

# Slow Money Northwest Washington Institute

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## Introductory Remarks

Mauri Ingram, CEO of the Whatcom Community Foundation and member of the Institute's hosting committee, welcomed the 70 attendees and introduced the other members of the committee:

- Michelle Long, Sustainable Connections
- Steve Brinn, Lumen IQ
- Rud Browne, Ryzex
- Craig Cole, Brown & Cole investments
- Shawn Kemp, angel investor
- Amy McIlvaine, Bayport Financial

Michelle Long, executive director of Sustainable Connections, explained how Sustainable Connections works with the community and over 600 local, independent business owners to create a local living economy in Whatcom County.

To frame the day's Institute, Michelle related a story of traveling with her husband Derek in India. Immersed in a region and culture with which they had no familiarity, they began to wonder, "What if everything we assume is wrong, and there is no common sense?" With that in mind, Michelle encouraged the participants at the Institute to question assumptions and long held beliefs.

## Slow Money: Vision and Mission

Woody Tasch, president of Slow Money, noted that the day before the Institute, Slow Money was featured on NPR's *All Things Considered*. "I guess it's official," Woody remarked, "We're a movement. NPR has done a story on the Slow Money 'movement.'" He then added that the movement aspect of our work has come up regularly during talks and Institutes, and that the implication of this is important. "Movements are about building social capital. Investing is about building financial capital. Slow Money is about both, which is part of the challenge, part of the fun." He also observed that Slow Food, which was part of the inspiration for Slow Money, is very much an international movement, having started as a protest against McDonalds opening in Rome in the late 1980s, and now having grown to 80,000 members in dozens of countries. "It's political, biological, cultural, and uses food as a vehicle to celebrate connections between people and the land. It's pro-artisan and pro-small farmer and pro-biodiversity. It connects producers and consumers. And Slow Money is taking some of this spirit to connect investors to what they are investing in."

Woody related remarks he had heard years ago by Joel Salatin, a Virginia farmer who has been at the forefront of sustainable agriculture for decades.

*“Don't let them ever confuse you. We are a movement, we're not an industry. They are going to try to convince you that this is an industry. This movement started when the conquistadors first came here in the 15th century to steal the resources of this continent and bring them to Europe. We are the last defenders of life on this continent.”*

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The Slow Money “movement” is not about fighting *against* fast money. It is about fighting *for* balance in our economy and capital markets. We are in a state of dangerous imbalance. Just as financial markets have become imbalanced, our industrial food system is imbalanced. GMOs can be thought of as the derivatives of the food system: designed by technicians to “cheat” risk, to create higher yield: they seem spectacular for awhile but lead to even greater systemic risks in the end.

The industrial finance system doesn't recognize or value sustainable agriculture and the social and environmental relationships that it fosters. Rather, it strips these relationships away in order to maximize yield. It prioritizes maximum yield and maximum profitability. It turns food into commodities and divorces relationships from production. This is analogous to modern philanthropy, which divorces the management of philanthropic assets from the purpose of the foundation's grant-making. The model of Wealth Now/ Philanthropy Later has created \$600 billion in foundation assets, but only 5% of this is utilized each year to improve society in the form of grants, and these can only go to non-profits. This process is extremely inefficient and fraught with all kinds of unsustainable relationships. And what of the foundations' endowments? They are all invested in business as usual, promoting the very economic growth that is causing so many problems in the agricultural sector. If this weren't bad enough, only 1/10 of 1 percent of U.S. foundation grants go to sustainable agriculture. And despite the public attention to climate change, only 1% of foundation grants go to environmental causes.

At the same time, while climate change is now in the public awareness, soil erosion is not. 1/2 of 1% of the total world soil is eroding each year.

A broader aspect of Slow Money's mission, beyond the specifics of supporting local food systems, is to help steer fiduciaries towards new models of fiduciary responsibility that will direct much more capital towards enterprises that address major social and environmental problems. If we are going to create meaningful change, that has a chance of making a real difference over the next few decades, we are going to have to dare to face what is broken, in both our system of finance and our food system.

## **Small Food Enterprises: Stories of Raising Capital**

### **David Van Seters, Small Potatoes Urban Delivery (SPUD)**

Prior to starting SPUD, a company dedicated to home-delivery of organic produce, David was a consultant for companies that want to engage in sustainable practices. He did a study on the economics of community sustainable food systems, and became interested in the challenges of getting adequate payment for food to the farmer.

SPUD started in Vancouver and expanded to seven locations. SPUD aims to buy local and is committed to having its local purchases significantly exceed those of traditional grocers and food markets. SPUD's home delivery results in a lower carbon footprint than consumers making individual trips to the store. Its home delivery model and pre-ordering format also results in less waste. The farmers SPUD purchases from get the orders before they harvest their crops.

SPUD had great difficulty raising capital from traditional venture sources. The food sector was one barrier. Also, they were not business to business. Further, with "small potatoes" in the name they did not appear enticing to investors seeking the prospect of a big return. However, they did receive an investment from Renewal Partners, who have been an example of a venture capital firm that has been willing to take unusual risks to support sustainability and has a strong commitment to place-based investing and local economies.

### **Tom Thornton, Cloud Mountain Farm**

Tom is co-owner of Cloud Mountain Farm, which focuses on marketing and growing fruit and ornamental plants. Started in 1978, they offer over 200 varieties of fruit and sell plants to orchards.

When they were starting out, they struggled as an aspiring apple farm in a county that had over 1500 dairies and saw itself as a dairy county. At the time, there was funding available to first time farmers. But these loans required area farmers, which were dairy farmers, to approve the loan applications, and Cloud Mountain was turned down. It took one dairy farmer, who Tom worked with part time, to walk into the office and say, "He is a good as it gets. Loan him the money or else we will have an issue."

Since then, there have been a number of critical times when the survival of Tom's farm hinged on key individuals stepping up to support it. Now, Cloud Mountain Farm has a year round cash flow established through their direct marketing and does not need outside financing .

Tom noted that Puget Sound has an opportunity to grow fresh product year round using passive solar technology, which is already successfully used in colder climates. He added that agriculture is a challenging business because it has its own clock. He knows many excellent farmers who need land and infrastructure and are struggling to raise capital.

## **Colleen Wolfisberg, Edelweiss Dairy**

In 1996, Colleen and her husband Hans, who was from Switzerland, moved to Whatcom County and started a dairy farm. Their early financing came from a number of sources:

1. Hans' savings from working as an apprentice and living at home. (This is common in Europe.)
2. An "advance" on Hans inheritance from his family
3. An individual who Hans had worked with in Switzerland who gave them a no interest loan.

They spent the next 10 years paying off their loans.

When they started, they could not afford, or even find, certified organic feed. They became members of the Organic Valley Cooperative in 2005. To Colleen, Organic Valley represents not just an industry but also a movement. It offers farmers a support system.

Colleen would love the opportunity for her kids to be able to farm and raise families. But they are concerned that the town's encroachment on the flood plain and the high cost of land might make this very difficult.

## **Discussion**

Questions after the panel presentations focused on the cost of land to farmers and what could be done to secure farmland for a community.

Colleen commented that one threat to farmland preservation is coming from the farmland community themselves. After working for years without the opportunity to save, farmers are often interested in subdividing their land to maximize its value and be able to stop farming.

Tom Thornton added that it's very difficult to save for retirement in agriculture. A potential flaw in the land trust model is that without owning land appreciating at a market rate farmers do not get the equity they need to retire.

## **Small Food Enterprise Financing Initiatives**

### **Shawn Kemp, Angel Investor**

Shawn Kemp, a Bellingham based angel investor, introduced the afternoon's panel. As an angel investor for the last 10 years, Shawn has been interested to learn what models would work for supporting sustainable and local food.

### **Tim Crosby, Social Venture Partners Seattle**

In addition to his work at Social Venture Partners, Tim grew up being involved in his family's foundation. The foundation is now engaged in more pro-active grant-making. And they are pro-actively looking at communities and what they need.

Recently, Tim's family foundation funded a study with the Cascade Harvest Coalition, which looked at healthy regional food systems. Another area that Tim is quite interested in is a Kiva microloan model for farm investing.

### **Paul Richardson, Renewal 2 Investment Fund**

Renewal Partners and its sister organizations were started in 1993. It was founded by Carol Newell and Joel Solomon. The nonprofit, the Endswell Foundation, was the largest British Columbia based supporter of environmental causes. Renewal Partners, a venture fund, over the years has had a rate of return of 12%. But it takes on no new investments. Renewal 2 was launched in September 2008 and expects to close sometime in 2009.

Paul sees sustainable food as offering investors huge opportunities as long as people are patient. But he noted that, "Food is not technology. It will not work out incredibly in one year."

### **Kate Dean, Jefferson Landworks**

Kate is the outreach coordinator for Jefferson Landworks which is based in Port Townsend, Washington. Kate wears many hats, including that of a farmer, and she started an artisan cheese business with her husband. The community land trust model at Jefferson Landworks allows farmers to lease land while a conservation trust holds the land. This allows farmers to build credit and be able to buy the land after five years of leasing.

### **Woody Tasch, Slow Money**

Woody related the stories of Odwalla and Stonyfield, two pioneering food enterprises, and noted that these businesses were not started as typical businesses to attract venture capital. For instance, Stonyfield was a yogurt business designed to support a community organization. Odwalla offered super fresh organic non-pasteurized juice. It took both companies approximately ten years to get to \$10 million in sales.

Investors' Circle, the network of angel investors of which Woody was chairman, learned that investing in a portfolio of these type of companies could produce a 5-14% return.

### **Discussion**

In response to a question about where do sustainable food enterprises go for funding, Paul Richardson responded that, "What we see is that there is no place for them to go. The reason we are hard to find is that there is not that many of us."

Shaula Massena, an investor, commented on the conflict between local and scale. "As an investor, in a scaled up fund, risk and diversification are important to mitigate risk. When we want to invest locally, we lose that diversification."

Woody stated that every community should not have to invent this themselves. Woody quoted an Investors' Circle member, Mark Cliggett, who said, "I want to live in a community that has ten companies with 100 employees each, but I want to invest in one company that has 1,000 employees." The dissonance is in wanting to do what we know needs to get done but still wanting to protect ourselves at the same time.

Shaula added that intermediaries help, but they need a margin. And this margin has been excessive. So there is room there. However, we can invest in communities and the risk can be mitigated by relationships. Within communities, the question may come from an investor, "If I lose all my money supporting sustainable food businesses, will you still feed me?"

John Belisle of BelleWood Acres said investing in sustainable food systems is about land and resources and then maybe about farmers. "If we subsidize just farmers, we need to also figure out how to keep the land."

Tom Thornton said, "Young people are very interested in becoming farmers. Very few of them come into it with business knowledge. If we have a small fund where farmers could also be offered financial assistance, this would make a huge change in moving the model along."

## General Discussion

Woody described Slow Money's ideas for an "I. Fund," an "integral" foundation whose investments must be used in concert with its charitable purpose. Under this model, all returns would stay with the foundation, to be reinvested in the mission. If it were possible to organize such a fund, it would be a model for next-generation philanthropists, giving them a choice between a foundation that sees itself as a grant-making organization and a foundation that sees itself as an investment organization. "This would allow us to maximize our creativity as an investor," he remarked. "What if it turns out that you can't make a positive rate of return supporting CSAs? Does this mean we shouldn't do it? No, it means that we should have more of the mentality of program-related investment: that is, a minus 20% return is really a grant that returned 80%. We have to think in new ways about the boundary between philanthropy and investing. The ultimate goal: to find a range of new strategies that will catalyze a new nurture capital industry."

Leslie Christian of Portfolio 21, said, "I would encourage you to do the I. Fund. It is an innovation that is sorely needed."

Steven Trinkhaus of Terra Organic and Bargainica said, "This is the only model that appeals to me. Slow Money needs to be as slow and as local as possible. The emphasis needs to be on restorative."

Jim Baird, a farmer, said, "There has never been a movement that has talked about manure. I want philanthropy to change, too. So the people that are giving are also getting their hands in the dirt, so to speak."

Ben Scholtz, of Mallard Ice Cream, said that in addition to thinking about their own expansion entrepreneurs in the community might be interested in pooling some capital and talent to build local businesses in a collaborative way. “I became profitable and paid my debt. I am not sure I want to do a second store. I’ve learned so much already. I’m talking to other business owners in Bellingham to see if they might want to collaborate on something else, say 30 businesses in town that could aggregate \$10,000 a piece and make an investment together.”

Bruce Herbert suggested that there are functioning systems that use social networking, such as [www.farmfoodie.org](http://www.farmfoodie.org) to bring together communities to learn about what is going on with the farms in their community. This type of networking and communication could lend itself to helping in the types of investment we have been talking about.

Tim Crosby said he was interested in getting people together to do a community food trust.

Anne Mosness said, “The small fishing businesses here are family owned. Salmon nation is under great risk. We have to involve these businesses in the discussion and our plans.”

Rosalinda Guillen added that, “I hope we look at marginalized immigrant farmers and the poor who are here in Whatcom County as we develop these new systems.”

Kate Dean said, “It’s important that we develop the organic industry at all scales. Organic Valley is a great example of an enterprise that works in many regions, not just one locality.”

## Concluding Comments

Woody observed that on one end of the organic food business continuum you have Organic Valley, a \$500 million enterprise, and Stonyfield Farm, which is, perhaps, in the neighborhood of \$400 million. On the other end you have a \$1 million yogurt company called Butterworks Farm-- all the yogurt that can be made from one herd of 50 cows on one 300 acre farm, importing virtually no inputs.

“We need 100 or 200 Butterworks, not another Stonyfield,” he observed. “That’s not to say that Stonyfield isn’t a great company. It is. Every container of organic yogurt on a Wal-Mart shelf is extremely important. But at this point, we also need to focus capital in support of a large number of small producers across the land. This is where true diversity and greater food safety and security will come from.”

Zooming out the big picture, Woody concluded the Institute by posing three questions:

- What if we invested 50% of our money within 50 miles of where we lived?
- What if there was a generation of companies that gave away 50% of their profits?
- What if there were 50% more organic matter in the soil 50 years from now?