



## Complex Dough:

How *Bread & Butter Farm* worked with a patchwork quilt of funding sources to keep land conserved for agriculture

**Prepared By:**  
Carrie Abels

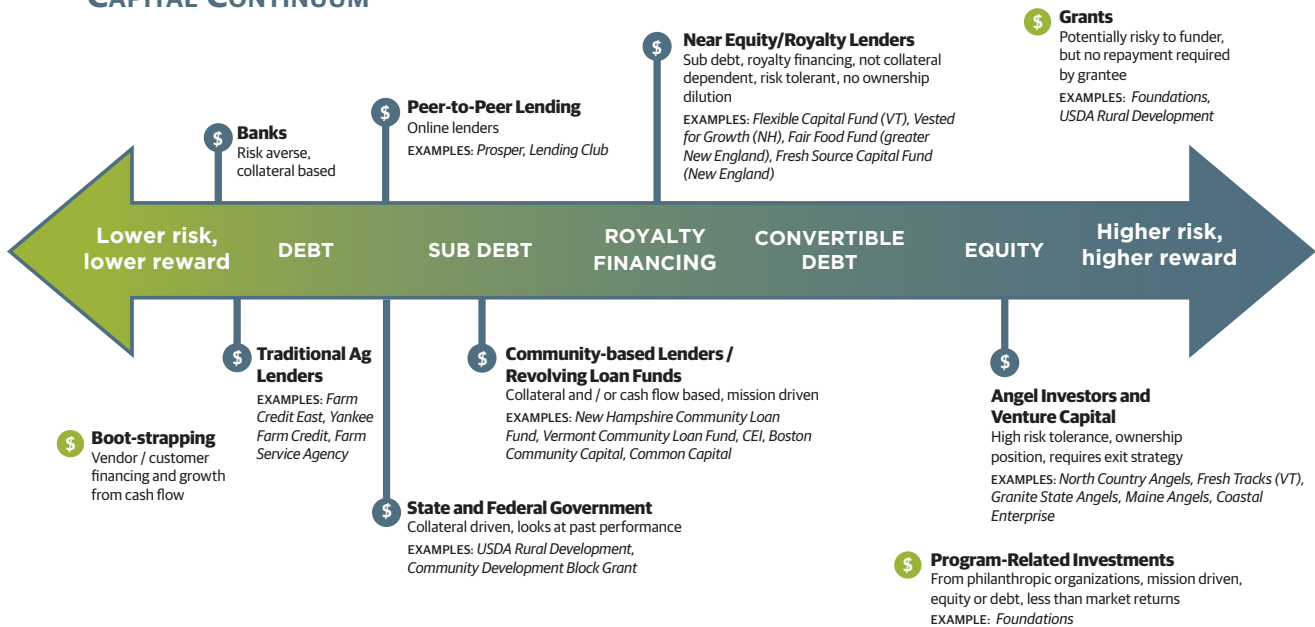




# Key Messages .....

- ▶ A wide variety of financing options across the **capital continuum** are available to assist with the capital needs of Vermont's food system businesses. However, navigating through the multitude of financing options can be overwhelming.
- ▶ The *Financing Cross-Cutting Team* of the *Farm to Plate Network* convened a series of panels that illuminated financing options that different food system businesses have used— **Bread & Butter Farm** and a complex farmland deal, **High Mowing Organic Seeds** and convertible debt, **Liz Lovely Cookies** and royalty financing, and **Aqua Vitae** and convertible debt.
- ▶ These Financing Case Studies help to fulfill *Goal 20* of the *Farm to Plate Strategic Plan* by exemplifying how different businesses have found the right match of capital.

## CAPITAL CONTINUUM



**BREAD & BUTTER FARM** | [WWW.BREADANDBUTTERFARM.COM](http://WWW.BREADANDBUTTERFARM.COM) | **SHELBURNE, VERMONT**  
 Started in 2009 | Fresh bread, grass-fed beef, greens, maple syrup, farm store, music lessons



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## Complex Dough

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**Bread & Butter Farm**, which straddles the South Burlington/ Shelburne border, sells an array of farm products and experiences—everything from grass-fed beef to fresh-baked German bread to winter vegetables to farm-fresh burgers served on Friday evening "Burger Nights."

But the diversity of **Bread & Butter's** offerings pales in comparison to the diversity of funding sources that financed the 2009 start-up of the farm and the sale of the farmland to the current farmers.

Nearly a dozen organizations and more than 25 individuals were involved, including a statewide land trust, a local land trust, two municipalities, an agricultural lender, a foundation, an angel investor, CSA members, and nonprofits. Although this particular patchwork quilt of financing sources was unique to **Bread & Butter Farm**, the fact is that new farm ventures in Vermont must often pull together a variety of financing sources, particularly if the purchase of valuable land is involved.



*Adam Wilson, Corie Pierce, Henry, Chris Dorman, and Erik Weil at Bread & Butter Farm.*

Photo Credit: Bread & Butter Farm

"I STARTED, VERY SUBTLY, TO DROP LITTLE LEAFLETS FROM THE VERMONT LAND TRUST IN THE MAILBOX [OF THE LEDUCS] SUGGESTING THAT IF YOU EVER HAVE TO GET OUT OF FARMING, I HOPE YOU'LL REMEMBER THE VERMONT LAND TRUST."

SARAH DOPP, NEIGHBOR TO BREAD & BUTTER FARM

### How the Project was Put in Motion

In the summer of 2009, Corie Pierce was living in Michigan and about to move back to Vermont with her partner to take a faculty position at *Sterling College*. She wasn't intending to buy a farm yet, but her friend Adam Wilson, with whom she wanted to eventually start a farm in Vermont, called her from Essex Junction, where he was operating a bakery and small creamery at the time.

"He said, 'I think I found our farm,'" Corie recalls. "I was like, 'Wait, it's a couple years too early. I'm not even back yet!' And he said, 'Yeah, and the application is due in 4 weeks.'"

The "application" Adam was referring to was being circulated by the *Vermont Land Trust* (VLT), which was seeking a farmer to take over the 143-acre Leduc farm on the South Burlington/Shelburne line. When Maurice Leduc had sold his dairy cows in 2004, his enviable property—owned by himself and four siblings—was headed towards inevitable development. But a handful of South Burlington residents who had formed the *South Burlington Land Trust* just a year before reached out to VLT and, along with other parties interested in conserving the land, asked the organization to help transfer the property to a working farmer.

One of those residents was Sarah Dopp, a neighbor of the Leducs. In the early 1990s, she recalls, "I started, very subtly, to drop little leaflets from the *Vermont Land Trust* in the mailbox [of the Leducs] suggesting that if you ever have to get out of farming, I hope you'll remember the *Vermont Land Trust*."



Photo Credit: Bread & Butter Farm.

## Why Various Funders Became Involved

**VLT** negotiated with the Leducs for a few years and eventually agreed to a purchase price for the farm and a transition plan. The end result would be the conveyance of the farm to new farmers and a conservation easement placed on the land when the land was sold.

A conservation easement is a legal document that prevents certain kinds of development from taking place on a parcel of land. Landowners “sell” an easement to a conservation organization by receiving the monetary difference between the land as it’s appraised and the land as it’s valued without development. (Some landowners choose to donate the easement.) When the land is put on the market at the agricultural value, it is more affordable for farmers, who often need to invest in equipment and buildings after buying land.

Most easements—such as the Leduc easement—stipulate that only agricultural structures, homes for a family and/or farm labor housing can be built on the land. All types of agricultural, and forestry activities can take place on the land, in perpetuity.

The appraised value of the Leduc family land was nearly \$2 million; the agricultural value (and eventual sale price of the property) was \$225,000. That left a roughly \$1,775,000 gap, which **VLT** president Gil Livingston says was quite substantial for a conservation land deal in Vermont.

The gap was partially filled by the two municipalities in which the farm was located: **Town of Shelburne** and the **City of South Burlington**. They contributed \$250,000 and \$500,000, respectively, from their conservation funds. In addition, there was a \$450,000 grant from the **Vermont Housing and Conservation Board**—a grant that included matching federal funds from the **Natural Resources Conservation Service**. The **South Burlington Land Trust** kicked in \$9,000 to help VLT with expenses.

For the remaining \$500,000, **VLT** and the **Castanea Foundation** each made a \$250,000 loan. (These loans will be repaid through **South Burlington’s** Transfer of Development Rights program—more on that below). Tim Storrow, **Castanea’s** executive director, says involvement with the project was appealing because **VLT** was not only conserving land but seeking a farmer to work it.

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TIM STORROW, CASTANEA FOUNDATION

“Unless individuals or families can make a living farming, then essentially we’re just protecting open space, which is of value, but we’d like our conservation to leverage viability in a farm enterprise,” Storrow says.

## A Closer Look at TDRs and VLT’s Farmer Access Program

A unique feature of the **Bread & Butter** sale was the use of **South Burlington’s** Transfer of Development Rights (TDR) program. Municipal TDR programs foster conservation by allowing landowners of preservation-worthy parcels to “sell” their development rights if they agree to preserve their land. Those rights are then purchased by developers, who are given the right to build in an area of the town that is designated for high-density development.



Grazing cows.

Photo Credit: Bread & Butter Farm.

TDR deals are complex and can be somewhat risky for sellers, as sellers do not receive compensation until a developer buys their development rights. In the interim, zoning changes or a slumping economy can lead to a decrease in demand for development rights. However, demand for the rights can also be high and payment swift.

In the Leduc deal, the **Vermont Land Trust** turned to the TDR program because, as Gil Livingston says, “We’re always looking for creative options when we’re challenged to finance major conservation deals.” The loans from **VLT** and the **Castanea Foundation** to purchase the TDR’s from the Leducs will be paid back once a developer buys the family’s development rights. Essentially, the two organizations took on the risk of selling the rights.

Another key aspect of the Leduc deal was the involvement of **VLT’s Farmland Access Program**. This program actively seeks farmers to buy agricultural property conserved by VLT. Prospective farmer-buyers must fill out an extensive application, and at least three years of solid farming experience is required. On average, 10 properties a year are transferred to farmers through the program.

What drew **VLT** to Corie and Adam’s business plan proposal for the Leduc farm was that Adam was already farming in Chittenden County and Corie not only had years of farming experience but was also working at **Sterling College** as an instructor in the sustainable agriculture program and as the garden manager.



*Burger Night at Bread & Butter Farm.* Photo Credit: Erica Housekeeper.

“You could see they were at the next stage of where they wanted to go with a farm business,” says Jon Ramsay, director of **VLT’s Farmland Access Program**. He notes that the business partners also indicated a genuine willingness to make their farm a community-oriented gathering place.

### **How Bread & Butter Pulled it All Together**

Corie had managed a few farms in her past, but says, “There’s something really different about setting up your own farm from scratch and then running it.” Even though their new property already featured a few farm buildings, Corie and Adam faced numerous costs for additional infrastructure, including a tractor, a greenhouse, and a bakery in which Adam could make his signature German breads.

Early on, Corie and Adam received a \$40,000 loan from an angel investor who had come to know Adam from buying his products in Essex Junction. Corie says farmers aspiring to buy land can benefit from farming on rented land for a few years; they can establish a customer base that can then support a land purchase.

After **Bread & Butter** was established, about 25 CSA customers received a set discount on their initial investment rate in exchange for assistance with farm start-up costs. About \$35,000 was raised this way.





decisions for the farm based on real knowledge and experience.”

And so, a number of years after the South Burlington Land Trust began nudging the Leduc family toward a conservation deal, Chittenden County residents have a highly diverse farm in their backyard where they can buy a variety of products and establish a personal connection with the land. As Sarah Dopp says, “Not only is diversification of enterprises really important in the running of a farm, it also turned out that diversification in funding sources was really good in this case.”



Fresh bread.

“NOT ONLY IS DIVERSIFICATION OF ENTERPRISES REALLY IMPORTANT IN THE RUNNING OF A FARM, IT ALSO TURNED OUT THAT DIVERSIFICATION IN FUNDING SOURCES WAS REALLY GOOD IN THIS CASE.” —SARAH DOPP

## Resources

### Vermont Land Trust

<http://merritt-merritt.com>  
60 Lake Street, 2nd Floor  
Burlington, VT 05402

### Castanea Foundation

[www.castaneafoundation.org](http://www.castaneafoundation.org)  
100 State Street, Suite 510  
Montpelier, VT 05601

### South Burlington Land Trust

[www.sblt.org](http://www.sblt.org)  
500 Cheese Factory Road  
South Burlington, VT 05403

### The Carrot Project

<http://thecarrotproject.org>  
(617) 674-2371

### USDA Farm Service Agency

[www.fsa.usda.gov](http://www.fsa.usda.gov)  
356 Mountain View Dr., Ste. 104  
Colchester, VT 05446

### NOFA Vermont

<http://nofavt.org>  
P.O. Box 697  
Richmond, VT 05477

### Vermont Farm & Forest Viability Program

[www.vhcb.org](http://www.vhcb.org)  
58 East State Street  
Montpelier, VT 05602

### Healthy Living Market

[www.healthylivingmarket.com](http://www.healthylivingmarket.com)  
222 Dorset Street  
South Burlington, VT 05403

### Vermont Agricultural Credit Corporation (VACC, a program of VEDA)

[www.veda.org](http://www.veda.org)  
58 East State Street, Suite 5  
Montpelier, VT 05602

## Definitions

**Debt:** Amount of money borrowed by one party from another. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back at a later date, usually with interest.

**Subordinated Debt:** A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings. In the case of default, creditors with subordinated debt wouldn't get paid out until after the senior debt holders were paid in full. Therefore, subordinated debt is more risky than unsubordinated debt.

**Royalty Financing:** Is based on a company selling a piece of gross revenue instead of selling ownership—hence it's often called "near equity." In exchange for a loan, the company gives the investor a percentage of sales until the investor has received back principal plus additional interest negotiated with the investor.

**Convertible Debt:** Instruments that are essentially asset-backed loans that can require the business owner to give up some future equity (ownership) in the business if the lender wishes to convert the debt to an equity position in the company.

**Convertible Equity:** A form of financing that gives investors the right to preferred stock once a triggering event occurs.

**Equity Financing:** The act of raising money for company activities by selling common or preferred stock to individual or institutional investors. In return for the money paid, shareholders receive ownership interests in the corporation.

**Grants:** Contribution, gift, or subsidy (in cash or kind) bestowed by a government or other organization for specified purposes to an eligible recipient. Grants are usually conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution by the grantee or other grantor(s).

**Investment Clubs and Networks:** A formal investment club is a group of people who pool their money to make investments. Usually, investment clubs are organized as partnerships and, after the members study different investments, the group decides to buy or sell based on a majority vote of the members. Club meetings may be educational and each member may actively participate in investment decisions. For the SEC definition, visit [www.sec.gov/investor/pubs/invclub.htm](http://www.sec.gov/investor/pubs/invclub.htm). There are also informal investment networks that can organize around making connections between entrepreneurs and investors.

**Peer-to-Peer Lending:** The practice of lending money to unrelated individuals, or "peers," without going through a traditional financial intermediary such as a bank or other traditional financial institution. This lending takes place online on peer-to-peer lending companies' websites using various different lending platforms and credit checking tools. Two recent peer-to-peer lending portals have been approved in the State of Vermont for small business loans up to \$35,000: Prosper ([www.prosper.com](http://www.prosper.com)) and Lending Club ([www.lendingclub.com](http://www.lendingclub.com)).

**Program Related Investments (PRIs):** Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs include financing methods such as loans, loan guarantees, and even equity investments in charitable organizations or in commercial ventures for charitable purposes.

**Accredited Investor:** Term used by the Securities and Exchange Commission (SEC) under Regulation D to refer to investors who are financially sophisticated and have a reduced need for the protection provided by certain government filings. Accredited investors include individuals, banks, insurance companies, employee benefit plans, and trusts.

\*Definitions from [www.investopedia.com](http://www.investopedia.com), [www.businessdictionary.com](http://www.businessdictionary.com), and [www.sec.gov/answers/accred.htm](http://www.sec.gov/answers/accred.htm).