RAISING DOUGH FOR FOOD BUSINESSES

June 20, 2013
Presentation Outline

- Technical Orientation
- Introduction
  
  **Jeff Farbman**
  
  *Wallace Center at Winrock International*

- Understanding and Addressing “Lack of Access to Capital” for Food Businesses
- Financing Food System Businesses
- Questions and Answers --- Upcoming Opportunities, etc.
WALLACE CENTER at WINROCK INTERNATIONAL

- Market based solutions to a 21st Century food system
- Work with multiple sectors – business, philanthropy, government
- Healthy, Green, Affordable, Fair Food
- Scaling up Good Food
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.

http://ngfn.org | contact@ngfn.org
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Elizabeth Ü
Finance for Food

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Upcoming Opportunities, etc.
Understanding and Addressing “Lack of Access to Capital” for Food Businesses

Elizabeth Ü
Author, *Raising Dough: the Complete Guide to Financing a Socially Responsible Food Business*
Founder & Executive Director, Finance for Food

National Good Food Network Webinar
20 June 2013
More capital than ever
“Lack of access to capital”
Barriers to connection at every level

- Entrepreneur
- Individual investor
- Commercial lender & investor
- Professional advisor
- Federal agency
- Technical assistance
Barriers to connection at every level

- Entrepreneur
- Individual investor
- Technical assistance
- Professional advisor
- Federal agency
- Commercial lender & investor

Financing tools & vehicles
Barriers to connection at every level

Entrepreneur

Individual investor

Commercial lender & investor

Professional advisor

Federal agency

Technical assistance

Securities law & capital market landscape
Aligning $ with values

Ideal business size
Ownership goals
Wealth creation... for whom?

Rate of growth
Lifestyle priorities

Food access
Length of revenue history

Job creation
Time to break-even

Health outcomes
Commitment to local
A few other considerations

- Small dollars vs. Millions $$$
- Inexpensive vs. Expensive
- Quick vs. Takes more time
- Little paperwork vs. Lots of paperwork
- Do it yourself vs. Requires professional help
- Easy to manage vs. Care and feeding over time
- Good for introverts vs. Takes community organizing
- Lower credit score OK vs. Good credit required

www.financeforfood.com
Direct investment
Intermediary institutions

www.financeforfood.com
Other institutions

www.financeforfood.com
A business needs all of the above
...and it’s even more complicated
The puzzle pieces
Lending / savings circles

www.financeforfood.com
Individual Development Accounts

Individual Development Accounts (IDAs) are matched savings accounts that help people with modest means to save towards the purchase of a lifelong asset, such as a home.

CFED was an early leader in the creation and growth of IDAs as a practice, and later as a federal and state policy strategy for economic security. We stand behind IDAs as a social innovation that has been proven to expand economic opportunity by creating assets for low-income households.
Friends & family loans
Community supported models

www.financeforfood.com
Crowdfunding: 3 different types!

1. Gift-raising

2. Pre-sales

3. Selling securities to a large number of investors who expect a financial return
Online fundraising platforms

FINANCE FOR FOOD

www.financeforfood.com
Microlenders & CDFIs

ACCION

Kiva

Opportunity Fund

Community Development Financial Institutions Fund

www.financeforfood.com
Peer-to-peer lending
Retailer loan programs
Federal grants and loans
Banks, credit unions, other lenders
Federal & regional partnerships

Farm Credit
Lending support to rural America™

The Reinvestment Fund
Capital at the point of impact.

FreshWorks
California FreshWorks Fund
Healthy Food. Closer to Home.

www.financeforfood.com
Emerging agricultural financing
Equity and debt innovations
Direct public offerings
Angel investors

INVESTORS’ CIRCLE
Patient Capital for a Sustainable Future

SLOW MONEY

Golden Seeds®

www.financeforfood.com
Private equity and venture capital
Foundations

Sustainable Agriculture & Food Systems Funders

Mission Investors Exchange
Help complete the puzzle
Where’s the technical assistance?

Nonprofits
SBDC mentors
Extension agents
Lenders
(etc)

Attorneys
Accountants
Invstm’t bankers
Consultants
(etc)
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**Financing Food System Businesses**

**Gray Harris**

*CEI*

- Questions and Answers --- Upcoming Opportunities, etc.
Financing Food System Businesses: Creating Capital Connections

Gray Harris
Director, Sustainable Agriculture
CEI
gharris@ceimaine.org
National Good Food Network Webinar
20 June 2013
The intermediary—CEI

• Since 1977, creating economically and environmentally healthy communities in which all people, especially those of low income, can achieve their full potential.

• Triple bottom line investing in rural sectors—including farms, fisheries and forests.
Sustainable Agriculture and Food Systems at CEI: Creating Opportunity Along the Value Chain from Farms to Retailers

• Mission: To rebuild a food system that supports local farm production, local value chains, and makes local healthy food accessible and affordable to all people.

• Provides:
  • Business Technical Assistance (TA): team-based business planning services; industry resources/networks.
  • Financing: From debt to equity; <$10,000 to >$500,000; Coordinate multiple sources of capital.
  • Project-based initiatives in Maine and nationally.
Village Farm – Freedom, Maine

- Organic farm in midcoast Maine, offering over 100 varieties of vegetables, herbs and flowers for 75+ CSA member households and several wholesale accounts.

- $15,000 microloan to construct a greenhouse and install an irrigation system.

- 2 CEI Fund sources: Maine Farm Business Loan Fund (partnership with The Carrot Project); The Organic Loan Fund at CEI
Misty Brook Farm – Albion, Maine

- Organic and biodynamic diversified vegetable, dairy and livestock farm. Offers ‘Full Diet’ Farm Share (CSA) year round; on site farm store opened this year.

- $500,000 mortgage financing, in partnership with Farm Services Agency

- Source of CEI Funds: CDFI/Treasury
FINANCING SUSTAINABLE FOOD SYSTEM BUSINESSES

SUBSIDY BASED MODEL

Grants — Foundations, federal/state, crowd funding

Transition Capital
- Catalyst Fund
- Advisory Capital
- "Debt with Training Wheels"

Evolving revenue-based businesses in the sustainable agriculture and food system sector

WHAT IS NEEDED

WHO IT IS FOR

CHALLENGES WE FACE

- Operators require high degree of technical assistance (TA)
- Matching the right form of capital with stage of business growth.
- Coordination among the financial entities to assemble the capital stack.

Financing — finance type (debt to equity) depends on stage of business growth

REVENUE BASED MODEL

COMMUNITY DEVELOPMENT FRAME: Mission-driven results, creating opportunity for economic prosperity in underserved communities
Farm Fresh Rhode Island—Pawtucket, RI

• Food Hub committed to growing a local food system, and affordable access to local fresh and healthy foods for all people.

• TA partnership with Wholesome Wave—critical component.

• $100,000 term loan- below market rate, extended terms; for equipment and working capital

• CEI source of funds: CDFI Fund
Northern Girl – Caribou, Maine

- Value-added processing of locally grown vegetables for institutional markets in Maine’s northernmost county, Aroostook.

- $25,000 mission-driven, patient equity investment; to support operations.

- CEI source of funds: CDFI Fund and foundation funds.
Business Technical Assistance is Critical to Success

- CEI TEAM: 2 Program staff leveraging 88 staff (5 loan officers, loan servicing and analysis dept, 12 business counselors.) Enhanced through partnerships and collaborations in the networks.

- Critical TA: business planning AND financial literacy

- Value Chain approach to rebuilding a sustainable and robust food system.
Questions and Answers

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Webinars are Archived

TOPICS!

http://ngfn.org/webinars
NGFN Webinars

3rd Thursday of each month
3:30p EST (12:30p PST)

August 15 – Food Hub Benchmarking Study
September 19 – State of the Food Hub - National Survey Results
October 17 - Food Hubs and Farm to School

http://ngfn.org/webinars
Two Notable Websites

- **www.FoodHub.info**
  - Food Hub “hub”
  - Research, case studies, list and map of hubs across the country, much more.

- **www.FoodshedGuide.org**
  - Case study-based business and financial training
  - Includes a “One Page Business Plan” and a “One Page Financial Plan”
Get Connected, Stay Connected

http://ngfn.org/database

National Good Food Network Database
Click to learn more

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