

Chapter 6: Putting it all Together: Financing

In this chapter, readers will:

- Explore alternative financing models
- Recap start-up checklist and resource list (pending)

Any way you slice it, starting an on-farm food business will require a financial investment. There are numerous opportunities, however, to expand without going into major debt. While traditional sources of borrowing capital are still viable options, you may also want consider a growing number of financial resources that have nothing to do with a commercial bank. Called “crowd-funding,” these mostly Internet-based sources of financing can provide small, low-interest loans or thousands of dollars, depending on your needs and if you have the knack to create compelling, engaging fundraising campaigns and a customer base eager to support your dream with their open pocketbooks. The following summarizes a few of your options for financing.

- Kiva: kiva.org

More personal and accessible than a bank loan, Kiva taps the wealth of private individuals who fund small business with low-interest loans. You apply for a loan and share your story with prospective lenders who, through an online portal, decide if your venture is worth funding. The Kiva Zip Loan program is for smaller \$5,000 to \$20,000 interest-free loans; these loans need to be paid back to the bank within six to sixty months, depending on the loan size. Kiva also offers larger loans that carry interest.

- Kickstarter: kickstarter.com

The world’s largest, Internet-based, privately owned crowd-funding platform, Kickstarter supports a wide range of creative projects, including food products. Backers pledge various amounts of money in exchange for various incentives, called “backer rewards,” associated with different levels of funding support. One bakery upstart launched a \$10,000 campaign which, if funded, would pay for ingredients and manufacturing costs for their first major production run of three product items, initial packaging costs, FDA-approved database nutrition fact analysis and SKU’s for each flavor.

- Indiegogo: indiegogo.com

Another Internet-based crowd-funding website that includes a food category. “Backers” receive “perks” with their financial contribution.

- Slow Money Alliance: slowmoney.org

A grassroots-led, invest-local, nonprofit organization that has poured millions of small private donor funds into food-related small enterprises in communities where various Slow Money chapters exist. Most of the funding supports small farm needs or local food distribution

systems. Promising food enterprises register for an Entrepreneur Showcase, where they have the opportunity to formally pitch their business idea and funding need to potential investors.

- Kabbage: kabbage.com

From \$500 to \$100,000, Kabbage provides working capital online to currently operating businesses, based on the extension of a business line of credit. Interest rates vary from 1 percent to 13.5 percent.

- Small Business Administration's microloan program: sba.gov

Government-backed loans to small businesses up to \$50,000, made available through certain nonprofit, community-based organizations. Rates for the six-year term loans range from 8 to 13 percent.

Pending space:

- Start-up Checklist

- * Additional Resources