The Basics of Impact Investors: What a Farmer Needs to Know
A primer for working with an impact investor focused on farmland access.

by Kevin Egolf

Small farmers and small farm advocates have probably heard statistics about average farmer age (nearly 60 years according to the USDA) and young farmer land access issues (68% of farmers cite land access as the biggest obstacle for young and beginning farmers according to the National Younger Farmers Coalition). In response to these problems you may have also seen a rise in the number of “impact investors” focused on helping farmers with land access.

The goal of this article is to provide a basic background on these investors and prepare farmers for interactions with these groups. Please be aware that the services or products offered by these investor groups may not be helpful or the best option for many farmers. Contrastingly, it may also be the perfect situation for another farmer. I view understanding these options as having another arrow in the quiver (or seed in the ground) to be used if needed, and when appropriate.

Full disclosure: I manage one of these entities, called Local Farms Fund, a community investment fund that pools individual investors together to provide lease-to-own arrangements to early stage farmers in the NY Foodshed. In this article, I am speaking from my personal experience in this field. In this context, I am also trying to represent the impact investor universe as whole, but cannot speak specifically on behalf of the other people or organizations providing similar land access opportunities.

Let’s start with a basic primer. What is “impact investing”? According to a simple Google search, impact investing refers to investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. I would add that impact investing generally also means investing in private entities that have a targeted positive social or environmental impact. This difference is exemplified by a hypothetical, publically traded solar panel company. That solar company’s output may have a measurable environmental impact, but it is not necessarily formed or operated for the purpose of reducing greenhouse gases. Intention takes impact a step beyond the positive outcomes. I also think it is important to note the word “investing” is in the title and “financial return” is in the definition. Impact investing is very different from philanthropy. Folks working with an impact investor should fully understand impact investing is not charity. Investors are expecting to receive money back and make money from the investment. This return may not always be significant, but the intention is to make money while creating the positive impacts.

Another common term you will hear is “Due Diligence.” According to the Merriam family and Mr. Webster, due diligence is research and analysis of a company or organization done in preparation for a business transaction. Due diligence is really a fancy word for research.

A final primer item to note is that impact investors can take all sorts of shapes and sizes. Impact investors may include an individual, multiple individuals, a family, multiple families, angel investors, an angel network, a fund, a company, a non-profit, the government, or any other legal formation/identity under the sun. Unfortunately, we do not have time to go into the specific details on each type of structure, but, as will be noted later, knowing who or what you are dealing with is extremely important.

In trying to summarize how to work with impact investors, I boiled my thoughts down to five basic guidelines: know yourself, create a business plan, review your options, assess the fit, and reverse the due diligence.

Know Yourself.
If you cannot articulate what you want, another person is not going to be able help. Any farmer should assess his or her own personal goals as well as his or her own personal situation. Understanding “Where am I now?” and “Where do I want to be?” is a critical first step. Going down this path will quickly lead into a personal plan to get from A to B. Throughout this process, it is important to be thinking about optimal versus acceptable and desires versus needs. When reviewing farmland access options, it is unlikely that an optimal situation will arise. Maybe a farmer wants a business focused 50/50 on vegetable production and pastured meat production. What if the farm is better suited for a 30/70 split? Is that still acceptable? This thought process and evaluation should expand one’s horizons and ultimately help lead to a satisfactory outcome.

The first step in working with an impact investor is generally going to be verbally articulating your plans. This is how I initially differentiate between Local Farms Fund farmer candidates. I can usually tell from the first conversation whether there is potential fit. This process will be easier since it will help you understand whether your goals are financially feasible. This concept also pertains to seeking and asking about alternative options. Do not assume that you cannot own a farm right away or that leasing is the best option, unless you have actually reviewed what is available. This means talking to all the different investment groups. Each investment group is going to have small (and sometimes significant) variations in how it operates. In certain situations, I know that Local Farms Fund will not be the right fit for a given farmer even if I would be interested in working with the farmer.

Assess the Fit.
As noted earlier, every party will have different goals, processes and structures. Understanding these variances can be the difference between a successful, happy relationship and an unsuccessful, unhappy relationship. What is the process of working with a land access partner (steps, timing, costs)? What is the philosophy or motivation of the impact investing entity? Where is the money going to be spent or invested? Is farmland access the primary focus or do they have other investments? This process will almost always be driven by the investor and will be a combination of personal relationships and financial needs. Knowing the investor’s thinking will be important.

Prepare.
In trying to summarize how to work with impact investors, I boiled my thoughts down to five basic guidelines: know yourself, create a business plan, review your options, assess the fit, and reverse the due diligence. In certain situations, more information was necessary. Knowing your numbers will make this process easier since it will help you understand whether your goals are feasible. This concept also pertains to seeking and asking about alternative options. Do not assume that you cannot own a farm right away or that leasing is the best option, unless you have actually reviewed what is available. This means talking to all the different investment groups. Each investment group is going to have small (and sometimes significant) variations in how it operates. In certain situations, I know that Local Farms Fund will not be the right fit for a given farmer even if I would be interested in working with the farmer.

Featherbed Farm (Saratoga County, NY), Local Farms Fund’s first investment. Photos provided by Local Farms Fund

Chad Williams talking about his pastures at HoneyMade Farm (Columbia County, NY), Local Farms Fund’s second investment.
Agriculture Career Day Exposes Teens to Diverse Fields

Finger Lakes Workforce Investment Board, Cornell University College of Agriculture and Life Sciences, and Cornell Cooperative Extension team up to host 2017 Building the Agricultural Intellect of the Finger Lakes Youth Career Day.

By R.J. Anderson

From dairy robotics and precision farming technology to the chemistry of wine making and integrated pest management, jobs in agriculture dot a diverse and varied career map in the Finger Lakes. Helping area high school students navigate ag-related vocational opportunities was goal of the 2017 Building the Agricultural Intellect of the Finger Lakes Youth Career Day on April 26.

A collaboration among the Finger Lakes Workforce Investment Board, Cornell’s College of Agriculture and Life Sciences (CALS), and Cornell Cooperative Extension (CCE) of Ontario, Wayne, Seneca and Yates Counties, the second annual event brought together 220 high school students from 17 school districts in the Finger Lakes area.

High school students enrolled in the Finger Lakes Technical and Career Center animal science program participate in a workshop hosted by Keseca Veterinary Clinic at Hemdale Farms in Seneca Castle, New York.

Basics from page 8...

coming from? Could the source of funding impact the relationship? Does the model offered fit your plans? Can it be altered?

Note that farmland access may not always equal affordability. Understanding this trade-off may be helpful in your decision process. Does the group provide other services? If you require or desire other services it will be important to know from where those are going to come. Ultimately a large part of figuring out if the partner is good going is to be one’s gut reaction. Do you get the “right feeling” from this potential partner?

Reverse the Due Diligence.

I can almost say with 100% certainty that any impact investor is going ask a lot questions. They are doing due diligence on their potential investment. Any farmer going through this process has the right to ask as many questions in return as he or she deems appropriate.

This is the main way you are going to be able to properly and fully assess the fit of a potential partner. I note that this section could also be titled “Ask Questions,” as more broadly a farmer should realize that nearly everything is negotiable in some way shape or form. Ask if they can change the deal to make it work better for you. After all if they truly are an impact investor, their goal should be to make something work for you within a reasonable set of boundaries.

When I get these kinds of questions on Local Farms Fund, it actually creates more reassurance that this is the right farmer. I know that farmers asking the tough questions are thinking about all the options and carefully reviewing the situation. I want to partner with somebody focusing on all the details.

I completely realize this adds additional complexity into an already complex, risky and time-consuming process. The good news is much of the work needed for working with impact investors is part of being a good business manager. I generally find that the farmers that can answer all my questions well, and in a timely manner, are the ones that I think have the best chance for success, with or without an impact investment group providing land access.

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For more information about Kevin Egolf or Local Farms Fund, please visit www.localfarmsfund.com.

Local Farms Fund

Local Farms Fund is a community impact farmland investment fund that supports young and early-stage farmers in the NY Foodshed with secure land access. The Fund provides sustainable farmers with lease-to-own arrangements on farm properties in the states connected to the NYC metropolitan area, the NY Foodshed—with a focus on the Hudson Valley. This model, using Slow Money principles, delivers a social and financial return while generating modest financial returns for the investors. Local Farms Fund is open to all investors in the NYC tri-state area (NY, NJ, CT) looking to have a positive impact on the local farming community and beginning farmers, while also achieving a modest investment return.

As presenter at the 2017 Building the Agricultural Intellect of the Finger Lakes Youth Career Day, Larry Smart, CALS associate professor of plant breeding and genetics, showed high school students some of the tools he uses in his research at the New York State Agricultural Experiment Station in Geneva, New York.

At each stop, attendees listened intently to multiple presentations that included hands-on demonstrations highlighting real-world applications of technology in agriculture. At the conclusion of each session, students peppered presenters with pointed questions about why they chose their particular career path and how they got started.

“For me, that was the best part,” said Anselm. “Seeing how engaged the students were at each stop was very satisfying. The presenters were blown away by the students’ interest and how great the questions were.”

For Lesterhuis, the biggest – and most unexpected – takeaway was the evolving conversation between chaperones. “The guidance counselors and school-to-career counselors I spoke with were impressed by how much technology and science are involved in agriculture,” she said. “They also talked about how they will adjust their recruiting tactics next year to entice more students who want to pursue science or engineering degrees, but may not know they can use those degrees in various agriculture fields.”

While organizers admit that putting together an event that excites a couple hundred teenagers from four counties while busing them to three locations is no easy task, they recognize it was their collaborative approach that made the event such a fluid and lasting experience. “The partnership between the Finger Lakes Workforce Investment Board, CCE, CALS, FLC, and Hemdale Farms was vital to the day’s success,” said Anselm. “This event really strives to represent many sectors of agriculture, and that wouldn’t be possible without our partners. We’ve really been fortunate to have so much community support come together to make it happen.”

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