Wells Fargo Works for Small Business® Diverse Community Capital (DCC)

CDFI Best Practice Case Study: Innovative Product Solutions

As a Diverse Community Capital Awardee... California FarmLink helps build a diverse and sustainable farming community in California. In 2018, 70 percent of the CDFI’s borrowers were farmers of color and 50 percent were women.

Challenge and Solution

Farming is a seasonal business. Cash ebbs and flows as farmers cycle through agricultural seasons. After the spring harvest, farmers typically face one to two months’ cash flow crunch while waiting for payment from the distributors of their products. To enable farmers to bridge this capital gap, California FarmLink created two products that advance capital based on sales. For farmers in good standing with local distributors, FarmLink offers:

- **Purchase Order Advances (POA):** The POA was initiated to advance operating capital against a purchase order before crops are grown or harvested. FarmLink makes a loan for the purchase order amount. The underwriting process is limited because the farmer has an established relationship and an executed purchase order with the distributor. The product was developed in partnership with Mandela Partners, a nonprofit organization and distributor dedicated to improving low-income communities.

  **Terms & Fees:** FarmLink makes zero percent interest rate loans to farmers—the distributor pays a five percent origination fee. Farmers "repay" the distributor in produce through an Assignment of Crop Proceeds Agreement, and the distributor makes cash payments to FarmLink through this same Agreement.

- **Accounts Receivable Advance (ARA):** Unlike a traditional operating loan, which requires that farmers undergo an intensive and time-consuming underwriting process, the ARA is extended to the farmer against sales that have already occurred.

  **Terms and Fees:** FarmLink advances funds to the farmer via Electronic Fund Transfer, less a one percent advance fee per transaction. Loan payments are made directly by the distributor under an Assignment of Crop Proceeds Agreement.

Impact

In total, since the ARA launched in 2013 and the POA in 2014, FarmLink has loaned $1.5 million through the revolving products to 35 farmers, 95 percent of whom are farmers of color, and 35 percent are women.

The products have helped farmers protect 250 jobs by avoiding layoffs and keeping their farms operational. The POA and ARA have also helped farmers with inadequate or insufficient credit histories build and access credit for their small businesses.
About California FarmLink

Established in 1999, California FarmLink provides access to land, capital, and technical assistance to build a diverse and sustainable farming community that includes women, people of color, immigrants and other underserved farmers. Certified as a CDFI in 2013, FarmLink was one of the first agricultural CDFIs in the nation focused on serving small farmers.

**Founded:** 1999

**Type of CDFI:** Loan Fund

**Target Market:** Farmers in California’s Central and North Coasts, Sacramento and San Joaquin valleys

**Types of Lending:** FarmLink provides critical access to capital for small- and mid-sized farms in California through a combination of direct lending, referrals, and connections with alternative financing.

FarmLink strives to become the premier farm microlender in California and a national leader in alternative farm financing.

**Loan Products:**
- Micro Loans
- Small Business Loans
- Loans for land purchase and refinance
- Conservation Incentive Loans

**Client Base:** Nearly 85% of borrowers are immigrants, women, or farmers of color

**Loan Portfolio Size (2018):** $6.5 million

**No. of Employees (2018):** 13

**Website:** californiafarmlink.org

“By advancing against sales, we are able to really speed up the cash cycle for farmers so they can get paid within a week or two as opposed to four to six weeks.”

— Brett Melone, Director of Lending, California FarmLink

This is one in a six-part series of cases studies spotlighting CDFIs (community development financial institutions) in the Wells Fargo Diverse Community Capital network, which is funded with a $175 million commitment in capital and has already supported more than 40,000 jobs and $390 million in financing for diverse small businesses. CDFIs are private financial institutions dedicated to delivering responsible, affordable lending and financial services to help underserved people and communities join the economic mainstream.

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