

## RESEARCH PRIORITY #2

Sustainable Food Enterprise Network

September 14, 2017

Phoebe Stephens

### **Innovative Financing for Sustainable Food Systems**

#### **Objective**

Small farmers and social entrepreneurs in Ontario find it difficult to access capital, limiting the possibility for building sustainable and resilient food ecosystems. This situation is not unique. Rather, it reflects a global trend in bank lending practices where traditional risk assessment dictates that an agrifood conglomerate is more likely to receive a loan than a smaller, innovative (and arguably more sustainable) company (Vander Stichele 2015). However, the growing recognition of the unsustainability of industrial agriculture as well as declining rural communities and farm incomes have highlighted the need to innovate financing options for small, sustainable food enterprises.

In recent years initiatives have emerged as a response to the lack of financing for farmers and small food enterprises, which is promising. However, the landscape for innovative financing options lacks coherence. This document intends to address this situation by identifying and discussing the various financial avenues available to entrepreneurs across the province of Ontario who are focused on producing social and environmental as well as economic benefits. Examples from other Canadian provinces and the United States are also included as potential mechanisms to explore in Ontario. This is not an exhaustive list, but a starting point for discussions.

The overarching purpose of this document is to spark conversation amongst participants at the 2017 Bring Food Home Conference and lay the groundwork for a report of practical use to the members of *Sustain Ontario's* Sustainable Food Enterprise Research Network.

The information herein was gathered through desktop research, reviewing documents and webpages, academic journal articles, as well as through webinars and podcasts. A phone interview was conducted with a founding member of Farmworks, a sustainable agriculture investment co-op in Nova Scotia. Red text indicates cases outside of Ontario.

The documents is broken down into the following sections:

- (1) Financing Options
- (2) Case study: FarmWorks

## **Context**

Despite the multiple social, economic and environmental benefits generated by farming, the sector lacks access to capital (Burgundy, 2013). Typically, sustainable agriculture enterprises are expected to carry all of the risk, deal with regulatory challenges, and the costs involved in sustainable agriculture, compromising their competitive viability (Young, 2015). While governments and the non-profit sector have and will continue to play an important role in fostering sustainable agriculture, more lasting and widespread impact requires the involvement of for-profit investors. According to Pons and Long, “A robust financial infrastructure will ultimately attract an increasing number of diverse investors, encouraging individuals, institutions, foundations, traditional banks, and other financiers to allocate more capital to the emerging [farming] industry” (2012).

In addition to the unfamiliarity of larger lenders with the business of farming, there are certain characteristics about the food system that make it a potentially challenging investment. As Young states, “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 (2015).” However, Pons and Long propose that the inherent diversity of the food and agriculture sector means that it can appeal to a range of interests and risk appetites (2012). There are opportunities for the type of investment proposed by Woody Tasch of Slow Money - financial vehicles that “bring money back down to earth” and allow people to “invest as if food, farms and fertility matter” (Young, 2015). These opportunities are explored below.

An important concern in Ontario relates to the availability and price of farmland. Since the early 2000s, there has been a growing interest in food which has motivated a group of people to focus on growing food in a sustainable way for local markets (Learmonth, 2010). This new group of farmers tend to have limited access to capital but requires farmland. On the supply side, older retiring farmers are selling their farms. It is estimated that over the next decade, “as many as one half of Ontario’s current farmers will retire, leaving approximately 1% of the province’s population on active farms” (Learmonth, 2010). Investors, developers and other non-farmers frequently purchase this land which tends to drive up the price of farmland and prohibiting new and immigrant farmers from entering the market.

## **Financing Options**

Financing tends to fall within the following categories: loans, grants, programs, equity financing and crowdfunding (Brown, 2015). This section outlines traditional and less traditional avenues that small farmers and food enterprises might pursue in their search for financial support.

### **Loans**

Beyond loans from traditional banks, there are some options for consideration:

[Access Community Capital Fund \(Greater Toronto Area\):](#)

- Registered charity that provides micro loans to people without collateral or credit history
- Loans are a maximum of \$5,000 for first-time borrowers and \$10,000 for second-time borrowers.

Canadian Agricultural Loans Act (CALA) (direct wording from Brown, 2015):

<http://www.agr.gc.ca/eng/?id=1288035482429>

- Federal program that replaced the Farm Improvement and Marketing Cooperatives Act.
- Designed to provide funding for farm improvements, processing, distributing and marketing of agricultural goods.
- Farmers receive up to 80% in financing or 90% for beginning farmers, to a maximum of \$500,000 for real property assets, and up to \$350,000 for other eligible assets
- Loan guarantee program, repayment period up to 10 years or 15 years for land.
- Loans are administered by banks and credit unions.

Agricultural Credit Corporation (ACC):

<https://www.agcreditcorp.ca/>

- Non-profit farm organization that offers low cost loans for day-to-day expenses.

Farm Credit Canada (FCC):

<https://www.fcc-fac.ca/en/about-fcc/media-newsroom/news-releases/2016/fcc-expands-support-for-young-farmers.html>

The FCC is often one of the first institutions that farmers turn to for credit. Though it is set up explicitly to support the agriculture sector, there are many examples of small farmers with non traditional models or new farmers lacking collateral that do not qualify for loans from FCC. Recognizing the need for innovative financing in the sector and the high barriers to entry for new farmers, the FCC decided to double the amount of credit available under the FCC Young Farmer Loan. Details are the loan are provided below. Despite this commitment, the FCC is criticized for overwhelmingly serving the most credit-worthy. Dorosh points out how typically government involvement in agricultural credit is to facilitate access to credit for those who do not qualify or cannot afford commercial credit (2014). The reverse appears to be true in Canada.

- The Young Farmer Loan doubles the credit limit to \$1 million and lowers the minimum down payment required to 20%
- FCC offers a variable lending rate at prime plus 0.5 per cent, as well as a special fixed rate if producers choose that avenue of repayment.
- No loan processing fees are charged for the Young Farmer Loan

Ottawa Community Loan Fund (Ottawa):

- Loans of up to \$15,000 to start or expand a business in the Ottawa area.

Slow Money Institute (USA):

<https://slowmoney.org/>

- Network-based organization that lends money to support local food. Slow money chapters link local investors willing to invest small amounts with small farmers and small food producers.
- The slow money principles include interest rates below 5 percent, loans from \$1,000-\$10,000 with no collateral required.
- To date have invested \$56.5 million into over 625 small food enterprises around the United State.

Ontario credit unions with agricultural products:

Meridian

<https://www.meridiancu.ca/Industries/Agriculture.aspx>

AgCredit

<https://www.agcreditcorp.ca>

Kawartha Credit Union

<https://www.kawarthacu.com/Business/ProductsAndServices/Borrowing/AgLoansMortgages/>

Libro:

<https://www.libro.ca/business/farms-agri-business>

**Bonds**

**Aggie Bond Beginning Farmer Loan Programs (USA)**

<http://www.stateagfinance.org/types-of-state-ag-loan-programs>

- Through these programs states can assist beginning, first-time farmers to purchase land, farm equipment, farm buildings and breeding livestock through reduced interest rate loans. Through an Aggie Bond program, the state coordinates the creation of a bond that allows lenders to earn federally-tax exempt interest income on loans to eligible beginning farmers and ranchers. The tax-savings allows the lenders to provide the loans at a reduced interest rate to the first time farmer., while the credit decisions and financial risk remain with the local lending institutions. Aggie bond programs are federal-state, public-private partnership programs that provide a cost-effective way for states to assist beginning farmers. (NCOSAFP, 2017)

**Green Bonds in Canada**

[http://www.rbc.com/community-sustainability/\\_assets-custom/pdf/Green-Bonds-Fifty-Shades-of-Green.pdf](http://www.rbc.com/community-sustainability/_assets-custom/pdf/Green-Bonds-Fifty-Shades-of-Green.pdf)

- In 2014 Export Development Canada (EDC) issued a \$300 million green bond.
- Eligible projects for the issue will preserve, protect or remediate air, water or soil, or help mitigate climate change.
- Project categories that could be eligible include, among others, sustainable forests and agricultural management.

**Green Bonds in Ontario**

<https://news.ontario.ca/mof/en/2017/02/green-bond-proceeds-to-fund-environmentally-friendly-in-frastructure-projects.html>

- In 2014 Ontario became the first province in Canada to develop and sell green bonds.
- Ontario is the largest issuer of Canadian dollar green bonds, with three outstanding green issues totalling \$2.05 billion
- Current projects are focused on green infrastructure projects.

*Note: I did not find examples of existing green bonds for agriculture in Ontario or Canada even though agriculture was mentioned as a possible sector.*

**Grants**

**The Big Carrot - Nature's Finest Fund:**

<https://thebigcarrot.ca/about-us/natures-finest-fund/>

- Annual grant program that expands the availability of locally produced food and supports and strengthens the working relationships between local family farms and the Big Carrot.
- To date, 16 grants have been awarded to local farms and businesses, increasing the store's supply of local beans, pastured chicken, organic vegetables, chaga products, kombucha and greens.
- The grants lend support to some long-standing producers as well as new farmers.
- This year the Big Carrot is committing \$15,000 for new grants to eligible Ontario Producers.

#### Financial Support Program for Aspiring Farmers (Quebec):

<https://www.fadq.qc.ca/en/financial-support-for-aspiring-farmers/description/>

- Designed to help young producers establish themselves on an existing farm or start a new business
- Two grant options: Establishment Grant and Start-up Grant
- Establishment grant is for facilitating full-time establishment, encouraging the acquisition of agricultural training, granting financial support of \$20,000 to \$50,000
- Start-up grant is for facilitating a part-time start-up, encouraging the acquisition of agricultural training, granting financial support of \$10,000 to \$25,000
- Grants can be used for land improvement, equipment purchases and more.

#### Innovation PEI (Prince Edward Island)

- Government program focused on accelerating economic development in PEI
- Provides seed money to entrepreneurs and scientists to test innovative and high-risk ideas (Brown, 2015)
- Key sectors targeted include bioscience (agriculture and fisheries) and renewable energy
- Goal is to support entrepreneurship, job creation and investment
- E.g.: PEI Organic Fruit and Berries Limited received funding to help create high value berry purees and oil products (Brown, 2015).

### **Programs**

#### Advanced Payments Program

<http://www.agr.gc.ca/eng/programs-and-services/list-of-programs-and-services/advance-payments-program-1-overview/?id=1462198969862>

- The Advance Payments Program (APP) is a federal loan guarantee program which provides agricultural producers with easy access to low-interest cash advances.
- Under the program, producers can access up to \$400,000 per program year in advances based on the value of their agricultural product, with the Government of Canada paying the interest on the first \$100,000 advanced to a producer.
- Advances are repaid as the producer sells their agricultural product, with up to 18 months to fully repay the advance for most commodities (up to 24 months for cattle and bison).

#### Agricultural Adaptation Council (AAC)

<http://adaptcouncil.org/programs>

- Administers five programs:
  - Greenhouse Renewable Energy Technologies R&D Initiative: The Agricultural Adaptation Council (AAC) is issuing the \$1 million Greenhouse Renewable Energy Technologies (GRET) R&D Initiative call for proposals to support innovative research

and development projects that focus on renewable energy technologies for the Ontario greenhouse sector (AAC, 2017).

- Growing Forward 2 - Organizations and Collaborations: Growing Forward 2 (GF2) is a five-year commitment by Canada's federal, provincial and territorial governments to encourage innovation, competitiveness and market development, adaptability and industry sustainability in Canada's agri-food and agri-based bioproducts sector. GF2 builds on the successes of Growing Forward and the Agricultural Policy Framework. The Agricultural Adaptation Council (AAC) assists in the delivery of GF2 for Ontario organizations and collaborations. The last intake under the organizations and collaborations stream closed April 20, 2017. Federal, provincial and territorial governments are working together to develop the next agricultural policy framework. A two-phase consultation was held to gather feedback to help shape the direction of future policy and programs for the agriculture and agri-food sector (AAC, 2017).
- Canadian Food Processing Innovation and Prosperity Cluster: The cluster addresses several cross-cutting themes including advancing health and wellness attributes to take advantage of that burgeoning market opportunity; enhancing food safety especially to take advantage of export opportunities; adding value to agricultural inputs to create jobs and prosperity in Canada; and enhancing quality in line with market requirements. The AAC provides administrative support to the Cluster. This investment is made through the Industry-led Research and Development stream of Agriculture and Agri-Food Canada's AgriInnovation Program, a five-year, up to \$698-million initiative under Growing Forward 2.
- Canadian Ornamental Horticulture Research and Innovation Cluster
- Agri-Based Industrial Bio-Products R&D Challenge

#### Aginvest

<http://www.agr.gc.ca/eng/?id=1291828779399>

- Federal program where the government of Canada contributes money to eligible farmers' accounts based on how much has been deposited (Brown, 2015).
- Helps you manage small income declines, provides support for investments to mitigate risks or improve market income.
- You can deposit up to 100% of Allowable Net Sales annually, with the first 1% matched by governments. The limit on matching government contributions is \$15,000 per year.
- Deposits are made at a participating financial institution.

#### AgriStability

<http://www.agr.gc.ca/eng/?id=1291990433266>

- AgriStability provides support when farmers experience a large margin decline.
- Farmers are able to receive an AgriStability payment when their current year program margin falls below 70% of their reference margin.

#### Career Focus Program

<http://www.agr.gc.ca/eng/?id=1280434970527>

- The Career Focus Program will help fund 65 agricultural internships for Canadian graduates. Each internship will last at least four months to a maximum of 12 months.
- Each approved project will be eligible to receive 50% of total eligible costs, up to a maximum of \$20,000 in matching funds.

#### Community Farms Program (CFP) (British Columbia)

<http://www.communityfarms.ca/index.shtml>

- Project of FarmFolk/CityFolk Society (FFCF) and the Centre for Sustainable Food Systems, The University of British Columbia. The project provide access to and protection of foodlands; support local growers and producers; and engage communities in the celebration of local food.
- A community farm is a multi-functional farm where the land is held “in trust” for community rather than owned privately. A community group or co-operative governs the land use agreements, and agricultural uses of the land are shared by a community of farmers. The primary focus of a community farm is local food production and sustainable agricultural practices.
- The CFP brings landowners, farmers, and local communities together to form community farms. The CFP provides information and resources for community farm stakeholders through a web page, a network roundtable and other meetings, and help farmers access affordable farmland.

#### Farmland Conservation Agreements (FCA):

- Became available in Ontario in 2005.
- The rules specify what may and may not be done in future with the land, and usually restrict future development to protect agricultural uses.
- When an FCA is donated, the value of the property for tax purposes is reduced by the appraised value of the donation, and a tax receipt is issued to the landowner for this amount (Learmonth, 2010).
- Because of the potential tax benefits that a landowner may achieve by registering FCA, there may be an opportunity for a new farmer to purchase the protected farm at a reduced price (Learmonth, 2010).

#### Futurepreneur

<http://www.futurepreneur.ca/en/>

- Supports aspiring business owners aged 18-39 years old who are Canadian citizens or permanent residents living in Canada.
- Offers collateral-free loans at better interest rates than most banks. Able to finance up to \$15,000 per business and potentially up to \$30,000 with the assistance of the Business Development Bank of Canada.

#### Mama Earth Organics Farm Loans:

[https://www.mamaearth.ca/Page-Farm\\_Loans.aspx](https://www.mamaearth.ca/Page-Farm_Loans.aspx)

- Provides loans to farmers that produce food for their customers
- In 2016 loaned \$20,000 but are projecting to lend up to \$100,000 by 2020

#### **Equity Financing**

##### AreaOne Farms:

<http://areaonefarms.ca/our-model/>

- Strategy to help owners of family farms scale operations and eventually transfer ownership to the next generation (Falconer, 2016).
- Builds equity partnerships across Canada that enable farm operators to expand without the burden of fees, rent, or interest payments.

##### Fledge (Seattle, Lima, Barcelona):

<http://fledge.co/about/details/>

- Invests approximately \$15,000 - 20,000 (Euros)
- Provides extensive training for entrepreneurs
- In exchange for the money, the program and follow-up support, Fledge asks for 6% ownership in each startup.
- This investment is structured as redeemable equity, with the startup repurchasing Fledge's shares using 4% of future revenues.

InvestEco:

<http://investeco.com/>

- Venture capital firm that invests in expansion-stage private companies with a particular focus on companies that promote health and sustainability in the food and agricultural sector.
- Companies typically have between \$1 – 30M in revenues at the time of initial investment, and Investeco aims to hold our positions for about seven years.

Food Angels (USA):

<http://www.foodangels.co/#whatwedo>

- Group of accredited angel investors who invest in early-stage food, beverage or food-tech companies in the US.
- Invest \$25,000-\$300,000
- Can invest in the form of equity, debt, royalties in C-corps or Limited Liability Companies

## **Crowdfunding**

Crowdfunding platforms allow businesses to pool small investments from a number of investors instead of relying on a single investment (Post, 2016). The terms vary from site to site, some require payment processing fees, or for businesses to raise their stated goal in order to keep the money raised. Food companies tend to have a low success rate on traditional crowdfunding platforms. Platforms focused specifically on food companies have emerged in response.

Barnraiser (USA):

<https://www.barnraiser.us/business/barnraiser-for-business>

- Crowdfunding platform and community that revolves around sustainable and healthy food.
- Like Kickstarter, it's an all-or-nothing model and successful campaigns pay a percentage of their total take to the platform (Schatz, 2015).

Credibles (USA):

<https://credibles.co/prepaid-crowdfunding-how-it-works-with-credibles/>

- Crowdfunding platform aimed at supporting local businesses and building stronger relationships between businesses and customers.
- Customers prepay for credits in a business of interest, giving the business advanced capital.
- Large purchases of credits can generate interest.
- Credits can be used in store to purchase products.

Crowdfunding (UK):

<https://crowdfunding.co.uk/>

- Crowdsourcing platform for food and drink businesses
- Aims to help businesses improve nutrition by fostering food innovation.

Indiegogo:

<https://entrepreneur.indiegogo.com/how-it-works/>

- Crowdfunding platform not specifically geared towards farming, but that has funded small farmers and food enterprises.

**Meatme (BC):**

<https://www.meatme.ca/collections/meat-shares>

- Crowdfunding model for buying steaks and chops will with the goals of delivering ethically raised meat at a price that people can afford.
- Straatman and his partner Trevor Bird initially entered the Coast Capital Savings Innovation Hub at the Sauder School of Business at UBC to get the project off the ground (Shore, 2017).

**PieShell (NYC):**

<https://www.pieshell.com/about>

- Rewards-based crowdfunding (not equity) for anything food and beverage
- Charges a 6% fee on successfully raised funds
- Donates 1% of fee to food or beverage non-profit

**Other Resources:**

**AgPal**

<http://www.agpal.ca/>

- Web-based application operated by Agriculture and Agri-Food Canada, Canadian Agricultural Human Resources council, Farm Credit Canada, Greener Pastures Ranching Limited schools, Health Canada and various provinces including Ontario (Brown, 2015).
- Provides information on programs and resources to help with business management, farming and community support (CBO, 2016).
- Provides information on federal and provincial agricultural programs available in Ontario and across Canada (CBO, 2016).

**Future Food-Tech: Innovation and Investment from Farm to Fork:**

<http://futurefoodtechnyc.com/>

- Food conference in NYC, July 10-11 2018
- Questions addressed include:
  - Which companies and business models are having the greatest success?
  - How are investors supporting food-tech entrepreneurs? What collaboration models and partnerships are being used to create market pull-through?
  - What predictions can be made on how the food-tech investment landscape change in 2017 and beyond?

**Training and Support for Farmers**

**Everdale (GTA):**

<http://everdale.org/farmertraining/>

- Farm-based organization that provides hands-on, solutions-based food and farming education to build and engage healthy local communities.
- Delivers wide range of programs on food and farming.

**Farms at Work (East Central Ontario):**

<http://farmsatwork.ca/>

- Supports farmers in diversification and expansion to ensure that farmland stays in production
- Ensures access to local farmer training opportunities.

- Provides opportunities for new and establishing farmers to integrate into the agricultural community through mentorship, internship and events.
- Supports access to farmland and financing by new farmers.
- Engages farmland owners who are non-farmers in active use of their land for agricultural purposes.
- Creates partnerships and outreach that result in on-the ground farm stewardship in the region.

FarmStart (no longer available due to lack of funding):

<http://www.farmstart.ca/>

- FarmStart developed and offered flexible programs and services that provided new farmers with the resources, tools, and support necessary to get their businesses off the ground and to thrive.
- Includes recommendations for policy changes that can support a new generation of Canadian farmers:
  - **Knowledge Programs:** Funding training and extension, mentorship, business development and networking opportunities.
  - **Seed Capital:** Providing start-up grants, savings and debt forgiveness programs and early stage, high-risk loans.
  - **Farm Transfer Interventions and Farmland Protection:** Supporting farmland protection strategies, succession incentives and support, and farmland transfer financing initiatives.

Just Food (Ottawa):

<http://justfood.ca/start-up-farm-program/>

- Established Start-Up farm program in 2013 to support new farmers in the Ottawa region
- Offers access to land, shared infrastructure/equipment, workshops
- Participants can access 3 years of on-site support at the Just Food Farm

Rural Agri-Innovation Network (Sault Ste Marie):

<http://rainalgoma.ca/rain-agriculture/>

- Dedicated to the needs of agricultural organizations, producers, suppliers and agri-entrepreneurs in Northern Ontario
- Provides collaborative infrastructure and network to enhance stakeholder capabilities and business growth

### **Case Study: FarmWorks, Nova Scotia**

Information was gathered through a phone interview on July 24th, 2017 with Linda Best, founding member of FarmWorks as well as through the Good Food Network online recording “Pollinating Food Enterprises.”

Linda Best and a group of friends realized that the province of Nova Scotia required innovative socio-economic strategies to tackle the issues of declining farm populations and farm and food sector employment. Their vision was to provide strategic and responsible community investment opportunity in food production and distribution in order to increase access to a sustainable, local

food supply for all Nova Scotians. So after meeting in 2010, Farmworks was incorporated in 2011.

Farmworks is plugged into the Nova Scotian community economic development investment fund (CEDIF) program which was legislated in 1998. To counter the large flow of money moving out of the province, the CEDIF matches local investors with local businesses. Money is raised for CEDIF through public offers. The sale of shares forms a pool of capital available to profit-oriented local businesses. Improving access to capital allows businesses to start or stay in communities. The enterprises cannot be charitable, non-taxable or non-profit. The CEDIF is strictly regulated by the Department of Finance.

To date, approximately 64 million dollars have been invested by over 8,300 Nova Scotians in the CEDIF program. In this model, program shareholders invest for 5 years for a 35% tax credit, reinvest at 5 years for an additional 20% tax credit, reinvest at 10 years for yet another 10% tax credit. Investments are eligible for RRSP tax deferral. Credits can be carried forward 7 years, back 3 years. In Linda's view, CEDIF's are an effective way to leverage local capital to help rebuild a sustainable farm and food economy. CEDIFs have a 90% success rate which is much higher than a typical small or medium enterprise survival rate.

Farmworks is completely volunteer run and is comprised of 14 directors and 25 advisors. Farmworks' first offer was in 2012 for \$250,000. Now there are 42 businesses with a total investment value of \$996,000. The minimum share price is \$100, giving many people a chance to invest. Farmworks lends to qualified food-related businesses that are chosen to balance risk and achieve strategic goals. Loans range from \$5,000-\$25,000 and they are unsecured. The payback period runs from 2 to 5 years. Farmworks also provides mentoring to these businesses and works with other agencies and governments to help increase the awareness of food production in Nova Scotia.

Characteristics of loans:

- No application fee
- Specific criteria must be met – Farmworks spends a lot of time on due diligence
- Current interest rate 6% (2% for admin, 2% for any losses we may incur, 2% for dividends)
- Consultations as appropriate (before, during and after)
- Annual financial statements
- Early repayment without penalty

Investees are evaluated and receive a score based on the following criteria:

Comprehensive evaluation considers: character (1-20), commitment (1-20), management (1-20), business plan – markets (1-20), business plan – materials/methods (1-20), business plan – financials (1-20), visibility (1-60). Total 1-200. Less than 130 do not proceed, 130-160 reapply, greater than 160 proceed.

One of the main challenges for Farmworks relates to communication. These include: raising awareness of the benefits of local investing; gaining credibility with high net worth investors; dealing with retirement fund investments; selling through registered dealers; and raising awareness of the benefits of CEDIFs across Canada. Hosting Gentle Dragons sessions has been a useful communication and awareness raising tool. Based on the concept of the CBC's *Dragons' Den*, existing and potential clients present what they have and are hoping to achieve in an effort to gain access to funding.

Knives and Forks Community Investment Co-op

<http://knivesandforks.ca/>

Knives and Forks provides capital to support local food-related economic activity and increases access to a sustainable local food supply for British Columbians. It was initially affiliated with VanCity, and, like FarmWorks is also volunteer run. Currently it operates with five directors and one communications volunteer. In its first year, the co-op had access to a full-time VanCity employee and \$30,000 in seed capital. Membership shares cost \$100 with a minimum investment of \$2,400 and max of \$4,800.

Investments are loaned to businesses with outstanding management, the capacity for innovation and demonstrated demand for the product or service. Businesses seeking funding send a preliminary application to Knives & Forks. If the business fits with their principles and objectives, the applicant will be asked to pitch the business and finance request at a semi-annual Pitch Session.

**END**

## Appendix

Below are definitions of sustainable agriculture for consideration:

- “(1) use organic, sustainable, or ecologically oriented production practices; (2) produce diversified products to differentiate markets; and/or (3) produce food for localized markets, emphasizing the connection between farm and community, health, and taste” (Burgundy, 2013).
- “Sustainable agriculture is defined by three interactive components: economic profitability, environmental stewardship and social responsibility. The terms “sustainability”, as it applies to agriculture, describes a holistic, long-term approach to business on-farm, that means maximizing economic and environmental stability, equity and health of the farm, business and family...Sustainability focuses on business processes and practices, rather than a specific food, fibre or feed output. It integrates economic, environmental and societal values to create a “triple bottom line” (TBL)” (OMAFRA, 2015).
- “- Sustainability can be defined as the characteristic of something that is ecologically sound, economically viable, socially fair and culturally acceptable” (Slow Food, 2013).
- “Sustainable agriculture is both a philosophy and a system of farming. It has its roots in a set of values that reflects an awareness of both ecological and social realities. It involves design and management procedures that work with natural processes to conserve all resources and minimize waste and environmental damage, while maintaining or improving farm profitability. Working with natural soil processes is of particular importance. Sustainable agriculture systems are designed to take maximum advantage of existing soil nutrient and water cycles, energy flows, beneficial soil organisms, and natural pest controls. By capitalizing on existing cycles and flows, environmental damage can be avoided or minimized. Such systems also aim to produce food that is nutritious, and uncontaminated with products that might harm human health. This description encompasses a wide range of farming systems including those referred to as low-input sustainable agriculture (LISA), organic, biological, ecological, agroecological, biodynamic, regenerative, alternative, natural and permanent (permaculture). Although these systems are sustainable to differing degrees, all fall within the boundaries of the description above. (Macrae, 1991).”

### Impact Investing Landscape in Ontario

In terms of the state of social enterprise and social finance in Ontario, while progress is being made, there is room for improvement. The Canadian impact investing industry is small compared to that of other countries and this is partly because of regulatory and structural factors. Currently, Canadian foundations are not allowed to engage in impact investing through their granted funds as they are in the U.S. And the government does not support the sector financially – seeding impact investment initiatives – the way it does in the UK (Svedova et al, 2014). Access to capital for social purpose businesses is highly fragmented in Ontario, partly because the financial system is dominated by mainstream institutions unlike in Quebec and the

U.S. where alternative financing and social capital have thrived (Burgundy, 2013). Government, mainly at the federal and provincial levels, is a primary source of social capital in Canada – particularly through grants and contributions, plus operating and program subsidies (Burgundy, 2013).

Notably, impact investing funds that have invested in North America largely focus on clean technology and sustainable agriculture (Svedova et al, 2014). Therefore, improvements in this area hold promise for supporting the growth of sustainable agriculture. And, there have been some positive developments with regards to social finance recently. In 2016, the Ontario Government published its five-year social enterprise strategy. The goal is to position the province as a global leader in social enterprise and social finance by 2021 (Ontario Government, 2016). Some of the features of the strategy are included below:

- Social Enterprise Procurement Action Plan: Increasing the Ontario government's procurement from social enterprises
- Social Venture Connexion: Supporting a platform that connects impact investors with investment-ready social enterprises
- Social Venture Investment Fund: Designing and structuring a new fund to accelerate the flow of private investment capital to growing social enterprises
- Removing legislative barriers to impact investing: Consulting on potential legislative amendments
- Impact Measurement Task Force: Bringing sector leaders together to explore uniform impact measurement standards for social enterprises
- Centre of Excellence in Social Enterprise and Social Finance: Leveraging social enterprise and social finance as tools to achieve policy objectives
- Social impact bonds: Piloting one or more Social Impact Bonds in the province to improve social outcomes

## References

Best, Linda. Phone Interview. July 24, 2017.

The Big Carrot. 2017. "Nature's Finest Fund."  
<https://thebigcarrot.ca/about-us/natures-finest-fund/>

Brown, L. A. 2015. "Financing, grants, loans, programs, services and organic farmers."  
*Cariporter Organic Store*.  
<http://www.cariporterstore.biz/blog/financing-grants-loans-programs-services-and-organic-farmers/>

Canada Business Ontario. 2016. "Grants, Subsidies, and Contributing - Agriculture."  
<http://www.cbo-eco.ca/en/index.cfm/financing/government-loans-and-grants/grants-subsidies-and-contributions-agriculture/>

Cocciarelli, S., Suput, D., Boshara, R. 2010. "Financing Farming in the U.S.: Opportunities to Improve the financial and business environment for small and mid-sized farms through strategic financing." <http://foodsystems.msu.edu/uploads/files/ffus-working-sessions.pdf>

Dorosh, M. 2014. "Overgrown Farm Credit Giant." *Financial Post*.  
<http://business.financialpost.com/opinion/overgrown-farm-credit-giant>

Dunn, Burgundy. 2013. "Innovative Financing for Food and Farm: Tools from Other Places as a Guide for Strengthening the Local Food Financing System in Ontario." Sustain Ontario and the Canadian Environmental Law Association.

Falconer, K. 2016. "AreaOne Farms harvest growing institutional demand for farmland." PE Hub Network.  
<https://www.pehub.com/canada/2016/12/areaone-farms-harvests-growing-institutional-demand-for-farmland-assets/>

Ontario Government. 2016. "Ontario's Social Enterprise Strategy."  
<https://www.ontario.ca/page/ontarios-social-enterprise-strategy-2016-2021>

Ontario Ministry of Agriculture, Food and Rural Affairs. 2015. "Introduction to Sustainable Agriculture." <http://www.omafra.gov.on.ca/english/busdev/facts/15-023.htm>

Learmonth, P. 2010. "Accessing Land for Farming in Ontario: A guidebook for farm seekers and farmland owners." FarmStart.  
<http://www.farmstart.ca/wp-content/uploads/Accessing-Land-for-Farming-in-ON-Guidebook-REV4.pdf>

MacRae, Roderick. 1991. "Strategies to overcome institutional barriers to the transition from conventional to sustainable agriculture in Canada: the role of government, research institutions and agribusiness." McGill Library: Montreal.

National Council of State Agricultural Finance Programs. 2013-2017. "Aggie Bond Beginning Farmer Loans Program." <http://www.stateagfinance.org/types-of-state-ag-loan-programs>

Post, J. 2016. "Beyond the Bank Loan: 6 Alternative Financing Methods for Startups." <http://www.businessnewsdaily.com/1733-small-business-financing-options-.html>

Pons, E. and Long, M.A. 2012. "Promoting Sustainable Food Systems Through Impact Investing." Spring Creek Foundation. [http://www.thspringcreekfoundation.org/images/download/tsf\\_Promoting\\_Sustainable\\_Food\\_Systems\\_1212.pdf](http://www.thspringcreekfoundation.org/images/download/tsf_Promoting_Sustainable_Food_Systems_1212.pdf)

Purpose Capital. 2016. "Growing a New Economy: Meet Impak Finance." <http://purposecap.com/meet-impak-finance/>

RBC Capital Markets. 2014. "Green projects: fifty shades of green." Royal Bank of Canada. [http://www.rbc.com/community-sustainability/\\_assets-custom/pdf/Green-Bonds-Fifty-Shades-of-Green.pdf](http://www.rbc.com/community-sustainability/_assets-custom/pdf/Green-Bonds-Fifty-Shades-of-Green.pdf)

Schatz, R. 2015. "Why Foodies and Farmers are Flocking to a Crowdfunding Site Called Barnraiser." *Forbes*. <https://www.forbes.com/sites/robindschatz/2016/02/13/crowdfunding-site-barnraiser-weaves-a-growing-tapestry-of-stories-from-the-good-food-community/#2982c94b1c7d>

Slow Food. 2013. "Slow Food's Contribution to the Debate on the Sustainability of the Food System." <https://www.slowfood.com/slowlife/wp-content/uploads/ING-food-sust.pdf>

Shore, Randy. 2017. "Vancouver Startup Crowdfunding Local Ethical Meat". *Vancouver Sun*. <http://vancouver.sun.com/news/local-news/vancouver-startup-crowdfunding-local-ethical-meat>

Svedova, J., Cuyegkeng, A., Tansey, J. 2014. "Demystifying Impact Investing." ISIS Research Centre: University of British Columbia.

Tides Canada. 2014. "Sustainable Food Systems: A landscape assessment for Canadian Philanthropy." [http://tidescanada.org/wp-content/uploads/2014/07/SustainableFoodSystems\\_LandscapeAssessment.pdf](http://tidescanada.org/wp-content/uploads/2014/07/SustainableFoodSystems_LandscapeAssessment.pdf)

Vander Stichele, M. 2015. "How financialization affects dynamics of the food supply chain." *Canadian Food Studies* (2) 2, pp: 258-266.

Young, Christie. 2015. "Food, farms, fish and finance: practical impact investment strategies to seed and sustain local food systems." The JW McConnell Family Foundation.

[http://mcconnellfoundation.ca/assets/PDFs/Food%20Farms%20Fish%20And%20Finance\\_WEB\\_FINAL.pdf](http://mcconnellfoundation.ca/assets/PDFs/Food%20Farms%20Fish%20And%20Finance_WEB_FINAL.pdf)