FARMERS ON THE EDGE

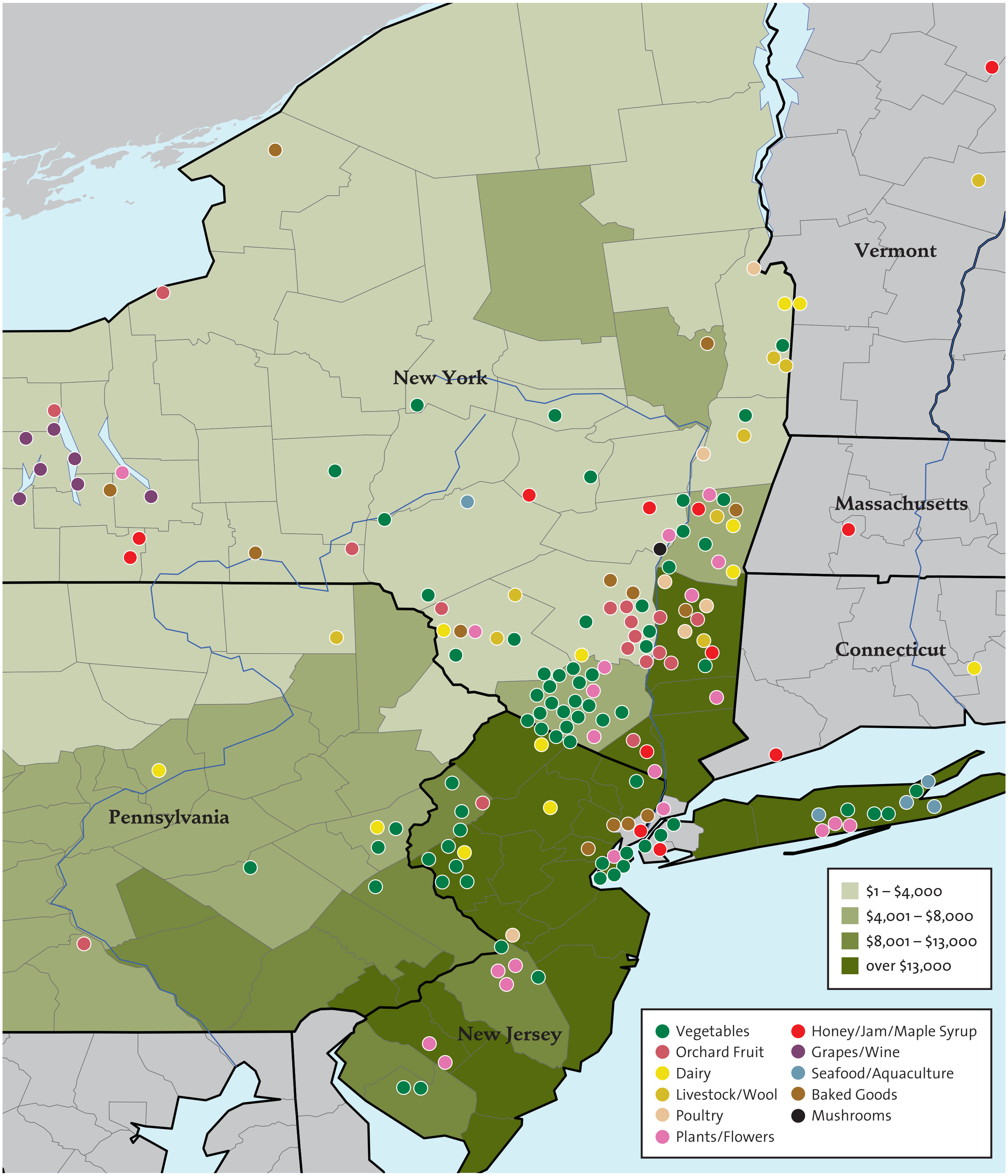
An Assessment of Greenmarket Farmers' Needs, and the Growing Challenges of Keeping Their Farms Viable

FARMERS ON THE EDGE

An Assessment of Greenmarket Farmers' Needs, and the Growing Challenges of Keeping Their Farms Viable

Farmland Prices in the Region Supplying Greenmarket

Farmland prices within a reasonable travel distance of New York are unaffordable for many Greenmarket farmers. The locations and types of farms supplying Greenmarket are shown below.



Source: USDA-NASS, The 2007 Census of Agriculture

Editor's Note

We are profoundly grateful to the many Greenmarket farmers who diligently completed the survey that forms the basis of this report, and who volunteered their time and effort to tell us about their experiences. Dozens of farmers also met individually with us. They spoke with such candor and thoughtfulness that we felt privileged as we listened and learned.

Our deepest gratitude goes to the Greenmarket farmers who have been our advisers throughout this project: John Gorzynzky, Hubert McCabe, Morse Pitts, Tim Stark, Hector Perez, Carl Swartzentruber, Jeff Bialas and Lynn Fleming. Their feedback and willingness to attend meeting after meeting, particularly during their busiest season, has been extraordinarily valuable. This report would not exist without them.

The Doris Duke Charitable Foundation provided the funding that made the report possible.

Heidi Dolnick, coordinator of the Greenmarket Farm Retention Project, wrote the report, with invaluable assistance from Project Associate Annie Moss and Graphic Designer Katerina Barry. Kathryn Ruhf, co-director of the New England-based conservation group Land For Good, served as chief consultant on the design of the Greenmarket Farm Retention Project survey.

This report is the product of hard work from several people. Essential support came from GrowNYC Executive Director Marcel Van Ooyen, Assistant Director Julie Walsh, and Development and Communications Director Amanda Gentile. Greenmarket Director Michael Hurwitz, Assistant Director Cheryl Huber, Project Consultant Jerry Cosgrove, and Project Associate Annie Moss were instrumental. We relied heavily on the contributions of additional GrowNYC staff members, chief among them Michelle Hughes—who leads the New Farmer Development Project—Susanne Stover, Chris Wayne, Brian Goldblatt and Laurel Halter.

This report was undertaken as part of a joint project with the Open Space Institute, with immeasurable support from its staff: Senior Vice President Tally Blumberg, President Kim Elliman, Executive Vice President Peter Howell, Farm Viability Project Analyst Jake Beineke, and External Affairs Associate Alix Goelet.

Here are a few notes to consider while you read the report:

- All data, unless otherwise noted, comes from the Greenmarket Farmland Retention Project survey, a comprehensive, 18-page questionnaire on issues related to land and infrastructure that was mailed to 203 Greenmarket farmers in December, 2010.
- All names are pseudonyms to protect the business interests of Greenmarket farmers.
- The lists appearing in each career-stage chapter—titled "Main Goals," "Financial Assistance Needs," and "Technical Assistance Needs"—are not exhaustive. Conversely, not every item pertains to every farmer.
- When we refer to "farmers," we are always referring to Greenmarket farmers unless otherwise stated.

Methodology

The project team surveyed growers in the Greenmarket network—203 small to mid-size farmers from New York, New Jersey, Pennsylvania, Connecticut, Vermont and Massachusetts. Due to the purpose of the survey, we focused on farmers with land-based operations, thereby excluding producers of honey, baked goods, and seafood. We also focused on producers of edible products, since they represent the largest portion of Greenmarket farmers and contribute most directly to supplying New Yorkers with fresh, regional produce. While producers of non-edibles like flowers and plants are included in the general survey data, we paid special attention to food producers when we analyzed survey results by farm type, and only food producers are represented in our focus groups and case studies.

The survey, administered online and through the mail, comprised 18 pages of multiple choice and short answer questions about farmers' experiences, challenges and goals related to farmland and infrastructure. We included the survey with farmers' annual Greenmarket applications, and we offered a credit on their market fees in exchange for their completing it.

We were pleased to get a 78 percent response rate from our Producers (158 responses out of 203 potential), which we believe reflected their enthusiasm for the project, their hunger to share their challenges and experiences, and their desire for help.

Next, we held two focus groups of six farmers each, to gain more specific insight into the issues raised in the survey. One group was for farmers from New York, and the other for farmers from New Jersey and Pennsylvania. Finally, we conducted one-on-one interviews with an additional 12 producers who represented the range of hurdles farmers face in various career stages and farming sectors.

This report categorizes farmers' needs by career stage: start-up, early-career, mid-career, and late-career. We realized as we digested the data that more than any other factor, it was the maturity of their farm business that differentiated farmers. While a start-up farmer is learning hard lessons about accounting, landlord relationships, and where to apply for loans, early and mid-career farmers are thinking about expansion, and late-career farmers are focused on retirement and succession. Each stage brings with it a different set of technical and financial needs.

Our 7-member advisory committee has been integral in the preparation of this report. Made up of a diverse array of Greenmarket farmers, including new and established growers, owners and renters, vegetable producers and livestock farmers, the committee vetted the survey before distribution and gathered for a spirited round of feedback after reviewing the data from the completed surveys. Next they helped us design focus groups, and finally, they consulted on the drafting of this report.

Executive Summary

Introduction

Greenmarket is a program of GrowNYC, a hands-on non-profit that improves New York City's quality of life through environmental programs. Since Greenmarket farmers markets began 35 years ago, the two-fold mission has been to promote regional agriculture by providing small family farms the opportunity to sell their products directly to consumers, and to ensure that all New Yorkers have access to fresh, nutritious, locally grown food.

The producer-only farmers markets operated by Greenmarket allow New Yorkers the unique opportunity to speak directly to the person who grew, caught, raised, foraged or baked their food. The result is a traceable, transparent marketplace. New markets open each year to meet rising demand. Greenmarket's farmer community comprises 230 producers who sell at 53 markets in the height of the season, double the number of markets in 1997.

But demand doesn't only come from shoppers wanting to buy from Greenmarket's producers. It also comes from farmers who want to sell. In a previous internal Greenmarket survey, 80 percent of farmers said that without Greenmarket they wouldn't be in business. During a focus group for this project, one livestock farmer said, "If we didn't have Greenmarket, we wouldn't be here. I know I wouldn't be here." So powerful is Greenmarket's access to consumer demand that each year, the number of farmers vying for a spot at the markets outpaces available slots. Each year, approximately 3 to 7 farmers leave the program while 10 to 15 join. And once they're in, they stay. Current Greenmarket farmers have been in the program an average of 12 years; 30 percent of them have been in the program for over 20 years. Farmers who sell through Greenmarket rely on the ability to sell directly to the New York City customer, allowing them to access a higher price point than the wholesale market or retail sales outside of the city. An orchard farmer told us that 25 years ago he couldn't borrow any more money from the bank because he was already over-leveraged. He took a chance and began selling at a few Brooklyn Greenmarkets. Once he joined Greenmarket, he not only climbed out of debt, but he also has bought additional property, built a bakery, and made significant improvements to the family farm. Most importantly, three of his children are now employed on the farm and view agriculture as a viable career choice.

But a bustling farm stand does not alone guarantee business success. For farmers, access to financing, as well as to secure, suitable land, are just as critical.

In 2010, thanks to funding from the Doris Duke Charitable Foundation, GrowNYC and the Open Space Institute began a year-long project to address a major concern that threatens Greenmarket's mission: the lack of affordable farmland in the region surrounding New York City. While we knew farmers faced major challenges in their quest for financing and secure land, our research revealed two critical needs in addition to long-term land tenure: technical assistance to help navigate the wide menu of existing resources for farmers; and loans for annual operating expenses and one-time capital purchases. Annual operating expenses, which falls under the rubric of "working capital," refers to liquid assets to buy things like seed, fertilizer, and tractors, and to pay for things like staff, market fees and repairs. One-time capital purchases mean long-term investments like cattle, machinery and permanent infrastructure.

The data we collected for this report comes from an 18-page survey mailed to 203 farmers in December, 2010, which focused on land and infrastructure needs. We supplemented the data with two focus groups and over a dozen one-on-one interviews. Finally, we regularly sought feedback from our advisory committee of farmers. The vivid and personal stories we heard, coupled with the data we collected, have convinced us that more help is needed.

VOICES FROM THE SURVEY

On the need for a mentorship program: *"You can get a lot of ideas from other farmers.... You can get ahead more easily, because if you are having a problem, odds are someone else has had it worse."*

Greenmarket Farmer Snap Shot

83% **own** farmland

60% **want to expand** their farm business

53% **want to buy land** but say there are **barriers** in the way

76% say **financial planning** to acquire land is a priority for assistance

43% say they **will retire** in the next 20 years

50% want to **preserve their farmland** but don't know how

58% say **succession planning** is a priority area of assistance for farmers

56% of farmers with renting experience identified **finding suitable rental land** as a significant challenge

*Percentages are based on number of responses, which vary according to question. See notes under individual data charts throughout report for number of responses.

Overview of Greenmarket Producers

Greenmarket works with nearly 230 Producers from a region stretching 250 miles to the north, 120 miles to the south, and 170 miles east and west. Nearly 70% of participants are based in New York State, though a total of 7 states are represented at market. While over half of the farmers in the program are raising fruits and vegetables, Greenmarket Producers bring to market the most diverse array of products in the world: thousands of varieties of produce, dairy, livestock, foraged goods, local seafood, and the list goes on. The continued supply of regionally grown food depends on how tightly this agricultural belt can remain cinched around New York City, despite the development pressure fueling rising land prices at increasingly greater distances.

Barriers to Business Success and Expansion

The barriers facing farmers fall into two general types: land tenure and access to financing. In addition, the barriers evolve as farmers advance through their careers.

In the case of land access, barriers for beginning farmers tend to revolve around renting land as purchasing requires additional financing that is simply out of reach for most in this category. As farmers gain experience and assets, the challenges shift to those involved with purchasing land. And as they prepare to retire, farmers' difficulties become centered around plans for succession and farmland preservation.

In the area of financing, frustrations first set in when farmers can't meet their basic need for operating expenses. The shortfall most often happens in the winter and spring months when farmers lack cash flow but still need to purchase seeds, plant their fields, and warm their greenhouses. Many farmers are using high-interest credit cards and other costly borrowing tools as they face challenges with traditional lenders. (Shortfalls from commodity price fluctuations are addressed by government subsidies, and are not discussed in this report.)

The needs of both experienced and newer farmers are especially acute, given the anticipated demographic shift in the coming years. Forty three percent of our farmers say they will retire in the next 20 years – a conservative estimate, as at least some of the 57 percent who said they don't plan to retire will have no choice but to stop working as they age. There is no shortage of farmers ready to fill the supply gap these retiring farmers will leave behind. A look within the existing Greenmarket network reveals that 60 percent of farmers say they'd like to expand their operations, while new producers join the Greenmarket community every year. Accordingly, Greenmarket must think seriously about whether its future suppliers will have the resources they need to thrive, and what steps it can take to ensure their success. (For a partial list of existing resources for farmers, see Appendix B.)

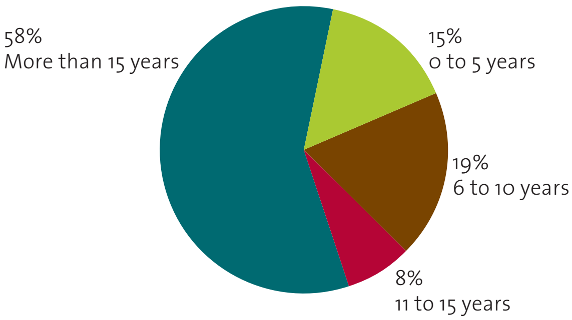
i. Land Tenure

The long-term planning required in sustainable agriculture means that farmers' businesses thrive when they can invest in the soil and farm the same piece of land over many years—whether that means renting it on a secure, long-term basis, or owning it. Our data revealed varying needs between Greenmarket's more experienced, landowning farmers, and its newer farmers, many of whom farm on rented land with unwritten, or at best, one-year leases. While the former group told us they want help with succession and farm preservation, the latter group said they want help with various aspects of financing and land access.

Who Are Greenmarket's Farmers?

They Are Experienced

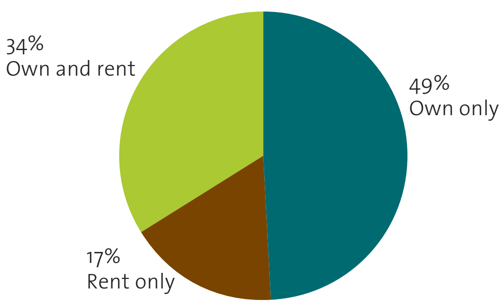
Nearly 2/3 of Greenmarket farmers have been running their farm for more than a decade.



Survey Question: How many years have you been running your own farm?
*Based on 155 responses.

They Rent Some Land

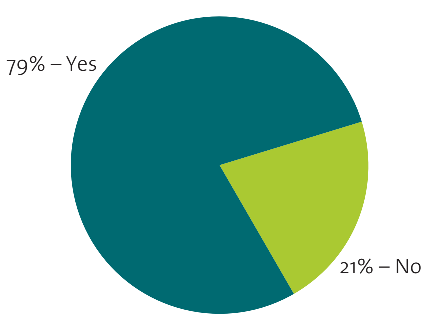
About half of Greenmarket farmers rent at least some land.



Survey Question: Do you own land? Do you rent land?
*Based on 155 responses.

They Own Their Base Farmland

More than 3/4 of Greenmarket farmers own their base farmland.



Survey Question: Do you own your "base" farmland (meaning the primary land that you farm)?
*Based on 155 responses.

For renters, the main challenge is finding a landlord willing to rent to them on a long-term basis. Nearly one-third of farmers looking to rent land stated that they'd like a lease term of six or more years. However, only half of those farmers reported ever signing a lease with a term longer than five years, and two-thirds said they were unable to locate a landlord willing to rent to them for that length of time.

When we began this study, we had expected the percentage of renters interested in long-term leases to be higher, considering the affordability, security and freedom long-term leases could bring if carefully written. Conversations with farmers provided interesting perspective on the percentage: signing a long-term lease would mean giving up or at the very least, postponing, the dream of owning. Another reason for the lower-than-expected percentage is that many farmers have stopped considering it an option, since it is the rare landlord willing to rent for that length of time.

The powerful desire to own land was one of the most universal themes among farmers—whether new or established, orchard or dairy, renters or owners. However, over half of the Greenmarket producers that want to buy land, whether first-time buyers or those wishing to expand, reported facing significant barriers: 86 percent cited land affordability while one-third thought they would not qualify for a mortgage.

In our conversations with farmers, we heard repeated frustrations related to their search for affordable land. Land prices are often beyond their reach, even for "preserved" farms that can't be developed but still fetch high prices from country-estate buyers with no intention of farming. One livestock farmer said his landlord was "double-dipping," because he had sold the development rights on his 550-acre farm and recently put it on the market for $2.9 million.

Numerous land conservation experts in the Hudson Valley confirmed farmers' claims that selling the development rights on a piece of land does not necessarily make it affordable. In areas with high demand for rural estates, prices of preserved land are still far higher than what a full-time farmer can afford. The trend also exists in New Jersey, the state with the second-highest average farmland market value in the country, at $13,100 an acre, according to the USDA. And in Pennsylvania, in an affluent county near Philadelphia, the average price of 48 transfers of eased farmland between 1994 and 2009 was $10,000 an acre, according to the Montgomery County Farmland Preservation Program as referenced in a 2010 study released by the Pennsylvania Association for Sustainable Agriculture. That's compared to the Pennsylvania state average of $4,775 an acre.

With regards to those farmers who don't believe they can qualify for a mortgage, one particular case study demonstrates that the reasons are not always financial. Often they stem from lenders' lack of understanding of farming practices and conflicting definitions of a solid business model. One dairy

VOICES FROM THE SURVEY

On the difficulties of renting farmland: *"Landowners have aesthetic and other concerns that sometimes conflict with farm practicalities."*

farmer described the arduous year he spent convincing a private agricultural bank to give him a mortgage on a 185-acre farm in New Jersey. The lender was suspicious of his unconventional business model and doubted his reported profit margin. One drastic difference was the farmer's practice of rotational grazing, which requires a much higher acreage-to-cow ratio than industrial agriculture because pastures sit idle for a prescribed rest period so the soil can rejuvenate itself. Lenders base decisions on balance-sheet comparisons to existing business models, so "dairy" automatically means a grain-fed dairy selling milk to processors. "If you're innovating, there aren't similar models for comparison," explained the farmer. Moreover, since the farmer had partially financed the purchase of the farm by selling its development rights, the bank didn't have the comfort of knowing it could sell the land to a developer in case of default.

While the majority of Greenmarket farmers who own land told us they want to their land to remain a working farm, half of the landowners said they do not have a plan to ensure that happens. In a write-in portion of the survey, farmers without designated successors repeatedly told us they were looking for young people to take over.

About 12 percent of Greenmarket's landowning farmers have sold the development rights to their land, representing approximately 2,600 combined acres. The motivations for doing so vary from needing revenue for farm expenses, using the funds to offset a farm purchase price, or simply wanting to ensure the farm is never developed. A similar number of landowning farmers said they investigated the option but chose not to follow through with the process. The most commonly cited reasons were that they weren't offered enough money or that their application was denied—either because their parcel was too small or the particular conservation program had exhausted its funds.

There is little doubt that many landowners in the Greenmarket network of farmers would take steps to ensure their farm remained in perpetual production, if they knew what steps to take. In fact, over half say that they would be willing to not simply sell their development rights, but also sell the land for less than market value so a farmer could afford it, as stripping development rights often fails to bring the land's price down to a level of affordability for a full-time farmer. The challenge, or rather opportunity for Greenmarket, is that over half of our landowners said they do not understand enough about the option of selling development rights to know whether they would be interested in pursuing it.

One vegetable farmer, who has sold the development rights on about half of his 400 acres, said he was able to buy two of his parcels only because the sellers in both cases accepted his bid over much higher competing bids. "Karma," was the reason one seller gave when the farmer asked why. Should this farmer ever sell those parcels, he is much more likely to sell at a lower-than-market value for two reasons: There would be no financial loss on the property, and he would be giving another farmer the same chance he was given. So by trying to spread good karma, that landowner may have unwittingly broken the vicious cycle of rising land prices, at least on one Hudson Valley farm.

A promising resource in the effort to help farmers access land is the 83 percent of Greenmarket farmers who own their land. Of that group, 42 percent said they would like to keep their property in farming after they retire but don't have a plan for how. By focusing on this group, we can directly work to preserve the working farmland already supplying the Greenmarket network.

ii. Financing for Operating Costs and Capital Purchases

Greenmarket farmers repeatedly spoke of being squeezed between two simultaneous, rising trends. First, farms are becoming increasingly more expensive to operate year after year while the ability of farmers to secure bank loans is also becoming significantly more difficult.

Nearly all of a farmer's income—94 percent, up from 85 percent in 2007—goes straight back into production expenses, according to the USDA's 2007 Census of Agriculture. Most of this increase can be attributed to the soaring prices of fuel, labor, and fertilizer over the past decade. As these costs are rising, the lenders who might have once helped to offset those costs, are disappearing. Many local, agriculture-friendly commercial banks have been acquired by larger banks drawn to high-profit margin businesses, and unversed in agricultural lending and the economic potential of small farms..

"Agriculture is not valued in a fashion at which it ought to be," said James Makerer, senior vice president of Kinderhook Bank in Columbia County. Banks know that all too well. With the economy struggling, they have been reluctant to invest in businesses that depend on variables as uncertain as rainfall and temperatures, and on projections as subjective as crop yields.

This funding gap threatens farmers at every level. Beginning farmers have trouble securing operating loans because many of them lack the experience and collateral that traditional lenders require. Even programs such as Farm Credit, one of the few lenders that is flexible on collateral, has interest rates comparable to those of commercial banks, making it tough for small to mid-size farmers with low profit margins to demonstrate they have the cash flow to meet payments. As farmers look to grow their businesses by investing in sophisticated machinery, processing equipment, multiple trucks or tractors, and permanent infrastructure, the nature of the funding gap shifts.

Early-career farmers are often looking for loans of between \$15,000 and \$50,000. Those amounts are too small to attract the interest of most commercial banks, who profit more from loans of least \$75,000. Moreover, the cost of certain improvements, like fruit trees, will only drain income until they begin bearing fruit after three to five years, fueling a bank's skepticism that a farmer can find other revenue to compensate for the new debt. Furthermore, farmers lacking assets such as land or a home are at a greater disadvantage. Not only do they lack collateral, but they also have to convince lenders they will remain on the same land long enough to see a return from their investment. (That same land insecurity also discourages farmers from repairing or improving their land and facilities.)

Ironically, tools to ensure that land remains in agriculture, such as a conservation easement or deed restriction prohibiting development, only sour banks further. "Everyone knows ag buildings never pay for themselves," said a dairy farmer. When he borrowed money from Farm Credit East to build a barn on eased land, he said the bank valued the barn at half the construction cost because it could never be leased out at commercial prices.

As farmers gain experience, the challenges shift once again. Some said they could not get loans because they were already over-leveraged, due to unexpected circumstances or losses such as crop failure, divorce, and the sudden need to relocate the farm. One orchard farmer who had been hoping to retire in the next few years has instead faced major set-backs due to weather and the recession, and has had to borrow from his life insurance policy just to make ends meet. Additional hurdles present themselves when farmers try for larger loans to pay for capital improvements and other substantial, one-time purchases. Finally, a fresh set of challenges emerges as farmers set their sights on the ultimate financial goal: buying their own farm.

Farmer Requests for Assistance

Technical Assistance

We heard requests for specific kinds of technical assistance repeatedly, both in survey answers and personal conversations with farmers. The primary technical assistance needs voiced by Greenmarket farmers were an internal mentorship and linking program, land-related assistance, and help with financial and business planning.

Underlying the need for technical assistance of any type is the extraordinary time pressure that comes with a career in direct-sales farming. Farmers universally spoke of their lack of time—to apply for loans, to look for land, to draw up succession plans. One farmer explained that, during the growing season,

Top Needs of Greenmarket Farmers

- Loans for working capital
- Access to suitable land, whether for rental or purchase
- Technical skills in business plans, leases, loan applications
- Counseling on loan readiness
- Guidance on succession planning
- Loans for land acquisition
- Assistance with selling development rights and/or preserving land for agriculture

Top Services Requested by Greenmarket Farmers

- Information clearinghouse for networking and learning of existing resources
- Farmer-friendly loan fund for operating and capital costs
- Help filling out loan applications
- Pro-bono legal assistance for real estate transactions and succession planning
- Technical assistance with accounting and business planning
- Help developing strategies to keep land in agricultural production
- Funds—public or private—for the purchase of development rights

Tropical Storms Irene and Lee

The aftermath of Tropical Storms Irene and Lee this year served as a strong example of the absence of basic services for farmers. Greenmarket producers called and visited the GrowNYC office looking for information about grants, unemployment insurance, and other programs. There was an immediate, urgent need for a one-stop shop so farmers could access the help they required as quickly as possible.

Farmers' budgets are based on projected yields, which typically peak in the fall months. The month of August, when the hurricane hit, "was the worst possible time for this to happen," said one vegetable farmer. "September is when we start making money. You do everything you can to get to September." When the hurricane whipped through much of upstate New York, entire crops were lost. Many farmers were frantically recalculating their books, unsure how they would meet debt payments, buy supplies for next year's crops, and pay labor—including themselves. Some saw their winter income vanish too, as their storage crops rotted in standing water that had flooded the facility. "How do you keep people from going to credit cards at this point?" asked the vegetable farmer.

Greenmarket farmers discovered the hard way that their options to recover losses were scant. Those who grow and sell fresh produce typically cultivate a diverse array of vegetables, fruits, and herbs. But diversified farming is not well suited for the crop insurance programs available through the USDA and other private agencies. Traditional crop insurance is designed and priced for farmers who grow only a few types of crops. The alternative, NAP, charges a fee per crop, which does not make financial sense for a farmer who is operating at tight margins and growing 100 different vegetables at relatively small volumes. In addition, USDA insurance programs pay out at wholesale prices-- far below the retail value that a farmer depends on at Greenmarket.

One farmer said he had only just started picking his heirloom tomatoes when the hurricane flooded his fields, destroying the entire crop and costing him tens of thousands of dollars. But his insurance coverage was based on wholesale prices for beefsteak tomatoes, a tiny fraction of his true losses.

she works seven days a week harvesting, driving to market, and selling her produce, and sleeps only four hours each night. The intense work schedule leaves farmers scrambling in the off-season to catch up on business planning and bookkeeping. As small-scale producers, Greenmarket farmers are intimately involved in every phase of the business, from daily operations like farm management and driving to market, to longer-term tasks like staffing, marketing, strategic planning, securing land, and complying with myriad regulations, inspections and permits. Often farmers join the program with some gaps in skills and have to learn certain aspects on the fly. What's more, it is common for beginning farmers to work an off-farm job while they establish their business.

We were told numerous times that in light of this scheduling strain, a service that would help streamline paperwork, help farmers find land to buy or rent, and link them with the right experts and resources would be of immense value.

A Greenmarket mentoring and linking program was one way farmers recommended we help them build their businesses. Farmers with experiences and insights shared plenty of lessons they would have rather learned from another farmer, as opposed to having to learn themselves through costly and time-consuming trial and error. A young farming couple who recently closed on a land purchase could teach aspiring landowners how to keep accounting records that would meet the requirements of a federal loan program, for instance. Or a multi-generational farming family with a succession plan in place could share their approach with other families still struggling to formulate a plan. A vegetable farmer who has installed a new irrigation system with funding from a government conservation program could point his fellow farmers to the same grant programs. A farmer who is buying land at below-market price from his landlord could explain to his peers how his good fortune is the result of his careful cultivation of their relationship over the years.

Additionally, whether looking to own or rent, farmers had various needs related to land. Some renters told us they wanted help drafting farmer-friendly leases. Others said they wanted to get on the path to ownership by learning what it would take to be financially ready for a mortgage. Some farmers reported that their landlords have never been to a Greenmarket, and lack an appreciation for just how popular and profitable a farm stand at one of the markets can be. Without the confidence that their tenant farmer can make their projected sales, landlords can be hesitant to commit to a longer term relationship. Greenmarket could work with landowners, educating them about the nature of agriculture, providing tours of markets and introducing them to successful Greenmarket Producers who would be excellent ambassadors for their community.

Prospective buyers, meanwhile, told us they would benefit from more help in their search for land, whether that meant directing them to up-to-date farm-linking programs or farmland preservation organizations, or directly sharing specific opportunities with them as they arise. One farmer who is trying to buy land told of two instances when a desirable parcel came on the market but was snatched up by non-farmers before he had a chance to see it.

Assistance with financial and business planning was another common request we heard from farmers. This ranged from assistance filling out loan applications to advice on how to formulate a sound business plan to help convincing lenders they are strong loan candidates.

Financial Assistance

Farmers at every stage expressed a need for financial assistance, although dollar amounts tended to increase as careers matured and farmers were ready to take on more risk by investing in additional land and increasingly advanced equipment.

Nearly all farmers we spoke to supported the idea of a Greenmarket-focused loan fund for operating and capital expenses. There was profound enthusiasm around the idea that interest income would go back into a fund to help farmers, rather than increasing a bank's profit. They agreed that only applicants who have demonstrated a commitment to farming, rather than those who have yet to learn what the occupation truly requires, should be eligible for loans. There was further consensus that a fund should be a last resort for farmers who have been unsuccessful after trying multiple existing resources.

Farmers said more funds were needed for the purchase of easements, for the benefit of both landowners hoping to preserve their farm but still be able to realize its value for retirement, and farmers in search of affordable land to buy. Nine landowning farmers said they tried were unsuccessful in selling the development rights on their land because the potential buyer had exhausted its funding. In addition, 40 percent of farmers said grants to land trusts for the purchase of easements was of the highest priority.

Farmers routinely mentioned a lack of equity for mortgage down payments, and lack of cash flow for monthly payments, indicating their desire for farmer-friendly mortgages with low, fixed interest rates that required little to no down payments. In addition, they yearned for a fund—or a willing landowner—to deflate the asking price of a farm to an amount a full-time farmer could realistically afford.

Greenmarket's Opportunity

As Greenmarket began to assess the role we could play in filling gaps in farmers' services, we zeroed in on a few specific solutions that won broad support from the Greenmarket farmers we spoke to. We organized the solutions into two categories: technical assistance and financial assistance. Both categories include ways to overcome the two types of barriers mentioned above, access to land and access to financing.

Technical Assistance

The one area where we can provide crucial assistance is helping our producers access the multitude of existing services whose mission is to help farmers meet their financial and land-related needs. Through technical assistance we can also link farmers within the Greenmarket network, so that they can share experiences and information, and possibly form relationships that lead to farm transfers from retiring to emerging farmers.

Microfinancing

Greenmarket can create an alternative, micro-credit loan fund, making loans of up to $50,000 to farmers who are not eligible for financing from traditional lenders, perhaps because they lack the experience, equity or collateral required by commercial banks. Approval would be based on a set of eligibility requirements, chiefly that they are in good standing with Greenmarket, that they can demonstrate strong business plans, and that they have exhausted all other existing lending options.

Farm Retention Capital Acquisition Fund

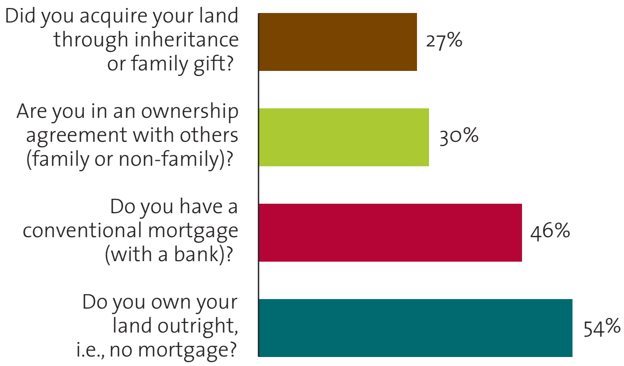
Finally, we can partner with land preservation groups and foundations to increase the amount of affordable farmland in the region surrounding New York City using various tactics. That could mean raising money to purchase easements that limit a property's resale amount to its agricultural value, or to purchase the land itself in order to resell it at an affordable cost to working farmers. It could also mean finding landowners—institutional, public, or private—willing to sign farmer-friendly leases that allow farmers to stay long-term and build equity in the farm.

Who Are Greenmarket's Landowning Farmers?

Many Owners Have No Mortgage

Over half of Greenmarket farmers own their land outright, meaning they have no mortgage.

PERCENTAGE OF OWNERS IN VARIOUS STATES OF OWNERSHIP FINANCING



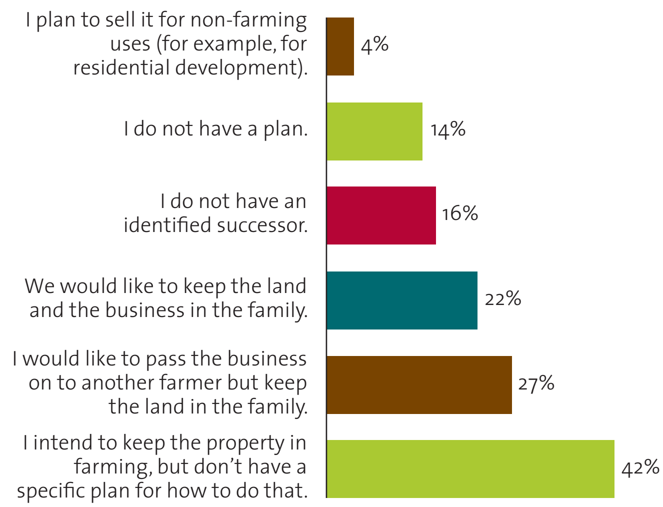
Survey Question: These questions refer to land that you own. (Check all that apply.)

*Based on 115 responses

Owners Want to Preserve Their Farms

Nearly half of landowning farmers want their land to stay in farming but don't have a plan for how to ensure that happens.

LANDOWNERS' PLANS FOR THEIR PROPERTY



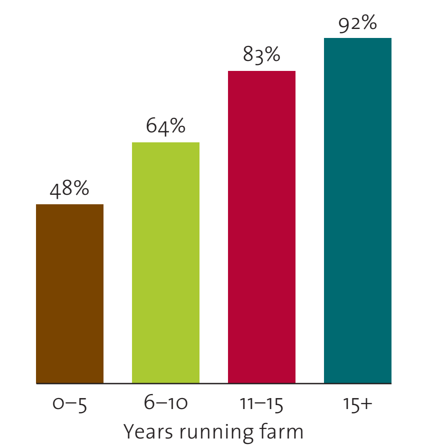
Survey Question: If you own farm property, what best describes your plans for its future? (Check all that apply.)

*Based on 125 responses

Owners Outnumber Renters in All Career Stages Except Start-Up

Only start-up farmers are more likely to rent than own.

PERCENTAGE OF FARMERS WHO OWN THEIR BASE FARMLAND, BY CAREER STAGE

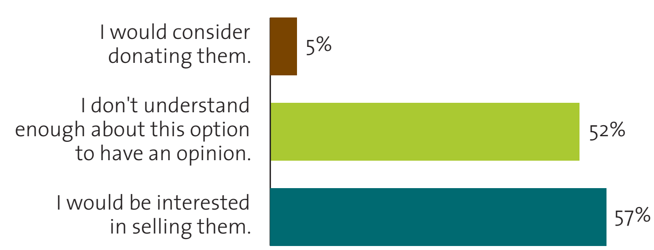


Survey Question: Do you own your base farmland?

*Based on 152 responses.

Some Owners Would Like to Sell Development Rights, But Don't Know How

Only about 10% of landowners have sold their development rights. Of those who have not, more than half are interested in doing so, and the same portion don't understand the option.



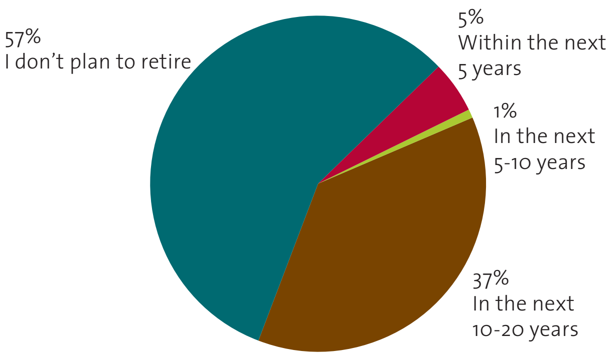
Survey Question: If the development rights on your land have not been removed (choose all that apply):

*Based on 44 responses.

Many Farmers Are Looking Toward Retirement... While Others Are Looking Toward Expansion

Retirement Plans

Nearly half of today's Greenmarket farmers will be retired by 2030.



Survey Question: Do you plan to retire (meaning to cease management control of the business)?

*Based on 142 responses.

Greenmarket Farmland: Status and Potential

The 60% of Greenmarket farmers with plans to expand would like a combined additional 5,574 acres—22% more than the current acreage now occupied by Greenmarket farmers who responded to the survey.

ACRES OWNED, RENTED, AND DESIRED FOR EXPANSION (WHETHER OWNED OR RENTED)

Survey Question: If your expansion plans require more land, approximately how many more acres will you need? (Check all that apply.)

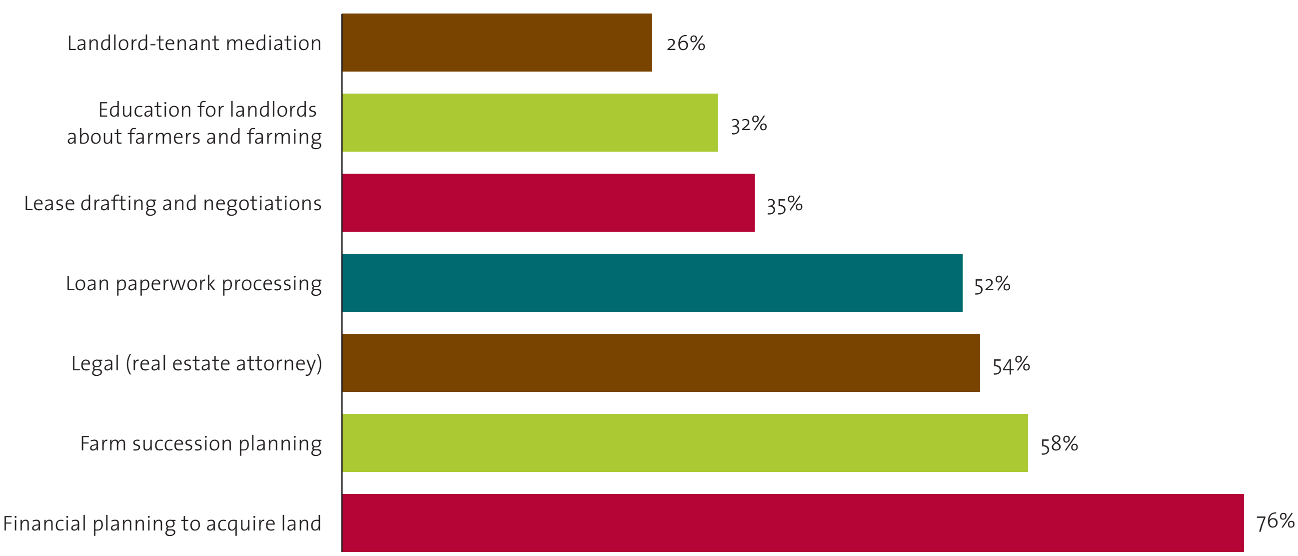
*Based on 151 responses.

What Do They Need to Meet Their Goals?

Desire for Help

Three quarters of farmers cited financial planning to acquire land as a priority for assistance.

PERCENTAGE OF FARMERS CITING VARIOUS FORMS OF ASSISTANCE AS A PRIORITY



Survey Question: What do you think are priority areas for farmer assistance in the area of land acquisition? (Check all that apply.)

*Based on 127 responses.

The Start-Up Farmer: 0 to 5 Years

Summary

Starting a farm can be the most challenging stage of a farmer's career. Lack of experience, skills, knowledge and resources exacerbate the two main obstacles facing farmers: 1) the elusiveness of long-term, secure land tenure allowing farmers to plan and make farm investments without fear of having to abandon those investments, and 2) scarce financing options.

The probability that a farm will go out of business is "substantially higher for recent entries than for older, more established farms," according to a study by the USDA's Economic Research Service. Exit rates also decline as the farm size increases. So small, start-up farmers have the lowest odds for survival as compared to other categories of farm size and years in business. The new farms that do survive, however, grow at a faster rate than well-established farms, according to the same study. So the trick is making it through the first five years.

Insecure Land Tenure and Investment Loss

New farmers have very little negotiating power when hashing out rental terms with a landlord, and often settle for short-term leases or no lease at all. Over half of Greenmarket farmers who rent their "base" farmland have informal leases or handshake agreements. And only 8 farmers—three of whom are orchardists and one a Christmas tree farmer—reported ever signing a lease longer than 5 years. (In New York, a non-farming landowner must sign a minimum 5-year lease with a farmer-renter in order to have their land tax-assessed at agricultural value. But stipulations in leases—such as 120 days' notice if the landlord decides to sell—can effectively whittle the term down to mere months, albeit with financial penalties incurred by the landowner if the land stops being farmed. No such 5-year minimum exists for New Jersey and Pennsylvania.)

While a short term, informal arrangement might at first make sense for the start-up farmer who isn't ready to commit to a piece of property long-term, it often backfires when the farmer is forced to leave. This is because many neglect to safeguard their permanent investments such as barns, greenhouses, drainage, storage structures, irrigation, and fencing. They are eager to launch their businesses, happy to be farming on high-quality farmland regardless of the terms, and lucky enough to have access to interest-free loans from friends and family. But beginning farmers often lack the foresight and lease-drafting skills to craft an instrument that requires the landowner to buy out those investments when the lease is terminated. Even if they do possess this know-how, it's difficult to convince many landlords to agree to a buyout, particularly if the landlord is not committed to renting to farmers. So all too often, renters are forced to absorb the cost and start over. Having a landlord who is also a farmer can help significantly—both in lease drafting and in every day activities—according to several farmers. But 84 percent of farmers who rent their base farm have non-farmer landlords, who, according to several renters we spoke to, have little understanding of what it takes to run a farm.

Financing

Start-up farmers have to acquire all of their equipment, yet they lack the experience, collateral and income history needed to get bank loans for such purchases. Farmers at this stage risk going into deep debt, particularly during the months leading up to market season, when all expenses to get the farm in full swing hit simultaneously, but income has not started to flow in. Young farmers often have not mastered the advance planning skills to buffer themselves financially during this time of year, and most people, let alone-farmers, lack the accounting and business-management skills necessary for obtaining loans. A handful of loan and grant programs exist specifically for beginning farmers, but finding them and then filling out the required paperwork can itself be a full-time job.

Mainstream commercial bank loans continue to be scarce. One reason is small local banks that have historically made agriculture loans are gradually disappearing as they are acquired by large banks. The few that are left are loath to loan money for improvements and structures—like irrigation and barns—on land the borrower does not own, leaving it to the renter to arrange for those investments with the landowner instead. Commercial banks also require income and equity beyond what most beginning farmers have.

VOICES FROM THE SURVEY

On securing housing: *"Finding a place to live was the hardest part."*

The USDA's Farm Service Agency is a resource for farmers without access to traditional capital, with a specific focus on farmers with fewer than 10 years of experience. Their interest rates are fixed, and far lower than those of private lenders.

But delays in getting loans can come from all angles, explained one FSA loan officer. The high volume of paperwork characteristic of federal government loans is a major barrier to Greenmarket farmers who told us that there simply aren't enough hours in the day for them to assemble their application since they often work 70 hours a week. Although the maximum loan size is $300,000, the process for large loans and small loans is the same, meaning a farmer has to fill out just as much paperwork for a $5,000 loan as he does for a $300,000 loan. (FSA is planning to release a small-loan product to address this concern, said the loan officer.) FSA also requires rigorous justification of pricing in farmers' business models. But many farmers have a hard time proving how much they charge for their product at Greenmarket because of insufficient accounting records or a lack of sales receipts. "They have to go back and rebuild their entire record keeping system," said the loan officer. Still another step in the process is satisfying the eligibility criteria that applicants have two rejection letters from other lenders.

The risk of delay does not disappear once the paperwork is complete. Government bureaucracy—understaffing, complicated legal oversight, and backlogged federal funding—come into play and result in farmers waiting for months if not longer. During the credit crisis in 2009, for instance, the agency had a backlog of 2,636 operating loans totaling $173 million.

Main Goals of Start-Up Farmers

- Gain footing as a new business owner
- Establish a performance history
- Buy enough equipment to gain momentum without going into too much debt
- Sign rental lease with landowner who is preferably a farmer, and who is amenable to terms that protect the farmer-tenant

Technical Assistance Needs

- Help with accounting, getting records in shape for lender scrutiny
- Legal assistance in starting a new business
- Lease drafting
- Landlord negotiation, mediation, education
- Finding land to rent

Financial Assistance Needs

- Start-up capital: $30,000 to $300,000 for equipment like tractors, coolers, trucks, greenhouses, housing for livestock, feed storage, fencing
  - Equipment costs can vary greatly depending on the prior experience and skill set of a farmer. Used equipment can reduce costs, but also requires knowledge of maintenance and repairs, whereas newer equipment might serve a less experienced farmer better.
  - Farm type also influences equipment costs. Vegetable farmers can get by with less start-up infrastructure, while livestock, dairy, orchard and poultry farmers require a higher initial investment.
- Operating funds: $70,000-$100,000 annually for ongoing expenses like labor, rent, fees, seeds, fertilizers and fuel. This also includes small start-up expenses such as flats, market tents, scales, greenhouse ventilation fans, packaging material.
  - This number will likely be higher for livestock farmers, who face high year-round feed costs. It will also be higher for livestock and orchard farmers because both groups must wait a few years before their products are marketable.

VOICES FROM THE SURVEY

On negotiating leases:

"It was horrible: we signed the lease with the father, who was supportive to an extent. But when he took ill, his adult children proceeded to violate the agreement in numerous ways."

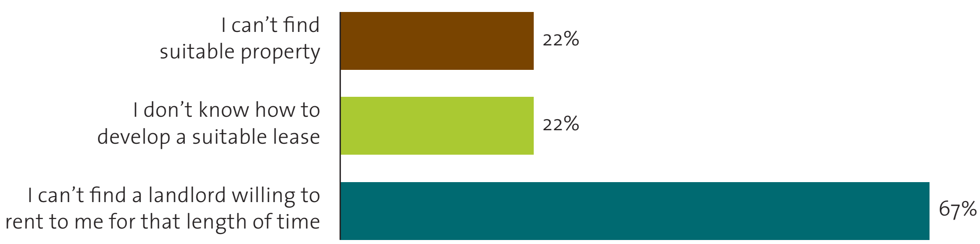
"…with the rental all capital improvements were at my expense, even on structures [the landlords] owned and would keep and them wanting to partner on things or just thinking I was available to do things for them."

A Feeling of Land Insecurity

Long-Term Leases Are Scarce

More than a third of farmers who want to rent land (or rent more land) are interested in a lease agreement for longer than 5 years, but few landlords are willing to rent for that length of time.

PERCENTAGE OF FARMERS FACING VARIOUS BARRIERS TO RENTING FARMLAND FOR A TERM OF AT LEAST SIX YEARS



Survey Question: If you would like to lease property for 6 years or longer, what barriers prevent you from achieivng this goal? (Check all that apply.)

*Based on 36 responses.

Non-Farmer Landlords Are Common

Most renters rent at least some land from non-farmer private landowners.

PERCENTAGE OF FARMERS WITH VARIOUS TYPES OF LANDLORDS

Survey Question: Who do you rent land from? (Check all that apply.)

*Based on 77 responses.

Case Studies

These case studies of Greenmarket farmers give a close-up look at how various challenges impact farmers' lives and careers. Check marks above each portrait indicate the area of additional support that would have benefitted the farmers had they been able to access it.

Brian and Alice Mason
Vegetable Farmers, New York

- [x] Technical Assistance
- [x] Microfinancing
- [ ] Farm Retention Capital Fund

The obstacles facing the Masons—an unexpected need to move, a skeptical landowner, a thin credit history, a cash-flow shortage—are common to many beginning farmers. The Masons are among the few who managed to solve a slew of financial and legal riddles and successfully navigate a highly complex process.

After many years running his parents' farm in the "black dirt" region of Orange County, Brian and his wife Alice had a sudden change in their domestic situation and needed to find a new piece of land quickly so they could start their own farm. During the year and a half it took them to close on the seven-acre farm they now own, the Masons had to simultaneously teach themselves how to run a business while cobbling together enough funds to finance it. What little income they earned went back into the farm. So for stretches of time, they borrowed from Alice's mother to buy clothes for their children, and used food stamps to buy groceries.

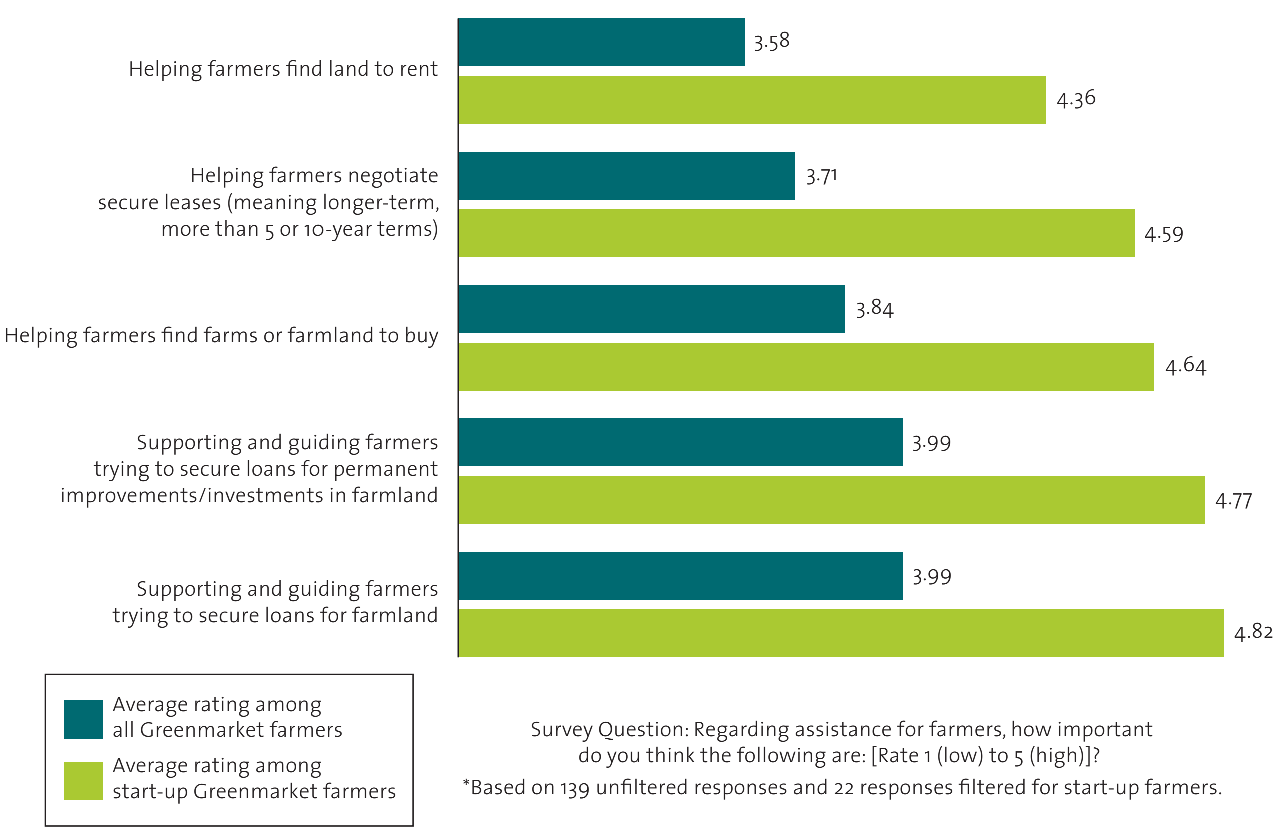
Looking back on the process, Alice said finding the right piece of land was one of the biggest challenges. "It's not easy," she said. "You need to understand that you have to court the people you're buying from."

Their search began on a promising note. They had been determined to stay in the black dirt region—a 26,000-acre swath of highly fertile, swampy land that once was a glacial lake, and where development is restricted due to the soil structure. In early 2010 they found a 7-acre property: It had two crumbling

Desire For Help

Assistance with loans for farmland and improvements were given the highest average rating among start-up farmers and all Greenmarket farmers.

PERCENTAGE OF FARMERS RANKING THE IMPORTANCE OF VARIOUS FORMS OF ASSISTANCE



Survey Question: Regarding assistance for farmers, how important do you think the following are: [Rate 1 (low) to 5 (high)]?

*Based on 139 unfiltered responses and 22 responses filtered for start-up farmers.

barns, and the $140,000 asking price was significantly higher than the going rate of about $5,000 per acre. Still, its location and small size were perfect for their start-up needs.

But there was a problem. The non-farmer landowner had no interest in renting it, having had a negative experience with a previous renter. His business was faltering and he needed money from a sale. The Masons, meanwhile, had little chance of financing a land purchase without income, a credit history, or equity.

A Farm Service Agency official told Brian the agency had reached its budget limit for 2010, and was therefore not an option. The couple planned to apply in 2011, but needed to find an alternative solution in the meantime.

Farm Credit wasn't an option either, said Brian, because the Masons didn't have three years worth of business income tax statements. Alice added that the Farm Credit official told them to look into its Farm Start program for beginning farmers. But the Masons never did, because of frustrations they felt during that meeting. "He was very paperwork-oriented," said Alice of the Farm Credit employee. "We didn't look good on paper and he didn't see beyond that."

So the Masons asked the landowner if he would agree to a lease with an option to buy. He said no. While he had wanted the land to stay in farming, his realtor, who had no agriculture experience and was unsympathetic to the Masons' situation, warned him the arrangement was too risky, said Alice.

The Masons' realtor, however, was a major source of help, she said. He had local farming knowledge and could vouch for them. He explained to the landowner that they were local, trustworthy farmers with good reputations.

It worked. In April, 2010, the couple signed a two-year lease with an option to buy. Their rent was $1,300 a month—mainly for the barn and property taxes.

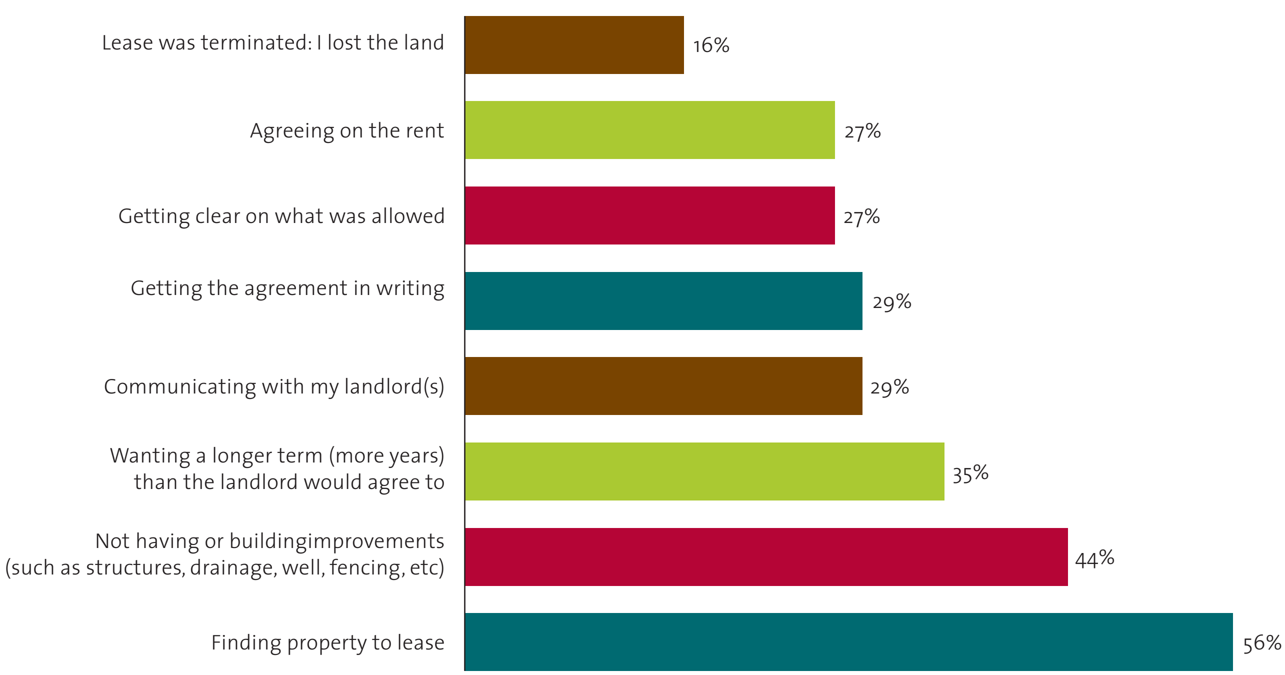
With plans to apply for the FSA farm ownership loan the following year, Brian and Alice made sure they crafted a lease that would meet the agency's requirements. They already took care of a major one: that applicants be the owner/operator of the farm once they purchase it. Next they had to secure a purchase offer from the owner. The final lease—meticulously written with various experts' advice—included that offer.

FSA approved their loan in May, 2011.

Challenges to Renting Farmland

Finding land is the top reported barrier for renters, followed by the constraints over having or building permanent improvements.

PERCENTAGE OF FARMERS CITING VARIOUS CHALLENGES TO RENTING FARMLAND



Survey Question: If you have leased a farm or farmland in the past, what were the challenges you faced? (Check all that apply.)

*Based on 55 responses.

VOICES FROM THE SURVEY
On threats to land tenure:

"Most (of our 12 landlords) have an attachment to the land and are very happy to have someone farming it. However … their children mostly do not have that attachment. …I expect the next generation to be more interested in maximizing their return in any way they can—including selling for development."

"In 2008 (my) grandfather passed away, family situation got ugly. I bought whatever I could but lost quite a bit of my grandfather's property."

"[My] first landlord might be having problems with the mortgage.…The second landlord has been trying to sell for two years but hasn't been able to sell."

Still, as they wait for a closing date, they continue to hit snags unique to the federal government's complex requirements and copious paperwork. The latest is that FSA must wait for an available bonded lawyer, which will take extra time. "It's a very confusing, complicated, makes-no-sense kind of thing," said Alice.

As for their daily living expenses, they've been approved for an FSA operating loan. But while waiting for the loan to come through they have had to cobble together resources for basic household expenses, even relying on food stamps for groceries.

New questions also constantly arise as the couple navigates the legal steps of starting a business. "There is nobody I can ask for free, and I can't afford to hire a lawyer," said Alice. "I have to figure it out on my own because that's the only choice I have."

Alice said she'd be happy to share her hard-earned knowledge with other farmers facing the same hurdles, so her valuable lessons can be put to good use.

Ron Sussman
Cattle Farmer, Pennsylvania

- ☑ Technical Assistance
- ☑ Microfinancing
- ☑ Farm Retention Capital Fund

Ron Sussman financed his cattle farm with credit cards and equity from successful non-farming businesses he previously started. He is fighting the tide of conventional cattle farmers in his area who are selling to developers, thereby raising land prices beyond his reach. He has no written leases on the land he rents, and has no choice but to pay for high-cost fencing that he will have to abandon when the relationship ends.

Ron Sussman has been running his cattle farm for three years. "I could not be doing what I'm doing if I didn't already have other successful businesses to lean on," he told Greenmarket. In his first year, Ron leveraged equity in his other properties to buy 28 acres, using a commercial bank loan. He has since found an additional 40 acres of pasture that he rents from three different landlords.

But soon, Ron will need to find more pastureland. While vegetable farmers can accumulate land gradually, livestock farmers—particularly those who raise large animals like cattle—need large parcels from the start, for hay as well as pasture. The three main criteria for good pasture are quality grass, a water source, and high-cost fencing—the combination of which can be difficult to find. Ron managed to outbid other farmers for a desirable 20-acre parcel that already had a fence—but now his annual rent there is $80 an acre. On another parcel, Ron installed the fencing and negotiated five years of free rent in exchange. After that his rent will be $40 an acre. Ron said he hasn't even considered asking the landowner to agree to buy the fence back if their arrangement comes to an end. "The fence becomes moot if the land is not farmed," he said.

Ron is surrounded by conventional livestock farmers in his area, who are suffering financially and increasingly selling their land to developers. The trend has put him at a disadvantage. "There was no possible way I could afford to buy the amount of acres I needed," he said. That's partly because of the incentive for landowners to sell rather than rent their land out. Ron cited an "enormous dichotomy" between market value and the return a landowner could make by renting to a farmer. For instance, a typical owner would rather sell a 50-acre parcel for $6,000 per acre, or a total of $300,000, as opposed to renting it out for $40 per acre, or a mere $2,000 a year—even when the savings from an agricultural tax assessment are taken into account, he said.

Ron enjoys strong relationships with his landlords—two of whom are actively farming. But without any written leases, he acknowledges he's vulnerable. One of the properties, for instance, is owned by an older man who recently had a heart attack. What would happen to the farm if he passed away? "That's certainly an unknown," he said.

But many landowners would balk at a 10-year lease, he said, recalling one "old-timer" who objected to the mere idea of a written lease. "He felt his handshake was as good as anything."

Still, Ron recently started pushing the idea with a new possible landlord. "I'm getting more uncomfortable with the money I'm putting into these properties," he said.

Meanwhile, Ron has had to use credit cards to finance his start-up capital of $60,000. That has lowered his credit score because his credit report doesn't specify the low interest rates he was able to get. "It looks like my credit is maxed out," he said.

The other downside is the risk that he might not pay off the balances before the low rates expire. If that happens, he'll need to find other financing quickly. He's worried that in this economic climate, his local commercial bank might not help him as much as it has in the past.

"For lenders, I'm extended to the max," he said, noting how conservative the commercial lending environment is today. "And being a start-up, I don't have significant income. This is the first year I can show decent income." Echoing the complaints of many farmers, Ron said commercial banks don't use farmer-friendly lending criteria. They require larger profit margins and frown on the high risk inherent in farming. So he plans to try Farm Credit if he needs more financing. "Farm Credit is a new thing for me," he said. Since he has other businesses to fall back on, Ron said he's probably more comfortable than other start-up farmers at the idea of approaching a lender like Farm Credit for the first time. "If I didn't have that it'd be a lot scarier," he said. "It's intimidating to walk into a place and face the risk of someone saying hey, you don't have what it takes."

Susan Crosby
Vegetable Farmer, New Jersey

- ☑ Technical Assistance
- ☑ Microfinancing
- ☑ Farm Retention Capital Fund

Susan Crosby represents the start-up farmer who has learned first hand the importance of a written, farmer-friendly lease. She's also one of countless farmers in the Northeastern U.S. to have suffered major losses from Hurricane Irene.

Vegetable farmer Susan Crosby has been running her own farm on 75 rented acres since 2008. In that short time, she has built one of Greenmarket's most popular farm stands, a favorite with chefs and home-cooks alike. Sales at her four weekly Greenmarket locations are reliable and steadily growing.

A big part of her success comes from the $250,000 worth of permanent improvements she has put into the land she farms: mainly a well, electricity and seven greenhouses. She paid for them with interest-free loans from her mother and a loyal customer, knowing that her accounting records would have failed to convince a bank she had the cash flow to cover loan payments. A lending officer from Farm Credit explained she also lacked the three years' of business income records needed to even qualify for bank loans. Although she had many years of experience working on a farm, she had been running her own business for less than a year. (The Farm Credit official she spoke to on the phone did not refer her to its Farm Start program for beginning farmers, she said.)

But the personal loans were a mixed blessing. Susan doubts her landlord will renew her 3-year lease when it expires at the end of 2012. Since her lease says nothing about her landlord buying the permanent improvements upon lease termination, she's convinced she'll have to forfeit much of her investment.

Her outstanding debt is about $100,000, which includes the personal loans, credit card debt, and financing from John Deere for tractors and other small equipment.

Not wanting to increase her debt burden, she chose not to apply for an emergency loan when Hurricane Irene hit in August and wiped out about $70,000 worth of her crops—mostly vine crops like squash and melons, and underground vegetables like sweet potatoes that are rotting in the soil. Susan had no crop insurance, and has instead found ways absorb the financial hit. In September she laid off three workers. In October she ran out of vegetables and was forced to shut her market stall down until next season, shaving six months off her year-round sales schedule.

At this point, she'd like to buy land and has the money for a down payment. But she is struggling to find affordable, suitable property. And even if she did, she suspects her record-keeping will once again prevent her from getting a loan.

Susan vowed that if she can't find land to buy, or a rental property with at least a six-year lease, she will move to Mexico. The reason is simple, she said: "I can't afford to live here."

VOICES FROM THE SURVEY
On securing financing:

"As a new farmer, lenders (are) unable to consider income generated from business for first two years. Therefore, all I show is outgoing money, not incoming."

"Finance seems to be the most difficult issue. Once you mention…agriculture (banks) do not want to get involved. They say ag business is too risky."

The Early-Career Farmer: 5 to 10 Years

Summary

After running their own farm business for at least five years, Greenmarket farmers typically graduate to the next stage of growth. They have learned how to make money selling their products, and many have even managed to accumulate savings and avoid debt. Their thoughts turn to expansion. They desire more than ever to stay put so they can invest in their farm without fear of losing those investments. They've farmed the same soil for a few years, and are seeing higher and more flavorful yields thanks to the soil's increased nutrient-content. They are eager to continue enriching the soil for years to come.

By this time, many have also experienced first hand the challenges of communicating with non-farmer landlords. We heard the same sentiment repeatedly from Greenmarket farmers: in the words of one livestock farmer, "Landlords don't have a clue of what it takes to farm." In worst-case scenarios in which the relationship ended, farmers have had to move fully functioning farm operations. This has multiple implications: It means walking away from permanent land and building improvements; re-establishing a reputation among new neighbors; building a new customer base for those farmers who sell locally as well as at Greenmarket; relearning local zoning laws and regulations; and finding new local resources like agricultural extension agents. Finally, there is the daunting task of moving expensive, high-tech equipment like greenhouses and milking machines.

Thirty two percent of renters said as far as they know, the land they occupy—a combined 3,135 acres—is at risk of being taken away. Two thirds of those farmers rent their base farmland, making them more vulnerable than the respondents who own their base and rent only supplemental land. The leading perceived threat was that it might be sold for development (64 percent), followed by transferred due to death, illness or foreclosure (32 percent), and finally that it might be rented to another farmer (24 percent).

Still, few renters expressed confidence in pursuing rental leases with farmer-friendly terms. Many farmers told us their landlord would scoff at a lease requiring them to buy permanent improvements from the farmer if and when the lease terminates because those improvements would have no value to future occupants if the land does not remain a farm.

Still, about one fifth of farmers said they'd like to install permanent improvements on rented land, even though getting loans for them could be a challenge. FSA, for instance, requires an applicant to produce a lease agreement compatible with the life of whatever the investment is, to ensure the farmer could stay long enough to earn a return and repay the loan.

Of the 19 farmers who said they'd need a loan to install permanent improvements on rented land in the future, 11 said they don't feel prepared to apply for the loan. Eight farmers said they didn't think they could get a loan because the improvements would be on rented land.

The wish among early-career farmers to live on the farm also grows stronger. One third of Greenmarket farmers do not live on their base farm. But many young farmers described the toll taken by late night drives from home to farm to—for instance—reposition irrigation pipes or check the incubator to see if eggs are hatching. Their concern with security at the farm also intensifies, as they amass more expensive equipment.

A significant portion of farmers at this stage still don't feel prepared to apply for loans to purchase land. Nearly three quarters of the 53 growers with 10 years or less experience said they'd like to finance a farm purchase in the future. But only half of those aspiring farm buyers said they feel prepared to apply for a loan. The most commonly mentioned obstacles—among the 27 respondents who answered a short-answer question to describe them—were:

- Lack of credit
- Lack of equity
- Lack of collateral
- Lack of income
- Lack of funds for a down payment

Other obstacles mentioned included:

- High land prices
- Difficulty finding land
- The need for thorough accounting records/complications with income verification
- Too much debt
- Not knowing where to go or whom to ask
- Overwhelming paperwork

The USDA's Farm Service Agency has two farm-ownership programs targeted specifically to beginning farmers, whom they define as running a farm for 10 years or less. The direct farm ownership loan has a loan cap of $300,000, with a 40-year fixed rate of 5 percent, and no down payment. Since it's rare to find farms for less than $300,000 in the region surrounding New York City, FSA also says that if a borrower gets a second mortgage, FSA will subordinate its loan to that of the other lender. Even with the $300,000 cap, demand almost always exceeds supply, according to research by the American Farmland Trust.

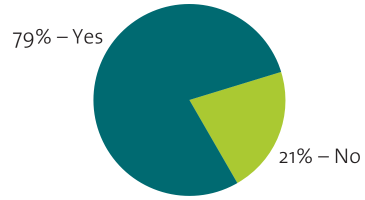
The second is a farm down payment program, in which the applicant puts down 5 percent of the purchase price, and FSA finances 45 percent for a 20-year term at a fixed rate, which now hovers at around 1.5 percent. The other 50 percent must then be obtained from a commercial lender or a private party. The program is particularly useful for landowners who want to transfer the land but still hold part of mortgage. The purchase price, however, can't exceed $500,000, which limits the usefulness of this program for Greenmarket farmers due to land prices in our region.

Once again, the many moving parts that must be in place for a federal government loan to be processed, approved, and funded is a major barrier to Greenmarket farmers. The period it takes for some loans to come through can be several months—time farmers can ill-afford when they're competing against other hopeful buyers.

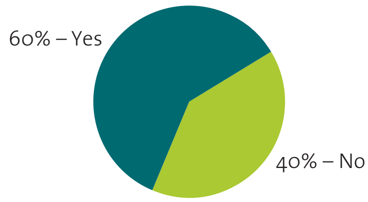
Expansion

Nearly 80% of early-career Greenmarket farmers want to expand.

PERCENTAGE OF EARLY-CAREER FARMERS WITH PLANS TO EXPAND, COMPARED TO THAT OF ALL GREENMARKET FARMERS



Early-Career Farmers



All Greenmarket Farmers

Survey Question: Do you have plans to expand your farming operation?
*Based on 29 responses for early-career farmers,
and 151 for all Greenmarket farmers.

Main Goals of Early-Career Farmers

- Expand the business
- Invest in land and building improvements
- Buy land or secure a long-term rental arrangement
- Live on the farm
- Avoid credit card debt

Technical Assistance Needs

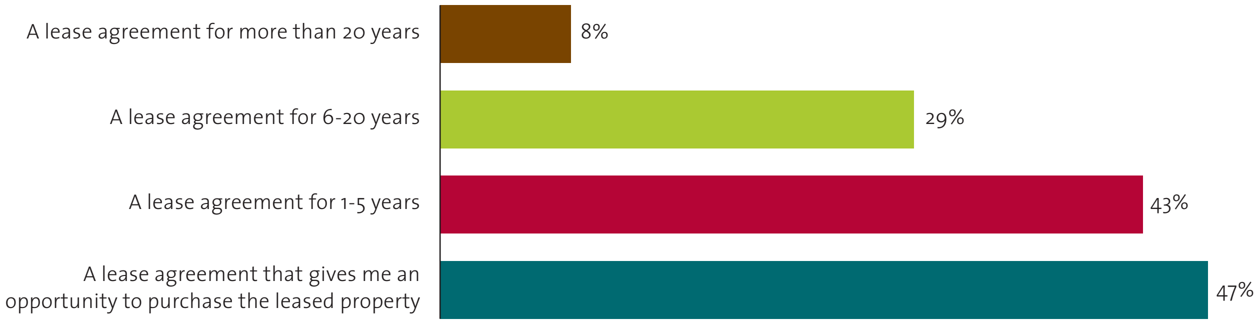
- Drafting leases with farmer-friendly terms
- Navigating and completing loan paperwork
- Finding lenders
- Finding agricultural grant programs
- Finding land to buy or rent long-term

Financial Assistance Needs

- Operating line-of-credit: $25,000-$50,000, particularly during pre-season months. (More revenue is coming in which accounts for the slight drop from the previous career stage.)
  - The need for an operating line of credit can often be alleviated through careful budgeting or a business model that takes into account the high costs faced by farmers in early spring. Technical assistance in this area could help some farmers reduce the need for pre-season credit.
  - Farmland mortgage: upwards of $1,200,000, depending on acreage, existing structures, location
- Farmland mortgage down-payment: upwards of $300,000, depending on acreage, existing structures, location
- Loans for one-time expenses like larger and more advanced machinery, buildings and structures, or permanent improvements like irrigation and fencing: $5,000 to $100,000

Lease Preferences

Nearly half of farmers looking to rent prefer a lease agreement that gives them the option to purchase the property.

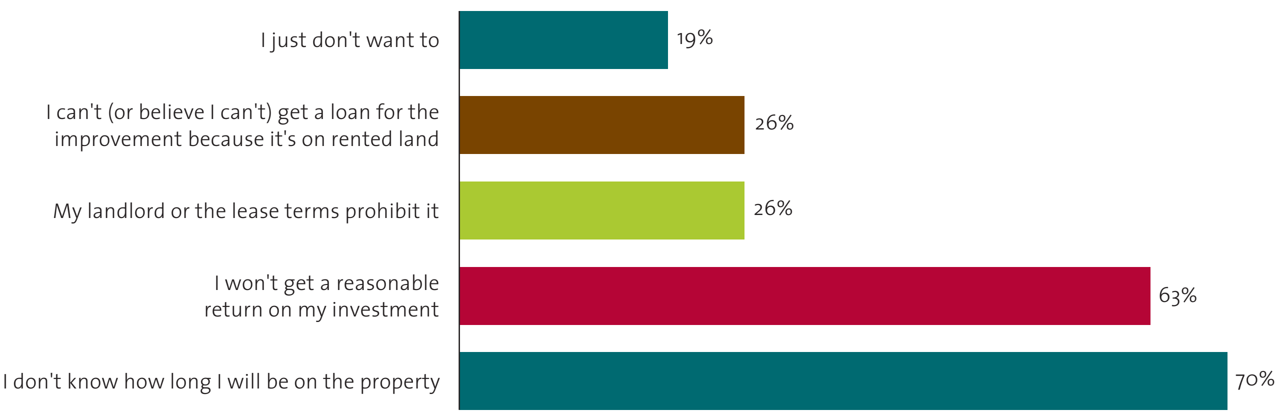


Survey Question: If you would like to rent land or rent more land, which of the following best describes your goals? (Check all that apply.)

*Based on 51 responses.

Barriers to Installing Improvements

Fifty two percent of renters have not installed improvements on the property they lease. Lack of a return-on-investment and uncertainty about length of stay were the most commonly cited reasons.

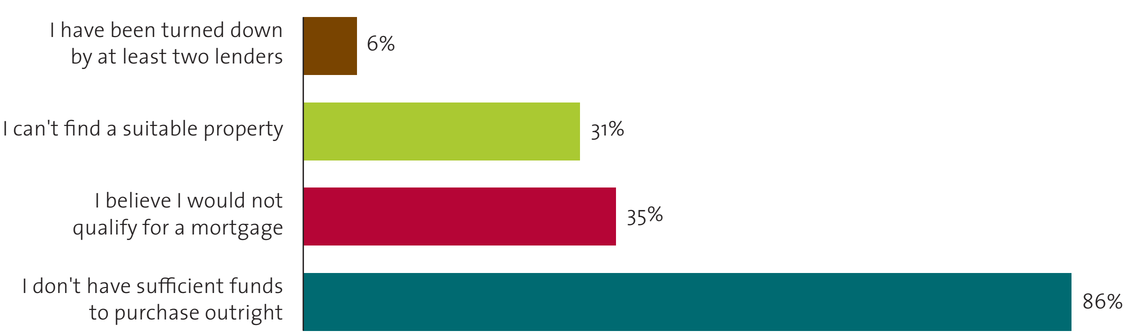


Survey Question: If no, what are the barriers that prevent you from doing so? (Check all that apply.) (This follows a yes-or-no question on whether the renter has installed any improvements on the leased land.)

*Based on 27 responses.

Barriers to Owning

Farmers cited financing as the primary barrier to ownership.



Survey Question: If you would like to own land or own more land, what are the barriers preventing you from achieving this goal? (Check all that apply.)

*Based on 83 responses.

Case Studies

Miguel Gonzalez
Vegetable Farmer, New Jersey

☑ Technical Assistance
☑ Microfinancing
☑ Farm Retention Capital Fund

The land Miguel Gonzalez is now renting will likely be sold for development if Miguel can't come up with a down payment to purchase it. But his debt, including $41,000 in credit card bills, is keeping him from thinking about anything beyond meeting his monthly minimum payments.

Miguel is a successful participant of the New Farmer Development Project, a Greenmarket program that helps new immigrants with farming experience in their home countries start farm businesses here. Since joining the program in 2002, he has expanded his business and now sells at six Greenmarket locations.

In 2008 Miguel began renting 40 acres on a 65-acre property in New Jersey from retired farmers Al Singer and his wife Lisa. He has a one-year lease that gets renewed each year, and his relationship with his landlords is strong. That's largely because the Singers are fellow farmers who appreciate the work Miguel puts into the farm and even lend an occasional hand when there's unexpected trouble like a broken down tractor. Miguel, in turn, often shares his harvest with them.

But like many life-long farmers, Al and Lisa are ready to retire, and they need to sell the farm to do it. When Miguel found the property in 2008, a deal Al Singer had made with a real estate developer planning a subdivision had just fallen through because of the housing crash. It was a lucky break for Miguel, and the highly fertile farmland was temporarily saved.

Today, the Singers say they would love for their property to stay in farming production, and they would be delighted to sell the land to Miguel, as long as they can make enough from the sale to retire comfortably and buy a small farm in the region.

Al Singer told Miguel he'd even take less than full market value, which could be as high as $1.5 million. But he'd need substantially more than Miguel could afford on his full-time farmer's income.

But the clock is ticking. The cut-flower retail shop Al ran on farm property is now closed for good, and Ron has told Miguel that a farm sale is imminent. The farm represents the bulk of his equity, and he has no choice but to cash in on the land.

Miguel, meanwhile, is too preoccupied with his operating debt to think about how he could raise the funds to buy the Singers' farm—a virtual impossibility considering the land's high development value and the Singers' short time frame.

He has increased inventory by boosting crop yields. In order to do that he has used credit cards for equipment and operating expenses. His credit card debt, as of the spring of 2011, totaled $41,000, on which he has been making only minimum monthly payments.

In early 2011 he was struggling to find funds to pay for operating costs and some small equipment, as he geared up for the start of the season. Although he had repaid the three loans he had gotten from NFDP totaling nearly $10,000, he was unable to secure another loan. The Farm Service Agency also rejected him, explaining that although he's in the U.S. legally, he falls short of its requirement that he be an American citizen or "qualified alien." His local commercial bank turned him down as well, on grounds that he didn't have enough experience.

The commercial bank, however, forwarded his application to two non-profit institutions that administer micro-loans funded by the U.S. Small Business Administration. After visiting his farm, both lenders gave him working capital loans—one for $25,000 and the other for $15,000—using his equipment for collateral.

Throughout this process Miguel knows that if he doesn't come up with a down payment for the Singers' farm in the next few years, he will likely lose the land. That means walking away from 65 tillable acres and 13 greenhouses. He'll also forfeit $8,000 worth of irrigation he has installed, since his lease has no buyout stipulation.

VOICES FROM THE SURVEY

On the desire to own:

"I can't express the uneasy feeling I have every day trying to come up with a reasonable way to make a permanent place there. Losing our [previous] 200 acres… really hurt because the purchasers have no intention to farm. We… are having an extremely hard time recovering from that loss."

"I would not make major improvements on land I do not own."

"We really need help to acquire the 40+ acres we are on, to secure our future in farming."

VOICES FROM THE SURVEY

On relationships with landlords: *"[The landowner] thought that mixed organic crops (with weeds) didn't look as nice as a conventionally grown cornfield, so I lost the field."*

Miguel told us his biggest need now is professional advice, as much for his landlord as for him. When he talks to Al about alternative ownership transfer arrangements, such as Al financing the sale himself, or a third party purchasing development rights, or a combination of the two, Al suggests they get guidance from farm preservation experts. "But who is that person?" asked Miguel.

Aaron and Lucy Shaw
Dairy Farmers, New Jersey

- ☑ Technical Assistance
- ☐ Microfinancing
- ☐ Farm Retention Capital Fund

In 2010 the Shaws fulfilled their dream of owning their own farm, which has since blossomed into one of Greenmarket's strongest examples of sustainable agriculture. But they had to overcome significant obstacles to do it. They prevailed in a nasty dispute with their former landlord. Then they had to convince the bank to loan them a mortgage despite their unconventional dairy-farming model. A Greenmarket mentoring program would seek to tap the unusually high level of expertise the Shaws brought to their dilemma, so they could share their knowledge with other farmers and help make successes like theirs the norm rather than the exception.

After renting in Sussex County for eight years, Aaron and Lucy Shaw bought 185 acres in Milford, New Jersey for their dairy and cheese-making operation in 2010. Graduating to owning from renting has transformed their approach to their land and their farm, said Aaron.

"Once settled on owned land, you can construct the infrastructure that best suits the well-being of the livestock," he explained. "As renters, we were constrained by the landowners' opinions about how the property should be kept." Their landlords, like many non-farmers, had gross misconceptions about farm life, he added. "A pasture will never look as tidy as a hayfield; those darn cows just don't care to keep it neat and tidy."

The Shaws wisely required their former landowners to agree to buy all their immovable improvements when the lease ended. They were able to bring with them other equipment, like a cheese vat, boiler, and portable fencing. Moving their customer base was not as easy, but their efforts in publicizing the move are paying off.

The business is stable for now. They're heavily leveraged by their mortgage, which they got after a painstaking process of convincing Farm Credit they could afford it, with a 4-percent floating interest rate. They also helped finance their purchase by selling the development rights to the county—which used funds from the Open Space Institute. While that brought the price of the farm down by half, it nearly cost them their mortgage, said Aaron. That's because Farm Credit valued the barn the Shaws planned to build at half the cost of construction—since it could only be used for agriculture. But with a loan guarantee from FSA and the persuasive skills of the Shaws, Farm Credit ultimately granted the loan.

"We managed to convince them on the strength of our business plan," said Aaron. He added that banks are often uncomfortable with unconventional business models like theirs, which requires rotational grazing that leaves tracts of land untouched for multiple seasons so the soil can rebuild itself. "They don't value the long-term ecological benefits of what we're doing."

The Shaws are focused on steadily increasing their herd so they can keep paying off the mortgage and be in a position to invest in the farm once again. Next on their list? Upgrades to the barnyard, water trough system, and peripheral fencing.

Rob and Dana Marion
Vegetable Farmers, New York

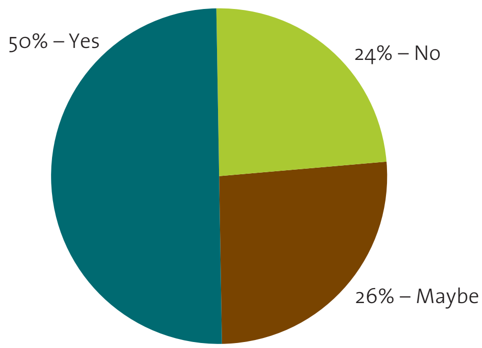
- ☑ Technical Assistance
- ☑ Microfinancing
- ☑ Farm Retention Capital Fund

Rob and Dana Marion didn't think they could afford the 82-acre farm they had been renting for eight years. In the spring of 2011 they bought the land after several well-timed factors fell into place. Most importantly, a land conservancy brought the price down by buying an easement on the land, and a neighbor gave them a mortgage at a fixed, low interest rate. With Greenmarket's help matching farmer-friendly landowners with successful farmers, providing financing for working capital or mortgages, and contributing capital toward the purchase of easements, farmers could boast success stories like these more often.

Farm-Loan Readiness

Only half of farmers with 0 to 10 years experience running their own farm feel prepared to apply for a farm loan.

PERCENTAGE OF FARMERS WITH 0 TO 10 YEARS EXPERIENCE RUNNING THEIR OWN FARM WHO FEEL PREPARED TO APPLY FOR A FARM LOAN



Survey Question: If you want to finance a purchase of a farm or farmland in the future, do you feel prepared to apply for a loan?
*Based on 38 responses.

Rob and Dana Marion considered themselves lucky when they found an 82-acre farm for rent in Dana's hometown. They had been eager to launch a full-size farm business after getting their start as a small nursery on Dana's mother's property. The landowner was not a farmer himself, but liked the Marions and often gave them extra support in the eight years they rented from him. He let them build a cabin to live in on the farm. And he split the cost of an underground irrigation system with them.

But the couple yearned for security. Although their lease was for a five-year term—that was the minimum required by the state for the owner to get the land tax assessed at agricultural value—it also stipulated that the landowner could terminate with 120 days notice if the Marions broke certain rules, or if the owner decided to sell, or if his children inherited the farm. "It said five years, but really it was 120 days," said Dana. What's more, it lacked a buyout stipulation that would have required the landowner to buy any immovable improvements the Marions installed or built on the farm.

As renters, they also lacked the equity and collateral to get many loans. They tried FSA, but found the staff they dealt with "very unapproachable," said Rob. "We were very intimidated by the whole thing," he added.

So the couple found creative ways to fund their annual operating and working-capital costs. They borrowed from Dana's mother, and took out a personal loan for their van, thanks to their good credit history. A neighbor gave them a hoop house he wasn't using. They maxed out their credit cards, playing the all-too-common game of moving their balance from card to card just before the low interest rate expired.

Eventually they had enough experience to qualify for a revolving line of credit from Farm Credit East, using their equipment as collateral. Like many Greenmarket farmers, the Marions still depend on that line of credit, drawing on it usually in the early spring and gradually paying it down monthly.

But access to larger loans for one-time capital purchases was still severely limited.

When the owner decided to sell his land, he gave the Marions the first right of purchase. They couldn't afford his asking price of $495,000—the appraised market value. Over the next year they searched for a solution, while the owner—who had come to know and respect the Marions' organic farming methods—turned down a competing offer to give them time to come up with the funds.

That gesture proved to be the first in an unusual string of good fortunes that ultimately propelled the Marions to farm ownership.

The Marions found out from their local land conservancy that the farm fell into a region targeted by a regional land conservancy for farm preservation. That group funded the purchase of an easement on the property, bringing the price down by 45 percent.

The deal hinged on the good will of a neighbor, who donated his easement to sweeten the pot for the preservation group. That same neighbor then gave the Marion's the mortgage that allowed them to buy the farm they had been renting: a 30-year term, with a fixed interest rate of 4.5 percent. No down payment. No future balloon payments. The reason he did it? So the Marions would stay put and farm his land too. They happily obliged.

"We've fallen into an incredibly unique, very lucky situation, where the existing landowner was incredibly encouraging to new, young farmers," said Rob. "We have a new neighbor with the means to provide a mortgage and lease us their farm also, with the understanding that we are not so new and young anymore, and we have the experience and tools to work this soil." He added: "This is all coming from people with a resource base, encouraging people with less of resource base, and willing to work."

The Marions were equally grateful for their land conservation allies. Both groups helped the Marions at no charge, although the couple still had to hire an outside lawyer to help draft the easement. That lawyer "charged us a fortune," said Dana.

The Mid-Career Farmer: 10 to 20 Years

Summary

Greenmarket farmers with this level of experience tend to think once again about scaling up, only this time, the scale can be significantly larger with such investments as more livestock, additional land, and large-scale processing, refrigeration and storage equipment. To raise capital for this expansion, landowning farmers might look to sell their development rights, or turn to family and friends if they don't want to take on more debt. Renters, meanwhile, need to find other sources of funding, like friends, family or private investors.

The stakes are higher at this career stage because most farmers have mortgages as well. Over 90 percent of farmers with more than 10 years experience own their base farm. Roughly one third of those farmers have a conventional mortgage. For them, calamities like punishing weather or crop disease can mean losing the farm. One farmer said on some nights he wakes up in a cold sweat worrying about whether he can meet his payments.

Expansion continues to be a goal for farmers at this stage. Typically this means acquiring more land. Many experienced farmers explained that owning their base farm while expanding onto rented land over the course of their career has afforded them the ability to grow their business. But the arrangement works only because they have secure possession of the heart of their farm, where they can concentrate their permanent investments. Twenty two percent of farmers with more than 10 years experience said that in order to expand they would need to acquire more land—a combined 2,890 acres. To buy that land would mean overcoming several barriers; the difficulty finding suitable land and the perceived inability to get a mortgage were commonly cited by farmers in the survey and in personal conversations.

As farmers become more business savvy, they're thinking more creatively about how to move their business to the next level. That could mean more aggressive marketing, launching value-added products or diversifying their product offerings. While some of these steps can be accomplished with little funding, others demand significant sums of capital, as well as a network of potential business partners.

The lessons many farmers have learned by this time in their career would make many of them excellent mentors for their less experienced colleagues.

Main Goals of Mid-Career Farmers

- Consolidate operation to one location
- Continue expanding, perhaps diversify product offerings
- Buy or rent more land
- Buy a home
- Increase workforce

Technical Assistance Needs

- Assistance with labor regulations in terms of housing and immigration status
- Help finding more land to rent or buy near the home farm
- Landlord-tenant mediation/negotiation
- Help coordinating multiple entities willing to finance a land purchase, including non-profits, preservation groups, municipalities, the landowner, etc.

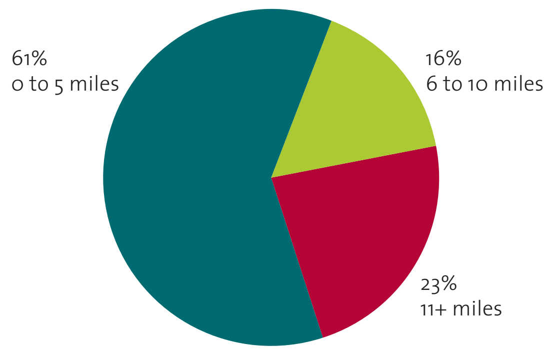
Financial Assistance Needs

- Farmland mortgage: upwards of $1,200,000, depending on acreage, existing structures, location
- Farmland mortgage down-payment: upwards of $300,000, depending on acreage, existing structures, location
- Start-up capital for farmers diversifying or introducing value added products: between $10,000 - $100,000
  - Farmers who look to diversify are often able to add crops or products which make use of equipment they already own. This can allow for diversification at a relatively low cost. Other crops or value-added products require specialized equipment, resulting in a higher investment.
- Operating loans for labor housing: $5,000 – $20,000
  - Farmers may install a trailer or two on their property, where labor can live throughout the season.

Travel Between Farm Sites

Nearly half of Greenmarket farmers farm more than one parcel. Of those, nearly a quarter travel more than 10 miles between them.

DISTANCES FARMERS TRAVEL BETWEEN PROPERTIES



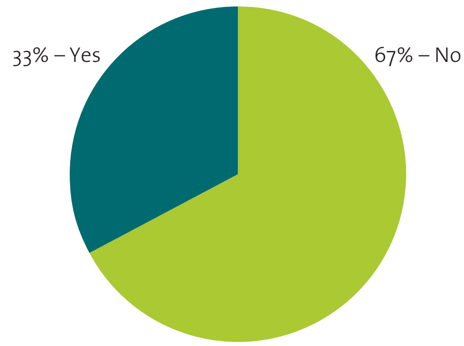
Survey Question: If you farm more than one property, what is the maximum distance between parcels that you farm?

*Based on 74 responses.

Living Away from the Farm

Most Greenmarket farmers who rent their base farmland live away from the farm.

PERCENTAGE OF RENTERS WHO LIVE ON THEIR BASE FARM



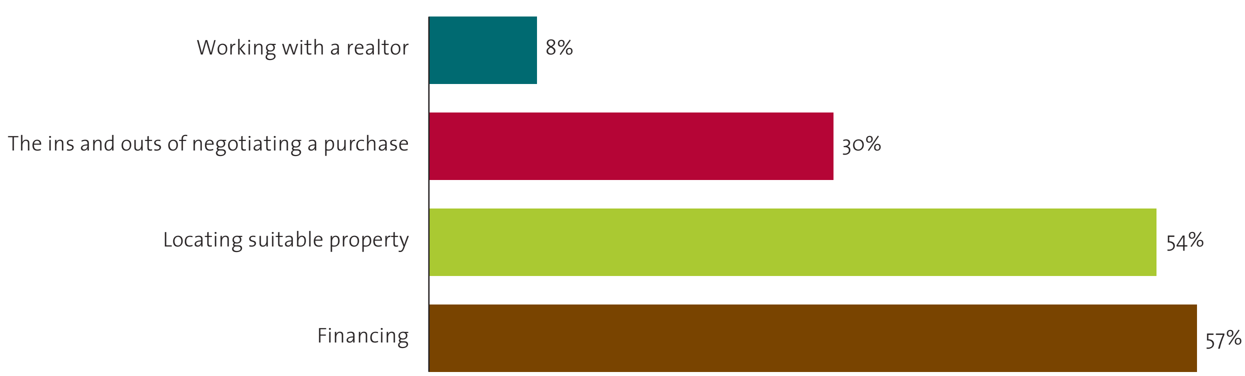
Survey Question: Does your "base" farmland (meaning the primary land that you farm) include the house you live in?

*Based on 30 responses.

Obstacles to Purchasing Farmland

Financing and finding suitable land were the most commonly cited challenges to buying a farm or farmland among farmers who have purchased land.

PERCENTAGE OF FARMERS WHO CITED VARIOUS CHALLENGES TO PURCHASING FARMLAND



Survey Question: What were the biggest challenges/obstacles you faced in purchasing property in the past? (Check all that apply.)

*Based on 91 responses.

VOICES FROM THE SURVEY

On challenges to acquiring land:

"There is land available right here, but it is extremely overpriced for what it is, and what its capacity is."

"We rent my father's land, and home, and we live with him. It is a satisfactory arrangement, although we would like to buy. He does not want to sell to us because we have siblings to whom the property will need to be divided in some way when he passes."

Case Studies

Greg Dumont
Orchard Farmer, New York

- [x] Technical Assistance
- [ ] Microfinancing
- [x] Farm Retention Capital Fund

Greg Dumont is focused on two main transitions at this point in his career: consolidating operations to his home farm, and formulating a succession plan to pass the farm to his children. He also suffered major losses from Hurricane Irene.

The family farm Greg Dumont grew up on was nearly bankrupt before he joined Greenmarket in 1984. Today he sells at 10 markets a week and employs 10 full-time and 20 seasonal workers. Over the years he has scaled up production and increased profitability by acquiring more land and continuously modernizing the farm. In 2010 he reached a pinnacle in his career with the completion of a state-of the art cooling and packing facility.

Greg had long dreamt of building the cooling facility on his 200-acre home farm so he could consolidate his operations there. His story underscores the value farmers place on being able to concentrate investments in a single main location. Greg took on nearly $1 million in new debt to make it happen: the packing facility, plus two new parcels of nearby land. He took all three loans from Farm Credit, thanks to his long credit history and thriving business.

Greg ticked off a string of lessons he would impart to young farmers if he had the chance. "People look at me and say 'You're the big guy,'" he said. "We didn't used to be. You just need to work at it. It may take years."

One skill he's honed over the years is negotiating. In his recent push to consolidate, he spent three years searching for an orchard near the home farm. When he found 20 acres of prime orchard land three miles from his home, he knew not to be deterred by the $850,000 asking price. He'd simply have to convince the non-farmer landowner to lower it, or be ready to walk away. "I can't grow enough peaches to pay for it," Greg told the owner. Thanks to a sagging real estate market and Greg's powers of persuasion, the owner lowered the price to $440,000.

Greg takes a cautious business approach, knowing all too well the high-risk nature of farming. He has not sold the development rights on his home farm in case one or more of his children want to buy out their siblings and need to raise cash to do it. He also doesn't think he would have gotten the loan from Farm Credit for the cooling facility if the farm didn't have its development rights. The bank knows that if Greg defaults, the facility could be rented out as a commercial warehouse. (In Greenmarket's vision for a farmland capital fund, such agricultural improvements would be appraised at or near cost, regardless of their commercial or development value.)

Greg could have looked into selling the development rights on the 20 acres of orchard land to offset its purchase price. But part of the reason he liked the property was its 2,000 feet of road frontage, which makes it highly valuable to a developer should the business falter.

"When we buy land, we have always thought, 'How can we get out of it if we have a bad year?'" Greg said. "We've had a lot of bad years, and it can happen again."

In fact, it happened shortly after Greg uttered those words. When Hurricane Irene struck in August, it decimated his entire heirloom tomato crop, costing him tens of thousands of dollars in lost sales. Although he had crop insurance, it was designed for large-scale, single-crop farmers. Payouts were therefore based on wholesale prices for beefsteak tomatoes, covering a tiny fraction of his losses.

When business returns to normal, Greg will have to face the one concern that looms constantly in his mind: the transfer of his farm and farmland to his children. Greg is not ready to retire, and the children, all in their 20s, are not ready to take over. So the transfer must happen gradually, with each child working their way into the business over time, he said. After several years of trying to come up with the best solution, he's still not sure what the answer is. Two years ago he sought the advice of a consultant at Farm Credit. "I got frustrated with the whole thing and walked away and didn't do anything," he said. "I've learned a lot more than I care to know about this stuff, and I still don't think I've made a decision." What's missing, he said, is an objective voice to help him understand his options. "I still haven't found the advice that I think fits our situation," he said. "The temptation is to just say next year."

But farm-estate planners say the process takes a minimum of 10 years. Each year Greg delays, the pool of feasible options narrows while the successor's costs rise.

The Late-Career Farmer: 21 Years or More

Summary

Most Greenmarket farmers at this stage own their land and are beginning to think about what will happen to it once they retire. Nearly half of today's Greenmarket farmers will be retired by 2030, and they own a combined total of nearly 10,000 acres. Some have children who would like to take it over and have already formulated a succession plan. But our focus group and individual interviews revealed that many farmers who hope their children will take over have not yet decided how that will happen. The reasons vary between not having the time to research the options, to not finding a solution that feels right. One tricky question is how to realize the maximum equity from their land, while keeping the farm affordable for the next generation.

Many landowners without children to take over the farm told Greenmarket they'd like to see their land stay in farming, but they weren't prepared to commit to the idea of selling for less than market value if that's what it would take. Still, 52 percent told us they'd consider it. This was an encouraging sign for farmland preservation, especially when compared to the mere 5 percent who said they intended to sell their land for residential development.

Only 11 percent of Greenmarket farmers have sold the development rights on their land. Some farmers said they haven't because they want to retain its development value, either as collateral or as land they may choose to put up for sale if they or their children give up farming or retire. Others said they tried but weren't eligible, and still others said the funding for the preservation program had run out. The process of selling the rights can take over a year—creating another disincentive for farmers who otherwise would want to preserve their farm. That's because once a landowner-farmer decides it's time to retire, uproot, and start the next chapter, he is often eager to get started and won't tolerate unnecessary delays.

Farmers at this stage are often ready for major life changes, such as downsizing or buying out siblings. But if those moves are not timed well, or unforeseen obstacles arise in the high-risk business of farming, there can be dire consequences since the farmer's largest assets—land and the structures on that land—are not liquid.

Case Study

Dale Wright
Dairy Farmer, New Jersey

- [x] Technical Assistance
- [ ] Microfinancing
- [x] Farm Retention Capital Fund

Dale Wright wants to pass his farm to his children, but doesn't want to repeat the same costly mistakes he made when he took over the farm from his father 27 years ago.

Main Goals of Late-Career Farmers

- Pay off debt
- Financial planning for a secure retirement
- Ensure their farm continues to be farmed – whether by their own children or not
- Sell their land to maximize profit

Technical Assistance Needs

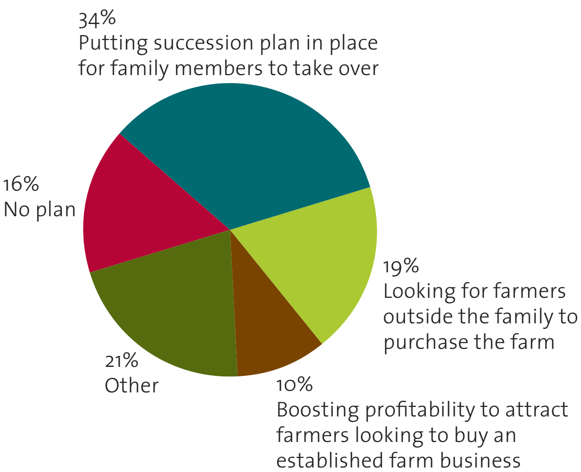
- Retirement planning
- Estate planning
- Succession planning
- Preserving the farm for continued production
- Finding a farmer to pass the business and/or land to

Financial Assistance Needs

- Enough cash to service debt, move and retire
- Funds to subsidize identified successors

Landowner Plans at a Glance

Landowners' efforts to ensure their land remains a working farm, compiled from short-answer descriptions by 58 farmers.

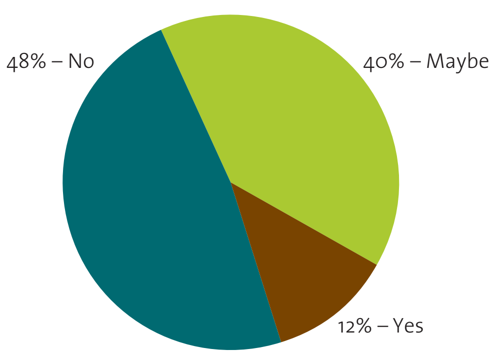


Survey Question: Please describe any measures you have taken to ensure your farm business continues operating after you retire.

*Based on 58 responses.

How Important is Market Value?

More than half of Greenmarket landowners would consider accepting less than market value so their land can be preserved as a working farm.



Survey Question: Would you consider accepting less than market value for your land in order to ensure it continues to be farmed?

*Based on 95 responses.

As Dale Wright approaches retirement, the need to find an economically feasible way to pass the farm to his children grows more pressing. His son works on the farm now, and he holds out hope that his daughter might one day join him.

But Dale hasn't started formulating a succession plan yet. "I haven't given it much thought, but we should," he said, recalling the exorbitant estate taxes he paid when he took over the land from his father due to poor estate planning.

Part of the problem is that Dale has been consumed by more immediate issues. Over the past few years all of his time and resources have gone into transitioning out of the money-losing milk business. Prices are too low, and in order for the business to support his own family and that of his son and daughter-in-law, he would have needed to double his herd. So five years ago he started selling produce. He got a $50,000 loan from Farm Credit for a fresh round of start-up costs: equipment like a sprayer, a transplanter and a mower, and a truck for market transportation. Today the only dairy he sells is in the form of value-added products.

But the succession question won't go away, and Dale knows the cost of avoiding it. He bought the farm from his mother, who inherited it after his father passed away, in 1990. The only way he could afford it was by selling the development rights. "It was very stressful at the time," he said, explaining that he had to ask for less money in order to maximize his chances of qualifying for the highly competitive state conservation program. (This "bid-down" practice has since ended, although the program remains competitive.) Still, "it was basically free money, without which we probably would have had to sell the farm," he said.

Today the value of his land is once again on the rise after a period of decline, he said. And although he could probably sell it to a wealthy estate buyer, he feels strongly that it be maintained as a farm. He said he'd hold the mortgage for a farmer-buyer, since the interest he'd earn could prove to be as wise an investment as any he could make with a lump sum. He said he'd sacrifice some equity for his children—who like most farmers would be hard pressed to match an estate buyer's price.

Hammering out those details, however, will take time that he simply doesn't have at the moment.

VOICES FROM THE SURVEY

On securing equity from the land:

"If I sell my development rights on my property now, then how will I be able to retire?"

"I am concerned that future generations may have to sell/develop. 'Forever' is a long time."

"I would like to sell it as a farm, but as this area becomes more suburban, farming here becomes more and more difficult, even for me."

VOICES FROM THE SURVEY

On succession planning:

"I hope to be able to pass the business on to employees. We are working on a plan for succession."

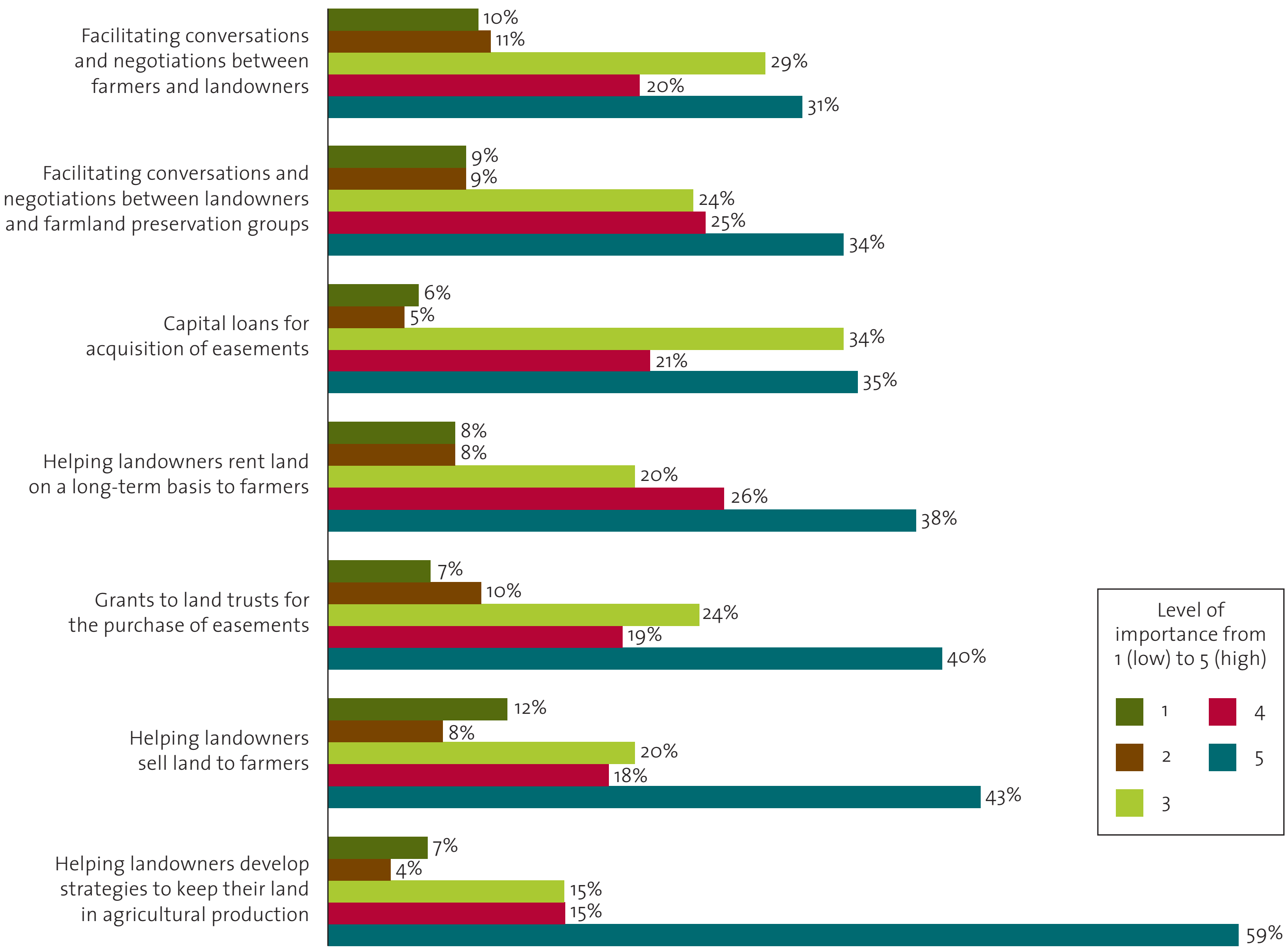
"It is not yet clear if our children will be interested in sustaining the farm after we retire… If our kids are not interested, we'd try to find a young couple who would want to buy it."

"We are always trying to bring in new, younger staff that can help to carry the farm into the future. It is not always easy to find the right match. Many people come and go, but when the time is right, presumably the right combination of personnel will gel..."

"I continue to plant my land with trees, so that the land remains an attractive business to a young hard working dreamer—whether family, friend or worker."

Desired Help for Landowners

Helping landowners keep their farms in production was one of many areas farmers said landowners need assistance.



Survey Question: Regarding assistance to landowners, how important do you think the following are: [Rate 1 (low) to 5 (high)]?
*Based on 125 responses.

Variations By Farm Type

The challenges outlined so far in this report apply to Greenmarket farmers of all types. Still, some needs vary according to what they produce. Below are some variations Greenmarket farmers told us about.

Costs

Vegetable Farms

- Vegetable farmers can largely begin their operations in year one with little built infrastructure, compensating with physical labor for what they lack in equipment. At its most basic, a vegetable farm can function with a simple washing and packing station, and few other built structures. Over time, however, these farms tend to become more sophisticated, adding greenhouses and larger, temperature-controlled storage facilities which allow for winter storage and sales.

Orchards

- Orchards rely on a special form of infrastructure—perennial trees and shrubs—which require a larger up-front investment, but may not see the literal fruits of this investment for several years.
- The biggest operating expense for orchards is their bills for fertilizers, pesticides, and insecticides. This can cost as much as $1,000/acre annually, though this number can vary greatly from season to season, depending on the disease and insect pressure in a given year. In addition to the yearly cost of the chemicals, most orchards must also own their own ground equipment for spraying. One farmer recently put up $12,000 for a used sprayer. He estimated that a new one would cost $30,000.
- Orchards rely more heavily on storage than many vegetable farmers, since proper storage allows farmers to prolong the life of their harvest.

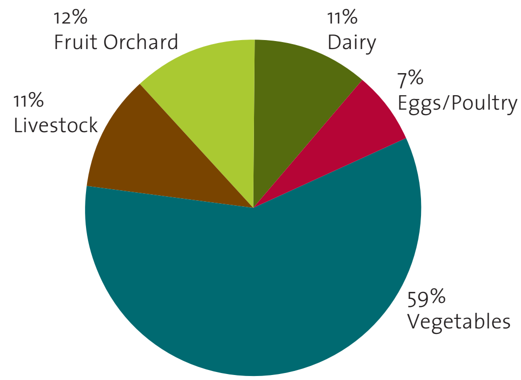
Poultry, Dairy, and Livestock

- Those farms that raise animals as their primary crop—be it livestock, dairy, or poultry—also require a greater level of initial infrastructure to support their business. This includes specialized facilities to house animals, extract and store products like milk or eggs, as well as processing equipment and facilities. Fencing was repeatedly cited as a high-cost item that is important to vegetable farmers, but essential for livestock producers.
- Purchasing animals also represents a high cost at the outset of a farmer's business. One poultry farmer chose to install a processing facility on his property before he began raising birds, so that he would begin to see income during the fledgling stage of his business.
- Whether a farmer chooses to produce their own feed or purchase feed, the cost of feed and its storage is significant.
- Paying an outside processing facility adds sizable costs as well. One poultry farmer estimated that it cost anywhere from $2 to $4 per chicken at a USDA-approved slaughtering and processing facility. Another farmer predicted that it could easily be twice this. All large-animal producers must process their animals at an outside facility. For those farmers who can process their own product—namely small poultry operations or dairy farms—installation of facilities can represent both potential added income, if you process for other farms, but also very high cost. One farmer estimated the cost of installing a processing facility at $250,000.
- Livestock farmers can also require more permits and be subject to more inspections than other types of farmers, bringing added costs and technical challenges.

Greenmarket's Edible-Products Farmers

The vast majority of Greenmarket's producers are vegetable farmers.

PERCENTAGE OF GREENMARKET FARMS BY TYPE



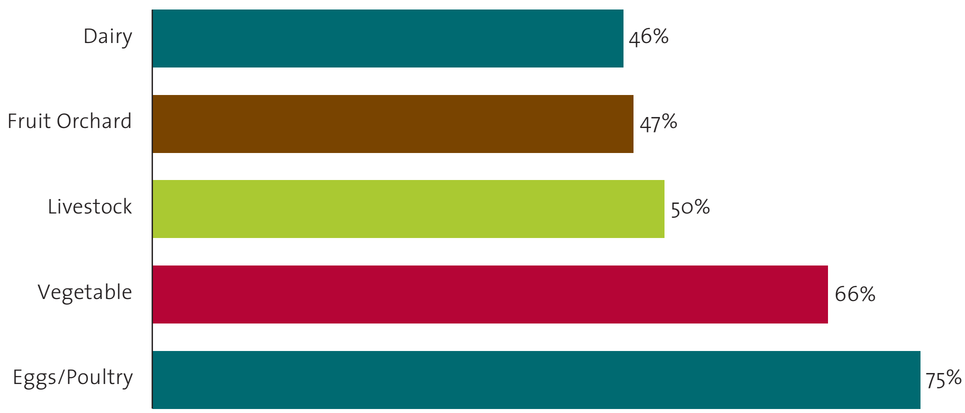
Survey Question: What type of farm do you run?
*Based on 123 responses.

Farm Type Influences Factors Like...

Expansion Plans

Egg and poultry farmers was the group with the highest percentage of those wishing to expand, followed by vegetable farmers.

PERCENTAGE OF FARMERS WITH THE DESIRE TO EXPAND, BY FARM TYPE

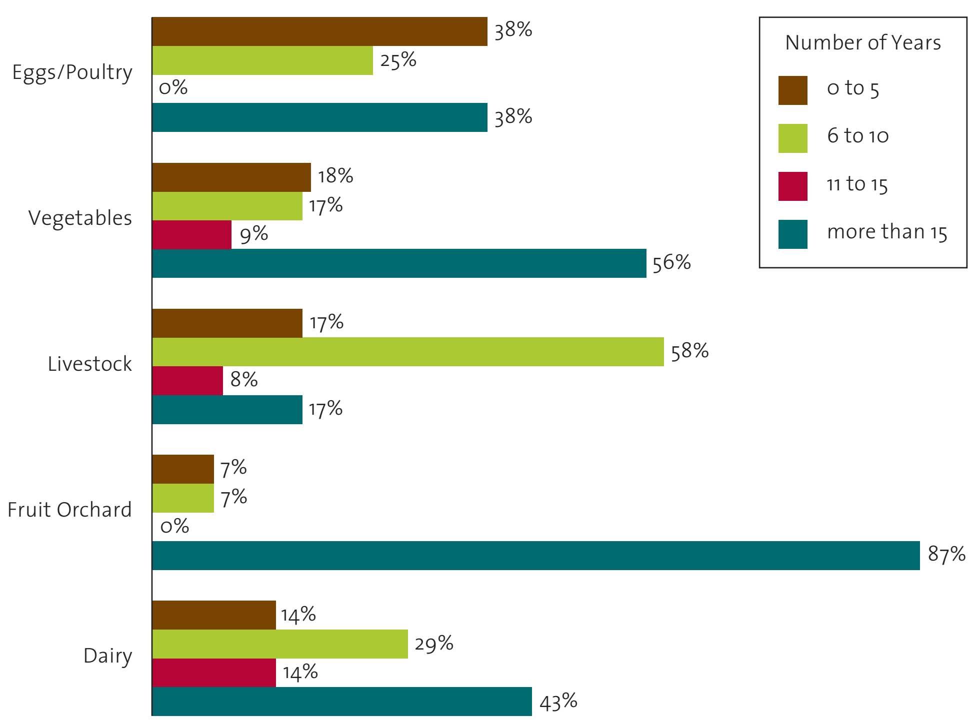


Survey Question: Do you have plans to expand your farming operation?
*Based on 118 responses.

Experience

Start-up farmers dominate the eggs and poultry group, while orchard farmers have the highest percentage of very experienced farmers.

LENGTH OF TIME RUNNING FARM BY FARM TYPE



Survey Question: How many years have you been running your own farm?
*Based on 120 responses.

Finding Land

Vegetable

- Leases were an unpopular option across all farm types. However, because vegetable farmers are able to begin earning some income in year one, combined with their ability to function with very basic—and often movable—infrastructure, vegetable farmers are more likely to accept short-term leases than other farm types.
- Water is an important consideration for every farm, but this is perhaps most essential for vegetable farmers, followed closely by orchards.
- A unique feature of the New York State farming landscape is the "Black Dirt" region. Due to a unique geological history, the Black Dirt region possesses a thick strata of exceptionally fertile soil, well-suited to vegetable farming. Farmers in this region do not face the same development concerns as other farmers, since the soil is poorly suited to building. However the land is so valuable to growers, that it remains in high demand. One farmer stated that it is difficult for new farmers with small operations to find land in the region. Another farmer pointed out that drainage is a constant challenge in this region. Finally, building permanent structures in this region is highly regulated and the possibilities of doing so limited, so Black Dirt farmers must either function with few structures, or have access to solid ground that is not on Black Dirt.

Orchard

- Good orchard land possesses very specific traits. Land that catches a cross-breeze is ideal, so often orchard farmers look for sloping hills at somewhat higher elevations. Well-drained soil is also an important consideration.
- Moving an orchard can be extremely risky to a farmer's business. It can take 4-5 years to get an orchard producing at peak capacity, so if an orchard has to relocate, this can be a prohibitively lengthy interruption in a farmer's income. While there are laws to protect farmers on rented land from being pushed off a property before they're able to harvest an existing crop, these laws tend to be better-tailored to vegetable farmers with annual crops. Even after a harvest period, an orchard farmer relies on the perennial infrastructure of fruit trees.

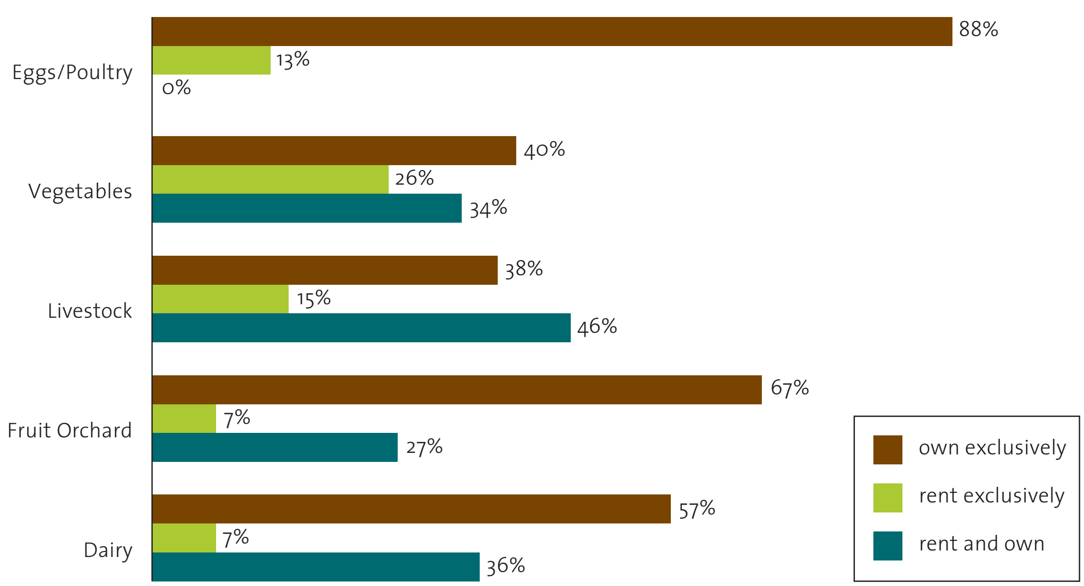
Poultry, Dairy, and Livestock

- Farmers that graze or pasture-feed their animals generally need larger tracts of land than other farmers. While they may be able to accept more marginal property, it is the size of the parcel that becomes their most pressing concern.
- Because of the need for significant built infrastructure, animal farmers may favor properties with existing fencing or structures. One poultry farmer reported that he significantly cut the costs of his processing facility by converting an old

Owner vs. Renter Status

Vegetable and livestock farmers have the highest percentage of renters, while orchard farmers have the highest percentage of owners.

LAND OWNERSHIP AND RENTERSHIP BY FARM TYPE



*Based on 123 surveys.

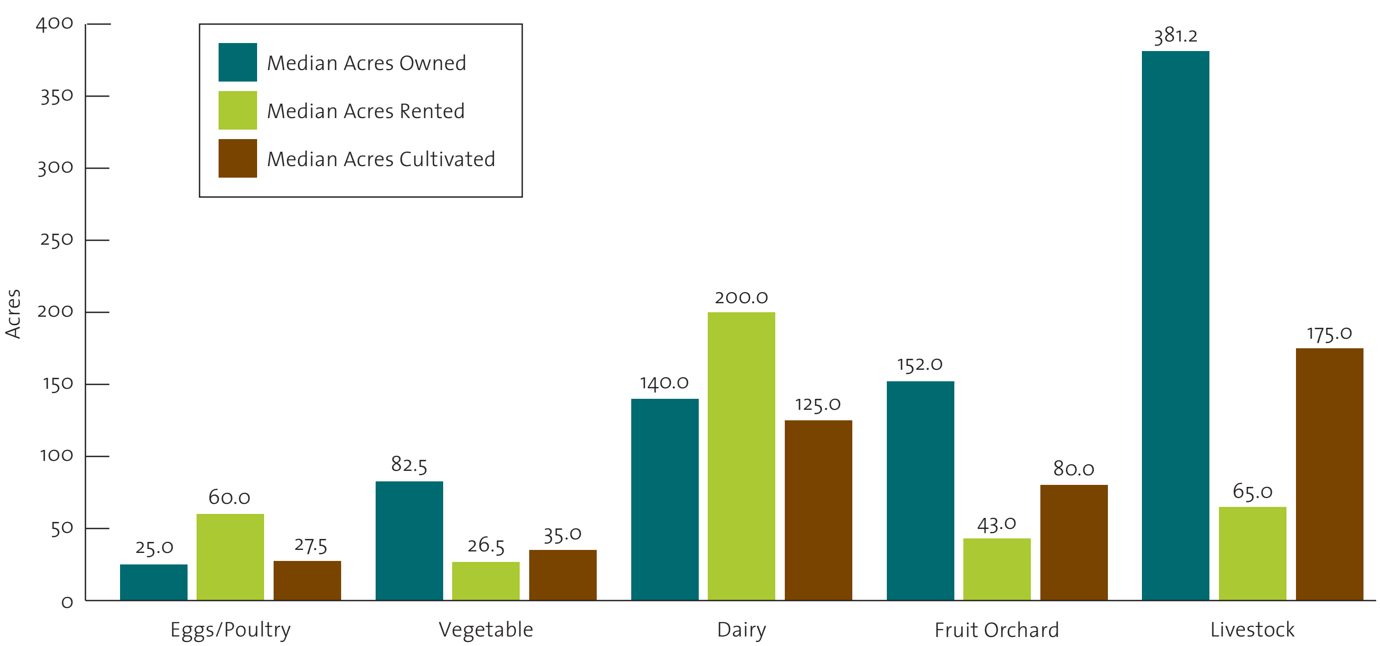
mechanic's warehouse that existed on his farmland. Building codes and county ordinances are also a concern, as certain laws, such as septic codes, can severely impact the ease with which a producer installs certain facilities.

- Proximity to processing facilities or feed producers also factors into the decisions these producers make regarding farm location.
- The degree to which farmers are welcomed or accepted into their communities can greatly influence the ease with which they operate and expand their business. Many farmers shared anecdotes about their reliance on the goodwill and understanding of neighbors—to keep an eye out for available properties, share equipment, and in some cases even finance loans. However, livestock farmers in particular expressed the challenges of gaining acceptance by neighbors who found living next to a livestock operation undesirable. As one goat farmer put it, "When it comes to animals you always have a problem."

Acreage Owned, Rented and Cultivated

The land-related needs of farmers vary according to what they produce. Livestock farmers own and cultivate the most land, while dairy farmers rent the most.

ACRES OWNED, RENTED AND CULTIVATED, BY FARM TYPE



Survey Question: If you own farmland, how many acres do you own? Rent? What is total cultivated of rented and owned?

Conclusion

The Greenmarket Farm Retention Project comprised a year of assessing farmer needs through surveys and focus groups; research on best practices; interviews with experts in the field; and internal dialogue and debate. This comprehensive study demonstrates that Greenmarket farmers' needs are real, the stakes are high, and the time to act is now.

A career in small-scale agriculture is more difficult than ever before. Gaps in services exist at all levels. Beginning farmers face the arduous challenge of accessing a shrinking pool of affordable financing options for daily operating expenses. More experienced farmers struggle with the sophisticated, costly needs surrounding long-term farm investments like repairing a collapsing barn or digging a well, as well as the ultimate investment goal: the purchase of a farm itself. These barriers hinder farmers from making crucial improvements to their businesses or land while threatening to push them farther away from New York City and its robust markets. Such trends in turn threaten the continued supply of regionally grown food to New Yorkers, and the sustainability of the regional food system as a whole.

Our farmers see Greenmarket as a crucial partner in the solution to these issues. Moreover, operating this type of program is an extension of GrowNYC's existing role safeguarding the future of its farmers markets. The research and analysis we completed over the past year enable us to define that role more specifically.

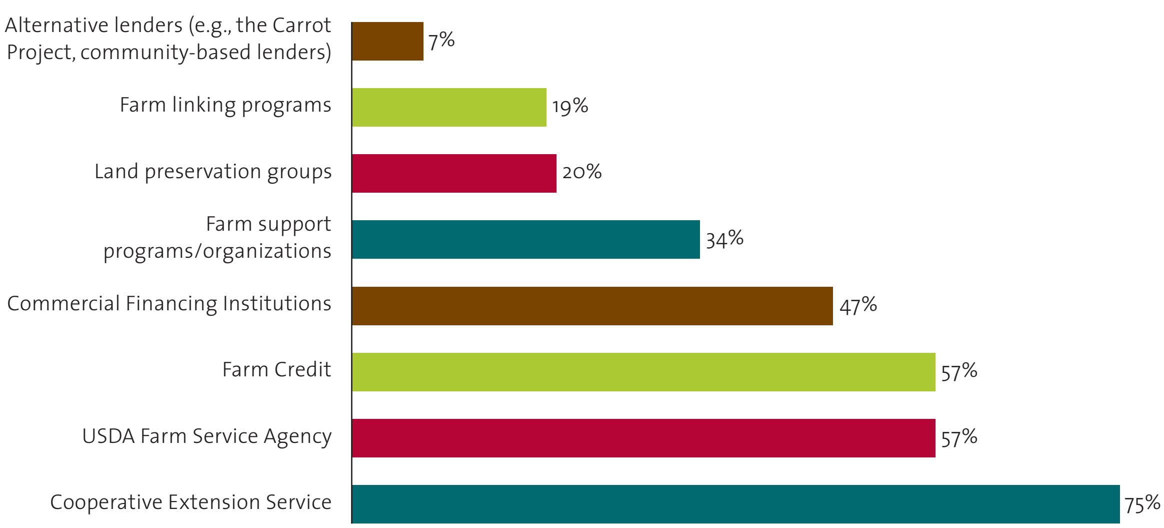
Based on surveys of Greenmarket's entire network of land-based growers and dozens of interviews with farmers and other agriculture experts, we propose a long-term plan structured around three interrelated strategies:

The first strategy is a technical assistance program to help farmers with such tasks as writing business plans, drafting leases, negotiating with landlords, accessing existing lenders, applying for loans, finding land, and formulating succession plans. Technical assistance is a need that Greenmarket staff have frequently heard from farmers in the program over the years. With extremely limited time and resources, many farmers struggle in navigating government systems, tracking finances, and negotiating for land.

Farmers' Resource Use

Most farmers turn to main-stream agricultural services, while few have used farm linking programs and alternative, non-profit lenders.

PERCENTAGE OF FARMERS WHO HAVE USED VARIOUS FARM- AND LAND-BASED RESOURCES



Survey Question: In your experience related to land, have you used the following services?

*Based on 137 responses.

Secondly, we propose the creation of an operating loan fund for farmers who have been denied access to lenders despite a proven commitment to the career and the potential for a sound business plan. We believe a Greenmarket-focused, farmer-friendly loan fund that feeds interest revenue back into the fund for other farmers would be substantially utilized by dozens of farmers each year.

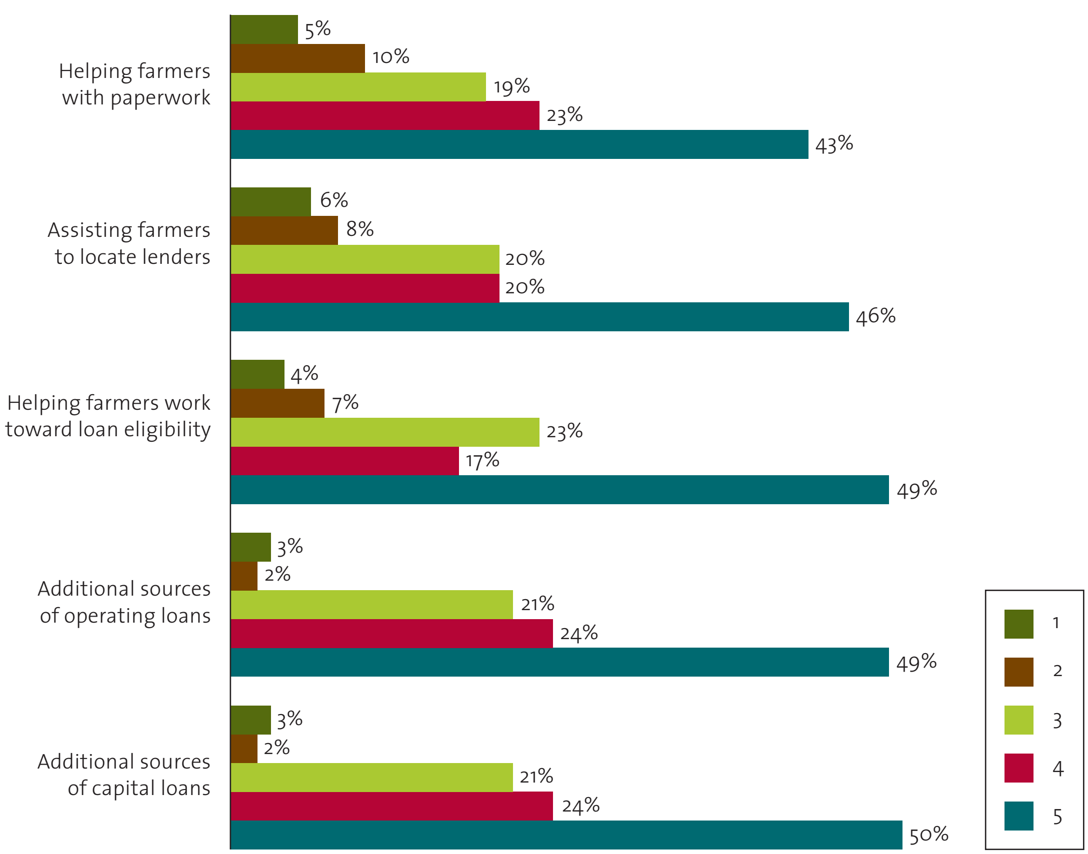
The third strategy is to create a capital fund to preserve affordable farmland so farmers can continue doing business within a reasonable distance of the city. Though there are myriad strategies for land preservation, our research has shown that the purchase of conservation easements is one of the most effective tools to ensure the perpetuity of a working farm that is affordable for a full-time farmer. To have true impact, however, such easements must include restrictions—that the owner be earning at least half their income from farming, for instance, or that the farm be resold at agricultural value. These restrictions are only beginning to gain a foothold in the farmland preservation movement. They are largely untested in the region surrounding New York City, where country estates and hobby farms without development rights sell for nearly as much as land that holds its development rights. Encouragingly, certain restrictions are being successfully implemented in Massachusetts and Vermont, where state-funded easements require that land be resold at agricultural value. Through building partnerships with other groups working to strengthen the regional food system, GrowNYC will push for these and other tools to be deployed effectively in the areas surrounding New York City.

The Greenmarket Farm Retention Program will provide new resources to small regional farmers. When fully realized, the program will allow farmers to access much needed capital through an organization that they respect and trust, and to which they are accountable. It will also provide access for retiring farmers to ensure that their land stays in agriculture while providing opportunities for new farmers to build successful businesses. The Greenmarket Farm Retention Project lies at the foundation of GrowNYC's work to preserve farmland and ensure that regional farmers can continue to supply the New York City community with fresh, local food.

Strong Desire For Financial Assistance

Every category is of the highest importance, according to most farmers.

FARMERS' PRIORITY AREAS OF FINANCING ASSISTANCE



Survey Question: Regarding financing assistance, how important do you think the following are: [Rate 1(low) to 5(high)]?

*Based on 128 responses.

Appendix A

Greenmarket Farm Retention Project Survey

1. Instructions

Dear Greenmarket Farmer,

Thank you for taking the time to fill out this survey. It should take you approximately 30-40 minutes. We ask that you complete it no later than February 15.

This survey will help us explore ways of helping our farmers protect the farmland that produces Greenmarket's bounty, as well as acquire additional farmland and infrastructure for production—if desired. We want to learn about your farmland and infrastructure situation, as well as your needs related to these critical resources. We are especially interested in the challenges you face in pursuing your land-related goals. The desired outcome is a program at Greenmarket serving as a clearinghouse of information and support, with case managers who can help on an individual basis. We're also hoping our work results in a loan fund dedicated to Greenmarket farmers.

We may follow up with you in the coming months to clarify a response, or to learn more details about your answers.

Please note your answers will be pooled with those of other farmers, and your individual answers will remain confidential.

A few instructions:

- If the question does not apply to you, just skip it.
- In this survey, the terms "rent" and "lease" are used interchangeably.

If you have questions or comments please feel free to contact Heidi Dolnick of Greenmarket by phone, at 347-237-6246, or by email, at hjdolnick@gmail.com. We look forward to hearing from you.

2. Your Farm and Your Land Status

1. **Please tell us your name and contact information. It will be kept confidential.**
   Name:
   Email Address:
   Phone Number:

2. **What state do you farm in?**

3. **How many years have you been running your own farm?**
   0 to 5
   6 to 10
   11 to 15
   more than 15

4. **Please tell us how many acres you farm, and how many you own versus rent.**
   How many total acres do you farm?
   How many of that total do you own?
   How many of that total do you rent?
   Other (please specify)

5. **How many years have you been farming on your "base" farmland, (meaning the primary land that you farm)?**
   0 to 5
   6 to 10
   11 to 15
   more than 15

6. **Do you own your "base" farmland (meaning the primary land that you farm)?**
   yes
   no
   Other (please specify)

7. **Does your "base" farmland (meaning the primary land that you farm) include:**
   The house you live in?
   A house occupied by the landowner or another occupant?
   Other farm-related housing (e.g., for farm labor or apprentices)?
   A barn or other permanent structures?
   Moveable structures (such as a hoophouse)?
   Other (please specify)

8. **Do you farm more than one property (defined as different owners or different locations)?**
   yes
   no
   Other (please specify)

9. **If the answer to Question 8 is yes, what is the maximum distance between parcels that you farm?**
   0 to 5 miles
   6 to 10 miles
   11 to 20 miles
   21 to 40 miles
   41 to 80 miles
   more than 80 miles

10. **Do you rent land from:**
    Another farmer
    A private landowner who is not a farmer
    An organization (such as a land trust or educational institution)
    A unit of government (such as a town, county or state)
    Other (please specify)

11. **The next several questions refer to the farmland you RENT. Skip to question 22 if you do NOT rent farmland:**
    Do you have a written lease or leases?
    Do you have a "handshake" (verbal, not written) lease or leases?
    Do you have an informal agreement or agreements?
    Would you like to continue with this present arrangement?
    Are you satisfied with your arrangement?

12. **If you are satisfied with your arrangement, describe what is working well.**

13. **If you are not satisfied, what are the challenges? (check all that apply)**
    Not a long enough term
    Landlord is hard to work with
    Rent is expensive
    I can't do what I would like on the land
    Other (please specify)

14. **If you currently rent land, how many different landlords do you have?**
    1
    2
    3
    4
    more than 4
    Other (please specify)

15. **Do you own or rent your residence?**
    Own
    Rent

16. **If you rent your residence, is it part of a farm lease?**
    yes
    no

17. **If the answer to Question 16 is yes, please describe the situation and your degree of satisfaction with the arrangement:**

18. **Please rate your relationship with each of your landlords. If you have only one, then only fill out this question. If you have more than one landlord, fill out Questions below.**

    Please rate your landlord based on the following criteria: [Rate 1 (strongly disagree) to 5 (strongly agree)]
    I trust my landlord
    We communicate well
    S/he supports farming
    S/he accommodates my needs
    S/he upholds his or her end of the agreement
    Other (please specify)

19. **If you have more than one landlord, please repeat the question for landlord #2.**
    I trust my landlord
    We communicate well
    S/he supports farming
    S/he accommodates my needs
    S/he upholds his or her end of the agreement
    Other (please specify)

20. **If you have more than two landlords, please repeat the question for landlord #3.**
    I trust my landlord
    We communicate well
    S/he supports farming
    S/he accommodates my needs
    S/he upholds his or her end of the agreement
    Other (please specify)

21. **As far as you know, are any of the properties that you rent at risk of being taken away from you due to:**
    Property being sold for development
    Property being transferred due to death, illness, foreclosure
    Property being rented to another farmer
    Other (please specify)

22. **The rest of this section refers to land that you OWN. Skip to the next section if you do NOT own farmland.**

    Of the land that you own, do you rent any to other farmers?
    yes
    no
    Other (please specify)

23. **If the answer to Question 22 is yes, approximately what percentage do you rent to other farmers?**
    Less than 10%
    Between 11% and 20%
    Between 21% and 40%
    Between 41% and 60%
    More than 60%
    Other (please specify)

24. **Does the land you rent out:**
    Include a house?
    Include farm structures?

25. **The following questions refer to the land that you own:**
    Do you own it outright, i.e., no mortgage?
    Did you acquire it through inheritance or family gift?
    Are you in an ownership agreement with others (family or non-family)?
    Do you have a conventional mortgage (with a bank)?
    Do you have another financing arrangement?
    If you have another financing arrangement, please describe it.

3. Your Land History

Please consider your most recent land transaction as you answer these questions. If you have had several past transactions, please describe them in question 8.

1. **If you have ever purchased a farm or farmland, was the seller:**
   Another farmer
   A non-farming private landowner
   Other (please specify)

2. **What were the biggest challenges/obstacles you faced in purchasing the property (check all that apply):**
   Financing
   Locating suitable property
   The ins and outs of negotiating a purchase
   Working with a realtor
   Other (please specify)

3. **If you have ever leased a farm or farmland, was the seller:**
   Another farmer
   A non-farming private landowner
   Other (please specify)

4. **What was the length of the lease term?**
   1 year
   2 to 5 years
   6 to 10 years
   11 to 20 years
   21 years or more

5. **These questions refer to farmland you rented in the past:**
   Did you have a written lease?
   Did the agreement include your residence?
   Did you lease your residence?
   Did you own your residence?

6. **If the leasehold did not include a residence, where did you live?**

7. **If you have leased a farm or farmland in the past, what were the biggest challenges you faced? (Check all that apply)**
   Finding property to lease
   Getting the agreement in writing
   Agreeing on the rent
   Communicating with my landlord(s)
   Getting clear on what was allowed
   Wanting a longer term (more years) than the landlord would agree to
   Not having or building improvements (such as structures, drainage, well, fencing, etc.)
   Lease was terminated: I lost the land
   Other (please specify)

8. **If you've had earlier experiences in renting and/or purchasing land, please describe them here.**

4. Your Plans

1. **Do you have plans to expand your farming operation?**
   yes
   no

2. **If your expansion plans require more land, approximately how many more acres will you need?**
   Number of acres?

3. **If you would like to own land or own more land (whether for your current operation or if you expand), what are the barriers preventing you from achieving this goal? (Choose all that apply)**
   I don't have sufficient funds to purchase outright
   I can't find a suitable property
   I believe I would not qualify for a mortgage
   I have been turned down by at least two lenders
   Other (please specify)

4. **If you would like to rent land or rent more land, which of the following best describes your goals? (Choose all that apply.)**
   A lease agreement for 1 – 5 years
   A lease agreement for 6 – 20 years
   A lease agreement for more than 20 years
   A lease agreement that gives me an opportunity to purchase the leased property
   Other (please specify)

5. **If you would like to lease property for 6 years or longer, what barriers prevent you from achieving this goal? (Choose all that apply.)**
   I can't find suitable property.
   I can't find a landlord willing to rent to me for that length of time.
   I don't know how to develop a suitable lease.
   Other (please specify)

6. **If you lease farm property, have you made or installed any improvements on the leased property? Examples are a structure, compost pad, major roof repairs, fencing; NOT maintenance or minor repairs.**

   yes
   no

7. **If yes, please describe the improvement(s) and your agreement with the landlord.**

8. **If no, what are the barriers that prevent you from doing so?**

   I don't know how long I will be on the property.
   I won't get a reasonable return on my investment.
   I can't (or believe I can't) get a loan for the improvement because it's on rented land.
   My landlord or the lease terms prohibit it.
   I just don't want to.
   Other (please specify)

9. **If you own farm property, what best describes your plans for its future:**

   I would like to pass the business to another farmer but keep the land in the family.
   I do not have an identified successor.
   I plan to sell it for non-farming uses (for example, for residential development).
   I intend to keep the property in farming, but don't have a specific plan for how to do that.
   I do not have a plan.
   Other (please specify)

10. **Do you plan to retire (meaning to cease management control of the business):**

    Within the next 5 years
    In the next 10 –20 years
    I don't plan to retire
    Other (please specify)

11. **Please describe any measures you have taken to ensure that your farm business continues operating after you retire.**

12. **If you have sold the development rights on your farmland, who did you sell them to?**

13. **Please rate the following.**

    I found the process of selling the development rights on my property:
    very easy
    somewhat easy
    not too easy nor difficult
    somewhat difficult
    very difficult

14. **If the development rights on your land have not been removed, (choose all that apply):**

    I would be interested in selling them.
    I would consider donating them.
    I don't understand enough about this option to have an opinion.
    Other (please specify)

15. **If you have investigated this or other ways to protect your land in the past, but ultimately did not, please explain why you didn't.**

16. **Would you consider accepting less than market value for your land in order to ensure it continues to be farmed?**

    yes
    no
    maybe

17. **Please rate the following.**

    In your opinion, how difficult is the process for farmland owners to transfer their land to another farmer, through sale, lease or a gradual transfer arrangement?
    very easy
    somewhat easy
    not too easy nor difficult
    somewhat difficult
    very difficult
    don't know

18. **If you intend to sell your land in the future, would you consider financing the sale yourself, rather than using a third party lender such as a bank?**

    yes
    no
    maybe
    I do not intend to sell my land.

5. Financing your land acquisition

1. **Have you obtained financing to purchase a farm or farmland?**

   yes
   no

2. **If you answered yes, how many loans for a farm or farmland are you currently carrying?**

   1
   2
   3
   4
   more than 4

3. **Is the loan for land only?**

   Loan 1
   Loan 2
   Loan 3

4. **Does the property include structures?**
   Loan 1
   Loan 2
   Loan 3

5. **Does the property include your residence?**
   Loan 1
   Loan 2
   Loan 3

6. **Who is the lender?**
   Loan 1
   Loan 2
   Loan 3

7. **How difficult on a scale of 1 to 5 was it to obtain the loan? (1 being the least difficult, 5 being the most difficult.)**
   Loan 1
   Loan 2
   Loan 3

8. **If you have tried UNSUCCESSFULLY to finance a purchase of a farm or farmland, where did you apply? (If you tried more than once, list all attempts.)**

9. **For the attempts you listed in question 8, how difficult on a scale of 1 to 5 was the loan application process? (1 being the least difficult, 5 being the most difficult.)**
   Attempt 1
   Attempt 2
   Attempt 3

10. **What were the reasons given to deny your application(s)?**

11. **If you want to finance a purchase of a farm or farmland IN THE FUTURE, do you feel prepared to apply for a loan?**
    yes
    no
    maybe
    Other (please specify)

12. **What do you expect will be your biggest obstacle(s)?**

13. **Where might you turn for such a loan?**
    Commercial Bank
    The USDA Farm Service Agency
    Farm Credit
    Family and Friends
    Don't Know
    Other (please specify)

14. **If you rent land and have obtained a loan for permanent improvements (e.g., a building, well, fencing) on this land, what is the improvement(s) that you financed?**

15. **Who is the lender(s)?**

16. **What challenges or hurdles did you face in securing the loan(s)?**

17. **If you rent land and have tried UNSUCCESSFULLY to finance a permanent improvement on the rented property, where did you apply? (If you tried more than once, list all attempts.)**

18. **For the attempts you listed in question 17, how difficult on a scale of 1 to 5 was the loan application process? (1 being the least difficult, 5 being the most difficult.)**
    Attempt 1
    Attempt 2
    Attempt 3

19. **What were the reasons given to deny your application(s)?**

20. **If you would like to install permanent improvements on rented land IN THE FUTURE, what would you want to install (e.g., barn, other structure, permanent drainage, etc.)?**

21. **Would you want/need to secure a loan for the improvement?**
    yes
    no
    Other (please specify)

22. **Do you feel prepared to apply for such a loan?**
    yes
    no
    if no, why not?

23. **What do you expect will be your biggest obstacle(s) in securing financing for the improvement(s)?**

24. **Where might you turn for such a loan?**
    Commercial Bank
    The USDA Farm Service Agency
    Farm Credit
    Family and Friends
    Don't Know
    Other (please specify)

6. Needs and Gaps Related to Land Acquisition

1. **Regarding assistance for farmers, how important do you think the following are: [Rate 1(low) to 5 (high)]**
   Helping farmers find farms or farmland to buy
   Helping farmers negotiate the purchase of a farm or farmland
   Helping farmers find land to rent
   Helping farmers negotiate secure leases (meaning longer-term, more than 5 or 10-year terms)
   Helping landlords work with farm tenants on more secure and equitable leases
   Helping farmers get advice, support and information from farmland preservation groups such as land trusts and municipalities
   Facilitating conversations and negotiations between farmers and landowners, to help create more successful land arrangements for farmers

Facilitating conversations and negotiations between farmers and farmland preservation groups such as land trusts and municipalities, to help create more successful land arrangements for farmers
Supporting and guiding farmers trying to secure loans for farmland
Supporting and guiding farmers trying to secure loans for permanent improvements/investments in farmland
Other (please specify)

2. **What do you think are priority areas for farmer assistance in the area of land acquisition? (choose all that apply)**

Legal (real estate attorney)
Loan paperwork processing
Lease drafting and negotiations
Landlord-tenant mediation
Financial planning to acquire land
Education for landlords about farmers and farming
Farm succession planning
Other (please specify)

3. **Regarding assistance to landowners, how important do you think the following are: [Rate 1 (low) to 5 (high)]**

Helping landowners sell land to farmers
Helping landowners rent land on a long-term basis to farmers
Facilitating conversations and negotiations between farmers and landowners
Facilitating conversations and negotiations between landowners and farmland preservation groups
Capital loans for acquisition of easements
Grants to land trusts for the purchase of easements
Helping landowners develop strategies to keep their land in agricultural production
Other (please specify)

4. **Regarding financing assistance, how important do you think the following are: [Rate 1(low) to 5 (high)]**

Assisting farmers to locate lenders
Helping farmers work toward loan eligibility
Helping farmers with paperwork
Additional sources of capital loans
Additional sources of operating loans
Other (please specify)

5. **In your experience related to land, have you heard of and/or used the following services? (choose all that apply). If you have used the service, please say how helpful it was in question 6.**

Farm linking programs
Cooperative Extension Service
Commercial Financing Institutions
Farm Credit
USDA Farm Service Agency
Alternative lenders, (e.g., the Carrot Project, community-based lenders)
Land preservation groups (e.g., local land trusts, Scenic Hudson, Open Space Institute, Glynwood, etc.
Farm support programs/organizations (e.g., PASA, Cornell Small Farm Program, New England Small Farm Institute, Land For Good, NOFA, Equity Trust, etc.)
Other (please specify)

6. **For services you have used, please rate how helpful they were. [Rate 1 (low) to 5 (high)]**

Farm linking programs
Cooperative Extension Service
Commercial Financing Institutions
Farm Credit
USDA Farm Service Agency
Alternative lenders, (e.g., the Carrot Project, community-based lenders)
Land preservation groups (e.g., local land trusts, Scenic Hudson, Open Space Institute, Glynwood, etc.
Farm support programs/organizations (e.g., PASA, Cornell Small Farm Program, New England Small Farm Institute, Land For Good, NOFA, Equity Trust, etc.)
Other (please specify)

7. Thank You

On behalf of Greenmarket, thank you for taking the time to fill out this survey. We look forward to learning from your experiences and ideas. Your responses will be combined with others, so that we can see the general patterns of farmland ownership/use by the farmers who work with Greenmarket.

If you have any questions, please feel free to contact Heidi Dolnick at hjdolnick@gmail.com or 347-237-6246.

Appendix B
Existing Resources for Farmers

This is a partial list of existing services targeted to farmers in the northeastern U.S.

Financial Assistance

Beginning Farmers and Ranchers Loan

- A program of the USDA's Farm Service Agency, this program directs farm ownership and operating loan funds to farmers or ranchers who have operated their business for fewer than 10 years, and who is unable to obtain financing elsewhere.
- The maximum loan amount is $300,000 per farmer or rancher.

The Carrot Project

- A nonprofit organization that uses a variety of partnership models to facilitate the administration and oversight of loans to farmers using sustainable practices. The Carrot Project works with community development finance organizations and community loan funds to incubate and promote agricultural lending, and works to link individuals and organizations to investment opportunities.
- Operates in Maine, Massachusetts, Vermont, and the Berkshire region.
- Maximum loan amounts range from $35,000 to $75,000, and can be used for working capital, capital improvements, or business expansion.

Equity Trust

- A Massachusetts-based nonprofit providing loans to nonprofits focused on rural development and farmers that operate Community Supported Agriculture programs.
- Loan size ranges from $5,000 to $200,000, and can be used for real estate, equipment, and working capital.

Farm Credit & Farm Credit East

- Farm Credit is a network of independent lending cooperatives geared toward providing financing to agricultural producers and other agricultural businesses.
- Farm Credit East serves six northeastern states, providing financial services in New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, and New Jersey. Farm Credit East offers loans for business and personal purposes, as well as some technical assistance, insurance, and equipment lease programs.

Farm Service Agency (FSA)

- FSA is a program of the USDA providing loans to family-sized farms and ranches for ownership and operating capital. Loans are designated for individuals and businesses that have been denied financing from other services, such as Farm Credit, commercial lenders, or other lending institutions. FSA has local service offices throughout the United States.

Farm Start

- A program of Farm Credit East, Farm Start provides up to $50,000 of working capital investment for new farmers within the first three years of establishing their business. The capital functions as an operating line of credit, payable over five years.

Local government bodies, such as county Economic Development Corporations

- Provide working capital loans to small agribusinesses for as much as $100,000.
- Places high importance on job creation, innovation and diversification as determining factors for loan approval

Northeast Sustainable Agriculture Research and Education (SARE)

- Funded by the USDA, Northeast SARE offers innovation grants to commercial farmers whose ideas increase profitability or land stewardship. Grants range from $15,000 for short-term projects to $250,000 for long-term projects.
- Funds can only be used for costs directly associated with the innovation, and not for the farm's ongoing operating and capital costs.

Shade Fund

- A nonprofit program run jointly by The Conservation Fund and the US Endowment for Forests and Communities, providing capital to underserved business related to natural resources.
- Loans of up to $50,000 available for working capital and equipment.

Small Business Microloans

- Provided by the US Small Business Administration, loans of up to $50,000 are available to a range of businesses that are unable to obtain financing from other sources.
- Financing is available for working capital and equipment.

Technical Assistance

Cornell Cooperative Extension

- Provides assistance to agricultural producers and businesses through agricultural programs, resource-linking, and business management assistance.
- Includes the Small Farms Program, which targets research and extension programs specifically for small farms (defined as under $250,000 in annual sales).
- Each state has a similar Cooperative Extension program operated out of the appointed land-grant university.

FarmLink

- Provides consulting and education to transition farms from retiring operators to an emerging generation of farmers. Services include available property listings to farm seekers, consulting on tax and management issues for retiring farmers, and a reference library.
- FarmLink programs operate in New York, Pennsylvania, Connecticut, and a variety of other states.

Hudson Valley Agribusiness Development Corporation

- The Hudson Valley Agribusiness Development Corporation (HVADC) is the only economic development agency in the Hudson Valley with a specific focus on the viability of the agricultural economy in the region.
- HVADC provides Comprehensive Business Assistance (needs identification, coach you through the challenges of starting a new business and monitor progress every step of the way), Value-Added Services (a "Know-How Network" of experts ranging from accountants and lawyers to marketing specialists, as well as mentors), Financing (access to equity or debt capital, connections to loan programs, corporate partners, angel networks and much more), and Networking (Connect with other agricultural entrepreneurs for all the benefits a good network can bring: moral support, cross-fertilization, sharing resources and expertise.)

Land For Good

- This program serves new farmers and land-use managers in New England through education and assistance. Program focuses include direct services for land acquisition and planning, public education, and networking.

National Sustainable Agriculture Information Service (NCAT, formerly ATTRA)

- A technical assistance provider geared towards sustainable and organic agricultural methods and traditionally underserved communities. Through their website, publications, and other media, NCAT provides technical information for marketing, business & risk management; beginning farmers; local food systems; and a variety of other topics.

New England Small Farm Institute

- A non-profit organization, which supports new farmers through a resource library, mentorships, publications, land-linking programs, and policy advocacy.

Northeast Beginning Farmers Project

- Provides education and resource-linking to small farmers
- Funded by USDA's Beginning Farmers and Ranchers Development Program
- Housed at the Cornell Small Farms Program

Northeast Organic Farming Association (NOFA)

- Promotes regional, organic food production through research and education, events, mentorship for beginning farmers, and policy advocacy
- Offers organic certification
- Has branches in seven states

Northeast Sustainable Agriculture Research and Education (SARE)

- Promotes sustainable agriculture practices through research and education, event sponsorship, networking, and grants.

NY FarmNet

- Provides farmers with information, contacts, referrals and consultants in financial and personal matters related to agricultural business management. Their focus is on facilitating partnerships and farm transfers, mediating domestic conflicts, and aiding in disaster response.

Pennsylvania Association for Sustainable Agriculture (PASA)

- Promotes sustainable farming methods in Pennsylvania through networking events and assistance with marketing, business planning, and various aspects of sustainable agriculture.

Publications targeting local farmers

- Agricultural trade publications provide information on commodity reports and agribusiness news, as well as equipment and land directories, farm classifieds, local events, and news.

Real Estate and Land Preservation

Conservation Land Trusts

- These organizations work to promote sustainability, stewardship, and affordability of land through conservation easements, open space projects, and community education.
- Land trusts operate in a variety of individual counties and regions, such as the Columbia Land Conservancy or the Hudson Highlands Land Trust

Glynwood

- Provides a variety of programming and services to promote public education about farming, including its Keep Farming program, which helps citizens, policymakers, and volunteers evaluate the role of farming in their community, and empowers these groups to understand and implement policies and opportunities to preserve farmland.

New York State Department of Agriculture and Markets

- Provides a variety of services to assist with the protection and development of New York's agricultural sector, including financial assistance to municipalities and counties for Purchase of Development Rights programs to protect viable farmland.

Open Space Institute

- Protects land through direct acquisition, conservation easements, and conservation financing.

Scenic Hudson

- Seeks to preserve the Hudson River Valley landscapes and farmland through policy work and by purchasing strategic properties, and conservation easements.

Special Thanks

Greenmarket farmers provided the essential information to guide this project and truly get at the challenges, successes, and needs of farmers. Their willingness to donate their expertise and valuable time, at times driving long distances to do so, is yet another reason we are proud to work with them. Deepest gratitude goes to those farmers who participated in focus groups, interviews, and case studies. In order to protect the identities of those farmers who provided case studies, they will not be named here. To them, and to all the other farmers who gave thoughtful survey answers and endured numerous follow-up interviews, thank you.

Focus group participants:

- Todd Applebaum
- Jeff Bialas
- Susan, Jonathan, and Eric Blew
- Claudio Gonzalez
- John Gorzynski
- Elly Hushour
- Hubert McCabe
- Ken Migliorelli
- Nevia No
- Ronny Ozofsky
- Hector Perez
- Morse Pitts
- Martin Rodriguez
- Cheryl Rogowski
- Tim Stark
- Carl Swartzentruber
- Tom Toigo
- Jonathan White
- Fred Wilklow
- Matt Zick.

We are also extremely grateful to the many experts in the fields of agriculture, land preservation and financing who generously provided their guidance and feedback throughout the creation of this report:

- Samantha Alicia
- Marilyn Anthony, Pennsylvania Association for Sustainable Agriculture
- Bob Bernstein, Land For Good
- Rick Bishop, Mountain Sweet Berry Farm
- David Boone, Farm Credit East
- Jody Bolluyt, Roxbury Farm
- Nevin Cohen, The New School
- Jean-Paul Courtens, Roxbury Farm
- Todd Erling, Hudson Valley Agribusiness Development Corporation
- David Haight, American Farmland Trust
- Angela Hanson, Farm Service Agency
- Ellie Kastanopolous, Equity Trust
- Robert Kafin, GrowNYC
- Robert Lewis, New York State Dept. of Agriculture and Markets
- James Makerer, Kinderhook Bank
- Jim Oldham, Equity Trust
- Ronald Perrine
- Anu Rangarajan, Cornell Cooperative Extension
- Cheryl Rogowski, Rogowski Farm
- Charles Rooher, New Jersey Dept. of Agriculture, Greenmarket
- Kathy Ruhf, Land For Good
- Benjamin Shute, Hearty Roots Community Farm
- Jen Small, Flying Pigs Farm and American Farmland Trust
- Ed Staehr, FarmNet
- Dorothy Suput, The Carrot Project
- Alissa Vladimir
- Julie Weir, Sullivan County Planning Department

And all the members of the GrowNYC & Greenmarket community, especially our farmers.

GrowNYC • 51 Chambers Street, Room 228, New York, New York 10007 • (212) 788 7900

GrowNYC is a hands-on non-profit which improves New York City's quality of life through environmental programs that transform communities block by block and empower all New Yorkers to secure a clean and healthy environment for future generations.

For over 30 years GrowNYC's Greenmarket staff, volunteers and farmers have been working together to promote regional agriculture, preserve farmland and ensure a continuing supply of fresh, local produce for all New Yorkers.

To learn more about GrowNYC's Greenmarket, gardening, recycling and education programs, visit www.growNYC.org.