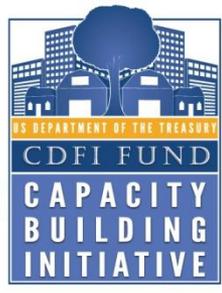




# The Field Guide to the New American Foodshed

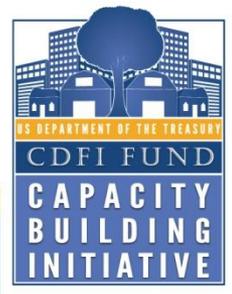
Resources for Farmers and Lenders

April 5, 2012



# Introduction

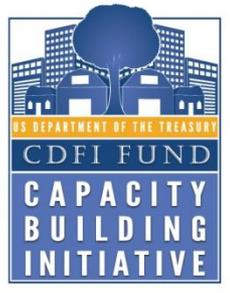
- CDFI Fund's Capacity Building Initiative
  - Financing Healthy Food Options
    - Workshops
    - Technical Assistance – individual and group
    - Resource Bank



# Today's Webinar Topic

## Field Guide to the New American Foodshed

- Why?
  - Introduce CDFIs to resources related to lending to food producers
  - Learn about tools to support and assist potential borrowers (farmers) with building their businesses



# Jeff Farbman



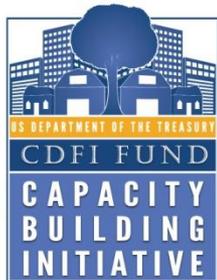
Wallace Center at Winrock  
International

[contact@ngfn.org](mailto:contact@ngfn.org)

[www.winrock.org](http://www.winrock.org)

[www.wallacecenter.org](http://www.wallacecenter.org)

[ngfn.org](http://ngfn.org)



# Marty Gerencer

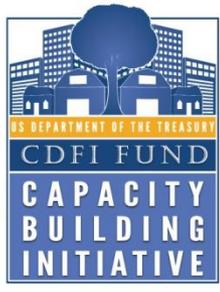


Marty Gerencer

Morse Marketing Connections, LLC

[contact@ngfn.org](mailto:contact@ngfn.org)

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

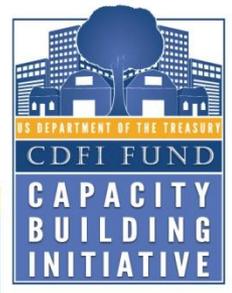




# NATIONAL GOOD FOOD NETWORK



## Moving more good food to more people

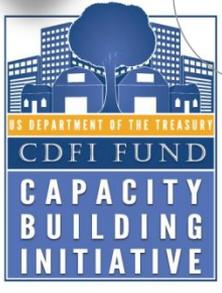


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# NATIONAL GOOD FOOD NETWORK: VISION



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# NATIONAL GOOD FOOD NETWORK: GOALS

## Supply Meets Demand

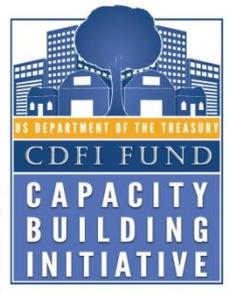
- There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

## Information Hub

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

## Policy Change

- Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.



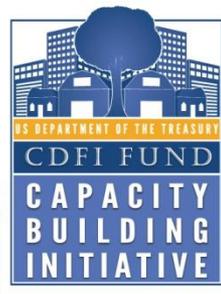
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# NGFN FOOD HUB COLLABORATION

**Study and support regional aggregation and distribution entities “food hubs” across the country.**

- Collaborate with USDA AMS and others
  - Create a Resource Guide (Spring 2012)
  - Establish and support a food hub Community of Practice
  - Convene hub managers and supporters
  - Provide technical assistance
  - Document and communicate impacts, innovations, and models of success
- <http://foodhub.info>



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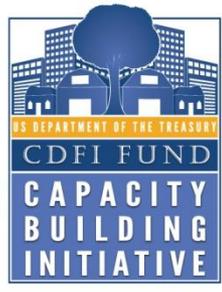


# FIELD GUIDE TO THE NEW AMERICAN FOODSHED

**Provide example-based education to producers and other participants in the food system to increase access to capital.**

- Explain new opportunities for success in today's market
- Illustrated by case studies
- Lenders can learn that their innovative investment is solid
- Comprehensive outreach program

- <http://foodshedguide.org>



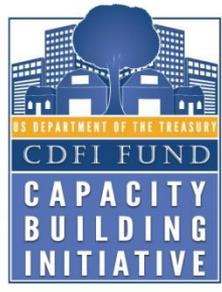
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# EVALUATING AND IMPROVING EDUCATIONAL INSTRUMENTS AND OUTREACH FOR BEGINNING FARMERS

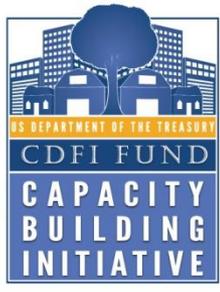
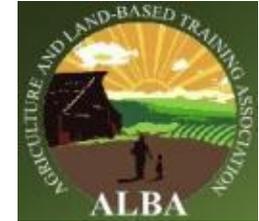
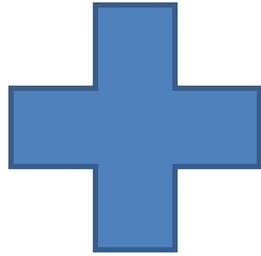
**Increase effectiveness of financial skills and business literacy of beginning farmers by supporting trainers.**

- Collaboration with Farm Credit
- Collect a “toolkit” of top-quality resources
- Create and nurture a Community of Practice for trainers
- Create a rubric for evaluating training programs
- Targets the Southern US states

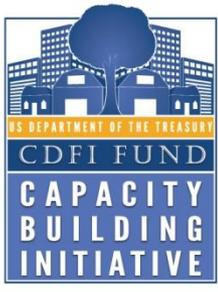


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# NATIONAL GOOD FOOD NETWORK: VISION



# NATIONAL GOOD FOOD NETWORK: LOCATIONS



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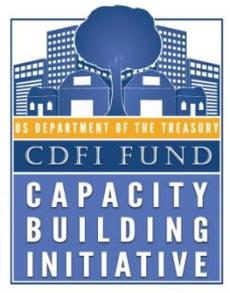


# NATIONAL GOOD FOOD NETWORK

[www.ngfn.org](http://www.ngfn.org)  
[contact@ngfn.org](mailto:contact@ngfn.org)

... and for the Food Hub Collaboration:

[www.foodhub.info](http://www.foodhub.info)  
[contact@foodhub.info](mailto:contact@foodhub.info)



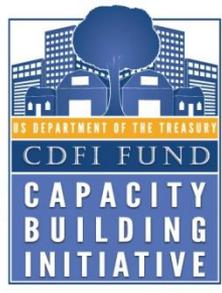
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# Gary Matteson



Farm Credit Council  
[matteson@fccouncil.com](mailto:matteson@fccouncil.com)  
<http://fccouncil.com/>



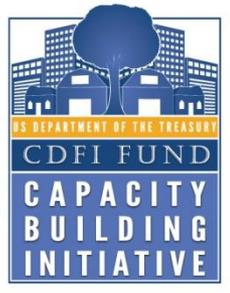


# Field Guide to the New American Foodshed



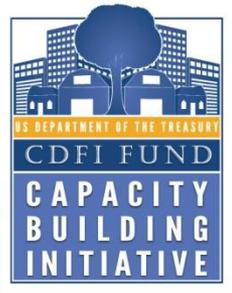
# Goals

- The role of Farm Credit in agricultural lending
- How Farm Credit approaches local food system sector
- The Farm Credit—Winrock/Wallace partnership
- Tools for explaining local food systems
- The nature of farm business credit decisions
- The future of farming

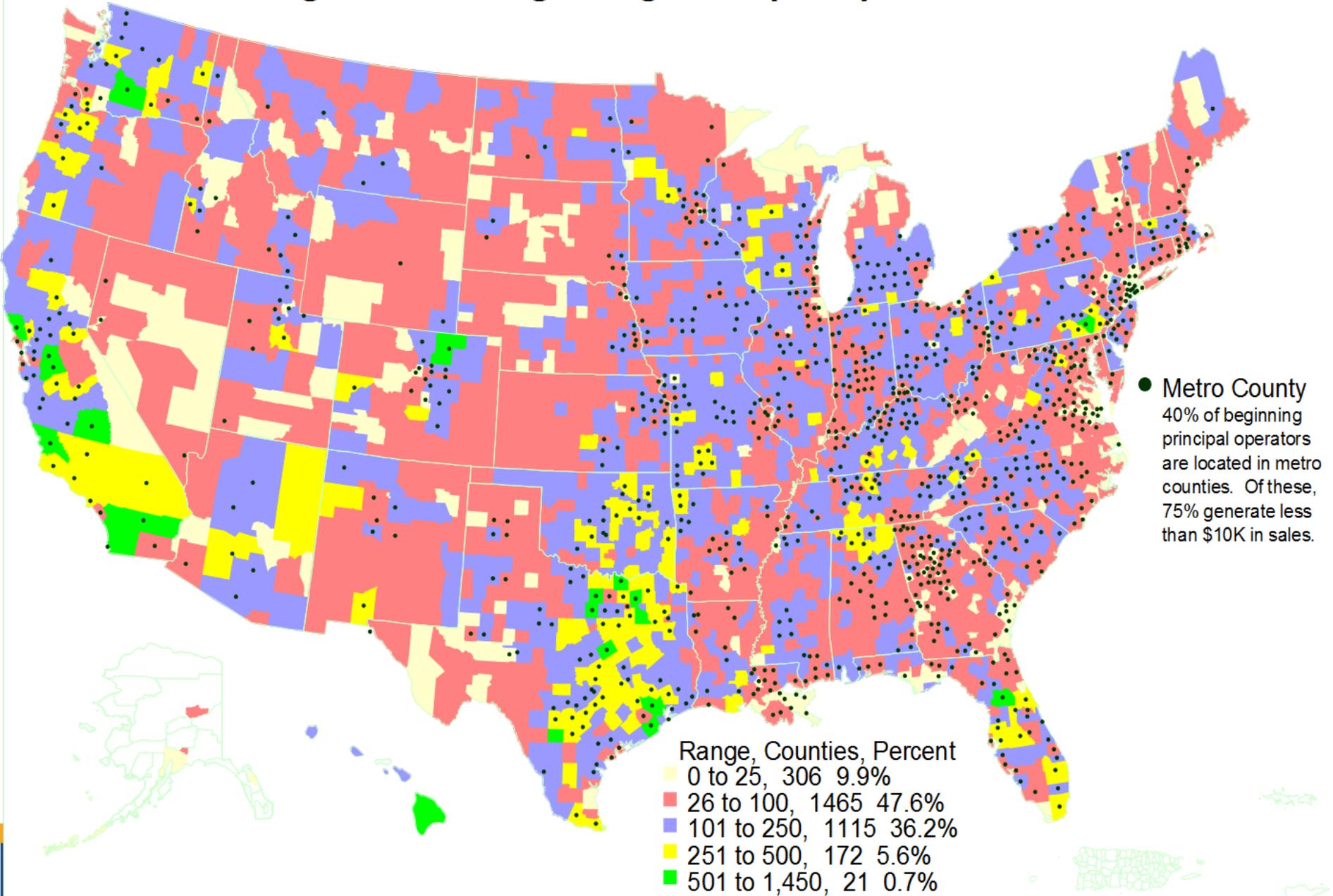


# Mission and Structure of Farm Credit

- Chartered by Congress in 1916
- Mission to serve agriculture and rural America
- Young, Beginning, and Small Farmer (YBS) mission
- Provide consistent and reliable source of credit
- Funded by bond sales
- Privately owned by borrowers, no federal tax dollars
- Structured as cooperatives, patronage distributions
- 83 independent local associations/4 wholesale banks
- Independent, arms-length regulator

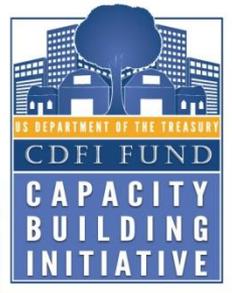


# 2007 Ag Census: Beginning Principal Operator Farms



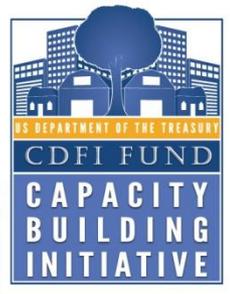
# Farm Credit and Local Foods

- Young, Beginning, and Small Farmer (YBS) mission
- Ease of entry to agriculture
- Mission to serve all types of agriculture
- Outreach to non-traditional agriculture
- Partnership with National Good Food Network (NGFN)



# [www.FoodShedGuide.org](http://www.FoodShedGuide.org)

- Case study based
- Big picture descriptions
- Intended audiences
- Tools for training



## A New Territory for Farmers and Ranchers



It's about  
commerce...

The New American Foodshed is a large and relatively unexplored territory of local and regional markets now opening up for farm, ranch, and related entrepreneurs. It encompasses a growing number of food marketing channels that are developing within regions, for regions, and among regions as consumers and communities put new values into their purchases and investments.

This site is designed to help those entrepreneurs and their advisors find and use relevant business development information from this new territory of local and regional food markets. The Field Guide to the New American Foodshed provides:

- A birds-eye view of the New American [Foodshed](#) and its components.
- [Case studies](#) of farms, ranches, and related businesses that have been successful in foodshed markets.
- A [Decision Tree](#) framework for exploring the case studies as a new business.
- [One-Page Planning](#) tools to take the first step in business planning.

### CHECK LIST

Take these steps to get the most out of this site. You can learn more by reading the [Site Guide](#).

1. Review [Case Studies](#)
2. Draft [One-Page Business Plan](#)
3. Explore the [Decision Tree](#)
4. Read up on the [Foodshed](#)

### CASE STUDIES



[White Dog Cafe](#)

### SUGGEST A RESOURCE

If you have additional case studies or



# Field Guide to the New American Foodshed

[ONE-PAGE PLANNING](#)[DECISION TREE](#)[THE FOODSHED](#)[CASE STUDIES](#)

## Site Guide

The *Field Guide to the New American Foodshed* is a resource for beginning farmers and ranchers, and for technical, financial, and other advisors to these agricultural entrepreneurs. Field Guide case studies provide models for addressing different aspects of farm and ranch business development in the new foodshed business environment.

### HOW TO USE THE FIELD GUIDE

The Field Guide offers two ways to dig into detail about different business decisions and the directions they can take entrepreneurs in the [New American Foodshed](#).

1. Investigate different business decisions and related case study examples through the [Decision Tree](#) page.

You can then review case studies featuring businesses that have taken a particular direction with their business, such as choosing to structure as an S-Corp or deciding to go to market through direct-to-wholesale channels.

2. Or simply peruse the full list of [case studies](#) available. Each provides a summary of the different Decision Tree directions that apply in that case.

In addition, the Field Guide provides some handy [One-Page Planning](#) tools for farmers and ranchers to make sure they have their own business basics down; these tools go over the first questions entrepreneurs must ask, well before they start exploring the larger Decision Tree branches.

Keep in mind also that the Field Guide is a work in progress. Additional case studies and business development information will come from your experience in the field. We encourage you to [submit items](#) for consideration.

### TARGET AUDIENCE

You are our target audience if you are

- an aspiring, beginning, or transitioning farmer or rancher, or
- a small business advisor, lender, or other person critical to this farmer or rancher's development.

### CASE STUDIES →



[Sunrise Orchards](#)

### SUGGEST A RESOURCE

If you have additional case studies or materials to share, please [tell us a little](#)

## Case Studies



[Anna Marie Seafood](#)  
DULAC, LOUISIANA



[Appalachian Harvest Network](#)  
ABINGDON, VIRGINIA



[Columbia Plateau Producers/Shepherd's Grain](#)  
WASHINGTON



[Cooperative Regions of Organic Producer Pools](#)  
LAFARGE, WISCONSIN



[Elzinga & Hoeksema Greenhouses](#)  
PORTAGE, MICHIGAN



[Gaukel Grown and Ground](#)  
KEELINE, WYOMING



[Greenmarket](#)  
NEW YORK, NEW YORK



[Indian Springs Farmers Association](#)  
PETAL, MISSISSIPPI

## Elzinga & Hoeksema Greenhouses

PORTAGE, MICHIGAN

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

### OVERVIEW

Elzinga & Hoeksema Greenhouses, located in southwest Michigan, is a second-generation business owned by a third generation farmer. One of the larger greenhouse operations in the Midwest, the company can trace its origins back to when it first began as a small roadside produce stand.

This history factored in to owner Mark Elzinga's moves in recent years to add local and regional sales of fresh, winter vegetables to the company's product mix. As a floriculture operation, Elzinga & Hoeksema primarily produces spring annuals (bedding plants and potted plants) for Big Box retail outlets. To keep building profitability into his operation, however, Mark Elzinga has made a concerted effort to become more diversified and efficient.

One component of his strategy is organic certification, which he has found gives him a premium product. Mark relies on growing strong, healthy plants to realize the premium, as well as reducing the company's overall costs by minimizing product loss. Another strategic component is the addition of vegetable bedding plants, including a line of ethnic varieties, to meet growing demand in the household gardening market. A third component is energy. The company has made significant investments in energy efficiency and renewable sources of energy to cut its greenhouse heating costs and to reduce its vulnerability to increasing fossil fuel prices.

With lower cost heat, Mark Elzinga was then able to add fresh vegetable production in the October through February period, when he would normally shut his entire operation down for the winter months. So far, the company has found success with its initial produce work. It has focused on lettuce production, and sales to local retailers, a regional hospital, and to the food distributor Sysco.

### BUSINESS STRUCTURE



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[Overview](#)

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[Business Structure](#)

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[Markets Served](#)

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[Advisors](#)

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[Food Value Chain](#)

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[Programs](#)

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[Finance](#)

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[Key Learnings](#)

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[Links](#)

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**DECISION TREE SNAPSHOT**

## Direct to Retail

Direct to Retail involves marketing from the farm directly to grocery store locations, restaurants, and other venues and typically involves direct delivery from the farm to the establishment along with one-on-one marketing and ordering.

### ADVANTAGES

Advantages of direct to retail include the relationship building that occurs between buyer and seller and potentially higher revenue for the farmer and lower costs for the buyer if they can accomplish ordering and delivery without adding significant middleman costs of their own.

Direct to retail relationships can translate into greater understanding on both sides about what it takes to make local food work on the farm and in the retail business, as well as greater point-of-sale marketing at the restaurant or grocery store as this relationship and understanding carries over into messaging to end consumers.

Without a distributor or other intermediary in the middle, the farmer and buyer can negotiate prices agreeable to both. Direct to retail can result in higher revenue for the farmer than in direct to wholesale marketing, and in competitive pricing and higher satisfaction for buyers that put a premium on knowing farmers and the food they produce.

### DISADVANTAGES

Inefficiency is the main disadvantage in direct to retail because of the "many to many" aspect of these markets, where both buyers and sellers are making many calls and heading in many directions to make the orders and fulfill them. Such time and money involved, or "transaction costs," are too high for many restaurants and the like with limited time and budgets. In addition, retail buyers put a priority on consistency and reliability of product, which can be difficult to accomplish working with many different producers and all their circumstances.

### Related Case Studies

### MARKETS

---

[Brokered](#)

---

[Catalog/Internet](#)

---

[Community Supported Agriculture \(CSA\)](#)

---

[Contract](#)

---

[Direct to Retail](#)

---

[Direct to Wholesale](#)

---

[Education and Training](#)

---

[Events](#)

---

[Farm to Cafeteria](#)

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[Farmers' Market](#)

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[On-Farm Sales](#)

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### SUGGEST A RESOURCE

If you have additional case studies or materials to share, please [tell us a little more](#) about yourself and the materials.

### CASE STUDIES

## One-Page Planning

No matter what type of farm or ranch enterprise you envision —small, big, conventional, or organic — a business plan will serve you well. So before you head off into new business territory, we'd like to share some tried-and-true tools for getting that plan underway.

The [One-Page Business Plan](#), and the handy [One-Page Financial Plan](#) that goes with it, are essential tools for getting started. If you do not answer the basic questions in these straightforward plans, you are likely to find yourself coming back – over and over – to square one. Complete these plans first, and you'll find you're an example of a food system pioneer who made it all the way! (And perhaps you'll be featured in a future version of the Field Guide.)

### NEXT STEP: FULL-FLEDGED PLAN

Once you have filled out your One-Page Business Plan and financials, you can use that information and thought process to expand your business plan into a document that you can use for communication purposes. A business plan is no more than the story of your intended farm or ranch operation, told in enough detail so that other people can understand what it is that you want to do and how you want to do it.

Think about who needs to understand your intended operation: Your spouse, partners, employees, volunteers, family members, advisors, mentors, financial backers, lender, and perhaps others. Having your business plan written down allows you to get the best feedback possible from everyone, and ensures they're all reading and responding to the same business story.

You should also think of your business plan as a work in progress; it is something you should come back to and modify at least once a year to adjust for changing circumstances, such as emerging risks you've identified, expansion plans, or new marketing conditions. A common myth about business plans: that they are written once and that's it. A business plan is a living, breathing document that details how you will—and do!—accomplish what you set out to do. If

### ONE-PAGE PLANNING

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[One-Page Business Plan](#)

---

[One-Page Financial Plan](#)

### SUGGEST A RESOURCE

If you have additional case studies or materials to share, please [tell us a little more](#) about yourself and the materials.

### CASE STUDIES



[Swanton Berry Farm](#)

# Plan to Succeed



Gary Matteson: matteson@fccouncil.com

Erin Pirro: erin.pirro@farmcrediteast.com

**Mission:** The mission for your business guides everything that you do. Keep it simple by finding the lowest common denominator.

## Objectives:

Objectives are general directions for your business. They outline what you want the business to look like in the future. Stay focused on your Mission Statement.

**Objective 1:**

**Objective 2:**

**Objective 3:**

**Objective 4:**

**SMART Goals:** Remember, a goal without a deadline is just a dream!

S — Specific M — Measurable A — Attainable R — Rewarding T — Timed

**SMART Goal a):**

**SMART Goal a):**

**SMART Goal a):**

**SMART Goal a):**

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**SMART Goal b):**

**SMART Goal b):**

**SMART Goal b):**

**SMART Goal b):**

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plan:**

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_

**Action Plans:** Every goal must have action plans that explain how that goal will be accomplished. Explain who will do what, where, when, how, and how often.

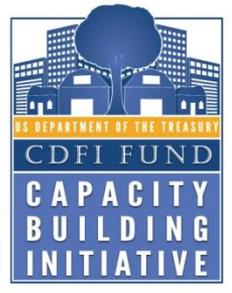
## Expected Financial Performance of Retail Agriculture Business Models\*

	Wholesale Vegetable	Retail Farm Market	CSA
Acreage Owned	100	100	100
Acreage in Production	80	40	25
Typical Number of Customers	Fewer than 10 brokers	10,000 retail customers	750 shares
How Products Are Sold	Wholesale, large quantities, by the box	Retail, small amounts, by the pound or piece	'share' entitling a certain amount of product per week for the season
Sales Per Transaction	Several thousand \$\$\$	\$20-30	\$300-600
Sales	100%	100%	100%
Cost of Goods Sold (w/labor)	76%	60%	65%
Gross Margin	24%	40%	35%
Overhead	20%	30%	15%
<b>Net Margin</b>	<b>4%</b>	<b>10%</b>	<b>20%</b>
Number of Crops Grown	15-20	20-30	75-100
Working Capital Borrowed	50% of crop	15% of crop	Less than 5% of crop
Gross Sales	\$640,000 (\$8000/ac gross X 80 acres)	\$1,000,000 (10,000 customers average sale \$25, 4 times a year)	\$450,000 (750 shares at \$600)
<b>Net Profit</b>	<b>\$26,000</b>	<b>\$100,000</b>	<b>\$90,000</b>
Working Capital Cost	Interest from planting through harvest (at least half a season)	Interest through part of season; steadier cash flow, not one big chunk	None, as shares are pre-paid
Inventory	None	Must maintain Inventory of related products and sell seasonally	None

**\*Illustration of synthetic archetypes based on case studies**

# Nature of credit decisions

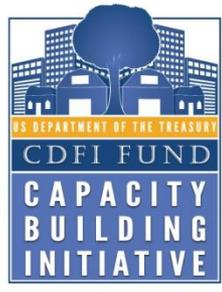
- Eligibility/purpose of loan/creditworthiness
- Constructive credit
- Earnings versus collateral lending model
- Familiarity with agriculture sector
- Lending to retail agriculture versus conventional agriculture
- Capitalization



# David Norman

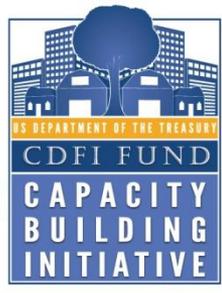


Winrock International  
[dnorman@winrock.org](mailto:dnorman@winrock.org)  
[www.winrock.org](http://www.winrock.org)





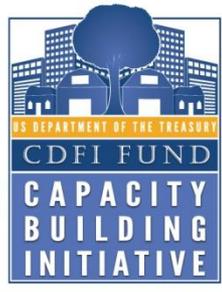
# Easing into the Market: An International Example



# The What... Loan Guarantees



- Incentivize financial institutions to lend in new markets
- Reasons institution may not lend
  - Lack knowledge of sector
  - Lack experience with the sector and/ or community
  - Unfamiliar commodity knowledge
  - Lack of knowledge of region
  - Absence of relationships within business sector
  - Perceived risk in the unknown

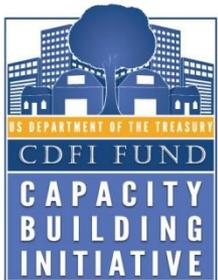


# The How...



Rather than create new credit programs/ institutions—identify existing financial institutions

- Identify funding in order to underwrite the risk & provide technical assistance
  - Loan guarantees which serve to underwrite portion of the risk
  - Gives time to learn new market segments
  - Opportunity to create necessary relationships
  - Opportunity to provide implementing partners with technical assistance & training



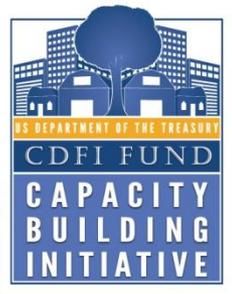
# Advantages as an implementing partner...

- There is an ability to clearly define the target sector
- Develop underwriting standards & practices
- Develop underwriting approval processes



# Results

- Financial institution has greater knowledge of a new sector and business potential
- Gains a better understanding of how to manage the risk
- If successful—the loan guarantee funds may be moved to another sector or financial institution





# Questions?



# Q & A



Jeff Farbman  
Wallace Center at  
Winrock International  
[contact@ngfn.org](mailto:contact@ngfn.org)



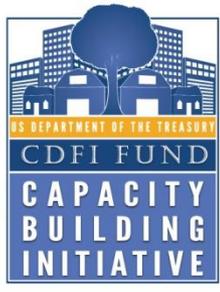
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David Norman  
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[dnorman@winrock.org](mailto:dnorman@winrock.org)

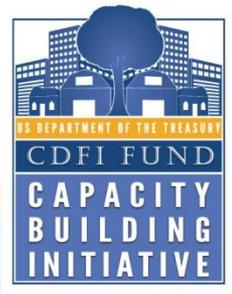
Gary Matteson from Farm Credit Council is unable to join us for Q&A, but please feel free to contact him.

Gary Matteson  
Farm Credit Council  
[matteson@fccouncil.com](mailto:matteson@fccouncil.com)





# Additional Resources



# Financing Healthy Food Options Resource Bank

[http://www.cdfifund.gov/what\\_we\\_do/FinancingHealthyFoodOptionsResourceBank.asp](http://www.cdfifund.gov/what_we_do/FinancingHealthyFoodOptionsResourceBank.asp)



The screenshot shows a web browser window with the URL [www.cdfifund.gov/what\\_we\\_do/FinancingHealthyFoodOptionsResourceBank.asp](http://www.cdfifund.gov/what_we_do/FinancingHealthyFoodOptionsResourceBank.asp). The page features a navigation menu on the left with links: WHO WE ARE, WHAT WE DO, IMPACT WE MAKE, NEWS & EVENTS, and HOW TO APPLY. The main content area is titled "COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND" and "UNITED STATES DEPARTMENT OF THE TREASURY". Below this, the page is titled "Financing Healthy Food Options Resource Bank" and is organized into three sections: I. Training Curriculum, II. Financial Resources Catalogue, and III. Food Desert Mapping Tools. Each section contains a list of links to various resources. A disclaimer at the bottom states that the documents were funded by the CDFI Fund under Contract TPD-CDF-10-C-0006, Task Order 0001, and that the content is the responsibility of the authors. The page was last updated/reviewed on 12/07/11.

**COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTIONS FUND**  
UNITED STATES DEPARTMENT OF THE TREASURY

**Financing Healthy Food Options Resource Bank**

**I. Training Curriculum**

- [Food Systems Overview](#)
- [Healthy Food Retail Financing](#)
- [Financial Services for Mid-Tier Food Chain Enterprises](#)
- [NMTC & Urban Supermarkets](#)
- [Understanding the Grocery Industry](#)
- [Underwriting Supermarkets & Grocery Stores](#)
- [Mid-Tier Food Chain Enterprises Overview & Underwriting](#)
- [Capitalizing Healthy Food Retail Initiatives](#)
- [Identifying Optimal Areas for Supermarket Development](#)

**II. Financial Resources Catalogue**

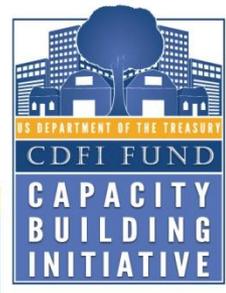
- [Financial Resources Catalogue](#)

**III. Food Desert Mapping Tools**

- [USDA Food Desert Locator](#)
- [Policy Map](#)

*These documents were funded by the CDFI Fund, under Contract TPD-CDF-10-C-0006, Task Order 0001. The curriculum and opinions expressed in these documents are those of the authors, who are solely responsible for the content, and do not reflect the opinions of the CDFI Fund or any other person, entity, or organization.*

Last updated/reviewed: 12/07/11



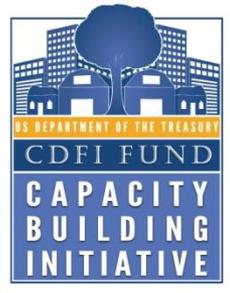
# Upcoming Workshops

## Farms & Food Production

Boston, MA

May 31<sup>st</sup> and June 1<sup>st</sup>

[Link](#) to Training Information & Registration



# Upcoming TA Webinars

## **Underwriting Natural Food Cooperatives**

•Wednesday, April 11, 2pm ET

## **Underwriting Supermarkets & Grocery Stores**

•Wednesday, April 18, 2pm ET

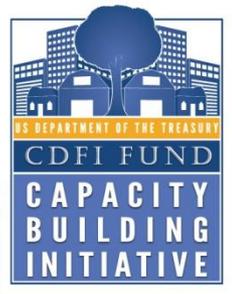
## **The Grocery Gap**

•Tuesday, April 24, 2pm ET

## **Connecting Farms to Institutions**

•Monday, April 30, 2pm ET

Visit [www.opportunityfinance.net/FHFOwebinars/](http://www.opportunityfinance.net/FHFOwebinars/) to register for one or all of the TA webinars



# Contact Information

## Pam Porter

Executive Vice President

Strategic Consulting

Opportunity Finance Network

[pporter@opportunityfinance.net](mailto:pporter@opportunityfinance.net)

215.320.4303



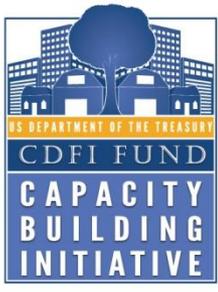
## Christy Bare

Strategic Consulting

Opportunity Finance Network

[cbare@opportunityfinance.net](mailto:cbare@opportunityfinance.net)

215.320.4320





# The Field Guide to the New American Foodshed

Resources for Farmers and Lenders

April 5, 2012

