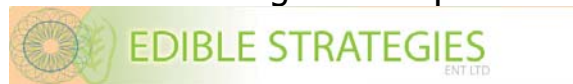


Access to Finance for Sustainable Food System Development in BC

Review of Session held June 9, 2009 at Simon Fraser University Downtown

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Introduction:

Representatives from a variety of funding/financing agencies and representatives from farm, food processing and community organizations met at Simon Fraser University Harbour Centre for a day to focus on the issues facing agriculture and food in BC and to consider the role that social finance can play in helping to scale up efforts to regenerate regional food systems.

Wendy Holm, P Ag and long-time spokesperson for sustainable agriculture reviewed the current situation with farming in Canada and BC and traced the problems and issues to roots in international trade agreements that support the Corporatization and globalization of the food system. She pointed to drivers that are shifting the balance and suggested that there is a strong need for investment to create supportive infrastructure to allow us to reclaim our food system. Wendy's presentation is found in Appendix A.

Sandra Mark, project co-ordinator, reviewed the rationale for this project that began 3 years ago when research she was doing under the auspices of the BC Medical Services Foundation revealed issues in financing as clear barriers facing efforts being made by farmers, small scale food processors and community organizations who wish to create food enterprises that respond to the growing consumer demand for 'local' food. Sandra reported that with the support of the Vancouver Foundation and the VanCity Community Foundation, some background work to uncover issues and strategies was carried out. These reports are found in Appendix B. In short, the research showed that considerable work is under way in developing social finance tools, strategies and programs particularly in the USA. A gap analysis showed that the major problems met occur at the front end of a development process and once again when projects are in need of financing. Funders/financers report that they need to increase their capacity to carry out due diligence for food and agriculture projects—especially those that address supply side issues. Sandra's PowerPoint presentation is attached in Appendix C.

Sandra introduced who came to our meeting as a representative of the Sustainable Food and Agriculture Funders Group made up of over 100 foundations in the USA. This group came together to address the growing awareness of issues in agriculture and food security. The group provides support and information for members through a jointly funded coordination office in California and a yearly conference. Their idea is to educate themselves and increase their own capacities to focus their resources for greater impact. A summary of one of their recent reports showing the impact of their efforts is attached in Appendix D.

The balance of the meeting was made up of discussion that is summarized below.

Summary of discussion:

The discussion focused on describing the problems that the food systems face. It was largely an informative session, allowing for the food system leaders in the room to provide background information and a review of the problems to the funders and financiers in the room.

The group was asked to develop a list of action and next steps that they could commit to. The funders and financiers in the room roundly supported the idea of doing better at supporting the food sector. However, none felt that they were ready at this stage to put their full commitment towards a collaborative effort – the details of what such a collaboration would look like would need further discussion.

The funders and financiers in the room found value hearing the expertise from the food sector. However, they expressed a desire to meet separately as a group in order to have a frank and informed discussion about possible collaborative options. A list of next steps was drafted, that included creating a roundtable for discussion, and the possible creation of an advisory group of food sector leaders to feed information to that round table.

The meeting ended with commitment from the individuals attending to move forward on this venture. As well, funding needed to be identified to fund the facilitation and development of the next steps. The goal was to see significant movement in the area over the summer and into the fall.

Outcomes:

Sandra Mark was invited to present a proposal to the Vancouver Foundation to carry out the next phase of this work. Partnership proposals have also been submitted to the Investment Agriculture Foundation and Van City Community Foundation in order to facilitate further discussion and consultation amongst the funder/financer's group with the goal of creating awareness, tools and strategies to increase the impact of funding and financing of food and agriculture projects in BC

Summary list of resources identified as being needed for future development

- A Manual or how to kit for analyzing a local or regional food system. This could help funders in setting priorities.
- A prospectus document that describes how food system projects can specifically meet grant providers objectives around social, environmental and economic

sustainability. E,g, show that funding food system projects results in carbon reductions and economic development for poor communities.

- Funding that provides for the administrative needs of organizing this effort.
- A glossary or terms or quick summary guide for funders – almost a “Introduction to the BC food system” handbook that can help funders identify where different organizations and ventures fit within the system

Discussion notes – categorized by topic

1. What the Food Sector Needs:

Summary: The Food sector needs funding and financing for the small and medium sized ventures, and more specifically for food sector companies that are rebuilding the infrastructure on the supply side. A key concern is that farmers and food sector business owners seem to be lacking some of the basic business training that other sectors have – and that funders are used to dealing with. Profit margins are small, but returns can be measured in more than just profit. To move up the food value chain the producers need to process (or manufacture) their raw inputs into food. What is needed is infrastructure development funding, patient capital, and training so commercial volumes can be achieved collectively.

The following discussion notes are paraphrased where helpful:

Direct farm marketing is still seasonal, and in order to extend the season, we need infrastructure. That entails taking some risk and making investments, We need someone beside farmers to shoulder part of this risk. We can't just say “Bring it back” unless we change the economic drivers that drove it away (efficiencies of scale, high profits, return on investment on financial capital). We need to embed different values into our measurement system and drivers.

We need to put agriculture back on the map as an industry and a trade. Just like chefs have become a professional designation (where once it was a job to fall back on) we need to make farming and farmers into a professional designation.

Currently, community organizers do all the work, running around organizing funding – and no one wants to be first in. This takes a LOT of work to do. How can funders support hybridized ventures that don't fit into one simple category? We need funders to have a better understanding of the development process for food ventures. Also, we need them to take bigger risks.

Anything that can train farmers in innovative, collaborative and profitable concepts would help – but who will pay for this, because the profit margins in food won't support this investment in training by farmers.

On Vancouver Island, Frank Moreland found that only about 25% of farmers visited during an Agricultural Co-operative Development Initiative had business plans, succession plans and marketing plans, etc. So there is a lot of need for developing these skills in this sector.

The work is likely to get "messy" when we work with food ventures – we need funders get to be comfortable with that reality.

An interesting note was that there is **no official Food Policy in Canada**. This makes it a challenge when trying to establish a goal or objective for our work *and* get government onside. There is certainly a question about if the policy makers and the public in general really understand the issues.

We need to reinforce the importance of education and getting youth into farmer training programs. We need to remember that this needs to be funded as well, not just new ventures.

We need to incorporate the Triple Bottom line into our food system, and work with funders/financers to support this work.

When engaging in R&D, we need to address the ownership of intellectual property up front. This isn't done in the local food sector at all.

2. Risk Mitigation – measurement of risk:

Summary: Measurement of risk is of key importance, as it will allow us to better predict success as well as set realistic expectations of return on investment for investors. A lot more understanding is needed in this area in order for funders and financiers to be able to make better decisions. Perhaps the food sector, with its small but steady growth, can be positioned as a hedge against risk?

The following discussion notes are paraphrased where helpful:

There is evident interest in taking a risk for the possibility of making positive change for the future.

The question we need to understand from a funding perspective is- where is the market power and where (or who holds) the risk in the market?

We need to keep the urgency in mind, since no one is planning for the change our food systems will face. Dealing with this now is a way to mitigate future crisis.

Meetings like this can help to produce a better analysis of what the risks are and how to mitigate them. We need to get better at articulating the benefits (and long term monetization benefits) of local food.

Can we position food system funding as a “safe-haven” for equity as a diversified and stable field? Food companies grow slowly, especially farmers, but they generally do grow and are stable.

3. Ideas for Solutions:

More than money, many of the solutions are about access: access to information, access to training, access to current funding and business support programs. The change in the system needs to come from the municipal level, not the federal, since we are talking about local food. In the simplest terms, we need to develop tools that allow communities to financially support their local food system through more than just their purchasing dollar. We need to collaborate with other groups that may traditionally fall outside the food system in order to get access to partnership and funding.

The following discussion notes are paraphrased where helpful:

How can communities collaborate on the purchase of land – as an example, the community farm program allows communities to own the farm land that supports them. This is an important method for how communities can support agriculture.

Funders need to invest in training, development costs and infrastructure costs.

We also need to de-mystify the language of food.

People in this sector looking for funding need mentors and advisors.

Can credit unions, foundations, and other aggregators develop intermediary tools to get money to this sector?

Can lenders attend association events and conferences and promote what they have available for services?

Perhaps what is needed is a blending of investment strategies and donation strategies. Building an initiative that is focused on developing a sustainable domestic food system.

Gov't policy has been focused on building an international food system thus it is difficult to expect support from those quarters.

There are existing services (consultants, business training, report development) from Business Development Corporation that are currently available to food system ventures. Many BDC clients are declined initially by banks.

Perhaps this gathering of funders and financiers is an opportunity for sharing and learning best practices, identify leaders in the field, etc. Tides Foundation has experience being the group that brings funders to the table.

Need to instigate change from the bottom up in local food system, so we should start with the municipalities, not federal level.

We need to look for opportunities for Creative partnerships: e.g. First Nation reserves have land, how can we use this as a basis for partnership (look at Kamloops).

4. What is the value of events like this for funders?

Summary: These meetings allow for two things: one, to learn who is actively working in this area, two, to share best practices. We need to do more of the first, and do better at the second.

The following discussion notes are paraphrased where helpful:

It is valuable to just see who is involved in the work – see who comes.

At first, events like this cause more work to be done but in the long term, it makes it easier to do due diligence.

It is important for spreading out information from practitioners to funders: info like the following – The profit margin is small, but the argument for cost savings to society really makes the economic benefit for local food. BCCA can help review projects applying for coop development.

Financial lenders can lack the skill sets needed to support agriculture. This is a first step in learning what we don't know.

It seems that this means that there are going to be various opportunities for funders with different outcomes in mind to come together. Collaborate funding and financing opportunities in areas which people might not traditionally work.

5. What are the Funders and Financiers experiencing?

Summary: The local food sector is at the door of funders and financiers, but no one knows exactly what the best solution is for better serving their needs. Funders and financiers are getting into the food sector because they have to, the demand is there. Collaboration is needed among the actors.

The following discussion notes are paraphrased where helpful:

VanCity and the BC Co-op Association helped support learning trips to int'l leaders in the field (Emilia Romagna region of Italy).

There is a big challenge to the people in the room: We have not found those deal flows that provide financial support for profitable sectors in the food system. What hasn't this happened? Is it because people haven't seen and sealed the deal?

Obviously, we need to build up the co-operation between all players in this field. We need to build trust in the system between all the players.

Farming and Food is coming to the door of the Real Estate Foundation of BC. Urban agriculture is something that real estate foundation could really get in with, planning, land use, etc.

How do we proactively build a sense of trust between funders so they can work together collaboratively?

A question we starting to try and answer is how can we better use our program related investments? Also, can we layer in multiple tools (tax credits, rebates, PRI, foundations, subsidies) so they aim towards to same goals in food?

6. Support for the Supply Side is Key:

Summary: It is key that whatever we develop, we need it to be focused on the support of the supply side. If we don't rebuild some of the infrastructure we have lost, then we will not see the long term benefits of increased demand for local food.

The following discussion notes are paraphrased where helpful:

People in the room see the current emphasis on Demand side solutions -> but now there is a shift toward supporting re-development of lost infrastructure on the supply side: The question is 'Do we have the business acumen there to support the growth?'

Overall, attention is needed in the "middle". Is there an opportunity there to gain access or drive interest in food ventures from Angel investors or venture finance? How

do we make the supply side of food attractive to these investors? Can funders help with that?

CONCLUSION

Are we ready to move forward on a collaborative effort?

Answer : No, not yet. We need a few things to happen first

1. We need a vision and strategy of what the funders and financial actors would buy into
2. Need a full review of priorities and objectives of funders and the currently exist in relation to food.
3. Need to map out all the pieces and where the money is in government.
4. Need to make sure we are not re-inventing the wheel – where else are groups like this getting together?

Before we begin this collaborative effort, 2 things were suggested:

- ⇒ Can we start with a branding and alignment process before knowing what the vision? Announce publicly our intention to work together before it begins to build support (and investment dollars) for this work.
- ⇒ Is this a dual strategy or do funders and financiers create on joint entity.

What are the next steps we need to take on achieving the above?

Questions to answer while moving forward:

- How do we prioritize our efforts in terms of impact?
- Could a group of funders/financial lenders look at a tangible business plan and use it as a tool for figuring out what can and can't be done?
- Identify the producers, processors and distributors that can service the market. Who are the people who can deliver and create products, and what is their business plan?
- We have to answer this question: Do we need to have regional groups or just one provincial group?
- Who else needs to be in the room?
- Can we identify key intersection points (economic drivers) in BC, and use this as a funding approach?

Next Steps:

1. Conduct Mapping and inventory of potential funders and what they are funding.

2. Map out the initiatives that could be funded in short term and the long term.
3. Map out what pieces are missing and the acupressure points (leverage points in the system).
4. Use the knowledge gained to build a vision for the end product.
5. Conduct a market analysis for the financial venders - show the economic opportunity and the size of the market and how funders and financers can benefit from taking leadership in developing regional food system infrastructure and community food ventures.