FINANCING A BETTER FOOD SYSTEM

A Study of Infrastructure Needs and Available Financing in the Hudson Valley

A White Paper for The Local Economies Project of The New World Foundation

Prepared By Sarah Brannen and Karen Hiniker Simons, CFA Upstream Advisors
Introduction

This report was commissioned by the Local Economies Project of the New World Foundation in 2013 to assess the challenges and opportunities of financing local food infrastructure in the New York and Hudson Valley regions. It follows the Hudson Valley Food Hubs report, also commissioned by the Local Economies Project and released in April 2013.¹ One main finding of this earlier Hudson Valley Food Hubs report is that building a financially secure, resilient local food system will require significant infrastructure development. Much of the aggregation, distribution, and processing infrastructure that historically served small and medium sized farms was lost as the national food system transitioned toward larger-scale, centralized operations. Of the farms interviewed during the Hudson Valley food hubs study last year, 82 percent articulated various infrastructure needs. Their specific needs ranged from small investments for equipment to medium investments for cold storage or facility upgrades to larger investments for site acquisition or greater processing capacity for value-added products. Moreover, the majority of farmers interviewed reported they could expand production if they received assistance with processing, distribution, and marketing.

In addition to farmers’ individual infrastructure needs, the food hubs research report identified systemic gaps in processing infrastructure for several products: fresh cut produce, meat, dairy, and grains. Currently, the Hudson Valley is not seizing on the large and rapidly growing demand for fresh cut produce. There are only two facilities that process fresh cut and packaged vegetables and it is unclear how much of their products are sourced from the Hudson Valley. Additionally, there are no fresh cut fruit processing facilities in the region despite the region’s prominent apple industry.

Processing infrastructure gaps arose as a barrier in the meat, dairy, and grain sectors as well. Meat production in the Hudson Valley, for beef in particular, has been increasing over the past two decades. There are now a number of notable pastured livestock operations throughout the region. Yet as these farms have been growing, there has been no parallel increase in meat processing capacity within the Hudson Valley region. This has led to a perceived bottleneck in meat processing. Although opening new facilities likely presents numerous challenges, the food hubs research project last year revealed several existing facilities that may be poised for expansion for which they would require some assistance.

In contrast to the meat sector, the Hudson Valley’s dairy sector has been experiencing a steep decline in production over the past several decades. These farms are faced with high costs of production, declining fluid milk consumption, and an imperfect cooperative and price regulatory system. Many dairy farms are turning to specialty production, with the Hudson Valley now boasting several well-known companies. However, growing this specialty dairy industry will require further infrastructure for processing for both these established dairy farms and for others that aim to enter specialty processing.

Lastly, the grain sector in the Hudson Valley presents a new, niche opportunity. Several infrastructure needs were uncovered by our food hubs research project, such as grain de-hulling, drying, and milling for flour and other food grains; malting capacity for brewing beer; and bottling capacity for brewing and distilling operations. Given the limited production of grain in the Hudson Valley, much of the grain currently processed by local companies is sourced from outside the region, indicating a need to focus on increasing production simultaneous to investment in processing infrastructure.

While the region is now well positioned to grow the local food system, given its history, natural resources, and proximity to major markets, farms and other food businesses have not adequately invested in needed infrastructure and struggle to maintain financial viability. These businesses have not yet made needed infrastructure investments because the upfront financial commitment could put substantial pressure on their existing cash flow. Additionally, the time and knowledge required to prepare for the investment creates a considerable hurdle to the farmer and other local food businesses. Yet the infrastructure investments, if made, could help reduce costs of inputs, expand existing markets, or open new markets to secure our local farm and food economy.

Farms’ and food businesses’ internal challenges are not the only contributing factor to the infrastructure financing bottleneck. Investors, whether they are commercial banks, foundations, or private individuals, are increasingly interested in supporting food and agriculture projects. Their interest is evidenced by new initiatives such as the Fair Food Fund, RSF Social Investment Fund and PRI Fund, the Pioneer Valley Community Food Fund, the Carrot Project, Slow Money NYC, and others. All of these examples have come into existence in recent years in an attempt to match more capital to local food systems projects, including infrastructure development. Despite the strong interest among investors, little capital has been deployed, when compared to other industries. Moreover, the Hudson Valley has seen few food infrastructure investment projects in recent years.

To better diagnose the gap in food infrastructure financing, the Local Economies Project commissioned this research paper. The research team sought to gain a better understanding of investors’ experiences in trying to finance food system projects. Additionally, the research aimed to identify opportunities for addressing the financing bottleneck to encourage investment in Hudson Valley food system infrastructure. During this project, the research team interviewed 21 investors of different types, including banks, foundations, and private investors. A select group of these investors and other experts in the field were also invited to a convening in July 2013. At this convening, the investors were asked to discuss the barriers to food system financing and offer their recommendations for alleviating them. Lastly, the research team reviewed various food system financing programs to elicit the strengths and weaknesses of the various models. This report summarizes the findings from our research and offers a new model of food financing for consideration.

---

2 These interviews followed a script, a copy of which can be found in Appendix A.
**Food System Investors and their Motivations**

There are a number of different investor types that are currently or would like to fund food system projects. Perhaps one of the best-known, and by far the largest, food system investor is Farm Credit. Established nearly 100 years ago by Congress as a borrower-owned lender, Farm Credit’s mission is to “provide a reliable source of credit for the nation’s farmers and ranchers.”3 Through a system of regional cooperative banks, Farm Credit makes loans, issues leases, and provides some business support services to their clients. The Farm Credit bank in the Hudson Valley region is Farm Credit East. In addition to Farm Credit East, local banks and friends and family have served as a traditional source of capital for local farmers. In more recent years, new potential sources of capital have arisen. These include foundations that make grants or invest in companies through program-related investment (PRI) programs and private investors, both accredited and unaccredited,4 that have not been a traditional source of financing for farmers and local food businesses.

Although many of these investors are new to farming and the food industry, they share a strong interest in financing food businesses and are motivated by several common factors. Generally, their motivations center on four key themes: environmental sustainability, local economic development, rebuilding local food system infrastructure, and aligning their investments with organizational or personal missions. When speaking about environmental sustainability, investors may refer to different metrics, such as soil health, land stewardship, or regenerative land management. Similarly, their focus on economic development may prioritize different outcomes, such as farm profitability and viability, rural economic growth, or community impacts. Investors’ interest in infrastructure development overlaps in some ways with their interest in economic development. As they explain and as the Hudson Valley Food Hubs Initiative report discovered, there has been a “hollowing out” in past decades of infrastructure that serves local, small and mid-sized farms. Addressing this gap in infrastructure would enable investors to support regionalized food systems and develop local agricultural economies. Lastly, investors are interested in investing in businesses that align with their organizational or personal missions. When discussing their desire to pursue mission-aligned investments, investors we interviewed cited their focus on creating equitable economic development, balancing economic and environmental returns, and a creating a more holistic approach to capital investment. Despite the different language or metrics these investors use in describing their motivations, there is much common ground among them, offering promise for future collaboration.

---

3 [http://www.farmcreditnetwork.com/about](http://www.farmcreditnetwork.com/about)
4 For a private investor to be considered an accredited investor under SEC regulations, the private investor must have a net worth exceeding $1 million, not including the value of a primary residence, or have income of at least $200,000 each year for the last two years (or joint income of at least $300,000 if married) and have the expectation to make the same income this year.
Current Approaches to Food System Financing

The investors interviewed for this study generally work or are headquartered in the northeastern US. However, their investment portfolios can range from international to local. Several of the foundations and private investors interviewed are focused on funding organizations nationally and internationally. However, eight of the investors we interviewed, including private investors, one foundation, and several banks are specifically focused on the northeast region of the US. Many of those with a national focus and most of those with a more localized focus to their investments expressed a keen interest in expanding or beginning investment in the Hudson Valley.

Types of Investments

The investors interviewed that are already actively working in the food system fund a variety of activities and infrastructure. Several institutions and investors interviewed finance land acquisitions. Other capital deployed in the food system is often for equipment and facility upgrades. These can include on-farm equipment and buildings, processing equipment and facilities, or distribution infrastructure, such as food hubs. Among the investors interviewed, all were investing or interested in investing in these types of infrastructure, although at varying levels of financial commitment. Although less common, some investors have also financed working capital for food businesses.

Size of Investments

Investments range in size as well. Several investors, including a Community Development Finance Institution (CDFI), several private investors, and at least one not-for-profit financing program focus on microfinancing and small projects, ranging from as little as $500 in the first case up to $40,000 in two latter examples. Other investors focus on mid-sized projects that average in size from $80,000 to $100,000. Still others prefer to invest in larger deals, ranging from at least $100,000 to $1 million, which they generally believe provide adequate incentive for the time they devote to developing the deals.

Financing Instruments

There are a variety of financing instruments available to food system investors, including loans, loan guarantees, equity, mezzanine financing and leases. Because some of these instruments are more suited to the food system, they have been more commonly utilized. Below is an overview of each.

Loans

Loans are widely used for food system financing. Loans may be secured, meaning the borrower has offered land, equipment or facilities or some other asset for collateral, as insurance to the lender should the business default on the loan. Farm Credit East, foundations, and commercial banks often use secured loans as an investment tool. Alternatively, investors may provide unsecured loans, which are loans without any form of collateral attached to them. Commonly, if a bank makes
an unsecured or a secured loan, they will require a personal guarantee from the borrower. Foundations making PRIs, however, do not have the same requirement.

Food and farm businesses have traditionally accessed debt financing through banks, where this type of financing has been readily available. However, small food and farming businesses that require more flexible terms and that have limited or poor financial histories will often have difficulty applying for and obtaining loans from these traditional sources. Similarly, food and farm businesses entering a new market or beginning a new type of food venture may experience difficulty obtaining traditional debt financing.

**Loan guarantees**
To facilitate and expand lending activity, particularly to less attractive borrowers, organizations may provide funding for loan guarantees. Federal agencies, such as the USDA, foundations and private investors working through non-profits have all provided loan guarantees. Loan guarantees can be structured as a pool of funds held by a third party or as a promissory note from the guarantor. Additionally, CDFIs may lend using a federal guarantee.

Given that new and small food companies may not be credit worthy by traditional criteria, loan guarantees are now being employed for food system financing to mitigate investors’ risk. Loan guarantees also offer a promising option to foundations to support food systems development if they do not yet have a PRI program or if they are not yet able to make a capital commitment upfront.

**Equity Investments**
Financiers may make equity investments in food companies whereby their invested capital entitles them to an ownership stake in the company. In a straightforward equity investment, investors exchange their capital for an agreed upon ownership stake in the company. Other equity investments may be more complicated and may be considered “structured” equity investments. In these cases, the investor may seek to replace the usual payment features (in the case of equity, the sale of the ownership stake) with non-traditional payoffs derived from other forms of remuneration, such as a payment from a portion of the company's profits (i.e. “profit sharing”) or gross revenues (i.e. “revenue sharing”) each year.

Equity investments are much less common in the local food system thus far as equity’s traditional role in finance is difficult to apply in the local food economy. Traditionally, equity investors receive their return on investment when the company is sold, when their ownership stake is bought by another investor or existing owner, or through the liquidation of the company’s assets. Because local food companies may be family owned and want to stay that way, because the business is mission-driven or because local investors prefer to maintain local ownership, one of these typical equity exit strategies is unlikely. Moreover, equity investments in other industries, such as technology-driven industries, offer higher returns to equity. As described later in this report, local food system investments
may have long time frames and low returns, making many of them less attractive as straight equity investments. Structured equity in the form of revenue sharing or profit sharing may offer more promise, but local food system investors are only now exploring these options.

Mezzanine Financing
Revenue sharing and profit sharing models can also fall under the category of “mezzanine financing.” Mezzanine financing is a structured investment that may be a hybrid of debt and equity. Usually mezzanine financing is debt capital that gives the lender the right to convert the loan to an equity interest in the business. Mezzanine financing is typically subordinated to debt provided by senior lenders. In the case of revenue sharing or profit sharing, cash for payment of the loan may come after more senior debt obligations are paid and may be convertible to equity if the loan is not paid back in time or in full.

Leases
Another form of providing financing for farmers is through the use of leases. For example, in the Hudson Valley, the cost of farmland is a barrier to new farms and can be a financial burden to more established farms that carry heavy debt. Investors may assist farmers by purchasing land and then leasing the land to the farmers, potentially providing them with an option to buy the land. This arrangement also benefits the investor in that they hold the land as an appreciating asset, which increases the security of their investment. Similarly, for farmers needing new equipment, banks, such as Farm Credit East, provide equipment leases for farm equipment.

Risk and Return Profiles
Regardless of the financing instruments they use, investors also have individual risk and return parameters that guide their decision-making. Some investors are willing to accept lower financial returns and choose to invest in less risky ventures. Alternatively, some investors are willing to accept riskier investments, but then will expect a higher financial return. Risk tolerance of individual investors can be assessed by several factors. The most common factors mentioned by investors interviewed were business stage, financial stability and lack of market information. Business stage refers to whether a business is at the start-up, growth, or mature stage of development. If the business is “pre-revenue” or still considered a start-up, an investor will consider the business a riskier venture. While some of the investors interviewed for this report will target start-up ventures, most require several years of revenue and financial statements and therefore prefer more mature companies that are looking to grow. These more mature companies therefore offer a lower risk option to investors. A related risk factor is a business’s financial stability. Even more mature companies can pose a riskier investment if they have a poor financial history, possibly marked by a high debt-to-income ratio or volatile cash flow. Most investors with whom we spoke prefer strong financial histories, although with loan guarantees they may consider riskier businesses. One of the issues that arose frequently with investors is the
research and due diligence process, which is the process to assess an investment opportunity. This process can be lengthy and complicated for some businesses to navigate. Depending on the amount of information requested and the information investors seek, their risk tolerance may be higher or lower.

In addition to the characteristics of each individual business, there are market conditions that also contribute to risk in an investment. In financing local food projects, the early stage of the local market’s development raises the level of risk for investors. Compared to other industries, the regional or local food sector is relatively new. It therefore lacks the same degree of financial data and history that investors often turn to in deciding whether a particular venture will bear fruit. In other industries, such as high tech, there are examples of start up companies that have grown into large, well-performing ventures and there are those that have not. The accumulation of these historical benchmarks in an industry provides an indicator to investors as to what they might reasonably expect from a new start up under particular conditions. Not having the depth of this history in a market or published market analyses therefore also raises the level of risk for investors. Whereas some investors interviewed are willing to accept these market conditions and risk, others continue to struggle to deploy capital without greater assurance of return on their investments. Some investors also managed risk through post investment monitoring and involvement with a business to protect their investment but others were less interested in committing the required time.

Compounding the higher risk associated with the regional or local food market is the possibility of lower or uncertain financial returns. Based on our interviews with investors, we were able to stratify them by low, medium, and high return expectations. Those willing to accept lower returns were generally foundations that sought a return of between 1 and 3 percent. Those in the medium return category were a mix of the commercial banks, two foundations, a not-for-profit funding intermediary and a private investor. All of these investors sought roughly fixed income market rate returns, or slightly lower, of between 4.5 and 7 percent. The highest return expectations were from two private investors and one foundation, which all expected higher returns of between 9 and 20 percent.

Investors’ risk and return profiles are partly affected by their expectations of social return on investments as well. Among some investors, there is a burgeoning movement toward a more socially responsible approach to financing food companies. Terms such as patient capital, slow money, mission-related or impact investing are used to describe an investment approach that may be willing to take a lower financial return in exchange for higher social and environmental returns. The investors attending the convening organized for this research project noted their common motivation to align their investments with their personal or organization missions. How each of them achieves that ideal differs, however, with some explicitly factoring social return into their investment criteria and others valuing social return, but not tracking it as closely in their investments.
Diagnosing the Food Financing Bottleneck

Of the 21 investors interviewed for this project, only 12 have made food system investments thus far. This points to the widespread level of interest, but also to the difficulties they face in making investments. Even among the 12 that have made investments, most of them have closed only one or two deals thus far. Through our interviews with investors and the facilitated convening, we identify four main barriers that hinder further investment in the local food system:

1. Investors and businesses lack information to identify and develop deals.
2. Businesses are not “investment ready.”
3. Local food projects carry higher risk and lower or uncertain returns.
4. There is a need for collaboration and communication among investors.

Understanding these challenges and addressing them as a whole will be the key to expanding investment in the local food system. Each of these challenges is described in more detail below.

Investors and businesses lack information to identify and develop deals.

As described earlier, businesses in the local food system have historically accessed capital through the traditional banking system or friends and family. Knowledge about financing food and farming is therefore concentrated among local lenders such as Farm Credit East and other local banks active in the agriculture sector. A new group of investors are now interested in financing the development of the local food system and are potentially willing to do so at lower returns relative to the risk involved due to their emphasis on social metrics. However, given they are new to food and farming, they lack familiarity with the local food system and lack connections to entrepreneurs on the ground, which leads to difficulty identifying projects. These socially minded investors are therefore unsure of the opportunities for investment and may be prevented from even initiating exploration of particular projects. Moreover, because the local food market itself is still new, there is little research and information that could enable investors to confidently pursue investment opportunities.

Typically, an investment requires background market research and due diligence to assess an individual business’s promise as an investment. This research and due diligence process is therefore part of the transaction costs of an investment. Without local food market data and research readily available, investors face uncertainty, which translates to higher risk. Additionally, even higher transaction costs occur, as they have to do research themselves, which then translates to lower returns. For example, one investor interviewed described the difficulties experienced in conducting research and due diligence for a particular investment opportunity. The target company in question was entering the local food market and offering a new product type that featured only local farm ingredients. Although similar products were available conventionally, i.e. through large retailers and without local ingredients, there were no complementary products or companies readily identifiable to allow the investor to benchmark potential earnings and conduct a competitive analysis.
Additionally, given the target company was pursuing a new product, it was difficult to assess the market size to understand if the projected revenues were reasonable. This story exemplifies the lack of information and uncertainty investors face in financing the local food system, but also points to the need for primary research and due diligence that focuses on collecting new, on-the-ground market information to help guide investments.

**Businesses are not “investment ready.”**

A common refrain among investors interviewed and attending the convening was that local food businesses are not “investment ready.” In other words, investors do not find many of the businesses with whom they’ve met to be attractive investment opportunities. This opinion is shared across investor types, regardless of their risk and return profiles. The foundations, private investors, and some of the commercial banks all found the issue of ready deal flow a pressing one that is a main contributing factor to the financing bottleneck.

There are several reasons local food businesses are not considered investment ready. Often, local food businesses do not have experience in raising capital and the type of work and communication that accompanies it. They may begin with a concept for a new product or other way to expand their business, but they have not prepared the financial statements or projections needed to present the opportunity to investors. Local food entrepreneurs may further lack the business acumen to prepare these types of financial statements, make a pitch to investors, or, on a more basic level, translate their ideas into an actionable business plan.

Investors repeatedly pointed to the need for technical assistance for businesses to get them investment ready. Although several business assistance programs exist, they do not currently target the specific type of technical assistance mentioned by investors. For instance, current programs may offer basic tutorials and guidance on writing a business plan or improving accounting procedures. But there is no program that is designed to help an entrepreneur shepherd a project from concept to investment and then through the post-investment monitoring. This particular type of technical assistance, some investors recommended, would require input from investors to ensure it is delivering the information needed, should incorporate staff that are knowledgeable in finance, and have some mechanism for ongoing quality control. It would therefore not be a replacement for the existing technical assistance, but rather a complement to it that targets specific services at only those businesses that are poised for investment and growth.

Such in-depth assistance has not yet occurred because investors lack the time and food industry knowledge. The specialized attention that these types of deals require raises the transaction costs, which investors are not currently willing to bear because the returns expected may not cover the costs. They are therefore calling for external partners to assist them in completing the research and due diligence and covering these elements of transaction costs.
Local food projects carry higher risk and lower or uncertain returns.

As described earlier in this report, investors' new entry into the field and their associated lack of information about the local food market creates uncertainty about potential investments and therefore higher risk for them. While some investors have a higher tolerance for risk, they typically prefer higher financial returns in exchange for this risk. However, many of the food investments discussed with investors for this research project have offered below market rate returns of between 1 and 5 percent. Such low rates of return, accompanied by higher risk, have therefore inhibited investment activity.

It is unclear if the few recent deals in the local food system are typical and can forecast future returns on investment. A few investors, notably the banks, have been able to obtain market rate returns in the range of 5 to 7 percent, but banks tend to be more conservative and invest in companies that are lower risk and rely heavily on collateral to further mitigate risk. There have also been a select few investments made nationally that have offered investors higher returns, those making at least 10 percent, as in the case of investment in Grasslands LLC, but also upwards of 20 percent or more, such as AgWaste Solutions, a resource recovery operation. Part of the hesitance among investors is clearly due to the examples of low returns that have occurred in the recent past, but it may also be due in part to the perceived risk and uncertain return of potential investments. As the local food market matures and more information is made available, the spectrum of risk and return among food system projects will become clearer.

There is a need for collaboration and communication among investors.

Investors that attended the convening shared a strong interest in collaborating with one another. They believe better communication among the different types of investors interested in the food system could benefit their own investment activity. By sharing information about their respective experiences thus far, they would each have more market information to assist them in judging new opportunities. Additionally, collaborative financing among them could present a means to play to each other's strengths because each organization has different structures, knowledge, and investment approaches that could be considered and leveraged by one another. Moreover, investors supported collaborative financing because it would enable them to share capital commitments and risk.

This collaboration has not yet occurred because, with the exception of local Slow Money chapters there is no local vehicle for organizing investors to find common ground and negotiate their various investment expectations. As we discovered in our research, investors' approaches to financing food infrastructure have different risk profiles, return expectations, various time commitments for research, due diligence, post investment involvement, and use of financing tools. Investors have not yet begun navigating these

---

differences on their own, but are optimistic collaboration could occur if there were an organization or program that could facilitate the process.

Conclusions

There are several strengths apparent in the current investment landscape. First, there is a high level of interest among investors in financing the food system. Their interest is not only driven by social motivations, but also a belief in the promise of the local food economy, even in light of its early stage of development. Although investors use different language to describe their motivations, there is much overlap in their interest in environmental sustainability, developing local economies and communities, rebuilding infrastructure, and aligning their investments with their missions. Having this basic foundation will enable future collaboration among investors.

Another strength in the current food financing landscape is the pool of financial resources available. Among just the 21 investors we interviewed, there was considerable capital available. Even if only a portion of the capital available were to be deployed, it could have a transformative impact on the Hudson Valley food system for years to come. The key to deploying more capital for local food system infrastructure will be understanding different investors’ approaches to financing, matching them to the appropriate food system projects, and fostering collaboration among them. Although investors differ in their investment approaches, they recognize the benefits of collaboration and are driven by their interest in financing a better food system.

Increased financing for food system infrastructure can be achieved, if the four main barriers to investment are addressed simultaneously. Doing so will require innovative programming that has been carefully planned in partnership with interested investors. Because no one single investor or program is poised to initiate this process, there is a call for leadership to fill the programming void. Additionally, a new program should target both sides of investments—the businesses and investors—to bridge the gap between them. Currently, the investors have expectations and needs that have not been clearly communicated to businesses. Similarly, many businesses lack the experience in raising capital and therefore require business assistance for that specific activity. Successful programming must therefore serve both of these groups.

Existing Models for Food System Financing

To understand the programming options available that would best address the four barriers to food system financing, we reviewed a sample of existing program models. These include the Fair Food Fund, the Carrot Project, Pioneer Valley Grows Community Food Fund, Slow Money NYC, and RSF’s Social Investment and PRI Funds. These different models each have their strengths and weaknesses and can be roughly categorized into four types: a managed fund, an investment advisor, a structured financing program, and an investor network. Below is a summary of each of the models.
**Fair Food Fund Northeast – Managed Fund**

**History and Mission:** The Fair Food Fund Northeast (FFFNE) is a newly formed food system investment fund developed by Fair Food Network. The fund makes patient capital loans to food system infrastructure projects that build capacity for small and mid-sized farms in the northeastern US. Fair Food Fund’s mission is to fuel entrepreneurship in the food system by providing financing and business assistance to food enterprises that connect farmers with the growing demand for local food. Their investments aim to support the long-term viability of small- and mid-scale farmers and spur economic activity, while increasing access to healthy food for all.

**Investment Criteria:** Fair Food Fund supports mission-related infrastructure businesses for the middle of the food system supply chain. Businesses eligible for investment may be either in a growth phase or mature and must have existing revenues, strong management and a viable business plan. The businesses need to be involved in the aggregation, storage, or distribution of food; value-added processing; marketing of local food; or information technology that benefits small and mid-sized farms.

**Funding Approach:** Fair Food Fund is a 501(c)4 that accepts investment funds from its founding organization, Fair Food Network (a 501(c) 3), foundations, government and non-profit institutional lenders to reinvest as flexible capital into local food enterprises. Investors may be permitted to invest along side Fair Food Fund in some transactions. These co-investors are expected to have expertise in initiating or managing the transaction or help cover the costs of due diligence.

- Fund Size (goal): $10,000,000
- Geographic Scope: Initial focus in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania
- Financing instruments: senior debt, subordinated debt, equity, and royalty financing
- Investment Size: $50,000 to $500,000, with an anticipated average of $250,000
- Investment Term: up 10 years, targeting 5 -7 years
- Financial Return Goals: 6-12% for subordinated debt and 15%+ for royalty financing
- Business Stage Targeted: Growing or mature

**Programming:** The fund itself is managed by a program director, who is assisted by several staff members, including a senior investor, a marketing and development director, and an associate. Altogether, these staffs are 1.5 full time equivalents as several are consultants to the fund. In forming the fund, they realized the need for developing the investment pipeline because businesses are not yet investment ready. Rather than providing all technical assistance in-house, they provide grant funding for external technical assistance providers and have two programs, the Fair Food Consulting Corps and the Fair Food Business Boot Camp. The Fair Food Consulting Corps works with local partners and a network of consultants to provide one-on-one assistance. Services include support on accounting and financial management, business planning, food safety compliance, marketing and sales, operations management, and more. Fair Food Consulting Corps is
active in Western Massachusetts, Maine, Vermont, and New Hampshire with plans to expand across the Northeast and beyond.

The Fair Food Business Boot Camp is a three-day program for food system businesses that combines skill building sessions, applied projects, and technical assistance. It culminates in a pitch session to a panel of investors, with the winner to receive up to $10,000 in consulting services. The Business Boot Camp is anticipated as an annual program.

Investment Activity: Two in process, one closed to date.

Pioneer Valley Grows Community Food Fund – Managed Fund

History and Mission: Founded in 2009, Pioneer Valley Grows (PV Grows) is a network of stakeholders interested in improving the food system and scaling up the local food economy in the Pioneer Valley of Massachusetts. PV Grows created a pilot project to finance food system projects, called the PV Grows Loan Fund. This loan fund was developed to help fill gaps in financing local food infrastructure to expand the market for Pioneer Valley agricultural products. After directly placing two transactions totaling $300,000, PV Grows made the decision to replace the pilot fund with a new program, called the PV Grows Community Food Fund. The fund is in formation now and will aggregate patient capital from accredited and unaccredited investors to deploy capital to food system enterprises. Its goal is to balance investor risk and the need for longer-term, innovative capital by pooling capital into a managed fund.

Investment Criteria: The Community Food Fund will invest in mission-driven businesses involved in the local food system. To be deemed mission-driven, businesses must increase healthy food access, preserve farmlands, generate good jobs, retain local spending, or decrease fossil fuel dependence. Various types of businesses will be eligible, including farms; other businesses involved in the processing, distribution, marketing, or waste management of local food; businesses that support these endeavors; and agricultural enterprises such as fiber, forestry, or energy conservation and production.

Funding Approach: The Community Food Fund will solicit investment capital from philanthropic, patient capital and community investors and redeploy it in the local food economy according to the criteria above.

- Fund Size (goal): $2,500,000
- Geographic Scope: Franklin, Hampshire, and Hampden counties in Massachusetts
- Financing instruments: senior debt, subordinated debt, equity, and royalty financing
- Investment Size: $25,000 to $250,000
- Investment Term: Varies, with a projected range of one to ten years
- Financial Return Goals: Positive returns for all investor classes
- Business Stage Targeted: viable start-up, including pre-revenue, with expansion of existing companies
Programming: The overall goal for PVGrows is to offer a single portal linking businesses to the right kind of capital, including those funds managed by PVGrows. Because PV Grows is not a 501c3 or other type of stand-alone organization, the fund will be formed in partnership with an existing organization and they anticipate its operations will require 1 or 1.5 full time equivalents to staff it. Given their limited resources and staffing in the past, they learned from their pilot program that technical assistance is needed for project development. Their key issue in the pilot project was finding investment-ready businesses and then shepherding the projects through the financing process. Although their new fund is not envisioned to include an established technical assistance program in-house, they have partnered with the Fair Food Network to create a $75,000 Business Assistance fund to help connect businesses to technical assistance providers.

Financial Return to Investors:
- First-Loss Investors (philanthropic investors): 0 to 4%
- Patient-Capital Investors (longer-term investors): 0 to 3%
- Community Investors (accredited & unaccredited): 0 to 3%

Investment Activity: Two transactions under the pilot project completed. Additionally, the PV Grows pilot project aided some businesses in connecting to external sources of funding. No transactions have been completed under the new fund, which is in formation.

RSF Social Investment Fund & RSF PRI Fund- Managed Funds

History and Mission: RSF Social Finance is a public foundation and financial services organization dedicated to transforming the way the world works with money. Since 1984, in partnership with its 1400+ investors, RSF has made over $275 million in loans to social enterprises. RSF facilitates this funding through two programs: the RSF Social Investment Fund and the RSF PRI Fund. The Social Investment Fund is open to unaccredited and accredited investors and supports organizations that address issues in one of RSF’s three focus areas: food & agriculture, education & the arts, and ecological stewardship. The PRI Fund is open to foundations and has a designated focus on food & agriculture, which explores economic models that support sustainable food and agriculture, raises awareness for organic and biodynamic farming, and supports food system infrastructure.

Investment Criteria: RSF targets mature businesses with a minimum of three years operating history that are value aligned; they seek businesses with high social value. RSF has developed social impact metrics that all companies are measured against before an investment is made. The companies are ranked in five areas that evaluate factors such as how the company creates community, its financial stability, and how the company advocates for change. RSF’s focus on social returns may, in some cases, allow them to lend to riskier companies. However, the higher risk profiles of these businesses are mitigated by collateral and/or guarantees from a third party.
**Funding Approach:**
- Fund Size (goal): open ended
- Geographic Scope: National
- Financing instruments: Debt
- Investment Size: $100,000 to $1 million
- Investment Term: 1 to 10 years
- Financial Return Goals: 4.5 to 7%
- Business Stage Targeted: Mature

**Programming:** RSF does not offer technical assistance but will cultivate long term relationships with organizations they believe are potential future borrowers. RSF will follow the progress of the potential borrowers until the business is ready for investment.

**Investment Activity:** At least six food system deals throughout the country thus far.

**Imprint Capital – Investment Advisor**

**History and Mission:** Imprint Capital is an investment advisor focused exclusively on impact investing. Imprint works with each individual client to develop an investment philosophy and manage their portfolio according to the client’s desired goals and priorities. Imprint invests across asset classes and investment areas, including: communities, food, health and well-being, energy and the environment, education, and the developing world.

**Investment Criteria:** Varies based on client

**Funding Approach:** Imprint works with clients to determine portfolio goals. Imprint will then work through its employees, contacts and network of fund managers to provide investment opportunities to clients.
- Fund Size (goal): Prefer client investment portfolio of $20 million+
- Geographic Scope: From local to global
- Financing instruments: All, with specialization in flexible & direct investments
- Investment Size: Minimum $50,000
- Investment Term: Varies
- Financial Return Goals: Client driven
- Business Stage Targeted: Varies

**Programming:** Imprint’s programming is client driven and is therefore customized to suit each client’s goals. The local food sector has been a focus at Imprint for the past two years, with prior work in food focused more on healthy food access for vulnerable populations. Imprint has a 20 person team dedicated to working with investors, fund managers and other organizations to generate targeted, mission-driven deal flow. Imprint collaborates with local partners that can share market context and deal opportunities as they emerge and businesses are preparing for investment.

**Investment Activity:** Five food and agriculture investments thus far.
The Carrot Project – Structured Financing Program

History and Mission: The Carrot Project was founded in 2005 to support small and mid-sized food system businesses by expanding access to financing. The driving motivation for their program is to achieve a more sustainable and diverse food system through the success of economically viable businesses. They offer loans tied to technical assistance and seek to strengthen knowledge in the food system through research and information sharing to promote economic viability and access to financing.

Investment Criteria: Target businesses must be within the geographic boundaries of each of four programs and be either farms or food system businesses. The financial eligibility criteria for borrowers vary with each of the four programs, but they range from start-up to established businesses.

Funding Approach: The Carrot Project currently manages four programs that are geographically bound: the Greater Berkshires Agriculture Fund in western Massachusetts (it also includes Columbia and Dutchess Counties of New York and Litchfield County in Connecticut), the Agriculture Loan Program in Massachusetts, the Carrot Project Agriculture Loan Program in Vermont, and the Farm Business Loan Fund in Maine. The financing available for the programs has come from private individuals, family foundations, and one not-for-profit. To deploy capital, the Carrot Project uses two models. In the first, which has been used in three-quarters of their projects, the Carrot Project partners with another lending institution and provides a loan guarantee of between 25 and 100 percent. By the other model, the Carrot Project partners with another lender to provide lending capital. The loans generally cover expenses related to equipment or working capital. Primarily, they have worked with farmers, although more recently they have also begun working with value-added processors.

• Geographic Scope: Greater Berkshires (Berkshire County, Massachusetts; Dutchess and Columbia Counties, New York; and Litchfield County, Connecticut), Maine, Vermont, Massachusetts
• Financing instruments: loans and loan guarantees
• Investment Size: varies by program, up to $75,000, with an average of $14,000 and rising
• Investment Term: 1 to 7 years
• Financial Return Goals: 5-7%
• Business Stage Targeted: from start-up to established

Programming: The Carrot Project’s primary focus is the financial viability of small and mid-sized farms and food system businesses. In their work, they have recognized many of these businesses are not investment ready at their initial meeting. The Carrot Project therefore provides some limited technical assistance to the companies before they are able to apply for a loan. The Carrot Project has referred these businesses to other technical assistance providers and has connected them to online resources. They are exploring ways to expand.
technical assistance both internally and through partnerships with external service providers. In three out of four programs, The Carrot Project takes the lead on due diligence and final underwriting is completed by the lending partner.

Investment Activity: They have made 33 loans thus far.

Slow Money NYC & Foodshed Investors Network (formerly NYC LION) – Investor Network

History and Mission: Slow Money NYC was formed in 2010 as the New York Chapter of Slow Money USA. Slow Money NYC aims to catalyze the alignment of financing and values through investing in local, sustainable agriculture businesses; through educating people about the connected nature of investing and food system change; and through incubating new, democratic opportunities for investment in business that yield a sustainable food system for all.

Slow Money NYC is a volunteer-led membership organization of individuals and groups interested in food system investment in and around the New York foodshed. The primary function of the organization is to create a network among investors and between investors and entrepreneurs and to facilitate relationships, learning, and information sharing. The Slow Money NYC chapter has also created an affiliated private membership organization called Foodshed Investors NY (formerly NYC LION), which has requirements for membership and is attempting to establish a vehicle for co-investment among their members.

Investment Criteria: Slow Money principles state "[I]nvest as if food, farms and fertility mattered. [C]onnect investors to the places where they live, creating vital relationships and new sources of capital for small food enterprises [ushering in] the era of 'nurture capital' built around principles of carrying capacity, care of the commons, sense of place and non-violence.” However, in the Slow Money NYC network, each member is left to their own interpretation of these principles and their own individual investment criteria.

The Foodshed Investors NY have established guidelines for their members to use in evaluating businesses for investment. In addition to meeting the Slow Money principles, businesses must be sustainable; local; and small, defined as having less than $10 million in revenues, fewer than 100 employees, and independently owned.

Funding approach: Slow Money NYC has no formal or required funding approach. Rather, they enable investors to pursue their own funding approaches by educating them about the need for a new type of "nurture capital" to build a resilient local foodshed, helping them identify entrepreneurs and connecting them with information. By contrast, Foodshed Investors NY requires potential investor members to fill out an application. Once members, they commit to make at least one investment annually. Below are the parameters for Foodshed Investors NY investments.
• Geographic Scope: Companies serving consumers in New York City, generally within 250 miles
• Financing Instruments: Equity preferred, convertible debt considered, exploring royalty financing
• Investment Size: $50,000- $1 million
• Investment Term: 10 years or less is preferred but longer terms and alternative returns, may be considered if a high social or environmental return is expected
• Financial Return Goals: “market rate” or below market rate for some investments if a high social or environmental return is expected
• Business Stage Targeted: preferably early stage with revenues, but will consider pre-revenue or mature companies as well

Programming: Slow Money NYC organizes educational and networking programs for its members. However, they do not have paid staff to provide technical assistance to entrepreneurs. One of the challenges they have faced in their work has been to generate a steady deal flow of investment ready businesses and engage their membership to follow through with investment commitments. NYC LION, now the Foodshed Investors NY, has faced similar challenges, but has closed on three collaborative financing deals.

Investment Activity: NYC LION, now the Foodshed Investors NY, has closed three deals as co-investments. However, their individual members have financed seven projects since 2011, raising more than $1,500,000 for local food businesses in that time. Additionally, members have active investments outside of the group’s collaborative work.

Evaluating Four Financing Models: Managed Fund, Investment Advisor, Structured Financing Program, and Investor Network

These models can be categorized by roughly four types: managed funds, investment advisor, structured financing program, and investor networks. The Fair Food Fund, PV Grows Community Food Fund, and RSF’s programs are managed funds. They are designed with an established pool of capital contributed by a group of investors and donors. Managed funds may or may not have a time limit for spending down the fund; they may also continue to solicit contributions to the fund on an ongoing basis. An organization in each of these examples has been formed and staffed to manage the operation of the fund. They may custom design the financing approach of the fund, in terms of the target businesses and geography, the instruments used, and their risk/return profiles.

The managed fund as a model for food system financing has a number of strengths and weaknesses, both in general and when applied to the current state of food financing in the Hudson Valley region. One of the main strengths of a managed fund is that it has under its direct management capital that has been committed upfront from investors, which ensures funds are available to local businesses before they are engaged. The design of managed funds, because they utilize one centralized manager, enables a higher degree of control of
investments and allows the manager to strategize the fund’s portfolio. This could be particularly useful if a fund is created to achieve whole systems change in a specific geographic region. It would allow the fund manager to set objectives about the sizes of projects funded and how they may address broader systemic issues, such as a lack of processing capacity in a product type or strengthening the aggregation and distribution system in an area.

A managed fund, depending on its design, could address some of the four main barriers to financing identified by this research project. It could address the lack of information individual investors face, if the staffing is robust enough to conduct due diligence and research. Whether the fund is able to better address the fact that businesses are not investment-ready will also depend on the amount of resources devoted to technical assistance to accompany the management of the fund. Although food infrastructure projects offer higher risk and lower or uncertain returns, a managed fund may be able to navigate this issue by choosing partner investors with some flexibility and by devoting adequate resources to cover due diligence, research and other transaction costs. In the above models, all structure their fees to cover these costs. As a result of the need to cover transaction costs, these managed funds offer rates similar to traditional banks.

Although a managed fund may be able to address three of the four main barriers to food system financing through its design and resource commitments, there are several drawbacks to this model that should be considered. First, it does not address one of the main barriers identified in our research. Because the managed fund has centralized staffs and operations, and would require capital commitments upfront, it would be more difficult to facilitate individual investors’ communication and collaboration with each other. As we learned in the convening, some investors prefer to have more direct involvement in investment decisions. This is especially true if the potential fund and fund manager are new and untested. While some less risk adverse investors indicated a willingness to commit to a fund, many appeared unlikely to be in a position to commit funds in the near term. Another issue that would likely confront a new managed fund is the uncertain volume of deal flow in the New York and Hudson Valley regions. If there were a lack of investment-ready businesses, then the performance of the fund would be inhibited.

As an alternative to the managed fund model, food financing may be facilitated through an investment advisor. Investment advisors differ from a managed fund in that they do not necessarily require specific upfront monetary commitments from investors and have less control over investment decisions. Just as in a managed fund, various financing instruments can be utilized, and diversification can be built, but instrument and opportunity selection remains at the control of the investor. Additionally in the advisory model, risk and return profiles are investor specific. For instance, Imprint Capital, an example of the investment advisor model, works with each client to develop an investment philosophy based on personal goals and their individual risk and return profile. Imprint takes responsibility for research, co-developed strategy, deal sourcing, due diligence and management of investments once made, but does so in close partnership with the investor and their trusted philanthropic advisors and networks to ensure match with investors’ desired focus.
Similar to the investment advisor model, the structured financing program model may not have under direct management an upfront pool of capital. Rather, an organization may work with partners to structure a financing program with particular investment tools and parameters. For example, the Carrot Project uses loan guarantees and loans to finance businesses, in partnership with investors. They work with individual financing partners to establish each program’s investment goals and specific risk and return criteria. Unlike the investment advisor model, the structured financing program model may share responsibility for due diligence and transaction costs with their partner investors. The program manager of a structured financing program, in this example, the Carrot Project, has taken on the role of designing the program, generating deal flow, and matching businesses to each financing program as appropriate. Their program design begins with the needs of the businesses, rather than the requirements of the investors. In the structured financing program model, each deal may therefore be less customized to individual investors as the programs’ investment parameters may be pre-established.

Both the advisory and structured financing program models, depending on their specific design, have a number of strengths and weaknesses. In both models, flexible design is perhaps their greatest strength because they accommodate different investors' needs and approaches to financing, including differing risk and return profiles. However, neither model provides the ability for investors to develop local industry knowledge, independently develop deals or collaborate. Therefore the advisory and structured financing program models do not directly address the barriers regarding information for deal development and investors’ desire for collaboration and communication (the first and fourth barriers to investment).

Addressing the second barrier, the lack of investment ready businesses, might be accomplished in the structured financing program model, depending on the program’s design. The program would have to offer some business assistance either in-house or through partnerships to accompany its deal development. Generally, the investment advisor model does not offer technical assistance to businesses that could be brought into the investment pipeline. Rather, investment advisors customarily seek businesses that are already investment-ready.

Perhaps the least structured model of food system financing would be to develop a network of investors to share information and potentially enable partnership. Slow Money NYC and Foodshed Investors NY exemplify this model. In Slow Money NYC, membership is open to any interested investors, whether accredited or unaccredited. It also does not have any direct involvement in investment decisions. Rather, it holds educational and networking events and may connect entrepreneurs to their network members through introductions and pitch sessions. Foodshed Investors NY is somewhat more structured. They require investors to complete an application and make at least one investment each year to maintain membership. They also have principles that guide their investors’ decisions and an application process for businesses to request a pitch session with investor members.
Investor networks such as these enable information sharing, education, and improved access to entrepreneurs. They therefore address part of the first barrier to investment, the need for greater information and access to entrepreneurs, and part of the fourth barrier to investment, the need for more collaboration among investors. However, the success of investment networks in facilitating actual investment can be limited if they are not able to provide the detailed market information investors desire to raise their confidence in the local food market. The model— in general— also does not directly address two of the main barriers to investment—the higher risk and lower return associated with the local food market and businesses’ investment readiness as they do not currently cultivate businesses’ investment readiness as part of their programming.

**Recommended Project: Creating a New Financing Intermediary Program**

Based on the findings of this research project, we conclude that the best approach to financing food infrastructure in the Hudson Valley through philanthropic channels is a newly designed intermediary program that borrows from the strengths of these existing models, but also addresses all four barriers to financing in the market currently.

The mission of the program would be to facilitate financing among a cohort of motivated investors with similar missions. As the program would be newly formed, this cohort of investors would likely begin small. Additionally, given the level of expertise and interest in collaboration indicated by investors with whom we spoke, they should be considered both a potential source of investment capital, but also a network for information-sharing and collaboration.

We recommend that the Local Economies Project organize and manage the program. By maintaining LEP as the central coordinating entity, the program would borrow one of the strengths of the managed fund model—centralizing operational decisions, which would then enable better monitoring of the program’s performance. Additionally, by managing the program, LEP could help ensure that the needed infrastructure projects outlined in the Hudson Valley Food Hubs Initiative report are developed.

LEP could also establish a broader external investors’ group focused on the Hudson Valley and in cooperation with existing groups. The would enable the program to address another one of the main barriers to investment- the need for information-sharing and collaboration among investors. As LEP develops projects and financing opportunities, the lessons learned from the program could be shared with the group. This group could be a potential source for co-investment once the program is established and if the members of the investment group share similar investment goals and interests.

Across all of the models reviewed, none of them explicitly aims to cultivate both sides of an investment through their programming. A successful design for a new financing program should address the needs of both investors and businesses by targeting all four barriers to financing. We therefore recommend the program include several service offerings as a complement to its role facilitating investment. The program should develop individual
financing opportunities by offering a project development component that works with farms and food businesses. It would identify projects for potential investment through outreach to local businesses and then vet them for participation in a technical assistance program to ensure they are investment ready, thus addressing another of the key issues investors described—businesses’ lack of investment readiness. The technical assistance services should be designed with input from the investor community and target businesses that are poised for growth, but need the capital to do so. Because not all businesses may be at this stage of development, the program could also partner with other technical assistance providers to make referrals for more basic business planning services.

The project development component described above would develop a pipeline to investment and it would increase business acumen and capacity throughout the region. Through its activities, the program would also address two other barriers to food financing- the lack of market information and the higher risk and lower return associated with projects. Through the provision of project development services, the intermediary program would be gathering valuable market information that could then be shared with investors. By engaging staffs familiar with both the local food system and the finance industry, the information gathered would aim to inspire more confidence in investors. It would also therefore decrease the potential risks associated with the uncertainty of the market. Once several deals have been closed, the program could also offer case studies that would create new benchmarks in the local food system.

Although the return on investment is partly a function of market conditions, it is also a function of business operations and the amount of time devoted to developing a new venture. One of the key issues facing investors in the food financing field are the high transaction costs associated with developing opportunities because they require more time and attention to work with entrepreneurs, which is not necessarily offset by financial returns. The proposed program should therefore aim to lower transaction costs for investors by taking on some of the due diligence activities through its in-house and funded external technical assistance services. These activities could partly be covered by financial contributions from investors, but would also require grant funding.
## APPENDIX A

### Financing a Better Food System- Interview Script

<table>
<thead>
<tr>
<th>Background Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>Interviewer</td>
</tr>
<tr>
<td>Interviewee name &amp; position</td>
</tr>
<tr>
<td>Organization Name</td>
</tr>
<tr>
<td>Address</td>
</tr>
<tr>
<td>Phone</td>
</tr>
<tr>
<td>Email</td>
</tr>
<tr>
<td>Website</td>
</tr>
</tbody>
</table>

1. **What is your organization's mission in funding the food system? What aspect of the food system do you see meeting your mission?**

2. **Describe past and/or projected activity in financing the food system:**
   1. Do you have a formal program for investing in food systems? Name? Describe.
   2. What types of organizations do you support/do you see receiving your support? Describe. For-profit/non-profit/coop?
   3. Has your organization made any PRI/MRI/Impact investments in the food system? Describe.
   4. Has your organization made any investments/grants in the regional food supply chain in the last 5 years? Describe.
   5. Has any of your food system related activity occurred in or near the Hudson Valley? Describe.

3. **What types of food system infrastructure would/does your organization fund?**
   - Farm Inputs, Production, Processing manufacturing, Aggregation/distribution, Retail, Other (specify)
   - a. Planning
   - b. Construction
   - c. Working Capital
   - d. Land Acquisition
   - e. Production
   - f. Cold Storage
   - g. On-farm machinery and equipment (size?)
   - h. On and/or off farm value-added processing equipment
   - i. Distribution equipment
   - j. Waste management
   - k. Meat Processing
   - l. Water management
   - m. Real Estate Mortgage
   - n. Refinancing
   - o. Acquisition
   - p. Lease Payments
   - q. Owner Distribution
   - r. Business assistance
   - s. Technical assistance
   - t. Accountants
   - u. Consultants
   - v. Marketing
   - w. Training
   - x. Other?
4. How does your organization identify projects? Describe the readiness of projects for investment when initially submitted.

5. Describe the amounts available for funding the food system, regional food system, Hudson Valley.
   a. What are average size investments?
   b. Minimum/maximum?
   c. Time frame?


7. What types of investment/financial tools (capital) does your organization utilize to fund food system infrastructure? What are the terms? What types of financing do you see as needed in the supply chain?

   a. Grants
   b. Program Related Investments
   c. Direct Guarantee
   d. CDFI Guarantee
   e. Direct Equity
   f. Venture Equity Fund
   g. Private Equity Fund
   h. Direct Senior Debt
   i. Direct Subordinated Debt
   j. Debt Fund
   k. Revenue sharing
   l. Social Impact bonds/Pay for Success
   m. Farmland acquisition
   n. Royalty financing
   o. Subordinated/Venture Debt with warrants
   p. Line of credit
   q. Participate in a syndication/collaboration
   r. Other
8. **Describe your risk profile when making food system investments.**
   a. At what stage does your organization fund/invest in the food system? Seed capital (start-up)/Early stage (pre-revenue)/mature (profitable)
   b. What are the eligibility requirements for investment? (Financial/credit, legal, age/tenure, size, geographic, collateral, etc.)
   c. How flexible are the terms of investment?
   d. Describe target rates of return for debt and equity investments. Social, financial, environmental.
   e. At what rates have you funded?
   f. How do you measure risk and how do you assess the risks that you take?
   g. How do you monitor your risk?
   h. What is an acceptable loss rate?
   i. What are the liquidity needs? Exit strategy for equity investments? Are debt instruments held or sold?
   j. Describe the ideal level of involvement/relationship of your organization with a recipient of funds. i.e. silent partner, board member, active investor, mentor, etc.

9. **What is the due diligence process for grants/investments in the food system?**
   a. What financial information do you seek from an applicant?
   b. What business information do you seek?
   c. Who approves the investment?
   d. What is the expected time frame for the organization to receive funds?

10. **What do you see as the barriers/constraints for your organization to participating in funding the food system?**
    • Entrepreneurship Development/TA
    • Investor TA (return Expectations)
    • Infrastructure/distribution
    • Policies/regulations
    • Capital Access
    • Land Access
    • Current economic models
    • Deal flow

11. **What would make it easier for you to fund/increase allocation of funds to infrastructure in the food system?**
    1. Technical assistance
    2. More mature enterprises seeking capital
    3. Education to better understand the entrepreneur needs
    4. More appropriate funding vehicle
    5. Ability to collaborate with other funders/layer capital
    6. Deal sourcing assistance
    7. Mapping of food & agriculture sector
    8. Nothing
    9. Other

12. **Do you know others who might be interested in financing food system infrastructure?**