CASE STUDY
Increasing Capital for the Sustainable Agriculture Sector

“...the data gathered by the Fox MC program was critical to us as we developed a targeted, focused credit program for sustainable ag producers.”

-Sandy Weber, Senior Vice President of Marketing

Client Profile
MidAtlantic Farm Credit (MAFC) is a member-owned, agriculture lending cooperative that operates with a mission to provide best-in-class solutions to meet its customers’ financial needs. With 17 offices in 5 states, over 10,500 members, and almost $2.2 billion in loans outstanding, MAFC is one of the largest agricultural lenders on the East Coast.

The Project
Over the past decade, sustainable agriculture has grown from a small, niche sector to one with broad market appeal. Even so, financing options for sustainable producers remain limited, hindering the potential for continued sector growth. Recognizing this market gap and the unique opportunity available in the sustainable sector, MAFC partnered with Fox Management Consulting (Fox MC) at Temple University’s Fox School of Business to better understand this sector, identify its credit needs, and develop a corresponding lending strategy.

Findings
Using primary and secondary sources, Fox MC investigated sustainable, local, and organic farms, endeavoring to understand successful business models, best practices, and credit practices. The team’s research revealed three key insights about the way this sector operates.

• Sustainable producers share common values and production practices. They integrate environmental health, financial profitability, and social equality.
• Unlike traditional producers, sustainable farmers often manage production and distribution, and their business models vary depending on farm size.
• Sustainable farmers face critical decisions as they grow, deciding whether to make capital investments, whether to hire help, whether to purchase equipment, and whether to purchase land. These decisions occur at key points in the producer’s growth trajectory.
Recommendations

Based on research findings and discussions with MAFC, Fox MC made the following recommendations:

- As a member-owned cooperative dedicated to the agriculture industry, MAFC offers a unique value proposition to potential sustainable agriculture customers, distinguishing it from competitors.
- Loan products can be customized to meet the sustainable producers’ specific needs.
- There are opportunities to partner with nonprofit organizations and community development lenders to provide financial solutions to the sustainable sector.
- The team proposed an adapted credit model and accompanying that addressed the business practices unique to sustainable producers.

Results

MAFC adopted the Fox MC team’s credit model, with a few adjustments. Following the project, MAFC’s board approved a credit program that includes some underwriting flexibility to address the specific needs of sustainable producers. In addition, MAFC utilized the Fox MC team’s research and recommendations in marketing efforts designed to attract sustainable agriculture borrowers.

Since the project concluded in December 2012, MAFC has expanded its portfolio of profitable sustainable agriculture customers. In fact, MAFC provided a $45,000 loan to one of the Fox MC student team members who launched a sustainable food business.