

NESAWG (Northeast Sustainable Agriculture Working Group)

“It Takes A Region Conference”

November 12 – 14, 2015

Saratoga Springs, New York

“Food Systems Financing” Discussion & Work Group: “Collaborative Approaches to Financing a Better Food System”

Moderated by Derek Denckla

Session 1: November 13, 2015; 11:30 am – 1:00 pm: Discussion and Case Studies

- This workshop focuses on collaborative opportunities to change the way capital flows to better serve human and environmental needs. For example, having standards and metrics to respond to due diligence costs may be a way to facilitate collaboration for financing a better food system.
- ***Taking the Pulse: What Outcomes do you seek from this work group?***
 - Identifying other financing opportunities to serve as a referral base.
 - Identifying other investors and investment opportunities
 - Blending capital for food and farms while creating a visible point of contact for people seeking funding.
 - Evaluating existent case management needs to prepare food system entrepreneurs on maximizing financing opportunities
 - Increase collaborations between investors who come with different types of capital, parameters, expectations and risk tolerance.
 - Try to find a hybrid between impact investments and philanthropic investments
 - Identify critical leverage points to bridge collaboration (Ex: conservation of local farms AND funding for local farmers)
 - Putting products in the right channels/ understanding the setting to successfully access capital.
- Workshop participant demographics (8 attendees)
 - Geography
 - What is your organization type?
 - What stages do you primarily invest in?
 - What type of capital do you have?
- Food Systems Investing/ Food Systems Funding
 - It’s important to consider the way mission devise impact focus.
 - The reality is that collaboration becomes complex because only sometimes do people’s perspective and priorities align. For example, having different values falling across the impact focus spectrum (See “Impact Focus/ Mission” slide.

Extending “cleaning and greening” impact with organic, urban gardening draws attention from people with a mission focus on public health, environment, building vibrant communities and perhaps equity)

- What information do you need in order to make an impact investment or funding decision in food systems?/ What theory of change drives your investment of funding priorities?
 - Preservation of farmland to ensure we have a robust, fresh supply of local food.
 - Water quality, farm viability, food access
 - Collateral benefits
 - Accountability ceiling
 - Improving farmer’s income (equity); supporting agricultural community
 - Improving the health of the soil; having some consensus around solutions in the local food system. This would help guide people and organizations
 - If we build the middle of the supply chain, it will improve the situations for farmers and consumers leading to improved general access to local food and farmer viability
 - Finding a way to shift to a more regenerative approach; away from capitalization
- Majority of the dollars captured are from investment funds with the greatest deal size (by dollars) being ~60% of the total dollars invested was in deals of \$1 million or more.
 - Must find a way to have different return expectations for the range of investor types and types of capital.
- Who’s mission from the investors in food system change?/ What gaps or opportunities strike you related to the current profiles of food system funders?
 - Government is missing from the investor table in food system funding change efforts.
 - Trying to create a larger outcome (greater consensus) on different impact investing.
 - Communication about opportunities for high risk farm and food.
 - Lack of information about funding for sustainable farming through Farm Credit East
 - Creating a bridge between entrepreneurs and investors.
 - Profit expectations are on a wide spectrum (for both investors and entrepreneurs) ranging from “unicorn profit expectations” (example: technology investment space) to entrepreneurs expecting an investment at the “idea stage”.
- What opportunities do you see as most promising? Low hanging fruit?
 - The space is no longer weird or experimental; it’s a proven market (a trend not a fad).
 - Conventionally fundable
 - There’s an evolutionary curve i.e., a moving train that you can board (Example: See Food Hub Task Force Report)

- There are policy changing opportunities; leveraging consensus opportunity.
- Need for more clarity on who's doing what and how well
- Information (due diligence) costs are high: A challenge
- A clearinghouse for information; who's tracking all these issues?
- Opportunities for "catalytic capital" and "collaborative capitalism" (like impact investing, it takes into account the impact and systems wealth)
- Aligning diverse sectors
- Different types of money being deployed
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Session 2: November 14, 2015; 8:30am – 10:00am; Work groups

- In thinking about your work, what resonates with you concerning challenges for collaborative investing or funding?
 - Advisory boards: Different perspectives from Board can be paralyzing. They're all working for different levels of due diligence (ex: Investment criterion)
 - Professionalization and standardization of how you approach deals (There are no GAPP or "good impact investing practices" for impact investing)
 - Motive versus good investments
 - Push for metrics everywhere
 - Conflict in metrics requirements limits opportunities (example: Bank vs. Investee)
 - Need metrics for going into the deal; conflicting funding imperatives for entrepreneurs makes administrative/ transactional costs challenging
 - Two opposing thoughts: What you measure matters vs. The relationship gives you the information needed to decide on impact investing (i.e. metrics are for "arms-length" transactions and gives a false sense of security)
 - Collaborative grant making is challenging because of red tape
 - Impact investing with foundations can feel stringent because "fit" is a priority
 - Not enough "deals" i.e., funding the right "rainbow" blend.
 - Trust between people is built on mutually held motives and goals recognizing that the investments are going to be utilized for "story telling"
 - Control: Sole credit versus Collaborative Credit
 - Venture capital/ venture philanthropy is risky
 - Collaboration is a resource you use when your bargaining power is weak

- What opportunities or added value do you see arising from collaboration on food system finance?
 - Case management and technical assistance provided to entrepreneur (example: Farm Credit East provides this service with their loans)
 - Government loan guarantees allows a lot of "marginal" deals to happen (example: Farm Credit East)
 - Fixed term collaboration (shared risk)

- What are good Case Studies for us to research in order to move towards a systematic approach to collaboration?
 - Corbin Hill
 - Roxbury Farm
 - Farm-to-table Copackers (Farm Bridge)
 - Evergreen Conservation Partners (Vermont Creamery)

- Solutions: How we collaborate....
 - Set-up a LinkedIn group
 - Who are the potential collaborators/ players?
 - How do we create demand for food systems investment? Why invest?
 - Why should potential food funding collaborators get involved?
 - How to envision your personal role
 - Information sharing
 - What's the real gap we're filling?
 - How to share successfully?
 - Trends: What are they?
 - Mapping the fields: Need to know projects that were accepted, those that didn't and why.
 - Understanding the parameters of everyone involved (what \$\$ do you have and how are you allowed to use the \$\$).
 - Intermediary role; need something comparable to an investment banker intermediary role.
 - See "Nature Vest" (an arm of the nature conservancy); they consider themselves as the investment banker intermediary in that space; they manage a huge donor base and brand capital; they mine their donor base for investors.
 - Need "impact-type" metrics to unlock investment collaboration opportunities and increase ways of articulating impact through measurements.
 - Need industry metrics to lower risk and perception of risk. (see: benchmark project with Cornell University on greenmarket vendors in NYC)
 - Where to begin: Need a decision tool; need to collaborate on identifying which metrics are relevant, user-friendly and consistently rated highest by different investor types

- Key Leverage Investments (KLIs) and strategies (see slide)
 - Case Study: "PV Grows" (insight into building trust and building consensus)
 - Consider collaboration over competition
 - Create a common "language" ; an interactive platform for collaboration and deal making
 - Lower information costs

- Approaches to better collaboration in a changing food system
 - Finding the funding in the middle (SlowMoney Impact Investment)
 - Balancing human capital and financial capital
 - What happens when you merge opportunities and challenges
 - Recognize that people are seeking a diverse set of goals and impact
 - Collaborative possibilities hinges on the threads of commonalities (Example: Scenic Hudson Farmland preservation and Farm Credit East)
 - How to promote diversity in the movement without undercutting collaboration?
 - Mixing debt with equity; mixing charitable with investments; mixing market return with non-return investments.

- Actions/ Next Steps/ Potential Outcomes
 - Work on lowering information costs as an effective means to lowering barriers
 - Form a communications group
 - Create a LinkedIn Group network
 - Share resources
 - Craft a way forward
 - Develop “Impact Brokers” / “Impact Investment Intermediary”
 - Metrics: Prioritize and decide on a set of outcome metrics.
 - Look at collaborative deals and draw lessons learned from them.

Demographics of Attendees (9)

Geography:

New York (7)

Connecticut (1)

Massachusetts (1)

Organization Type:

For Profit (1)

Non-Profit (8)

Government

Other

What stages do you primarily invest in?

Start-up (concept only) (5)

Early stage (pre-revenue) (4)

Growth (post-revenue) (6)

Mature (definitely post; profit) (2)

What type of capital do you have?

Grants (7)

Secured debt (2)

Unsecured debt (3)

Royalty (1)

Convertible debt (3)

Equity (5)

Other (0)