

Case Study: Triple 3 Livestock, Marathon, NY

Project Highlights

- ***Dirt Capital purchases 303-acre “home farm” with organic, grass-fed dairy operation – enabling land security and a path to farm ownership***
- ***Project includes contribution by Dirt Capital to construct a new milking parlor, which will dramatically increase efficiency for the mid-sized dairy farm family***

Organic dairy farmers Jim and Anne Phillips were doing everything right. Graduates of Cornell University’s Agricultural College, they had reached an impressive place in their farming careers – running an organic dairy farm in New York; practicing rotational grazing on nutrient-rich pasture for their 100% grass-fed herd of over 300 dairy cows; producing premium certified organic milk and selling to the market at a good price.

Yet their only path to business growth and security – purchasing land of their own – seemed blocked at every turn. They were entering their fifth year of searching, and they felt no closer to land ownership than when they launched Triple 3 Livestock in 2007. No farm was within financial reach, particularly those with the 300-plus certified organic acres they needed for their operation. They even widened their search to other regions of the country.



"Lenders want 25 to 30 percent down," said Jim. "That's a big chunk of change when it comes to buying a farm. You'd have to sell part of your income makers - your cows - to make that down payment. But then you're strapped for cash flow."

Debt load had foiled their plans once before. More than two decades earlier, they owned a conventional farm in Ohio, pushed their cows to produce, and still lost the farm. "We were always behind trying to play catch up," said Anne. "There was no stability."

Still, they wanted to try again in New York. And this time, they were determined to do it right: minimal debt, maximum animal and soil health. Yet as their investment in their New York operation grew with each passing year, so too did their frustration. They were milking in a small barn with a tie stall set-up. Jim spent three to four hours milking the herd – a task he did twice each day. They also had to limit their herd to remain within the confines of the pasture immediately adjacent to their milking barn. Any investment in soil productivity, pasture health, and operational efficiencies were temporary on this leased farm.

"You have a lot fewer choices you can make about the facilities and the land base," said Jim.

Then finally, in 2012, they found the perfect farm: 303 acres of mostly pasture in the hamlet of Marathon, NY that could be certified organic right away; an farmhouse that would suit them and their 3 children; older dairy buildings that could be used for storage and winter housing of their

animals; and it was only 15 miles from their leased farm. Inching ever closer to their dream, they would have to wait another two tense years before it became reality. Negotiations stalled, and then the sellers took it off the market.

Around that time the couple met Jacob Israelow, managing director of Dirt Capital, at the NOFA-NY conference in 2013. The timing was fortuitous, for both Jacob and the Phillips. Jacob spent the next year learning all about Triple 3 Livestock, evaluating how Jim and Anne manage their farm, run their business, and plan for growth. He was impressed.

Rotational grazing is “optimal farming for the health of the animals and the soil,” said Jacob. “Milk from grass-fed dairy cows is increasingly what consumers want. So it's also a good business.”

Jim and Anne are longtime members of the Organic Valley Co-op, taking advantage of the co-op's long-term stable pay price, and a recently introduced bonus for 100% grassfed milk. Through Organic Valley, “they are paid a price that is consistently higher and also less volatile than commodity milk,” said Jacob. “It's a stable business model, so it's a smart investment.”

After concluding Triple 3 Livestock was a sound investment, Jacob joined the Phillips in their search for land. After evaluating properties in other areas of New York, neighboring Vermont, and even in the Midwest, nothing was quite right, or as good as the Marathon farm.

So in 2014, Jim reached out to the seller of the Marathon farm and made an off-market offer. After many more months of haggling, the price came down to what Jacob and the Phillips considered reasonable. In February 2015, after the seller agreed to leave money in escrow to repair a broken septic and furnace, Dirt Capital closed on the farm in partnership with Jim and Anne.

At closing, Jim and Anne signed a 9-year lease with an option to purchase the farm from Dirt Capital after 5 years, and again at the end of the lease term. A fixed purchase option based on the original purchase price allows them to capture any additional value they create through improvements to the land and buildings. They're already talking with their contact at Farm Credit East – from whom they borrow for working capital – to prepare to exercise the purchase option at the first opportunity using Farm Credit financing.

Lease payments in year one are reduced, allowing Jim and Anne to put their savings and cash flow into improving the property. Major items in the works include: updating the house; setting up pasture fencing and laneways for their cows; and most importantly, constructing a new milking parlor. The new parlor, which Dirt Capital helped to fund, will enable Jim to milk 40 cows at a time and up to 200 in under 2 hours. This is a huge efficiency benefit to their mid-sized operation.

Today Jim and Anne own and manage 300 cows that are 100% grass-fed, which includes their milking herd plus heifers, calves and young stock. They also raise sheep, goats and beef cows for meat, which they sell to their friends and neighbors.

“We are investing our money into the farm even though we don't own it,” said Jim. “In turn it's making it worth more, putting equity into it. So when we buy it from Dirt Capital it's already appreciated.”

Added Anne: “We had the business plan, we had the numbers. Dirt Capital is looking for families to stay on the farm, and for organic production. We fit the bill.”



Dirt Capital invests in farmland in partnership with experienced, profitable, sustainable farmers throughout the Northeast United States: enabling land access and security for successful farmers while keeping farmland in productive and environmentally responsible use.