

FOOD FARMS FISH and FINANCE

Practical impact investment strategies to seed
and sustain local food systems

Written by Christie Young

THE J.W. McCONNELL
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About the Author

Christie Young is the Founder and Executive Director of FarmStart, an organization in Ontario that provides land, training and technical support for a new generation of farmers. Christie also manages her family's restaurant, Artisanale, in Guelph.

Over the last several years, Christie has been exploring ways to address the challenges new farmers face in accessing land and capital. After connecting with sector leaders and financial partners across Canada and throughout the US, Christie brought together the Food, Farms, Fish and Finance Conference in Toronto in the spring of 2013 (archive can be found <http://sustainontario.com/foodfinance>). This report builds upon that initiative.

About the J.W. McConnell Family Foundation

Established in 1937, the J.W. McConnell Family Foundation engages Canadians in building a more innovative, inclusive, sustainable and resilient society. The Foundation's purpose is to enhance Canada's ability to address complex social, environmental and economic challenges. Now in its fifth year, the Foundation's Sustainable Food Systems initiative aims to shift Canada's food system to greater sustainability and resilience through granting programs and impact investments, commissioned research, meetings, innovation labs and sustained partnerships with the private, public and community sectors.

Thank you to all the people who gave their time to talk with us and share their wealth of experience. And thank you to all of you who are getting your hands dirty, seeding change and going out on a limb.

We are involved in a profound failure of imagination. Most of us cannot imagine the wheat beyond the bread, or the farmer beyond the wheat, or the farm beyond the farmer, or the history beyond the farm. Most people cannot imagine the forest and the forest economy that produced their houses and furniture and paper; or the landscapes, the streams, and the weather that fill their pitchers and bathtubs and swimming pools with water. Most people appear to assume that when they have paid their money for these things they have entirely met their obligations.

Money does not bring forth food. Neither does the technology of the food system. Food comes from nature and from the work of people. If the supply of food is to be continuous for a long time, then people must work in harmony with nature. That means that people must find the right answers to a lot of hard practical questions. The same applies to forestry and the possibility of a continuous supply of timber.

One way we could describe the task ahead of us is by saying that we need to enlarge the consciousness and the conscience of the economy. Our economy needs to know—and care— what it is doing. This is revolutionary, of course, if you have a taste for revolution, but it also a matter of common sense.

- Wendell Berry (from his essay In Distrust of Movements)

Executive Summary

This report was commissioned by the J.W. McConnell Family Foundation to inform impact investing in local sustainable food systems in Canada and to bring a fresh perspective to the topic as well as new tools that can help to catalyze change. Specifically, the report set out to:

1. identify the realities faced by emerging local sustainable food system entrepreneurs and to understand what role access to finance (along with cultural, social, regulatory and landscape conditions) has played in the success, challenges or failures of these entrepreneurs and initiatives;
2. identify ways in which impact investors can strategically intervene in Canada to help address some of the enterprise-level challenges and to encourage the local, sustainable food sector to strategically seize new opportunities, develop capacity and build resilience.

The report is based on interviews with 43 social entrepreneurs, 26 local and sector leaders and interveners, and 16 funders and investors. Interviews were conducted in the winter and spring of 2014.

Most of the food and farm entrepreneurs we interviewed operate small, often family-run, businesses and are looking for viable and meaningful livelihoods. Also included are mid-scale cooperative and incorporated businesses, as well as larger, scalable social enterprises, structured as for-profit or non-profit companies or co-operatives operating in this space.

All of the enterprises aim to balance profitability and returns on investment with the goal of building local, sustainable food systems. However, these entrepreneurs face significant inherent risks, costs and challenges due to the nature of the business: unpredictable weather, a changing climate, pests and invasive weeds, perishable products, longer times to achieve profitably because of seasonal cycles and the lack of scale appropriate infrastructure. All of this decreases investor confidence and potential profit.

We learned that local food system entrepreneurs have found a variety of ways to reduce their costs of production by minimizing waste, managing their risk with diversity, and increasing their profits by shortening and owning more of the supply chain. They are building and using more flexible and direct market opportunities and “community-supported” arrangements that share risk and are developing supply chains built on trust. However, they face significant challenges in accessing affordable productive assets (e.g., an affordable piece of land with the right characteristics for the enterprise) and securing appropriate, risk-taking and growth-oriented financing. Indeed, the largest challenge facing the start-up entrepreneurs we interviewed was the requirement by almost all lenders that operating loans be fully collateralized. There is little interest from venture capital because the profit margins are too low.

The entrepreneurs who managed to secure operating capital - largely by hook or by crook- often continue to exist in very tight and chronically underfinanced circumstances. They struggle with cash flow for operations and income, primarily with inventory and seasonal up-front costs, and usually have limited personal incomes from their businesses and limited financing to develop the capacity and skills to manage the stages of growth or to undertake a succession plan.

At the same time, there are increasing numbers of investors who are interested to greater or lesser degrees in explicit non-monetary impacts or returns on investments, such as sustainable agricultural production and natural resource use, or the proliferation and strengthening of local sustainable food systems.

Our research highlights the opportunities and need for philanthropic, risk-taking, and mission capital in the local, sustainable food sector. Already, mission funds, community economic development initiatives, institutional investment vehicles, Slow Money and engaged systems-change funders are at work in this landscape. And these actors are operating across the three interconnected financing spaces – Seed Capital (developmental financing), Slow Money (relationship-based investing), and Impact Investing (institutional scale) – that complement and drive each other like gears.

The research also shows that **there is no shortage of investment opportunities in the local sustainable food system** – whether they be big or small, local or scalable, involve value-chain partners or sector-wide initiatives. However, many of

these opportunities need catalyzing, facilitation and development of capacity, both at the enterprise and the landscape level. Impact investors need to be prepared to **take real risks and invest in the path finding, capacity building and facilitation** necessary to allow enterprises to start up, to scale and to become sustainable. Impact investors could **increase their impact and mitigate their risk if they were also to intervene in the “vulnerability context,”** such as by addressing prohibitive political-economic contexts, as well as stifling and inappropriate regulations; encouraging necessary culture shifts and viable market development; and funding applied research, development and extension of practices, scale appropriate equipment and infrastructure that would help build viability and resilience.

In all cases, **impact investors must seek to share the risk and returns equitably.**

Many questions remain and will likely continue to be navigated over time: How can impact investors help to build out spaces that don't exist? How do they invest in testing new ideas or supporting the scrappy, roundabout road towards innovation without a clear return on investment? Can small, distributed investments achieve large-scale systemic change or will this change not be *fast enough*? How do we navigate the tensions between local responsiveness and the responsibility of “the fiduciary,” between diversity and efficiency, between resilience and returns? How do we value and track the data and the stories, the concrete and the intangible impacts? What are our measures of success, and how do we define failure when there is always something to be learned?

Over the last century, we have been shaping a global food economy with imbedded inequalities such as waste and gluttony alongside scarcity and starvation. Our landscapes are forever changing due to the impacts of our agricultural and resource use practices. Our dominant culture is engaged in the race toward faster, cheaper and more convenient foods while at the same time our public health system is overwhelmed with health conditions that could be prevented by better diets. First Nations communities are losing the ability to feed their families from their lands, rural communities are shrinking as farmers must sell their farms to pay off their debts, and urban working families find themselves forced to choose between buying food and paying their rent.

Wendell Berry suggests, “We need to enlarge the consciousness and the conscience of the economy. Our economy needs to know—and care—what it is doing.” Our influence and responsibility does not only rest in what we buy and consume. Woody Tasch, of Slow Money, proposes that we must also “bring money back down to earth” and learn to “invest as if food, farms and fertility matter”. By re-connecting investors to the places where they live, to the people who provide their nourishment, and to the landscapes that sustain them, we may find that individuals can and will act and invest based on mutual, tangible and sociable benefit. The choices we make today, as a society and as individuals, in how we grow, make, buy, share and invest in our food, have the potential to re-shape the ways we relate to one another and the earth.

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Introduction

The complexity and distance between producers and consumers continue to increase and the margins achievable in processed foods have shifted the focus of the food system from whole foods to manufactured, branded, convenient and long-shelf-life products. The destruction and contamination of our productive farmlands and ecosystems, as well as the loss of our skilled farmers, harvesters and artisans and their knowledge will unbalance our ecological integrity, impact our systemic resilience, and limit our capacity to produce, harvest and create delicious and healthy food in the future.

We have reached a simultaneous crisis in our agriculture, culture, climate and economies. Despite this, and perhaps because of it, we could also be in a transformational moment. Consumers and governments are beginning to make healthy, local sustainable food a social and political priority. And, as illustrated in this report, new artisans, social entrepreneurs and co-operatives are building out the spaces across dynamic and emerging food value chains. The local, sustainable food movement offers entrepreneurs and communities real, delicious and rooted ways to create new – and reclaim older – capacities, infrastructure, patterns and culture, and to employ innovative and traditional approaches to build resilient, respectful and ecological food production and consumption practices for generations to come.

This report was commissioned by the J.W. McConnell Family Foundation to inform its own impact investing in local sustainable food systems in Canada as well as to bring a fresh perspective and new tools that can help to catalyze change in a broader community of impact investors. Specifically, this report set out to:

1. identify the realities faced by the emerging local sustainable food system entrepreneurs and to understand what role access to finance (along with cultural, social, regulatory and landscape conditions) has played in the success, challenges or failures of these entrepreneurs and initiatives; and
2. identify ways in which impact investors can strategically intervene in Canada to help address some of the enterprise-level challenges and to encourage the local, sustainable food sector to strategically seize new opportunities, develop capacity and build resilience.

We also reviewed a numbers of reports, books and white papers, largely out of the US, that discuss the opportunities for impact investors, philanthropic capital and social financing in the development of local sustainable food systems.

- The Vermont Sustainable Jobs Fund's *Farm to Plate Strategic Plan* includes a chapter, "Financing the Food System,"¹ that explores models that are emerging in Vermont to finance the development of a sustainable food system. It also lists resources for food system entrepreneurs seeking funds for their ventures.
- The Carrot Project's report *Small Farms in a Changing Credit Landscape (2010)* provides a useful discussion of the challenges facing small farms, current options available to them, and suggests strategies that small mission-based lending organizations like the Carrot Project could take to increase capital opportunities for small farmers.²
- The Rudolf Steiner Foundation (RSF) Social Finance report *Bridging the Gaps: Funding and Social Equity Across the Food System Supply Chain* by Foley, Goodman and McElroy (RSF Social Finance) looks more broadly at the gaps in funding that exist across the supply chain at a national level, and, in particular, how they impact social equity issues. The authors interviewed 55 investors and 20 entrepreneurs.³
- The Oakland Institute's 2014 report, *Down on the Farm, Wall Street: America's New Farmer*, provides an excellent look at how a new generation of institutional investors—including hedge funds, private equity, pension funds, and university endowments—are "looking to capitalize on global farmland as a new and highly desirable asset and could permanently shift farm ownership from family businesses to institutional investors and other consolidated corporate operations."

1 St. Onge, Sawyer, Kahler and Perkins. *Farm To Plate Strategic Plan*. (Montpelier, VT: Farm to Plate, 2009), 30-31.

2 John Moukad. *Small Farms in a Changing Credit Landscape* (For the Carrot Project 2010).

3 Foley, Goodman and McElroy. *Bridging the Gaps: Funding and Social Equity Across the Food System Supply Chain*. (RSF Social Finance CA. 2010).

The report also identifies some efforts underway and others that are needed to ensure the protection of farmers and farmland.⁴

- *Ecotrust Canada's Coastal Loan Fund: A Bold Institutional Experiment*, 2013. Ecotrust Canada details the lessons they learned over ten years of mission lending, combining a highly efficient lending and financial management structure with the strategic placement of capital in pursuit of their mission impact.⁵
- The California Environmental Associates report "Local Foods: A Guide for Investors and Philanthropists" provides an excellent overview of the state of investing opportunities in local food systems. It explores the challenges and opportunities and provides suggestions for possible capital interventions in each part of the supply chain, from production, processing, distribution and aggregation, to sales and marketing.
- The U.S. Treasury's CDFI Fund completed a report in 2011, the *Financing Healthy Food Options: Implementation Guide*. This report identifies food system investment opportunities specifically for Community Development Financial Institutions (CDFIs) proposing that CDFIs "have the potential to become catalytic new partners in the process of social engagement and exchange taking place around critical issues of obesity, hunger, and food access in America through engagement, education, and collaboration with food system stakeholders."⁶
- Slow Money's *2014 State of the Sector Report: Investing in Small Food Enterprises* provides an overview of data from a total of \$293 million invested into 968 deals and the stories of a variety of disparate slow money investors across the United States.⁷

The following report seeks to build on the frameworks, lessons and recommendations presented in these reports. Many of these reports are focused on the US context, and almost all to date have taken the perspective of the investors. In contrast, the following report aims to describe the realities faced by the emerging local sustainable food system entrepreneurs.

New artisans, social entrepreneurs and co-operatives are building out the spaces across local sustainable food value chains: from new farmers, local processors, diversifying distributors and supply chain actors, to new retailers and restaurants, technology and marketplace platforms. There are many challenges facing these entrepreneurs, but they are committed and passionate and bring innovation, renewal and resilience to our local food systems as well our urban and rural communities.

We start with a section called the Real Dirt: the scrappy, creative and thoughtful strategies these entrepreneurs are employing, and the challenges and crisis points they face in relation to financing and investment. We then identify concrete and practical ways in which impact investors could strategically intervene in Canada to help address some of the enterprise level challenges and to encourage the local, sustainable food sector to innovate, develop capacity and build resilience.

4 Lukas Ross with editorial support from Anuradha Mittal. *Down on the Farm, Wall Street: America's New Farmer*. (Oakland Institute CA 2014)

5 Dominique Collin. *Ecotrust Canada's Coastal Loan Fund: A Bold Institutional Experiment*. (EcoTrust Canada. 2013)

6 Nessa Richaman. *Financing Healthy Food Options: Implementation Guide*. (U.S. Treasury's CDFI Fund. 2011)

7 Amy Dickie and Woody Tasch. *2014 State of the Sector Report: Investing in Small Food Enterprises*. (Slow Money USA. 2014)

Research Approach

Over the course of the research, we consulted, connected with or formally interviewed 43 food, farm and fish entrepreneurs, 26 interveners/connectors and local leaders, and 16 funders, lenders or investors. (For a complete list of interviewees and enterprises, please see Appendix A.)

The structure and choice of interviews was designed to find out the real stories and financing strategies of emerging and sustainable food, fish and farm entrepreneurs. Interviews with interveners and connectors were open format and were shaped by their role or services. Interviews with entrepreneurs were informally structured, but typically followed the timeline of their business development. Interviews with investors and funders centered on their intervention or experience.

It quickly became clear that there was no way to do a “small” representative study of entrepreneurs across Canada’s local food systems. This burgeoning space is marked by the incredible diversity and large number of individuals in all parts of Canada. As a result, it is inevitable that many enterprises and actors were left out of this study simply because of time constraints.

Although we did not break down the country by province or region or by stage in the food chain, we aimed to reach people from many regions across Canada and from across the food value chain, including farmers and harvesters, processor and distributors, retailers and others. However, there are several areas that are notably missing from this report.

We did not include grain, bean and oilseed producers, nor did we include supply-managed sectors such as dairy, poultry and maple syrup. This was not specifically intentional, but largely related to the scale of production and the generally well-established and aggregated value chains in those sectors (organic or not). **Instead, interviews focused largely on “non-commodity” producers, and almost all producers interviewed pursued some degree of direct marketing.** Our aim was to explore strategies and challenges facing new, innovating, locally oriented sustainable producers, so most of those we interviewed were vegetable producers or operated diverse operations, such as mixed livestock, processing, retail or other enterprises. Understanding the context and opportunities with mid-sized and sustainable hothouse, field crop and livestock producers, as well as the impact and role of quota and supply management is important, but too complicated for the scope of this report.

We did not interview any fishers directly, although we did interview individuals involved in several fishery initiatives and direct service organizations. We had trouble finding fishers to connect to directly through our contacts, and interviews were conducted during the spring fishing season when fishers were generally unavailable.

Country food, Aboriginal and Northern fish, food and farm enterprises are not well featured in the interviews completed. This was partly due to the lack of appropriate connections to these communities or particular entrepreneurs. Several key informants who work directly within this space were able to speak to challenges and opportunities in specific communities (i.e., northern) or sectors (i.e., fishing).

The interviews did not include many failures. This is because it is hard to get people to talk about their failures! However it would have been informative to find a way to explore the circumstances that contributed to failed businesses. It is possible that while some are destined to fail, others could have become great or made it over the last hurdle with a little strategic intervention.

This research was not designed to provide quantitative data, but rather to be reflective of the variety and complexity of strategies used by sustainable local food systems across the country, to highlight some themes and patterns, to seed discussions, and to identify potential and concrete initiatives that could be pursued in relation to particular actors, value chain spaces or regions. Qualitative data could be undertaken to complement this report, potentially through on-line surveys distributed through the range of existing and emerging associations and networks.

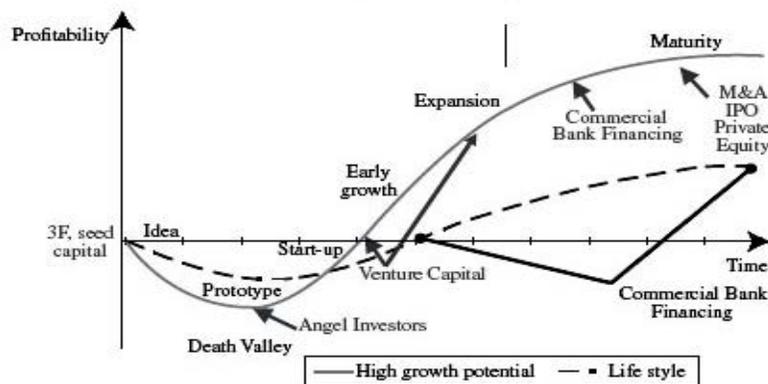
The Real Dirt: Entrepreneurs' challenges and creative capital strategies

In this section, we seek to highlight the breadth and form of enterprising actors across the local sustainable food, farm, and fish sectors in Canada and to describe how access to funding, investment and financing (among other factors) is affecting these entrepreneurs and the accompanying food systems transformations.

We interviewed a wide range of 'new generation' social entrepreneurs who are interested in running values-driven, successful, profitable, and sustainable enterprises. While some are looking to build scalable, equity-financed enterprises, most new food and farm entrepreneurs are simply looking for business models that will provide them with viable and meaningful livelihoods while effecting real, delicious and healthy change in their communities, across our farmlands and throughout our food systems.

There is a great deal of literature and research documenting the entrepreneurial life cycle. The following diagram is particularly useful to illustrate the difference between "high growth" ventures and "lifestyle" enterprises and the financial options open to them. While processed foods or technology-based enterprises can fall into the "high growth" space and attract venture capital or equity investments, most primary production, fresh / whole foods or locally oriented enterprises tend to offer growth curves similar to the "life-style" curve and are largely financed by the Founder, Family and Friends' (3F) investments, seed capital and unpaid "sweat equity," along with a combination of asset backed commercial bank financing (see Figure 1)⁸.

Figure 1: Financial Alternatives versus Entrepreneurial Life Cycle



Source: Adapted from Venture-Financing, 2005

In his book, *Small Giants: Companies That Choose to Be Great Instead of Big*, Bo Burlingham challenges the widely accepted axiom of business that great companies must grow their revenues and profits year after year. He argues that some entrepreneurs quietly, under the radar, have rejected the pressure of endless growth to focus on more satisfying business goals: being great at what they do, creating a satisfying place to work, providing first-class customer service, making a contribution to their communities, and finding balanced ways to lead their lives. These entrepreneurs were able to do so primarily because their companies remained privately owned, with the majority of the stock in the hands of one person or a few like-minded individuals.

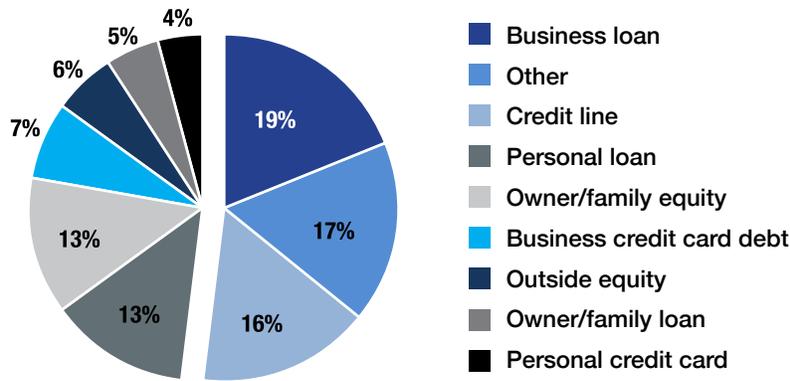
Many of the enterprises interviewed were small and often family driven businesses (in that multiple family members were involved). According to an extensive multi-year study completed by the Kauffman Foundation,⁹ 59 percent of all small business funding comes from a combination of business loans, credit lines, personal loans, business credit card debt, and

8 Jose Amoros, Miguel Atienza and Gianni Romani. Formal and Informal Equity Funding in Chile. (Estudios de Economía. Vol. 35 - N° 2, December 2008. pgs.179-194)

9 Ballou, Barton, DesRoches, Potter, Reedy, Robb, Shane and Zhao *The Kauffman Firm Survey: Results from the Baseline and First Follow-Up Surveys*. (March 2008)

personal credit card debt (see Figure 2). This pattern is similar to what we found in our research. We could call this “by hook or by crook” financing.

Figure 2: Sources of U.S. Small Business Capital



Source: Kauffman Firm Survey

In addition to small businesses, there are also mid-scale co-operative and incorporated businesses, larger, scalable social enterprises, structured as for-profit, non-profit companies, and co-operatives, as well as charities operating in this space. All aim to balance profitability and returns on investment with the goals of building local, sustainable food systems, yet they employ a variety of approaches as they navigate the tension between profits versus impact, and local versus scalable. The sector includes a wide variety of enterprises, such as:

- An urban agriculture project whose purpose is to encourage urban farming but that largely subsidizes its farm projects with its fresh vegetable box distribution company; a small locally oriented Community Supported Agriculture (CSA) farm that allows for “working shares” for lower income members and trains new farmers; and a “mainstream” organic brand distributor serving large retailers.
- A growing sustainable fish distributor that is building supply chains across North America and the world; a small direct market enterprise that is in working with particular fishing communities to ensure high quality and sustainable livelihoods; and not-for-profit projects that pilot initiatives and build community infrastructure to support sustainable coastal economies.

One distinction that became clear was between artisans and entrepreneurs. Artisans are people who are engaged in a craft or métier; their hands are on the product and their business value is in the quality and beauty of their particular skill. They are more often passionate artists interested in physical and creative work. They are bakers, farmers, chefs, beekeepers, butchers, cheese makers, etc. While they are running a business, their passion lies in the hands-on nature of their work and their primary interest is in building a sustainable livelihood. Their businesses are highly dependent on their continued involvement in production, which limits their scalability and their subsequent attractiveness to venture capital.

Entrepreneurs can be engaged in any stage of the value chain, with their skill and focus tending toward the business model, operations and goals, rather than actual hands-on tasks. They are more often visionaries, networkers, communicators and multi-taskers. They can be crafts people who have scaled up operations, such as farmers managing larger farm operations, bakers running production bakeries, chefs managing several restaurants. But more often they are nimble and versatile people running processing, distribution or retail businesses or they are equipment makers and software developers. Most of them are looking to achieve a viable income and a meaningful livelihood from their businesses, but their entrepreneurial spirit often leads them to scale or diversify their businesses.

We do not seek to judge the intention, scale, orientation or impact of these enterprises; however, we will explore how these can affect the potential returns on investment and the kind of financing tools and opportunities for investment available to them.

In the following section we share the stories of the people on the ground and highlight some of the themes and patterns that emerged, identify common challenges and creative strategies, and explore some ideas for potential impact investment opportunities and interventions. The areas we will touch on include:

- **land,**
- **fisheries**
- **operating capital,**
- **crisis points and challenges,**
- **capacity development, and**
- **strategies for business viability.**

LAND

Of the many structural, economic and practical challenges facing new and young farmers, we have found that securing access to affordable and productive farmland is perhaps the most overwhelming. All of the farmer interviews focused on land; however, not all the farmers owned or were planning to own their land. The price (or tenure) of farmland was a key decision point for all of them in where they chose to settle and how they chose or were able to farm. Importantly, the ownership and the changing value of the land (appreciation and subsequent building of equity) were integral to farmers' ability to access operating capital.

The strategies new farmers are using to secure access to farmland include:

- Borrowing from family and friends to put a down payment on a farm (either equity in parents' farm, or bonds, investment, and donations);
- Starting on incubator farms, managing other farms, or making short-term rental arrangements;
- Exploring alternative forms of ownership – land and business co-ops, long-term rentals, and condo farms;
- Looking for smaller parcels of land to buy;
- Moving to remote regions (e.g., the north and the east coast) where land is more affordable.

Of the farmers interviewed in Ontario, several were renting land (for cattle, greenhouses, and vegetables), several had bought their farms, and several were operating on an incubator facility. While some were able to consider investing savings in land, none were able to see the land purchase as solely a business asset, and instead needed to see land as an appreciating private investment, as land values are not based on the potential real revenue a farmer can achieve.

Current land prices vary significantly between the urban shadow and more remote communities and from province to province. Farmland ranges from \$800/acre in northern B.C. to \$10,000/acre in rural Ontario and Nova Scotia, to over \$50,000/acre near Vancouver and Toronto.¹⁰ The market "values" of farmland are often based on speculative lending associated with development, recreation and potential aggregate uses. Paul Slomp of Grazing Days started his farm in Ontario on rented land near Ottawa but has recently bought land across the river in Quebec because he found the land prices were 10% of those on the Ontario side (\$10,000 to \$16,000 per acre for decent tillable land in Ontario versus the \$1000 per acre for un-drained land and \$1800 per acre for drained land he paid for his farm in Quebec). While there are many factors at work, Paul believes that provincial policies in Quebec that make it difficult to sell agricultural land for anything other than agriculture are keeping land more affordable for new entrants.

In comparison to Ontario, B.C., or parts of Quebec, farmland in Atlantic Canada is still affordable. All of the farmers interviewed in Nova Scotia and New Brunswick said that they were able to build their businesses with very little debt because they were able to purchase inexpensive land (several bought land sight unseen over the Internet!) which allowed them to put their own capital into operating investments or to secure financing against the equity in the land that they had bought below market value. However, the more remote nature of the farms in Atlantic Canada also means longer travel to markets, fewer market opportunities and, sometimes, fewer resources.

Once a farmer finds land he or she can afford, the next challenge is putting together the required down payment, which sometimes can be up to 50% of the purchase price (this includes the required 25% for mortgage insurance, and the additional difference between the banks assessed value and the speculative sale price). The current year-over-year growth in farmland values is outpacing new farmers' ability to save for a land purchase.¹¹ Tarrah Young, a farmer from a non-farming background, started her own farm on FarmStart's first Start-Up Farm in Guelph, and she and her partner purchased their farm on the open market in 2008. Tarrah claims that that they wouldn't have been able to buy their land if they had waited another

10 ReMax 2014. Farm Report 2014. (Available from: <http://rem.ax/YCjRsm> Accessed 2014 September).

11 Parsons, R. et al. 2010. Research Report and Recommendations for the FarmLASTS Project. (Available from: <http://www.uvm.edu/farmlasts/> Accessed 2014 June).



Shannon Jones and Bryan Dyck of Broadfork Farm

Shannon Jones and Bryan Dyck were able to find 15 acres of cheap land in Nova Scotia. They started Broadfork Farm by securing financing for a farm mortgage in 2011 with \$15,000 down, a solid business plan, and their combined farm experience (such as a CRAFT internship, Everdale's Farm Business Planning Course, and working on farms for seven years). The Nova Scotia Farm Loan Board came through for them with a \$75,000 mortgage over 15 years on the land, house, greenhouse and a tractor. Grants from Heifer (\$8000) and Carrot Cache (\$2000) helped them with their start-up costs.

the knowledge and expertise in growing South Asian crops. In his fourth year of operation, Bob had contracts with a major retail chain and was actively looking for his own farm. But his father-in-law's declining health and the challenge of generating enough income to support his family have made Bob put his farm dreams on hold.

While helpful to get started, incubator farms and shared facilities can become limiting as farmers expand their business. Some newcomers to the field have managed to find long-term tenure arrangements with existing farmers or non-farming landowners. Angie Koch of Fertile Ground CSA in Waterloo has a relationship with a local landowner in which she uses and cares for five acres at no charge. She has recently been able to lease the house on the property as well.

New farmers are also finding creative ways to not only reduce their debt load but also increase their profit margin. Jean-Martin Fortier, a market gardener in Quebec (and author of the best-selling *Small Market Gardener*), runs an intensive vegetable operation on two acres. He reports a gross margin of 40% from revenues less than \$250,000,¹² which provides his family with a living wage. High quality, direct marketing, minimal debt, and low input costs make this sort of balance sheet a reality. Fortier and his wife Maude-Hélène own a total of 15 acres,

year or two, when prices went up steeply. As it was, although they were both working off-farm and had support from their parents, they were barely able to get financing.

Incubator farms and short-term lease arrangements can provide low cost ways for farmers to get started. FarmStart runs two Start-Up Farms: McVean farm, an intensive vegetable farm facility in Brampton, Ontario, and Earth to Table Farm, a mixed vegetable and pastured livestock facility in Hamilton, Ontario. These two farms have hosted over 20 new farm businesses.

Some McVean Farmers, such as Cheng Ying Dong, have moved on to their own farms. Cheng, a new immigrant from northern China with experience in mushroom farming, started with a 500-square-foot poly house at McVean Farm where he experimented with growing mushrooms organically in Canadian conditions. He was then able to buy his own farm where he now runs a mushroom enterprise selling largely to the Chinese market in the Greater Toronto Area.

FarmStart has also started to develop a co-op farm facility at McVean Farm to allow some farmers longer tenure and greater ownership in the farm facility. Such producers include Margaret Zondo and Rodney Garnes, second-career farmers who, over the past five years, have rented 2.5 acres at McVean Farm to grow produce for farmers' markets and the Afro-Caribbean community in Toronto. Rodney farms full time while Margaret has an off-farm job. In the long run, they are only looking for 2-3 acres with the Greater Toronto Area, which the co-op facility would be able to provide.

Other farmers can't quite manage to put it all together, for a variety of reasons. Bob Baloch took the leap into farming at McVean, with enough capital to grow his business and a strong desire to succeed, only to come up against complicating circumstances. Bob quit his full time job in the city during his first season and increased the size of his production from one acre four acres on McVean Farm. He brought an enterprising spirit to the business, and his father-in-law brought



New farmers at FarmStart's McVean Farm

¹² Fortier, J.-M. 2014. *The Market Gardener*. (New Society Publishers, BC Canada. 223 pp.)

which includes their house and work shed, their greenhouses and gardens as well as a woodlot with intern housing. They have been operating on this farm for 10 years and are almost debt free.

Not all farmers will farm on such an intensive scale. But many new farmers are exploring a variety of intensive and higher-crop-value operations including growing specialty vegetables and heritage grains, experimenting with extending the growing season, and intensive grazing of livestock. Condos (in which a property is divided up and owned in discrete units with shared facilities) or smaller parcels of land can allow these farmers to buy with the right amount of workable acreage for their operations or to buy a “home farm” and rent more extensive acreage. This may reduce their upfront costs and on-going debt loads while providing the important equity, security and ownership that farmers feel they need if they are going to invest in their soil and infrastructure, borrow operating capital, and uproot their families. This approach may be able create opportunities for nearer-urban farmlands to be protected and kept in production, or pathways for new entrants to settle in rural communities, as farmlands could be divided and subleased or sold to new farmers.

While there are a variety of emerging and non-traditional strategies that can separate the farm business from the value of the land, such as co-ops, land trusts, and long-term lease arrangements, farm businesses have been and continue to be dependent on the equity in their land to access operating capital and for the long-term retirement savings which the appreciation of their land provides.



Jim Thompson of Notre Petit Ferme

After working as farm manager on two organic farms for six years and looking in vain for land around Montreal, Jim Thompson of Notre Petit Ferme chose to start his 4.5 acre vegetable farm on an incubator at La Plate-forme Agricole de L'Ange-Gardien in Outaouais (Quebec). This choice paid off: he is finishing his fifth season, is making money, and has no debt. But now, with his production growing each year and more and more other farmers on the site, he has out-grown the infrastructure of the Plate-forme. He was looking to establish a land co-operative with several other farmers with complementary enterprises, thinking that this could make the land and infrastructure more affordable for them all while maintaining a level of solidarity between them. But according to Jim, “Given that we are near the Canadian shield, the land varies a lot – and we were not able to find a property in Outaouais that had enough *good* horticultural land for everyone. Also, finding farmers who are complementary and financially ready to jump in at the same time was challenging.” Jim and his wife, Genevieve, found a 168-acre property in the same area

with about 10 acres of good land. They obtained financing from Quebec’s Fond d’investissement pour la relève agricole (FIRA) rent-to-own program that will give them up to 15 years to purchase the property, and a lot more flexibility in terms of building equity to do so.

FISHERIES

Coastal fisheries are variable and volatile. Fisheries rely on wild animals and dynamic ecosystems, with fishermen facing annual and seasonal changes depending on stocks, species and location.

In addition, over the last two decades, small-boat fishermen on both coasts have faced a “perfect storm” of government buy-back schemes, industry consolidation, vertical integration, dropping market prices, stricter conservation rules, soaring monitoring and quota costs, and a host of licensing and regulatory reforms ostensibly designed to improve fisheries economics.

Licence Banks on the West Coast

On the west coast in particular, some of the regulatory reforms have had a disproportionate impact on smaller, remote, and Aboriginal fishing communities. During the 1990s, Ottawa financed buy-back schemes and introduced individual transferable quota systems in some fisheries. While these policies rationalized some fishing activity, they also created challenges for fishing

enterprise viability which have been coming to light over the past few years. When capitalization in vessels dropped by more than fifty percent in the 1990s, the money invested in licences and quota soared. The price of halibut quota climbed from \$9 per pound in 1991 to \$27 per pound in 2004. Sablefish quota prices jumped from \$5 to \$25 in the same period. As a result of these management changes, there have been dramatic increases in fishing costs, including the cost of access, shifts in ownership away from coastal communities, a decline in the small-boat fishing fleet, and a loss of rural infrastructure.

In addition to the cost of quota, fishermen also face challenges securing start-up capital. Fishermen requiring funds at the beginning of each fishing season for licenses, fuel, ice and gear often negotiate a loan from a processor in exchange for delivering their catch at a fixed price agreed to pre-season. In this way, fishermen with few options essentially become tied to processors and are unable to support their local plants or find the best price for their fish.

According to Ecotrust Canada, a charitable organization working to support small boat fleets and good fishing, “If there is to be a sustainable fishery in the future, new ways for fishermen to access licences and quota need to be created to ensure benefits from fisheries flow back to active fishermen and their communities.”¹³ The organization, to this end, is working with communities and fishermen to increase access to licences, to liaise between funding opportunities and the repatriation of licences, and to help prevent the loss of community infrastructure. All of these issues revolve around access to capital, so Ecotrust Canada continues to pilot creative social finance initiatives.

The Pacific Coast Fishermen’s Conservation Company (PCFCC), a licence bank, was initiated with the help of Ecotrust Canada by seven active fishermen. With the licence bank, licences and quota are collectively purchased, held in the “bank” and leased back to members at reduced or “fair trade” rates, improving the economic viability and securing access for members. Figure 3 below illustrates the flow of capital and quota between investors and fishermen in a Licence Bank. This structure can achieve multiple socioeconomic goals including improved fisheries management as well as the promotion of sustainable fishing practices. Ecotrust Canada has published a start-up guide describing how to organize a fisheries licence bank, using the PCFCC as a model.¹⁴



Some of the Pacific Coast Fishermen’s Conservation Company’s fleet

The seven founding members of the Pacific Coast Fishermen’s Conservation Company (PCFCC) decided to develop a licence bank based on a common fishery (spiny dogfish), a common fleet (small boat hook and line), and a common need (bycatch quota). These fishermen recognized that the new quota regime that required each fish caught - regardless of species - to be covered by quota tags that were leased or owned, would have the largest negative financial impact on the smaller vessels. They determined that they needed a system of “co-owned and pooled quota” which could be accessed as needed for a consistent price that was not subject to in-season price increases.

They used a corporate structure to allow greater flexibility and the return of a portion of the revenue in dividends, but they used their shareholder agreement to incorporate the beneficial elements of a co-operative. As the issues around growing licence costs became apparent, they used their licence bank structure to introduce principles of fair trade and ensure the rights of the owner operator. This allowed them

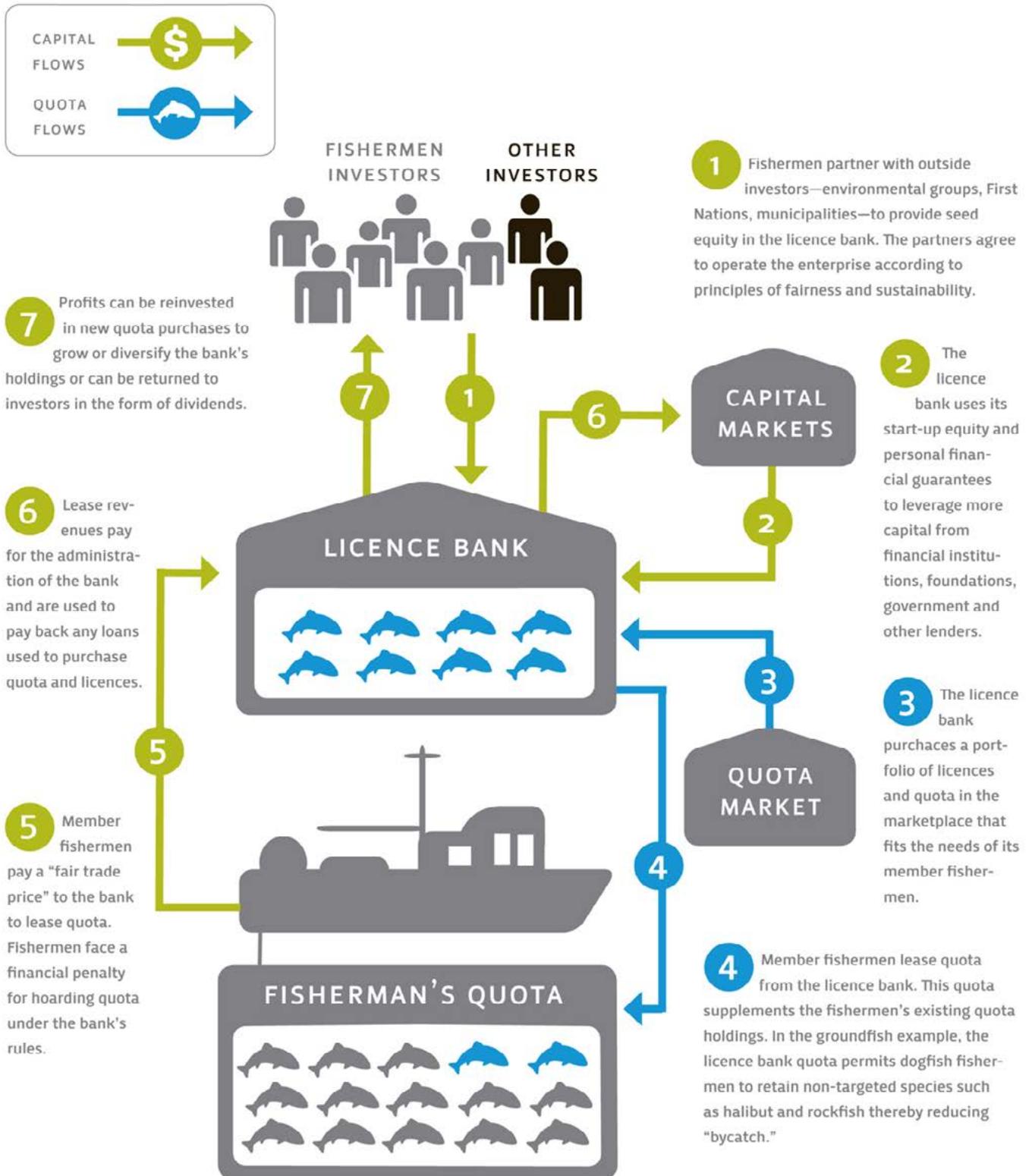
to improve their own economic viability but also to work together to achieve their community and environmental goals (beyond what was enforced in the regulation).

Their partnership with Ecotrust Canada allowed them to access start-up funding for license bank design, the creation of a shareholder agreement, and the first tranche of quota purchase. The PCFCC initially started small, purchasing one-third of a rockfish licence which was used as the vehicle for purchasing quota. A foundation grant, deployed as a long-term, no-interest loan, allowed them to purchase additional quota. The initial business plan was dependent upon the strong commitment of fishermen shareholders to use individual assets as security on the loan and commit to paying off the loan despite the fact that the revenues would not meet the debt commitment in the short term. The addition of the grant, providing important seed capital, has improved the financial picture for the licence bank.

¹³ Tasha Sutcliffe, Danielle Edwards & Dan Edwards. *Fisheries Licence Banks: A Start-Up Guide to Planning, Governance, Finance & Operations*. (EcoTrust. 2008)

¹⁴ *Ibid.*

Figure 3: Licence Bank Model: Capital and Quota Flows



Source: EcoTrust Canada. <http://ecotrust.ca/briefing/pacific-coast-fishermens-conservation-company/>

First Nations Fisheries on the East Coast

Over the last decade, the First Nations fisheries on the east coast have increased from \$4.4 million to \$75 million in landed value. This growth is due to the Marshall decision, which gave First Nations access to commercial fisheries. At this time, the government provided fishing licences and quotas to the communities along with money for gear and training for people.

Since 2008, David Simms and a fisheries development team at Ulnooweg have worked providing business support services for 32 First Nations communities throughout the Atlantic region that have community-owned fishing enterprises. These enterprises range in size from a small number of people and a few boats to 60-70 boats and up to 150 people. Licences and quotas are assigned through the bands. In some cases, the fisheries are a division within the band governance; in others, they have created separate commercial fishing entities.

According to Simms, who has been working with these communities to assess their businesses viability, only one-third of the communities are at a level that can operate sustainably. They have encouraged communities to focus on developing their harvesting operations: buying quota in specific species, extending their seasons, and developing their boat fleet to reach sustainable scales. This requires a significant amount of financing, with crab quota prices at around \$3-4 million (for one purchase) and a lobster license costing anywhere from \$200,000 - \$2 million.

Only a few of the 32 communities have focused on developing processing capacity, with three operating very large, export-oriented processing plants (two in frozen crab and one in frozen lobster). However, there is growing interest in developing their own spin-off industries: processing, trucking, and transport of their fish as well as retail outlets. Simms believes that a major expansion in the First Nations fisheries is beginning. Over the past three to four years, these First Nations communities have undertaken business planning and, with a better understanding of operations and expectations, are developing significant expansion plans. For example, one community has plans that could require up to \$70 million in funding. Simms estimates that the industry could need over \$150 million, with \$20 million engaged in the next five years.

While some communities have potential to access financing for immediate needs from contribution programs (e.g., for the equity portion of a loan for quota purchase), they do not have access to the capital they need to invest in the infrastructure, training, and operations expansions that will help them move toward self-sustainability. Financing this kind of growth is complicated for the Band operations. Ulnooweg has dedicated funding for loans to individual Aboriginal enterprises but does not have the resources to provide significant financing at the Band level. Conventional lenders tend to see the fishing industry as too high risk – even traditional large market players must find financing in Iceland. Todd Hoskin, Chief Executive Officer at Ulnooweg, is looking to build an Impact Investment Fund to fill this gap, similar to CRAFT3, a US non-profit community development financial institution with a \$300 million lending portfolio and a mission to strengthen economic, ecological, and family resilience in Pacific Northwest communities. Hoskin is looking to engage a tiered approach, working with the government of Canada, pensions funds, foundation endowments, and, possibly, a market tax credit or an impact bond that will enable private capital.

OPERATING CAPITAL

The biggest challenge facing start-up entrepreneurs in accessing operating capital is the need to back that loan with assets or a security. Because of the high-risk nature of many food, farm, and fish businesses, almost all lenders require fully collateralized loans. However, they are often unable to accept operating assets as security because the equipment or stock depreciates too quickly or is not easily re-saleable. Farmers also have not built up inventory or purchase contracts, especially in the first three years, and often have business models for which there are no appropriate benchmarks (e.g., pastured livestock, local produce box distribution), so banks are unable to assess business viability. As well, there is virtually no interest from venture capital in this sector because the immediate and potential profit margins are far too low to interest risk-taking capitalists.

Entrepreneurs have managed to secure operating capital largely “by hook or by crook” and many exist in very tight, chronically underfinanced circumstances. They have largely pieced together the operating capital through a combination of the following:

- Using some other asset as security, most often their parents’ land or their own house (if their business is not land based); “lucky” equity in land or quota (if they were fortunate to buy below the market rate); or the assets of an angel investor (e.g., bonds or GICs, etc.).
- Using credit cards and lines of credit from previous employment.
- Creative and non-collateralized borrowing from friends and family, angel investors, social investors, etc.
- Pre-season/production payments (i.e., Community Supported Arrangements), pre-order systems, cash on delivery, and extending payment terms with their suppliers.
- Creative use of government and other available financing programs (as most are not designed to serve their true needs).

Traditional Financing: Asset-Secured Capital

In almost all cases, farmers need to find an asset to back their operating capital. Most often, that asset is their land. This is very challenging for new farmers, who have just used most of their own savings, as well as the savings of friends and family, for a down payment and have not yet built any equity in their farms (which most often comes from increasing land value rather than mortgage principle payments).

Businesses that are not land based have more difficulty when it comes to finding operating capital. Companies, such as distribution businesses or restaurants, are unattractive to lenders because they have few assets that they can use as securities, they are usually renting buildings and purchasing quickly depreciating assets such as trucks, refrigeration units, and kitchen equipment or hard-to-seize assets such as plumbing, electrical work, or marketing and design.

Family and “Lucky” Equity

Some farmers, like Mark Bernard in PEI, were able to use their parents’ land as collateral for their own farm purchase. Mark worked with his father to make the transition from growing conventional potatoes to growing organic grains and pasture. Mark and his wife Sally were able to build a solid base because they got the land debt-free and were able to set up a line of credit using a parcel of their land as security to deal with cash flow. Their start-up costs were largely cost-shared with grants from the provincial government, which offers 50% of infrastructure investments. Mark is now buying his dad out share by share to ease capital gains tax and ensure that Mark’s other siblings are provided for.

Others, like Chris De Waal of Getaway Farms, were fortunate to have found what we call “lucky equity”: he was able to buy a piece of land at below what the banks perceived to be the “market value.” In 2009, after his father-in-law lost his beef farm because of the BSE crisis, Chris bought a farm in Nova Scotia off the internet. He moved his family from Alberta and set up a grass-fed beef operation. Getaway Farms depended on \$90,000 from the Nova Scotia Farm Loan Board in loans backed



Three generations of Boldts at Pine View Farms

Kevin Boldt started raising beef cattle alongside his father's dairy farm in Saskatchewan using the dairy's male Holstein calves. When he and his wife Melanie wanted to settle down, their parents secured a loan so they could buy a neighbouring farm, which included a small poultry abattoir. Kevin and Melanie thought they would raise a few birds alongside growing grain for the dairy and quickly realized that there was a better market for "natural" meat than for their grain. They sold their grain equipment, invested in their butcher shop, began to produce up to 10,000 birds a year.

Once they reached this size, they needed to buy quota. They were fortunate to get it at less than the market rate at a chicken quota auction (an auction like this has happened only once in the 16 years that the Boldts have been farming). Once Kevin and Melanie had the quota in-hand, it was valued at the going market rate and they could borrow against it. This equity had been critical as collateral for the small amounts of money they have invested over time in the growth and expansion of their butcher shop and brand. Over the last 16 years they have put over \$1 million into the business and now have over \$1 million in gross revenues. Now that Kevin is a quota holder, he supports the system. He sees the appreciation in his quota as his retirement fund, but he realizes that this prevents young people from entering the sector.

by Chris's equity in the land. For start-up and seasonal cash flow, he relied on the Advanced Payments Program (APP), a federal program that gives producers a forgiving cash advance for the duration of the production period, which provides a moderate amount of liquidity to purchase the seeds, cattle or soil amendments.

In one case, a Saskatchewan farmer, Kevin Boldt, was able take advantage of a rare quota auction to purchase quota at below the market rate. He was able to use this value in the quota as equity for operating capital as he built his farm-based Pine View All Natural Meats.

The practice of borrowing against the speculative value of land and quota over the last 30 years has created very significant succession challenges. Over the lifetime of a farm business, the debt is often only serviced by the farm operation and is recouped through the sale of the farm. This often means farmers must sell their land or quota at full speculative value (to the next generation or to someone else) so that they can pay off their operating debts. Family successors or new entrants thereby start off their new business with the burden of huge debt, which increases stress and insecurity, and contributes to the lack of profitability of new farms.

Loan Guarantees

Entrepreneurs often have to use the assets of family members to be able secure operating lines of credit. Restaurants are notorious for being unable to secure bank financing because they have no valuable assets and a high failure rate. Artisanale, owned by Yasser Qawawish and Christie Young (author of this report), is a small family restaurant in Guelph serving French country cuisine using local, sustainable organic ingredients. When it had to move locations, Yasser and Christie needed to invest over \$200,000 in renovating an old limestone building. They were unable to find a bank interested in providing financing (despite their restaurant's five-year history, as well as Yasser's renown as a chef and 15 years' previous experience in the industry). They finally secured the renovation capital through a combination of savings, patient loans from various family members, and a \$100,000 operating line of credit that was fully secured by a relative's GIC.

While family is often the first line of angel investors, many entrepreneurs need more capital than their family and friends can secure. In some cases, they are able to find an angel investor who both believes in the entrepreneur's capacity and has an interest in the business. In these cases, if entrepreneurs are lucky, their angels may also provide useful mentorship and connections, as was the case for Paul Sawtell and Grace Mandarano of 100km Foods.



Paul Sawtell and Grace Mandarano of 100km Foods

100km Foods is a food distributor that works primarily with Local Food Plus-certified small and mid-scale growers (anywhere from a ½ acre to 800 acre farms) and urban chefs. They pick up produce from farmers according to orders and deliver it to chefs within 24 hours. Paul Sawtell and Grace Mandarano started the company in 2008, buying a truck with their savings and accessing cheap warehouse space at FoodShare Toronto, a non-profit focused on access to food. They grossed \$250,000 in that first year but needed financing to expand, so they leveraged their networks again. The CEO of the Stop-Community Food Centre hooked Paul and Grace up with an interested mentor who soon became an angel guarantor, co-signing on a bank loan and a line of credit that financed their purchase of a second truck, coolers and freezers. Their guarantor remains their mentor; he believes in their vision and management and acts as advisor and cheerleader. Several large public procurement grants have since allowed them expand their operations, buying more vehicles and expanding their service areas with six trucks on the road and over \$2 million in sales in 2013. They recently secured an investment from a private equity firm, Investeco, which will fund a six-year strategic growth plan and hopefully take 100km Foods to the next level. They are aiming to do \$3.5M in sales in 2015. Paul believes that they would have never achieved a scale that would be attractive to an outside investor had they not connected with a mentor.

Creative Financing: Character and Community

Entrepreneurs are leveraging their wide and supportive networks and trust in their own character to get some of the capital that they need that they cannot borrow from conventional lenders. But they have to be confident of their capacity to repay these loans and be prepared to manage the relationships and administration that go along with them.

Private Bonds and Shares

Small enterprises can use personal loans or more formalized private bonds. According to Canadian securities law, bonds sold by an unregistered firm cannot be marketed publicly, and there can be no more than 24 investors. So entrepreneurs, like Paul Slomp of Grazing Days have used personal networks and word-of-mouth to connect with investors for his private bonds (effectively term loans).



Paul Slomp of Grazing Days

Paul Slomp has made it work at his farm Grazing Days near Ottawa by leveraging his social network and renting whenever possible. Paul raises beef cattle on grass, buying stocker calves at one year and finishing them on grass. He saw a gap in the market: local beef farmers only sold meat in large volumes, discouraging the average Ottawa family from making a purchase. Paul funded his start-up costs by making a bond offering to friends and family. People in Paul's network invested \$500-\$5000, to be paid back in three years with 4% interest. In 2010, he raised \$10,000 in two weeks, which, combined with his \$10,000 in savings, allowed him to buy 14 calves, fencing and water infrastructure. In 2011, he made another offering and raised \$15,000. In 2013, he had sufficient cash flow to begin to pay back the first of the bonds and has since repaid all \$25,000.

Last year Paul bought a farm in Quebec with the help of a well-informed investor. At that time, Grazing Day's business management practices completely changed from "owning as little assets

as possible and keeping our costs low to investing into as many assets and infrastructure now that will allow us to keep our cost of production low, and as labour, money, energy, and water efficient as possible for the next 25-plus years.” Interestingly, it obtained financing from an investor whose financing was conditional on Paul’s investment in soil fertility to provide security for his loan, stating, “I can’t afford to finance land that is not going to provide you with the best product that you can produce.”

Community and Co-op Financing

Food and farm businesses are using “community-supported” arrangements to collect operating or infrastructure capital. This is common in the Community Support Agriculture (CSA) movement, in which farms pre-sell a share of their harvest at the beginning of the season, giving them the operating capital to put the crop in the ground and supporting them throughout the season. This also effectively allows them to share the risk with their customers as they both must accept harvest losses due to weather events or insects.

Others are now starting to employ the CSA’s pre-payment model to raise development capital for restaurants or, in the case of Monforte Dairy, an artisan cheese facility. When Ruth Klahasen from Monforte Dairy was given only two months’ notice to vacate the facility she was subleasing in 2009, she embarked upon a CSA inspired “cheese bond” venture. Leveraging relationships with her customer base at farmers’ markets, Ruth collected 1000 subscriptions at an average of \$500 each, to be paid back in cheese over five years. In February 2010, Ruth “jumped” into a \$1-million processing plant with the cheese bond financing, \$250,000 from the business, a \$120,000 grant from OMAFRA, and \$250,000 in debt financing from the federal government. Over the next four years, Monforte grew to \$1.8 million in sales and paid off over \$400,000 in cheese debt.

Throughout the last century, groups and communities have used co-ops as a way to pool their capital and share ownership, to start a business, to develop processing facilities, or to purchase community infrastructure (such as railway lines in the West, or dairy processing in the East). More recent community finance initiatives like the Community Economic Development Investment Fund (CEDIF) program in Nova Scotia or the Opportunity Development Coops in Alberta have demonstrated the capacity for communities to effectively provide working capital for local enterprises.

The Nova Scotia CEDIF program was pivotal for Just Us! Coffee Roaster, the first fair-trade coffee roaster in Canada. They were able to finance many years of continuous (often 100%) growth with an offering every year for 10 years, raising a total of \$2.5 million. Community investors bought a number of \$1000 shares in an RRSP-structured investment locked in for five years, and receive 2% annually in dividends (based on profitability).

Other entrepreneurs, like Jackie and Sandra of The Creemore 100 Mile Store, were not interested in a formal co-op structure and did not want to put together complicated Investment Co-op offering documents. But they still were able to use collective community support to bring together the start-up capital they needed, selling 47 shares to community members.

Start-up enterprises we interviewed who used community financing discovered that it can almost be easier to bring together the capital than it is to figure out how to develop the business so that they can actually sustain themselves and repay their community lenders.



Jackie Durnford and Sandra Lackie had been involved in the creation of the local farmers’ market and wanted to open the 100 Mile Store in Creemore, Ontario. In 2008, after three months of research, they got together a group of women for a “Prospectus Party” and pitched their business idea. In total, they sold 47 shares at \$1000 each and promised 7% dividends with a lump principal repayment in five years. Jackie and Sandra each contributed \$25,000.

Even with a considerably pared-down start-up, an angel landlord, Ontario Marketing Investment Fund (OMIF) funding, a Premier’s Award, and a decision to sell only on consignment to start, they realized they still couldn’t keep their promise to investors. In hindsight, they think they should have offered lower interest

rates and had a staggered repayment schedule. They have offered their shareholders choices: reimbursement in produce, reinvestment with 4% return, or turning the investment into a donation. While they are still working out arrangements with their shareholders, the 100 Mile Store has been able to keep its head above water, grow into a vibrant store and still has the community's support.

In the summer of 2015, they will also be launching the Creemore Power Company (smoothie bar and sister company of the 100 Mile Store), a small, seasonal take-out window offering organic, local, seasonal high-energy food targeting the active summer visitors. With higher margins than the food store, they are hoping to make enough so that they can pay their shareholders back.

Venture Capital

Venture capital is difficult to place in the food system. Equity investors typically require scalability and the potential of significant returns to balance the risk and their large upfront investments. They may be looking for anywhere from 20% to 100% return on investment, which is why venture capitalists generally focus on web, technology or resource extraction sectors.

Some local food system enterprises are scalable in that the costs of starting and operating the business can be spread over more transactions. This either allows them to reduce prices or increase the profit margins on each unit sold. However, profitable scalability is hard to achieve for food companies that must touch and handle fresh produce because the operating costs are largely in the labour and structural operations. Moreover, because of the perishable and seasonal nature of food, growth tends to take time.

For example, a farm can increase its planted acreage somewhat cost effectively, but more labour must be added to pick and pack the increased volume of produce. Produce distributors can increase their territory, but this means the cost of more trucks and more drivers. While there may be incremental increases to the profit margin, they are usually moderate and slow. Scalability is most often achieved when technology or processing is introduced, and high levels of profitability can be attained by entrepreneurs who enter "blue sky" markets first or who out-compete other enterprises.

In our interviews, most often it was technology-based companies, such as Localize, which uses a data base system to create point of sale information for retailers, or web market places, such as Provender, that were able to attract early-stage venture capital.



Provender is a platform that facilitates trade between the farms in a region and commercial food purchasers (primarily restaurants and small grocers with potential for schools, daycares, and universities). Provender found itself in the "tough spot" where the owners discovered that they were too entrepreneurial to access grant funding and too young to access traditional financing. Although Provender sought out impact investors, it was tech-savvy venture capitalists who fueled their launch. After making an excellent pitch for their business, they were accepted into an accelerator called FounderFuel, which provides an equity investment of \$50,000 and a mentorship, and brings the start-up through a three-month intensive training program. After Provender's presentation at the end of the three months, it was awarded an additional \$150,000 equity investment from BDC Venture Capital Strategic Investments. Two seed rounds later, Provender raised another \$800,000. These equity investors are betting on the model, the vision and the scalability of the business.

The company now has 13 employees, all funded by seed capital. They currently have 70 restaurants and 40 farmer-subscribers in Montreal, who do their marketing and purchasing using Provender. While Provender has been making money from the transaction fees, the development costs are far higher than can be recouped right away. Tech businesses require a large up-front investment to get started but little investment for scaling up. The equity stakeholders in Provender will see a return if the business can successfully expand into other cities across Canada and the US quickly before someone else fills what is termed a "blue sky" market – a brand new opportunity with little or no competition. To succeed in the long run, it will need to become the leading marketplace and be useful and low-cost enough that growers and chefs continue to use it even after they've developed a business relationship.



Tom Manley and his family at Homestead Organics

Putting It All Together

Entrepreneurs are often tireless, feisty and enterprising, and the description of how they piece together the financing to make their businesses work shows us why they have to be. Tom Manley's story of how he is building Homestead Organics illustrates how entrepreneurs in this sector must use a variety of grants, alternative loan programs and social financing arrangements in the place of traditional bank financing.

The banks have regularly told Tom Manley that his business is "growing too fast and [isn't] profitable enough". In 1997 he took over the company from his father, who had been running it on the side of his organic farming operation, and moved it to a dilapidated feed mill in a nearby village. He had \$40,000 in savings, \$20,000 of which went into the purchase of the mill. Over the years Tom has leveraged every type of financing imaginable, increased from 500 to 7500 tonnes of grain handled per year and added processing organic food grade soybeans, animal feeds, pest control and fertilizers. However, with no farmland as a guarantee, bank loans were not an option. Only in 2012 did Homestead Organics access a commercial line of credit.

While Tom has pulled together financing from the Canada Small Business Finance Programs and debt financing from the BDC along with a variety of grants, most interesting have been Tom's forays into social impact investment. He uses the certified B Corps program out of the US to show investors that Homestead Organics is dedicated to the triple bottom line. The company has received \$245,000 in unsecured private loans based on promissory notes, with three-year terms at 6% interest. It has also raised \$684,000 in non-voting preferred shares and distributes 6% dividends annually (for which investors receive a tax credit).

Tom pitches to everyone. His next offering will be for a \$2.5 million expansion, and venture capital isn't interested (returns will be less than 20%). So Tom has listed Homestead Organics on the MaRS Social Venture Exchange (SVX) and New York's Mission Markets platform and pitched at the National Slow Money conference in Colorado. Another avenue he's considering is the RBC Generator Fund, which makes socially responsible debt and equity investments from \$100,000 to \$500,000. By the summer of 2014, Tom raised \$950,000 from private sources through subordinate debt instruments to acquire a new property and complete phase 1 of the expansion project. The second phase is still in the financing stage and may take a couple of years to complete.

CHALLENGES AND CRISIS POINTS

Most enterprises go through a series of developmental stages: idea, pre-development, start-up, re-strategizing, growth, and establishment (and possible growth or expansion). The nature of business start-ups, the lack of risk-taking financing and the amount of time and investment further required to start a food, farm or fish enterprise means that entrepreneurs must have significant financial and emotional support from family and friends.

In an artisanal enterprise, skilled professionals (e.g., farming, baking or butchering) must manage the costs of the formal and informal training, unpaid or low-paid apprenticeships, and minimum wage employment. They often enter a sector with considerable asset, infrastructure and operating capital requirements, but with little or no savings, and are generally slow developing and have moderate expected incomes.

Most businesses owners operate for the first five years with no or minimal income while carrying huge risks and personal debt and facing the continuing need to leverage personal, friends' and family's assets. Personal assets such as the family home are often involved, and household and business cash flow is often intertwined. This causes considerable stress, financial contortions, and, sometimes, bankruptcy.

The entrepreneurs interviewed tended to face the following challenges:

- Managing cash flow for operations, primarily related to inventory and seasonality;
- Limited personal income, especially during the first five years of start-up;
- Lack of the right capacity or skills to manage stages of significant growth;
- Succession.

These challenges often combined with the lack of financing options, the burden of taking on too much debt either during start up or in expansion, the need for continued investment combined with the lack of relative income, and operating costs that did not match cash flow. Sometimes these challenges lead to lack of capacity to sustain growth, severe crises or breaking points.

Operational Cash Flow

The cash flow crisis points for food businesses seemed to come in the first three to five years of start-up. By then, entrepreneurs have often maxed out any private equity, friends, family and lines of credit. They are heavily invested but still unproven and unable to access regular financing, but they need to fund the growth of the business or they will not survive. They are also often still not making enough money to finance the growth themselves or to pay down any credit. Distribution and processing businesses faced the greatest challenges managing cash flow: the sector demands high volumes, small margins and fast growth; and processors rely on rented space and equipment, often without fixed contracts or land to offer as security.



Danny and Miranda Turner of the Organic Box

The Organic Box is a distribution enterprise in Edmonton employing over 50 people, sourcing local and organic products directly from farmers, delivering pre-ordered boxes to homes and business. In its third year of operation, the Organic Box posted a profit for the first time, but there was one month when husband and wife team Danny and Miranda Turner were nearly unable to pay their staff. Their case shines a spotlight on the difficulty of managing cash flow. After remortgaging their house to start the business and depending on a personal credit card for daily expenses, Danny and Miranda are used to getting creative. They managed to start the business with \$25,000 from the home equity line of credit and have grown to \$5.45 million in sales exclusively by reinvesting revenue.

Danny realized they could no longer manage “by the seat of their pants.” He started by

approaching a few of his contracted producers and asked them to wait between 30 and 90 days for payments so that he and Miranda could build up a \$150,000 cash flow buffer. But to deal with the demand and growth, the Organic Box will soon be expanding to an 18,000 square foot warehouse and Danny is wary of relying on cash flow for growth and expenses any longer. But since all their equity is tied up, they must once again think creatively.

They have worked their way through many options for raising the \$400,000 they need. A private equity firm wanted 10%, security on their house and a personal covenant. Traditional lenders want the house. Credit unions, while interested, can't get their heads around their business model and what to take as security. And if they were to go the route of customer shares, they would need 50 people to invest \$20,000 each, and they don't have the capacity to manage that scale of investment.

Danny suggests that the ideal investment arrangement for them would be a form of debenture: debt-based financing that would not be secured except against investors' trust in the business concept and plan. This would allow Danny and Miranda to retain complete ownership of the business until a time when it is more established, and the debt could be transferred to an equity share.

In the fall of 2014, after a six-month build with a budget of \$850,000, the Organic Box moved into a new location. Danny and Miranda are building processing, co-packing and distribution/storage services to complete their vision of becoming a full-service food hub. The capital for the expansion came primarily from debt financing from the BDC and is secured heavily with personal guarantees against all their corporate and personal assets. And while their revenue in 2014 finished 34% higher than 2013, their general sale and administrative expenses are growing at a faster rate than their gross margin due to the move.



Lessons from Fair Trade Coffee

The Fair Trade Movement, which has been around for over three decades now, has a well-resourced international financing infrastructure, largely funded and coordinated by social justice organizations from Europe.

Just Us! Coffee Roasters started very small. Debra and Jeff Moore had to provide their house as security to borrow the \$80,000 they needed to buy their first container of beans. All the emerging, small roasters throughout Europe and North America were in the same position. With a shipping container costing \$80,000, they had serious challenges

finding the cash flow to be able to pay the growers and the scale of financing upfront, and they were not big enough to buy multiple containers of different beans.

Several organizations in the UK had been established to finance the Fair Trade Sector, primarily ensuring fairness for the small growers in developing countries. Just US! worked with SERRV, from England, who provided pre-financing directly to the growers based on contracts that Just US! had set up. SERRV also acted as a character reference for the roasters, ensuring the quality of product from the growers. They also worked with a broker in Holland who was able to buy full containers and split them, allowing smaller roasters to buy mixed containers of green beans.

Taking an Income

One of the most common challenges mentioned by the entrepreneurs we interviewed was the time it took to be able to take an income. Across the food value chains from farmers to retailers, almost all did not pay themselves a regular, appropriate salary until year five. The notable exceptions were the tech-based companies that were funded or venture-capital backed. Those who were able to take small stipends tended to have government grants for the first year of business start-up, for particular projects, or for operating or infrastructure expenses that allowed them to shift some of the revenues to their personal needs.

While many eventually started to pay themselves after year five, their incomes remained low, anywhere from \$25,000 - \$60,000 per year. These precarious personal finances can put substantial strain on relationships. Many interviewees said they managed personal and business cash flow together and they often lived frugally, with cheap housing arrangements and subsidized day care, and fed themselves (good food!) through their businesses and food community barter.

Managing Growth

Not-for-profit enterprises are able and well positioned to build, identify or demonstrate a market space and engage the community. However, they often do not have the capacity to be nimble, entrepreneurial and to sustain enterprise development. The West End Food Coop story illustrates how too great a focus on community involvement and intention can take much needed time and energy away from the business of actually getting something started.

Many interviews indicated that individuals who start enterprises within non-profits or charities are often overcommitted, stretched, and often invested in a number of other projects that the not-for-profit is also engaged in (often due to the nature of their funding), which can lead to the lack of focus necessary to make the enterprise work. There is also the inherent tension as not-for-profits or charities need to pay salaried staff during the start-up stage and cannot offer any equity or return on investment (outside of a potential job). Meanwhile, for-profit enterprises generally rely on the “sweat equity” of the founders who have a stake in the ownership and a potential share of the profits or equity.

Successful small businesses often face challenges when going through significant growth. While incremental growth is possible, most businesses go through a “jump up” in scale, especially if they have to relocate or expand land, infrastructure, or floor space, to be able to service expected future growth or operational capacity. The story of the expansion of the Neechi Food Co-op, a retail food store in Winnipeg, is not unusual. The store offers grocery, deli, bakery, catering, lunch delivery service, bulk and frozen foods as well as Aboriginal specialty products and crafts. It was incorporated as a worker cooperative in 1987, currently employs 50 staff and is the largest aboriginal employer in Winnipeg. When they moved from a small store with \$600,000 in sales to a store that aims to gross \$4.5 million, they struggled with the complexity and challenges of construction, the enormous debt to finance the expansion, their cash-flow needs until they hit their sales targets, and building the staff skills, team, and culture to have the capacity to manage the growth.



The West End Food Co-op Store had been a long time coming when it opened in the fall of 2012. The Co-op itself was incorporated in 2009 and Ayal Dinner, the program manager during the co-op’s establishment, had been working on it for eight years. As a multi-stakeholder co-op that included farmers, consumers, workers and partner organizations, the West End Food Co-op suffered from over-ambition and a combination of broad, diverse visions, slow process, and a lack of financial capacity. The result was the loss of a few key, skilled future lead managers before the store opened, leading to a definite lack of retail experience in the Co-op. Eventually a partnership with the Parkdale Community Health Centre evolved, which gave the Co-op access to retail space without having to buy it. But there was the cost of staff leadership, technical consultants and costly leasehold improvements, including the kitchen, for which they had to find

financing. Eventually a series of grants and a community bond offering allowed them to find the capital needed to open the store.

Now the Co-op is focusing on reducing reliance on individuals, transitioning away from the founding members by putting structures in place to train incoming staff and board members, and tightening its operations. Although the store is finding its niche in the neighbourhood and building a clientele, there is the looming challenge of having enough revenues to pay back the bondholders. For now, they have no choice but to ask the bondholders to reinvest, donate to the Co-op’s partner PARC for a charitable tax receipt, or accept store credit. Ayal hopes that there will be an appetite for this option among their supporters and that this, along with the operational adjustments, will allow the store to weather the start-up stage.

Succession

Succession in any businesses is a challenge, especially businesses that were built and sustained by the force and vision of the founder(s). It becomes even more complicated in times of crisis, when successors are not readily apparent or when capital must be found by the new entrant to either buy out the equity of owners of operations that already have trouble providing security for financing or buy speculatively-valued assets such as land.



Inside North Okanagan Poultry Processing's abattoir

In the Northern Okanagan, small poultry producers, especially those with no quota and fewer than 2000 birds, were losing their processing facilities. So Andrea Gunner, who raises meat birds on pasture and consults in agriculture market development, put together a team of four poultry-farming couples to start their own mobile poultry abattoir. These families, including Andrea's own, put in about \$20,000 each of their own money and incorporated as North Okanagan Poultry Processing, Inc. (NOPPI). This move came after the families had already installed docking stations at \$20,000 for a previous mobile facility. Each partner contributed sweat equity to the business by taking on a role such as designing the unit or bookkeeping.

The shareholders now process 250 birds each week for themselves. In its first and second years of operation, NOPPI netted \$5000 and \$3600 respectively, doing all the shareholders' birds and custom slaughter (65 days in total), operating the abattoir on the shareholders' farms and having other producers come to them. The demand for pastured poultry is still unmet and there is room for expansion.

Despite this potential, the NOPPI is currently facing challenges of succession. Of the eight shareholders, one couple is locked in a struggle to take over their parents' farm, and two other couples are over 60 with health issues – they need out of the business *now*. There are a few promising partners, but none with enough capital to buy out the shares, valued now at \$31,250 each.

For the 2014 season, Andrea and Steve leased the unit from their partners and ran it profitably. They recently made an offer to purchase over six years in early 2015 but the partners countered with another lease offer. Meanwhile, the unit is advertised for sale, but Andrea and Steve retain the right of first refusal should a purchase offer be made. Despite uncertainty at the start of the 2014 season, they were able to schedule many returning customers as well as new ones, processing 250 chickens/day in a 60-day season. Bookings for 2015 are growing slowly but steadily.

One of their returning staff members from 2014, a single mother on a fourth-generation family farm, is enthusiastic about moving into an operating manager/owner role but currently lacks the capital and the administrative capacity to do so. She is exploring meat cutting/processor training programs for the fall and plans to increase her involvement in recordkeeping through the 2015 season.

Andrea feels sure that given another year or two of consistent processing availability, their core of regional poultry producers will develop enough volume to sustain a processing business. NOPPI is a vital link to keep local poultry producers in business. What is missing is an investor with patient capital to bridge the succession gap.

Learning from Failure

While we have not profiled any failed business, more often than not many enterprises break under the strain of significant capital investments. Seasonal processors are particularly vulnerable. They often have to invest a great deal to build facilities that, in seasonal businesses, can then go under-used for much of the year. They must carry the cost of creating their inventory in season and are only able to regain that cash over a year (or more) as they sell their product. The extreme concentration of inventory cash flow needed, without regular income, can create crisis. Andrea Gray Grant faced this crisis in her pickle business Tarragon Foods and lost everything.

Andrea Gray Grant had over 20 years of experience in sales, marketing and manufacturing food products to the natural, whole foods world from Yves Veggie Cuisine, Imagine Foods to VP of Marketing at Happy Planet when she started her own



**Andrea Gray Grant
of Tarragon Foods**

canning brand, Tarragon Foods. She made pickles and relishes based on her grandmother's recipes. They were well received and she sold her product through farmers' markets and natural food stores.

Because pickle production is so specific and there were so few canning operations in Vancouver, Andrea had to build her own facility. This took a huge amount of upfront capital, which left her with no cash flow or credit to be able to carry the inventory from when it was produced in-season through to sale, which could be up to two years later (\$50-\$70,000 for each product line). Because the production of pickles is so seasonal, she found her plant was idle for a good deal of the year. So she began co-packing, for example, making sauces for other businesses. However, due to the small margins in the sector, her small-scale facility couldn't compete with the large automated plants and she wasn't making money. Andrea tried to sublet space to other small businesses, but they couldn't afford it either. She also tried to develop it into an incubator for new entrants, but she was ahead of her time (in the two years since she closed down, she now gets frequent calls from people seriously looking for an incubator facility). Because she could not secure an inventory line of credit, she finally defaulted on her loans, her business assets were seized, and she had to sell her house.

Three years after the liquidation of Tarragon Foods, Andrea Grey Grant is now in demand as a coach and advisor for other small processing companies. She frequently receives calls from people looking to get into the industry. After her own experience, she felt she could help others avoid costly mistakes, so she began giving talks and developed a seven-module course, which is available on the Small Scale Food Processor Association (SSFPA) website. Her clients can access grants through Growing Forward II that pay \$525 toward her advising services, and the government provides the remaining \$3000. Andrea likes to work with people before they've fully developed their product. At that stage, she can help identify those who won't make it and catch others before they launch a product without the appropriate margins to support long-term growth. So few entrepreneurs succeed that Andrea thinks the ideal point of intervention for funders (possibly through something like an accelerator or coaching program) would be after the product has been launched and the business skills of the owner proven on a small scale.

BUILDING CAPACITY

The capacity and character of sustainable food entrepreneurs and their enterprises have much in common. Their involvement in their businesses often transcends work-life boundaries. The entrepreneurs live and breathe their enterprises, their personal and business cash flows are usually entwined, and their life partners are usually involved in the enterprise (to some extent). The repercussions of a failed venture (or marriage) can, therefore, be very significant.

Among those interviewed for this study, the "artisans" were passionate, detail-oriented and skilled crafts people and the "entrepreneurs" were ambitious, risk-taking networkers. No one individual can bring everything that is needed to make a business successful, and the complementary capacity and dynamism of a core team is often the key to success and sustainability. But finding and sustaining these partnerships is difficult, time consuming and rife with complications (e.g., life and business changes, communication challenges, personality clashes, stress).

Business development for these entrepreneurs is often messy, scrappy, volatile, guided by "gut feelings," incredibly stressful, but also rewarding. Business plans are difficult to put in writing (or to stick to), market opportunities are hard to predict, new ideas must be tested, directions must be changed, and risks must be taken. This can make it challenging for these entrepreneurs to plan effectively or explain their business to a lender or investor.

All of the entrepreneurs in our study care immensely about the quality, fairness, and sustainability of Canada's food economies. This is what gets them up in the morning and allows them to persevere in the face of practical, regulatory, personal and financial challenges. This deep commitment, however, sometimes prevents them from seeing certain realities and can affect the viability of their businesses to the point that they are not sustainable.



Kim Delaney established her seed company, Hawthorn Farms, on her 100 acres in 2000. Since then she has nearly maxed out the isolation options on her acreage and is contracting other growers for up to a third of the seed production. Scaling appropriate equipment to the farm's needs is a big challenge. Small combines are 2 or 3 times the cost of large ones, so it has not been feasible to buy that equipment. To address this challenge, Kim's partner has been building small scale equipment to experiment with. He built an inexpensive air column cleaner from open source plans shared by a seed company in the UK. It was made of heavy-duty materials and in the end it cost \$10,000 if the labour costs are factored in. It allows Kim to "do in 30 minutes what would take 3 weeks" to do otherwise.

The Bauta Seed Initiative provided funding for equipment development (the first grant funding Kim has been able to access as a for-profit business). The Bauta funding was used to modify a wood chipper (which is used as a mobile thresher) and to purchase a coverall for drying down seed under cover when the fall weather is rainy. Apart from being used at Kim's property, the thresher is also transported to 4 of the farms that contract-grow seed for Hawthorn Farm. Kim cleans the seed and returns half to the grower to use on farm. This puts control of the seed back in the hands of farmers. Kim then offers her portion for sale to Canadians in her seed company. Kim is carefully documenting this "seed hub" model and hopes to bring more growers on board, as well as provide templates for its development in other places.

There are, across the sector, some opportunities available to help build the capacity of these entrepreneurs. These include:

- seed capital (money and mentorship/tech support),
- sector experience,
- training and start-up capital,
- networks and technical assistance,
- coaching and venture capital, and
- co-operation and connections.

Seed Capital

Our research highlighted that when small grants are available to encourage and support innovation, diversity and renewal, they lead to new entrants into the sector, the start-up of cooperative initiatives, and more innovation by existing enterprises. In our interviews, we discovered entrepreneurs using various types of seed capital, such as EI Employment and Immigration's business development programs, Farm Folk City Folk's program that pays the interest on \$5000 personal loans for new farmers, Ontario Natural Food Co-op and Carrot Cache small grants and high risk loans to organic, and New Brunswick's government-funded business development grants for cooperative enterprises.

This kind of seed capital (high-risk loans or small grants) usually is accompanied by some degree of training, business coaching, extension or technical transfer. For example, FarmStart's Seed Capital Program gives new farmers a small amount of capital (up to \$2000) to purchase the smaller, often more expensive equipment and infrastructure these small-scale entrepreneurs need: seeds and livestock as well as up to \$1000 to use for mentorship and training. While skills building and production and business management training are critical for new farmers, the most effective (and often the only) way for new farmers to learn what is realistic, viable, and effective is to actually run their own farm businesses. FarmStart pairs tangible, practical capital support with one-on-one coaching and timely and appropriate training and mentorship. Farmers funded by FarmStart are required to pass on the value of the capital they received in kind to others through peer support, donations of produce to community food centres, or livestock gifts to other farmers. FarmStart has supported 30 new Canadian farmers through this program over the last 5 years.

The Bauta Seed Initiative, a groundbreaking 4-year project supported by a \$5 million grant from the Bauta Family and managed by USC Canada, combined their Seed Capital strategies with training and resource development (including conferences, field days, workshops, market research, and market development initiatives) as well as applied and on-farm participatory research. Their Seed Facilitation Fund (SFF), offered in 2014 and 2015, was intended to support expanded production of high quality, biodiverse, regionally adapted, and ecologically grown Canadian seed. They provided small grants for crop planning (e.g., separation of varieties) and marketing, as well as scaling and pooling production to provide larger

volumes of high quality seed to market gardeners and farmers. In 2014 they supported six new co-ops in Canada: one in BC, two in Ontario, one in Quebec and one on the east coast. Kim Delany of Hawthorn Farms was one of these recipients, receiving funding to modify a wood chipper into a mobile thresher that can clean seeds. They also offered, through their Public Access Fund, capacity-building support across Canada for organizations whose programs increase the diversity of seeds available to farmers and gardeners, especially of food crops and varieties suited to local bioregions.

Sector Experience and Training

Several of the entrepreneurs interviewed for this study had previously started other businesses, had been working in the sector for at least five years or had come from another career with relevant skills. They were often able to bring with them a combination of financial resources, skills and expertise, connections, and market knowledge, which often resulted in greater capacity, clarity and business focus. Dan Donovan claims that it was experience and instinct that built his sustainable seafood business, Hooked. Both Dan and his wife Kristin had worked as chefs, and Dan had worked on product development for the Ontario's Own brand, so they recognized that fish was hard to source and that there was a huge hole in the market. They were able to finance the business themselves, first from their savings and then from revenues. Because of their intimate knowledge of the restaurant business and close connection to local chefs, they are able to anticipate orders for the next day and turn over product quickly. The business hit the ground running, and Dan and Kristin are heading into their next stage of growth, which will include a third retail store in a busy commuter centre alongside an online ordering system, for which they are working to secure \$300,000 in financing from a major bank.

Those we interviewed who were new to a sector often did far better when they sought out progressive skills-based training and did careful planning. This is particularly evident in skilled and artisanal areas such as farming, cooking or processing. Although these entrepreneurs were often innovators and “learned by doing,” those who started with solid technical skills, discipline, and exposure to a variety of operational practices were far more likely to invest in appropriate assets and equipment, bring their production up to capacity more quickly, and have strategies to handle challenges that arose. Entrepreneurs who accessed start-up capital attached to appropriate training also tended to pursue additional training and mentorship and were able to increase the viability of their operations.



The five owners of the Tourne-Sol Co-operative Farm

Daniel Brisebois, one of five owners of the Tourne-Sol Co-operative Farm near Montreal, feels that the keys to Tourne-Sol's success have been many. The owners have an excellent relationship with their landlords, a clearly defined six-year rolling lease and the first right to purchase should the owners want to sell. In Quebec, students who graduate with a degree in agriculture are eligible for a \$40,000 grant if they own more than 20% of a farm business grossing at least \$50,000 per year. Over 10 years of business, Tourne-Sol has used two of the four grants they have received to invest in greenhouses and tractors. With these infrastructure grants, no mortgage, and an initial program that covered three of their salaries as they started the business, it took them about six years to reach the point where all five co-op owners make a \$35-38,000 salary from the farm.

Daniel is adamant that it's knowledge and skills that create a profitable business, not money. Each partner in the co-op worked on other farms for between three and five years and studied agriculture at school before joining Tourne-Sol. They

spend the Quebec grant money they're entitled to only when they're sure they need new infrastructure or equipment.

In 2013, Tourne-Sol grossed \$350,000 and they now employ five full-time apprentices. They offer 300 Community Supported Agriculture baskets and sell at a farmers' markets. They are all owners and employees of the co-op and because they have paid benefits, they have all been able to take Employment Insurance for parental leave over the last two years. Their goal all along was not only to make a living from the farm but also to concentrate on quality of life and the relationships that make up a co-operative farm business.

Networks and Technical Assistance

Sector and value-chain networks are incredibly important for new entrepreneurs. This is where they find opportunities to ask questions and learn from more experienced colleagues who may act as mentors as well as from their peers. Table 1 provides examples of existing training, technical assistance and network organizations. These organizations and networks can offer technical workshops and peer-to-peer events, provide opportunities to meet others in the field (e.g., through simple email lists or at conferences) and, sometimes, find support to find the right coach, mentor or advisors at the right time.

Although many entrepreneurs are passionate about their purpose, they can struggle with managing the business side as well as navigating all the practical details. Informal connections with others in similar businesses and access to tailored and timely technical support can make the first few years much smoother. Although Sandra and Jackie of the Creemore 100 Mile Store knew a lot about sourcing local food, had developed a well-researched business plan and sought out business advice, when they launched the store, they entered the “Small-Business School of Hard Knocks.” Jackie and Sandra feel that they would have been able to get the store on its feet faster if they’d had access to advice and mentors to help them decide on a business structure; point-of-sale software, accounts setup and other operational details; a more realistic investment offering (e.g., 4% rather than 7%); and cash flow projections. A network of supportive, experienced small and locally focused retailers, would have been ideal but didn’t exist. The two are now looking for more advanced technical training and business development support that is suited to their scale, stage of growth and market space.

Table 1: Examples of existing network and technical assistance organizations

Province	Value Chain Organizations	Farm Associations
BC	Small Scale Food Processors Association	Young Agrarians
Ontario	Sustain Ontario Local Organic Food Coop Network	The Ecological Farmers Association of Ontario
Manitoba	Food Matters Manitoba	Harvest Moon Society
Alberta	Organic Alberta	FarmON
Quebec	Équiterre	La Coopérative pour l’agriculture proximité écologique (CAPE)
Nova Scotia	FarmWorks Ecology Action Centre	Atlantic Canadian Organic Regional Network

Coaching and Venture Capital

It can be incredibly helpful for entrepreneurs to get an outside perspective on their business development, preferably from someone who has experience in the field. Many of the entrepreneurs in our study mentioned that they needed a business coach at some point in their early development (generally between their second to fifth year of operation). This coaching was often most effective when it was attached to financing.

This was particularly pronounced for scalable, possibly venture-funded, value-chain businesses, such as processed foods. These businesses can often get started and test-market their product through direct sales, at farmers’ markets, or through local retailers. However, the margins are so small that these entrepreneurs cannot sustain their businesses unless they take their product and business to scale. This often requires a large leap in production and investment, and the navigation of new marketing chains and margin squeezes. Typically when entrepreneurs think of expansion, they think about how to find financing, but an even more important question is whether the business can or should expand.

Cooperation and Connections

Throughout the sector, there are persistent concerns about unfair competition from “less committed” and “mainstream” actors, market saturation in certain spaces, and price undermining from inexperienced new entrants. Nevertheless, co-operation and mutual gain consistently define the approach across the local, sustainable value chain. From farmers’ co-ops to restaurants going in together to place larger fish orders at better prices, from trusting relationships between producers and distributors to the open sharing of information and techniques between businesses, there are many moments and initiatives across the value chains that demonstrate a collaborative, connected approach to (re)building the food system and changing the terms of engagement.

A good example is how Mike Furi, manager of procurement and pricing at The Grocery People (a subsidiary of Federated Co-operative Limited), Connie Achtymichuk of the Saskatchewan Ministry of Agriculture, and a group of 16 growers are working together to develop a value chain for novel homegrown Saskatchewan vegetables.



Vegetables are not commonly grown in Saskatchewan, although there is an eager market for them. Mike Furi of The Grocery People (TGP) has been trying to get growers to work with him for 20 years. After a series of meetings with TGP that showed growers there was a guaranteed wholesale market for vegetables, 16 growers from nine Hutterite colonies incorporated as Prairie Fresh Food Corporation (PFFC) in 2013. PFFC producers have worked closely with Mike to implement a central distribution and delivery system for their contract with TGP. Because margins are so small for TGP and the growers, even with a mark-up for “local,” Mike works with them to achieve economies of scale and gives a guaranteed price, which is set in the winter. The PFFC farmers now use one size of packing box for all produce, which greatly reduces shipping costs. Canada GAP certification, a food production and handling safety standard required by retailers, typically costs too much for most small

farmers so PFFC members decided to share the cost of certification.

At the beginning, PFFC didn’t have the capacity to grow as much as Mike wanted. Mike found that accepting smaller amounts of produce at first helped him develop a relationship with the farmers and show them the potential of scalability. In the year since its inception, the co-op was able to produce 800,000 pounds of produce for TGP and earned well over \$1 million.



Transforming the Sector Together

The story of the Ontario Natural Food Co-op is a good example of how a cooperative spirit has persisted – and even contributed to – the expansion of a successful business in a cut-throat retail sector.

When Randy Whitteker started as sales manager of the Ontario Natural Food Co-op in 1988, the company was doing \$1.5 million in sales and had 11 employees. By 2014, says Randy, now general manager, the co-op had \$49 million in sales, employed 145 people and has expanded into 115,000 square feet of distribution space. As a cooperative, ONFC gets some of its funding from members in the form of equity contributions up to a cap of \$35,000 per member. These “member loans” provide a significant annual equity contribution, collected through a 1% per invoice contribution until the cap is reached. Members also get a 1% discount on ONFC products throughout the span of their membership. ONFC benefits from a number of other grants, which it often receives in partnership with other organizations. For example the Traceability

Foundation Initiative (TFI) grant was shared with two of its retail members and one supplier. ONFC now manages cash flow supported by a line of credit from a major credit union. The co-op generates an annual surplus of 1-2% in most years, although in high investment periods it may experience deficits.

As a not-for-profit, ONFC spends its surplus in the year it is made by reinvesting it in projects or initiatives that will add value to “the public good” while strengthening the co-op. It gives small grants to other co-ops and community groups through its Community Development Fund and has hired an animator to help build and support a broader Local Organic Food Co-ops Network in Ontario (LOFC). Several years ago, the LOFC network had 19 members. Now there are almost 90 members in the network, many of them retail stores that will use ONFC as a distributor. A recent recipient of a Local Food Fund grant, the network is holding 4 regional co-op food hub forums in Sudbury, Thunder Bay, London and Ottawa.

Randy also believes that in the future ONFC will invest in scaling up value chains. The Ontario Natural Brand is their private label, and an innovative approach to season extension and preserves mostly single ingredient items: local, organic fruits, vegetables, meat and fish. Like other “local, sustainable” brands Ontario Natural products have to be priced higher than their conventional counterparts, which Randy finds challenging. The co-op recently purchased Black River Juices, and he feels that ONFC might continue to expand its equity across the value chain. If ONFC knows consumers want the product, they will work with the producers and processors, and perhaps invest and take a stake in the business to bring the value chain to a scale they can distribute. Randy “doesn’t see that we have to go it alone.” In the true spirit of a cooperative, he sees the future in partnerships.

BUSINESS VIABILITY STRATEGIES

The cheap food paradigm has meant that profit margins are small in the conventional food system. Global agri-food businesses have achieved profitability because they grow, process and sell such huge volumes. The competitive downward pressure on price continues to encourage retailers and agri-food businesses to consolidate and to squeeze the profit margins of their suppliers.

While the prices of food in the local sustainable food system can be higher than those of the global players, the profit margins are still small. The higher costs of production or operation, combined with a smaller market, makes it a challenge for smaller enterprises to achieve profitability – or, at the very least, to remain viable.

Nevertheless, local food entrepreneurs are finding a variety of ways to

- reduce their costs of production by minimizing waste;



**Levi Lawrence of Real Food Connection (RFC)
in New Brunswick**

For Levi Lawrence of Real Food Connection (RFC) in New Brunswick, finding a market was less challenging than convincing producers to grow consistently for him. Distributors had burned New Brunswick suppliers too many times. This is especially the case when retailers outsource to larger centralized distributors who do not want to deal with small local farmers. Levi has worked hard to build the trust of local growers. He pays on delivery, offers purchase guarantees and doesn't levy any penalties. RFC now supports over 130 growers and processors, 90% of them in southern New Brunswick, and is able to offer them annual purchase guarantees. In the spring of 2015, Real Food Connections officially opened its new kitchen and cold storage, which will help give local food producers a new way to get their products to market, as farmers, community groups and others will be able to use the government-funded facilities to prepare food for domestic sale and export, said company founder Levi Lawrence.

customers, rather than having to depend on one aggregator. East coast fishers can text their day's catch to the owners of Hooked in Toronto, who can place an order, and they can custom-process the fish when the fishing boats gets to the docks.

Enterprises are finding a variety of ways to share the risks with their communities. Community Supported Agriculture (CSA) and Fisheries (CFS) arrangements allow producers and harvesters a guaranteed income, regardless of weather, pest events, or the variability of the catch.

Building trust with suppliers is a business strategy for all of the distributors and processors interviewed for this report. Transparency in margins, purchase guarantees and yearly growing contracts (without penalties) were some of the practices they used to build trust with producers. These enterprises are focused on creating value chains that ensure that each stakeholder can meet their costs of production or margin requirements.

- manage their risk with diverse production systems and markets;
- shorten and own more of the supply chain.

Emerging local food value-chain enterprises are building and depending on

- flexible and direct market opportunities;
- community support arrangements that share risk (e.g., CSA farms where customers pay up front and receive a share of the harvest);
- supply chains built upon trust.

Many value-chain enterprises are reducing their costs of production by reducing shrinkage (i.e. the waste of perishable products). For example, fish is highly perishable. But intimate knowledge of the business and close connections to chefs has allowed the owners of Hooked to anticipate their orders for the next day and to work with very tight product turnover. Their goal is to empty the fridge each day, and they turn any extra product into fish cakes and chowder. Many vegetable distribution enterprises, such as the Organic Box or 100Km Foods, are based on weekly pre-orders. Others, like Real Food Connections, have developed in-house canning and processing capacity.

Another way for producers to increase the chances of viability is by diversifying and controlling more of the value chain, from supply to retail. For example, Barnyard Organics in PEI produces grains that are destined primarily for livestock feed, including their own pastured chickens, for both eggs and meat, and pigs. They put in a soybean roaster and a small feed mill and are producing feed mixes. They also run a small chicken Community Supported Agriculture (CSA) operation and have a small licensed abattoir and processing facility for their own needs. Mark Bernard has had to diversify because of the unstable nature of local organic supply chains.

The flexibility of markets is increasing as access to more buyers becomes easier, thanks to communication technologies, direct markets, and short value chains. Online platforms like Provender allow small producers and artisans to reach a large number of



Dan Donovan of Hooked in Toronto

(Re)Creating Supply Chains

Many local, sustainable food enterprises find themselves operating in sectors with highly concentrated, global-oriented supply chains, which have led to disappearing small or mid-scale infrastructure and complicated or non-existent local distribution pathways. They often have to recreate shorter and more direct distribution systems and relationships that once existed. But many are finding that new technologies and market opportunities are allowing them to find innovative, nimble and viable ways to do this.

Dan Donovan and his wife Kristin built their sustainable seafood business, Hooked, on instinct. Through their experiences as chefs and Dan's work on product development for the Ontario's Own brand, they recognized that fish was hard to source – really hard. "When we started, we realized that it was literally impossible to supply the store: the distribution was totally locked up by a few big controlling distributors. So we started to talk with others and found a little list of networks and supply chains and started to figure out freight and air transport, etc."

Hooked now brings seafood from the docks in B.C. and the Maritimes to restaurant tables in the Greater Toronto Area with a 48-hour turnaround. Dan and Kristin started the business with a retail store in an east-end Toronto neighbourhood, using \$100,000 of their own savings. Demand led them to open a second retail store in Kensington Market. Dan and Kristin quickly realized the value of building the supply chain and within a year were able to supply up to 120 restaurants in Toronto and throughout Ontario and to coordinate shipments to Halifax, Ottawa, Montreal, Calgary, Vancouver, and the B.C. interior. Distribution now accounts for 60% of their revenues; they move three pounds of fish on the distribution side for every pound they sell through their retail outlets.

Dan says "the first 100km [of the supply chain] are generally the most difficult," but even in the Maritimes, where it is more challenging because the distribution hub isn't well developed, he has made it work for Hooked. Because fishers can't dock without a pre-determined buyer for their catch, boats send Dan a text telling him what they have, and he buys it immediately. Dan's restaurants also place orders with him by text, making his supply chain incredibly fast-moving. He believes that the only way small-scale fishers will survive is to deal with smaller-scale, flexible distributors like Hooked. The fishers' story adds value to the product and ensures they get fair margins on their catch. It's a symbiotic relationship that's nimble enough to stick around for the long haul.

The “Nature” of the Business Requires New Forms of Investment.

In the preceding section, we discussed the significant challenges farm and food enterprises face in accessing affordable productive assets and securing appropriate, risk-taking and growth-oriented financing. Some of the entrepreneurs interviewed have taken advantage of government financing programs. This is particularly true of those in more remote or marginalized areas where these programs are more readily available, sometimes in creative ways. Only a handful of those interviewed used traditional financing, most often for mortgages or operating loans that were backed with a personal asset (i.e., their houses) or “lucky equity.”

Because of the high-risk nature of many food, farm and fish businesses, almost all lenders require fully collateralized loans. Lenders are often unable to use operating assets as security because equipment or stock depreciate too quickly or are not re-saleable. Farmers often rely on the equity in their land or quota. However access to affordable productive land and quota is increasingly difficult for new entrants with huge down payment requirements and speculative land prices. While there are a variety of emerging and non-traditional strategies such as co-ops, land trusts, and long-term lease arrangements that can help new farmers establish themselves on the land, these farmers are then left with little to offer as a security for operating capital.

The entrepreneurs who manage to secure start-up or operating capital often still struggle with cash flow for operations and income, primarily with inventory and seasonal up-front costs. They often have limited personal incomes from their businesses and limited financing to develop the capacity and skills to manage growth stages or succession.

Sustainable food, fish and farm enterprises are not unique in facing these challenges and are similar to other enterprises in their start-up and growth stages. But because they are intimately tied to our natural and human “nature,” they are different in several important ways and offer impact investment opportunities that other enterprises do not:

- Sustainable farm, fish and fresh and whole food enterprises inherently carry high risk due to unpredictable weather, a changing climate, pests and invasive weeds, and perishable products.
- It typically takes much longer for sustainable farm, fish and food entrepreneurs to achieve a return on investment because their businesses are built on seasonal, annual and multi-year cycles (e.g., pickles are produced at cucumber harvest, improvements can only be made in the next year’s growing season, and it takes several years for herd or orchard development).
- Appropriate and careful stewardship of intergenerational resources (such as top soil and fish stocks) costs businesses more today, but return on this investment and the benefits of conservation are shared with future generations in the form of the continued ability to harvest or produce food, or the existence of effective, healthy watersheds.
- Resilience in the food system requires diversity, decentralization, redundancy and adaptation, which can mean a reduction in efficiency or potential market share.
- Quality foods and healthy production practices have an impact on nutrition, public health and ecological integrity, yet these externalities are impossible to capture in the market price of food, and the costs are born by future generations.

These factors increase the risks, costs and the potential profit that can be achieved by fishers, farmers, food enterprises and community infrastructure projects. Local food system entrepreneurs are finding a variety of ways to reduce their costs of production by minimizing waste, managing risk with diversity, and increasing their profits by shortening and owning more of the supply chain. Emerging local food value-chain enterprises are building and using more flexible and direct market opportunities and “community-supported” arrangements that share risk and developing supply chains built upon trust.

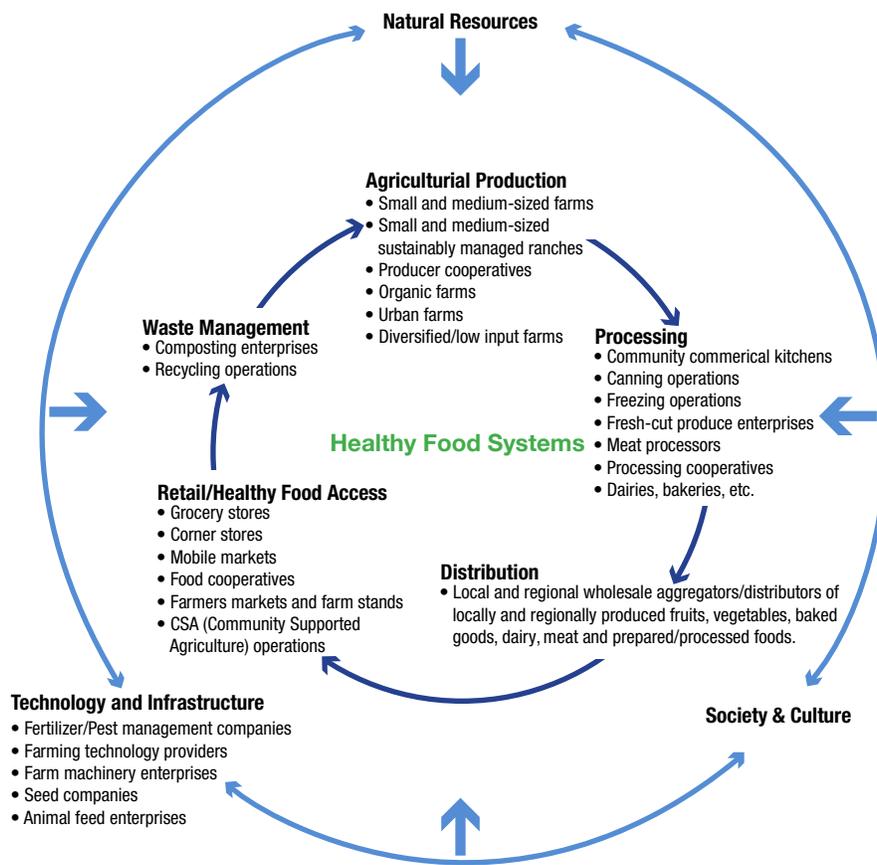
However, if we continue to expect these enterprises to carry all the risk, regulatory challenges, and costs involved in sustainable, local food production, their competitive viability will continue to be unfairly compromised, and we will see slow growth and many failures. As Woody Tasch of Slow Money proposes, we need to find new financial vehicles that “bring money back down to earth” and to allow us “invest as if food, farms and fertility matter.” We must find ways to share the

risks and returns of healthy, local food systems equitably. Citizens, governments, and impact investors can and must intervene and invest differently to seed and support the transformation of the food system, transformation of the food system, transformation that will make us healthier and happier today, and sustain future generations.

The first question many funders and investors often ask is: Where do we start and how can we have the greatest impact?

In the report *Financing Healthy Food Options: Implementation Guide (2011)*, Nessa Richman suggests that investing does not need to be complicated and that funders and investors should start wherever they can. The report proposed a closed loop theory of a Healthy Food System (see Figure 4), with an inner circle of food system activities and an outer circle of the environmental factors that enable them. They propose that work to develop a healthy food system can start at any stage in these circles, arguing that “work at any point in the system will make an impact on the system as a whole.”

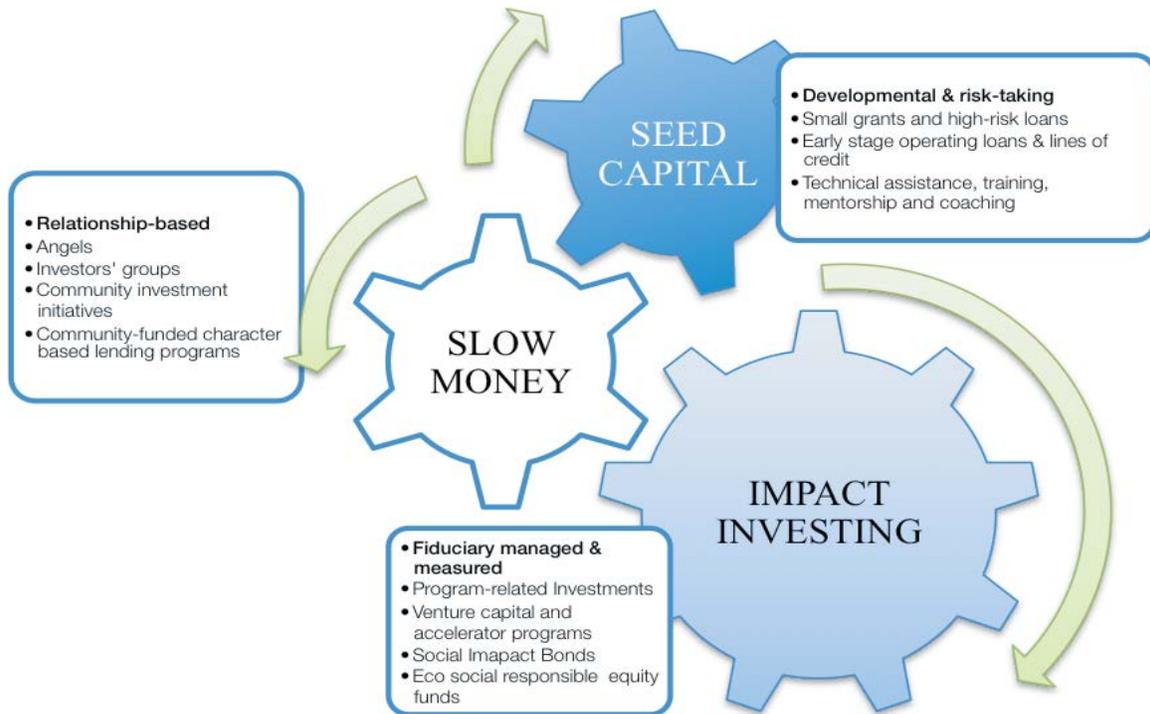
Figure 4: Healthy food systems – a key to healthy communities



Source: Adapted from *Financing Healthy Food Options: Implementation Guide*. U.S. Treasury's CDFI Fund, 2011.

From our research, we identified three areas of interconnected financing interventions (see Figure 5) across investment classes that complement and drive each other like “gears,” as each needs to be operating for the others to be effective and have impact. They may be linked with enterprises moving through them at different stages of development. They may sometimes overlap with investors and initiatives operating across the spaces. They also may engage and support different enterprises and opportunities that connect to each other in a variety of sometimes unpredictable ways. The purpose of the classification is to differentiate the stakeholders, motivation and management of the investment interventions.

Figure 5: The three areas of interconnected financing



Each area must be turning (with grease, energy and strength!) to enable the others to turn.

Seed Capital: This can be considered developmental and higher-risk financing that is intended to help entrepreneurs and enterprises get started, develop their capacity and resilience and build sustainable livelihoods. Seed capital often includes both philanthropic, grant-based funds and mission funds that can provide developmental and early-stage, character-based operating capital and enterprise-growth financing. Enterprise-level resources, technical assistance and mentorship often accompany seed capital and are often more successful when complemented by the work of system and landscape change organizations.

Slow Money: This intervention centres on relationship-based investing and community economic development initiatives that allow community members and investors to connect more directly with local food and farm businesses. This can include individual “angel” investors, organized investment groups, community investment initiatives that provide character-based loans and/or directly invest in a community’s productive assets. Slow Money, coined and defined by Woody Tasch, provides a name for the impulse and intention to slow down our financial system, to bring our money “back down to earth,” and to be more connected to those who produce our food and to the economic transactions that shape our food system.

Impact Investment Initiatives: Impact investments include primarily institutional-level, fiduciary (third-party) managed investment strategies that aim for some level of return alongside measurable impacts such as nutrition, public health, community economic development or ecological integrity. Investment strategies could aim for a spectrum of impacts including:

- avoidance of harm, such as the reduction of chemicals or minimizing soil erosion;
- encouragement of beneficial practices such as community ownership of quota or the increase in cooking skills;
- achievement of specific outcomes such as increased student nutrition or household food security.

They can also include actively funding, supporting or investing in strategies that create systemic change or achieve desired societal or ecological impacts, such as healthy food systems, resilient agro-ecology or local food economies.

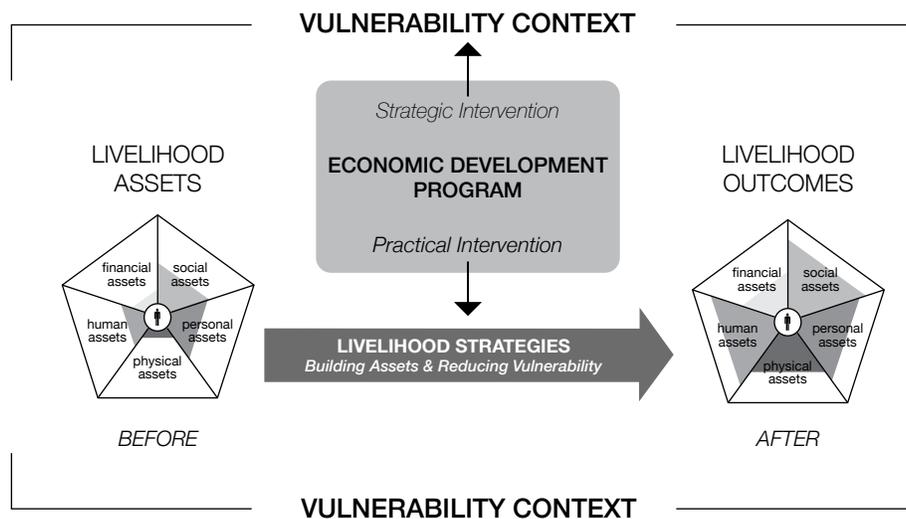
The second question funders and investors ask is: How do we measure impact?

While some investments or interventions will have a direct and quantifiable outcome, the great majority will not. There is potential for funders and investors to become stalled, distracted and ineffective in the search for simple metrics and deterministic approaches. However, there are a few useful frameworks and existing standards that could provide progressive, adaptive and dynamic ways to understand and assess interventions and tracking impact.

The Sustainable Livelihoods Framework (SLF), which has traditionally been used in an international development context, could be very useful to apply to impact investing in local sustainable food systems. Many new food system entrepreneurs find themselves trying to sustain, restore and recreate what were once viable livelihoods such as farming, fishing, butchery, artisanal processing and local or “Main Street” retailing that have been marginalized because of globalization and capitalism.

The SLF identifies the kind of interventions that would create viable conditions for individuals to pursue businesses and sustain themselves, and that would allow them to be more resilient in the face of shocks, trends and seasonality. Figure 6 focuses on the individual assets that affect an individual’s capacity to cope with change (or shocks) or achieve success. These include a range of assets from confidence, skills, connections, and available resources. It places the individual’s circumstance in a broader “vulnerability context” where changes at an organizational, community and policy level will have an effect on them.

Figure 6: Sustainable livelihoods framework



The Role of Program Interventions

Source: Adapted from *The Sustainable Livelihoods Framework* developed by the Tamarack Community (<http://tamarackcommunity.ca/>)

The Sustainable Livelihoods Framework also identifies “practical interventions” that can build capacity at the individual and household level. These include counseling, education, employment and business training. It also proposes “strategic interventions” that are directed at creating systemic change that will, in turn, impact the individual’s capacity. These interventions include community building, alliance building, and policy and advocacy work.

FarmStart uses this framework to identify and evaluate outcomes of programs and services by focusing on and tracking the asset development of the individual farmers. The J.W. McConnell Family Foundation is exploring how to use the SLF with its Regional Value Chain program grantees, many of which are developing food distribution hubs. This framework can provide a practical way to understand the need for and the interplay between the variety of investments or interventions that can

affect sustainable livelihoods for entrepreneurs in emerging local food systems, as well as measure some of the immediate outcomes and longer-term impacts.

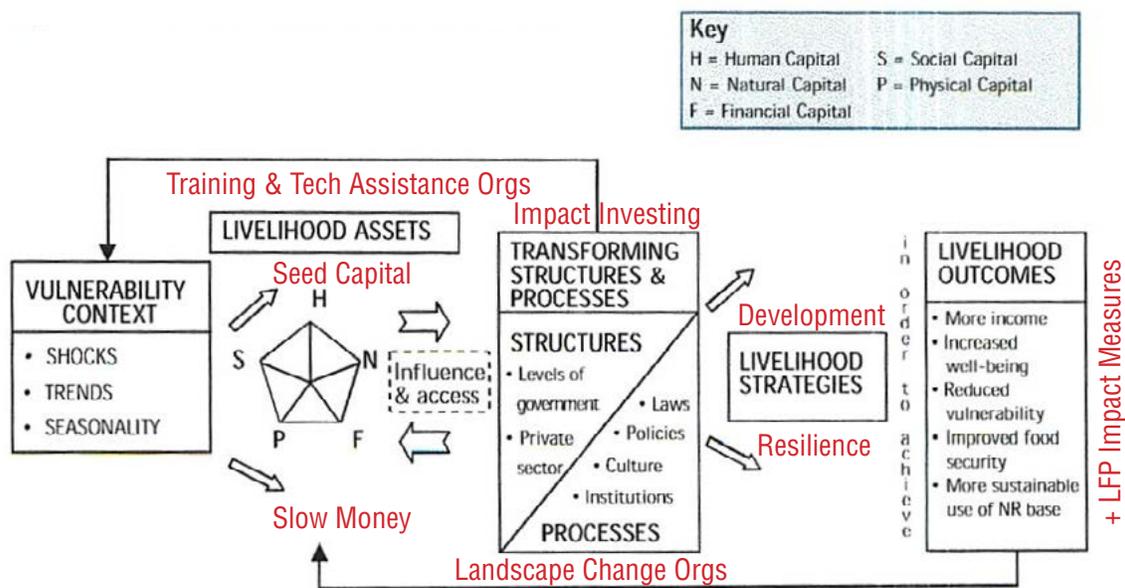
While the Sustainable Livelihoods Framework is useful for seed capital initiatives and for slow money investors working directly with enterprises and systems change actors, it does not provide the kind of impact metrics that institutional investors or fiduciary-managed funds are looking for. They need more clear guidelines for practices or measurable targets. One such tool, the **Land Food People Foundation Standards (LFPF)** could be used to develop a robust and appropriate set of impact investment measures for local and sustainable food systems interventions and financing initiatives.

The LFPF Standards were developed in 2006 to serve as a guide for farmers and consumers who want to learn about, adopt and support local, sustainable agriculture practices. They hinge on consumption of certified food within the province of origin and include the following: biodiversity measures on farm, labour practices, soil health, energy use, growing practices (including pesticide use) that adhere to Integrated Pest Management (IPM) principles, crop rotation, water use, and animal welfare. Balancing economic, social and environmental considerations, “the standards were developed with input from a wide range of stakeholders to be meaningful, rigorous and credible, yet accessible to many farmers” (LFPF).

Local Food Plus, the most recent project of the Land Food People Foundation, running from 2005 to 2014, put these standards into practice, creating a “Certified Local Sustainable” eco-logo and brand for farmers and processors in provinces across Canada and connecting them to buyers of all sizes. LFP certified over 200 farmers and processors, partnered with almost 100 retailers, restaurants, caterers, distributors and institutions, and educated countless eaters about the importance of supporting a food system that is local and sustainable.

These standards could be layered with household and individual food security indexes, community economic development measures, and health and wellbeing indicators when appropriate. They could be used to identify clear practices and to track progress over time. They could be integrated into the broader Sustainable Livelihoods Framework that identifies enterprise-level assets and vulnerability. We have adapted a Sustainable Livelihood Framework diagram (see Figure 7) to illustrate the above-discussed intervention strategies and actors alongside the proposed outcomes and impact standards (*additions in red*).

Figure 7: Adapted sustainable livelihoods framework



Source: *Agroecology and Sustainable Livelihoods: Towards an Integrated Approach to Rural Development*. Amekawa, Y. Journal of Sustainable Agriculture. 2011 (with our additions in red)

THE EMERGING INVESTMENT LANDSCAPE

There are increasing numbers of investors who identify themselves as social or impact investors, interested to a greater or lesser degree in explicit non-monetary impacts or returns on investments, intervening across the three spaces – Seed Capital, Slow Money and Impact Investing – described earlier in this section. They are diverse in scale and approach, employ a range of strategies and tools, and seek a variety of returns and impacts. The spectrum of financial returns (see Figure 8) is a useful identification of the financial tools and returns across the social investment spectrum.

Figure 8: Financial tools – spectrum of returns

Grants	PRI	Conventional and unconventional debt: senior debt, subordinated debt, mezzanine debt		Risk capital: convertible debt, common stock, preferred stock
-100%	1-5%	5-10%	10-15%	20-30%
<ul style="list-style-type: none"> • programmatic alignment • tax benefit 		<ul style="list-style-type: none"> • asset base • consistent cash flows • long operating history • strict financial covenants 		<ul style="list-style-type: none"> • negative cash flows in early years • strong growth potential • willingness of owner to sell equity and share operational / governance decisions

*PRI - Investments made to charities as well as for-profit and non-profit enterprises to further the Foundation's program objectives, but – unlike grants – they also aim to generate financial returns, with a tolerance for below-market returns or have other flexibilities in the terms of the agreement (e.g. time to deliver on returns). Unlike in the US, where PRIs use money from the charitable arm, in Canada the capital is taken from the core endowment. Only in the case of losses may the loss portion be counted as a charitable expense.

** Unconventional Debt is usually structured in the same way as conventional debt, but is focused on niche borrower groups that may not be able to access conventional debt products because their businesses or markets are not well understood. Lenders who develop debt products tailored for specific market segments may be able to reduce risk in a variety of ways or may offer concessionary debt in exchange for high social/environmental returns.

Source: "Local Foods: A Guide for Investors and Philanthropists," California Environmental Associates

Besides those who are already practicing social or impact investing, there are also unconventional partners and investors who could be engaged to benefit sustainable agriculture and food enterprises. Governments are looking for ways to place strategic investments to support growing sectors, encourage innovation and achieve social impacts. Divestment movements and increased shareholder actions are aiming to push pension funds, university endowments and other non-profit fund managers to diversify their portfolios and move towards more sustainable and socially responsible investment strategies.

Small and large family foundations and charitable corporate funds are starting to consider investing a certain percentage of their endowments in mission-related or impact-oriented investments. Increasing numbers of private individuals are looking for investments that match their values. And the effects of the financial crisis and continued political and economic instability in traditional markets are also pushing more conservative wealth managers to consider asset-based, domestic and slow growth investment strategies.

In the following section we identify and discuss a variety of initiatives and actors in the local sustainable food, farm and fish space, including:

- mission funds;
- community economic development initiatives;

- institutional vehicles;
- slow money;
- engaged systems change funders.

Developmental / Mission Funds

Development or mission funds are typically developmental or goal-oriented impact investment strategies. They are primarily set up like revolving loan or investment funds. The risk tolerance (or how far a fund can pursue its mission before it realizes returns) depends on the level of support it can secure from governments or charitable funders in the form of cost-free capital, operating subsidies, loan loss reserves, etc. While a market fund needs to generate a market level of return, a mission fund may aim only to break-even. Mission funds can provide seed capital grants, development capital, high-risk, early stage, and operating capital, and enterprise growth financing. Mission funds typically provide grants and debt financing but they have the potential to provide convertible debt and royalty financing.

EcoTrust Canada, created and deployed a mission oriented Coastal Loan Fund (CLF) between 1998 and 2009. In its report *EcoTrust Canada's Coastal Loan Fund: A Bold Institutional Experiment, 2013*, analyzing this 10-year experiment, EcoTrust states

The CLF made 87 mission-based loans. With a capital base that rose from zero to about \$4 million, the CLF disbursed \$10.7 million in total loans, leveraged \$40 million in additional loan capital, and created, cost effectively, almost 900 jobs, while suffering default rates and loan losses at the low end of the scale for comparable organizations. And almost more importantly, the fund demonstrated that, if we want to support social enterprise and market innovation, we need to find ways to deploy capital in new ways.¹⁵

Brenda Reid-Kuecks, executive director of EcoTrust Canada, highlighted four useful findings from the Trust's experience:

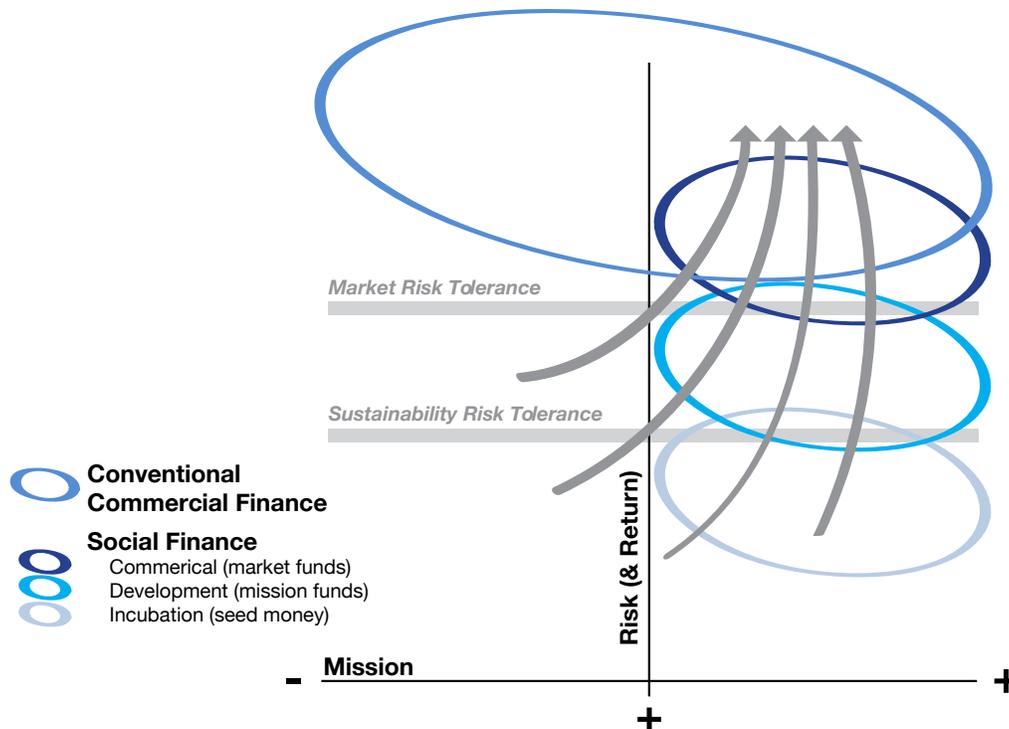
1. **It is possible to successfully focus on mission impact, along with a balanced risk strategy.** The analysis of the loan portfolio over 10 years suggested that the EcoTrust board had a willingness to accept a higher-risk premium when it would achieve greater mission impact. Close to 75% of EcoTrust's Coastal Loan Fund was directed at high-mission impact investments, with risk exposure roughly balanced between higher and lower risk. "The key," says Reid-Kuecks, "was finding ways to accept and manage risk, not avoid it. The constant work to avoid making 'safe' bets instead of 'mission-fit' bets proved to be an art as well as a science."
2. **Loan-loss reserves are critical to allow for mission-oriented risk-taking.** The Fund's ability to take risks was affected by the cancellation of the federal loan-loss reserve program five years in, which had allowed the Fund to recover up to 80% of losses for the unsecured mission loans. The report noted that the level of risk exposure was dramatically altered across the two five-year periods, with high-risk loans representing 59% of loan value during the fund's first phase and 40% in the last phase.
3. **Connecting the Fund to field development work was the most successful.** The Coastal Loan Fund was established because, at the time, there was no financing capacity available for smaller, higher-risk rural/coastal entrepreneurs or mid-size businesses that wanted to diversify. Initially it aimed to fund only third-party entrepreneurs, but over the course of the Fund experiment, the board realized the potential to support its own programs (such as the Trilogy Fish Packing Plant or the License Bank bridging loans). They found that by connecting their loans with the work of the EcoTrust staff in the field supporting prospective borrowers or enterprise development, they were able to increase the viability of the enterprises and also increase the mission impact.
4. **The size of the fund needs to be at least \$20-30 million** to be able to cover the cost of professional administration from loan officers, writing up deals, legal matters, money collection and reporting. Ultimately they were losing too

¹⁵ Collin, Dominique. *EcoTrust Canada's Coastal Loan Fund: A Bold Institutional Experiment*. (2013, Prepared by EcoTrust Canada. pg 2).

much money in administration to be able to sustain the fund even with the \$5 million they had fully working in the field at 9% interest.

In its report, Ecotrust offers a useful axis of mission versus return (see Figure 9), locating incubation or (seed money), developmental (mission funds), commercial (market funds) and conventional capital, in relation to market risk tolerance and sustainability risk tolerance (or fund survivability) on an axis of high to low mission impact. They argue that the social enterprise sector needs all types of social finance to move a mission forward.

Figure 9: Different types of capital



Source: Ecotrust Canada's Coastal Loan Fund: A Bold Institutional Experiment, 2013

There are increasing numbers of mission funds in the local sustainable food, fish and farm space that offer seed money, mission funding, and commercial financing. A few relevant examples include:

- The **Réseau d'investissement social du Québec (RISQ)**, a \$10-million fund that supports the social economy, including many non-profit and cooperative food and farm enterprises.
- Quebec's **Fonds d'investissement pour la relève agricole (FIRA)**, a \$75-million fund to support new entrant farmers.
- Environmental Defense's **California Fisheries Fund**, a revolving loan fund with the mission to make capital available to a growing, sustainable commercial fishing industry.
- **The Carrot Cache**, a fund established by the Carrot Commons development in Toronto which provides small grants and loans to organic and cooperative food and farm enterprises or initiatives.
- **FarmStart LLP**, a \$3-million fund created by Farm Credit East to provide character-based lines of credit to new farmer.
- The **Ontario Natural Food Co-op Community Fund**, which provides small grants to community and cooperative initiatives. They also fund the Local Organic Food Co-op Network.

Community Development Financing

Several recent reports highlight the need for philanthropic, risk-taking, and mission capital alongside funding for food sector organizations including training and enterprise-level support services and networks, strategic sector interventions in community food security, local food enterprise development and food system infrastructure.¹⁶ Community Development Financing is one area in which this can happen. The US Treasury's Community Development Financial Institutions (CDFI) Fund is encouraging CDFIs to "become catalytic new partners in the process of social engagement and exchange taking place around critical issues of obesity, hunger, and food access in America through engagement, education, and collaboration with food system stakeholders."

They suggest that Community Development Financing Initiatives undertake the following:

1. **Engage** with the food system stakeholders to learn about their missions, objectives, strategic plans, assets, and needs;
2. **Educate** food system stakeholders about the goals and objectives of CDFIs and community development finance, and provide appropriate technical assistance needed to facilitate lending;
3. **Collaborate** with food system stakeholders to identify opportunities for them to use CDFI financing and technical assistance to safely and effectively meet their missions;
4. **Finance** enterprises that provide access to fresh, nutritious, affordable food to all people, and enterprises in all food system sectors that work, from production to consumption and beyond, in a way that respects the principles of social justice and environmental sustainability; and
5. **Support** borrowers with technical assistance during the span of the loan from application, through underwriting, on-going monitoring, and if needed, restructuring and work out of a loan.

While Canada does not have a similarly robust network of CDFIs, the suggestions in this report could be applied to our **Community Future Development Corporations (CFDCs)** or other community economic development initiatives. In Canada, the CFDC network and loan portfolios were established with federal funds and have been supported over the years with continued funding for administration and business advising. These agencies are directed by local boards and are intended to provide loans for community enterprises. The size of the loan portfolio varies greatly among agencies, as does their willingness to take on different levels of risk.

Some CFDCs in Canada are taking a proactive approach, evolving their role and helping to catalyze community economic development outside of direct lending. One example is the **Frontenac CFDC**, which is supporting initiatives such as **FabRegion**, which promotes the Frontenac region's innovative cheese makers, vintners, brewers and artisan processors.

At the same time, it was noted that as the administrative support for these CFDCs has been declining, so too has their willingness to engage in higher-risk lending practices. Several contacts noted that while the CFDCs are still required to play a "lender of last resort" (and thus charge higher interest rates than conventional lenders), they are increasingly using the same measures of risk to evaluate loan candidates, requiring similar securities as more conventional lenders.

VanCity, a Vancouver-based credit union, has taken a proactive community building approach to lending. It has developed a partnership with Farm Folks City Folk in which FFCF approves small \$5000 personal loans for new farmers. If the recipient repays the principal, FFCF will cover the interest. VanCity has also created a Small Growers Loan Fund that provides larger, early-stage loans to new farm businesses. Both funds to date have primarily supported urban style farm projects, and there are relatively few farmers who are moving onto more secure land arrangements. This in part may have to do with VanCity's catchment area, which is limited to the Lower Mainland in B.C.

¹⁶ Bridging the Gaps: Funding and Social Equity Across the Food System Supply Chain. Foley, Goodman and McElroy. (RSF Social Finance. And *Ecotrust Canada's Coastal Loan Fund: A Bold Institutional Experiment*, 2013).

There are also some government-funded finance programs that were identified in our interviews that currently offer early-stage financing, granting and low-interest rate loans. These include:

- **Ulnooweg Development Group**, which helps Aboriginals in Atlantic Canada develop strong business by providing loans and business support services.
- The **Advanced Agricultural Payment Program**, a financial loan guarantee program that gives producers easier access to credit through cash advances and is delivered by participating producer organizations across Canada (including commodity organizations in Nova Scotia, the Agriculture Credit Corporation in Ontario, and the Small Scale Processors Association in B.C.).
- The **Growing Forward II**, which cost-shares consultations on business development and marketing plans (enterprises pay \$300 for up to \$3000 of support) was being used by small processors in B.C.
- The **Broader Public Sector Initiative**, a program delivered by the Greenbelt Foundation in Ontario, which was intended to provide grants that enable the local sustainable food sector and value chain partners to work together to foster partnerships that are profitable and sustainable. The funding focus was on increasing the amount of Ontario food purchased by public institutions such as hospitals, universities, municipal daycares and long-term care facilities, and others.
- **Farm Loan Board and FarmNEXT** programs in Nova Scotia, which are heavily relied upon.
- **Economic development funds** such as The Enterprise Cape Breton Corporation (10-year, unsecured 0% loans), FedNor and Eastern Ontario Economic Development Funds.
- **The Canadian Business Council and the Canadian small business finance programs.**

Interestingly, none of the interviewees mentioned working with Community Future Development Corporations (although they often deliver some of the financing methods mentioned above) or Farm Credit Canada's New Farmer Loan Program. Also, no one mentioned using the Canadian Agricultural Loan Act program, which seems to be an under-used federal agricultural loan guarantee program for land purchases. Interviews suggest that financial institutions are not interested in using it because of the complexity and paper work involved. There may be ways to increase their uptake or expand their delivery of a variety of government financing programs.

Institutional Vehicles

While impact investing in Canada is still germinating, there are a handful of institutional options currently available, primarily for accredited investors.

Investeco and **Renewal Funds**, are both private equity funds that pursue scalable sustainable food investments and primarily work with high-net-worth investors and foundations. Renewal Funds is one of the largest investors in the organic, natural food and green products sectors in North America in the early-growth stage. It adds value to entrepreneurs through capital, networks and expertise and aims to deliver above market returns for investors while creating positive change. Renewal has created a trust structure to allow foundations to invest and currently has 21 foundation investors.

The Investeco Sustainable Food Fund also works with foundation investors. It completed a final close in January 2014, with a number of leading Canadian foundations as investors, in addition to a group of accredited individual investors. The Investeco Sustainable Food Fund invests in Canadian-based expansion-stage companies that are promoting sustainable solutions in food and agriculture. An example of a recent investment can be found on page 21 in the 100km Food profile.

RSF Social Finance (RSF) is a pioneering non-profit financial service based in the US but available in Canada. It works in partnership with a community of investors and donors to provide capital to non-profit and for-profit social enterprises addressing key issues in the areas of food and agriculture, education and the arts, and ecological stewardship. Although it has been operating for over 30 years, it has seen considerable growth in the last seven years. Prior to 2006, it did not

undertake for-profit lending, but it now offers a range of investment vehicles and works with a wide variety of investors. The Social Investment Fund currently has over \$100 million with 1500 investors, and about 84 borrowers. They also offer program-related funds and donor-advised funds, which can offer more preferential or patient terms to achieve certain impacts.

New Market Funds (NMF) is a for-profit investment firm owned by a registered Canadian charity formed by five sector leading organizations: Tides Canada Foundation, Trico Foundation, Bealight Foundation, VanCity Community Foundation, and Le Réseau d'investissement social du Québec (RISQ). NMF works closely with its sponsor organizations to isolate sectors, such as affordable rental housing, that combine the opportunity to have a significant impact, market demand demonstrated by a robust pipeline, and an appropriate level of risk and return for investors. NMF aims to create investment funds that can offer moderate risk-adjusted returns to accredited and institutional investors, with significant community benefit embedded in the approach. They are currently raising a mid-term, post-construction, affordable rental housing equity fund.

The Community Forward Fund Assistance Corporation (CFFAC) is a Canadian non-profit that makes loans to, or arranges financing for, nonprofits and charities. The Fund aims to address the gap in access to patient, working capital and provides bridge loans for the sector for small-and medium-sized organizations. It also provides financial review and coaching services and assessment tools to help build financial skills and capacity in the non-profit and charitable sector.

There are other impact investment funds and vehicles in the US, most notably a variety of sustainable and transition-oriented farmland funds or companies and a variety of venture capital funds largely focused on scalable technology based food and farm companies.

Slow Money

Slow Money is a brand, meme, and movement that is helping to catalyze 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.” Slow Money claims that through its national gatherings, regional events and local activities, \$39 million have been invested into 367 small food enterprises around the United States. Over 30,000 people have signed the Slow Money Principles. Slow Money events have attracted thousands of people from 46 states and seven countries, and Slow Money investing has begun in Nova Scotia, Switzerland, France and Belgium.

Although the Slow Money organization (inspired by the book *Inquires into the Nature of Slow Money*, written by founder Woody Tasch) cannot claim responsibility for all the direct, values-based investment by individuals and more organized initiatives, it has created a compelling brand or banner under which these disparate efforts can come together.

In the US there are **Slow Money Clubs** from Vermont to New York to California, where interested investors can meet with food system entrepreneurs looking for capital. Many have created secondary investment groups or co-ops that pool their money, share the risk, and make a variety of direct investments in local enterprises. One of these is the **No Small Potatoes Investment Club** in Maine; each member contributes \$5000, and then the group offers small loans to a handful of food system entrepreneurs. Some of these individuals also pursue larger and more involved angel investment relationships.

The Equity Trust is a revolving loan fund in the US that is capitalized by donations and investments primarily by individuals and families, but also religious orders, land trusts, nonprofits and other organizations. The Trust aims to support projects that are creating new ways of owning, using, and stewarding property and offers between \$5,000 and \$150,000, to community supported agriculture (CSA) farmers, cooperatives, community land trusts, conservation land trusts and other non-profit organizations.

Credibles (developed by a local slow money leader in California) is a platform for crowdfunding local food and farm businesses. Individuals can pre-pay for food and receive “edible credits” to use like a gift card. Businesses can use the platform to raise funds to establish or expand a new enterprise such as a restaurant, artisan cheese operation or a local food store. In many parts of the US and in Canada, however, the enterprise must already be operating to be able to sell credit in this way, but this can include having a stall at a farmers market or a pop-up restaurant, which are common ways for entrepreneurs to test market concepts.

In Canada there are a few slow money initiatives already operating. **FarmWorks in Nova Scotia** was started in 2010 by Linda Best after she read *Inquiries into the Nature of Slow Money*. It is a Community Economic Development Initiative Fund (CEDIF), a lending pool for local sustainable food and farm enterprises. They have raised over \$700,000 from individual investors across the province, each of whom have invested as little as \$15,000. The investments are RRSP-eligible with substantial tax credits within the CEDIF program. Best says that FarmWorks provides money, marketing and mentorship, all of which are critical to the success of the enterprise.

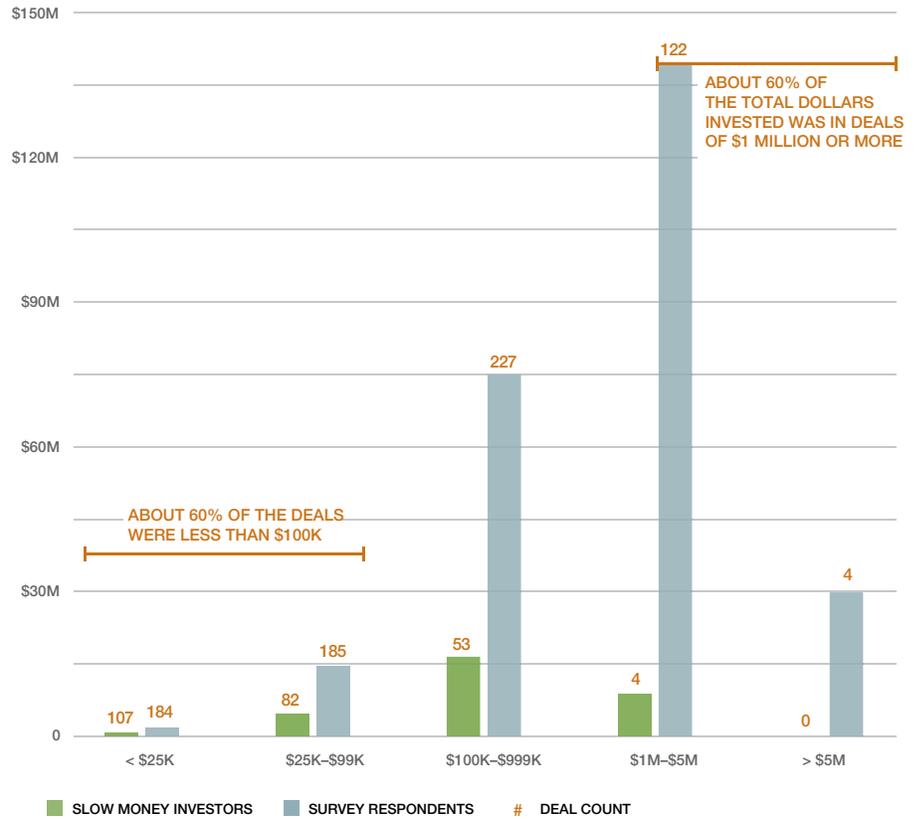
Terre de Liens, in France, is a civil society organization comprising three parts: a network of 19 regional associations, a trust, and a fund. The role of the associations is to accompany farmers through the land acquisition process, raise public awareness concerning access to land, and build a community by bringing together farmers, local authorities, and local advisors. The Terre de Liens Trust is set up to acquire land and entrust it to sustainable farmers. The Fund, a limited liability corporation, receives donations and bequests from individuals and organizations and collects “ethical investments” in return for shares. In 2011, the Trust accommodated 6,500 shareholders with a single share value of €100, and an average shareholder investment of €2000 (Terre de Liens, 2012). Today the association owns 100 farms, 2500 hectares of land, works with 250 farmers and their families and continues to grow and facilitate access to land for new farmers.

The Regionalwert AG (RWAG) in Freiberg, Germany, was founded in 2006 by a local organic farmer who calls it “Community Connected Agriculture,” because people support farms and food business not only in their role as consumers. While the main point of intervention of RWAG is to supply organic farms and other actors in the whole-food chain with capital, it also helps the organizations it supports with market integration and has established a regional brand. Today over 500 people in Freiburg have invested in the RWAG, with the biggest investor holding 7% of the capital. The total capital available was more than €2.3 million in 2013.

The *Slow Money 2014 State of the Sector Report* provides an overview of data from a total of \$293 million invested into 968 deals. Their data highlighted two trends:

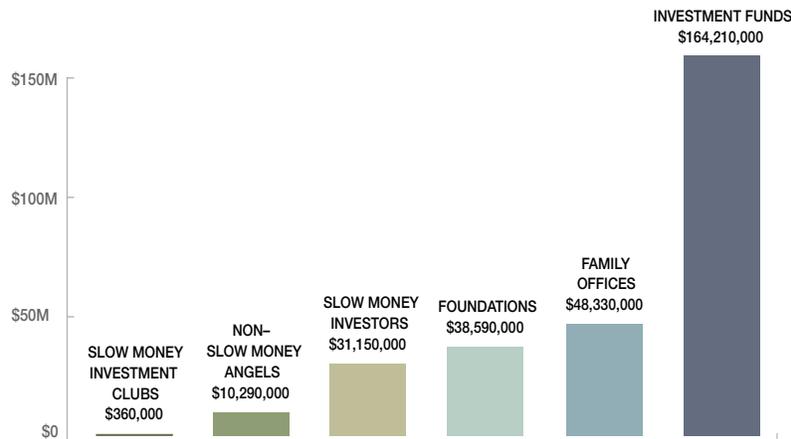
1. **The lack of a mid-scale investment space** (see Figure 10). About 60% of the total deals were for less than \$100K and 60% of the total dollars invested were in deals over \$1 million. The total amount of money invested through Slow Money initiatives (see Figure 11) is still very small compared to the more traditional investment funds and family offices (private wealth management advisory firms that serve ultra-high net worth investors), which accounted for 73% of the dollars invested.

Figure 10: Deal size by dollars



Source: Slow Money 2014 State of the Sector Report

Figure 11: Investments by investor type

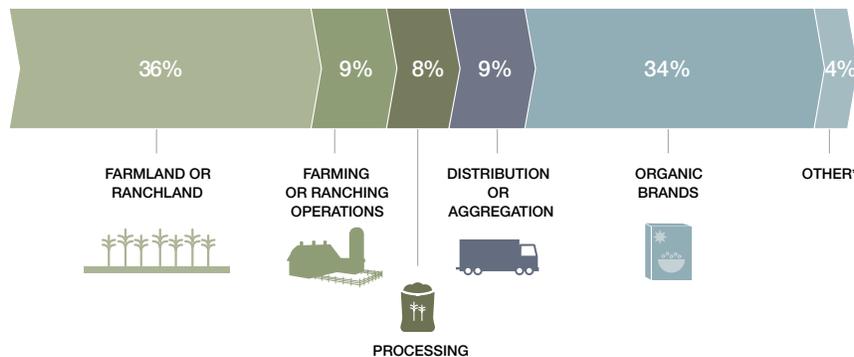


Source: Slow Money 2014 State of the Sector Report

2. The lack of investment in the “middle” of the food chain and in localized food systems, including production, aggregation and distribution (see Figure 12). Their data showed that 70% of the total investments currently are going into farmland or organic brands, asset-based investments and scalable enterprises.

However, they did find that most money invested through Slow Money networks and investment clubs targeted both farming and ranching operations, processing and distribution, and other local investments. This indicates the potential for the Slow Money movement to provide capital that these enterprises that other larger, fiduciary managed vehicles cannot.

Figure 12: Investment in supply chain, by sector



* 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).

Source: Slow Money 2014 State of the Sector Report

Engaged Systems Change Funders

There are several Canadian funders and networks which have been working on food systems change from varied perspectives and geographies. Some of these funders include:

Community Foundations Canada (CFC) is the national network for Canada’s 191 community foundations from coast to coast. Together, they help Canadians invest in building strong and resilient places to live, work and play, contributing more than \$189 million to local organizations in 2014. In 2013, CFC released its national Vital Signs report entitled Fertile Ground: Sowing the seeds of change in Canada’s food system, that explored our relationship with food and asked how communities can mobilize locally to build a better food system for the future. In 2014, Canada’s community foundations

contributed more than \$4.5 million to food-related activities locally and are engaging in strategies for collective impact across regions and sectors.

The Friends of the Greenbelt Foundation is a charitable, non-profit grant-making organization working to help keep farmers successful, strengthen local economies, and protect and grow natural features.

The Greenbelt Fund, a non-profit sister organization to the Friends of the Greenbelt Foundation, was created five years ago to support and enhance the viability, integrity, and sustainability of agriculture in the Greenbelt and Ontario. The Fund delivers support to farmers and local food leaders to ensure more of the good things that grow in Ontario are being served and distributed through our public institutions, retail, and foodservice markets. The Fund's goal is to create systemic change to permanently increase the amount of local food consumed in the province through strategic investments, effective education, innovative policy, and valuable networking initiatives. The Fund is supported by public and private sources.

The J.W. McConnell Family Foundation has been supporting and working with organizations across the value chain and across the country, facilitating large-scale systems change and applying social innovation approaches, including social finance and impact investing.

The Metcalf Foundation supported a range of food and farm organizations across Ontario for many years through its Healthy Lands Program. The Foundation's leadership in fostering collaborative policy and advocacy work within the sector catalyzed the development of Sustain Ontario — the Alliance for Healthy Food and Farming.

The Real Estate Foundation of B.C. is a philanthropic organization that helps advance sustainable land use in British Columbia. It provides grants to non-profit organizations working to improve B.C. communities and natural environments through responsible and informed land use, conservation and real estate practices. Its funding programs support research, education, and law and policy reform. It recently supported a series of six regional dialogues coordinated by the B.C. Sustainable Food Systems working group of which it is a member.

Some of these funders have been working together closely in recent years to better inform and align their efforts, while others are newcomers to the group or to food issues. The work of these funders and others has included convening funders, investors and other food systems actors, co-funding (via grants) systems change projects at local, regional and national levels, and funding food related impact investments. They recently co-released an RFP for research that will help the funders better understand the landscape in which they are operating and assess the potential to align their work to achieve greater impact.

INVESTING OPPORTUNITIES

From investing in the regeneration of our soils and the long-term stewardship of our productive farmlands, to increasing seed, venture, and patient operating capital for enterprises, to building the capacity and resilience of the sector, there are real, delicious and profitable opportunities for impact investors.

Enterprise Level Investment Opportunities

The following tables provide a range of examples to illustrate the kinds of investments needed at the enterprise or initiative level. They identify needs and provide a description of the intervention or investment type as well as examples of existing models within and outside of the food sector.

Table 2: Investment opportunities in land and quota

Need	Type of Investment	Description	Existing Examples
Farmland Trusts	Grants and patient investment	Combined fundraising and financing to purchase prime agricultural lands and offer long-term / inheritable leases	Terre de Liens (France)
Farm Purchase & Development Bridge Financing	Debt or Equity	The financing of purchase of land to enable the development of a co-op or to develop a condo farm. The co-op and condo buys the bridge investor out over a period of time.	Community Power Fund & Solar Share
Land & Quota Transfer Financing	Direct or indirect investments	Subordinated loans or rent-to-own arrangements Quota / licence banks	FIRA Ecotrust Licence Banks

Table 3: Investment opportunities in operating capital

Need	Type of Investment	Description	Existing Examples
Character based lending programs	Risk-taking loans	Small risk-taking, early-stage loans, and with training and support	FarmStart LLP Coastal Loan Fund California Fisheries Fund
Slow Money	Private bonds Personal loans Loan guarantee Equity	Relationship-based investing Investment clubs Angel investors	No Small Potatoes Investment Club Farmworks Angel investors
Community or Co-op Investment structures	Loans Equity or Ownership	A formalized investment group that pools funds for specific initiatives	Sangudo Investment Coop

Table 4: Investment opportunities to address crisis prevention and intervention

Need	Type of Investment	Description	Existing Examples
Inventory & Seasonal Lines of Credit	Debt	Operating lines of credit designed to support seasonal and inventory capitalization	Advanced Producer Payment Program SERRV fair trade coffee producer program
Asset Purchases & Bridge Financing	Ownership	The purchase of assets for a period of time that allows the enterprise to develop their business.	Options for Home & Homeownership Alternatives
Growth and Diversification Grants	Grants	Strategic capacity grants and technical assistance	NRC-IRAP

Table 5: Investment opportunities in capacity development

Need	Type of Investment	Description	Existing Examples
Seed Capital	Grants	Small grants, idea-stage start-up costs, feasibility studies and project development and new, appropriate scale equipment and infrastructure development Associated training, technical assistance and “pass on”	Bauta Seed Initiative FarmStart’s Seed Capital ONFC grants & the Local Organic Food Coop Network
Start-Up Grants & Loans	Grants Loans	Grants and patient, low interest loans that are for infrastructure and equipment purchases. Should be conditional on training or provided mentorships and technical assistance	Quebec’s Establishment Grants FarmStart LLP
Venture Capital & Accelerator Program	Equity Debenture Royalty financing	Patient debt that can be transferred to equity when the business is established, or royalty financing that takes a certain percentage of revenues without equity stake. Provide focused mentorship and technical assistance.	Founders Fuel

System and Landscape Change Organizations

Many dynamic, innovative and impactful system and landscape-changing organizations are operating across the country. Their work is critical and transformative, but not always project- or initiative-focused. Although their efforts may directly impact specific initiatives, these organizations are also needed to address the complex and indirect conditions that impact the vulnerability context. Impact investors should support not only specific initiatives but also these organizations’ sustained capacity to explore new ideas, to inform the broader political and social discussions and to collaborate with and support intermediaries & initiatives that are operating within communities.

In Canada, this space includes the organizations listed in Table 6 as well as many others who were not interviewed for this report (such as Food Matters Manitoba, Equiterre, Farm Folk City Folk, FoodShare, Farm to Cafeteria, Community Food Centres Canada), and a developing network of strategically engaged philanthropic actors. Table 6 is intended to illustrate the range of organizations and the variety of ways these actors could be engaged to create and support investment initiatives.

Table 6: Examples of system- and landscape-changing organizations

Organization	Purpose	Current and Past Activities	Potential Investment Opportunity Role
Food Secure Canada	A pan-Canadian alliance of organizations and individuals working together to advance food security and food sovereignty through three inter-locking goals: zero hunger, healthy and safe food, and sustainable food systems.	<p>Citizen campaigns</p> <p>Policy and strategic government relations</p> <p>Networks of landscape and training organizations</p> <p>Strategic, timely initiatives that serve sector development</p>	<p>Campaign for National Student Nutrition Program, & Aboriginal & Northern Food Security</p> <p>Canada Slow Money network & national gathering</p> <p>Coordinate seed capital</p>
Bauta Seed Initiative	Building a national movement to conserve and advance seed biodiversity, keep seed in the public domain, and promote ecological seed production.	<p>Training</p> <p>Research & Development, and Extension</p> <p>Seed Capital Grants</p>	<p>Collaborate on Seed Infrastructure Development Fund</p>
EcoTrust Canada	Works at the intersection of conservation and community economic development, promoting innovation and providing services for communities, First Nations and enterprises to green and grow their local economies.	<p>Coastal Loan Fund</p> <p>Quota banks</p> <p>This Fish</p> <p>and many others</p>	<p>Community level interventions</p> <p>Collaborate on public-private investment opportunities</p> <p>Advise on a broader Aggregated Fisher's Fund or offering</p>
Ecology Action Centre, NS	Working at the local, regional, national and, more recently, international level to build a healthier and more sustainable world.	<p>Fishery legislation changes</p> <p>Community-supported fishery</p>	<p>Venture capital and management coaching for Off the Hook enterprise</p>
Sustain Ontario	Cross-sectoral association that represents and serves value-chain organizations and entrepreneurs; food security networks and their constituents; and service and training organizations and their clients.	<p>Build the capacity and viability of the sector through:</p> <ul style="list-style-type: none"> • Policy initiatives • Value-chain and organization networks • Education & campaigns • Strategic initiatives 	<p>Slow Money Groups & Networks</p> <p>Development & support for Sector Loan Fund</p> <p>Technical assistance funding for its networks & associations</p>

The Role of Training and Network Organizations

Training organizations and networks often provide entrepreneurs with skills and capacity development, technical and practical resources as well as opportunities to connect with mentors and peers. Investments at this level of enterprise development could include the following:

- a) Build a seed capital fund to provide small grants (e.g., \$5000) to individual enterprises and development grants (e.g., \$10,000-\$25,000 for value-chain and community initiatives).
- b) Support the delivery of technical assistance and associated coaching by sector organizations.
- c) Help industry organizations learn how to deliver government-funded producer and small-enterprise development funds and loan programs.
- d) Encourage governments to develop ongoing funding for technical assistance, networks, mentorship and cost sharing programs.

Table 7: Examples of training and network organizations

Organization	Current and Past Activities	Example Investment Opportunities
FarmStart	Start-up farms Training and resources Coaching	Seed capital grants and loan fund
Local Organic Food Co-op Network and ONFC	Network Training and support for new food co-ops Small grants	Feasibility and strategic development grant stream (for technical assistance and co-op leadership)
Small Food Processors Association of BC	Business development training Network opportunities Administer advanced payment program for small producers	Processors Seasonal Loan Program Collaborate on a development grant & loan program (with coaching)
Northern Farmer Training Program	Training program	Seed capital and coaching
FarmWorks	A pooled CEDIF that raises money from individual shareholders & provides loans to food and farm businesses	Support operations and technical assistance capacity Share model
Atlantic Canada Organic Regional Network (ACORN)	Facilitating information exchange Coordinating education for producers through to consumers Networking regionally and nationally	Technical assistance and mentorship Value chain networks

IMPACT INVESTMENT OPPORTUNITY DEVELOPMENT

There are many needs and opportunities for impact investment in local sustainable food and farming in Ontario and across Canada. The development of these opportunities will take a variety of skill sets and relationships as well as a sustained strategic capacity, which often those at the enterprise, organizational or initiative level do not have and cannot build, nor are those in the finance world interested in or capable of investing the time or energy in developing opportunities in this sector without clear and substantial returns. The sector needs creative, capable and dynamic leaders with the capacity to:

- identify, initiate and sustain partnerships and cross-sector collaboration, to bring capacity to specific projects, and to work with a variety of actors across the farm, food and finance sectors;
- develop strategic and entrepreneurial initiatives that will address critical challenges and increase opportunities for the sector;
- work in the space between the leaders and projects on the ground and the variety of impact investors to bring opportunities to an investor-ready position.

Following are some examples of the spaces where this creative and engaging work could have a role.

Public-Private Impact Investment Initiatives

There are many opportunities to engage public partners in creating a moderate risk investment environment for projects with clear public impact. These public-private partnerships would likely be broader than any one particular enterprise and could involve a variety of government stakeholders, one or more charitable partners, entrepreneurial leaders, and a range of impact investors.

For example, impact bonds could be structured more like principal guarantees (as other government bonds are), with a public/institutional partner providing a guarantee on the return of the principal of a bond to reduce the risk for investors, and a charitable partner involved in selling the bonds and capitalizing the project, and the enterprise run by a not-for-profit or private business partner. Impact investors would provide the working capital for the initiative. Potential profits would be shared among the investors, the charitable/not-for-profit organization that sells the community bonds and the enterprise running the operations. The public health or community economic outcomes would be the goal for the public sector partners.

Following are two examples that were raised as possible impact investment opportunities in the interviews. They are provided here simply to illustrate the potential approach, partnerships and outcomes.



Lulu Cohen-Farnell and her husband, David. Photograph by Brian Summers

High School Cafeterias as Real Food Hubs

The revitalization of Ontario's high school cafeterias into Real Food Hubs would take considerable infrastructure upgrades and an overhaul of operations, but it could also provide an opportunity to create a viable, profitable business that enhances nutrition for kids and teens.

Lulu Cohen-Farnell, an innate cook, Founder & Chief Brand & Innovation Officer (CBIO) of Real Food for Real Kids (RFRK), is turning the school-lunch supply chain inside out.

Eleven years ago, Lulu's distrust of the ingredients in the convenience-based, processed food offered at her baby son's daycare centre led her to search for an alternative using local, organic and whole ingredients. Lulu then started a snack program at her son's daycare in 2004 and after a five-month pilot at the flagship YMCA in downtown Toronto, the program expanded to 12 YMCA locations over the Greater Toronto Area. Her husband David (CEO) joined her, and their combined business, marketing and entrepreneurial skills (and a generous pinch of passion) were instrumental in RFRK's success and influence.



RFRK team, photo by Sandy Nicholson

Today the company manufactures and distributes healthy prepared food to over 15,000 children daily in 200 childcare centres and 26 elementary schools within in a 1.5 hour radius of Toronto. Last year, the business made \$8 million in sales. This has been reinvested in RFRK as well in the community. RFRK offers subsidized lunches via Real Food Forward (RFF), which serves free lunches to kids who need a helping hand, as well as deeply discounted meals to school staff in elementary schools. RFRK will be moving to a 32,000 square foot HACCP certified facility in the downtown east end in the fall of 2015. And they are speaking with hospitals and long-term care facilities about how they can bring real delicious food using locally grown produced to their patients.

Lulu and David's expertise in the school food-supply chain led them to think about making high school cafeterias into healthy

food hubs. Over the last few years, many high school cafeterias in Ontario have shut down, in part due to the Ministry of Education's Policy/Program Memorandum 150, which limits the level of sugar, salt, & fatty food allowed for sale in schools (ie. hot dogs, french fries and pizza which provided most of the revenue for these cafeterias). The current operating model and traditional supply chains for cafeterias have not been able to 'catch up' and develop tasty and healthy food options for kids.

Further compounding the menu challenges, high school cafeterias only serve five meals per week, which creates a particularly onerous revenue challenge. Unlike restaurants, they have no morning, evening or weekend business to contribute towards general overhead costs. As a result, these cafeterias are treated more like costs to control than profit centres with growth potential.

Now Lulu and David envision a network of high school based Real Food Cafeterias which act as "Hubs" to supply their local elementary schools and childcare centres with made-from-scratch real food lunches and snacks. They know how to develop the concept and run the business. What they would need is patient capital to develop the scalable business model, which would include a modest upgrade to the cafeteria's infrastructure, as well as hiring and training staff.



Garden Hill, photo by Timkal

Northern Manitoba Community Fishery

Investments in the emerging Woobung Fisheries Coop could return the principal, supply country foods for the community centres and schools, get youth to stay in Garden Hill, and provide viable livelihoods for a community of fishers.

When Dr. Shirley Thompson, whose research concerns food security in northern Aboriginal communities, visited Garden Hill, a fly-in community in northern Manitoba, in 2010, to complete a participatory survey, she found that commercial fishers were the most food-insecure group in the whole community. Their commercial fishery faces a host of challenges, relying on a limited fish plant and decaying wharfs, refrigeration by ice cut from the lake and a commercial license to sell fish outside of Manitoba only. There is no bank in the community and few markets. The fishing season is limited due to season start regulations (southern fishing seasons

are applied to the north) and limitations on freezing capacity during the summer. Because of the cost of fuel, boats don't always leave the dock; because of the isolated location and "horrible, badly planned" infrastructure, they can't reliably transport fish. The commercial fishery sells 1,000 lbs. in un-filleted fish at low-return rates each year.

But now, with a renewed leadership, the Garden Fishers co-op is getting on its feet. Since her visit, Shirley has helped the co-op of fishers get a license to sell inside the province (and in their own community!) and to access EI for the off-season. The co-op is opening a bank account and learning to fillet their own fish to add value. A small grant was used to install a safe, functional kitchen and now fish is being cooked for local food programs. When a contract for 100 lbs. of filleted fish per week was offered by the Neechi Commons in Winnipeg, Garden Hill did get a number of shipments out – but because they were not paid until months later, they could not continue.

The new name proposed for the fishers’ co-op is Woobung Fisheries. Woobung means “hope for tomorrow.” The Woobung Fisheries Coop offers an opportunity to strengthen household food security in the local fishing economy by combining public sector patient capital with impact investors to provide infrastructure upgrades, freezing equipment, and a revolving operating loan fund.

Engaging Existing Investment Vehicles

There are a variety of financial organizations in Canada that could partner with sector organizations and impact investors to provide administration, fund management and capacity development. Below are potential opportunities that could be developed, and have been drawn from conversations with the respective stakeholders.

Table 8: Potential Impact Investment Partners

Organization	Activities	Opportunity
Community Forward Fund	Patient, working capital & bridge loans for the sector for small and medium-sized organizations Financial review and coaching services & assessment tools to help build financial skills and capacity in the non-profit and charitable sector	Administer a character-based loan fund for higher risk/non-collateralized loans for food and farm entrepreneurs
RSF Social Finance	Social Investment Fund Program Related Investing Fund Donor Advised Funds	A PRI Fund to cover operating costs, and to manage expansion and diversification funds for value chain enterprises (paired with sector based coaching and mentorship)
New Market Funds	Specialized fund manager that invests to deliver market competitive financial performance with community benefit Institutional moderate risk investment vehicles (current fund - Affordable Rental Housing)	Farmland Investment Fund Fisheries Fund
Ulnoowegg Aboriginal Community Fund	Loans for Aboriginal entrepreneurs Capacity development support for Bands	Targeted capacity & tech assistance for fish Band and community enterprises An impact loan fund for Band enterprises
Community Futures Development Corps	Lender of last resort, community-based loans Business advising	Take advantage of a FFFF loan guarantee program to offer higher-risk loans

Developmental / Mission Funds

There are several areas that were highlighted in the research that need mission-oriented and developmental pools of capital. Table 9 describes what these mission funds could focus on.

Table 9: Potential mission funds

Fund	Example of Activities
Regenerative Agriculture & Farmland Protection Fund	Own and manage land with a seven-generations time frame Bridge financing for incubator, community and land trust farmland initiatives Succession transitions and rent-to-own for farmers, with farmland easements
Coastal & Fresh Water Fishers Opportunity Development Fund	Provide seed & development capital to emerging fishery enterprises Bring investment capital to community-based and sector fishing infrastructure (debt and equity) Act as a facilitator for other capital
Value Chain and Infrastructure Development Fund	Provide seed & development capital to emerging food and farm enterprises Bring investment capital to value chain and infrastructure projects Act as a facilitator for other capital

Slow Money

The principles of Slow Money are based on individual relationships, informal organization and decentralized investments. However, it is clear that in order to support the proliferation and success of the Slow Money investments, there is a need for some form of loose network, support organization(s) and resource centre that can help encourage and advise investors, facilitate strategic discussions across the networks, increase access to technical resources for leaders, and bring the right people together and the right capacity to community investment initiatives. Following are some ways that Slow Money could be expanded and strengthened across Canada:

1. Support the creation of connections and direct investment through slow money networks

- Catalyze and support the creation and activities of a wide number of local groups with resources, legal documents, and financial tools;
- Support organizations to coordinate provincial and national gatherings

2. Support the development of Community Investment Initiatives

- Expand development of Opportunities Development Coops in Alberta and CEDIF programs like FarmWorks;
- Support the development of community investment groups based around particular communities (e.g., regional groups or urban farmers' market communities);
- Support projects that use community bonds to fund the preservation of and increase access to land, quota and infrastructure (e.g., land trusts, quota banks, abattoirs).

3. Create initiatives that engage existing institutions

- Work with provinces to develop an early stage loan fund (or loan guarantee fund) for new food and farm entrepreneurs;
- Create community donor backed loan guarantee funds at local community foundations, with the local CFDC's providing higher risk investments to local food and farm entrepreneurs;
- Create lending vehicles that can utilize the CALA and other loan-loss reserve funds to provide mortgages and operating capital.

Closing Thoughts

From our research, it is clear **there is no shortage of investment opportunities in the local sustainable food system.** However, many of these opportunities need catalyzing, facilitation and development capacity, both at the enterprise and the landscape level. Impact investors need to be prepared to **take real risks** and **invest in the path finding, capacity building and facilitation** necessary to allow opportunities to start, to scale and to become sustainable.

Impact investors could **increase their impact and mitigate their risk if they were also to intervene in the “vulnerability context”**, such as addressing prohibitive political-economic contexts, as well as stifling and inappropriate regulations; encouraging necessary culture shifts and viable market development; and funding applied research, development and extension of practices, scale appropriate equipment and infrastructure that will help build viability and resilience.

But how do impact investors decide when to invest to build out spaces that don't exist, to test new ideas, and to support the scrappy, roundabout road towards innovation? Can small, distributed investments achieve large-scale systemic change or will this change not be *fast enough*? How do we navigate the tensions between local responsiveness and the responsibility of “the fiduciary,” between efficiency and diversity, between resilience and returns? And how do we value and track the data and the stories, the concrete and the intangible impacts? What are our measures of success, and how do we define failure when there is always something to be learned?

In all cases, **impact investors must seek to share the risk and returns equitably.**

Over the last century, we have been shaping a food system with imbedded inequalities such as waste and gluttony alongside scarcity and starvation. On the ground, profit in our food systems generally relies on illegal and displaced labour and meager producer livelihoods, with supply chains largely controlled by multinational corporations and global capital markets.

Our landscapes are forever changing with the effects of our production practices, from eutrophication, desertification, soil erosion, chemical accumulation, depletion of water tables to climate change. Our farmers and harvesters are facing increasing insecurity including weather catastrophes, fish stock collapses and loss of pollinators alongside ecological consequences of biotechnologies and the chemicals that accompany them.

Our dominant culture is engaged in the race toward faster, cheaper and more convenient foods while at the same time our public health system is overwhelmed with health conditions that could be prevented by better diets. First Nations communities are losing the ability to feed their families from their lands, rural communities are shrinking as farmers must sell their farms to pay off their debts, and urban working families find themselves forced to choose between buying food and paying their rent.

Until recently, human cuisines, cultures and economies have largely been shaped by the abundance and limits of our soils, ecosystems, landscapes and seasonal rhythms along with moral codes and social taboos. Today we operate within an economic theory of limitless growth, a market system that is supposedly controlled by the “invisible hand,” built from a history of colonization and frontierism and based on the moral principles of “survival of the fittest.”

Wendell Berry suggests, “We need to enlarge the consciousness and the conscience of the economy. Our economy needs to know—and care—what it is doing.” Our influence and responsibility does not only rest in what we buy and consume, we must also “bring money back down to earth” and learn to “invest as if food, farms and fertility matter”. By re-connecting investors to the places where they live, to the people who provide their nourishment, and to the landscapes that sustain them, we may find that individuals can and will act and invest based on mutual, tangible and social benefit. If we want to be able to buy local artisan cheese then we will invest in our local cheese maker. If we want there to be farmland to feed our grandchildren, then we will invest in our local Farmland Trust. The choices we make today, as a society and as individuals, in how we grow, make, buy and share and invest in our food, have the potential to re-shape the ways we relate to one another and the earth. **Some may call this revolutionary, but it seems to just be common sense.**

APPENDIX A: KEY INFORMANTS INTERVIEWED FOR THIS STUDY

SECTOR LEADERS

Community Investment Initiatives

- Julie Leach, Solar Share (ON)
- Paul Cabaj, Alberta Community and Co-operative Association
- Linda Best, Farmworks Community Economic Development Fund, (NS)

Food, Farm and Fish Organizations, Facilitators & Leaders

- Susana Fuller, Ecology Action Centre (NS)
- Lucia Stephens, Atlantic Canadian Organic Regional Network (NS)
- Jackie Milne, Northern Farm Training Institute (NWT)
- Jane Rabinowicz, Bauta Family Seed Initiative at USC (Canada wide)
- Tasha Sutcliffe, Ecotrust Canada (BC)
- Jordan Nikoloyuk, Atlantic Policy Congress of First Nations Chiefs Secretariat & previously Ecology Action Centre (NS)
- Connie Atmychuck, Vegetable specialist with the Province of Saskatchewan
- Candice Appleby, Small Food Processors Association of BC
- David Simms, Ulnooweg Development Group (Atlantic region)
- Melanie Sommerville, PhD Student, Department of Geography, University of British Columbia
- Kathleen Gibson, Principal, GBH Consulting Group Ltd. (Meat industry) (BC)
- Andrea Gray Grant, Grey Grant Consulting with Small Food Processors Association, (BC)
- Hannah Hannah Renglich, Local Organic Food Co-ops Network

Other Social Enterprise or Cooperative Organizations & Leaders

- Brendan Reimer, Canadian Economic Development Network (CEDNET)
- Dave Kranenburg, Centre for Social Innovation (ON)
- Bill Young, Social Partners Capital (ON)
- Vera Goussaert, Manitoba Co-operative Association
- Russ Christianson, Rhythm Communications & Co-op development consultant
- Diane Fehr, Immigrant Access Loan Program (Alberta)
- Michael Shuman, Business Alliance for Local Living Economies

Lenders, Funders & Investors

- Taryn Goodman, RSF Social Finance (California based, US & Canada)
- Mary Lou Morgan, former of Carrot Cache and FoodShare (ON)
- Garth Davis, New Market Funds (BC based, Canada wide)
- Paul LeCompte, Fonds d'investissement pour la relève agricole (FIRA), (QC)
- Anne Pritchard, Community Future Development Corporation (CFDC), Frontenac, (ON)
- Kevin Koopermans, CFDC Fraser Valley, (BC)
- Arik Theijsmeeijer, Fed Nor (ON)
- Derek Ballantyne Community Forward Fund (ON based, Canada wide)
- Todd Hoskins, Ulnooweg Development Group (Atlantic Region)
- Elizabeth Loughheed Green & Catherine Ludgate, Vancity Credit Union (Lower Mainland BC)
- Philippe Garant, Réseau Investissement Social du Québec (RISQ)
- Brenda Reid-Kuecks, Ecotrust Coastal Loan Fund (BC)
- Phoebe Higgins, California Fisheries Fund, Environmental Defense Fund (US)
- Gray Harris, Sustainable Agriculture and Food Systems, Coastal Enterprises Inc. (Maine, US)
- Michael Curry, Managing Partner, Investeco Capital (Toronto, Canada wide)
- William McClounie, Agri-Food Capital Corporation (ON based, Canada Wide)

ENTREPRENEURS & ENTERPRISES

PRODUCTION & HARVESTING

Farmers

- Jim Thompson, Notre Petit Ferme (QC): 5 acre CSA & Market garden, on an Incubator
- Dan Brisebois, Tourne-Sol Cooperative (QC): Vegetable CSA and seed company
- Shannon Jones, Broadfork Farm (NB): small market garden
- Paul Slomp, Grazing Days (ON): Grass feed beef CSA outside of Ottawa
- Alyson Chisholm, Windy Hill Farm (NB): Vegetable CSA, farmers markets, eggs and goat meat
- Bob Baloch, Fresh Veggies (ON): 4 acre vegetable, ethno-cultural crops, on an incubator
- Brent Preston, The New Farm (ON): 20 acre market garden, specializing in 5 vegetable crops
- Angie Koch, Fertile Ground CSA (ON): Small market garden CSA
- Tamas Dombi, Kind Organics (ON): 6 acres, greenhouses, specialty greens for farmers markets and wholesale
- Tarrah Young, Greenbeing Farm (ON): Mixed pastured livestock and winter CSA
- Jean-Martin Fortier, Les Jardins de la Grellinette (QC): 1.5 acre intensive vegetables for CSA, markets & wholesale greens.

Farms with Processing

- Andrea Gunner, North Okanagan Poultry Processing Inc. (BC): Poultry farmer, jointly owns a mobile abattoir
- Kevin Boldt, Pineview Farms & All Natural Meats (SK): Small scale abattoir and processing on farm and natural brand
- Mark Bernard, Barnyard Organics (PEI): grains, feed & livestock
- Kim Delaney, Hawthorn Farm (ON): Mid-scale vegetable seeds
- Chris de Waal, Getaway Farms and Butcher Shop (NS) Grass-fed beef and butcher shop at Seaport Farmers Market

Fisheries

- This Fish, Ecotrust (BC): Traceability tag program
- Off the Hook Ecology Action Centre (NS): Direct sales & distribution
- Aboriginal fishing communities in Atlantic Canada, Ulnowegg, (Atlantic): Enterprises, quota, specialization and processing
- Wabung Fisheries Co-operative, (MB), Shirley Thompson: Fly in fishing community, co-op development

VALUE CHAIN

Aggregation & Distribution

- Randy Whitteker, Ontario Natural Food Coop (ON): Distribution to natural foods to co-ops and groceries
- Paul Sartell, 100km Foods(ON): Fresh produce distributor from farmers to restaurant, retail and institutional markets in Toronto.
- Danny Turner, The Organic Box (AB): CSA box program for consumers and distributor
- Dan Donovan, Hooked (ON): Sustainable fish distributor, with retail
- Levi Lawrence, Real Food Connections (NB): Local food aggregator, consumer box program, processor and retailer
- Jennifer Johnston, Fisher Folk (ON:) Fish distributor, working directly with a fishing community
- Ran Goel, Fresh City Farms (ON): Urban farm and distribution 'box' program
- Mike Furi, The Grocery People Ltd. (Western Canada): Distribution subsidiary to Federated Cooperatives Ltd,

Processing

- Ruth Klahsen, Monteforte Dairy (ON): Artisan cheese & restaurant
- Debra Moore, Just Us (NS): Fair Trade Coffee Roaster
- Andrea Grey Grant, Tarragon Foods (BC): Small pickle enterprise & processing facility
- Tom Manley, Homestead Organics (ON): Feed mill, processing and distribution of organic beans, grains and feed, pest control and fertilizers
- Jeremy White, Big Spruce Brewing (NB): Organic, on-farm brewery

Retail

- Jackie Durnford and Sandra Lackie, Creemore 100 Mile Store (ON): Small grocery store, with local food mandate
- Russ Rothney, Neechi Coop (Winnipeg, MB): Expansion of a worker co-op grocery store, catering and bakery
- Ayal Diner West End Food Coop (Toronto, ON): Multi-stakeholder Grocery Co-op with food security mandate

Other Producer Enterprise Facilitators

- Jackie Milne, Northern Farm Training Institute (NWT): Training new farmers across the north
- Connie Atmychuck, (Vegetable specialist with the Province of SK), Prairie Fresh Food Corporation: Vegetable growers co-op in Saskatchewan
- Arik Theijsmeeijer, Fed Nor (ON): Producer, harvesting and processing Initiatives in Northern Ontario

Farmland

- David Miller, Iroquois Valley Farms (Iowa, US): Farmland owning company that leases to new and organic farmers
- Paul LeCompte, Fonds d'investissement pour la relève agricole (FIRA) (QC): Farmland Fund that leases land to new entrants

Food Service

- Lulu Cohen-Farnell, Real Food for Real Kids (ON): Healthy snacks and lunches for schools & daycares
- Rachel Allain, Le réseau des cafétérias communautaires Inc. (NB): Managing Cafeterias in schools
- Yasser Qahawish & Christie Young, Artisanale (ON): Restaurant sourcing local, organic and artisanal foods

Technology / Platforms

- Jason Stanely, Provender (QC): Producer to restaurant marketing and sales platform
 - Meghan Dear, Localize (AB): Point of sale / product info for grocery stores
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