



March 8, 2013
Vorheesville, NY

Sustainable Agriculture Credit Union Research Project

*Summary of Results and Next Steps for
Better Harvest Federal Credit Union*

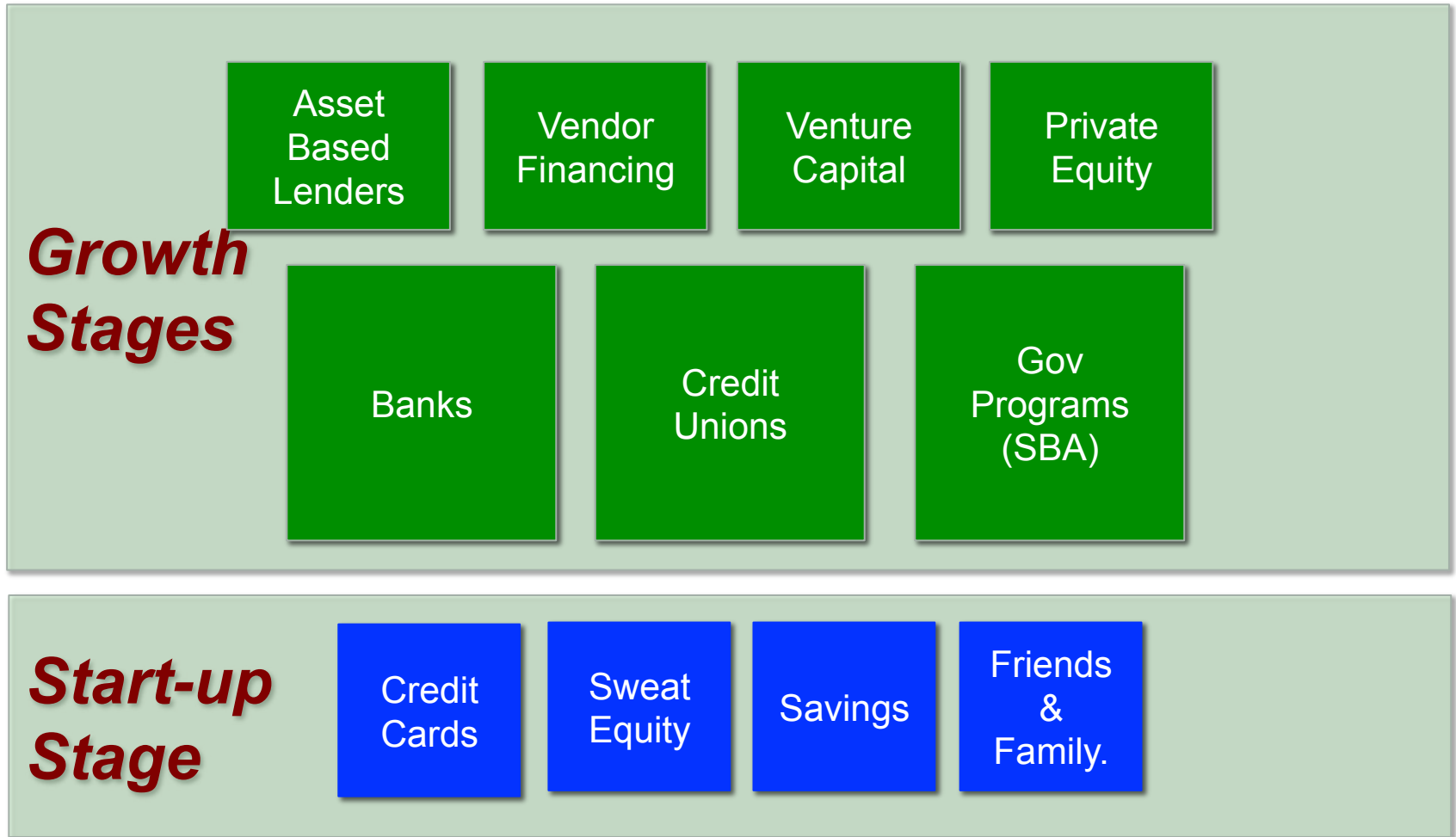
Scott Budde, CFA
Project Director



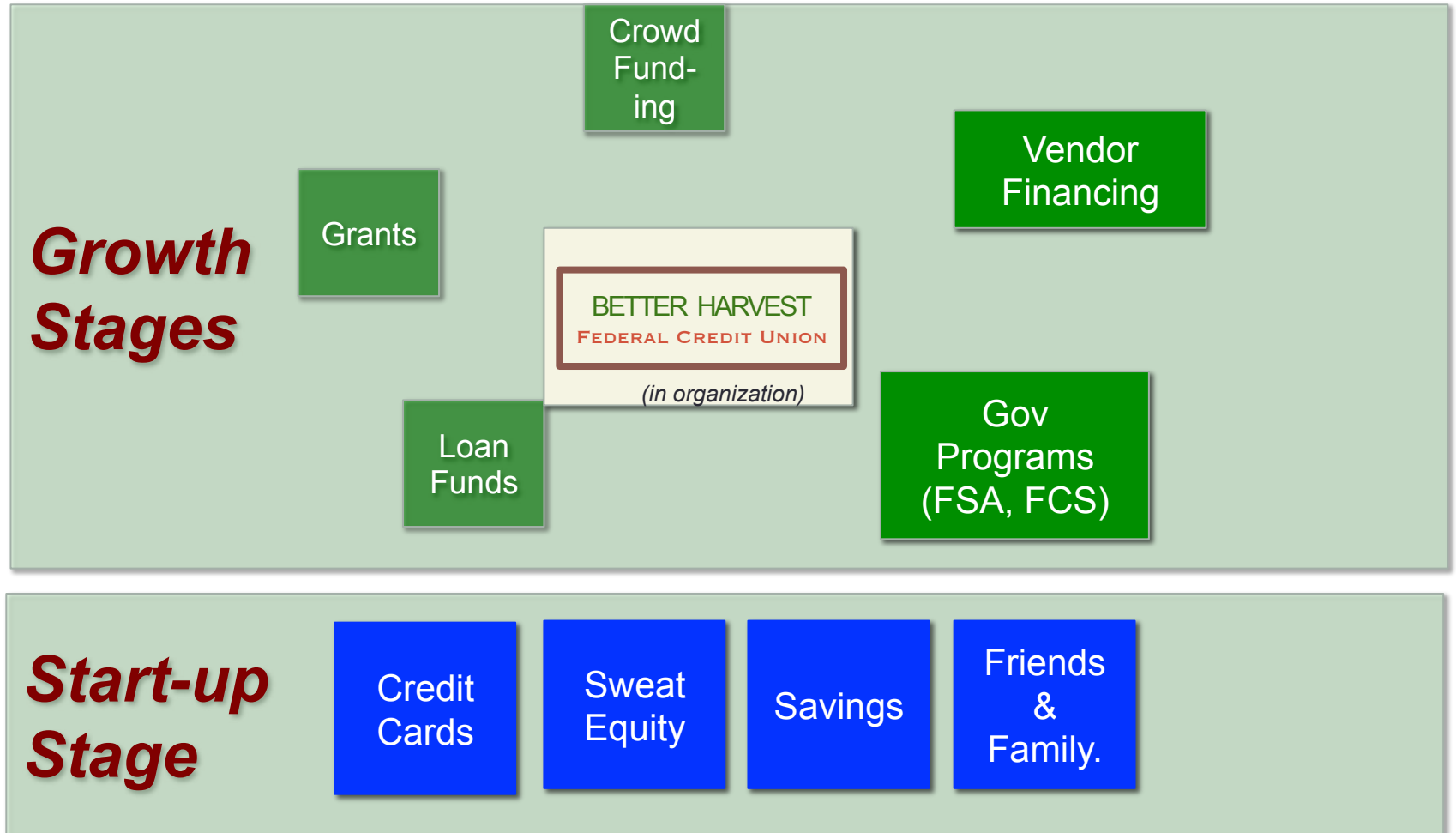
Topics

- Financing Gaps: us vs them
- One possibility: Better Harvest Federal Credit Union
- Sustainable Ag Credit Union Research Project
 - Key Questions
 - Farm Financial Interviews
 - Potential Membership Survey
 - Local Preferences Survey
- Summary Pros & Cons
- Next Steps

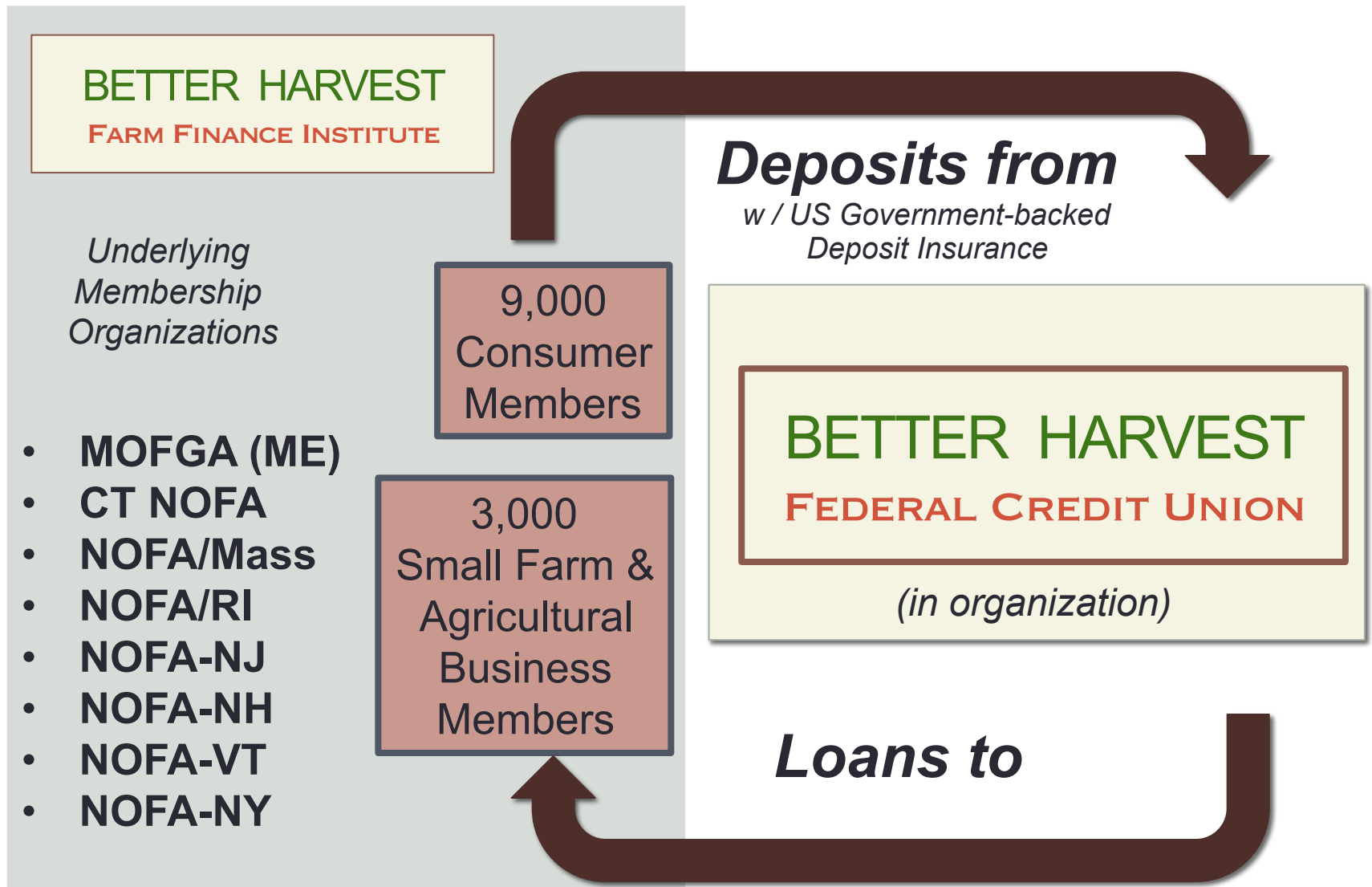
Financing Gaps: Building Blocks for Most Sectors



Financing Gaps: Small-scale Sustainable Farms



The Model



Key Questions:

Is a credit union the “right” structure for the sector?

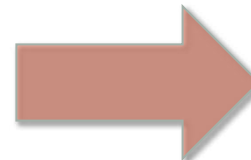
Can a CU provide appropriate products to fill “the gap”?

How would the CU’s “field of membership” be structured?

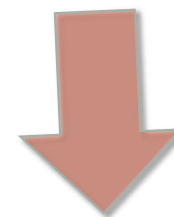
Is a regional (or even national) approach acceptable?

What are the timeframes and costs for starting a CU?

Is funding available



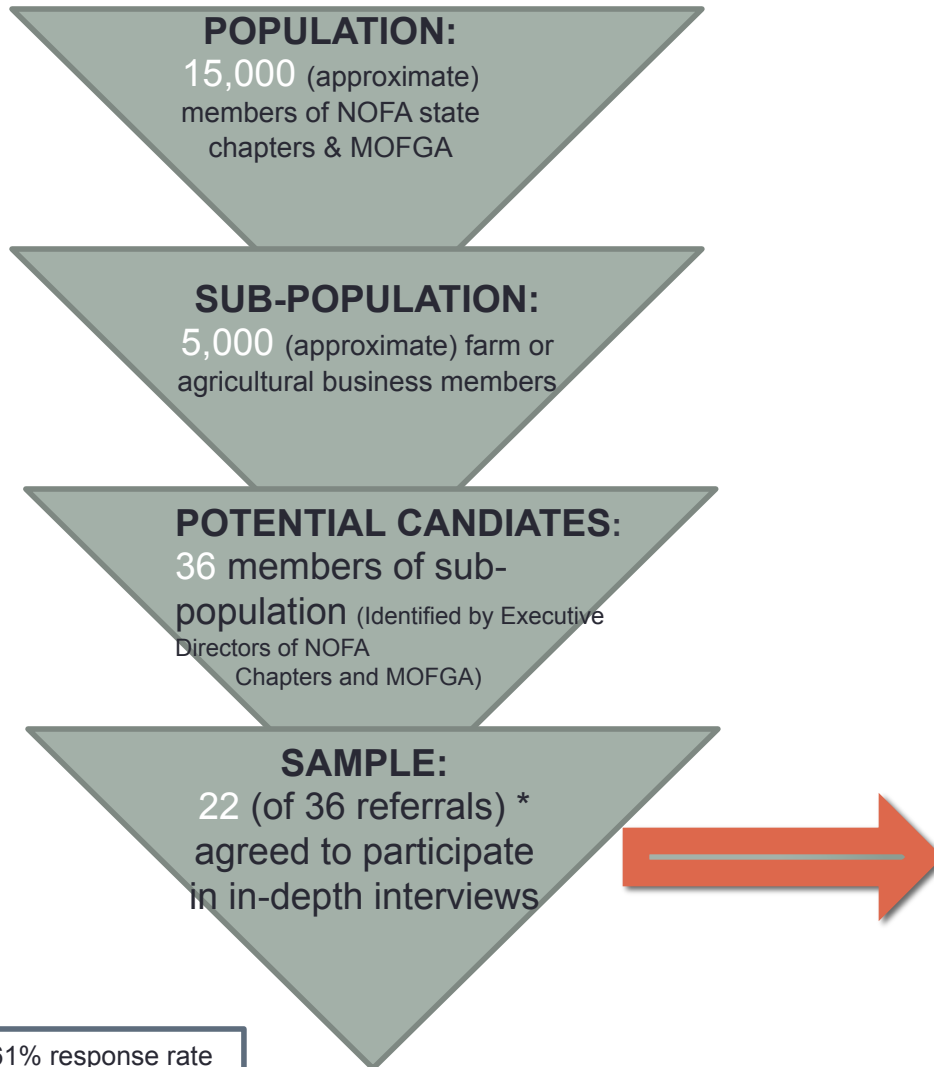
Sustainable Agriculture Credit Union Research Project



- Farm Financial Interviews
- Potential Membership Survey
- Local Preferences Survey

1. Farm Financial Interviews

Methodology

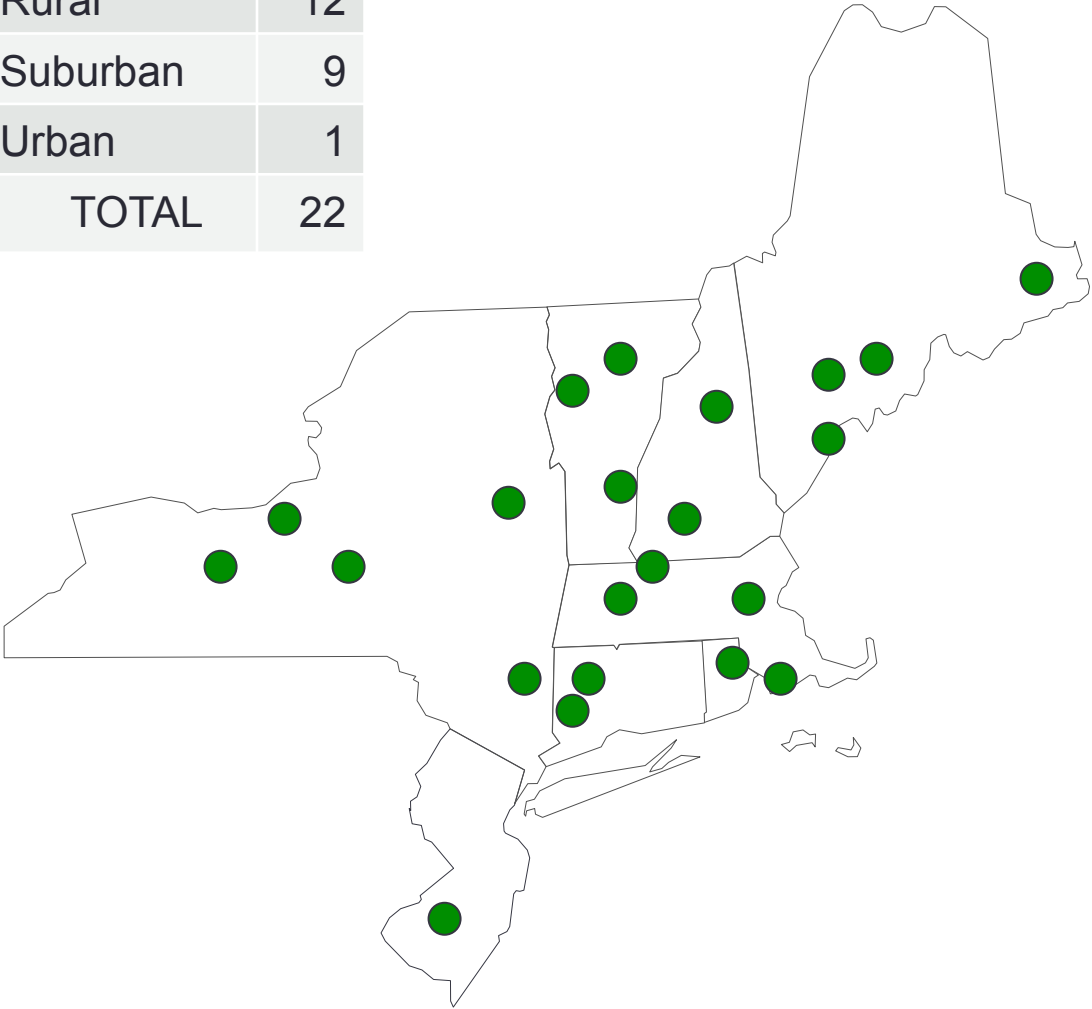


Interview Details

- ◆ Qualitative Structured Interviews were performed by the Project Director
- ◆ Project Director conducted all interviews in-person, on-site (at participants' farm)
- ◆ Interviews were typically 2-3 hours in length and covered personal and farm history, farm production and distribution, existing financial relationships and potential financial product demand
- ◆ During the interview, Project Director took hand written notes (that were later transcribed)
- ◆ Interview results are reported either anonymously or in aggregate; quotes are not attributed; interviewees did agree to be mentioned as participants

Location of Interviews

Interviewee Location	#
Rural	12
Suburban	9
Urban	1
TOTAL	22



Interviewee Affiliation	#
NOFA/Mass	4
MOFGA	4
NOFA-NY	5
NOFA-VT	3
NOFA-NH	2
CT NOFA	2
NOFA/RI	1
NOFA-NJ	1
TOTAL	22

One Key Product: Small Farm Mortgages

Only small farm mortgages meet all the criteria to be a key part of a CU strategy:

- Reasonable rate mortgages on restricted land are a critical part of many small sustainable farm models (32% of sample had them) and a significant % of members will need or want a mortgage or refinancing at some point.
- While some farmers prefer lease arrangements (particularly if the rate is reasonable and long term) others on leased land want to build equity (see goals) and will require a mortgage to do so.
- Mortgage loans from \$100k to \$800k are large enough to allow the CU to reach a sustainable size within 5 to 10 years.
- Existing banks and CU's are even less likely to consider a small farm mortgage (with land restrictions) than they were prior to the recession
- Government Programs (Farm Credit, FSA, etc.) have significant limitations and are inconsistent over time (possibly due to funding issues) and across geographies (possible dependent on the attitudes and relationships of individual lending officer)

Select Quotes on Mortgages

- ***“Local banks and credit unions just weren’t going to give me a mortgage”***
- ***“I need to find a mortgage before my short-term lease (from a land trust) runs out.”***
- ***“We were lucky – I could borrow from my parents”***
- ***“I really don’t like the (variable) rate on my Farm Credit Mortgage”***
- ***“We started with seller financing (which we couldn’t get today)”***

2. Potential Membership Survey

Potential Membership Survey Complete through 2 Events

EVENT 1

359 Surveys from
NOFA Summer Conference
 Amherst, MA (August, 2012)
 VT, NH, MA, CT, RI, NY &
 NJ Members



EVENT 2

258 Surveys from
Common Ground Fair
 Unity, ME (September, 2012)
 MOFGA Members

= 617 Survey Responses

(~ 68% are members or potential members)

Organization	Survey Responses	%
NOFA/Mass	112	18.2%
MOFGA (ME)	74	12.0%
NOFA-NY	43	7.0%
NOFA-VT	26	4.2%
CT NOFA	34	5.5%
NOFA-NH	11	1.8%
NOFA-NJ	9	1.5%
NOFA/RI	3	0.5%
TOTAL CURRENT MEMBERS	312	50.6%
Potential Member	111	18.0%
TOTAL CURRENT & POTENTIAL MEMBERS	423	68.6%
Not interested	119	19.3%
No answer	75	12.2%
TOTAL SURVEY RESPONSES	617	100.0%

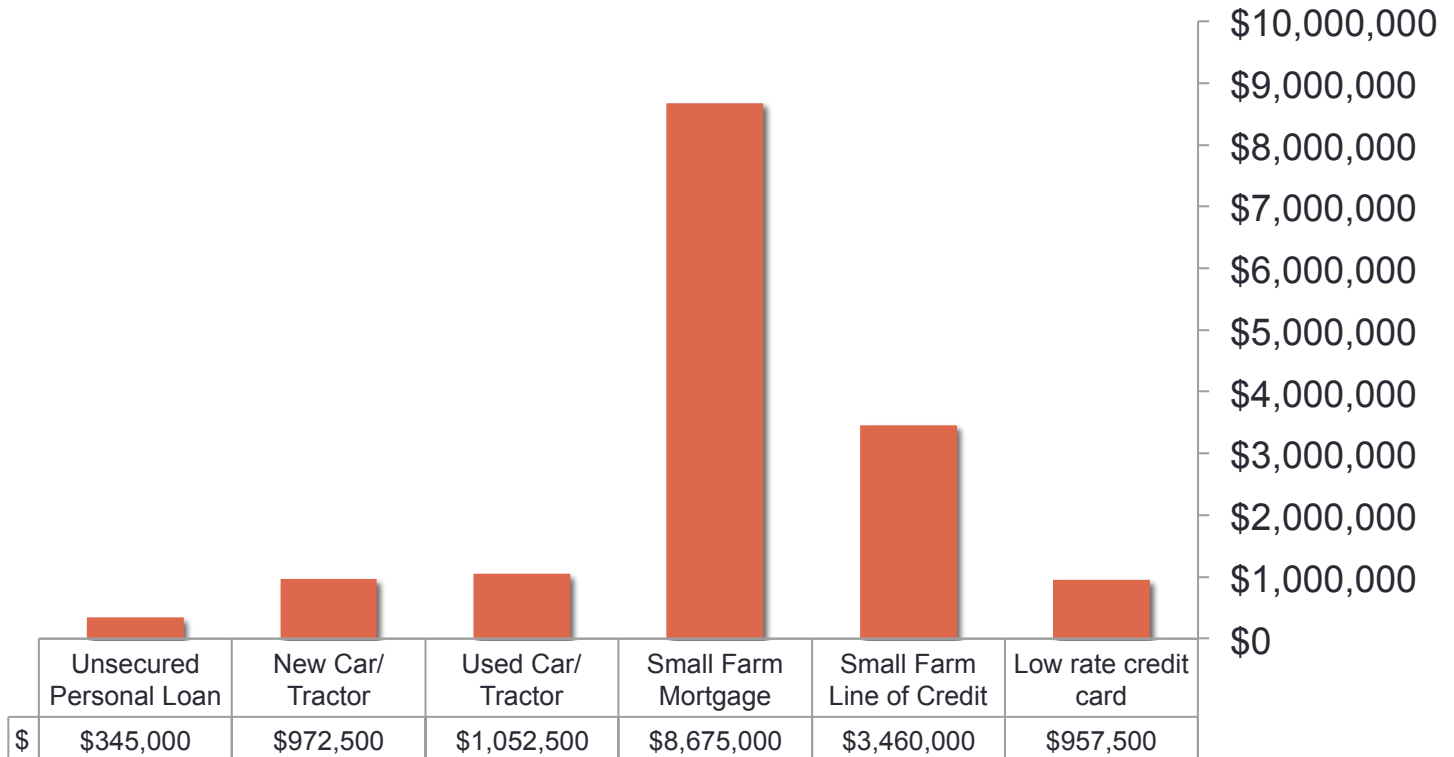
Potential Membership Survey Showed Very High Levels of Interest in forming Better Harvest FCU

- 77.3% of respondents “interested in joining Better Harvest FCU within 2 years”
- 56.6% of respondents pledged initial deposits at opening of \$1 million (equivalent of \$20.6 million across 12,000 members)
- 44% of respondents wanted more information (and 35% provided detailed contact information)
- 3.6% of respondents offered to volunteer for Better Harvest FC

Membership Survey – Respondent only loan demand

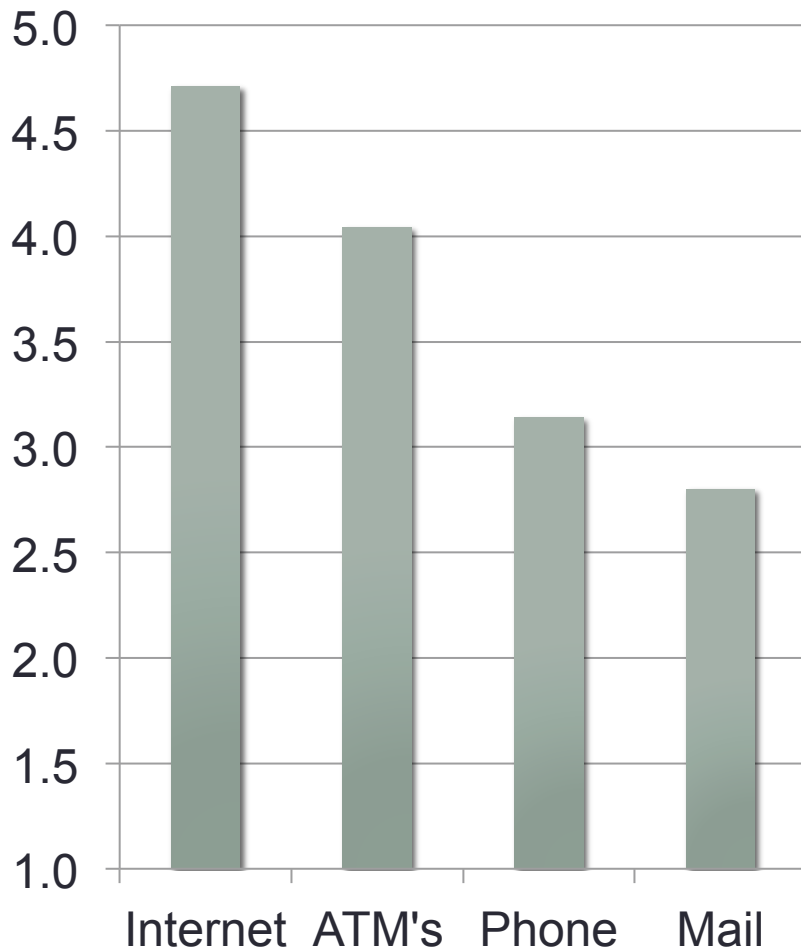
Q3: “If you were to take out a loan in the xt 12 months, which of the following ranges represent the amount you might borrow for each type of loan you are interested in?”

Interest in Loan Products \$ of responses interest



Membership Survey Results – Service Delivery Rankings

Q9: "...which (non-branch) options would be most helpful for you in managing your accounts with Better Harvest FCU?" (5 = most helpful, 1= least helpful)

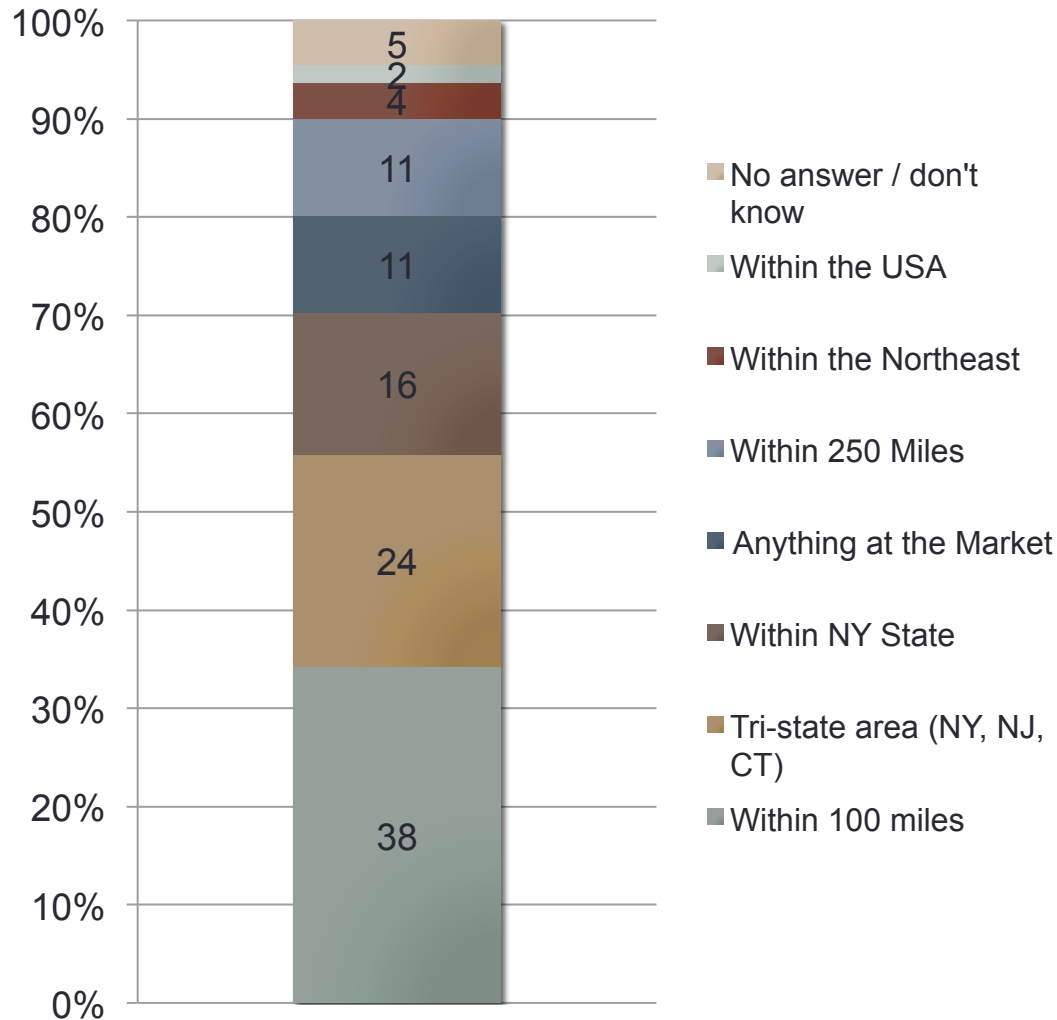


- With a score of 4.71 (out of 5), the Internet was the highest ranked method for delivering services
- Traditional Branches were not listed as an option (and we explained why)
- Many respondents only listed the internet as a selection

3. Local Preferences Survey

Definition of “Local” *

Breakdown of 111 responses* to the question
“How do you define local food at the market?”



= 79% of
respondents had
regional (cross
state) definitions
of “local”

- Shoppers at Union Square Farmers Market in NYC in August 2012

Summary Pros & Cons of a CU

PROS

- Structure aligns well with mission
- Can offer products that help fill “the gap”
- Can address land access
- Can be somewhat flexible
- Taps vast deposit market
- Stakeholders familiar with and like CU’s
- Field of membership can be approved

CONS

- Coop structure = not an equity investment
- Substantial long-term grant funding required
- Self-sufficiency will take time (8 year min)
- Regulated structure limits flexibility
- Regulatory environment likely worsening

Next Steps

- Talk
- Network
- Plan
- Lobby
- Grovel