



NATURAL CAPITAL INVESTMENT FUND

THE CONSERVATION FUND

Patient Capital for Green Businesses

www.ncifund.org



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NCIF Overview



- Business investment arm of The Conservation Fund (www.conservationfund.org): leading US land and water conservation organization
- Patient capital for businesses that grow, process and distribute sustainable products
- \$6 M fund founded 2001; 45 companies/farms funded to date; average amount ~ \$100,000
- Wells Fargo EQ2 Investment: \$400,000 for use in North Carolina & Virginia 
- \$2 million from Ford Foundation for lending in WV, VA, KY, TN and OH
- \$35,000 - \$250,000 to any one company; flexible terms: deferred principal; balloon payments with longer amortizations
- Investment committee meets monthly; typical documents required for underwriting
- NCIF reduces risk for traditional lenders through subordination, technical assistance, and sector expertise



Targeted Sectors

- **Natural, organic & value-added Agriculture**
- **Pasture-raised and grass-fed livestock & poultry**
- **Heritage and Eco-Tourism**
- **Value-Added Wood & Forestry Products**
- **Renewable Energy & Energy Efficiency**
- **Recycling**
- **Green Building**





The demand for sustainable, locally grown foods surpasses supply. Why?

- ✓ There seem to be a lot of good ideas in NC
- ✓ Traditional lenders are not familiar with sustainable farm models; may need more grants and risk capital
- ✓ Lack of training and entrepreneurship in sustainable farming industry
- ✓ Sustainable food production chains are not complete



Obstacles to Financing Sustainable Food Production

Many small farmers seem to have trouble accessing traditional capital

Small farmers often use credit cards to finance growth

Small farmers often do not have business plans or know how to prepare projections

Small farmers often have limited personal resources and assets (may lease land)

May need access to more risk capital or grants to get started and demonstrate cash flow to more traditional lenders



Available sources of capital for small farmers

Early stage companies:

- Grants (RAFI, Resourceful Communities, USDA) – early stage money; enables farmers to experiment with different crops and growing techniques without having to pay back funds
- Venture Capital and Angel Investors – focus is on high growth companies with exit strategies, farming doesn't meet this model
- Slow Foods Fund – Venture Capital for Local Foods Production. Woody Tasch starting; targeted financing to sustainable local foods production www.slowmoney.org.
- SBIR – Small Business Innovation Research Grants (NIH, USDA, SBA, DOD) – Allows companies with a new technology or process to experiment; not available for most farmers but a similar program might help.
- Green Business Fund – grants for companies but not open to farming operations – could establish similar fund for farming



Available sources of capital for small farmers

More mature companies:

Traditional Loans – Banks and Farm Credit

- May not be familiar with small scale sustainable food production;
- Used to looking at traditional crop budgets; don't understand higher margin organic crops with higher production crops;
- Don't have ratios to evaluate the newer farm models; hard to evaluate risk
- May be fewer lenders familiar with agriculture now due to recession and consolidation of banking industry
- Don't always understand regulations

NCIF - patient capital for an existing farmer who wants to expand into a new crop or market. Could reach more sustainable farmers if had more grant money to make riskier loans. NCIF capital is borrowed and so can't do equity projects. TA pool of money. Need dedicated lender that is experienced in agriculture.

Example: Simple Natural Dairy (traditional farmer expanding into organic milk production) but traditional lenders may not understand organic milk production.

CONCLUSION: May Need more Risk Capital and Grant Funding to encourage more sustainable local foods production.



Obstacles to Financing Sustainable Food Production

Lack of training in the business side of farming and entrepreneurship

- May need to encourage more entrepreneurship among farmers and access to training in how to run a farm as a business
- Consolidation of farming resulted in many farmers growing one crop for one customer; have not had to think about marketing and crop diversification; being dependent on one crop and one customer is a bad business model
- There is some training of local foods production in community college system but traditional land grant schools do not train farmers how to run a business or grow organic foods
- Need TA in product development, regulations, packaging, marketing, production facility lay out.



Obstacles to Financing Sustainable Foods Production

Critical mass may not be there yet - In many areas of sustainable food production, the entire production chain is not complete

Gaps in the production chain, makes lending to individual farmers more risky

Example: NCIF financed organic chicken grower but farmer not experienced in marketing products and no place to process chicken. Chicken was very good and Earth Fare and Whole Foods hoped to purchase more but farmer could not meet demand; needed to organize more growers and find meat processor.

Farm Hands Foods is trying to organize organic meat producers and organize growers, marketing, and processors

Financing: Sustainable Foods Sector

Simply Natural Dairy Farm, Ayden, NC

- organic dairy
- tobacco farm diversification
- \$250,000 from NCIF leveraged \$400,000 in tobacco settlement \$\$



Grain Bin Cost Share Loans to Low Wealth Farmers – North Carolina Agricultural Development and Farmland Preservation Trust Fund

- Grain bin projects are typically small; \$12,000
- Cost share grant funds a portion of grain bin
- NCIF has provided grain bins to 15 small farmers
- Bins enable farmers to sell crops (i.e., soybeans) when market prices are favorable



Annie's Bakery, Asheville, NC

- organic bakery; expanding into par baked bread line
- NCIF financing used for equipment, working capital, and leasehold improvements
- NCIF financing will enable bakery to relocate mfg operations to Asheville, NC from Sylva. Retail location to stay in Sylva.
- \$250,000 from NCIF leveraged \$ 255,000 from other lenders.
- Annie's also working with other bakeries and the North Carolina Organic Bread Flour Project's efforts to develop hard wheat industry in NC

