Investing in Small Food Enterprises
Slow Money is a 501 (c) 3 dedicated to catalyzing the flow of capital to local food systems, connecting investors to the places where they live and promoting new principles of fiduciary responsibility that “bring money back down to earth.” Through local networks, investment clubs, regional events, national gatherings, BEETCOIN campaigns and the Slow Money Principles, individual investments ranging in size from $25 to $3 million have been made in support of small, local, organic farms and food enterprises, mostly in the U.S., but also in Canada, France and Switzerland.

_A special thanks to our friends at RSF Social Finance for their support in the production of this report._
INTRODUCTION
OPENING LETTER FOR SLOW MONEY 2014
by Woody Tasch

In calling this a State of the Sector Report, we must first start with the most obvious questions: Do small food enterprises and local food systems comprise a defined economic sector? Can investors who allocate money to such a sector achieve predictable, risk-adjusted rates of return?

Although a number of niche funds pursue risk-adjusted rates of return in farmland and ranchland and later-stage food companies, investing in a new generation of small and mid-size organic farms and the processing and distribution businesses that will bring their produce to market is very much an emergent activity. Despite a few decades of relatively robust activity at the level of farmers’ markets and CSAs and the growing awareness of the importance of organic and local, only 4 percent of the U.S. food industry and 1 percent of U.S. farmland are organic. The pendulum of industrial agricultural and food systems is still swinging in a broad global arc toward commodification, speed, scale, and efficiencies that are achieved by over-reliance on petrochemicals and the externalization of long-term social and environmental costs.

A few studies have been conducted in recent years to shine a light on the entrepreneurs, investors, and philanthropists who are working to rebuild local food systems. These include Promoting Sustainable Food Systems Through Impact Investing (Springcreek Foundation, 2012), Local Foods: A Guide for Investors and Philanthropists (California Environmental Associates, 2010), Community Food Enterprise: Local Success in a Global Marketplace (Wallace Center at Winrock International and The Business Alliance for Local Living Economies, 2009), studies of the economics of localizing food production and consumption in Cleveland and Boulder (Michael Shuman, 2010 and 2012), and Trends in Sustainable Agriculture and Food Systems Funding, 2003–2006 (Sustainable Agriculture & Food Systems Funders).
Slow Money 2014: State of the Sector Report offers data and narrative to further these field-building activities and the public conversation that accompanies them. Investing activity of the Slow Money network provides a starting point, to which we have added data from a survey conducted for us by California Environmental Associates.

From 2009 to 2013, $31 million flowed through the Slow Money network to 246 small food enterprises, primarily in the United States, but also in Canada, France, and Switzerland. This funding occurred primarily via local networks and investment clubs and, occasionally, through national gatherings. Because this process was driven by distributed nonprofit local networks, centralized data collection and portfolio analysis are subject to inevitable constraints.

In addition to data from Slow Money’s direct experience, we have collected and analyzed data from 42 survey respondents. The survey provides an overview of $293 million of investing in 968 local, organic, and sustainable food enterprises from 2009 to 2013.

While we recognize the limitations of the data, we also recognize the significance of pattern. The pages that follow evince a pattern of entrepreneurship, stewardship, prudence, and risk-taking that is integral to the emergence of local food systems, in particular, and a restorative economy, more broadly. These are the elements of a new narrative.

We hear from emergent nurture capitalists—fiduciaries that are working to balance financial returns with patient strategies for promoting carrying capacity, sense of place, and soil fertility. We hear from what one of Wes Jackson’s neighbors calls the “heroic grunts”: small farmers and food entrepreneurs who are rebuilding local food systems. We hear from a new breed of individual investors who want to know where their food comes from and where their money goes, and who want to align money and values in the most tangible and pragmatic ways possible.

These stories are included here as reported by entrepreneurs and investors, in their own words. Most of the entrepreneurs and investors included have been active participants in local Slow Money networks. In a few cases, the entrepreneur or investor has not been directly involved in a Slow Money event or investment, but their activities are closely aligned and their voices very much a part of the broader conversation.
A few fundamental tensions of theory and practice bear calling out before proceeding. There is the tension between small, distributed investments and large-scale systemic change. There is the tension between the local and the fiduciary. There is the tension between efficiency and diversity. There is the tension between data and narrative.

I think back to my trip to Slow Food’s Terra Madre event in Turin in 2008, during which I came upon an International Herald Tribune story titled “At the Crossroads of Finance and Culture.” We are still very much at this crossroads. The work of organic farmers, local food entrepreneurs, and the funders who are supporting them is helping steer us in the right direction.

Woody Tasch
Founder, Slow Money
ABOUT THIS REPORT
Since 2009, the Slow Money network has been catalyzing investments into local, sustainable, and organic food, farming, and ranching enterprises. More than $38 million has been invested into over 350 deals, as a result of Slow Money local activities, regional events, and national gatherings; $31 million of this is covered by the following analysis.¹ In the summer of 2014, Slow Money surveyed dozens of individuals and organizations that are supporting local food systems and sustainable agriculture.

METHODOLOGY
With input from a few experts from the Slow Money network, we 1) designed a survey to capture the scale and characteristics of investments into this field from a wide range of investor types, and 2) developed a list of respondents. The data that follows is the result of responses from 32 investment funds, family offices, and foundations, as well as ten Slow Money investment clubs. We augmented the survey with direct interviews with a subset of the respondents. The details of the survey methodology are available upon request.

The period covered by this study is the five years from 2009 to 2013, corresponding to the first five years of active investing through the Slow Money network.

THE STATE OF THE SECTOR
Our survey and the Slow Money investment database together tracked a total of $293 million invested into 968 deals during the period of 2009 to 2013. We believe this constitutes a meaningful percentage of overall activity in the field; however, the precise definition of the field requires further study. In general, we see a modest upward trajectory in investment activity, although $13 million of the investment activity in 2013 was due to a single transaction.

¹ This report counts Slow Money investments at approximately $31 million, even though Slow Money reports a total of more than $38 million through its network. The difference arises because: 1) the report stops at the end of 2013, and 2) a number of Slow Money investors were included in the survey, and their data therefore appears with the other survey respondents rather than with the aggregated Slow Money data.
INVESTMENTS BY INVESTOR TYPE

The survey covered a wide range of investor types. A relatively small number of professional investment funds and financial services organizations\(^2\) (RSF Social Finance, Beartooth Capital, New Resource Bank, Renewal Funds, Coastal Enterprises Inc., and Whole Foods Market Local Producer Loan Program) account for roughly half of the total investments. The remainder of the activity is broadly distributed between family offices, foundations, Slow Money investors, and non-Slow Money angels.

*Note: All graphs in this report show data for the years 2009 through 2013.*

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\(^2\) Throughout the report the term “Investment Funds” covers both private investment funds and financial services organizations.
INVESTMENTS BY GEOGRAPHY

Roughly one-quarter of survey respondents, representing about two-thirds of the total investing activity covered by the survey, reported having no geographic priority. The New England and Pacific regions have received the most attention, from both the survey respondents that reported a geographic preference and Slow Money investors. Slow Money activity in New England is driven in large part by Slow Money Maine, the most active Slow Money local network.
ABOUT 60% OF THE TOTAL DOLLARS INVESTED WAS IN DEALS OF $1 MILLION OR MORE.

ABOUT 60% OF THE DEALS WERE LESS THAN $100K.

DEAL SIZE BY DOLLARS

- < $25K: 107
- $25K–$99K: 184
- $100K–$999K: 82
- $1M–$5M: 53
- > $5M: 4

SLOW MONEY INVESTORS

SURVEY RESPONDENTS

# DEAL COUNT
DEAL SIZE
As the preceding chart shows, a majority of the investments tracked were under $100K. Although most of these investments were made by Slow Money investors, Slow Money investment clubs, and a few investment funds that are focused on small-scale loans (Whole Foods Market Local Producer Loan Program and The Carrot Project), a majority of the survey respondents have made some investments of $100K or less.

Roughly 60 percent of the dollars invested by survey respondents were primarily in transactions of $1 million or more. For Slow Money investors, the median investment size was about $30,000 and over half of the total funding deployed was in transactions of $100K to $999K.

INVESTMENTS ALONG THE SUPPLY CHAIN
Of the funding that was classified by supply-chain segment, farmland or ranchland and organic brands each accounted for approximately 35 percent. Farming or ranching operations, distribution, and processing each received nearly 10 percent. A few large investors drove this distribution: RSF Social Finance accounted for about two-thirds of the funding directed to organic

* Farm suppliers, retail markets, urban ag, restaurants or eateries, food service/catering, co-ops, and CSAs. There is some overlap in categories (e.g., some of the farming operations may also be CSAs).
brands, and Beartooth Capital accounted for about one-third of the funding directed to farmland or ranchland. While survey data is lacking in granularity in this regard, it is likely that the category “organic brands” includes some brands that are local but not organic, but is dominated by companies building national brands.

Of the investments made by Slow Money investment clubs, about half were focused on farming or ranching operations, 15 percent on processing, and over 10 percent on urban agriculture. The largest area of investments for family offices, foundations, and non-Slow Money angels was farmland or ranchland.

**INVESTMENTS BY FOOD TYPE**
Of the funding that was classified by food type, produce accounted for nearly half and beef and other meat for another quarter. Grains and dairy each account for 10 percent.

**INVESTMENT STRUCTURES**
By count, the vast majority of investments, roughly 70 percent, for both Slow Money investors and survey respondents, were made as loans. Of these, most were under $100K. For both groups of investors, equity investments accounted for about 20 percent and grants
or other (e.g., loan guarantees, PRIs, royalties, convertible debt) accounted for about 10 percent. By dollars, investments were roughly evenly split between loans and equity.

**HOLDING PERIODS**
Most of the funds invested by survey respondents and Slow Money investors were seeking returns within one to six years, primarily through loans. For those investors who primarily made equity investments, the time horizons were longer, with many reporting having “no specific holding period.” Slow Money investment clubs are primarily making loans of three years or less.

**RETURN EXPECTATIONS**
Slow Money investment tracking does not generally include investment return expectations. However, Slow Money investment clubs deploy their capital in uniform ways that can be tracked. Most Slow Money investment club loans bear interest rates of 1 to 5 percent.
An interesting example is Colorado Food Investments, a Boulder-based Slow Money investment club, which deploys its capital in three-year, 3-percent loans with no collateral; approximately one-third of club members hope that the portfolio will yield a 3-percent return, another third expect to get return of capital, and the final third are prepared for negative returns.

About half of the total invested capital of survey respondents is seeing returns of 6 percent or more. Additionally, 25 percent of survey respondents indicated that they “expect risk-adjusted returns appropriate for the asset class.” It is likely that a significant portion of respondents who indicated return expectations of greater than 10 percent and, also, many of those expecting...
6–10 percent, did not consider themselves to be making below-market-rate investments. However, some foundations, some angels, and a small sliver of funding from investment funds are open to or have structured investments for negative returns or return of capital.

**IMPACT OBJECTIVES**

One-third of survey respondents, representing about 15 percent of invested capital, are investing primarily for social and/or environmental impact. Approximately 60 percent of survey respondents, representing 85 percent of invested capital, indicated that they were seeking a balance of financial returns and social and/or environmental impact.

In terms of specific impact objectives, 60 percent of survey respondents prioritized social and economic impacts, including local food production, job creation, rural economic vitality, and increasing access to healthy foods for all Americans. A quarter of survey respondents prioritized environmental impacts, including soil fertility, biodiversity, carbon sequestration, and reducing toxicity and pollution.

Half of survey respondents reported having metrics for tracking social and/or environmental impact. Several of these respondents indicated willingness to share their metrics.
CONCLUSION
Analysis of the data from the Slow Money investment database and from 42 survey respondents, covering $293 million and 968 deals from 2009 through 2013, indicates that:

- About 60 percent of the total deals were less than $100K.
- About 60 percent of the total dollars invested were in deals of over $1 million.
- Seventy percent of total investments went to land or organic brands.
- Most money invested through the Slow Money networks and investment clubs targets farming and ranching operations, processing, distribution, retailing, and other categories.
- The super-majority of investments are loans.
- Twenty-one percent of total invested dollars expected below-market returns.
- Sixty percent of survey respondents prioritized social and economic impacts, and a quarter of survey respondents prioritized environmental impacts.
- Half of survey respondents reported having metrics for tracking social and environmental impacts.

For a number of reasons, this survey was not in a position to determine “total portfolio returns” on surveyed investments. In terms of the Slow Money network, it is still too early in the process of getting capital flowing to do such analysis. Because they have discrete portfolios and formal tracking, Slow Money investment clubs may be effective vehicles for analyzing risk and returns of broader Slow Money cohorts. Return data from private investment funds may or may not be made available to future studies.

That said, data on deal size and return expectations was suggestive. Investment funds and family offices, which together accounted for 73 percent of the dollars invested, tend to look for rates of return that are not explicitly subsidized. Foundations, Slow Money investors, and non–Slow Money angels cross the line explicitly between philanthropy and market-rate investing. In terms of deal size, while a small number of organizations (e.g., Whole Foods Local Producer Loan Fund and The Carrot Project) and Slow Money investors are particularly active in the under $100,000 category, a majority of survey respondents have made some investments of that size.

As capital continues to flow into local, sustainable, and organic food and agricultural enterprises, further inquiry into the relationship between this sector and the broader field of impact investing holds considerable promise.

This survey was conducted on a short timeframe with a limited budget. We recognize that we were not able to be comprehensive in our outreach and that there may be some selection bias in our findings. Therefore, the level of precision is imperfect, and findings must be understood to provide rough characteristics and rough distributions across
categories. The data is lumpy, and in some cases responses from a single entity drive category results. We have pointed out these instances where possible. Extrapolating from this data a more complete description of the sector, including more precise definitions of subsectors, is a subject for continuing study.

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<th>RESPONDENTS</th>
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<td>FarmWorks Investment Co-operative Limited</td>
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<td>Wallace Center at Winrock International</td>
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<td>Whole Foods Market Local Producer Loan Program</td>
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<td>Wholesome Wave</td>
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<td>Four anonymous respondents</td>
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**Acknowledgments:** The author thanks all of the survey respondents for being so generous with their time. This report would not have been possible without their participation. Thanks also to Woody Tasch for his help aggregating and analyzing this data.

*Amy Dickie is a founding member of Slow Money and the author of Local Foods: A Guide for Investors & Philanthropists. She helps run the philanthropic services group at California Environmental Associates, where she focuses on sustainable food and agriculture. Feel free to contact her with questions about this report: amy@ceaconsulting.com.*
In recent years, there has been a local meat renaissance going on in Wisconsin. Black Earth Meats has been a very active participant in this emerging sector. Our operation included a retail space, a buyers club, and a community-supported agriculture (CSA) subscription service, as well as a U.S. Department of Agriculture–inspected slaughterhouse.

Black Earth Meats served as an important support for nearly 200 farmers, most of whom raised animals in small numbers on pasture, free of antibiotics and hormones. After moving into a local slaughterhouse in the 1,500-person town of Black Earth seven years ago, the company grew considerably. The plant grew from 70 beef a week to 140–150 a week.

In addition to operating the only certified-organic and Animal Welfare Approved slaughter facility in the area, Black Earth Meats also prepared and sold the same meat at its retail space, and served as a middleman between farmers and the restaurant and retail industry. We aggregated from a number of small, sustainable farmers and tried to keep prices as unadorned as possible, developing relationships with our chefs and grocers to learn together how to use more of each animal.

This approach worked. Customers drove to Black Earth to pick up meat from local farmers, and many area farmers invested in growing their operations once they were confident they had a processor they trusted.
Then, in August of this year, Black Earth Meats announced it had to close its doors. The Village of Black Earth—prompted by a small group of neighbors—had ordered the company to relocate. Whereas the company we had replaced had been slaughtering animals one day a week, Black Earth had 40 full-time employees and processed animals every day.

“The problems started about three and a half years ago,” neighbor Mary Mickelson told local Wisconsin newspaper *Isthmus*, describing the noise, trucks, and smells that accompanied Black Earth’s growing business.

In response to such complaints, the town required Black Earth Meats to cease operations. The company is now involved in litigation regarding this closure. Meanwhile, many of the farmers who worked with Black Earth Meats are caught between disbelief and frustration.

**A FARMER’S PERSPECTIVE**

The experience of Vince A. Pope of Double Ewe Farm in Arena, Wisconsin, is illustrative. He and his wife have day jobs and raise sheep in their free time on the farm his grandfather bought in the 1920s. They sell around 60 lambs a year, and while the profit margin is small, they’re animal lovers who prioritize the humane aspect of their work.

“I’m proud to say I’ve never sold an animal through a livestock auction,” says Pope. “You don’t know where they go or how they’re handled.”

Double Ewe Farm is Animal Welfare Approved, and that means they must follow a strict set of standards from the animals’ birth up until the moment they are harvested. Black Earth Meats made that last part possible. For one, the animals were transported just 12 miles to the slaughterhouse, which greatly reduced their stress.

“To be honest, market day isn’t my favorite day of the year,” says Pope. “But that’s these animals’ purpose in life. They’re giving us life, and they had a good life,” he says.

“American lamb is getting outpaced by imports, and if we continue to lose processing infrastructure, we’re going to lose our industry,” he says. “That might sound far-fetched, but go back and tell the textile industry that in the late ’90s.”

Keeping food production out of sight may have been effective in recent decades, when big-box stores were rising to power and most eaters didn’t care about where their food
came from. But making the process visible—even the parts we may not want to see—can help eaters get in touch with the true value of their food.

Nicolette Hahn Niman, who co-owns California’s BN Ranch with her husband Bill Niman and is the author of *Righteous Porkchop* (William Morrow, 2010) and the forthcoming *Defending Beef* (Chelsea Green, 2014), sees the closure of Black Earth Meats as part of a larger problem. “It’s a good example of the phenomenon where people want local food and they want local farms, but they don’t want local slaughterhouses and meat processing,” she says. “But we have to have the full food chain restored if we’re going to have a sustainable system. Somehow we have to come to grips with this as a society.”

Shortly after a recall and the closure of the Rancho slaughterhouse in Northern California left many farmers in the area in financial straits, Niman wrote a New York Times op-ed calling for more local food advocates to Support Your Local Slaughterhouse. In it she wrote, “From 1979 to 2009, California went from having 70 slaughterhouses to 23. Because it is more complicated and costly to do so, nearly all large facilities refuse to work with smaller farms. This makes slaughtering the most serious bottleneck in the sustainable food chain.”

Back in Wisconsin, farmers and consumers are waiting to see what comes next for sustainable meat processing in the greater Madison area.

CALIFORNIA SAFE SOIL

*Dan Morash*

If you’re like me, you may have wondered what happens to all that food the supermarkets can’t sell. Things like day-old bread can be donated to those in need, but too much food isn’t consumed before it reaches its “sell-by” date.

At California Safe Soil, we’re commercializing a new technology to recycle food from supermarkets into fertilizer for farms, in only three hours. The key is to recycle the food quickly, while it’s still fresh, and then use heat, mechanical action, and enzymes to reduce food to its constituent nutrients: amino acids, fatty acids, simple sugars, and minerals. Run those nutrients through the farmer’s drip lines into the root zone, and they
stimulate rapid and diverse growth of soil organisms. Plants react to this expansion of organic activity by increasing root growth, flowering, and fruiting. More roots means more plant uptake of water and fertilizer, and greater plant vigor. Healthy soil grows healthy crops.

For the past two years, we’ve been running a pilot plant in West Sacramento, California, to demonstrate this new technology. We have five supermarket customers, and one of them—Save Mart Supermarkets—has agreed to supply us with organics recycling from all 225 of their stores. This will mean construction of two new commercial-scale plants, one each near their Distribution Centers in Roseville and Merced. We recycle 100 percent of our feedstock—no effluent, no emissions, no nuisance odors. Since food is mostly water, our fertilizer, called “Harvest to Harvest,” or H2H for short, is a liquid, equal to 90 percent of our feedstock. The remaining 10 percent solids are screened out and make an excellent sustainable pig or chicken feed. Each commercial plant we build will recycle over 32,000 tons per year of organics, will cut greenhouse gas emissions by over 42,000 metric tons of CO2 equivalents, and will serve 120,000 acres of sustainable agriculture. The technology is modular, as we plan to build a network of plants near the distribution centers of our supermarket customers. That will minimize both collection and distribution costs, and minimize our environmental footprint.

Getting to this point hasn’t been easy. We started with the usual “friends and family” equity financing rounds, and then went to angel capital programs, like Venture Greenhouse, Investors’ Circle, SXSW, Keiretsu Forum, and Imagine H2O. Going forward, we will have corporate and public sector partners. Many of California’s large farms have active sustainability programs. We have been working with independent agronomic experts from UC Davis, Cal Poly, Fresno State, and the UC Cooperative Extension offices, and private researchers to conduct scientific research in support of technology adoption. Farms have been happy to run field trials, and we now sell all the H2H we can produce at our pilot plant to almond, strawberry, tomato, vegetable, and wine grape growers.
Capay Valley Farm Shop (CVFS) was established in 2007 to connect Capay Valley farmers as closely as possible with regional customers. In the ensuing years, we have supplied 100 percent local food from our farms and ranches to scores of businesses and thousands of consumers in Northern California.

The company was founded by farm community members, who believe in cooperative marketing as a means to strengthen agriculture and, thereby, keep fertile lands working. We see wholesome foods grown with sustainable practices as a key part of the solution to nurturing the health of humans, local economies, and the environment.

As a rural food hub we meet critical needs in our regional food system by connecting our network of 45 farms and ranches to markets in Northern California and increasing consumer access to high-quality produce, meats, olive oils, and other value-added products. We pick up products directly from our producers, and then aggregate, pack, market, and deliver directly to customers. Our multifarm Community Supported Agriculture (CSA) program offers flexible and minimal requirements to easily incorporate new farmers and help them scale up to wholesale.

Farm Shop also focuses on supporting small- to mid-size growers’ capacity to ensure fair compensation and to navigate complex government regulations. It is definitely a challenge to do both! We position our producers to be price-makers and, based on grower request, we will engage in crop planning specific for the sales channels we have developed. Food safety and an increasingly complex regulatory environment pose challenges to our growers, and Farm Shop helps them navigate this journey.

Since we opened, CVFS has returned $1.5m to growers. We have created 10 full- and part-time jobs (about 8 FTE). As noted above, we work with 45 farms and ranches—that number has grown every year we have operated.

We continue to see an opportunity for our rural food hub to help our farms connect with markets they would otherwise be unable to reach. We are encouraged by a growing base of beginning farmers in Capay Valley. Equally important is growing consumer interest to support transparent, equitable, sustainable, and regional food systems.
CATTLE PRODUCERS OF WASHINGTON

*Sue Lani Madsen*

A year after the ribbon cutting is a good time to reflect. The Cattle Producers of Washington Livestock Processors Cooperative Association (CPoW LPCA) in Odessa, Washington, opened its doors in September 2013. We’ve been fully operational since February 2014, after a rough shakedown and major repairs, and we’re hoping to reach cash flow sustainability before the start of 2015. We are in the vanguard of the movement to rebuild small-scale USDA processing capacity lost over the last 30 years.

We face many challenges: finding the right combination of equipment, finding skilled and willing-to-learn unskilled labor, competing with extraordinarily high cattle prices from the major packing houses, helping our members connect to marketing. Then there are the challenges totally outside of our control, like the impact of major fires in Washington on cattle numbers, winter ranges, and ranchers.

But we also have to celebrate our successes. We’ve made it through our first year. We have a good management team in place and are developing our workforce. Our productivity is increasing. We have a permanent USDA inspector assigned after months of interims, and he’s moved into the community. Our food safety record is spotless. Our customers (the ranchers) are starting to connect with new customers (consumers) and build their markets. Chefs, school districts, universities, and families now see the value in locally produced and processed meat—something that wasn’t even an option a year ago.

The CPoW LPCA has benefited greatly from the connections we made through the Slow Food and Slow Money movements. We wouldn’t be here without the support of people who understand the importance of rebuilding regional food systems for our long-term sustainability. Fortunately, ranchers are stubborn types and don’t give up easily. We’re working hard to ensure long-term success.
CHATHAM MARKETPLACE
Carol Peppe Hewitt

At our first Slow Money North Carolina gathering, in July 2010, Paul Finkel suggested that we refinance the $300K balloon payment of Chatham Marketplace, our local co-op grocery store. The Marketplace was about three years old, and Paul, who served on the co-op’s finance committee, knew well the burden of this debt. Could Slow Money NC help?

At the time, the idea sounded preposterous. A few of us had made Slow Money loans of $2,000 and $3,000—to a baker, a restaurant, and a cheese shop. But $300,000? It didn’t seem possible.

Over the next year, we staged many more conversations among like-minded people about Slow Money and community finance. The networking alone made the gatherings worthwhile. People found the Slow Money idea contagious, and soon folks who wanted to make affordable loans began finding us. We met farmers and local food businesses that needed capital for small projects, we brought people together, they formed relationships, and affordable Slow Money loans were often the result.

In the fall of 2011, with another dozen Slow Money loans under our belt, we revisited the Chatham Marketplace impending balloon payment. While no one individual was interested in making a $300,000 loan, we wondered if we could find a way to handle this as a group. Could we create a legal entity to gather the funds, and make the loan? We could, and we did.

A little more than a year after that first Slow Money NC gathering, we jumped ahead of the balloon date and refinanced the entire balance due at the time.

We raised $400,000 (16 participants contributing $25,000 each) and formed a Limited Liability Corporation. We called ourselves “Bringing It Home Chatham, LLC,” because that was exactly what we did with our money.

On November 1, 2011, the closing date for the refinance, Bringing It Home Chatham, LLC, took a historic step forward in financing ourselves as a community. We dropped the co-op’s interest rate several points and reduced its monthly payments by a third!
Now in its eighth year, the Chatham Marketplace is showing a small, but growing profit. In 2013, sales were over $2.3 million. There are now over 2,400 members and the store is a vibrant and much-loved part of the community.

Excerpted with revisions by the author, Carol Peppe Hewitt, from “Financing Our Foodshed: Growing Local Food with Slow Money (New Society, 2013)

DE LA CHIVA DAIRY
Tim Doty & Matt Doty

De La Chiva Dairy, LLC, is a family-owned and -operated goat dairy in Northglenn, Colorado. We started raising pygmy goats in 1993 as a 4-H project. In 1995 we branched into dairy goats. We started with two of them.

I have Crohn’s disease and soon discovered I felt much better on goat’s milk. In 1998 my oldest son, Timothy, went to the Czech Republic as a foreign exchange student. He was exposed to some wonderful cheese and developed the desire to learn to make cheese. After he returned, goat cheese became our passion. In 2008 we moved our dairy herd to an old cow dairy in Northglenn. In 2010 we became licensed to produce goat cheese. We had approximately 60 to 70 goats to milk. We began to sell our goat cheese at local farmers’ markets. We have grown to over 200 goats. We have delivered over 4,000 baby goat kids since 1993. We are milking approximately 120 goats twice a day. My sons Timothy and Matthew are aggressive in selecting sound genetics in our male goats, so we have increased our butterfat content and quality of milk. This allows us a larger yield of creamy, smooth, outstanding cheese.

We have a specific grain mix, made for our goat herd from a local grain elevator. This grain mix has enhanced the taste of the milk as well as the yield of cheese, and also, provides the necessary minerals, probiotics, and protein for the goats’ overall health.

Another challenge is the cost factor in this area. There is a prison in Cañon City that has a goat dairy, and they produce milk and sell it very cheap to the other local goat dairies. Therefore our expenses are higher, because we are paying for hay, grain, and other general goat care, plus the expense and time of raising our own goats. The benefits are that we know exactly what is fed to the goats and what medications they are given. Plus,
we can ensure that no hormones are introduced to our goats. The dairies that purchase the cheaper milk from Colorado Department of Corrections are able to sell their cheese at lower prices than we can. Therefore, our cheese has to be so much better.

Another challenge is selecting and finding the correct farmers’ markets to enter. Some markets are not run as well as others, and some demographics are by far better than other markets. We have learned in the past few years which markets are best for our products.

Our cheese is outstanding. We have a couple of cheeses that are unique to us, and no one around can match them. We are growing and getting more name recognition and have a strong following. We are branching into selling to restaurants and directly to chefs and other shops.

The money from the Slow Money investment club in Boulder allowed us to bridge over last winter. Most goat cheese that is purchased in chain stores is frozen, then shipped, and then thawed. We prefer to do fresh, local cheese.

**GREENLING**

*Mason Arnold*

The Greenling story began with a fiery passion for the environment and sustainability. Recognizing that agriculture consumes vast quantities of water and energy, I knew if we could change the food system many other things would get better too. I studied the food system and thought there was a better way to get local, sustainably produced food from the farm to the table. Greenling set out to create a system where technology meets dirt to help farmers spread their good food and help people connect with farmers and food.

Shortening the distribution lines between small producers and local consumers is a key link in the local food systems that Slow Money is working to support. It was very gratifying to be featured at Slow Money’s 2nd National Gathering in 2010, and even more gratifying to receive investment capital as a result.

Four years later, Greenling has delivered local and organic food to over 100,000 people across Texas. This kind of delivery business has been tried and has failed many times, because matching small-farm supply with the demand of individual consumers
is extremely difficult. That’s where Greenling’s innovative inventory management system and strong farmer relationships have come in and helped us stay at the forefront of the food delivery industry. We’ve developed strong farmer relationships by giving them a better price than they can get wholesale and giving them a reliable, year-round place to sell their products.

Because Greenling works directly with the farm and with the end consumer, cutting out the many middle-men that are typically in the supply chain, we can still charge prices comparable to the grocery store. It’s only with the support of communities and organizations like Slow Money that we’ve been able to thrive. Along the way, Greenling has also added innovative products, from 100-percent organic cold-pressed juices to organic and local meal kits and much more.

HARVEST RESTAURANT
Ivor Chodkowski
In 2007, with help from the USDA and the Kentucky Agricultural Development Board, I helped found Grasshoppers Distribution, a local food aggregator and distributor which served Louisville, Kentucky, until December of 2013, when the board decided, for complex reasons, that it should close. It was, nevertheless, an important effort in the region, and many of its lessons are still a significant part of the local food and agriculture discussion. It is important also to mention that Grasshoppers was a nationally recognized food-hub, as these efforts have come to be called, and was selected in a national competition by Wholesome Wave to receive a loan to encourage a three-fold bottom line: environmental, social, and economic. Wholesome Wave made a point of saying that, even at the time, all of the candidates for the loan were challenged in many, if not all, aspects of their business models.

I also helped open a local-foods restaurant in Louisville, with the goal of sourcing 80 percent of its product from within 100 miles. That award-winning restaurant is called Harvest. Inspired in part by Slow Money national leadership, it is always a cause for celebration to say, “The restaurant raised between a quarter and a third of the capital that we
needed to open with a chalkboard at the farmers’ market. There are 20 or so small investors in the community, some of whom are farmers.” Since opening, Harvest restaurant has been giving back to the community by sourcing ingredients from more than 50 local farms. We have spent more than $1 million on locally produced dairy products and produce, and locally raised livestock.

When my own farm, Field Day Family Farm, working with the new Slow Money Kentucky network, was able to secure two small loans for the financing of winter production, it was as if much of what we had hoped for at Grasshoppers had begun to come true. These two loans will help my farm finish work on two greenhouses and offer operating capital at a time of year when the farm’s cash reserves are in short supply. The loans will distribute the risk of winter throughout the year. It has been a welcome effort, not just on our farm, but also for our CSA customers who, just this year, have their first opportunity for a winter CSA. It has been worth the wait!

HEEKS FARM

Heeks Farm is located on 75 acres in Bahama, North Carolina. The farm specializes in cool-season vegetables sold primarily through local farmers’ markets during the months of September—April. Heeks Farm was started in 2009 on a quarter of an acre at an incubator farm run by the Orange County Cooperative Extension. After leasing land for five years, the farm moved to its current location this summer.

In 2011 Heeks Farm received its first Slow Money loan to purchase a tractor-mounted Jang precision seeder that enabled us to double our production area. This piece of equipment has been instrumental in our expansion, allowing us to seed long rows in very straight lines in just a few minutes. This year we added a tractor-mounted basket weeder to mechanically cultivate a significant portion of our cropland to allow us to expand our production area without a proportional increase in our labor costs. We strive to be an efficient farm, and this year we hope to increase sales to $71,000 while only slightly increasing our production acreage to four.
See the table below with our sales figures since our inception in 2009.
This summer we received our second Slow Money loan to help us finance construction of an operations center at the new farm. This includes a barn with a vegetable washing station, two walk-in coolers, and a tool room. This project has cost a little more and taken a little longer to complete than expected, but it is an exciting stage for the farm. The future looks bright.

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**LOCKHART FAMILY FARM**

*Josiah Lockhart*

Having developed a passion for agriculture and helping to feed people while living abroad in Scotland, my wife and I moved to Virginia to rehabilitate a derelict farm recently purchased by my parents, a stone’s throw from the farm they had while I was a child. With a passion for biodiversity, I’ve developed the farm to focus exclusively on preserving rare and heritage-breeds woodland livestock and tried to enact the belief that to save these breeds we have to eat them.

In addition to raising livestock, work in the community was always part of the mission, and the farm offers a range of on- and off-farm educational activities. Time and resources have always been set aside to ensure access for individuals who don’t normally have access to high-quality food and agriculture. The farm participates in Shalom Farms’ nutrition program, through which food is donated to low-income families with
nutritional deficiencies. In addition, a special on-farm summer camp is arranged every year for children from the Fredericksburg refugee center at no cost to them, and a training program for adults facing long-term unemployment or in transition from the military is in the planning stages.

Lack of capital has always been the largest stumbling block for the farm. Securing start-up capital for a niche-market farming enterprise is challenging, and after struggling for some time, half of the projected need was secured through a combination of personal investment, private financing, and a short-term loan from Equity Trust.

At the start of 2014, I was invited to join the board of directors for both Slow Food RVA and the Richmond Food Co-op. In these roles the farm has the opportunity to work directly with the key players in the local supply chain, helping to increase the market share for rare and heritage meat as well as promoting access to good, clean, natural food in food deserts across the area.

By summer 2014 the farm’s outlook was so positive that we were able to secure an additional $125,000 in traditional bank financing to expand our rare-breed operation and educational activities. By the start of 2015, the farm will be one of the largest breeders of the American Mulefoot (the rarest commercially available pig in the United States) and has been given the opportunity to further develop the Buckeye heritage meat chicken strain that has been under preservation by The Livestock Conservancy.

LUCKY PENNY FARM
Abbe Turner

The journey began in 2008, when I earned second place nationally in the American Dairy Goat Association’s Amateur Confection Contest with my cajeta recipe, a Mexican caramel sauce reminiscent of dulce de leche. I handcrafted this candy from fresh goat milk sourced from our family’s dairy goats at Lucky Penny Farm in Garrettsville, Ohio. Also that year, I was selected to represent the Cleveland Slow Food Convivium in Turin, Italy, as a Slow Food Terra Madre Delegate. What an honor!

But timing is everything. Unfortunately, 2008 was also the year the market crashed, and I could not obtain a penny of traditional loan-based funding.
Persistence, flexibility, and Slow Money eventually paid off. In 2010, Slow Money investors helped me establish Lucky Penny Creamery in Kent, Ohio, which specializes in fresh goat, sheep, and cow cheeses and confections. By 2012—thanks to a Slow Money grant from the Columbus network—we launched Lucky Penny Cajeta at the Fancy Food Show.

We produce superior local dairy products by managing the entire process, from pasture to plate, according to sustainable farm and food production practices. Lucky Penny’s wholesome approach to local specialty food has earned the brand a solid following from reputable chefs, farmers’ markets, distributors, and customers throughout the Midwest.

Lucky Penny is entirely funded by 38 individuals who care about food and how it’s produced. People invest in Lucky Penny because they believe in our products, and we have paid it forward by working with more than a dozen farmers and by assisting the launches of new companies (e.g., Clover Road Cream Cheese, made with milk from grass-fed cows). Lucky Penny is built on the belief that our value-added agricultural products contribute to the health and happiness of our customers and the sustainability of our local food system.

Our efforts have been recognized. I was named a 2013 Farmer Hero by Farm Aid, and a Superstar Farmer by Local Food Cleveland. Lucky Penny Creamery earned the Green Business Award from Portage Parks Foundation earlier this year. *O magazine even called, interested in featuring Lucky Penny as one of Oprah’s favorite brands!*

I am gratified to have earned the Kent Area Chamber of Commerce’s IMMY Award, which recognizes quality local businesses that support economic retention, reinvestment, and new facilities development. We chose to house Lucky Penny Creamery in a run-down building in a declining part of Kent so we could participate in the city’s economic development as an urban farm processing operation. I want to demonstrate how to transform a defunct union lodge into a thriving business, while inspiring others to believe in their dreams enough to move forward with them.

Lucky Penny Creamery is a link between farm and city, transforming a raw agricultural product into a premier chef’s cheese. A healthy food system draws from local small farms that provide fresh, nutritionally superior food products to the consumer, not the over-processed, nutritionally depleted foods that are mass-produced and transported cross-country to big-box stores for maximum profit. Lucky Penny connects family farms
to family tables, proving that a small entity can make a big difference with the support of Slow Money.

We believe the *how* of production matters—making cheese according to artisanal traditions, in small batches, by hand, with integrity, for the freshest possible food product. Lucky Penny cheeses are served in local restaurants within 72 hours of milking time on the farm. Our animals graze outside daily. We believe you can taste the sunshine in our cheese.

We produced over 10,000 pounds of cheese last year. As we approach our fifth year of business—without one dime of bank loans to date—our challenge is securing capital infrastructure investment so we can scale up production to meet new account inquiries from Whole Foods and Kroger.

We have learned that good things come to those who wait, like lucky pennies adding up in a jar. Slow Food and Slow Money have reinforced our faith that _we can strengthen our economy from the ground up ... starting with food._

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**MAINE GRAINS**

*Amber Lambke*

Much has changed in Skowhegan, Maine, over the last decade. Once a declining mill town, it has become a hub for local, sustainable, and organic farming and food enterprises. This remarkable transformation started with a shared vision to bring Maine’s grain economy back. A mix of public and private investment enabled that vision to become a reality.

In 2001, I moved to Skowhegan with my husband, a partner with Skowhegan Family Medicine. Like many residents, we loved Skowhegan but were concerned about the lack of economic opportunity. Together with a circle of friends equally passionate about the town’s future, we took action.

A clear asset in Skowhegan was its farmland and hardworking people. In its agricultural heyday, Skowhegan produced enough wheat to feed 100,000 people. With the “buy local” ethic picking up steam, organizers decided that producing good food was the key to the revitalization of their town.
In 2007, I co-founded the first Kneading Conference, now an annual event that draws attendees from throughout the country and Canada. Inspired by the conference’s initial success, my colleagues and I established the Maine Grain Alliance, a nonprofit organization that preserves grain traditions from earth to hearth through a year-round slate of educational programs.

To establish the town as a leader in the statewide grain economy once again, artisan baker Michael Scholz and I purchased Skowhegan’s old county jail in 2009 for $65,000 and began transforming it into a gristmill. Despite early hurdles and skepticisms, the town rallied around the project, with the county economic development corporation, a local bank, Slow Money Maine, and others helping to finance the refurbishment.

The Somerset Grist Mill launched milling operations in 2012. Using the traditional stone milling process, it buys natural and certified-organic grains from area farmers to process and sell under the Maine Grains label. Maine Grains is sold in natural food stores throughout the Northeast, and the products have been used by award-winning restaurants and bakeries including Standard Baking Co. of Portland, Maine, and Gramercy Tavern of New York City. This spring, Whole Foods began using Maine Grains’ flour in a honey-wheat baguette it carries in its Northeast stores.

The former jail has become the heart of Skowhegan’s local food and entrepreneurial culture.

In addition to housing the gristmill, it is home to the Skowhegan Farmers’ Market, the Pickup Café and community supported agriculture (CSA) program, the Maine Grain Alliance, a youth-run technology center, and a yarn shop. To date, Maine Grains has raised more than $1.4 million in capital to support its growth, including $630,000 in grants, a $311,000 commercial loan, $125,000 in owner equity, and $367,000 in patient loans from Slow Money–inspired investors who defer principal and interest for the first five years, charge a low interest of 3–5 percent, and believe in strengthening the food system.
MM Local Foods began when co-founder Jim Mills and I decided there ought to be a better way to make great, authentic local food available year-round. Starting in 2009, we began to work with local, organic family farmers in Colorado to preserve surplus ripe produce—preventing great fruits and vegetables from going to waste while preserving their delicious flavor to enjoy year-round. MM Local continues to focus on building strong partnerships with local farmers to make delicious, locally produced products, including jarred fruits and vegetables, pickles, and live ferments.

At the start, the MM Local endeavor was met with skepticism. In 2009, when we first began to search out local growers with whom to work, farmers were skeptical about what we wanted to do. It was difficult to find people who would sell us produce at the volumes we hoped to buy. In retrospect, their skepticism was more than merited. As we’ve since learned, there is a lot of talk in local agriculture, but follow-through and great execution are what ends up making the difference. We heard from a lot of people that the business and production model we were pursuing was too complex—too linked to the variable and risky realities of locally grown food, and that our market would be small.

In hindsight, we’ve been lucky to be a part of a food movement that has sustained our ongoing growth and that seems to keep growing faster than we do. We have experienced challenges expanding distribution, growing our production capacity, and securing the working capital to run a business that invests heavily in seasonal production. We have never experienced a lack of interest in our products, our brand, or our mission from the communities and retailers with whom we work.

After three years working in commissary kitchens around Denver, we finally moved into our own cannery in downtown Denver with the help of a small Series A financing in 2012. In 2013 we ran our first pilot program in the Pacific Northwest, working with local growers and retailers to make and sell produce in a new part of the country. Every jar we put up is still traceable back to the farm where it was grown, and our mission remains very similar to when we first sat down with the idea to start the business. We are building an authentic national model for local food, and because it is what communities around the country want, it seems to be working. It’s a gift we appreciate every day.
It’s ironic. Agriculture marked humanity’s separation from nature, aided and abetted by the alluring promise of technology, setting the course for our present trajectory. But just as agriculture and technology have separated us from nature, we believe that they can help to reconnect us. The seeds of change are firmly planted, and shifting winds bring with them the promise of a new season. As we move forward, let the legacy of agribusiness be a cautionary reminder to future generations that the appropriate place for agriculture rests not in the industrial system where it can be controlled by a specialized few, but rather one participated in by and for the people.

Sustainable agricultural systems, by definition, are those that work with nature. Nature’s wisdom is the interconnection to all things, and diversity is its strength. Diversity requires small-scale attention, which can’t be properly fostered in the centralized agro-industrial models. An ecological approach to agriculture favors the small stakeholder and has the power to decentralize the food system once again.

So at last, there is hope. Our efforts to repair the broken food system start in our own backyard. We need to provide each individual with everything they need to participate in their own food production at home. Food production can be personal, use small areas, and produce complete diets like it has for so much of our past. Armed with a new set of technological tools, like those provided through social media, it has the power to connect neighbors so people can help one another build gardens, trade produce, learn person to person, and tell stories. If we begin with the individual, the paradigm shift will naturally flow to families, neighborhoods, communities, and ultimately into the broader culture.

That is the genesis of our Maxfield’s line of products. Everything we make is designed with intention to empower the farmer in each of us with tools to nurture our gardens and the earth, sustain ourselves, and share our bounty with our communities.

We currently manufacture and sell premium organic soil products out of our “Microbe Brewery” located in the shadow of Colorado’s majestic Front Range. Under our brand, Maxfield’s, we distribute our current soil products to the local farming and gardening market, primarily through nursery and garden stores, hardware stores, natural grocers, and hydroponic equipment retailers. Under our Batch:64 brand name, we
distribute primarily to indoor hydroponic retailers. We believe our greatest opportunities will be found at the intersection of the organic foods, personal health, and natural lifestyle markets.

RE:VISION

Eric Kornacki

At Slow Money’s fourth national gathering, in 2014, Re:Vision won the 2014 Mamma Chia Entrepreneur of the Year award for our project to develop the Westwood Food Cooperative, one of the first food cooperatives in the country owned and operated by a low-income community. Shortly after Slow Money’s recognition, Re:Vision won a $300,000 award from the USDA Competitive Community Food Projects, placing fourth out of over 120 proposals nationwide. With momentum from these awards, we attracted the interest of numerous organizations and foundations, helping lay the groundwork for a multi-stakeholder food cooperative.

Re:Vision closed 2013 having helped over 200 low-income families of southwest Denver develop their own backyard gardens, working with Somali Bantu refugees to sustain a 1-acre community farm, growing over 45,000 pounds of organic produce in one of Denver’s most severe food deserts.

In April 2014, the community elected its first board of directors for the Westwood Food Cooperative and established membership agreements for a multi-stakeholder cooperative of producers, consumers, and workers. We are working with the City of Denver’s Office of Economic Development to acquire commercial property in Westwood as the future site of the Cooperative. Leveraging the Slow Money and USDA funding, Re:Vision was awarded $1.2 million from Denver’s OED for the acquisition of a 75,000-square-foot commercial site on Morrison Road, an industrial thoroughfare that is being revitalized into a destination for healthy and culturally vibrant food and art. Our capital campaign for the project enters a new phase in October 2014, when we will start raising $5.5 million toward the construction and redevelopment of the site, which will feature a 12,000-square-foot grocery store, commercial kitchen, and food hub, and a 10,000-square-foot commercial greenhouse.
TS DESIGNS

Eric Henry

TS Designs is a sustainable, triple-bottom-line apparel company that is promoting the cultivation of organic cotton in North Carolina.

After the 1993 implementation of NAFTA, TS Designs watched its customers flood to Mexico for lower labor costs. Instead of following many of our peers and calling it quits, CEO Tom Sineath and I shifted to a triple-bottom-line business model, focusing on People, Planet, and Profits. In January 2008, we went on to meet the rigorous standards of social and environmental performance, accountability, and transparency required to become a certified B Corporation in North Carolina.

I wanted to go further and manufacture apparel made entirely of organically grown N.C. cotton—cotton grown, spun, woven, and sewn in North Carolina—creating a truly local “Dirt to Shirt.”

In 2011, we convinced a few N.C. cotton farmers to plant 50 acres of organic cotton. We hoped that the next year, they would be willing to go to 70 acres, maybe 1,000 the next year, then 3,000, then 5,000. Before long, we dreamed, it would be rare to find conventional Roundup Ready cotton seeds being planted in North Carolina.

But to get started, this plan required capital. In December 2011, the first organic cotton of this century was harvested and ginned in North Carolina. It met the standards TS Designs needed to produce quality yarn for T-shirts, and I immediately called Slow Money N.C. founder Carol Peppe Hewitt.

“We’ve got 25,000 pounds of cotton that we can make into 37,000 shirts,” I told her. “But the farmers need to be paid now.” I had 45 days before the cotton would be sold on the open market. “Once the shirts sell,” I explained, “we can pay the money back. This year, the farmers planted 50 acres of organic, next year they want to do more, but only if they get paid on time. By utilizing our own local organic cotton, manufactured in a local, transparent supply chain, we can make the most sustainable apparel in the world. Can Slow Money help?”

We needed $30,000. Carol made a few phone calls, and five friends and supporters of TS Designs enthusiastically stepped up to loan $6,000 each. They called themselves
The Cotton Club, and they financed the 45-day window that we needed to secure that cotton. Within days, the farmers got their money, our money, Slow Money. That’s $30,000 less for the stock market, and $30,000 more in local, community financing.

TWO FARMERS FARM

Dominic Pascarelli and Linzee Weld

In Maine, unlike many other places in the country, the number of farms is increasing and the average age of farmers is declining. We are part of that trend.

After an extensive search, we found landowning partners of a historic farm property on Rte. 1 in Scarborough, the commercial artery of coastal Maine. Two Farmers Farm has a seven-year rolling lease on five acres of flat farmland with good access to water and the option to lease more acreage in future years.

We have taken good advantage of Maine’s lending ecosystem. We first secured a line of credit through Maine Organic Farmers and Gardeners Association (MOFGA) and Bangor Savings Bank as a cash flow backstop. To date we have not had to draw down this line of credit. At a Slow Money Maine gathering in January 2013, we described our strategy and presented our business plan. We connected with members of Maine’s two Slow Money investment clubs, Maine Organic Lenders and No Small Potatoes. Maine Organic Lenders was able to meet the bulk of our financial needs and No Small Potatoes closed the gap with a microloan. In 2014, we secured additional low-interest debt from the USDA Farm Service Agency to expand our on-farm infrastructure.

With support from Slow Money lenders, we were able to expand our operation from one-tenth of an acre of winter greens to an acre and a half of veggies for year-round sales. Tractor implements, a seedling greenhouse, power- and water-line extensions, and a market vehicle are a few of the essential purchases that these loans supported. But equally valuable has been the multifaceted network of passionate advocates that we “two farmers” are now connected to through MOFGA, Maine Organic Lenders, No Small Potatoes, and Slow Money Maine.
When VermiVision presented at the Slow Money entrepreneur showcase in 2011, our business vision was to establish a series of worm compost production facilities on the West Coast, principally to serve growers in both conventional and organic food production.

Our goal was nothing short of transforming the ways and means of agricultural production by weaning producers from reliance upon inorganic agrichemicals, reducing water consumption, and rebuilding depleted soils.

To create worm compost on such a scale requires utmost consistency, reliability, and replicability of inputs. Worms do indeed work miracles in abetting organic material decay, but without rigorous control of their dietary feedstocks, compost made by worms cannot be used by food growers for many reasons, but primarily food safety.

Although we developed links with the scientific community to validate the efficacy of high-quality worm compost and gradually began to enlist growers in field trials, the economic barriers to establishing the worm compost production facilities needed to serve a growing market were daunting.

To advance our goals, VermiVision has merged with Worm Power of Avon, New York, the nation’s largest producer of high-quality worm compost. This merger will enable technology transfer and other efficiencies, so that more early adopters of worm compost can realize improvements to crop yields, water savings, and pest and disease resistance.
Our name comes from the two river valleys that shape the agricultural production of the mid-Colorado mountain region—the Roaring Fork and the North Fork.

2Forks is the first nonprofit investment club in the Slow Money network. While the other clubs are organized as for-profit LLCs, 2Forks capital comes in as donations. We will make 0-percent loans, and return of principal will be recycled in future loans. We currently have 15 members, who have made capital contributions ranging from $10,000 to $250. We will begin making loans when we reach initial capitalization of $100,000, which we anticipate will occur soon.

The nonprofit investment club model appeals to us for several reasons. Most importantly, it puts long-term impact front and center. It helps keep thoughts about such matters as transaction costs on the back burner, rather than on the front burner. It shifts our thinking from what we are taking out to what we are leaving in.

If we are truly committed to bringing money back down to earth, then we are going to have to create new models that reconnect us and get money flowing in radically new ways. We hope the 2Forks Club can make a valuable contribution to this process and grow—gradually, slowly, over coming generations—into a meaningful participant in the local food community here in these beautiful valleys.
For the past few years, it has been my privilege and pleasure to steward the emergence of a network of investors and entrepreneurs under the banner of Slow Money North Carolina. As a group, we’ve facilitated the flow of more than $1.2 million from over 90 investors to 60 farms and food enterprises.

You can see a photo and read about each of these entrepreneurs on the Slow Money North Carolina website. I’m proud that my own money helped several of these businesses, and I am just getting started.

Why is being part of this movement—this Slow Money movement—so engaging and rewarding?

There is power in money. Every day, even every second, strangers in faraway places are making decisions about my money. The money in my checking, savings, and retirement accounts is controlled and put to use at the mercy and the discretion of people who may or may not share my world-view, my values, my beliefs about what is right and wrong. I wouldn’t hand them my wallet and say, “Just buy what you want,” yet I do that every day with my life savings.

While my investments all classify as “socially responsible,” that’s not enough.

What I really care about is my health, my family, my relationships, and the people in my community. I also believe there is a crucial need at this time in history to support sustainable farmers and local food entrepreneurs, and to care about our planet. And I believe we have a moral imperative to address the harmful impact of climate change.

When the topic of investment comes up, the pull is to talk about how to maximize monetary gain. But what I want to maximize are equally, if not even more important, gains—like the survivability of our local food systems and long-term planetary soil fertility.

Making affordable Slow Money loans to sustainable farmers and local food entrepreneurs gives me a concrete way to work toward those goals.

In 2011 I loaned Angelina $3,000 to expand her farm-to-table Greek restaurant. Then I invested $25,000 in the refinance of our local food co-op. I loaned $1,500 to Patrick, a local cheese monger, and $6,000 to Eric to finance the first organic cotton grown in this century in North Carolina.
Most recently I loaned Alvin $6,000 to buy a used tractor. The bank was happy to loan him $40,000 for a new tractor (that he really didn’t need and would put him much deeper into debt) but for a used tractor, zero.

These are not strangers. These are my friends. Over the last four years, my husband and I have moved about $100,000+ into local loans. About $1,200 will most likely not be repaid, as one of the eight businesses has closed, unable to repay its debts. But that’s a loss I am happy to absorb as I build a stronger, more resilient local economy. Of the $100,000, about $30,000 has already been repaid, and some of that has been loaned out again.

My next step is to loan out the money in my newly opened self-directed IRA to businesses in my community that I care about and want to help survive and thrive. To people I know.

Because it matters, and it gives me joy. Is there a better reason than that?

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CASTANEA FOUNDATION

Tim Storrow

The Castanea Foundation (CF) was started in 2006 with a mission to conserve and protect agriculturally productive and environmentally significant land and water resources in select areas of Vermont and New York State. The Foundation has provided a suite of grants, loans, and other assistance designed to conserve productive agricultural land and foster farming’s economic viability.

A hallmark of CF’s approach has been to identify specific needs or gaps in the field and develop a “customized approach” that addresses those gaps. In the process, the Foundation has sought to bring new best practices to the field, create ongoing collaborations, and build the capacity of farming and food production enterprises in our region.

Since 2006 Castanea has deployed approximately $22 million across a broad array of projects. As the Foundation focuses its work going forward, its goal is to continue deploying capital in a suite of projects, and as those projects mature, recover as much of its capital as possible to continue supporting additional projects. The Foundation measures success in terms of impact, rather than maximizing financial return, but at the same time holds its borrowers and project partners to a high degree of accountability.
and seeks to recover as much of its invested capital as possible.

As the Foundation approaches the end of its first ten years in operation and considers its future role, the Board and staff decided it was time to take a qualitative look at the stories and lessons behind the numbers. In 2014, an independent, third-party evaluation based on interviews with a number of grantees, borrowers, and practitioners in the fields of agriculture and food systems was completed.

A number of common themes regarding Castanea’s engagement emerged from this investigation.

First, our ability to do both grants and investments, sometimes on the same project, is seen as a core strength. Building the food system means growing food businesses. Castanea is one of the few players in the field that connects the worlds of philanthropic funders and investors.

Second, in both grant making and investing, Castanea is credited for its willingness to take risks. In grant making Castanea has been willing to bet on organizations with new or innovative projects and build the capacity of organizations. As an investor in agricultural businesses, Castanea has been willing to launch new businesses to address gaps in the sector. And in land conservation, Castanea is highly regarded for its willingness to bridge gaps, take subordinate positions on loans, and invest in needed infrastructure. In all three areas Castanea’s approach has made it easier for other funders and investors to come into projects.

Third, people see the foundation as playing an important and leading role in supporting agricultural enterprise development, and in ensuring that farm and food enterprises can succeed as viable long-term businesses. People see value in Castanea’s strategic investment activities in enterprises along the supply chain. And they believe Castanea plays an important role by holding funding recipients, whether businesses or NGOs, accountable for developing enterprises with solid business planning and rigorous financial management.

Castanea is regarded as one of the few foundations (or investors) that is actively thinking about and engaged in the food system and its relationship to working landscapes. With that perspective the Foundation is able to invest in projects along the whole spectrum of the issue, thinking strategically about how specific investments can move the sector. As one friend of the foundation observed: “A lot of food funders ignore land, and
a lot of environmental funders ignore people and their ability to make a living from the land. Castanea sees both.”

Our approach has required a high level of engagement and a tolerance for failure, but it has yielded some models and successes in the field, including Vermont Livestock, Cellars at Jasper Hill, the Vermont Food Venture Center, Ayers Brook Goat Dairy, and the Equipment Leasing Project. Our approach also requires expertise in terms of negotiating deals, supporting business planning, and providing technical assistance. Sometimes this support is provided directly by staff; other times the foundation hires experts.

Looking ahead, we believe the single largest challenge to building a sustainable food system is finding a workable scale for farms and food business enterprises that can provide a family living to the owners and operators, while keeping land in productive and environmentally sound uses.

CLAUDE ARPELS
*Slow Money NYC*

As I sit at my desk in Chatham, New York, looking out the window at a squirrel who is painstakingly strategizing as to how to get the bird food that I have just made squirrel-proof (by replacing the chain from which it hangs with a slick wire), parallels with sustainable investing come to mind. Clearly, we, the sustainable investors, are the squirrel and our economy has been squirrel-proofed.

I approached Slow Money investing about three years ago with a hope of being able to make investments that earned low financial returns but commensurately invited low levels of risk. Instead, I find myself regularly confronted with the unsavory combination of low returns and high risk. I wrestle with the question of whether the nonfinancial returns should outweigh the financial ones. Should we approach this kind of investing as a different form of philanthropy? One in which we get some of our money back, sometimes? Or should we look at it as a variant on the classic venture portfolio, where one or two of the investments will have outsized success and generate returns that will make up for all the other failed bets?

In my unstoppable desire for sustainable solutions, I am not satisfied with either of
these options. I keep looking for that balance between financial and nonfinancial returns and risk, and I ask myself some fundamental questions.

To simplify the financial considerations and put them in the proper perspective, I find myself returning to outmoded financial metrics. Today’s MBAs might find it laughable, but to me, the most important financial measure in a Slow Money project is break-even. I am not interested in IRR, EVA, NPV, etc., considering these measures are designed to compare and maximize profitability. I look for old-fashioned profitability, and quickly. Profitability = economic sustainability = freedom to decide what is best for the business, which could be: more growth, more impact, more of the same?

Then what? It has become a basic assumption that new businesses must have an exit strategy. In my mind, this is one of the most corrupting forces in our economy. Like sophisticated financial valuation measures, it is designed to maximize and accelerate returns. I wonder if an exit strategy is antithetical to sustainable business?

OK, now one of the squirrels figured out how to get at the bird food. He hangs off the branch from his hind legs, like a bat, and reaches the wire from which the basket of food hangs, pulling it toward him. Now he is devouring the food in this upside-down position, and he is telling me that I have misunderstood my own metaphor. We are the birds, for whom the food was intended, to feed a multitude over a long period. The squirrel, and his friend who is now copying him, has found a complicated way to usurp this food. The two squirrels eat it all in a matter of minutes, leaving just crumbs for the woodpeckers, who are watching warily from a distance.

This is going to be even harder than I thought.

**CREDIBLES**

*Arno Hesse*

Credibles is a San Francisco–based start-up that brings investing in food businesses down to earth in a number of fundamental ways.

1. Customers pay for food purchases in advance. Businesses pay back the edible loans in goods and services.
“The concept is simple: Customers prepay for food and receive edible credits to use like a gift card. Large prepayments can even earn edible interest. In the meantime, food businesses get the money they need to grow.” –Yes magazine

Using Credibles, local food businesses borrow funds from their customer community, instead from financial institutions. In its first year, Credibles has engaged with 100 food businesses, some of them raising funds in the $20,000 to $100,000 range. The average customer funding has been in the $300 to $400 range.

Instead of repaying a bank loan with cash from sales, edible credits are paid back with products customers can grow or cook themselves. (Can money be any slower?) Since the repayments are at Cost of Goods Sold, the economics are far more favorable for the businesses than cash, allowing them to throw in bonus credits as rewards.

“Well, I was skeptical at first if people would put money down up front, but Credibles really hit it out of the ballpark!” –Paul Geffner, co-owner of Driver’s Market

2. **Through Credibles, investing in your local food systems is available to everyone.**

No longer are investments in the local economy only for angel investors or philanthropists. New investment vehicles like a Direct Public Offering allowed enterprises like People’s Community Market in West Oakland to lower the entry level to $1,000. With Credibles, they were able to offer their community members the opportunity to fund their venture with amounts as low as $50. Through the daily act of food buying and eating, all people can direct capital flows into their community and the businesses they want to see flourish. It’s *Community Underwriting* in action.

3. **With the Credibles apps for businesses and customers, edible credits have become a daily affair.**

Edible credits are eaten over time, literally. At Zocalo, a San Leandro, California, community coffeehouse, they have been redeemed close to 1,500 times. With free apps for businesses and customers, it’s easy and secure for both sides to track and transact their Credibles over time. With no card or wallet required, the transaction costs are lower.
“A seamless and pleasant experience. How ideal it would be to do all my food shopping like this.” –Gianna Banducci, Portland, Oregon

4. **Prepayments strengthen the relationship between food businesses and their customers.**

   At many participating businesses, 50 to 100 customers have “opened a tab” with Credibles. Early reports show that the businesses see the Credibles customers more often after they invest with Credibles, often one-and-a-half or two times as often. With the Credibles app, the staff learns the names of the regulars. After they have “eaten their credits,” most customers come back for another funding. Driver’s Market, an all-organic and non-GMO grocery in Sausalito, California, calls their prepaying investors “Designated Drivers.” Many of them already have had five or more “refills” of Credibles.

   The connection is about more than money. For significant prepayments, Flying Fish of Portland, Oregon, has promised funders to take them out on one of their fishing trips.

5. **At Whole Foods Northern California, Credibles is moving the money up the food chain, literally.**

   As part of its commitment to “local,” Whole Foods Market in Northern California has started to accept Credibles as a form of payment at the cash registers of all 40 stores. The prepaid funds move up the food chain, directly to the local producers (not to Whole Foods). Foodmakers like Saint Benoit Creamery and Farmhouse Culture receive working capital for their ingredients and equipment, long before customers purchase their products. Redeeming local investments at the grocery checkout is a milestone for bringing money down to earth.
Across the nation, interest in local food is booming. In fact, according to the U.S. Department of Agriculture, “locally and regionally grown food has become a $7 billion-per-year market.” However, even with over 8,000 farmers’ markets and more than 12,000 Community Supported Agriculture (CSA) operations, direct farm-to-consumer sales still account for less than 1 percent of total farm sales in the United States.

At Fair Food Fund, we believe in the power of farmers’ markets and CSAs to build community, support small farms, and bring great, local food to consumers who can access it. We also believe that building a healthy and sustainable food system and supporting the long-term viability of our small- and mid-scale farms requires investment in the regional processing, distribution, and technology infrastructure that connects farms with wholesale buyers and consumers who demand local food.

This infrastructure includes businesses like The Pickup, a multifarm CSA and local food café, and Maine Grains, a local, artisanal grain milling enterprise, both of which operate out of a former county jail in Skowhegan, Maine, that now houses a cluster of innovative, small businesses; Common Market, a Philadelphia-based distributor of local foods to schools, hospitals, grocery stores, and other wholesale customers throughout the Delaware Valley; and Northern Girl, a business that purchases and minimally processes root crops from farms in Aroostook County Maine, and sells them to retail stores and institutions across New England.

Fair Food Fund invests in food system businesses in the Northeastern United States by providing a combination of financing and business assistance—business assistance to build entrepreneurial capacity, position good food businesses for growth, and provide financing to fuel that growth. Our Business Boot Camp provides three days of intensive training to selected food system entrepreneurs, and our Consulting Corps program offers funding for one-on-one business assistance. When good food enterprises are ready to grow, we work to structure financing to meet their needs.

Ultimately, our goal is to support the growth and development of the next generation of food system entrepreneurs and in doing so to support current and future generations of small and mid-scale farms, and we’re only just beginning. As we’ve witnessed
more of the myriad challenges that emerging good food businesses face, we are placing additional emphasis on business assistance, both in advance of financing and post-financing. We believe that linking and coordinating financing and business assistance throughout the early stages of an enterprise’s life cycle will help more good food enterprises weather the inevitable storms and capitalize on the right growth opportunities. This strategy requires a hands-on, hands-dirty approach, and we very much look forward to continuing to dig in!

**FARMWORKS**

*Linda Best*

Shareholders in FarmWorks Investment Co-operative Limited are helping to create employment and increase production and profitability in the food sector in Nova Scotia.

In June 2009 I heard Khalil Akhtar, a food columnist for the Canadian Broadcasting Corporation, talking about Slow Money. I had previously organized a meeting called Investing Close to Home, with presentations including the Nova Scotia Community Economic Development Investment program. Learning about Slow Money, I was inspired to start putting the two together, and that was how the idea for FarmWorks was born.

FarmWorks was established in 2011 to promote and provide strategic and responsible community investment in food production and distribution, in order to increase agricultural and related economic activity and provide access to sustainable local food for all Nova Scotians.

Shareholders who choose to hold investments for 15 years in FarmWorks Community Economic Development Investment Fund (CEDIF) will receive cumulative Provincial tax credits of 65 percent in addition to dividends paid in five-year installments. Invested funds are used to provide subordinated debt to farms and food-related businesses. Applicants’ values and goals must align with FarmWorks’, and extensive due diligence is required before loans are made. Protection of shareholder investments in FarmWorks is paramount.

Within the first 30 months, $721,000 has been raised in three offers and $637,000 has been loaned to 27 food-related businesses. The remaining funds will be loaned to
other applicants as due diligence procedures are completed. Payment of the principle and interest at 6 percent commences three months after the loan is approved. No fees are charged for applications or early repayment, and Directors and Advisors provide mentoring and promotion as appropriate.

A survey carried out at 18 months indicated that the first 18 businesses receiving loans created 20 full-time and six part-time jobs, in addition to the 21 full-time and 14 part-time positions held in their businesses by the owners themselves. For start-up and young businesses, roughly 25 percent of their total capital came from FarmWorks.

Nova Scotia has food-related challenges. The loss of farms and infrastructure resulting from importation of foods that once were grown here has negative socioeconomic impacts, as money and multiplier effects are removed from the economy. FarmWorks is helping to chart a path for growth by investing in food production—a key determinant of the health of people, communities, and the economy of Nova Scotia.

**FRESH SOURCE CAPITAL**

*Lisa Sebesta and Dan Pullman*

“We really need to look into Slow Money.” That advice, given to me during lunch overlooking the harbor in Portsmouth, New Hampshire, set my career in a new direction. And I haven’t looked back since.

After attending my first Slow Money Entrepreneur Showcase in Boston, I was hooked. Inspired by the entrepreneurs that presented, I wanted to get more involved. I joined Sprout Lenders, an investment club focused on helping local food entrepreneurs in Boston. Among the kindred spirits I found there, was Dan Pullman, former investment banker and operating executive turned local food investor. Realizing we shared a goal to mobilize more capital from private sources into the local food sector, we formed Fresh Source Capital in the summer of 2013.

The mission of Fresh Source Capital is to invest in companies that are rebuilding regional, sustainable food systems. Having had long careers in financial services, Dan and I each saw a trend toward impact investing. Motivated by a desire to use their investment capital to positively influence the environment, their local community, or traditionally
disadvantaged groups, investors are looking beyond conventional fund offerings. What we saw, and what Slow Money promotes, is a way to do just that—through the food system.

While investors are clamoring for it, many financial advisors don’t have the resources or know-how to meet their clients’ needs in an efficient way. By focusing exclusively on the food sector, we leverage our networks in the for-profit and nonprofit worlds to source investment opportunities and share best practices with other investor partners. We bring expertise in due diligence, evaluating each opportunity on mission and impact criteria in addition to financial metrics.

For entrepreneurs, Fresh Source aims to fill a gap in capital availability. We see many viable, successful businesses that may not be able to get bank debt to support their growth plans and that are not candidates for traditional venture capital investment. By offering subordinated debt and royalty financing (or revenue-share agreements), we can meet their expansion financing needs.

We think we are in the very early stages of the impact investing movement in food systems. As consumer demand for local, sustainably sourced food grows—both from individuals as well as institutional buyers—the need for capital investment to meet that demand remains high. Along with our collaborators at Slow Money, and other regional and national funds, we plan to be there for the entrepreneurs who are rebuilding this space.

LOCAL ECONOMIES PROJECT OF THE NEW WORLD FOUNDATION

Bob Dandrew

LEP’s mission is to foster a more resilient food system, one in which economic, social, and ecological needs are in balance. To achieve this vision we provide grant funding, facilitate direct investment to move more capital from Wall Street to Main Street, and act as a collaborator with others who share our goals. Our work is divided among three strategic initiatives: our Farm Hub, Food Hubs, and Community Education. Over the past
five years, we have deployed approximately $10 million in grants, facilitated $4 million in direct investments, and launched a 1,255-acre research and training farm.

**FARM HUB**

With the goal of strengthening agriculture and training the next generation of farmers in the region, Local Economies Project created the Hudson Valley Farm Hub. The Farm Hub is a nonprofit center for professional farmer training, research, and demonstration in Ulster County, New York. Here, Hudson Valley farmers will be assisted with access to markets, land, and the training they need to meet the challenges presented by today’s global food system. Our innovative crop research program is designed to help move regional agriculture into a robust future.

**FOOD HUBS**

By focusing on local value chains, we aim to foster a collaborative and transparent economic system with an eye toward shared value. Through our Food Hubs initiative, we are investing in the infrastructure and relationships to connect local farms to high-value markets. These include grants to programs such as Farm to Institution NYS (FINYS) and Cornell Cooperative Extension’s Good Agricultural Practices (GAPs) farmer training. LEP has also invested in Farm to Table Co-Packers, a value-added food processor partnering with local farms.” Lastly, LEP is exploring new programming to deploy patient capital in the food system, building regional infrastructure and supporting farms.

**COMMUNITY EDUCATION**

Many consumers are unaware that the real cost of food is not reflected in our current market. To ensure farmers can make a living and their workers earn a fair wage, the connection between consumers and food must be strengthened. To do this, we are supporting programs that educate youth and communities about the food system. We have provided grants for farm-to-school programs and for the development of middle- and high-school curricula in food science and agriculture. In addition, we are funding organizations that bring local food to underserved communities. Through these initiatives, we hope to engender meaningful connections to our food, the people who produce it, and to one another.
If a local food revolution is indeed unfolding in our midst (as I think is undeniable), it’s worth asking ourselves how such a revolution gets funded.

A 2012 study by community economist Michael Shuman suggested that for Colorado to achieve 25-percent food localization some $1.8 billion would be needed to capitalize the effort, mostly to increase local production capacity and rebuild needed infrastructure for aggregation, processing, storage, distribution, and marketing—a daunting task.

Once investment capital became available to our nonprofit organization, through a courageous ten-year no-interest loan from an individual inspired by Slow Money, we formed Localization Partners LLC as an investment subsidiary and turned our attention to the need for infrastructure as the most urgent need for capital. We knew that our local farmers and ranchers struggled with getting their products to a rapidly growing market for local food.

We had known local logistics entrepreneur Aaron Perry since 2005, the year our organization began and the year he founded Boulder-based recycOil to collect used cooking oil and grease from restaurants and institutional kitchens and then recycle the waste products into biofuels. After recycOil had built a thriving business, Aaron and I began meeting regularly to explore how to leverage what he and his team had learned into a local food distribution venture. With their expertise in logistics and our own broad experience in local food, we had a match.

Gradually, our conversations grew to include advisors and board members, and a solid vision came into view. We conducted interviews with producers and buyers, and analyzed the results. A business plan went through several drafts, and we finally hammered out an agreement whereby Localization Partners would provide the start-up capital for SOURCE Local Foods as a loan, in the spirit of Slow Money. We had originally considered an equity position, but concluded that a straightforward loan would be more appropriate. At the time, there were no other capital sources who would have been willing to take such a risk.

Now completing their second full year of operation, SOURCE has quickly become a second-stage company with revenues well in excess of original projections. They are
on their way to becoming a significant player in the emerging local food industry in Colorado, and we are thrilled with their growing success. Yes, in the long run we probably could have “made more money” as an equity partner, but we feel that this start-up loan was more consistent with Slow Money values and got the enterprise firmly on the path to sustainable growth.

This perhaps illustrates one way real revolutions get funded—by people with passion and vision, willing to muster great courage and take unusual risks, willing to invest in deep relationships in service to a greater purpose.

MAINE HARVEST CREDIT UNION

Scott Budde and Sam May

Since October 1, 2013, the Maine Harvest Credit Union (in organization) has been formally exploring the creation of a specialized credit union to support the growth of small-scale, sustainably run farms and related businesses in Maine. Building on previous work and under the auspices of Maine Organic Farmers and Gardeners Association and Maine Farmland Trust, we conducted a series of in-depth, in-person financial interviews with 36 small farms and local food businesses in Maine.

These interviews covered the history and workings of interviewee goals, operations, and financial relationships. In particular, we sought to understand any financing requirements that were not being met by existing sources. In fact, “getting appropriate financing” was the most often cited challenge by the interviewees in our Phase 1 work. We then supplemented these interviews with a wide range of stakeholder meetings that included political leaders, government credit union regulators, and executive directors of key related organizations and government programs.

We also found trends that seem likely to make the financing situation faced by Maine farmers worse: increasing restrictions in the conventional mortgage market, the loss of Farm Credit of Maine as an independent entity, and increasing funding pressures on federal programs. Based on this research we now believe that establishing the Maine Harvest Credit Union will fill critical financing gaps.
Local investing is about intergenerational justice.

I worked in finance for about 20 years, the last six of these managing investment portfolios for institutional investors. As fiduciaries we were tasked with preserving and growing the capital of our clients. Our fiduciary duties were discharged by delivering financial returns with moderate risk by investing in our area of expertise.

Many of our clients were foundations, and no one seemed concerned that some of the investments we were making on their behalf caused or worsened the very social and environmental problems those foundations were created to address. A case in point was one of our best performing stocks, a Malaysian palm oil company that had destroyed tens of thousands of acres of original rain forest and replaced it with a monoculture of palm oil plants. These operations destroyed the Borneo habitat of the orangutan, yet a few of our clients were environmental foundations trying to protect such habitat with their grants!

I realized the narrow lens of conventional finance that reduced all decision making down to considerations of risk, return, and liquidity was blinding us to the impact our investments were having on communities and ecosystems around the world. My own portfolio, through diversified mutual funds, was invested in companies whose behavior I found objectionable—I was funding the very activities I objected to and benefiting financially from those misdeeds!

I realized that through my traditional investments I was involved in a massive intergenerational injustice. The financial returns I relied upon to provide for my comfortable retirement came at the expense of future generations, since a large part of those returns were predicated on extractive activities that diminished the natural capital future generations will need to survive. I therefore had to overcome my own worries about loss of financial return, diversification, and liquidity and align all my investments with my values. It meant liquidating my entire portfolio and starting the process of deploying the capital in projects aligned with my personal values.

In the last five years I have been involved in direct funding of mostly Slow Money enterprises in Northern California where I live. The process has called for an investment of time as well as money, because direct investing requires taking a close look at each
business or project and, at times, advising the entrepreneur receiving funding. And yes, local investing can be risky. I experienced investment losses in two areas: pre-revenue start-ups and direct personal loans to entrepreneurs whose character I did not know well enough. But it can also be greatly rewarding. Seeing thriving local businesses and knowing your investment had a part in their success is wonderfully gratifying.

Local investments are also investments for the long haul because there is no developed secondary market that could provide liquidity (the ability to sell the investment to someone else for cash). Risk, liquidity, a steep learning curve, and time commitment are the primary challenges facing a realignment of our values with our investments, yet such realignment is the moral imperative of our time and our responsibility toward future generations.

**NO SMALL POTATOES**

Linzee Weld

Slow Money Maine’s robust peer-to-peer lending network has spawned two investment clubs that lend to farms and food businesses. Each club is organized differently to meet members’ needs. No Small Potatoes (NSP), which pioneered the Slow Money investment club model in 2011, pools members’ investment capital, and members decide collectively how to loan club funds. In Maine Organic Lenders, loan applications are reviewed by the group, but members decide individually at what level each person wants to participate in a loan, if at all.

No Small Potatoes Investment Club now has 19 members who each have invested a minimum of $5,000 in the club. NSP makes microloans of up to $10,000 to farms and small food businesses that source predominantly from local farmers (no chocolate companies in our portfolio!). To date we have made 29 loans totaling more than $140,000 to 21 farms and small local food businesses. Maine Organic Lenders members will lend up to a total of $25,000 per borrower. In its first year and a half of operation, Maine Organic Lenders members have loaned $87,500 to six borrowers.

Both No Small Potatoes and Maine Organic Lenders benefit from doing due diligence as a group. The groups can consider more loans than an individual can: There are
more people to share the workload. Both clubs send teams of members out to visit loan applicants to gather more information and learn firsthand about the business. In each club the members gather to discuss the merits of making a loan, benefiting from members’ different experiences and perspectives.

No Small Potatoes and Maine Organic lenders have financed vehicles to bring produce to markets, milking parlors, cheese rooms, cows, tractor attachments, cold-storage units, butchering equipment, and working capital needs. Both clubs learn from each other’s evolving practices and continue to modify club protocols to better serve farmer and small business needs and to work more efficiently.

Overall, No Small Potatoes and Maine Organic Lenders are ... small potatoes! The clubs have lent 6 percent of total funds lent by Slow Money Maine (not including the grants and equity investments SMM has catalyzed). However, the clubs’ borrowers account for 37 percent of the farms, fisheries, and small businesses in the Slow Money Maine loan portfolio.

In Maine we are experimenting with several models for making Slow Money investments. In addition to the investment clubs and peer-to-peer lending, we are studying starting a credit union and are collaborating with Boston investors who are starting a local food investment fund (Fresh Source Capital). We are working with philanthropists and foundations that are making loans through their foundation endowments. Each model has differing degrees of hands-on personal involvement and works for different people’s preferences. There is strength in a diverse local investing ecosystem!

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**RSF**

*Jillian McCoy*

RSF Social Finance has an established history of financing a wide variety of businesses working in sustainable and organic food and farming. In the last few years, we have started to look more closely at how capital can impact those that are driving systemic change in what we eat, how our food is produced, and how food systems can support strong, resilient communities.
If we’re going to fix our broken food system so that it delivers healthy food to the whole population while enabling farmers to make a decent living, we’ll need new models and alternatives across the entire supply chain. The most potentially transformative enterprises, however, often face the greatest funding hurdles. Throughout our 30-year history, we have had to turn away many impactful organizations that could not yet qualify for loans due to a lack of collateral or cash flow to carry the type of debt-financing that RSF provides. We have learned that without more creative and thoughtful approaches to capital, particularly in the early stages of development, entrepreneurs are not able to build the food system that all of us want to see.

To build this system, we need to rethink the purpose of capital and employ an integrated capital strategy. Integrated capital is the coordinated and collaborative use of different forms of capital (equity investments, loans, gifts, loan guarantees, and so on), often from different funders, to support a developing enterprise that’s working to solve complex social and environmental problems.

Through RSF programs like the Local Initiatives Fund (LIF) and Program Related Investing Fund (PRI), as well as collaborations with other funders in the space, we have been able to explore our integrated capital approach. A great example is Common Market, which provides a distribution link between threatened Delaware Valley farms and urban communities that lack access to fresh foods. The enterprise has grown rapidly through a series of integrated capital financings, the most recent one enabling the purchase of a $945,000 warehouse space that significantly increased its capacity. Common Market at the time (2012) was not large enough to support the mortgage loan, but RSF was able to fund it with the backing of $350,000 in pledge contributions (which can be called upon in case of default) from W.K. Kellogg Foundation, the Claneil Foundation, and the 11th Hour Project; a $35,000 guarantee from the Common Market community placed as an investment in the RSF Social Investment Fund; a $250,000 RSF LIF guarantee; and a $100,000 LIF grant. This combination of funding helped to collateralize the loan and establish monthly debt payments that were more manageable for Common Market’s cash flow.

The warehouse has enabled Common Market to exponentially increase its product stock, which translates into increased purchases from local producers and more good
food for those who need it. Common Market has also used the expanded facility to provide affordable shared space for other food entrepreneurs, creating an ecosystem that reinforces shared values around remaking the food system.

There is a real opening now for vastly greater collaboration between investors (individuals, networks, and firms), foundations (community and private), and community banks. As intermediaries working in social finance, it’s up to us to create a finance infrastructure that enables food entrepreneurs—and the communities they serve—to thrive.