

19. Direct state agencies to maximize capital access through state-sponsored programs that provide farm financing.

NEW FARMERS NEED LAND & FINANCING

Reid Johnston bought a new tractor a couple years ago. It's the first and only debt he's taken on in the four years that he's been building his small farm operation in northwest Michigan. It's major, even at zero percent interest from the manufacturer.

Johnston says it was time to invest in equipment that can put his vegetable production into higher gear. He's been conservative and creative so far with limited resources. He's rented a neighbor's tractor, fabricated his own cooling unit for his farmers' market van, and taken courses in mechanics to prepare for the never-ending equipment maintenance and repair of farming life.

"You don't want to go into debt if you don't have to," he says. "This is a tough business. There is a lot of risk involved."



Photo by Patty Cantrell

Now Johnston, 27, is looking for land he can afford to buy and a lender who will see enough money and momentum in his successful small farming business to give him a mortgage. But land and lenders suited to younger, smaller, diversified farmers like Johnston are difficult to find.

These farmers are growing in market presence and promise. But they generally have few assets and no family or background in agriculture. Their smaller, diversified farms also tend to fall promptly into lenders' "high risk" category. Johnston is not deterred. He's a natural-born farmer even if he grew up in Flint and only discovered agriculture through a job after high school. It changed his life.

He's set for a while with a five-year lease on 40 acres of land outside of Traverse City. But even longer-term leases like this are problematic for farmers trying to build up soil and other assets, like beneficial insect plantings and packing sheds, which are tied to a farming place. Johnston says he's happy with his current deal but still looking for land, and eventually a big loan. "This is great. But I need my own place."

Opportunity

Bridging the land and financing gaps for farms like Johnston's is one of the most important and productive things local and state leaders can do for Michigan's future, according to land use researchers and local economy advocates.

The facts: Michigan farmers are 57 years old on average; only 5.2 percent are younger than 35. Statistics also show their children have mostly left farming for more lucrative jobs and are not available to carry on the business. New farmers are needed for food security, land stewardship and local commerce in Michigan. And new business development products and services are needed for these new farmers, who are most often coming from different walks of life and following nontraditional paths to market.

AGENDA PRIORITIES

They are urban gardeners, refugees and immigrants, professionals moving to a life on the land, and people from existing farms trying new products, practices, and markets. This 21st century crop of farmers is especially strong in women and Hispanic operators.

Need

To help farmers and, thus, Michigan succeed, local and state leaders need to reinvent business support systems for them, including financing and farmland succession. Michigan can help ensure a future of good food, good land, and good neighbors by hoeing a better business development row for its new farmers, both conventional and unconventional.

The Michigan Good Food Charter recommends state agencies maximize capital access for farmers through state-sponsored programs that provide farm financing. The public sector can take the lead and help other lenders engage over time, too. New farm financing efforts should include:

- *Asset-building tools, such as matched-savings programs like Agriculture Individual Development Accounts (IDA).*
- *A beginning farmer loan fund capitalized through bond sales and maintained through borrower application and closing fees.*
- *Efforts to help lenders assess the risk of new agriculture businesses and leverage existing Michigan Economic Development Corporation tools to help them make loans. (MEDC tools include its Capital Access Program to partially underwrite loans and the MEDC Angel Investment tool, which does not yet include farms.)*
- *Statewide farm financial planning assistance to build the business pipeline of creditworthy new farm borrowers.*

Action

Steps to set Michigan's agricultural financing innovations in motion include:

- *Planning at the state level for establishing a beginning farmer loan fund, IDA Trust Fund, and leveraging MEDC's Capital Access Program and Angel Investment tool.*
- *Local and regional action to start building collaborative and innovative partnerships among economic development agencies, farmland conservation organizations, and commercial and community lenders. Such partnerships can build networks of resources for both technical and financial assistance.*

1-2-3 Go!

Citizens can get things going by contacting their local Farm Credit System representative about new farm lending needs and opportunities. One of Michigan's greatest assets for farm financing is Greenstone Farm Credit Services, one of 84 locally owned institutions in the national Farm Credit System.

Recently, the Farm Credit System's federal regulator, the Farm Credit Administration, proposed a rule that would require each institution to develop marketing plans for more effective outreach to the nation's growing diversity of farms, including those serving local markets. Greenstone in Michigan is already active. The new FCA rule opens a door for citizens to work with Greenstone to become even more proactive and effective.