Finance Challenges and Possible Alternatives for Direct Market Farmers: A Portland, Oregon Case Study

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ABSTRACT

An ‘alternative economic space’ consisting of direct agricultural markets and small farmers is currently emerging within the US. For many, the increasing consumer interest in and success of direct agricultural markets and the rise of small farmers represents a promising shift towards a potentially more sustainable US agri-food system. While small farmers have been successful in capitalizing on the increasing demand for locally produced food via direct agricultural markets, they are still faced with numerous challenges that threaten their ability to remain competitive in the US agricultural economy.

This thesis focuses on one of these numerous challenges; accessing finance. Drawing on findings from a case study, the thesis provides an overview of the present finance situation and key issues experienced by farmers participating in direct markets in Portland, Oregon. The key issues reveal how both voluntary and involuntary exclusion, influenced by the pecuniary requirements of formal finance institutions as well as farmers biases of these institutions, limit farmers ability to access desirable finance products and services.

Moving beyond a description of the present situation and key issues, the thesis discusses the potential of community-based finance solutions and social finance organizations as possible alternatives for addressing farmers’ finance challenges, as well as their interest in socially embedded finance relationships.

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LIST OF ACRONYMS

<u>In Alphabetical Order:</u>

CHC – Cascade Harvest Coalition

CSA – Community Supported Agriculture

CDFI- Community Development and Finance Institution

DM– Direct Market

FCS – Farm Credit Service

FSA – Farm Service Agency

LFS – Local Food Systems

LION – Local Investing Opportunity Network

MCNW – Mercy Corps Northwest

PACSAC – Portland Area Community Supported Agriculture Coalition

PFMA - Portland Farmers Market Association

SFO – Social Finance Organization

SSM – Soft Systems Methodology

USDA – United States Department of Agriculture

1. INTRODUCTION

Background

Over the last two decades the US agri-food system has been thrust into the proverbial limelight of academic inquiry and the mainstream media. A stroll down the aisle of a bookstore or a quick internet search reveals a plethora of books, news headlines, documentaries, journal articles and internet blogs that address the current state of food and agriculture in the US. For the average American eater, who author Wendell Berry (1990) once described as “passive”, “victimized” and “anemic”, this recent proliferation of rhetoric represents an important shift in the country’s awareness about the connections between food and farms, and eating and agriculture. Due to this growing awareness more and more consumers are beginning to notice that beyond the display and order of grocery store shelves there exists a complex, multi-dimensional, and at times paradoxical US agri-food system.

The more that is uncovered about the origins of our food, the more questions and concerns that surface about the US agri-food system’s capacity to provide a sustainable and secure future for all. The promises of industrialization, technological innovation, and mechanization are being met with increased skepticism, as linkages between these processes and issues of food safety, the depletion of natural resources (particularly soil and water), pollution, and poor labor conditions are revealed. The bovine spongiform encephalopathy (mad cow disease) and *e. coli* outbreaks in 2005 and 2006, and the collapse of the US honey bee population in the last few years are just a few examples of recent agri-food system scares that have further fueled concern. In addition, issues of climate change, peak oil and soil (Tasch, 2008), the inequalities of global capitalism, and the skyrocketing of world food prices have also lead to reflections on the far-reaching consequences of a globalized US agri-food system (Morgan et al., 2006; Murdoch et al., 1999).

Despite the recognition that a ‘business as usual’ approach will likely exacerbate existing problems and continue to create new ones, attempts at contesting the structure and function of the US agri-food system can often seem inefficacious. Informed by over a century of rational and positivist thinking and guided by the "invisible hand" of free markets, the US agri-food system has evolved into "an amalgam of competing clusters of integrated agri-business and corporate and internationalized retail firms" (Morgan et al., 2006, p. 69) that typifies a greater neo-liberal economic paradigm prevailing across the globe (Hendrickson et al., 2002; Murdoch et al., 1999). The current system's ability to appropriate social meanings and values embedded in alternatives and reorient them to satisfy it's political and economic agendas make it difficult for alternatives to maintain their fundamental ideological stances as they persist and expand (Follett, 2008; Morgan et al., 2006).

However, as dominant and seemingly impenetrable the US agri-food system may be, it is by no means static (Holloway et al., 2007; Morgan et al., 2006). Just like any other system involving humans, the US agri-food system is faced with uncertainties, challenges and vulnerabilities, which Hendrickson et al. (2002, p. 361) suggests "are exactly the place where farmers, workers, and consumers need to position alternatives". Holloway et al. (2007) points out that the US agri-food system's interconnectedness and dependence on global economics creates a susceptible capitalism in which "there is a possibility for a proliferation of economic spaces and practices which are centered less around capital accumulation, and more around social, ecological, and ethical concerns" (p. 5).

Direct Agricultural Markets as Emerging Alternative Economic Spaces

Direct agricultural markets represent one such alternative economic space currently emerging and gaining momentum in the US agri-food system. Direct agricultural markets consist of "key various producer-consumer pathways, both old and new, which shorten the conventional food chain, bringing these two groups of actors closer in proximity" (Feagan 2008, p. 161). Examples of direct agricultural markets include but are not limited to farmers' markets, community supported agriculture (CSA), roadside farm stands, u-pick farms, and direct sales to restaurants, grocery stores, and cafeterias. According to the United States Department of Agriculture (USDA), direct sales between farmers and consumers increased by 59% between 1997 and 2007, with a total value estimated at 1.2 billion in 2007 (USDA, 2010). At the end of 2009 there were approximately 5,274 farmers' markets operating throughout the US, up from 1,755 in 1994 (USDA, 2010a). Similar to farmers' markets, CSA numbers have also been burgeoning in the US[1]. While at the end of 1980's there was fewer than five CSA's operating nationwide, the Robyn Van En Center estimated that in 2007 1,400 farms offered CSAs across the US (www.csacenter.org).

Direct agricultural markets and the actors that participate in them are part of a broader sustainable agriculture development. Feagan (2007) conjoins the various practices and ideas of this growing movement with the term Local Food Systems (LFS). While sustainable agriculture entails low-input and environmentally friendly production practices at the farm level, LFS encompass a wider set of environmental practices predicated on economic, social and political relationships that extend the ideas and practices of sustainable agriculture beyond the farm gate. LFS discourses and practices are largely influenced by "expressions of proximity" which call for the "relocalization", "re-spatialization", or "regionalization" of agri-food systems (Feagan, 2007; Kloppenburg, 1996; Morgan et al., 2006). According to Connell et al. (2009, p. 173), "the idea of local food systems embodies the goal to reduce distance in its material, social, and moral dimensions by ensuring food is consumed as close to the point of production as possible". LFS are associated with the concept of moral economy (Kloppenburg 1996) which "aims to be economically viable for farmers and consumers, use ecologically sound production and distribution practices and enhance social equity and democracy for all members of the community" (Feenstra, 1997, p. 28).

In direct agricultural markets, material, social, and moral distances are overcome through economic transactions "embedded in and mediated by a complex, often extensive web of social relations" (Feagan 2009, p. 236). The term *embeddedness* refers to "sociocultural processes associated with relationships

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[1] The highest concentrations of CSAs are found in rapidly growing or already heavily populated urban and suburban areas, with the greatest number of schemes offered in New England and near major cities in Washington, Oregon and California (Schnell, 2007, p. 553).

between producers and consumers such that food transactions are re-embedded in community and place" (Feagan, 2007, p. 28). The "re-embedding" of food transactions is manifested in the presence and influence of non-price values on consumer/producer economic behavior. Different categories of embeddedness have been identified, including social, spatial and natural embeddedness (Feagan 2009; Kirwan, 2004). *Spatial embeddedness* refers to values associated with products and activities that in effect shorten 'material' and 'moral' distances, such as the purchasing and selling of locally produced products. *Natural embeddedness* represents value attachment to environmentally friendly (i.e. organic vegetables) and unprocessed products (i.e. raw honey). *Social embeddedness* refers to values associated with purchasing food directly from farmers, an activity that bridges the 'social' distance between producers and consumers as well between consumers and their food.

The presence of various forms and levels of embeddedness in direct agricultural markets has been a popular topic studied by food system researchers. The fact that higher levels of embeddedness exist within farmers' markets and CSAs has lead to a perception that direct agricultural markets are socio-economic spaces devoid of economic self-interest and fiduciary rationale. However, drawing on the work of sociologist Fredrick Block (1990), Hinrichs (2000) reminds us that expressions of embeddedness in direct agricultural markets are *always* qualified and tempered by some level of marketness and instrumentalism. *Marketness* refers to the relevance of fiduciary factors such as price in a transaction, while *instrumentalism* refers the "nature of individual motivation" in a transaction (ibid, p. 297). While in direct agricultural markets levels of marketness and instrumentalism may be lower—meaning that non-fiduciary factors have a greater influence on price and consumer behavior—it does not mean that self interest and economic rationality is absent. Rather, as demonstrated by Hinrichs (ibid, p. 301), "social ties, personal connections, and community goodwill are often appropriately seasoned by self-interest and a clear view of prices", which demands a view of embeddedness that is less binary and more holistic. Direct agricultural markets as alternative economic spaces are therefore "alternative" not because they reject or replace other types of markets, but because they are “associated with economic practices which are part of social movements, and may be *oppositional or embody* value systems which differ from those of more powerful economic actors (Holloway et. al., 2007, p. 3; *italics* added)

DM Farmers

Farmers participating in direct agricultural markets (henceforth referred to as DM farmers) are twice as likely to be small-scale rather than large-scale farmers (Gale, 1997). In direct markets, price setting is based on a variety of values and product differences rather than on a standard retail price determined by the market. According to a 2006 study (Stewart), the average farmer in the US captures only around 24 percent of the retail price of fresh vegetables and 27 percent of the retail price of fresh fruits. For small farms that lack large economies of scale, such returns are often not sufficient. By using various production and marketing techniques to add value to their products, as well as capitalizing on the presence of embeddedness, smaller farmers are better positioned to compete in direct agricultural markets (Gebremedhin et al., 1996; Swisher et al., 2006). The use of environmentally friendly agricultural practices is another hallmark of DM farmers as the demand for sustainably produced food within direct markets tends to be high (USDA, 2010a).

Unsurprisingly, the growth of small farms in the US parallels the growth of direct agricultural markets. While the average US farm size may have increased from 148 acres in 1920 to 418 acres in 2007, the number of U.S. farms smaller than 49 acres grew by 15% between 1997 and 2007 (USDA 2009). During the same period, very small farms, defined by those with sales of less than $2,500, grew by 74,000 (ibid). As the main producer and distributor of agricultural products at direct markets, smaller farmers are highly influential and integral actors within LFS.

The Challenge of Finance

The importance of having access to finance for starting and growing any business is widely recognized and supported by statistical and empirical research (Claessens, 2005; World Bank, 2008). Access to finance[2] has historically been a challenge for smaller businesses in the US as formal finance institutions (FFIs)[3] are generally more inclined to lend to larger businesses that pose fewer lending risks (Ellinger et al., 2005). While in the last decade micro-finance services and products have been pioneered to address and meet the needs of small businesses, the majority of these developments have targeted the poor in developing countries (Yunus, 2003). While Community Development and Finance Institutions (CDFIs) funded by the US Treasury, and non-profit micro-credit organizations have also begun to provide much needed finance services and products[4], the demand for finance by small businesses, including small farm enterprises, is still largely unmet in the US.

Despite acting within an agri-food system predominantly controlled by corporate retailing firms (Hendrickson et al., 2002), DM farmers have been successful in capitalizing on niche opportunities and building profitable small-scale enterprises (Moukad, 2010; Timmons et al., 2010). However, regardless of this demonstrated potential and the profitability of direct markets, access to finance remains a challenge for most DM farmers across the US (Cocciarelli, 2009; Cocciarelli et al., 2010; Moukad, 2010)

FFI's disinclination to lend to DM farmers has been well documented (Bard et al., 2000; Ellinger et al., 2005). Changes in commercial bank and market structures have lead to a decline in the number of commercial FFI's providing agricultural loans, fewer loan officers with agriculture expertise (even in rural areas), and an

[2] A definition and explanation of the term 'access to finance' is provided on p. 21

[3] Formal Finance Institutions include national and regional commercial banks that leverage client's money to provision finance products—such as loans or lines of credit—as a means of generating profit. FFIs in this context also refer to governmental agricultural banking institutions, including the Farmer Service Agency and Farm Credit Services

[4] A directory of microenterprise programs and lenders in the US can be found at Microenterprises Fund for Innovation, Effectiveness, Learning and Dissemination's website: http://fieldus.org/index.html

unwillingness on behalf of banks to venture into agricultural lending (Bard et al 2000; Cocciarelli et al., 2010). At the same time governmental FFI's, such as the Farm Service Agency (FSA) and Farm Credit Services (FCS), continue to make industrial farms their lending priority (Gebremedhin et al., 1996; Ahrendsen et al., 2005). The last two US Farm Bills seem to support this trend as according to the Environmental Working Group 90% of subsidies dolled out by the US government goes to industrial farms that grow cotton, corn, soybeans, rice, and wheat (www.farm.ewg.org).

Research Questions and Aims

"The question, then, one must always ask in practicing the art of social change is: what is already emerging or trying to emerge in the world "out of the hidden depths of the times" that bears within it positive seeds for the future, and how can I rightly shape, nurture, or participate in this emergence, this unfolding?" -Robert Karp, Executive Director, Biodynamic Farming and Gardening Association (Karp 2008, p. 25)

DM farmers and the alternative economic spaces in which they participate represent a unique direction for change in the US agri-food system. While the totemic status often given to direct agricultural markets and their "relations of regard" may be exaggerated, there is no question that DM farmers represent "an apparent counterpoint to large scale, more industrialized systems of food production and distribution" (Hinrichs 2000, p. 295). However, despite the recent burgeoning in numbers of DM farmers across the US and their success, the overall population is still relatively small and their long-term impact on greater production and consumption trends is yet to be seen. Within the highly competitive US agri-food system that tends to favor industrial agriculture, the future role and impact that DM farmers will have on agriculture is uncertain as the movement will inevitably face challenges as it continues to unfold and grow.

In an attempt to help grow and strengthen the DM farm movement, this thesis is concerned with DM farmers' present situation in relation to accessing finance. Due to the wide variety of agricultural contexts throughout the US, it is beyond the scope of this thesis to investigate the relationship between DM farmers and finance at a national level. Therefore, the following set of research questions were applied to case study of DM farmers participating in direct markets in Portland, Oregon:

Question #1: *What is the present situation facing DM farmers with regards to accessing finance?*

Question #2: Based on the findings to question 1, *are there any finance alternatives that have the potential to meet DM farmer's finance needs and interests?*

Beyond these research questions, this thesis also entails a greater aim of social change. In reference to Karp's description of social change as a '*practice of art*', the reader is asked for a moment to stretch their mind and imagine that this thesis is a piece of art—a painting—for social change. The interviewees and survey respondents are painters. Their collective expression—their experiences, words, and ideas about the way things are—is the inspiration behind the painting. The thesis itself represents a canvas—the medium on to which that painter's expressions are transmitted. Finally, the role of the author is akin to that of a paintbrush. It is through the strokes of the author's hand that the collective expression of those interviewed is transformed into a piece of artwork capable of influencing change.

Considering the above metaphor, the process of change imbued by this thesis is neither linear nor preconceived. There is no blueprint for a future desired situation, nor any pre-written directions for how to arrive at such a situation. Rather, ideas and directions about change in relation to DM farmers and finance stem from the very processes of learning and researching undertaken by the author in this thesis. The concept of social change imbued by this thesis is informed by a "dynamic process whereby there is a flux between sensory experiences of the world and the mental abstraction of them—between experiencing and making meaning of these experiences" (Sriskandarajah et al., 1991, p. 3).

Thesis Structure

Henceforth, the structure of the thesis is as follows: The next section, titled "Methodology", outlines the methodology and methods used to gather information during the thesis process, as well as brief descriptions of other actors who were interviewed. The next section, titled "Case Study Findings", starts with a brief background on the LFS context in Portland, and is then followed by the research findings of the case study. After providing a profile of farmers in the case study, key issues related to farmers' present situation of finance are presented. The next section titled "Discussion", addresses the second research question by discussing the potential and relevance of social and community-based finance as an alternative finance option. After the "Conclusion" section, the thesis closes with a final section, titled "Postscript: Reflection".

2. METHODOLOGY

Case Study

In order to address the questions posed in the previous section, a case study research approach was adopted. According to Yin (1994), case study research is an empirical, context-based inquiry tool for the holistic investigation of complex contemporary social phenomena. A case study approach was selected as the methodology of choice for the following reasons. First, as Hartley (1994) explains, "case studies can be useful for exploring new or emerging processes or behaviors" as they have an "important function in generating hypothesis and building theory" (p. 325). By exposing Portland DM farmer's present finance situation, this thesis is in many ways about building empirical-based theory about the role of finance within the emerging economic space of direct markets. Based on the findings of the present situation, the finance alternative proposed in the discussion section can be viewed as a hypothesis, again empirically based, of how DM farmer's finance challenges might be addressed.

The case study approach allows for a detailed, rich and context-based investigation of the research questions. While those critical of the extent to which case study results can be relevant outside of the specific case study context, context-grounded research can tease out important nuances and intricacies about a given social phenomena which deductive research approaches fail to capture. Since agricultural research to date has been primarily driven by a paradigm of a time- and context-free positivist science that has passed farmers by (Pretty, 1995), case study research represents an alternative approach grounded in the realities of farmers and their immediate contexts. While the case study of DM farmers in Portland does not allow for direct comparisons to be made with DM farmers in other regions of the US, results do encourage relevant questions about broader LFS theories, as well as provide insights into the role of finance within the emerging alternative economic space of direct agricultural markets.

Methods

The often complex and nuanced nature of interactions and relationships in social contexts requires the combination and flexibility of multiple research methods in any case study approach (Hartley, 1994; Yin, 1994). Methods for obtaining information within the Portland case study included internet surveys, phone and in-person interviews, and email questionnaires. While literature review and theory was also used to frame and address the two research questions, the perspectives and experiences of those interviewed and surveyed inform the bulk of information presented in the thesis.

The case study included a sample of 45 farmers[5] that either participated in farmers' markets run by the Portland Farmers Market Association (PFMA) [6], or are members of Portland Area Coalition of Community Supported Agriculture Community (PACSAC)[7], a networking and marketing organization for local CSAs. After gaining the permission from staff at the PFMA and PACSAC, an internet survey was sent to the farmers in their respective contact lists. The survey consisted of both closed and open-ended questions, and was formulated to collect information about DM farmers' present situation with regards to issues of finance. The following sub-questions were addressed by the survey: *Who are DM farmers in Portland, and what kinds of farm enterprises do they run? What kinds of direct markets do they participate in? What finance needs, opportunities, challenges and key issues do DM farmers face?*

In the internet survey farmers were asked if they would be willing to further discuss issues of finance in a follow-up phone interview or email questionnaire. 19 stated that they were interested, however in the end only eight (5 via email questionnaire; 3 via phone interview) followed through. In addition to asking farmers to elaborate on their responses from the initial survey, follow-up phone interviews and email questionnaires aimed at gathering farmers' ideas about

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[5] The names of those interviewed and surveyed are excluded from this thesis to respect respondent's requests for anonymity.
[6] http://www.portlandfarmersmarket.org/
[7] http://portlandcsa.org/Welcome.html

possible alternatives for overcoming challenges associated with accessing finance. Phone interviews lasted between 30 and 90 minutes, and were semi-structured around a set of open-ended questions used to promote discussion. The email questionnaire included six open-ended questions.

In addition to farmers, representatives from the following organizations were also interviewed:

Mercy Corps Northwest (MCNW) – MCNW is a non-profit organization located in Portland, Oregon. Its mission is to assist all low-income populations throughout Oregon and areas of Washington State by increasing their economic self-sufficiency and community integration through microenterprise development and self-employment.

Cascade Harvest Coalition (CHC) – CHC is a Seattle based non-profit organization dedicated to re-localizing the Washington state food system by connecting consumers more directly with producers. In addition to conducting research on regional food system issues, CHC offers and manages a variety of programs including Washington Farmlink, which links aspiring farmers with landowners, and Puget Sound Fresh, an "eat local" branding and consumer education program.[8]

[8] http://www.cascadeharvest.org/

3. CASE STUDY FINDINGS

Background: Portland, Oregon

The city of Portland, Oregon is widely regarded as one of the most sustainable and eco-friendly cities in the US. With an integrated public transportation system, an abundance of green spaces, community gardens, and certified green buildings, and a plethora community food cooperatives and locally and seasonally inspired restaurants, Portland lives up to its reputation. Situated in the middle of the Willamette Valley known for its ideal growing climate and incredibly fertile soils, it is no surprise that Portland residents take pride in and benefit from a strong local and regional food system.

A growing demand for locally and regionally produced food has led to a flurry of direct agricultural market activity throughout Oregon. In 2007 the total value[9] of agricultural commodities sold through direct markets in the state was $56 million, a 144% increase from $21 million in 2002 (USDA, 2009). In 2010 there were 18 farmers' markets in Portland, and tens more in the surrounding metropolitan region (Rhoads et al., 2010). In 2007 alone, farmers' market vendors sold an estimated $11.2 million worth of agricultural products, and the total economic impact (including job creation) of farmers' markets was estimated at $17 million (Barney & Worth, 2008). CSAs have also become very popular in Portland and in 2010 there were at least 40 CSAs (PACSAC, 2011). Based on the average number of shares offered by these farms, an estimated 4,000 Portland households receive CSA boxes (Rhoads et al., 2010). It is predicted that the demand for CSAs will continue to grow in the coming years, as many CSAs in the area already have long waiting lists (ibid).

Farmer Profile

To provide an overview of the farmers represented in the case study, quantitative data was collected via the survey to create a farm profile.

[9] This value does not include flowers, plant starts, jams, and cheeses, and does not include semi-direct sales such as sales to restaurants.

Out of 45 farms, approximately 69% were less than 50 acres in size and 36% were less than 10 acres. 75% of farmers owned their farmland (either outright or through a mortgage) and the rest rented. Not all farmers were willing to share information about their finances, however the results are still noteworthy. Out of 32 farmers, estimated annual farm revenues ranged from $6,000 to $1.3 million (see Table 1). 85% had revenues under $500,000 and over 60% under $250,000. Out of 28 farmers, over 60% had annual net profits less than $30,000, and 18% over $100,000 (see Table 2).

Table 1: Percentage of Case Study Farmers and Annual Farm Revenues (out of 32 responses)

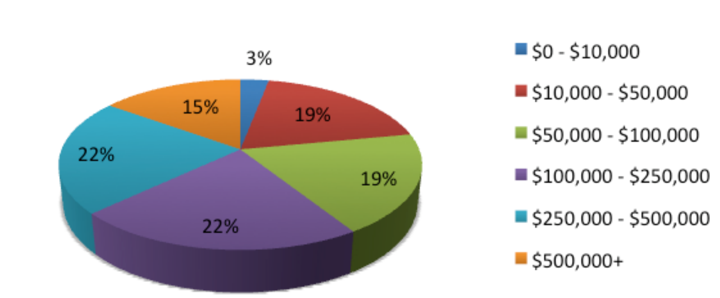
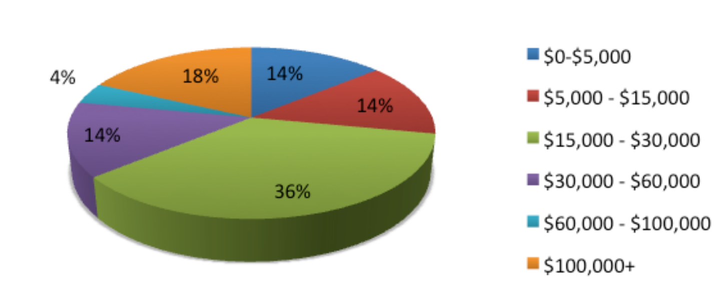


Table 2: Percentage of Case Study Farmers and Annual Net Profit (out of 28 responses)



Considering the USDA's typology, the majority of farms in this case study can be described as small to medium sized. The USDA defines small farms as being under 50 acres or having annual gross sales of $250,000 or less (USDA, 2009), and medium farms as those between 50-1000 acres, or having between $50,000 to $499,999 in annual gross sales (USDA, 2010)[10]. While relevant, the variables of farm

[10] The overlap of gross farm sales in these two definitions is noted. USDA definitions for small and medium farmers can vary. For example, the 2007 USDA Census defines small farms as those with

size and sales fall short of capturing the diversity of farms of this type, as nearly 90% of all farms in the US fit into this category (USDA, 2009). In order to build a more comprehensive farm profile for farmers in the case study, information concerning farmers' age, experience, and production and marketing activities was also collected.

The majority of farmers interviewed were middle aged (between 30-50 years old). Only 1 out of 49 farmers was under the age of 30, and only 10% were over the age of 60. 62% had been operating their farm for 10 years or more, and 54% had a second source of income[11].

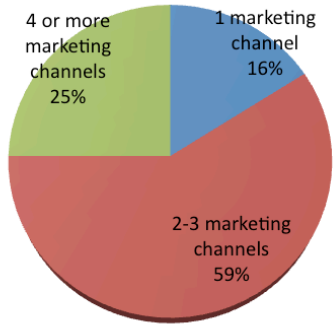
Diversity in production was common as is signature of similar sized farms across the nation (USDA, 2010). Over 50% sold more than one type of product, and 40% sold over 3 different products[12]. Slightly over 60% sold vegetables and or fruit, and 40% sold animals. While data was not collected regarding specific growing practices or certification, text from the PFMA and PACSAC websites and follow-up discussions with farmers give the impression that a significant number of farmer's in these markets employ environmentally friendly growing practices.

Diversity in production was matched by diversity in the type and number of marketing channels utilized by farmers. As expected, all farmers sold their products directly through farmers' markets, CSAs, or directly to local restaurants. 45% also sold direct to local 'wholesale' outlets including food cooperatives, cafeterias, and regional food processing facilities. Overall, 59% of farmers sold products through 2 or 3 marketing channels, and 25% percent sold to 4 or more (see Table 3)[13]. Most farmers (69%) traveled 60 miles or less to sell their products, while only 20% traveled 100 miles or more[14].

$250,000 or less in gross sales which differs from the definition provided in the 2010 Local Food System report, where small farms are defined as those grossing $50,000 or less. These differences demonstrate the difficulty of making distinctions between farms based solely on farm sales and size alone.

[11] Out of 39 responses
[12] Out of 45 responses
[13] Out of 44 responses
[14] Out of 44 responses

Table 3: Percent of Case Study Farmers and Number of Marketing Channels (out of 44 responses)



The above information demonstrates that the sample of farmers in the case study closely resembles the greater DM farmer population in Portland and the rest of the country. However, there are some differences. The average age of farmers in the case study was slightly higher, and farmers seem to have been engaged in agriculture longer than DM farmers in the rest of the country. One possible explanation for this difference could be linked to the fact that PFMA's biggest and most successful market has existed for twenty years, which favors returning vendors in the competition for stall space (Rhoads et al., 2009).

Key Issues

The following key issues are based on the experiences, perspectives, and ideas of those interviewed and surveyed in the case study. While the research methods and questions created a framework for investigating issues related to finance, the key issues are emergent from the research process itself. What makes them "key" is that they were identified or recognized by multiple actors as important issues in relation to the research questions.

Key Issue # 1: Finance is important for farm survival and business growth, and access to finance is a challenge

The importance of finance for starting, maintaining, and growing any business is widely accepted and especially true for agricultural enterprises. The necessity of some form of finance, whether it is a loan from a commercial bank or pre-season share payment by a CSA member, was reaffirmed by the vast majority of farmers in the study. Survey results revealed that all farmers relied on one or more forms of finance, and over the last three years 50% had borrowed more than $5,000 and 33% had borrowed more than $50,000[15].

Although a demand for finance was evident, findings revealed that meeting this demand was a challenge. According to survey results, two of the top three biggest challenges threatening farm management and business growth were inability to access finance and limited cash flow[16]. Since acquiring finance is a common strategy to pay for needed services or materials when one does not have enough cash to make a purchase outright, these two challenges are perceived to be interconnected. Furthermore, only 12% of farmers believed that there were enough appropriate finance products and services available.

In this context, access to finance refers to an individual's or enterprise's *possibility* of acquiring finance services and products from FFI's, and is different than the *use* of finance (Claessens, 2005). Use of finance is dependent on the fact that access was already obtained. The distinction between access and use of finance is demonstrated in Figure 1.

Box A represents a population that uses finance, and therefore must have access. Box B consists of non-users of finance, however this does not necessarily mean that this population does not have access. Voluntary exclusion can be influenced by a number of factors such as a lack of need for finance, a complete absence of savings or assets, or a preference or reliance on other forms of transaction such as bartering. Box C consists of a population that is faced with

[15] Out of 35 responses
[16] Out of 44 responses

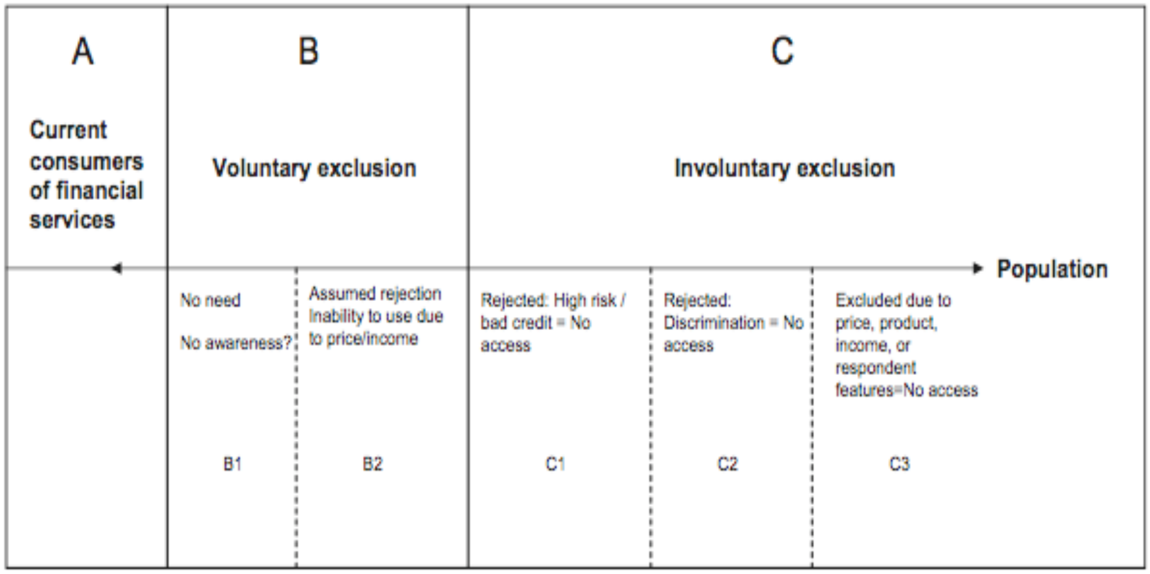


Figure 1: Difference Between Access and Use of Finance
Source: Claessens, 2005 p.211

involuntary exclusion, meaning that they are unable to access finance due to price and non-price variables, typically set by FFIs. As Claessens (2005) points out, the borderlines between these three population categories are far from rigid, as FFI's lending criteria can change due to shifts in economic markets, and borrowers can migrate between population categories as their financial situation changes.

All three population categories in Figure 1 are represented by the sample of Portland farmers in the case study. For example, both users and non-users of finance had experienced varying forms of voluntary and involuntary exclusion at some point in their farm career, and sometimes even simultaneously. Therefore, the key issue that *access to finance is a challenge* reflects farmers' experiences as a whole, regardless whether they have received finance from FFIS in the past.

The necessity and challenge of accessing finance was also perceived by regional non-profit organizations. A representative from CHC stressed that access to finance was crucial for small to medium sized farmers in order for them to remain viable within the competitive regional agri-food system. According to the representative, the recent explosion in popularity of locally produced foods and the subsequent boom of local small farms has lead to a highly competitive direct market sector, especially for beginning farmers. In order to meet the demands for high quality, fresh, and value-added products, farmers often require storage facilities, processing equipment, reliable transportation, and a robust marketing strategy, all which can require heavy investments. Without access to timely finance, it was the viewpoint of the representative that it would be very difficult for most new and transition farmers to secure these resources.

Discussions with staff members at MCNW, also revealed that finance was a crucial issue for Oregon farmers. Based on his experience contracting with Oregon State University Extension to provide business development classes to farmers across the state, it was the impression of a MCNW loan officer that the demand for small agricultural operating loans was largely unmet. However, despite farmers' stated interest in microloans during classes, MCNW had received very few loan requests on behalf of farmers to date. Reasons for this apparent incongruence between farmers' needs and requests were unclear.

In addition to limited access to finance and limited cash flow, other considerable challenges included a lack of affordable farmland, high labor costs, and limited time to run the farm. The latter two challenges seem to be characteristic of DM farms that tend to rely heavily on human labor for both production and marketing activities. The challenge of land availability is perceived to be linked in part to issues of finance, as 50% of farmers stated that land acquisition was one of their top three investment priorities.

Key Issue # 2: Both involuntary and voluntary exclusion make access to finance a challenge

Out of 43 farmers 58% had applied at least once for a commercial bank loan of which over half were rejected. Based on phone conversations and answers to email questionnaires, farmers were rejected because they believed that they did not meet banks' pecuniary requirements[17]. Although bank loans are one of the most widely available finance products, research has shown that commercial banks are

[17] Most farmers admitted that they weren't always aware of why they were rejected, as loan officers often did not make the specific grounds for their rejection clear.

becoming less inclined to loan to smaller scale farmers nationwide (Cocciarelli, 2009; Cocciarelli et al., 2010).

Two of the farmers interviewed were forced to pay off loans early due to banks' abrupt decisions to cease their agricultural lending activities. In reference to US Banks' decision to terminate their agriculture loans in 2006, one farmer stated:

The bank said "well we no longer want to do farm loans so your out to lunch, and we want to be paid in full right now". They just called the loans. Boy, if that wasn't an interesting time, as they don't give you very long to pay the loan!

Similar to their experiences with commercial banks, farmers expressed that the pecuniary requirements of governmental FFIs, such as the Farm Service Agency and Farm Credit Services, were also too strict. Farmers complained that despite having strong credit scores and being able to demonstrate that there businesses were profitable, in the eyes of the FFIs they were still "far from credit-worthy".

While access to finance was noted as a great challenge by the majority of farmers, 42% never applied for a loan and 37% stated that didn't know if there were enough finance products available. These results are interesting as they raise questions about the relationship between limited access, FFIs, and voluntary exclusion. Both users and non-users of finance complained of the challenges and downsides of working with FFIs such as excessive costs and fees, confusing and cumbersome paper work, and the bureaucratic organization of such institutions. In response to a question asking respondents to rank and explain finance actors in terms of their preference, a farmer who had yet to approach FFI's for financing stated:

Government [finance] seems problematic in the hoops necessary to jump through, but I'm not opposed to working with them otherwise. Banks, as they are profit driven, seem like the most expensive to work with (in the greater sense, if not also the immediate sense), so they're at the bottom of my list.

Another farmer was quoted commenting on FCS:

Several times we have talked with Farm Credit Services when looking for credit. Their interest rates were decent, but other costs and paperwork requirements always led us to choose other options.

While the above farmers were not opposed to working with governmental or commercial FFI's and may have indeed been credit worthy, the characteristics and requirements of these institutions were prohibitive to the point that farmers looked elsewhere for finance. In addition, farmers also complained that they felt “deceived” by both the FSA and FCS, and accused their outreach and marketing materials of being “misleading” and “propaganda”. One farmer shared:

They [FCS] like to advertise that they are out to help the young farmer and they have all these programs, when in fact when we’ve approached them not only to borrow money, but also to help our kids get back into farming, they just look at our balance sheets and income statements and say we don’t qualify.

The recent US economic recession and credit collapse of 2008-2009 that lead to the Federal government’s $165 billion bailout of 8 national banks (Eder, 2009) has also added to farmer’s suspicions and hesitations to work with FFI’s. One farmer commented:

When I lived in the city and banked at Wells Fargo and Bank of America, well, I never felt good about that. And I feel even less good about it now given what’s happened with our economy and that they’ve been dolled out with billions and good, hard-working, honest people can’t even just make a living.

In a similar vein, during a discussion about the US government’s role and responsibility as an agricultural finance provider, one farmer stated:

Federal agencies can do things that banks wouldn’t, and perhaps asking taxpayers to assist small farms with loans is along the lines of asking them to support road-building and other infrastructure. I don’t know though, we’re not keen on government involvement in business generally, so it’s hard for us to insist that this is the answer.

Without being privy to the actual loan applications that were rejected by FFIs, it can be difficult to discern in which specific cases voluntary or involuntary exclusion led to farmers’ inabilities or challenges to access finance. After all, as pointed out by Escalante et al. (2006), lending decisions can be quite subjective as loan officers often rely on rules of thumb, gut feelings, and heuristics when determining whether or not they should grant or deny a loan. Nevertheless, findings demonstrate that the majority of the case study population, including both users and non-users of finance, had experienced one or both forms of exclusion at some point.

Key Issue # 3: Credit cards are a widely used yet highly undesirable form of finance

While farmers highlighted that credit cards have some benefits, the greater sentiment was that they were “too expensive”, “risky”, and a “necessary evil”. One farmer who had been unable to secure finance from FFIs in the last two years and whose only current source of finance are credit cards stated:

Well, we hate credit cards. They're greedy and we don't like them at all. I think they are just as bad as payday loan places. They are nothing more than loan sharks….it's certainly not something we enjoy and it makes it a little stressful around here.

Despite a generally negative view of credit cards, 75% of farmers relied on them to cover farm-related expenses and investments[18]. Credit cards were used to finance all aspects of the farm from purchasing seasonal inputs, expanding livestock numbers, buying machinery, and reserving coveted stall space at farmers' markets in advance. For some, credit cards did provide finance opportunities that enabled capitalization and business growth, however they were never the ideal option. The following farmer shared his experience with credit cards at length:

Each month I would use the card as much as I could, but only if I had money to pay it off that month with no fees. Little by little they [credit card company] increased the limit. We got a home equity line of credit from a credit union with a $20,000 limit and structured it as a visa card with 9% interest. We could get cash advances on this home equity card without a cash advance fee, then immediately transfer the balance to a new card and have interest free money until fall at which time we would pay it back. If we needed $80,000 we would do that with four different cards and still pay almost no interest. It was a risky practice because if we could not pay off the balance the interest would jump very high, but we always paid it off. A couple years ago we became profitable enough to mostly self finance the farm operating costs, so we now only use credit cards for convenience, and to maintain a good credit rating...we basically just use two cards now and don't jump around, where a few years ago we had 20 or so cards.

Due to this farmer's careful management of multiple credit cards, he was able to build his farm into a profitable enterprise without the support of FFIs. Despite his success however, his closing remark about credit cards was, "I'm lucky we don't need to finance that way any more", pointing to the tenuous and risky nature of this financing strategy. For another farmer, credit cards were a "desperate measure":

Credit card "financing" is a desperate measure used only when cash flow is a hitch, and funds to pay them back down are anticipated. We usually pay credit cards off fully each month, and the longest I have carried a balance owing on one is two months. It's too expensive.

As a result of the recent housing crisis and credit collapse in the US, a shift in the credit climate has meant that small business owners who rely on credit cards will most likely face higher fees and greater interest rates (Weber, 2010). While credit cards are common place in most businesses and can be effective for covering

[18] Out of 44 responses

small and immediate purchases, the majority of farmers in the case study seem to agree that credit cards were not a desirable nor long term solution to agricultural financing.

Key Issue # 4: Farmers rely heavily on informal finance strategies

In addition to credit cards, many farmers relied on other more informal finance strategies. 86% of farmers used savings or inheritance as a source of finance, and over 30% of owners borrowed money from relatives or friends. Reasons for utilizing such informal finance strategies varied, as did farmer's experiences relying on them. Some had no other choice but to finance in this way since they were rejected by FFIs, while others actually preferred this strategy even though they were deemed bankable and had received support from FFIs in the past. The following farmer referred to borrowing money from individuals as a "farmers' market alternative" to borrowing from banks:

Often when banks would not loan to us for some good project we were able to find friends or family that would loan to us. We started very small and made sure we always paid more interest to people than they could get from a bank, but less than it would cost us to borrow from a bank. As people learned we were reliable our ability to borrow just on our word increased. Even though banks want to loan to us now, we prefer to borrow from the same friends and family.

The farmer quoted below also turned to personal savings and relatives as a source of finance, however was not as keen on this type of borrowing as the above farmers:

Occasionally we have sunk some personal money into the farm, which is incorporated to avoid having to borrow more than we wanted. A couple of times we have asked a relative for a small loan to get by when we had maximized our line of credit. The drawback to this kind of "financing" is that we personally are at the bottom of the pile when it comes to paying back lenders.

The owner of yet another farm viewed borrowing money from family as a last resort:

It's like we are totally screwed on every level. I'm not sure what we are going to do at this point. We'll probably appeal to some family members…I'm not sure what we're going to do or what's going to happen…

For those farmers running CSAs, one of the main reasons for adapting the CSA model was that it gave them direct access to finance, which in turn lessened their dependence on other, hard to secure or risky forms of credit. The below farmer, who had just completed her first year managing a 14 member CSA outside of Portland commented:

Most of the outlay [cash] was from our CSA subscribers early on, and then we were indebted to them during the growing season and we paid them in vegetables. So essentially it's a great deal. It's nice because you don't have to convert your vegetables into money…I was talking to another farmer who was financing on his credit card...you have to convert your vegetables into cash in order to pay the credit card!

This farmer's comment—that it is an advantage *not* to have to convert vegetables into money—is particularly interesting as it reflects some of the underlying reasons why access to finance can be challenging for DM farmers. First, the comment speaks to the unique nature of direct markets as 'alternative economic spaces' where prices aren't just measured by a product's retail value. This comment also speaks to why FFI services and products are sometimes not appropriate for DM farmers, and also why DM farmers are perhaps not the most ideal clients for FFI's. For a loan officer, converting vegetables into money is necessary to determine ones ability to pay off a loan, while for the above CSA farmer the value of vegetables was not solely determined by it's retail price.

5. DISCUSSION

The above key issues provide insight into the present finance situation facing DM farmers in Portland. While an explicit demand for finance is evident, so is an overall sentiment that this demand is not being adequately met. DM farmers' finance experiences vary greatly; some rely strictly on more informal forms of finance, such as borrowing money or using credit cards, while others are able to access finance through commercial and governmental FFI's. Overall, almost all farmers, including those who had successfully accessed finance from FFIs, seem to be interested and enthusiastic about how the current finance situation could be improved.

Building on this interest and enthusiasm, the follow-up questionnaires and phone interviews aimed at moving beyond the present situation. By asking farmers to elaborate on their interests and needs, as well as discuss their ideas about how their current finance challenges could be addressed, the second research question—*are there any finance alternatives that might appeal to and improve DM farmers ability to access finance?*—was approached. This discussion section includes an analysis of one potential finance alternative based on DM farmers' contributions.

As discussed in the introduction section, the topic of embeddedness is popular within the LFS discourse. While use of the term can be slippery, a conceptual analysis of finance alternatives that emulates a systemic relationship between embeddedness and marketness creates a more holistic approach to thinking about change. Just as embeddedness is "qualified by marketness and instrumentalism" (Hinrichs 2000, p. 301) the same goes for economic behavior, which is "mediated by a complex, often extensive web of social relations" (p. 296). Therefore, to think about finance alternatives without considering the role of embeddedness would be "just as misleading as the under-*socialized* conception of neo-classical economic theory", which assumes a "discipline of the market" which is totalitarian.

Social Finance: An 'alternative' to FFIs?

Farmers that participated in the e-mail questionnaires were asked to rank finance actors in the order of their preference and to explain their rankings[19]. Out of five farmers, all of them gave "organized community members and citizen groups" and "non-profit or social finance organizations" a high ranking. It is interesting to point out that these actors were preferred even though none of these farmers had ever received finance from them. Farmers' explanations for giving these actors a high ranking included that they had "lower levels of bureaucracy" and "fewer economic provisions" and "stipulations". They were also perceived as "being more direct in terms of the information that they give and the requirements that they have". In addition to these attributes, voluntary exclusion, which included a "lack of trust", "skepticism", and having to "jump through hoops", as well as some farmers' positive experiences borrowing money from relatives and friends, suggest that finance opportunities predicated on lower levels of marketness may be more desirable. However, this does not mean that farmers in Portland are willing to suffice economic rationale in exchange for more socially embedded finance. Rather, as suggested by the below farmer, the involvement of community members could appeal to DM farmers' interest in lower levels of marketness *and* lead to better fiduciary terms and conditions:

The idea of citizen groups or organizations providing farm financing is very interesting. I have no experience with it. If it could be accomplished without too much expense in the middle, it may provide farmers a better option than credit unions…right now it is hard for investors to get more than 1% in the bank, or for a farmer to borrow for less than 7%, so there is a lot of room there to make something work. There are also many investors who want to know that they're money is being used for good and not evil.

Similarly, another farmer shared his idea on how the CSA approach to finance could be broadened to support other kinds of farm investments and engage a greater number of community members:

I've also had the idea that there should be a way for folks who like the idea of supporting farms in a CSA sort of way, but who don't actually want a weekly share, to pay into a farmland fund. The fund would buy up farm land surrounding urban areas, protect it and lease it out at favorable rates, also providing

[19] Actor options included: Federal Government, State Government, Banks, Credit Unions, Non-profit or Social Finance Organizations, Organized Local Community Members and Citizen Groups, and Other.

loans for improvements and farm operation, thus returning a small profit to the investors, and a stable local food supply.

In the relatively small yet growing discourse about finance alternatives for small farmers, exciting discussions about new kinds of economic activity are beginning to emerge which seem to align at least conceptually with some of the interests expressed by farmers in Portland. Robert Karp (2008a) conjoins a variety of concepts[20] used to explain this social-economic 'movement' with the term Altruistic Stakeholder-Managed Economy. The word "altruistic" in this context refers to "economic activity where the primary motivation is not profit but rather the desire to meet human needs, strengthen communities, and care for the planet—that is, economic activity that is an important and natural *by-product* of economic activity, but where it is not the motivating force or goal" (Karp, 2008, p. 26). While altruism may seem analogous to the ideals of free-market capitalism, Karp points out that most business ideas are inspired by a desire to enhance communities, not harm them. It is the "weight of the current system's forms of trade, ownership, and finance" (ibid, p. 26), made heavy by high levels of marketness, which tend to undermine initial altruistic motivations. The hyphenation "stakeholder-managed" refers to the management role invested in community actors within this new altruistic economy. In comparison with the current oligopolistic nature of the US agri-food system where relatively few firms control the majority of commodities (Hendrickson et al., 2002), a stakeholder-managed economy is envisioned as de-centralized and driven by regional associations of individuals and businesses with similar goals. In this new economy, farmers, consumers, workers, distributors, processers, and for- and non-profit organizations are considered primary community actors. Rather than trying to regulate and intervene in economic markets, the government's role in this context is to empower community stakeholders' capacity to manage their own associative economies.

While none of the farmers in the case study referred to themselves as altruists per se, there were a few signs suggesting that the idea of an altruistic and

[20] Other terms include Associative Economy, Solidarity Economy, Natural Capitalism, and Local Living Economy

stakeholder-managed economy would be appealing to this population. The desire and importance for farm growth and profitability was affirmed by most, however the aim of "making a living" was often conflated with other issues such as lifestyle and community. For the following farmer, farming was first and foremost about making a living, but it was also about one's connection to the land and family history:

We wanted to make a living in a real and tangible way. We both come from farming families and I think it's in our blood to a great extent. My husband's family emigrated from Italy a couple of generations before him in the Santa Clara valley of California, which is now Silicon Valley. So in his lifetime he saw that farmland turn to high rises. I think that was a real motivator for him. And for me I grew up in the San Joaquin Valley of California and that's just a bedroom community for the bay area now but I came from a farming family as well so I think we just have real strong ties to the land and a real strong desire to continue that way of life…

Farming was also about community building with friends and family, as well as providing sustainable food, as one CSA farmer explained:

A lot of our CSA customers are friends and family, and that's been really affirming as building community with them and sharing that part of our life with them. Then, other members are strangers, and it's more that those people are interested in finding fresh, local, and sustainable food for their families.

Perhaps the most salient connection between Karp's proposal and Portland DM farmers' interests is a common focus on the potential role of community actors, especially individuals and non-profits organizations, as finance providers. While this vision may seem idealistic, the recent emergence and activity of Social Finance Organizations (SFOs) shows that it is not entirely unrealistic. SFOs typically consist of socially or environmentally minded investment firms, venture capitalists, non-profit organizations and individuals who according to Karp (2008a) align with three basic ideas. The first idea is that surplus value (capital) is best circulated and re-invested to maximize social and environmental benefits when it is regulated by individuals and organizations who are in 'free partnership'. The second notion is that 'real' or 'face to face' relationships between a borrower and a lender is powerful in that it allows for immediate and direct exchange of material and intellectual resources. The third idea is that "financial capital should be stewarded and managed primarily for the purpose of bringing forth new economic, social, and cultural values rather than for securing profits for the investor or lender" (ibid, p. 35).

While SFOs have not yet been involved in agricultural lending in Oregon, there has been some activity in neighboring Washington State. According to a representative at CHC, the amount of rhetoric and hype about these programs far surpasses the actual amount of lending that is being done thus far. Nevertheless, the emerging activity of SFOs both in Washington State and beyond should be considered as a potential direction for a new finance model for DM farmers in Portland.

If more socially embedded and community grounded forms of finance become an option for DM farmers, the relationship between finance, community and place—particularly the 'local'—deserves careful attention. As explained by Feagen (2007), the use of the term community in LFS is typically evoked as a "descriptor for some socially and geographically bound place" (p.27). Indeed, community supported agriculture, community food security, and community gardens are usually just as much about place and proximity as they are about building community (ibid). In much the same way, the concept of social enterprise is also linked to notions of proximity and community. According to Fuller et al. (2003):

> *The assumption of local scale is a consequence in part of the widely accepted definition of social enterprises as being 'community-owned' and focused on providing for the needs of a specific local area…The 'local' in this context, though rarely explicitly defined, usually refers to a small, definable territory and a homogenous resident population…* (p. 31)

Sociologist Anthony's Giddens' (1996) view on community as a 'practical means' for change reifies this conflation of community and place:

> *The theme of community is fundamental to the new politics, but not just as an abstract slogan. The advance of globalization makes a community focus both necessary and possible, because of the downwards pressure it exerts. 'Community doesn't imply trying to recapture lost forms of local solidarity; it refers to practical means to further the social and material refurbishment of neighborhoods, towns and large local areas.* (p. 79)

It is apparent that geographic proximity, constructions of 'localness', and notions of community are important for Portland DM farmers. The fact that 69% travel under 60 miles to markets is not a coincidence, but rather a marketing and business attribute that appeals to consumer motivations related to spatial, social, and natural embeddedness. With a robust LFS movement in Portland and DM farmer's interest in the role of community members and non-profit organizations as finance actors, localization seems like a likely if not appropriate trajectory for finance alternatives. In fact, efforts to localize finance are already underway in neighboring Washington State with at least two organizations lending exclusively to "local" agri-food system actors. The Local Investing Opportunities Network (LION) is an organization made up of community members interested in investing exclusively in businesses in their own county. The text on their website clearly demonstrates that their desire to provide finance is heavily influenced by notions of community and locality:

LION is not a bank, lending institution, or financial consultant. Its membership consists of local citizens who want to invest their money locally, thereby putting their investing money to work within our community. Keeping funds local facilitates greater economic self-sufficiency, job growth, economic development, and a dollar-multiplier effect whereby a dollar kept within the community can be spent many times over for a far greater benefit than a dollar invested away from our community. (http://www.l2020.org/index.php?page=investing-opportunities)

The finance opportunity provided by LION is completely independent of FFI's bureaucratic structures and rigid financial requirements. For example, a recent loan made by LION to a local fruit farm with a cider mill was under collateralized, interest free, and brokered at the farmer's kitchen table. In return for the $205,000 loan, the investors were given a minority share in the cider business run by the farm.

While place-based and community driven social finance offers a unique alternative to traditional lending, localization efforts based on social ties are not without challenges and shortcomings. One potential negative outcome of localization is what Hinrichs (2002) refers to as defensive localism:

In the food systems arena, defensive localization imposes rigid boundaries around the spatial "local" and minimizes internal difference in the name of some "local good"...Predicated on such pat assumptions about the community or the heritage being preserved and promoted, localization becomes elitist and reactionary, appealing to narrow nativist sentiments. (p. 37)

The intention of those participating and lending money through programs like LION is not in question; rather, it is the ability of localized finance to leverage and grow the DM farmer movement within the US agri-food system. While unique, LION's focus on county-specific financing is a very narrow approach for tackling the issues facing DM farmers. While most DM farmers around Portland may be situated within 100 miles of the market in which they sell their goods, their finance challenges are the results of a myriad of complex relationships, trends, and actors located both geographically and figuratively well beyond this distance.

It is important that these distances of finance in the Portland agri-food system are not overlooked. With over 12 counties located within a hundred mile radius of Portland, would county-based lending lead to more equitable access to finance, or would it create a new type of involuntary exclusion based on geography and place? Will farmers in more rural and economically less-off counties have the same borrowing opportunities as those farmers in counties closer to the city where better job opportunities and higher incomes make community members more likely to donate to SFOs? By overlooking the distances of finance, stakeholders run the risk of "forcing considerable complexity under a spatial referent" (Hinrichs 2002, p. 35) potentially creating a more exclusionary and competitive finance market. The creation of alternative finance 'spaces' based primarily on notions of community solidarity and local resistance to external economic forces risk being problematic, as they neglect the "reality of struggle within and between 'alternative economic institutions and their spaces." (Fuller et al., 2003, p. 70).

5. CONCLUSION

This thesis has revealed the present finance situation facing DM farmers in Portland, Oregon. Results from interviews and surveys demonstrate that DM farmers face numerous finance challenges that make it difficult to maintain and expand their farm enterprises. Due to reasons of both voluntary and involuntary exclusion DM farmers' difficulty or inability to access finance from FFI's has created a situation where farmers typically rely on other informal and often less dependable forms of finance, such as credit cards and borrowing money from relatives and friends. While DM farmers have in some cases been able to sustain and grow there businesses using less than ideal finance strategies, a general consensus prevailed that other, more appropriate and reliable finance products and services were desired.

After establishing some of the key issues surrounding DM farmers experience with finance, the discussion section presented one potential finance "alternative " that could address DM farmers stated challenges and emulate their interests in different kinds of finance relationships. This alternative explored the potential of organized local community members and SFOs as finance providers for DM farmers. Lower levels of marketness and instrumentalism embodied by these actors seem to resonate with DM farmers and their desire for more personal and direct finance relationships.

The information gathered and presented in this thesis is significant because it provides a foundation upon which action steps for addressing DM farmers finance challenges and interests can be initiated. By drawing primarily on the direct contributions of DM farmers and other involved actors, action steps built upon these contributions are likely to resonate with the actual interests of those seeking change. However, while the findings are important and relevant, they alone are not substantial enough for SFOs or other interested groups to develop new alternative finance products and services for farmers in Portland. According to Sriskandarajah (1991), if solutions to agricultural problems are to be sustainable, then "conventional approaches to agricultural education, research, and extension that reduce and subdivide knowledge into neat compartments and disciplines and then treat such knowledge as a dispensable commodity will need to be modified" (p. 2). As mentioned earlier, the aim of this thesis has been to promote social change through a dynamic process of learning and researching. This dynamic process has been informed by an approach to praxis—the linking of practice and theory—that is "grounded in real contextual issues"(Packham et al., 2005, p. 123). In order for the findings in this thesis to contribute to change that is sustainable, this approach to praxis must be upheld during the development and implementation of alternatives. Referring again to Sriskandarajah (ibid, p. 4), "ways of researching need to be developed that combine 'finding out' about complex and dynamic situations with 'taking action' to improve them, in such a ways that the actors and beneficiaries of the 'action research' are intimately involved as participants in the whole process". Therefore, 'taking action' with regards DM farmers finance issues must include not only DM farmers themselves, but also other relevant actors, who have a potential interest or role in such issues. If efforts to address farmers' challenges and to develop alternatives are informed by participatory processes grounded in and continually informed by the real life context of Portland farmers, the greater potential these efforts will have to support and grow the DM farmer movement.

6. POSTSCRIPT: REFLECTION

Introduction

Reflection is a crucial part of any learning process because learning does not automatically nor immediately result from one's experience. One must consciously and critically examine their own practice through purposeful self-inquiry and self-examination in order to understand what they have actually learned and gained from a given experience. In addition to examining one's practice, reflection also helps one understand how their own worldview may have influenced the learning process, as well the research findings.

In this postscript section I reflect on certain aspects and processes of the research process that were key learning points for me.

Developing Research Questions

Initially I struggled to define my research questions. Having worked with MCNW in Portland back in 2007-2008 I was aware that accessing finance was a challenge for farmers. As I began thinking about my thesis and possible topics to pursue, I already had a large framework of ideas in my head influenced by my experiences working for MCNW. I began to develop research ideas and questions around the potential of micro-finance as a solution to farmers finance woes. It was not until I started to formulate potential interview questions to ask farmers that I realized that my interest in microfinance was quite personal. I was approaching my thesis as an opportunity to extend and build upon work that I did, or did not do, while working for MCNW.

At this point I realized that before I could begin to think about possible solutions to farmer's finance problems, it would be necessary to gain a more dated understanding of the present finance situation facing DM farmers in Portland. I also recognized that this understanding would have to be informed by farmers' themselves. This was the basis for formulating the first research question, *what is the present situation facing DM farmers with regards to accessing finance?* At first, this research question seemed mundane as I had envisioned that my thesis would be an exploration of farmers' future wanted situations, not their present situation. However, upon further reflection and literature research that revealed little information about farmers' finance challenges in the region, I accepted that this was a legitimate research question that needed to be addressed before ideas about change could be considered.

While the thesis is primarily concerned with "finding out" and describing the present situation and key issues, the follow up interviews and questionnaires enabled me to approach the subject of change by asking the second research question, *are there any finance alternatives that have the potential to meet DM farmer's finance needs and interests*? Farmers' interests in social and community-based finance offered a potential direction for change, however without being able further discuss and debate this possibility with farmers and other stakeholders during the course of the thesis process, developing an action plan was not possible.

Methodology

At the outset of the thesis process, I outlined my research approach around the seven steps of Checkland's soft systems methodology (SSM). There was a strong focus on SSM throughout my Agroecology program and I was looking forward to improving my abilities as a SSM researcher. As SSM is particularly useful for dealing with problematic, complex and "messy" real-life issues and situations (Checkland, 1981), it seemed an appropriate methodological choice for my thesis topic.

However, as I began the research process I became aware that I would not be able to follow through with SSM in a way that would make the most out of the methodology. If SSM is to be adopted in a research project, then certain other conditions and opportunities must be present. Most importantly, using SSM requires the researcher to have the opportunity to go back and forth between the "real" world and the "conceptual" or "systems thinking" world (see Figure 2). Since I was living a great distance away from the "real" world of my research context, going back and forth between these two worlds was impossible. Besides an initial two-week visit to Portland, my only connection to the actors within the "real" world context was through internet and phone correspondence.

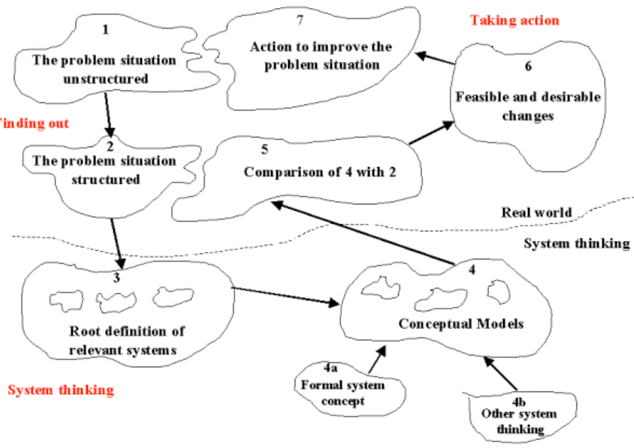


Figure 2: Seven Steps of Checkland's Soft Systems Methodology
Source: http://www.tlainc.com/articl61.htm

Recognizing this, I shifted gears and decided to adopt a case study methodology. While the case study methodology, like SSM, calls for context based praxis, it does not demand that the researcher go beyond the diverging and assimilating stages of learning. While my preference would have been to undertake a research process that entailed creating and debating action steps with farmers, I simply did not have the opportunity to do so given my distance from the research context.

Multiple Perspectives

The study of multiple perspectives is a crucial step of any case study methodology as it allows for a more systemic understanding of the issues and context in focus. The inherent complexity of social phenomena stems from the presence of humans and their multitude of "word-views". The term world-view refers to a mental framework that includes "the experiences, feelings, emotions, attitudes, values, morals, beliefs, tastes, and personalities of individuals, as well as their patterns of reason and intelligence and their store of knowledge" (Wilson et al., 1990, p.41). By studying the worldviews of multiple actors within a case study, one is able to account for the "multiple possible descriptions of any real-world activity" (Pretty, 1995, p. 1253).

In addition to the actors listed in the thesis, I also conducted phone interviews with representatives from two Portland area banks, one credit union, and the Portland branch of the Farm Service Agency. However due to technological issues[21] I was unable to include the results from these interviews in the thesis. The inclusion of multiple perspectives would have created a richer understanding of farmers finance challenges, particularly with regards to involuntary exclusion. However, despite the absence of multiple perspectives, I believe the contributions of those farmer's interviewed remain relevant. If access to finance is to improve for farmers, then discourses about finance and possible changes in the sector should be based primarily on the perspectives and contributions of farmers, as they will be the primary beneficiaries of any change that occurs.

The Challenge of Long Distance Research

The biggest challenge I faced as a researcher was being so far removed from the case study. My decision to focus on issues in Portland was based on my familiarity with the context, and also because I am inspired by the strong and palpable local food movement occurring in and around the city. Due to my previous experiences with farmers in the region, as well as the contacts I had made with various food system actors, I thought it would be relatively easy to conduct empirical research and organize interviews. However, the opposite ended up being the case.

Foremost, my time in Portland to conduct research was too short. When I arrived in Portland, I had yet to narrow down my framework of ideas into research questions. While it was frustrating to arrive in Portland without a defined research agenda, it was necessary for me to meet and speak with actors in order to identify research questions that were relevant, timely, and of interest to the community. Once I had done this, I began to reach out and request personal interviews but by

[21] "Technological issues" refers to the damage of an external hard drive that contained the audio files and transcriptions of these interviews. Discovery of this damage did not occur until late in the thesis writing process. While including these actors' perspectives would have greatly strengthened the thesis, to portray their perspectives based on my own memory of our conversations was not an option. Due to time constraints, re-interviewing these actors was not possible.

this time I was only able to meet with MCNW and one bank representative before I had to return to Sweden. All the other actors I contacted and interviewed was either through the phone or email.

My initial idea was to conduct informal interviews with farmers at farmers' markets during my stay, but due to the fact that it was high market season (August/September), and also because often the individuals running the market stalls are not the actual farm owners, I needed to change my approach. The decision to send out an internet survey was encouraged by staff at the PFMA. While it was not the most participatory process, it was an efficient way to collect a lot information on a large number of farmers. It also allowed me to gain commitments from farmers to participate in follow up phone interviews and email questionnaires, which was an important asset.

After collecting primarily quantitative information from the survey, I felt the need to be re-immersed within the "real" context of the case study so I could utilize participatory research methods to collect more subjective and qualitative research. I had to think creatively about how to ensure that the research process entailed some level of participation on behalf of the farmers, despite being so far removed from their reality. I played with the idea of having farmers' complete various mapping and systems thinking exercises (i.e. constructing venn diagrams, drawing visionary pictures), but without being able to guide them through the process in person, I didn't feel comfortable with this approach. Asking them to engage in such exercises via email and through the phone felt like making a request, rather than facilitating a participatory process.

Instead, it seemed that my best option was to create an informal and open-ended format for both the questionnaire and the interview. My idea was that the less structure there was, the more likely farmers would be to contribute their own thoughts and ideas. This was more difficult to do with the questionnaires due to the written format, although I was surprised with the results. While some questions were based on their survey answers, others were completely open-ended and encouraged elaboration. While not every farmer took the opportunity to elaborate the answer to every question, many of the answers indeed went well beyond the topic of the question.

I took a similar informal and open-ended approach to the phone interviews, which I think worked well. While for every interview I had a list of questions pertaining to farmers' survey answers, they had little influence on any of the phone conversations. After introducing myself and giving a brief preview of the research I was conducting, I started off by asking farmers if they any reflections on the survey or thoughts about the topic of finance. This worked well and in almost all cases lead to conversations that were based much more on the train of thoughts of farmers rather than my interview questions. There were a few questions that I specifically wanted to ask and if they weren't addressed throughout the conversation, I waited till the end to ask them.

While it would be a stretch to refer to my approach as participatory action research, I believe that given the distance between the farmers and I, I was successful in involving them in the research process. However, if I had the opportunity to conduct another such case study I would certainly ensure that I would have more time within the "real" context during the "finding out" stage of the research process.

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