



Small Farmer Success Story

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Acquiring Capital and Establishing a Credit History: The North Florida Cooperative Experience

A group of local, limited-resource growers in the northern Florida area, along with the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) and Natural Resources Conservation Service (NRCS), the West Florida Resource Conservation and Development Council (WFRCDC), and the Small Farmer Outreach Training and Technical Assistance Project of Florida A&M University, are working together with the goal of bettering the farmers' financial situations through innovative marketing. These farmers joined together to form the New North Florida Cooperative (Cooperative).

A cooperative, like any other business, needs access to capital to finance operations and make necessary purchases. If a cooperative doesn't have sufficient equity capital, it has to borrow the money and go into debt. There are two types of debt, short- and long-term. Short-term loans are used to finance operating expenses or material inputs and are paid back usually within a year. Long-term loans are obtained to finance fixed assets, such as land, equipment, or vehicles, and are paid back over a number of years.

For a cooperative to acquire a loan from a traditional lending institution, such as a bank, it must have good credit or substantial collateral. Since the Cooperative in Florida was made up of limited-resource growers, it had little or no resources. As a new business venture, the Cooperative did not have a credit history either. As a result, the New North Florida Cooperative was concerned about its ability to establish a good line of credit, and it needed to be able to borrow money to acquire the necessary equipment to begin operations.

A major concern of the participants was what would happen if the Cooperative failed to repay a loan. They did not want to put their own farms or businesses in jeopardy if the Cooperative experienced financial difficulties. This concern was unfounded. The Cooperative as an entity is responsible for its own debts. The participants are not responsible, through their property or finances, for the debts of the Cooperative.

In preparing to meet with lending institutions, members of the management team tried to anticipate the questions and concerns of the loan officer. The management team identified several critical factors that they felt had to be conveyed to lending institutions and loan officers to enhance their ability to obtain a loan.

1. Professionalism
2. Seriousness of purpose
3. Certification as a Department of Defense (DoD) vendor (contact person, Linda Stanhope, 1-800-795-5772)
4. Proven success
5. USDA cooperation at local and national levels to demonstrate credibility

To illustrate it was a professional organization, the management team developed and submitted a concise written proposal that detailed the need for the loan and what the Cooperative intended to do with the money. The written proposal and the formal presentation demonstrated that they expected to be taken seriously and promoted self-confidence among Cooperative representatives.



While professionalism is an important first step, a lending institution is concerned about a client's determination to succeed in business and to repay the loan in a timely manner. The management team showed a confident purpose and resolve in its meetings with the lending institutions, thereby demonstrating that the Cooperative was serious about business success and timely loan repayment.

The management team took a copy of its DoD Order for Supplies and Services certification as a School Lunch Program provider to its meetings with lending institutions. This showed its resolve to become a respected vendor to the School Lunch Program and not just a sporadic or occasional provider. It also showed the lending institutions that this fledgling cooperative of small farmers was taking its business seriously enough to realize the need to work with DoD and to follow DoD procedures. Probably the most important aspect of the DoD certification was that it lent credibility to the Cooperative from the Federal Government.

The Cooperative had approached the lending institutions for financial assistance to improve its business efficiency and capabilities. It had met and was continuing to meet a delivery schedule with the local school district. The money the management team requested was not for initial start-up costs but, rather, to purchase equipment to improve its effectiveness and expand its operation. The Gadsden County Food Service Director's endorsement of the Cooperative was very helpful in convincing the loan officer to approve the loan.

The fact that USDA was working closely at both the local and national level with the Cooperative also lent credibility to the management team's request for a loan. The lending institution could see that these various agencies within USDA had sufficient confidence in the Cooperative to actively assist it with technical expertise and resources.

The Cooperative first applied for and received a loan from the Jackson County Development Council (JCDC). JCDC is a community-based, nonprofit organization established to work with the community to increase local economic opportunity through the Empowerment Zone/

Enterprise Community Program. A second loan was secured from a local lending institution. The loans enabled the Cooperative to purchase necessary postharvest handling equipment and establish an efficient value-added operation.

Acquiring capital and establishing a credit history were important steps in taking the Cooperative from a promising concept to a viable business that enabled money to flow to and within the community. Looking back, the Cooperative realizes how important these steps were to its success. The effort in preparing for the loan interview paid off for the New North Florida Cooperative.

This bulletin is the third in a series of four targeted to inform small farmers across the country of the potential of innovative marketing enterprises. The other bulletins describing the experiences of the New North Florida Cooperative are:

- ▶ Small Farmer Success Story: Marketing Fresh Produce to Local Schools
- ▶ Small Farmer Success Story: Cultivating Customers in a Local Market
- ▶ Small Farmer Success Story: Successes of the New North Florida Cooperative

A full report on the Cooperative can be obtained at USDA, AMS, T&M, MTA, Room 1207-S, 1400 Independence Ave., SW., Washington, DC 20250; telephone 202-720-8326; fax 202-690-3616; or e-mail dan.schofer@usda.gov.

Information on farmer direct marketing and farmers markets is available on the Internet at www.ams.usda.gov/marketing.htm.

This bulletin was made possible by the joint efforts of Dan Schofer (AMS), Glyen Holmes (NRCS), Vonda Richardson (FAMU), and Charles Connerly (WFRDC).

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