

## Appendix C

### Access to (Social) Finance for Sustainable Food System Development in BC: Discussion paper June 2009<sup>1</sup>

	<b>RESEARCH</b>	<b>Community Development and Project Development</b>	<b>VENTURE SELECTION</b>	<b>BUSINESS PLANNING</b>	<b>FINANCING-- Equity</b>	<b>FINANCING— Debt</b>
<b>VENTURE DEVELOPMENT STAGES</b>	<p>Community organizing</p> <p>Regional Ag planning</p> <p>Strategic planning</p> <p>Issue identification</p> <p>Needs and Capacity Analysis</p>	<p>Organizing sponsor group, co-op</p> <p>Vision building</p> <p>Specific Capacity Analysis</p> <p>Needs Analysis</p> <p>Concept development</p> <p style="text-align: center;">▼</p> <p>Business Scoping</p> <p>Concept testing</p> <p style="text-align: center;">▼</p> <p>Pre-feasibility study</p> <p style="text-align: center;">▼</p> <p>Business case ►</p>	<p>Feasibility Study (ies)</p> <p style="text-align: center;">▼</p> <p>Decision on most viable option to take forward</p> <p style="text-align: center;">►</p>	<p>Full business plan ►</p> <p>Including Food system technical Assistance</p>	<p>Financing plan</p> <p>Pitching to investors</p>	<p>Once a good plan is in place and equity is in place, sources of loans are plentiful. Some programs, such as some Community Futures, will accept 'near equity' but most require the proponents to share the economic risk.</p> <p>Loans to farmers are not provided by many Credit Unions</p>
<b>TYPES OF FUNDING AVAILABLE</b>	<p>Act Now and CFAI funds</p> <p>Investment Agriculture provides funding for studies, trial, training, conferences and strategic planning on a 50/50 second in-matching basis.</p>	<p>Community grants from a variety of funders have been used for this stage.</p> <p>The Co-op Development Initiative through BCCA and through CWCF provides up front pre-feasibility funds if the group wishes to become a co-op—this program will re-open in July 2009</p>	<p>The wonderful ENP program fills a lot of this gap.</p> <p>The Social Venture Partners program invests in charities that are developing an enterprising venture—a small program but salutary insofar as it also provides hands on mentoring by the investors in the</p>	<p>The ENP program is a key model to assist groups to develop effective business plans.</p> <p>Food safety planning is covered 90% through the FSI offered by the Small Scale Food Processor Association.</p>	<p>BC Co-op Act facilitates member investment (100 members can invest up to \$5000 each as exemptions to the Securities Act)</p> <p>The Canada Agriculture Loans Act has been announced and will provide loan loss guarantees for farmer co-ops adding value and for farm succession buy-</p>	<p>Community Futures</p> <p>Eco Trust</p> <p>Credit Unions through a variety of programs to food businesses</p> <p>Banks</p> <p>The gaps identified relate to gaps in preparation by many small farmers who are</p>

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	<p>Some foundations</p> <p>The Federal govt through 'Growing forward' should have some funds</p> <p>Western Economic Diversification</p> <p>Employment related research through new provincial MHSD Employment services</p> <p>University and College students involved in Community Based Research</p> <p>BC Medical Services Foundation</p> <p>CURA and SSHRC may be useful in some circumstances</p>		<p>business and also will stay engaged for an extended time.</p>		<p>outs</p> <p>BC has a Venture Capital program that is relatively accessible when it appears that there are qualified financiers willing to invest</p> <p>CWCF has its Tenacity Fund that will provide up to \$50,000 in equity-like funding—worker or multi-stakeholder co-ops need 15% cash on the table and good biz plan</p> <p>CWCF has an RRSP-able investment vehicle excellent for worker co-ops that have investment member shares</p> <p>Some credit unions will lend to members to establish these shares.</p> <p>VanCity has provided some equity to food projects</p> <p>Some Community Futures provide equity—when there is cash on the table first.</p> <p>The Co-operators have a</p>	<p>not experienced in presenting themselves for financing</p> <p>The other identified gap is the lack of focused due diligence expertise in this industry in the social finance area. However, banks, the BDC and Farm Credit Canada are being encouraged to enter this field.</p> <p>The Canada Agricultural Loans Act was approved by parliament—this will provide loan loss guarantees of 95% to farmer co-ops investing in value-added activities and for farm succession buy-outs . This is an extremely important program and will fill some of the gaps.</p>

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					<p>small equity fund accessible by co-ops—second in.</p> <p>Renewal Partners has invested very successfully in some food businesses in BC</p> <p>Individual farmers or business people can go after Farm Credit and BDC funds but will require equity on the table and a strong business plan</p> <p>Angel investors are looking for food businesses but usually their goal is to have these businesses sell within 5 years so they can regain their investment on a very profitable basis.</p> <p>There is a movement amongst some investors for 'impact investing' looking for social impact rather than just financial impact. This trend is nascent in BC at this point.</p> <p>Some foundations are moving towards PRI's</p>	

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					Program related Investments—but can only invest in charities operating social enterprises	
<b>GAP ANALYSIS</b>	Difficult to build matching funding to leverage funds in a time effective fashion	<p>Front end organizing is expected to happen naturally—the food security movement is identifying the need but not looking at business solutions—solutions for policy change at all levels is the primary target; secondary target is to develop local community development projects—some have business potential but may not have the business development acumen available</p> <p>The CDI funds provide for technical assistance from a co-op developer but this does not come close to meeting the development work that needs to be done.</p>	Product development challenges are rife for start-up food businesses—without a food technology background, many small business efforts try re-inventing the wheel. The Small Scale Food Processor Association is attempting to develop food product development capacities.	<p>Food system technical assistance from Food technologists to assist with facility planning, food safety planning, is critical. This is expensive assistance but a necessity. Many start-up groups are not aware of the services available or the necessity for them.</p> <p>There is a need for more and better experienced food system business planners—a food business requires more than a text book treatment and understanding.</p>	<p>Community organizations and start-up co-ops have limited experience with financing ventures. Few have cash equity available to them</p> <p>Without the first cash on the table, it is impossible to move forward to access capital</p> <p>Without the business saavy to pitch plans to investors or to the BC Community Venture Fund, these doors do not open.</p>	<p>The gaps are all on the equity side.</p> <p>Some Credit Unions provide specialized loan programs but not for farmers. Some food businesses are eligible.</p>
<b>FUNDING NEEDED</b>	Strategic regional development funding to leverage Investment Ag funds	Co-op and social enterprise development workers able to specialize in food and agriculture concerns to help re-organize a dysfunctional system. Each region in the province could use an	Many small entrepreneurs in the food sector think up a business plan but they are not aware of the barriers they face given the lack of food system infrastructure in BC. A	ENP does a good job of introducing agencies to business planning. The food sector however needs a lot more business planning from the farmer to the food	Mechanisms to mobilize investment from conscious consumers interested in investing in creating regional food systems—special credit card? Special fund? 'crowdsourcing'	

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		organizing and support office to facilitate the needed development	broad based plan for redressing these problems is missing. The need for this kind of infrastructure has been identified over and over again, but work towards the solutions is slow—often because there is not an identified proponent to carry the development work forward.	business. There have been federal funds for some of this but its unclear if these will continue—and again, the major funding is 50/50 with the entrepreneur. This is a big disincentive not only in monetary terms but in leadership terms.	This could be the richest source of equity investment if we can come up with some mechanisms to facilitate small investments from individuals towards creating equity funds that could make up for lack of cash in the hands of community organizations or in the small farm community	
<b>System gaps</b>	R&D funds are out there but proponents require 'pitching' ability and acumen  Leadership development support is missing	Some funders report that they do not have the capacity to carry out 'due diligence' in this sector—this speaks to the notion that a group of funders/financers might co-operate as has been done in the ENP program to provide this kind of resource.  With the reduced availability of grant funds, the timing factor becomes very problematic. Food systems are tied to the seasons—those offering financing and funding need to be attentive to this otherwise, projects can miss the growing	Existing funding programs may not have enough resources available on their own. The proponents must then go and find other sources—Many grantors require some other source to be in place first. More funders willing to take first place would be of value—providing funding contingent on other funding coming through—but not waiting until it does to show support could help proponents leverage funding more quickly.		The Angel Forum and its Investor Ready workshops should be replicated for those working in the social enterprise sector to increase capacity of community organizations and co-operatives to work with equity and to understand how to build and use equity.  Work with the Angel group toward increasing the interest of angels in 'social and environmental impact investing'	

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		<p>season and easily lose years.</p> <p>Fixing this would be possible through development of a dedicated fund/co-operative venture between funders aimed at supporting the emerging regional food system in BC.</p> <p>There are still a variety of definitions going on and some funders call an initiative a social venture and some call it a project—this leads to proponents structuring their efforts to 'fit' funding criteria.</p> <p>A community economic developer or a project group have to be very skilled at doing the funding dance in order to be successful in finding support for their development activities. This saps energy and can result in loss of focus for the group.</p>				