans!

HISTORICAL CONTEXT: Grameen Bank

Grameen Bank began offering microloans to the rural poor in Bangladesh in the late 1970s, providing lending services to those typically considered unfit as borrowers. Grameen loans do not require collateral or other binding legal agreement for payback. They instead rely on trust, establishment of support networks, installment payments, and savings programs. The Grameen Bank was originally sponsored by the central bank of Bangladesh and nationalized commercial banks. It eventually was made into an independent bank by government legislation. Ninety percent of the bank is now owned by the rural populations that it serves, and ten percent is owned by the government. Grameen Bank is considered a major and successful wedge against poverty, helping the rural poor (especially women) start up enterprises, improve agricultural practices, and afford schooling for their children.

Social Impact Investors

Social Impact investing describes a smallish sector of the investment community that is interested in putting money into enterprises, businesses and assets that net a social, environmental, or other “good”-- usually alongside a financial return. These goods might be things like women’s small business development, wind power, soil carbon, sustainable farming and agroecology in areas of deforestation, etc. Relevant to small farmers are those investors that wish to invest in either a business, or in land that they subsequently lease or sell to responsible farmers. Many times these investors are focused on a particular region or issue.

Social impact investors are interested in putting money behind initiatives that shift the structure of "business as usual" in a way that generates the outcome they are looking for. There are many formal funds, institutional funds, and other project formats that work in these areas. Many are internationally-oriented and usually there is strong emphasis

on outcome and how scalable the investment is. There are about 1,000 self-identified impact investment funds worldwide, and the number is growing quickly.

Some, such as RSF Social Finance¹⁹, offer loans to both farmers and organizations. Some of these work with private investors who buy farmland with the goal of transitioning it to sustainable and beginning farmers. The Land Connection²⁰ and New Spirit Farmland Partnerships²¹ are two LLCs currently operating with this model in the Midwest. Investors rent the land to farmers who fulfill their criteria for responsible long-term production, sometimes with the eventual option to buy. Northeast Farm Transfer LLC, run by former Director of the organization Land For Good, is just starting up. They don't have a website yet but check Land for Good to find them.

Slow Money

"Slow money" is a part of the broader social enterprise movement, and works to promote the idea of investing locally in sustainable enterprises. The Slow Money Alliance²², an organization that seeks to build local and national networks to connect slow money (think investment mashed up with slow food) investors to local farm and food business entrepreneurs. The idea is to create a new investor culture of "nurture capital," built around principles of carrying capacity, care of the commons, sense of place, and nonviolence. The Alliance has formed 14 regional chapters, which host lots of regional events to connect investors to entrepreneurs. You can locate a chapter near you through their website. Slow money is starting to invest in farmers, slowly. Slow Money NYC has an investors group²³.

Farmland Investment in the Global Market

Many investor groups are focused on long term, safe investments for their clients. Investor groups include the institutional (Yale University), individual (high net worth individuals) and hedge funds (strategic portfolios designed by fund managers and sold to high net worth individuals). Land has always been an investment opportunity, and particularly in areas of continuous land value growth (such as California) it can be seen as far safer than investing in the marketplace. These investments may also serve to balance volatility in other areas, such as in an endowment situation. Yale University, for instance, has invested heavily in western forest lands- they can reliably yield revenue via sustainable forestry on that land, at a lower rate than with other parts of their portfolio but in a way that is at least slightly decoupled from the stock market.

¹⁹ <http://rsfsocialfinance.org/services/lending/overview/>

²⁰ <http://www.thelandconnection.org/>

²¹ <http://newspiritfp.com/>

²² <http://slowmoney.org/about>

²³ <http://slowmoneynyc.org/nyc-lion.html>

International Investment

Another category of investor is reacting to predicted shortages of agricultural land and production in places like the Middle East and China. These are populations of increasingly prosperous, meat-hungry eaters whose own nations are not amply supplied with arable land. So investors are buying (often directly from African nations) large tracts of land for commodity production, biofuel production, as well as the usual forestry, mining and minerals. In many cases these deals are questionable on ethical grounds (they may suck deep groundwater for export crops drying up shallower wells of local food producers, or displace native populations practicing subsistence farming in order to flatten the land and prepare it for vast monocultures of palm oil). These practices are often called "LAND GRABS". The Earth Policy Institute and Oakland Institute have both investigated and written about this disturbing trend.

Domestic Land investment

Here in the United States, particularly since 1950, the majority of our nation's agricultural land has come to be owned by non-farming land owners. Farmland ownership often comes with tax benefits, and if the land stays in production it can be managed to lose money and thus absorb tax gains in other areas. Land that stays in conservation/managed wildlands, wildlife habitat, forest, etc. can be used as a hunting reserve, and may receive federal payments from NRCS or other agencies. Arable land can be leased out to farmers-- again benefiting from the direct payments, subsidized credit, and subsidized crop insurance policies of the Farm Bill to generate wealth for the landowner. Environmental Working Group did an amazing "sunshine map" showing the home addresses of the major beneficiaries of USDA direct payments: it shows thousands of beneficiaries of "farm-support" programs actually live in places like New York City, Chicago, and San Francisco. They are not farmers at all, but they are farmland owners.

Absenteeism has many impacts on agriculture in this country, the one we are focused on here is access to land for beginning farmers. In Iowa, the percentage of farmland owners who are non-residents or who only reside part-time in the state more than tripled from 1982 (6%) to 2007 (21%) (UVM [FarmLASTS Project](#) report). Where estate farms crowd the 200-mile "golden donut" around major metropolitan areas, landowners have no incentive to lease to vegetable farmers or grain farmers, so the common outcome is commodity corn, hay for horses, wine-grapes, and big big lawns. There are jobs in all these landscapes, but they are not landscapes that provide opportunity for sustainable, regional food production.

Non-Loan Options

Low-Interest Credit Cards

Many of our friends and fellow greenhorns have managed seasonal cashflow issues (ie springtime expenses) by using low interest credit cards, and hoping to have enough earnings in the bank once the trial period comes to an end, paying it all off, and starting fresh next year. Beware! Credit cards are the #1 danger for spiraling debt payments--an error in judgement can sink you. This is risky behavior *and to be avoided if at all possible*.

If you are in trouble with credit card debt, there are public-service organizations (like Consumer Credit Counseling) that work expressly in this area, to help consolidate payments and get you on the path to a solid financial situation.

Crowdsourcing Fundraising- Kickstarter, IndieGoGo

Crowd-sourced fundraising tools can help farmers raise money (on a gift basis) for their project or business. There is a certain level of transaction time that is inevitable when you are dealing with making a movie, a proposal, incentive gifts, and then promoting the campaign via social media etc. If you have support in these areas, it can be a good match for a discrete, concrete, charismatic project on your farm. One thing to know about Kickstarter funds is that the money is taxable as a gift, and it is processed by Amazon, so you must calculate at least 7% overhead for processing, as well as the outreach, gifts, correspondence, video production and screentime. Not to say don't do it; there are advantages to raising your media profile and explaining the needs you face to the larger ag community or local community--but it isn't the best choice for everyone. Also, it helps to have an easily defined (and appealing) project or goal to fundraise for. Kickstarter is very supportive of food projects and you can optimize your viewership by getting early support for your project with your own social network, so that they bump you to the home page and you get your project in front of the maximum viewership.

Credibles - Pre-Payment System for Farm Goods

Credibles is a web-platform based 'interface' that connects investors to farmers and food businesses that are looking for cash. A person "invests" money (pre-pays) and gets credits (credibles) for future purchases at the specific farm or business from which you bought them, or sometimes at other businesses that have also sold credibles to other buyers. Its a great idea but important to think through the logistics of repayment.

Since the audience of investors they are promoting to live mostly in NYC and San Francisco -- getting the food to the investors is an issue for rural farmers. Think this through carefully before you proceed--- A workaround might involve a seasonal basket of goods (ie hampers with turkey, root vegetables, preserves etc.) a big value one time

delivery (or early delivery for many years running). Then you can contract with a delivery company to get those baskets to the city.

Though this may seem basically the same as you loaning money to a business and them paying you back in food, under tax law pre-paying for food is much more straightforward a transaction than being paid back for a loan. That's because income from that pre-payment is taxed, whereas loaned money (the principle) is not. So basically, if you are going to do a DIY credible sort of arrangement, make sure you are clear on that distinction and avoid the more messy tax situation (do it as a cash transaction).

Amish and Mennonite Models

Many of us are familiar with the term “barn-raising”. What you might not know is that Amish farmers today, when living in a community of fellow Amish, can still be assured such support should their barn burn down. The Mennonite community in the USA is very strong, and when the community grows bigger than 150 persons the elders find a new piece of land to develop a farm on, and start setting up a new colony. The community is divided in half, and a coin is tossed to see which people go where. The mother hive in this way initiates the new hives and allows for growth of the Mennonites and opportunity for young people. Mennonites also have their own credit unions.

IDAs (Individual Development Accounts)

The point of this program is to teach you to save money and manage cashflow, to reward you for doing so, and to help you invest in your business. You save \$100 dollars per month, and at the end of a year or two the holder matches your savings with an additional grant (usually doubling what you've saved). This program started as a way to help low-income women manage their finances, but has crossed over to farming. Over the course of 3 years, saving \$100 per month you would come away with \$10,000 that could be used to buy a tractor, or other farm implement.

California Farmlink runs an IDA program in California as does Practical Farmers of Iowa. California FarmLink helped get the program approved in our national Farm Bill-- now we just need to see it funded. The National Young Farmers Coalition is strongly in favor of IDA's, as are many other beginning farmer advocates. Although this program has shown great success for women in poverty, it has not yet been widely adopted by the farming community, as Farm Bill funding would need to be matched by local funds.

Conservation Grants

The USDA's Natural Resources Conservation Service offers cost-share programs to farmers and landowners, as incentives to implement conservation practices. The oft-used Environmental Quality Incentives Program, along with others, offer a host of opportunities for tree, hedgerow and other plantings to attract pollinators and other beneficial organisms; filter strips and other water-quality plantings; cover-cropping; and even farm improvements such as fencing, irrigation, and high-tunnels! Note that the NRCS endeavors to level the playing field by offering beginning and minority farmers a higher cost-share (sometimes as high as 75%-90%)-- so this can be very worthwhile way to implement practices you would wish to anyway. It is beyond the scope of this document to list all of the cost-share programs and terms, but the NRCS website will help orient you, and relationship with your local NRCS planner²⁴ is the pathway to success.

Non-Profit Farming

Creating a farm that is owned by or run as a non-profit organization means that you can give a tax benefit to your patrons and supporters. You can start your farm as an educational non-profit, if education is your focus. The farms around many metropolitan areas have a focus on children's groups, birdwatchers, food access/ training programs for youth, and agritourism. These farm institutions are dealing practically with the fact that housing for their employees is very expensive, as are costs of living in a city, taxes and land prices. There is a ready 'market' for educational programming about agriculture, and they are serving that market and making use of the philanthropy that exists to support such work. One word of caution: there are hundreds of sustainable agriculture training farms, camps, and educational programs already in existence and already competing hard for funding- it is not easy work to raise money for programs (not to mention manage a board, report to funders, etc.) no matter how well you do the work, so don't take the choice lightly to go the 'non-profit route.'

²⁴ <http://offices.sc.egov.usda.gov/locator/app>

CONCLUSIONS: THINKING STRATEGICALLY

Having now read this briefing on accessing land (and hopefully having written yourself a homework list), you may well be asking yourself WHERE are my odds the best? People frequently ask us at Greenhorns "Where is the best place to farm?". We call this the Big Rock Candy Mountain Question-- lemonade springs where the bluebird sings! Where are there great land trusts but not too many deals pending? Where is there great land close enough to markets that I can cash flow my mortgage with vegetable production? Where can I find the opportunity I crave without being so far away from my family? These are exactly the kinds of questions that it makes sense to be asking, and will require some holistic goal setting- figuring out what you value most, how much risk you are willing to take, what kinds of crop mix will get your business plan to work, etc. We hope this booklet provides a bit of inspiration and direction to help you along on the road to your future farm.

RESOURCES AND FURTHER READING

The Loss of American Farmland

Farming on the Edge

http://www.farmlandinfo.org/documents/29393/Farming_on_the_Edge_2002.pdf

A brief but informative document detailing the loss of American farmland to sprawl in words, statistics, and maps.

American Farmland trust

<http://www.farmland.org/programs/protection/American-Farmland-Trust-Farmland-Protection-Farmland-by-the-numbers.asp>

The National Resources Inventory assessment of how much farmland has been lost to development between 1982 and 2007.

Finding Land to Lease or Purchase

Finding Land to Farm: Six Ways to Secure Farmland <https://attra.ncat.org/attra-pub/summaries/summary.php?pub=174>

A publication from ATTRA.

Center for Rural Affairs collection of Farm Link programs by state

http://www.cfra.org/resources/beginning_farmer/linking_programs

New Entry Sustainable Farming Project Farmland Matching Service

<http://www.nesfp.org/>

New Entry offers assistance with locating, evaluating and matching farmers to farmland in Massachusetts and surrounding regions. They work with both landowners and experienced aspiring farmers facilitate the location of land, financing, and development of leasing arrangements. In addition, we proactively work with our partner organizations, agricultural commissions, and other stakeholders involved in working agricultural landscapes in order to increase access to farmland for beginning farmers.

California FarmLink

<http://www.californiafarmlink.org/>

If you have 2+ years of experience farming and a clear idea of what you are looking for in terms of land, this organization can help you find it, connect with the landowner, and draft a lease or purchase agreement. They also help families with succession planning, assist new-entry farmers with business planning and financing options, and make operating and infrastructure loans to underserved farmers.

Finding a Farm to Buy or Lease

<http://nebeginningfarmers.org/2012/04/01/1-finding-a-farm-to-buy-or-lease/>

From the Northeast Beginning Farmers Project- a guide to finding land in New York, including a lease template, farm real estate brokers, and other organizations that can help finding land.

Land. Liberty. Sunshine. Stamina.

http://www.thegreenhorns.net/wp-content/files_mf/1335220206GH_landtenureworkshop_minicompndium.pdf

A mini compendium of resources for beginning farmers on the topic of finding sustainable land tenure compiled by the Greenhorns.

Tips on Agricultural Leases

Sustainable Farm Lease

<http://sustainablefarmlease.org/>

A site to assist landowners and farmers develop lease arrangements that are profitable and sustainable for the landowner, the farmer, the community, and the land.

Farm Leasing Tutorial from Land For Good

<http://www.landforgood.org/leasing/tutorial1.php>

Managing Landlord-Tenant Relationships: A Strategic Perspective

<http://ohioline.osu.edu/fr-fact/pdf/0004.pdf>

A publication from Ohio State Extension.

Lease Templates

Lease Agreement Template from Iowa State Extension

<http://www.extension.iastate.edu/Publications/FM1538.pdf>

Model Agricultural Ground Lease from Equity Trust

<http://equitytrust.org.customers.tigertech.net/wordpress/wp-content/uploads/2011/09/ModelAgriculturalGroundLease.pdf>; and commentary: <http://equitytrust.org.customers.tigertech.net/wordpress/wp-content/uploads/2011/09/ModelGroundLeaseCommentary.pdf>

Working with Land Trusts

Model Land Conservation Easement with Option to Purchase from Equity Trust

<http://equitytrust.org.customers.tigertech.net/wordpress/wp-content/uploads/2011/09/ModelAgriculturalConservationEasement.pdf> and

commentary: <http://equitytrust.org.customers.tigertech.net/wordpress/wp-content/uploads/2011/09/ModelEasementCommentary.pdf>

Equity Trust

<http://equitytrust.org/farms-for-farmers/>

An excellent selection of web-based, printed and video resources on land trusts and community land trusts.

The National Community Land Trust Network

<http://www.cltnetwork.org/index.php?fuseaction=Main.MemberList>

Provides a directory of CLTs throughout the country.

A National View of Agricultural Easements

<http://www.farmland.org/resources/national-view/default.asp>

A compilation of reports by the American Farmland Trust on the experiences of many different land trusts involved in agricultural easements.

American Farmland Trust collection of publications

<http://www.farmland.org/resources/publications/default2.asp>

A great collection of reports- scroll down to “Landowner Guides” for state specific, regional, and national reports geared towards land trusts and farmers and ranchers who want to farm conservation land.

Vermont Land Trust

<http://www.vlt.org/initiatives/farmland-access-program>

Their Farmland Access Program provides farmers with opportunities to purchase or lease affordable farmland. Candidates must have three years farming experience, references, and a strong business plan.

Castanea Foundation

<http://www.castaneafoundation.org/>

A non-profit that provides loans and acts as a land trust to facilitate conservation of agricultural lands in New York and Vermont.

Columbia Land Conservancy

<http://clctrust.org/working-farms/>

A non-profit based in Columbia County, NY that works with landowners looking for conservation easements. They also have a Farmer Landowner Match Program and a Farmer Adviser Program.

Farm Incubators

The Intervale Center, Burlington, VT

<http://www.intervale.org/what-we-do/farms-program/>

Tillian Center, MI

<http://tiliancenter.wordpress.com/incubator-project/>

Groundswell Center for Local Food and Farming

<http://www.groundswellcenter.org/>

Finance Basics

The Plain Language Guide to Applying for a FSA Loan

http://nesfp.nutrition.tufts.edu/downloads/guides/PL_FSA.pdf

A publication by the Northeast Network of Immigrant Farming Projects.

Rural Advancement Foundation International-USA

<http://rafiusa.org/>

A southeastern based organization that works to support family farmers- they have a series of publications that cover the Farm Bill and the topic of credit for farmers in general.

Farm Commons

<http://farmcommons.org/>

This website provides legal advice to farmers. More specifically, easy to understand information about the financial benefits and drawbacks of different ways of structuring farm businesses (such as sole proprietorship, LLC, non profit, etc).

Farm Credit Sources

Farm Credit Network

<http://www.farmcreditnetwork.com/>

The Farm Credit System is a nationwide network of borrower-owned lending institutions and specialized service organizations.

The Carrot Project

http://thecarrotproject.org/farmer_resources/farm_financing_options

The Carrot Project provides loans to farm, forestry, and fishery businesses in the Greater Berkshires, Maine, Vermont, and Massachusetts. They also have great lists of resources including lots of other funding options, as well as free farm financial templates on their website.

New York Farm Link

<http://www.newyorkfarmlink.org/>

NY FarmLink provides educational resources and consulting on transferring farm ownership.

Alternative and Community Based Financing

The UVM Guide to Financing the Community Supported Farm

<http://www.uvm.edu/~susagctr/Documents/FinGuideComplete.pdf>

The guide was produced in partnership with farmers who have used innovative ways to acquire capital from individuals in their communities for establishing and growing operations. It was designed to address questions that farmers might have, but is relevant to anyone exploring community financing arrangements.

Slow Money Alliance

<http://slowmoney.org/>

A helpful resource in locating peer-to-peer micro-loans.

Equity Trust

<http://equitytrust.org/>

Equity Trust is a small, national non-profit organization that helps communities to gain ownership interests in land and other local resources. They have several programs that focus on alternative ownership structures for farmers, a revolving loan fund, and socially equitable forms of property ownership.

Other Good Organizations working on Land Access Issues

Agrarian Trust

agrariantrust.org

A website dedicated to helping sustainable next-generation farmers access land. Includes a lengthy resources section.

Land for Good

<http://www.landforgood.org/>

A non-profit specializing in farmland access, tenure and transfer offering education and assistance to farm seekers, landowners and communities in New England including consultation, education, training, and online and print materials.

Beginning Farmers

<http://www.beginningfarmers.org/>

a comprehensive compilation of resources on farm financing, finding land, business planning, agricultural production and marketing, and more.

Start2Farm

<http://www.start2farm.gov/>

A clearinghouse of references for beginning farmers focused on training programs, financing information, technical assistance, and networking.

ATTRA

<https://attra.ncat.org/>

ATTRA is the National Sustainable Agriculture Information Service run by the National Center for Appropriate Technology. Lots of useful publications, many free.

Center for Rural Affairs

<http://www.cfra.org/farms>

A website that has lots of relevant information for new and aspiring farmers including land matching and farm financing basics.

Northeast Beginning Farmers Project

<http://nebeginningfarmers.org/>

A project funded by the USDA's Beginning Farmers and Ranchers Development Program that includes online courses and how-to videos for new farmers on production oriented topics.

The FarmLASTS Project

<http://www.uvm.edu/farmlasts/FarmLASTSResearchReport.pdf>

A research report from UVM that address farm and ranch access, tenure, succession, and stewardship in the U.S. The report covers farm entry through traditional and non-traditional tenure arrangements, farmland succession planning and execution strategies, and environmental impacts associated with farmland tenure and succession arrangements

University of Wisconsin's Land Tenure Center

<http://www.nelson.wisc.edu/ltc/>

A research institute addressing land tenure . Houses the Land Tenure Collection and Publication Series.