

## TOPIC 7: FUNDING YOUR FARM

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What are sources of funding that suit you?  
What unique skills and experience make you a good candidate for this loan, grant, exchange, or donation?

Financing your farm (ad)venture can be a challenging puzzle to figure out. We all need some amount of money to start up and operate a farm and this money can come from a variety of sources. As Lydia (one of our speakers) says, “I know that [lending] is not a very glamorous topic but can be very empowering as I have found that sorting out finances/cash flow and understanding finances can be a major stress reducer.” In this topic we’ll be talking about what you need to consider and prepare when accessing funding from sources such as loans from traditional banking institutions and community members, grants, fundraisers, and alternatives to monetary exchange (e.g. work trades).

### ANTICIPATING YOUR FUNDING NEEDS

Take a look at your startup costs and cash flow projections from the last two topics. In the first year how much money will you need to start growing and selling your products? How does this change over the years? It’s important to consider how much funding you may need in the future so that you can prepare for those “bigger asks” by demonstrating good financial management right from the start.

1. Brainstorm a list of farm projects or activities that you will need funding for (remember that short-term debt can be used for covering operating costs as well). Write down how much money you will need for each project or activity and when you’ll need to have that money.

Project or Activity	Amount	When Funding Is Needed

2. Research at least 3 different sources of funding (agricultural loans, lines of credit, grants, etc.). For each, outline the amount you are eligible for, interest rates (if applicable), the duration of the loan (if applicable), and any other important conditions.

Funding Source	Amount	Interest Rate	Duration	Important Conditions

3. If you borrow money, when and how will you repay it? Will the loan pay for itself by increasing your profitability or will you need to subsidize the loan payments with other revenue streams?

*For example, if I take out a loan to plant an orchard, I will likely need to start making loan payments before the orchard is generating any revenue. I will therefore start hosting 3 farm weddings each year to help pay off my orchard loan.*

Borrowed money	Plan for repayment

## ASKING FOR FUNDS



As with most things in life, relationships are key! In the funding world your ability to build and maintain good relationships is encapsulated in the term ‘character’. Funders, whether they are bank officials or your friends, will assess your character based on a variety of information and subjective measures. This is probably the least tangible but most important part of establishing credit.

A lender will often ask themselves, “Will this person pay me back? Can I trust them?” and a person’s character can give some insight into the expectations of being repaid. A funder that is not expecting to be repaid, such as a grant provider or a crowdfunding backer, will ask themselves, “Is this person going to carry out the work that was promised? Are they going to use the money in the manner it was intended?” Character is quite possibly the most difficult of the Five Cs to evaluate, so how do funders do this? The best way of judging character when evaluating a possible funding request is for the funder to get to know the farmer(s). Other questions that funders ask themselves are:

- How interested do they seem in the success of the business?
- How is the farm managed?
- Are they experienced in and knowledgeable of their industry?
- Does management seem sufficient for the present size of the business and do they have the capability to manage as it grows?
- Does this business or project align with my personal or organizational values? (Your farm mission and vision statements will help a funder determine this)

So how do you ‘prove’ your character? Here are a few guiding questions to help you make a convincing case:

- What makes ME the best person to make this farm possible?
- What unique combination of skills and experience makes me a good candidate for this loan, grant, exchange, or donation?

Consider the varied parts of your life that might help answer these questions:

- You resume and that of other owners
- Personal financial statements
- Performance on bank account statements
- Work experience
- Education
- Financial values
- Family history & support
- Interpersonal skills (how you interact and work with others)
- Communication skills
- Planning experience
- Willingness to repay the loan
- Core values
- Support networks (references)
- Your farm mission and vision statements

**Make a list (as long as possible) of all the elements that are a part of your character that you would want to share with someone who might give you money.**

Now, think about all the gaps in this list that a funder might point out. Do you need more experience managing a farm? Do you need to talk to your references? Do you need to take some courses to broaden your skills?

**Make a list of the gaps that a funder might identify. Circle the first gap that you will address.**

## NOTES

1. What are key takeaways from watching the recording or from the live session?

2. What are the things you want to dig deeper into?