



# What is an Agricultural CDFI? A look at California FarmLink's Business Model

Reggie Knox with Poppy Davis

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Magaña Farms | Monterey County

## Our Mission

As a Community Development Financial Institution, we invest in the prosperity and well-being of farmers, ranchers, and fishers who have limited access to financial resources.

Our programs center communities of color, and promote just and resilient economies and natural resource conservation.

We offer fair financing, business education, and support for owning or managing agricultural land.



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# Community Needs



Challenges to accessing land, capital and appropriate education and technical support:

- Limited formal education or English
- Limited business or credit history
- Discrimination in lending or leasing
- Lack of traditional collateral
- Little incentive for lenders to make small loans
- Few appropriate professional service providers
- Few appropriate educational offerings

*“Apart from the money and the satisfaction it [farming] gives me, it opens your mind. You’re aware of another person you didn’t know was in you.” – Rigoberto Bucio*





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# Our Programs



## Loan Programs

- Operating Loans
- Land Loans
- Equipment & Infrastructure Loans
- Conservation Loans

## Land and Business Programs

- Business education
- Business technical assistance
- Train-the-trainer programs
- Land access support

**Our staff and programs are mostly bilingual English and Spanish.**





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# Timeline



- 1999** - Granted tax-exempt status
- 2006** - Secured initial \$1 million in loan capital
- 2007** - Made our first loan (through a partner)
- 2010** - Obtained CA State Lender's License
- 2011** - Obtained USDA Farm Service Agency guarantee authority
- 2013** - Certified as a Community Development Financial Institution (CDFI)
- 2015** - Made our first land loan
- 2018** - Received Small Business Administration (SBA) lending authority
- 2021** - Expanded to serve fisheries



# Borrowers Served



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## Borrower Profile:

- 63% of loans are to farmers of color, mostly Latina/o farmers (who represent 12% of CA farmers)
- Over 90% of borrowers are low-income
- **Approximately 15% of all loans are ITIN**





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# What is a CDFI?

*The mission of the **Community Development Financial Institution** program of the United States Department of Treasury is to promote economic development and financial inclusion for economically distressed people and places.*

A CDFI must achieve specific performance goals and demonstrate that its primary activities are directed toward improving the social and economic conditions of underserved people.

Qualifying CDFIs are eligible for support including lending and operating capital, and technical assistance.





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# What is an Agricultural CDFI?



California FarmLink is a CDFI with an exclusive focus on agricultural and fishing operations.

FarmLink's unique model harnesses the nimble power of a CDFI to the substantial system of resources dedicated to agricultural credit, business education, and healthy food and farming systems.





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# Our Financial Model



- Operating Revenue from government and private grants as well as interest and fees
- Lending Capital from Treasury, USDA, and private investors
- Loan guarantees from Treasury, USDA, and private investors
- Lending Capital is replenished when we sell loans on the secondary market and continue to service the loans in exchange for servicing fees



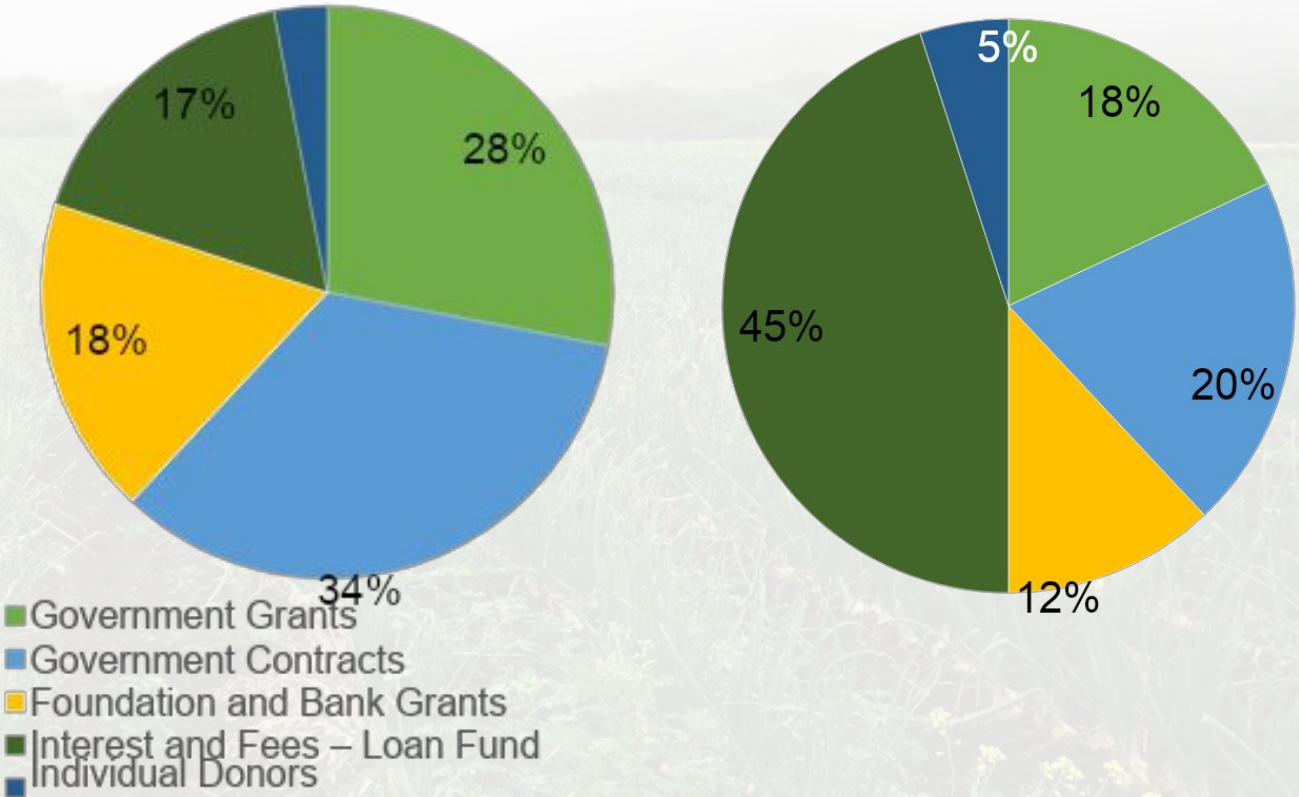
# Our Revenue Model

Our goal is to decrease reliance on grants and contracts, and grow earned income.



Current (2019)

Projected (2023)





# Loan Fund Composition

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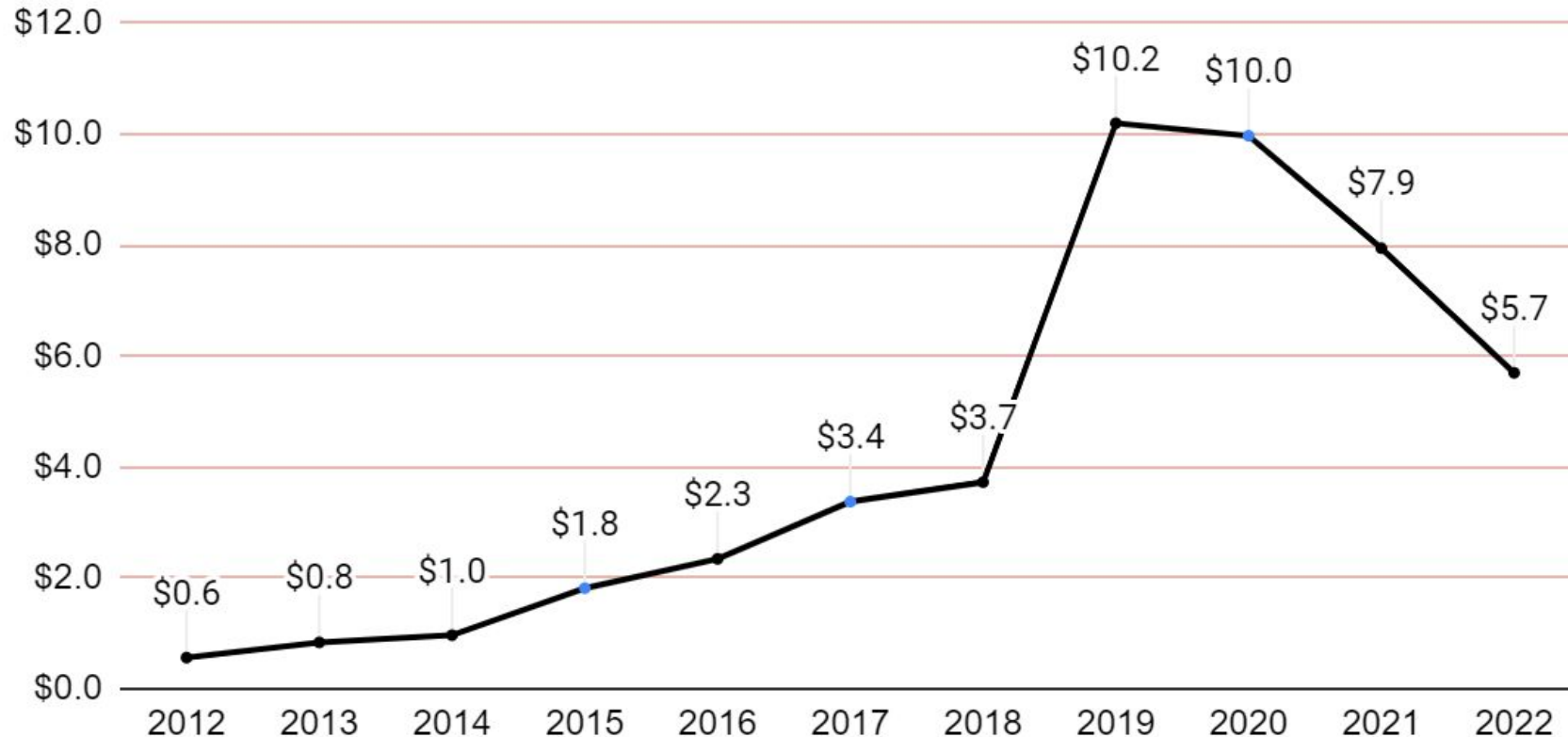
2022

Foundations (Debt)	8,573,785	37%
Equity (Cumulative Net Profits)	5,100,868	22%
Institutional Impact Investors (Debt)	3,742,390	16%
Federal Gov. Debt (SBA & USDA)	3,800,585	16%
Bank Investments (Debt)	1,350,000	6%
Individual Investors (Debt)	567,390	2%
<b>Total Loan Fund</b>	<b>\$23,135,018</b>	<b>100%</b>



# Total Lending Per Year

Annual Loan Volume (in Millions)



- About \$60 million deployed since 2012
- Plan to lend an additional \$25 million through 2024.
- Post pandemic decreased lending overall including fewer land loans (less demand)
- Cumulative loan losses of less than 1%, better than many banks.





# Key Lending Programs and Partners

- USDA
  - Farm Service Agency - Guarantees
  - Rural Development - Lending capital, guarantees, operating funds (RMAP, IRP)
- SBA
  - Lending capital, guarantees, operating funds (Microloan, Community Advantage)
- CDFI Fund
  - Lending capital and operating funds







## Other Lending Partners



- State Guarantee Program (IBank)
- Wholesalers and Retailers
  - Briar Patch, Sacramento Food Coop
- Distributors
  - Coke Farms
- Farm Education Programs (for pipeline and TA)
  - ALBA, CLBL, KTA





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# Land and Business Programs



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## Equity and Conservation on Working Lands



- Land listings, lease and purchase TA
- The Regenerator, A Year in Succession Planning
- Partnerships with:
  - Land Trusts to increase land tenure opportunities for LILW and BIPOC farmers
  - RCDs to provide TA in collaboration with our Conservation Incentive Loan Program

The ECWL program supports equal access to opportunities for high quality land tenure and conservation programs, and promotes strategies for keeping land in agricultural production.





## Resilience and Wealth Building



- The Resilerator and El Resilerador –
  - comprehensive introduction to the legal and financial aspects of running a business
- Post-Resilerator
  - Employment Resilerator (launches this fall!)
  - Other ongoing educational opportunities
    - synchronous and asynchronous





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# resilerator

(noun) 1. An intense but supportive environment for a group of farmers to examine the inner legal and financial workings of their farm for the purpose of vanquishing weaknesses. 2. A farmer with the resolve to make the resilerator journey.

**resilerated** (adj.) 1. The exhilaration of naming threats and obstacles while wielding the tools of resilience.



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# El Resilerador

1. Un ambiente de apoyo donde un grupo de agricultores puede examinar el funcionamiento legal y financiero interno de su negocio agrícola con el propósito de entender y mejorar las debilidades de su negocio. 2. Un agricultor con la voluntad de asumir el trayecto del resilerador.



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# Business & Innovations Programs



- Quality control and ombudsperson
- One on one TA
- Assistance with state and federal disaster relief
- Building an ecosystem of service providers
- Train-the-trainer programs
- State and federal policy advocacy
- Special projects
  - Extending our model to other CDFIs and farmer-serving organizations (This!)
  - Cooling capacity for Elkhorn Slough growers





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# Impacts and Goals



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# Impact Measures



- Number of jobs created and retained
- Increase in farm sales and profitability
- Increase in farm household net worth
- Increase in business knowledge
- Increase in adopting regenerative practices
- Increase in LILW and BIPOC farmer land tenure opportunities on easement-protected and public lands
- Increase LILW and BIPOC farmer participation in FarmLink governance
- Increase in FarmLink's financial self-sufficiency ratio





## Goals



- Completing our last five year strategic plan
- Beginning strategic planning now
- Expect to emerge with new goals related to:
  - expanding our reach beyond California
  - deepening our reach into low income areas of California
  - providing excellent and comprehensive business support to clients
  - providing an excellent employment experience and recruiting a diverse workforce





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# Thank you!

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