



Case Study - Strategy Consulting

Increasing Capital for the Sustainable Agriculture Sector

THE CLIENT

MidAtlantic Farm Credit (MAFC) is a member-owned, agriculture lending cooperative that aims 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 opportunities available in the sustainable sector, MAFC partnered with Fox MC to better understand this sector, identify its credit needs, and develop a corresponding lending strategy.

KEY INSIGHTS

Using primary and secondary sources, Fox MC investigated sustainable, local, and organic farms, endeavoring to understand successful business models and credit practices. The team's research revealed four key insights:

- Sustainable producers share common values and production practices. They integrate environmental health, financial profitability, and social equality.

“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 Weiber,
Senior Vice President of Marketing

- Unlike traditional producers, sustainable farmers often manage production and distribution. Their business models vary depending on farm size.
- Sustainable farmers face critical decisions as they grow, including whether to make capital investments, hire help, purchase equipment, or invest in land. These decisions occur at key points in a producer's growth trajectory.
- As a member-owned cooperative dedicated to the agriculture industry, MAFC offers a unique value proposition for sustainable farmers, which distinguishes it from its competitors.



FARM CREDIT
MIDATLANTIC

RECOMMENDATIONS

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

1. Loan products should be customized to meet the specific needs of sustainable producers.
2. Pursuant to this goal, the team recommended implementation of an adapted credit model that addressed business practices unique to sustainable producers.
3. MAFC should take advantage of opportunities to partner with nonprofit organizations and community development lenders to provide financial solutions to the sustainable sector.

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 unique 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's conclusion 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 to fund the launch of a sustainable food business.