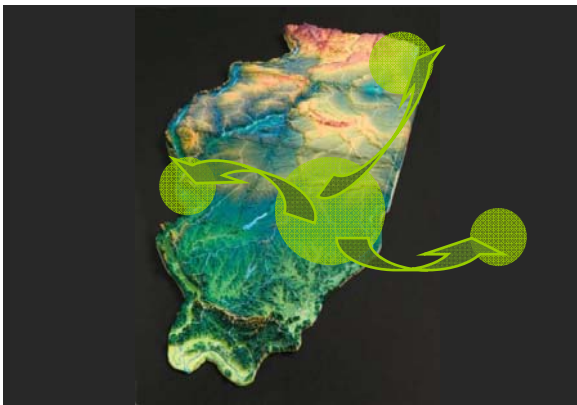
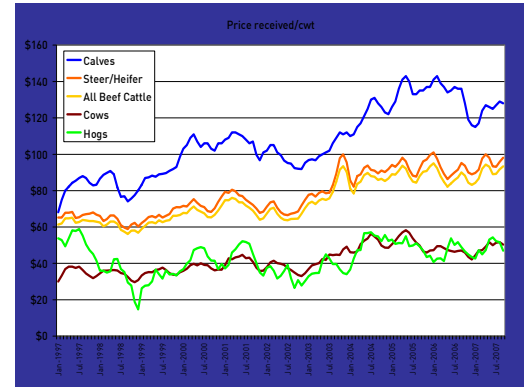




Lumpkin Local Food Program



Report and Recommendations – Final Draft



January 2008

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Introduction

The Lumpkin Family Foundation (LFF) is dedicated to supporting education, preserving and protecting the environment, and fostering opportunities for leadership. Located in Mattoon, Illinois, LFF programs pay special attention to a 16 county region in east central Illinois. *See Figure 1.*

LFF has developed a strong interest in the connections between food production and land use. LFF initiated its Local Food Program based on concerns about the impacts of agriculture and the relationship between food consumption and human health. LFF also recognizes the positive impact local food production and consumption can have on economic development.

In July 2007, LFF hired the Delta Institute, the Wallace Center of Winrock International, and Mari Coyne (the Delta Team). The purpose of the Delta Team's work was to conduct research and interviews that would support a series of recommendations to LFF for the development of their Local Food Program. From July through November 2007, the Delta Team conducted the following activities:

- 1) Collected and synthesized data on the current nature of farming and agricultural land use in east central Illinois, including production, marketing, infrastructure development, and consumption patterns. The data was mapped on a GIS system to show elements of the local food system on a regional basis.
- 2) Developed case studies from around the country that illustrate the range of policy and financing strategies that have been used to develop other local food systems.
- 3) Interviewed buyers and distributors to explore the extent purchasing power can foster local food production in east central Illinois.
- 4) Conducted focus groups with farmers in the region to solicit feedback on the Delta Team's understanding of the current food system and identify the barriers and opportunities associated with diversifying food production and accessing new markets.

The data, analysis, interviews, and farmer meetings conducted for this project show that the current food system is heavily entrenched in corn and soybean production to the extent that changing and diversifying the food system will be challenging. However, there are important advantages of doing so. The economic development opportunities are very

apparent. Not all farmers in the region benefit from the current corn and soybean system. Developing strategic initiatives to diversify food production will create jobs and add to the economic base of the region. As increased production occurs over time, local consumption of locally produced food will increase resulting in healthier eating choices for region's population.

As a foundation, LFF can play a catalytic role to stimulate diversification in the local food system. Under the broad themes of economic development and leadership, this report lays out a range of steps and action items that build on one another to frame local food production as an economic development opportunity supported by research, education, entrepreneurial initiative and fostering leadership and networks.

Current Food System

East Central Illinois – In the Heart of Corn and Bean Country

The 16 county region that is the focus of LLF lies within the heart of Illinois' corn and soy bean production. The region holds 19%, or 5.4 million acres, of the state's agriculture land and produces about 400 million bushels of corn annually, which is about 22% of corn production for the state. The region produces about 110 million bushels annually of soybeans, which is about 28% of soybean production in the state. Coming in third in production for the region, wheat accounts for about 12% of the state's production, with 7 million bushels produced. *See Figures 2, 3 and 4.*

By contrast, the region has very few acres in vegetables and orchards. Out of a total of 13,191 farms in the region, there are only 112 farms producing 597 acres of vegetables and 88 farms producing 339 acres of orchards. That means that of the 5.4 million acres of farmland in the region, a mere .02% is in non commodity food production. *See Figure 5.*

The Current Food System is Entrenched

The farmland economy in the region is completely oriented to support large scale commodity production. Historically this is how the region developed, with market incentives encouraging corn production in the 19th century to feed the cattle and stockyard industry in Chicago.¹ Federal government incentives continue today with US Department of Agriculture subsidies available for a range of commodity crops including, corn, soy beans, and wheat. In 2005, the USDA paid \$369 million in agricultural subsidies in the region (\$1.4 billion statewide). One of the largest recipients in the region was Champaign County, which received \$42 million in subsidy payments. From 1995 to 2005, Champaign County received \$310 million in USDA subsidies, including \$78 million for corn, \$11 million for soy beans, and \$305,000 for wheat. *See Figures 6 and 7.*

Adding to the good news for commodity crop growers are the recent increases in crop prices. Wheat is at an all time high at \$7/bushel, corn is also at a record high of \$4/bushel, and soybeans are at their highest price since 2004 at over \$8/bushel.²

¹ Paul Wallace Gates. Large Scale Farming in Illinois 1850-1870. *Agricultural history: Volume 6, Number 1*; Agricultural History Society, Fargo, N.D.: January, 1932.

² Prices are quoted from the end of 2007.

The high price of corn is partly related to the promise of ethanol. The region is gearing up to capitalize on the increasing demand for ethanol that could utilize greater yields from local corn producers. There is one ethanol plant in the region located in Decatur. Permit applications have been submitted for an additional 10 ethanol plants in the region, but the market for ethanol is volatile and it is not clear if these additional plants will be built.³

East central Illinois has developed an infrastructure to support industrial scale commodity production. There are 217 grain elevators, warehouses, brokers, and dealers operating in the region. There is an outstanding network of major highways, roads, and railways. Numerous trucking operations serve the area. *See Figure 8.*

Farmers have made a considerable investment in equipment to meet the corn and soybean production levels in the region. As of 2002, the estimated equipment value on farms in the region was \$1.4 billion. *See Figure 9.*

There are Disparities among Farmers

Despite the large production volumes and access to significant federal subsidies, there are disparities among farmers in the region. Of the 13,000 farms and 5.4 million acres of farmland, 53% of farms in the region are less than 180 acres, and 27% are over 500 acres. *See Figure 10.* 55% of the region's farmers work off the farm over 100 days or more, and 1/3 of the farmers list a different occupation as their primary employment. *See Figure 11.* According to farm sales value in the 2002 census, 25% of farms in the region have a value of less than \$2,500; 48% are below \$25,000 in sales value, and 31% are above \$100,000. This means that 73% of farmers in the region are reporting sales values of \$25,000 or less. *See Figure 12.*

The large scale commodity market and infrastructure along with the federal subsidies are clearly important to the region's economy. This system drives farmers to either significantly increase acreage and invest in equipment, or to stay small or medium in size and take an off-farm job that contributes a large portion of the family's income.

Diversifying Production is an Economic Opportunity

In considering a local food program, it is important to understand the potential for local demand. East central Illinois is home to 863,963 residents. The average density is 77 people per square mile and the median age of the population is 36.5 years. The region has 101,000 people (about 12%) in poverty and 68,000 on food stamps. The population in the region is spending \$3.3 billion a year on food; \$1.8 billion of that is spent on food at home. Virtually none of this food is produced locally. *See Figure 13.* This is ironic considering that if a person consumes an average of 2,000 calories per day, the region is producing 17

³ Information from the Illinois Environmental Protection Agency staff. Also available online at <http://www.epa.state.il.us/air/permits/ethanol-plants.html>

trillion calories over the needs of the population based on production numbers for corn, soy beans, and wheat. *See Figure 14.* It is a very productive region, but household income is being spent on food products produced elsewhere. If even a fraction of what is being spent on food in the region was used to purchase locally produced meats, dairy products, eggs, cereals, fruits and vegetables it would be a major economic engine and bring new opportunities to those farmers and communities not adequately benefiting from the commodity dominated system.

In addition to households, there are other demand channels for local food. There are over 1600 restaurants in the region (many of them fast food) along with 766 retail food stores, 210 groceries and other convenience stores, bakeries, and specialty food shops. *See Figure 15.* There are 14 farmers markets in the region that provide direct marketing opportunities for farmers. There are manufacturing operations that are potential markets for diversified food production. The region is home to small scale and specialty manufacturers, including cheese processing, canning, flour mills, milling, bread, fats and oils, noodles, and garlic. *See Figure 16.* In addition, there are 169 wholesalers in the region. *See Figure 17.*

The Region Can Produce Diversified Foods, But there are Major Barriers

The soils and climate in east central Illinois are ideal for a wide range of non commodity crops, including trees, grain and grass, vegetables and roots, beans, fruits, and herbs. *See Figure 18.* Despite this potential, there are significant barriers to a transition from large scale commodity farming to diversified food production.

- **Lifestyle.** In addition to the large scale investment that has already been made and the infrastructure that supports it, commodity farming is less labor intensive. Vegetable, meat, and dairy production is physically demanding throughout the growing season, whereas corn and soybean production is automated and sporadically busy during planting, cultivation, and harvest leaving much of the winter time open. Value added production is by its nature a time intensive and year-round enterprise. According to the 2002 census, the average Illinois farmer is 54 years of age. Most are looking to retire, not to diversify production or invest in new avenues of business. Within the region, there is a declining age group in the 18 to 24 year old category. *See Figure 19.* This suggests that younger people are moving out of the area and are not regarding farming as a desirable profession or lifestyle. Young people are not returning to farms after school. This endangers succession of existing farms and makes wide-spread diversification in local production that much more remote. The economic argument has not been made to encourage young people to pursue a career in local food production.

- **Regulatory, Technical Support, and Sourcing.** Regulatory and compliance agencies are geared to large scale production. Farmers who have expanded their businesses by adding on-farm processing or are creating regional processing have encountered regulatory agencies that are not able to support non-commodity scale production. Further, there is a limited supply of products and services in the region for farmers who are expanding beyond corn and soybean production. These farmers often need to look outside the region and often outside Illinois for adequate suppliers and production expertise. There are no state-wide groups to help support smaller diversified food production through organized lobbying efforts, policy development, education, and training. In other words the vast physical and knowledge infrastructure that supports commodity production does not exist in the region for diversified food production and will take time to develop.
- **Resources.** Securing financing is difficult for farmers who are not engaged in traditional row crop farming in the region. The price of land is increasing and capital investments are necessary to develop new production or value added enterprises. There is a lack of expertise in business planning and it appears to be difficult to get family or banks to invest in anything that does not relate to cash rents or corn and soybeans.
- **Marketing.** There is an overall uncertainty about the extent of the market for local food production. Other than farmers markets, farmers do not believe there is much demand for local food in the region. The population is not adequately educated on the benefits and quality of local food, and there is concern that the population will not pay any kind of a premium. The LFF region is viewed as an immature market for local food with a less savvy consumer base than larger metropolitan markets that have developed a demand and taste for local food. With concentrated consumer education, local markets will likely improve over time. Farmers view urban centers such as Chicago as important markets to stimulate local production, but very few farmers have well developed marketing plans that can guide them to participate in these markets.

Fast Track Transformation Should Build From Existing Production Capacities

The barriers to diversifying food production in the region are sizeable, particularly for fruits and vegetables. However, there is capacity in meat and poultry production that could serve as a starting point for transforming the local food system. In addition, specialty grains may offer an opportunity as their production could utilize much of the same infrastructure as corn and soybean production. Within the region, there are numerous cattle and milk cow operations accounting for 11% of the state's cattle inventory. *See Figure 20.* While cattle operations in the state have been in decline, production in the region has remained stable. The region also has 11% of the state's hog

and sheep inventory, and about 280 poultry farms with about 13,000 layers. *See Figure 21.* There are new slaughter operations being developed and a culture for cooperative farming for meat production. A growing market for goat meat has spawned the Illinois Meat Goat Producers association with over 80 farm members.⁴ USDA operates egg inspection programs and processing facilities in the region, suggesting the presence of regulatory and compliance support. *See Figure 22.*

Tapping Urban Markets Can Prime the Pump

Whereas there have been local meat producers that have served local markets through retail chains such as IGA, there is little evidence that large scale buyers will look to the region as a supply center for local food. Aramark, for example, manages food service operations for 40 school districts in southern Illinois. They provide 8 million meals a year and would be very interested in local sourcing in order to comply with policies on school lunches set forth by USDA. However, Aramark does not believe that there is sufficient local supply capacity in the region. This was confirmed through an interview with Aramark's main supplier, Sysco. A product of interest to Sysco and Aramark is "baby" carrots, which are used extensively in school lunches. Sysco recognizes that there are no carrot producers and processors in the region that could meet their scale, price, and delivery specifications. To establish this capacity locally would require a great deal of time and investment; Sysco and Aramark are not sufficiently motivated to assist in the development of local supply

In contrast, specialty buyers in Chicago (and other nearby urban areas), such as restaurants and some distributors do provide an opportunity for current and emerging producers in the LFF region. These buyers are committed to local food production and are looking for ways to aggregate purchasing power in order to secure a more local and reliable growing region for Chicago. This appeals to the tastes and beliefs of their customers and is often consistent with the philosophy and culture of the restaurant or distributor. Establishing a link between producers in the region and the Chicago market presents the best opportunity to stimulate production. This is a critical early stage building block for the local food system. Many of the smaller "sustainable" meat producers in the region are already tapping into the Chicago market. Producers would prefer to sell to local markets and avoid the hassle and costs of transporting product to Chicago. However, they recognize that momentum is necessary to establish viable production operations. The size and proximity of the Chicago market is viewed as an asset to help bring about diversified food production in the region.

⁴ www.imgp.us

Recommendations

Introduction

The working definition of “local food” is food produced within the target region (raw and value added) that is grown and handled in a sustainable manner and destined for markets within the 16 county region as well for urban centers outside the target region such as Chicago, Indianapolis and St. Louis. To be successful there needs to be a focus both on local food for local people (wins are nutrition, fresh foods, small business, local identity, and land use changes) as well as local food production with strong distribution ties to regional markets (wins are economic development, land use changes, and regional identity).

Based on the research and interviews conducted to date, the Delta Team recommends that the initial plan for the development of the LFF Local Food Program center on two main themes:

- Frame and promote the Local Food Program as an economic development opportunity for east central Illinois.
- Foster leadership for a local food system and make linkages with other networks in the Midwest and nationally.

While environmental protection and public health are important and key considerations for LFF, transition to local food production that is diversified from the dominant corn and soybean crop base will only occur if producers see the economic opportunities. Farmers need to believe that the potential rewards outweigh the risks and costs of developing new businesses and changing current production patterns. The environmental and public health benefits will occur through diversified production and local consumption, but these issues will not be the motivating factors to change behavior on the farm. Further, the economic development potential from diversified production will help recruit and leverage the participation of government support and compliance assistance agencies that are mandated to assist viable economic sectors within the region.

This is not to say that environmental and public health concerns should be ignored. In fact it may be possible to leverage the support of public health agencies in promoting local food supply and consumption. However, the Delta Team believes that an initial emphasis

on economic development is essential to get the attention of existing and emerging producers and support agencies. Because of the advanced age of farmers in the region, this business opportunity will need to be realized by younger farmers who have the advantage of time and can take the risks in diversifying operations. It is important that farmers and the government and other agencies that can support them understand and believe the economic potential of diversified food production in the region. This can best be accomplished through education and outreach to farmers, government agencies, and support organizations as well as by developing specific entrepreneurial initiatives that will demonstrate the economic potential of local food production.

The data show that diversifying food production in the region will be an uphill battle. However, LFF can play both an enabling and facilitating role to help develop the capacities of leaders within the region. Through leadership development and training, LFF can bring about a culture of local food production, and create a common language and set of shared experiences among producers, buyers, and support agencies. Linking these efforts with similar initiatives in growing regions in the Midwest will establish a broader local food network and identify east central Illinois as a local food producing region. The exchange that can occur among producers and buyers within east central Illinois, and throughout the Midwest, will exponentially stimulate the development of the local food system.

LFF has indicated an initial budget of about \$300,000 per year in grant making for its Local Food Program. The Delta Team believes that focusing on these two themes will be the most effective in building a base of local food systems work in the region from which expanded grant making and investment can occur. Further, these focused themes will position LFF to collaborate with other funding organizations and food system networks, such as Fresh Taste and the Kellogg Foundation's national Food and Society Network.

There are a number of factors that have guided the development of the LFF Local Food Program recommendations:

- ***Build from existing production capacities.*** Short term gains will be made by building upon current capacity in livestock for meats, dairy and eggs and for grains. The demand for local food is not strong in the target region so the early focus should be larger urban markets.
- ***Long term investments are needed to meet the challenges.*** Although we recommend seeking "fast track" strategies that build upon current strengths, we also want to be clear that building the capacities that don't currently exist will take time and should be considered a long term endeavor. As such the LFF should be prepared to make a long term commitment to the initiative and where prudent a long term commitment to key grantees. A five year commitment to the initiative would be a minimum time frame. We recommend that LFF make a ten year

commitment internally and role the initiative out in five year cycles. Realistically change in the system will occur within this time frame with more extensive change realized over a twenty year period.

- ***Forming solid partnerships will be critical.*** The LFF is modest in size and has narrowed its target region appropriately. However, the food system is large and is for the most part independent of geography. It will be critical that LFF strategically create strong partners in order to spread ownership for the local food agenda and have more impact. Economic development agencies, universities, other foundations, capable not-for-profit organizations, government leaders, and others will be important to invest in and assist in developing their leadership.
- ***Leverage investments from other sources.*** LFF's resources can effectively be multiplied by consciously focusing on opportunities to leverage state, federal, or other private investments for local food systems and economic development.
- ***Invest in people.*** In most cases social change as well as enterprise development happens because of the leadership and vision of individuals who have the drive to bring that vision into reality. Our case studies confirm this as does our personal experience. It will be critical to identify leaders and support them. LFF's commitment to this initiative should provide the opening for a number of leaders to emerge.

The following section presents the steps and action items for LFF to follow in building its Local Food Program within the context of economic development and fostering leadership.⁵

Frame and Promote LFF Local Food Program as an Economic Development Program

Step 1: Fund a study that makes the economic case for local food production. Economic development and regulatory agencies need to understand the importance of local food production to the local and state economy. In Iowa, the Leopold Center for Sustainable Agriculture conducted a study that illustrated the economic opportunity associated with local fruit and vegetable production. The study analyzed four different scenarios of the percentage of food consumed by Iowans produced by Iowa farmers. The assumptions of the study were that such a switch would reduce corn and soybean production in the state. In one scenario, the study assumed that 25% of 37 selected fruit and vegetables consumed in the state were produced by Iowa farmers. In this scenario, the economic impact was

⁵ Some action items reference specific organizations. The Delta Team references these organizations as examples. There may be other organizations that LFF should consider as partners to implement these recommendations.

projected to be a \$4 million loss in receipts from corn and soybean farming; however, this would be offset by the sales value of local production amounting to \$94.98 million in Iowa. This activity would create 1,556 new jobs and labor income of over \$40 million⁶.

Similarly, a Michigan study illustrates the economic case for more localized food systems. *Eat Fresh and Grow Jobs* examined six different scenarios in which existing farmers double or triple the amount of fruits and vegetables sold into fresh produce markets, such as wholesale grocery sales and farmers markets. Using an economic modeling tool customized to Michigan, the study found that the shift could generate up to 1,889 new jobs across the state and \$187 million in new personal income.⁷

The economic impact potential of local food production has been essential in Woodbury County, Iowa where the Board of Supervisors passed landmark measures in 2005 to sustain, foster, and grow family farms and organic production (see case study #1). The initiative is intended to use county economic development programs to help sustain and grow organic production.

A recent Agricultural Economics staff paper from Penn State University supports the use of local foods for economic development. It stated:

“The great economic development opportunity is to use the overlap between the consumption and production of Pennsylvania-grown foods as a way of increasing opportunities for farmers, increasing local food production through local sales and keeping more dollars in Pennsylvania.” The paper further states, “It involves insuring that critical farm supply and processing facilities, such as milk processors or livestock markets, remain in Pennsylvania so farmers have the ability to buy and sell locally rather than having to purchase inputs or ship products out of state. It also means actively seeking to develop cost-effective Pennsylvania-grown and produced alternatives to the food products already being imported into the Commonwealth.”⁸

Action Item # 1

LFF should fund an economic study similar to the Leopold Center study to illustrate the importance of local food production for east central Illinois in terms that are motivating to economic development and support agencies. Conducting the study with input from such agencies up front will make it more likely that they will accept the results of it. The

⁶ *The Economic Impacts of Increased Fruit and Vegetable Production and Consumption in Iowa: Phase II*. Report to the Regional Food Systems Working Group, Leopold Center for Sustainable Agriculture, May 2006

⁷ *Eat Fresh and Grow Jobs in Michigan*, 2006. CS Mott Group, Michigan State Univ. www.mottgroup.msu.edu/Portals/mottgroup/downloads/EatFresh.pdf

⁸ Timothy W. Kelsey, *Is Agriculture Pennsylvania's "Number One" Industry?*; *Agricultural Economics Research Service*, Staff Paper 380, Penn State University, November, 2007.

Leopold Center should be engaged in some capacity so that the Illinois study improves upon their methodology. It would be wise to engage with a credible research institution, probably within IL, to complete this study so that it carries weight among a broad set of stakeholders. One could expect a study of this nature to be completed for \$15,000 to \$30,000 depending on how extensive it is.

A statewide study could also be conducted, utilizing support and leadership from the Fresh Taste Initiative. Coordinating these efforts would result in statewide information on the economic opportunities associated with diversified local food production with a highlighted regional impact case study. Further, a statewide study will serve to identify additional producing capacity near the LFF region that can be incorporated into LFF programs that expand beyond the 16 county east central Illinois region.

Step 2: Convene a forum of economic development organizations, state and county regulatory agencies, and farmers. The purpose of the forum would be to present the findings of the economic opportunity study and to examine how to better align existing policies and programs to support local food production. The forum would also consider new policies and strategies appropriate to Illinois. It must be stressed that outcomes and partnerships would be expected from this forum in order to build the underlying support network between agencies and new farmers

One example of aligning economic development support for local food production can be found in Michigan's Agriculture Processing Renaissance Zones (see case study #2). The concept behind the Renaissance Zones is to create tax exempt geographic areas where the forgiveness of taxes can help stimulate business development in key sectors. After having success with these zones for other industries, they were further developed specifically to spur agricultural processing and distribution. There are now 47 Agriculture Processing Renaissance Zones in Michigan. Collectively the use of Renaissance Zones has completed over 400 projects responsible for \$2.4 billion in private investment and 8,500 new jobs. Illinois has at least one program that uses the enterprise zone mechanism for development; the Department of Commerce and Economic Opportunity Enterprise Zone Financing Program.⁹

Wisconsin exemplifies another economic development approach to local food production. The Buy Local/Buy Wisconsin Initiative was recently authorized by the Wisconsin state legislature and provides technical assistance, innovation grant dollars, and new marketing opportunities for Wisconsin farmers (see case study #3). The goal of the program is to

⁹ www.illinoisbiz.biz/dceo/

inspire agricultural innovation and to provide the capacity for implementing new local food production enterprises.

The Dairy Business Innovation Center in Wisconsin is a not-for-profit organization dedicated to growing specialty and artisan dairy businesses. The Center provides an array of technical services, including: business planning, product development, facility assessment, packaging and label development and marketplace development and engages a multitude of WI institutions and agencies in its work. Since its launch in 2004, the Center has assisted more than 155 dairy entrepreneurs with a variety of technical services, coordinated more than 70 projects to increase market share for Wisconsin dairy products and assisted with seven relocation ventures.¹⁰

The Iowa, Michigan, and Wisconsin case studies are good examples of state initiatives that recognize the economic importance of local food production, processing and distribution and work to foster locally owned business. LFF can help stimulate the development of similar programs by first making the economic case and then convening and engaging economic development and regulatory agencies in a dialogue with farmers on how better to align existing support programs to realize the economic potential of local food production and to consider new initiatives appropriate for Illinois. With the passage of the Illinois Food, Farms, and Jobs Act and the creation of the Illinois Local and Organic Food and Farm Task Force strategy and significant progress may be more possible now than it has ever been.¹¹

Action Item #2

LFF should partner with the Crossroads Workforce Investment Board to convene a local food economic development forum. The Crossroads Workforce Investment Board (CWIB) is charged with playing a convening role to help connect organizations around workforce development issues. Diversified food production could become a priority for CWIB and compliment new regional initiatives of economic development through entrepreneurship. CWIB can coordinate with the other workforce investment boards that are active in LFF region. CWIB and its counterparts can help to identify the range of government agencies and support organizations that should participate in a forum and shape the economic development message so that it is most compelling to these organizations. Outcomes of the forum would include:

¹⁰ For more on the Center contact at Jeanne Carpenter at jeanne@wordartisanllc.com or see their website: www.dbicusa.org and their annual report <http://www.datcp.state.wi.us/mktg/business/marketing/val-add/initiative/index.jsp>.

¹¹ www.ilga.gov/legislation/publicacts/fulltext.asp?Name=095-0145

- An understanding of the importance of diversified food production to the local and state economy.
- An understanding of the regulatory, compliance, technical, and business development support needed by new and emerging diversified local food producers.
- Strategies for leveraging existing support resources to assist new and emerging farmers.
- Partnerships between farmers, support agencies, and local financial institutions that can help to actualize the economic potential presented by local food production.

Step 3: Show it's possible – facilitate entrepreneurial initiative to connect producers and buyers.

Within east central Illinois there are small local food producers that can serve as initial building blocks for a local food program. LFF can help facilitate connections between producers and buyers which is often a missing, yet critical, piece for getting more good food into markets. Strong communications and connections between producers and buyers will help harness demand for these products to stimulate greater supply, build local farming businesses, and help LFF understand what additional support or system investments are needed to continue to grow a local food system. A specific initiative in this area will help producers better understand their markets and the requirements of buyers and for buyers to develop a better understanding of production capacities and potential.

There are good examples of how a convening of buyers and producers leads to the development of local food systems. In Portland, Oregon, the Oregon Health and Science University has developed a local sourcing program where institutional buyers work directly with buyers to provide fruit, vegetables, and meat in way that addresses food service specifications (see case study #4). Understanding the requirements of the buyer has helped farmers adjust their production and expand their operations. Good Natured Family Farms (GNFF) is a co-op established to meet the growing demand for local food from a regional retailer called Balls Food Stores in Kansas City, Missouri. GNFF was organized by one of the growers, and over time the group added its own processing capacity and developed its own brand name and labeling. Based on their growing relationship, Balls Food invested heavily in marketing and signage for the Buy Fresh, Buy Local campaign. They held in-store events for shoppers to meet the GNFF growers and establish the local connection. The partnership took many years to perfect, but continues and is heralded by all parties as an enormous success today.¹²

In Michigan, the FoodSystem Economic Partnership (FSEP) also brings together stakeholders from across the food system and forges relationships between buyers and producers (see case study #5). The FSEP is a five county initiative working in partnership

¹² A case study of GNFF and Ball Foods is being developed by the Wallace Center at Winrock International under a different project. It will be sent to the LFF upon completion.

to develop economic opportunities based on local food production and are currently developing farm to school programs and forming linkages between producers, farmers, processors, retailers, and government.

Action Item # 3

The Delta Team recommends that LFF fund an initiative that will convene current meat and poultry producers in east central Illinois and a coalition of restaurants in Chicago to understand the demand for sustainable meat and poultry and the extent to which it can be met by producers in the region. This effort can be coordinated with Action Items 1 and 2 above. Initiatives that exemplify the potential for economic gain in diversified production will help to make the case for a local food program.

The goal of this initiative will be to formalize east central Illinois as a producing region for Chicago restaurants. In Chicago, there are several buyers who are interested in an initiative on local sourcing. Recently the Chicago Green Restaurant Coop was formed to aggregate the procurement of “green” restaurant supplies. This group, formed by Dan Rosenthal of Soprafina has about 30 participating restaurants; a subset of those is interested in working on a local food sourcing initiative. In addition to these restaurants, there are other restaurants and buyers that are interested in local sourcing and would participate in the initiative. These include hotels such as the Palmer House and the Fairmont, and distributors such as Testa Foods and JDY.

An initiative that explicitly links buyers with producers in east central Illinois will accomplish a number of important objects for the LFF Local Food Program:

- Establish and promote east central Illinois as a producing region for Chicago.
- Articulate the demand for local food of Chicago restaurants, distributors, and institutional buyers
- Determine the specifications required to meet the demand
- Identify the support needs (business, marketing, policy, processing, distribution, etc.) for producers to participate in the market
- Demonstrate the potential for increased local food production in the region and communicate the economic benefits

Step 4. Partner with new farmer education and development programs. In order to build diversified production in the LFF region, it is imperative that the Foundation establish a supportive and nurturing role in new farmer education. A new farmer could be anything from a young farmer or urban transplant to a commodity grower transitioning to a diversified operation. Although we are grouping new and transitioning farmers here it is

important to note that they will have some needs in common and some distinctly different needs. Because of the lifestyle and cultural challenges, farm diversification or transition out of commodity production will be challenging for current farmers. Entry into farming for non-commodity production will be similarly challenging with respect to production support, marketing, and distribution. In order to have an impact on future farming, LFF has to be part of the capacity building and education system of these “new generation” farmers. The demand for new farmer training programs, especially combined with a strong on-farm apprenticeship experience, has grown nationally over the last years. Colleges and universities, often driven by student initiative, have developed programs that are tied in with their horticulture and environmental programs¹³; students have sought out farm experiences through WWOOF and seasonal on-farm apprenticeships. LFF can take a regional lead in developing an innovative farmer-development program for the east central Illinois region that will offer continuing education opportunities and on-farm experience for a wide variety of residents.

Action Item # 4

Partner with Central Illinois Farm Beginnings (CIFB) and become actively involved in establishing a course in east central Illinois. CIFB was adapted from the Minnesota Land Stewardship Farm Beginnings curriculum. Run jointly by Deborah Cavanaugh-Grant, Illinois Extension small farm specialist, and Terra Brockman, founder of The Land Connection, CIFB is one of two Farm Beginnings programs in Illinois. With only two Illinois locations, Farm Beginnings is ripe for expansion and the materials that CIFB has developed offer a starting point for other regional programs.

- Currently, CIFB has a year round Farm Beginnings program and a half-day program called Farm Dreams. Both of these programs could be implemented in the LFF region. The full-year Farm Beginnings course concentrates on business and marketing plans for the first six months while helping new farmers hone in on the type of farming they are most interested in pursuing. The second six months are made up of a mentorship program and field days. Farm Dreams is designed for people interested in evaluating their farming options, skills and interest but who don't have the time to take the full Farm Beginnings course. This course is regularly offered on a county level in the central Illinois region.
- Farm Beginnings is expandable. While the current class focuses on newer farmers and helping them investigate farming practices and business development, additional advanced or specialized courses could be developed. For example, LFF could develop

¹³ For example see: www.msuorganicfarm.com/

a program for mid-size farms or transitioning farms in addition to or exclusive from the introductory course.

- LFF can develop the east central Illinois materials based on the CIFB course to best suit the LFF region. For example, economic models detailing the financial realities of non-commodity agricultural production could be used to illustrate the economic opportunity of diversified production. Farmers in the LFF area need to be shown how different farming operations will look financially over time.
- Developing a strong mentorship or internship programs is vital for the entrepreneurial passion and success of new and transitional farmers. New farmers also need to understand how different types of farming will impact their lifestyle. Talking with farmers, you quickly learn that most of them produce what they do because they have a deep connection and passion for it. Their decision on what to farm directly impacts their lifestyle. What does a year in the life of a dairy farmer, peach farmer, or egg producer look and feel like? Through its partners, LFF could develop an in-depth hands-on opportunity for these new farmers to work along side established farmers.

The Springport, MI chapter of FFA is part of a proud legacy providing relevant and innovative programming to encourage a new generation of farmers to take to the land (see case study #6). The Springport FFA chapter organizes and maintains a series of innovative agricultural enterprises that teach students sustainable and profitable farming systems. The FFA chapter and its students manage a hydroponic greenhouse, a pastured poultry enterprise and a student-run farm stand. They provide students with supervised farm experiences and engage in numerous community building activities. The curriculum taught by the Springport FFA supports a transition to local food systems. The real advantage of working through FFA is that in many cases it engages with young people who come from the family farm, understand the lifestyle, have access to land and equipment, and have their parents support to develop new enterprises.

Action Item # 5

LFF should identify alternative ways to reach a broader pool of potential new and transitional farmers and connect with entrepreneurs. While Farm Beginnings is an excellent investment in training farmers and building business capacity it will not be for every one. For both short and long term success, more needs to be done. LFF should conduct a more thorough analysis of educational and capacity building options for the foundation to support to augment Farm Beginnings.

- Work with leaders in local colleges and universities that want to build their career on sustainable and organic farming to design alternative capacity building programs for new farmers.
- Identify existing entrepreneurial programs, college courses, organizations and link what they are doing to entrepreneurial food and agriculture.
- Engage with the region's FFA chapters. Nationally, young people in this organization have demonstrated strong attraction to local food enterprise and are a key strategy for keeping young people in farming and growing the supply of sustainable products. In the LFF region, FFA connects with children of current farmers giving diversified on-farm projects easy access to farmland, equipment and local farmer expertise. This built-in farming lineage should be cultivated as it is one of the best ways of keeping young people in agriculture.

Step 5: Develop sources of credit and capacity for enterprise development. At the center of a local food system will be independently owned food businesses whether they be farms, processors, distributors, brokers, wholesalers, retailers or restaurants. These enterprises will need start up and growth capital as well as business assistance. The first step to accessing credit is having a solid business proposition. As already pointed out a focus on greater business capacity is needed. However, sometimes that is not enough. Farm loans for non-commodity agriculture are not seen as attractive to private banks and other options are limited. As a result, the LFF can accelerate the growth of a local food system by fostering greater access to credit. There are a number of potential solutions to the credit problem but not all are applicable at this time. The most appropriate for the target area include: micro-finance or small loan funds and selected state programs,

Small-loan or micro-finance programs can be achieved in a number of ways. The Iowa Micro-Enterprise Assistance Program (I-MAP) is being developed by a working group of business leaders, small enterprise specialists, and research institutes in Iowa (case study #7). The program operates both as a loan loss/guarantee mechanism for the lenders as well as a borrowing program for its clients. Through the program small entrepreneurial businesses would have access of up to \$50,000 in funding at competitive rates through commercial banks, the Iowa Revolving Loan Fund, and other non-traditional lenders. This innovative program will use state financed tax credits that it either sells or exchanges on the open market with traditional lenders, who in turn use the credits to secure the otherwise risky loan. The guarantee program would cover 80% of loan loss by the financing agent allowing them to make capital available to a wider pool of entrepreneurs.

Nationally, micro-enterprise loan activity is finding new life as economic development based on accelerating local economies through small business development grows. The Association for Enterprise Opportunity (AEO), a national membership organization, reports

that there are programs in nearly all 50 states that reach nearly 300,000 micro entrepreneurs and small business owners. Programs like those cited by the AEO and similar to I-MAP have the ability to accelerate the development of a local food system by encouraging economic development as a whole and agriculture enterprise development in particular.

Other small loan programs can be created through foundation deposits into a private bank. Using the deposit as a form of guarantee or collateral, the bank then makes loans to a specified target audience (farmers) in an amount greater than the deposit amount.

A review of state programs indicates that most of them are not designed to support a more diverse or local food system rather they support and expand the commodity based economy. However, there are several exceptions:

- Agri-FIRST - the Illinois Department of Agriculture's¹⁴ only economic development program; designed to help provide planning (including technical assistance) and construction funds to expand the number of value-added agricultural businesses in Illinois.
- The Illinois Finance Authority¹⁵ has various programs some of which can be applicable to local food and value added enterprises. Those that stand out include: Value Added Stock Purchase, Specialized Livestock Guarantee Program, and the State Guarantee Program for Agri-Industries. The IFA can also help identify any federal programs that may be applicable for larger processing operations such as livestock processing or oil extraction facilities.
- In addition the IRS statute allows states to issue Aggie Bonds that have a 25 year payback. As a result many counties offer beginning farmer loans. These are single tax except private placement bonds that can be used for first time real estate purchases and are heavily used in IL.

Farm Credit Services (FCS) is active in financing value added agriculture with most of the attention going to ethanol facilities. FCS guarantee requirements can be less than banks and there are numerous offices in the region. There is potential with FCS and more progress could be made by engaging them in the LFF initiative.

Shifting something as fundamental as the food system is by its nature a long term endeavor and will require resources over the much of the transition. It is hard to predict how long it will take and it will vary by region. A number of states, counties and

¹⁴ www.agr.state.il.us

¹⁵ www.il-fa.com/

communities have investigated how to direct existing assets towards community needs through what is termed Transfer of Wealth (TOW). The concept is simple and the mechanisms to achieve it are well developed but can be complex. Many regions of the country, including the target region, are rich in land assets and to a lesser extent cash and other assets. With many farmers looking at retirement within the next ten to fifteen years there is an opportunity to direct a portion of the value of these assets toward community needs while at the same time taking advantage of tax incentives to make it attractive for the current owner (as well as those destined to inherit the asset) to make the contribution. Philanthropic giving in this way can reduce the amount of tax that is paid as the wealth is transferred. Arranging for matching funds provided by foundations, large donors, and corporations can also help convince smaller donors to contribute to a community foundation fund focused on localized food systems.

According to a study by the RUPRI Center for Rural Entrepreneurship the ten year estimate of TOW for central Illinois (which includes a number of the counties in the LFF region) is \$21 billion¹⁶. If just five percent of this were captured into community endowments, an estimated \$1.05 billion fund would be realized. If five percent were drawn off this fund each year over \$52 million would be available for community programs. While likely not very realistic for the LFF region, these numbers are inspiring enough to further study TOW initiatives that could support local food system initiatives.

The challenge in this arena is to build a culture of philanthropy: among local financial professionals so they can work with their clients and provide them giving options as they manage their assets; among the donors community so that they prioritize community needs in their decisions; and among non-profits so they are doing good food systems work and communicate that to donors.

Action Item # 6

Build Capacity for Food and Farming Enterprise Development;

- Work with the Farm Beginning Program staff to coordinate and offer enterprise development support outside of the year long course.
- Partner with the Crossroads Workforce Investment Board in their effort to start a Small Business Development Center in the region. This will bring an economic development person into this office to match the jobs work they successfully do. LFF

¹⁶ Wealth Transfer in Illinois. RUPRI Center for Rural Entrepreneurship for the Donors Forum and the Midwest Community Foundations' Ventures. 2007.

http://www.donorsforum.org/forms_pdf/StateResearchReport.pdf

should take the lead to leverage greater federal investment in the Center by coordinating with other local foundations to invest in the center.

- Engage Service Corps of Retired Executives (SCORE)¹⁷. SCORE and the Small Business Administration (SBA) conduct seminars throughout Illinois on starting and running a business, as well as provide individual counseling. The goal would be to have understanding of and defined focus on food and agriculture enterprises and to coordinate their available skills with Farm Beginnings and Crossroads Center.

Develop Greater Farmer and Entrepreneurial Access to Credit:

- Utilize the economic development gathering from Action Item #4 to explore and prioritize means of developing micro-enterprise and small business loan programs in the region (and to reveal those that already exist that could be applied to local food systems¹⁸).
- Utilize LFF funds to create small loan opportunities by working with local banks.
- As a long term strategy, work with community foundations in the region (for example in Mattoon and Effingham) to consider development of a fund to support local food systems that is built upon donations through transfer of wealth opportunities and matching donations.

Foster Leadership and Link Networks

Step 1: Network producers, buyers, and support agencies in east central Illinois. In order to develop a local food system, it is important to establish a network of producers, buyers, and support agencies in the region to build a local food production culture. Through networking people learn from one another; they get new ideas, make contacts, develop their knowledge and capacities, and can more efficiently develop their business. Investing in a network is a logical role for LFF that will have many rewards.

The FSEP (case study #5) is an example of a multi-county network. In the Four Corners region, the Southwest Marketing Network (SWMN) is an example of a multi-state network (case study #8). The SWMMN operates as a link between local food system projects, helping non-profits and other service providers' better link to each other and the farmers

¹⁷ Offices in Champaign, Decatur and Springfield. <http://www.score.org/findscore/>. For more information on SCORE, call Voice: 312-353-7723 and TDD: 312-886-5108

¹⁸ For example, the SBA 7(m) Micro-Loan Program operated through nonprofit lending organizations. Pilot program in 2006 with maximum loans of \$35,000. For more programs that may apply see: <http://www.illinoisbiz.biz/NR/rdonlyres/E877D564-EDFD-4EA4-9E8E-C0C9D6871168/0/IllinoisBusinessFinancingMatrix806.pdf>

they serve. SWMN also maintains a resource web site, hosts an annual conference, and produces a monthly newsletter. SWMN has provided seminars, trainings, and technical assistance that have allowed many farms to explore and utilize new markets and marketing strategies.

The White Dog Community Enterprises is another example of a network; however this one was started by a business owner looking to source more local food. She found that she could help herself while helping others (case study #9). Started by Judy Wicks of the White Dog Café, this network has spawned a number of businesses/projects including: The Restaurant Project; Buy Fresh/Buy Local campaign; Fair Food Farmstand; Farmer Outreach Project; The P.I.G (Pigs in Grass) Alliance; and a Farm to Institution effort. A key lesson from White Dog is that leadership counts. In this case it came from the for-profit sector and resulted in economic and social returns.

Action Item # 7

The Delta Team recommends that LFF begin the development of a local food system network by co-sponsoring an annual conference on diversified food production in east central Illinois. The conference would bring together all aspects of the food system and would create a venue for capacity building training in key areas, such as business planning, marketing, and regulatory compliance. The conference can also be an opportunity to identify system development investment needs and future funding priorities for LFF. There are numerous area conferences during the winter that LFF could partner with including, but not limited to, the Specialty Crop Conference and the Midwest Organic and Marketing Conference. The Delta Team advises that LFF keep their focus on local production as opposed to certain types of production like organic. It's important to keep diversified farming and economic opportunities as broad as possible to encourage farmer inclusion in the region.

This annual conference can highlight other related business opportunities including, but not limited to, product and equipment supplies, incubator kitchens, value-added production, distribution, packing and shipping, business and marketing system development, and technical development including website design.

Step 2: Link east central Illinois to other food producing regions in the Midwest. Given the current food system in east central Illinois and the dominance of corn and soybean production, the region will not be able to achieve a broad range of diversified production in the near term. As east central Illinois finds its niches in local food production (e.g., meat, poultry, dairy, specialty grain, etc.) and begins to serve demand centers such as Chicago, it

is important to form linkages and networks with other growing regions in the Midwest that are positioned to serve the same markets. Doing so will create opportunities for learning and identify mutually beneficial marketing and production strategies and formalize growing regions for key demand centers like Chicago. To accomplish these linkages will require leaders from within the region. Leaders from for profits, non-profits and agencies will need support to emerge and develop.

Action Item # 8

The Delta Team recommends that LFF develop a program that supports the emergence and development of leadership for local food system within the target area and intentionally reaches out beyond the area in order to accelerate change. We propose a LFF Leadership Program in Food Systems (or Fellows Program). A program like this would ensure there is a core set of people in the region that are actively learning and working to develop local food systems. They would be empowered by meeting as a group and by support from the foundation to reach out to other parts of the Midwest to learn about innovative models, projects, strategies, and markets.

Role of Fellows:

- Represent the LFF region at conferences in the Mid-West region and bring back learning and contacts
- Create a key group of leaders in the region who can help plan the regional conference (from Action Item #7)
- Core of regional network and focus of capacity building efforts

Benefits to Fellows:

- Network and learn from others in region
- Some travel and registration costs for conferences covered by program
- Program would cover some capacity building fees in region
- Others that can be identified and offered

Types of participants

- Farmers and entrepreneurs
- Change agents such as extension, NGO leaders and agency people
- Staff at banks or other financial institutions

Other:

- One option is to make it a 2 year program with a new class each year. A one year program with a new class would work as well. The benefit of a two year program is networking and learning between classes.

- A class size of between 8-12 fellows in each class would be desirable both LFF and the Fellows
- There are numerous fully-developed fellowship and leadership programs that could be studied in order to design an appropriate and affordable program here. This study could be done by the LFF Local Food System Program Officer.

The Fresh Taste Initiative (FTI) for the state of Illinois is a unique and timely opportunity for the LFF work in this region. We recommend that the LFF continue to work closely with the FTI. As FTI takes shape it will be important to identify how the region may benefit from this statewide initiative. With the FTI still in process, it is unclear how to interact with it such that this region contributes (beyond the leadership Lumpkin has shown for it) and benefits from it. The LFF staff person should be in regular contact with FTI staff and leaders to ensure the connections between the two programs. Some possible options include: identifying and securing investments (grants or other) from outside the target area; building local capacity to supply products to demand centers (Chicago) that are the focus of FTI; and linking LFF Fellows with the broader network that may form around the FTI.

Step 3: Link regional leaders to national local food movement and networks. Building off of local and Midwestern networking, there are opportunities to link regional leaders to the national local food movement and networks. This will help to further develop the capacity of producers in east central Illinois and the Midwest and attract resources. It is beneficial that the leadership of LFF is currently engaged in regional and national networks. Building on this by encouraging additional individuals from the region to engage with local and sustainable food efforts beyond the region would be the next step.

Action Item # 9

LFF can initiate efforts for national linkage by:

- Underwriting fellowship positions for east central Illinois leaders in the Kellogg Food and Society Policy Fellows program. Robert Myers, director of the program and head of the Jefferson Institute Agricultural Institute, indicated this would be feasible and welcome.¹⁹
- Further, LFF can request to become a member of the Kellogg Foundation's Food and Society (FAS) planning team to ensure that east central Illinois and Midwest issues are well represented and to develop programs within conference that will establish effective linkages between Midwest and national networks. The Wallace Center

¹⁹ See www.foodandsocietyfellows.org and contact Dr. Myers at rmyers@jeffersoninstitute.org

partners with the Kellogg Foundation to produce this conference and would be willing to assist.

- Offer travel and tuition scholarships for local food systems leaders and entrepreneurs to attend regional and national trainings and conferences with the responsibility of developing linkages with other organizations and businesses.
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Maps, Graphs, and Charts

Figure 1

Lumpkin Study Area
 16 County Region
 9,885 square miles

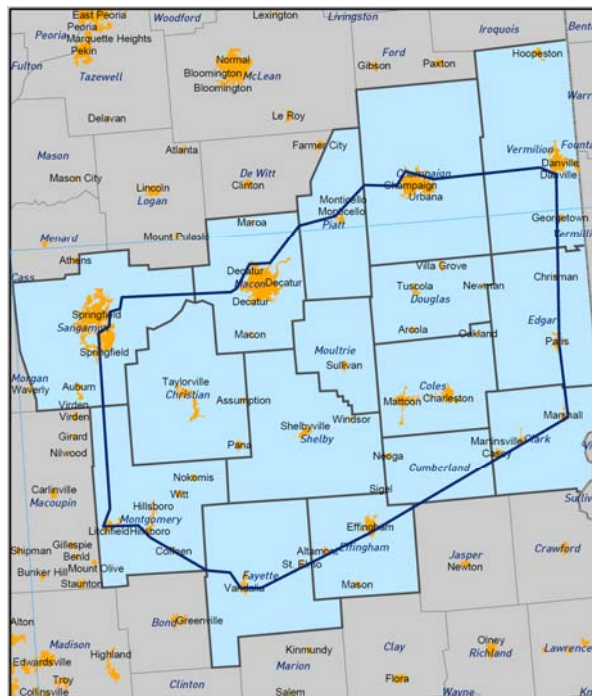


Figure 2

Production: Soybeans

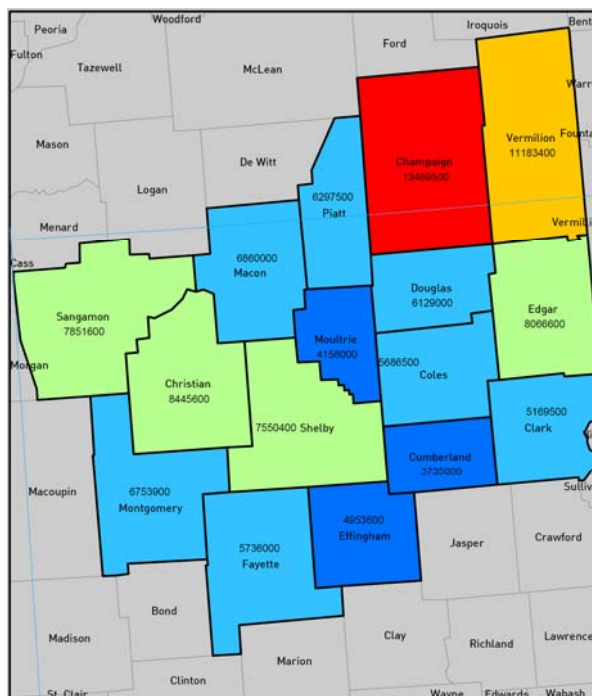
Region accounted for 23% of Illinois soybean production.

Five counties in top ten production in 2006:

- Champaign (4)
- Vermilion (6)
- Christian (8)
- Edgar (9)
- Sangamon (10)

Macon was second in Illinois in yield in 2006 with 56 bushels/acre.

7 other counties in region had average yields of 55-54 bushels/acre.



** Data from the USDA National Agricultural Statistics Service*

Figure 3

Production: Corn

Region accounted for 22% of Illinois corn production.

Three counties in top ten production in 2006:

- Champaign (5)
- Sangamon (8)
- Vermilion (9)

Three counties in top ten for yield:

- Piatt, 182 bushels/acre
- Champaign, 180
- Macon, 179



** Data from the USDA National Agricultural Statistics Service*

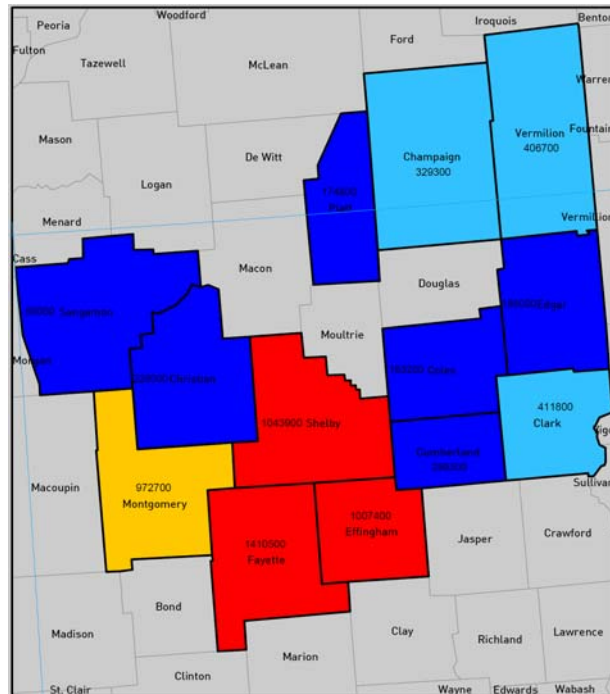
Figure 4

Production: Wheat

Region accounted for 11% of Illinois wheat production.

Two counties in top ten for yield:

- Piatt, 92 bushels/acre
- Champaign, 89



** Data from the USDA National Agricultural Statistics Service*

Figure 5

Production: Vegetables and Orchards

Small amount of vegetable and orchard acreage reported.

Peoria, Tazewell and Mason, located to the northwest have a significant amount of vegetable acreage.

	Vegetables Harvested		Orchards	
	Farms	Acres	Farms	Acres
Champaign	21	(D)	12	72
Christian	4	9	6	11
Clark	4	101	4	8
Coles	13	23	2	(D)
Cumberland	3	7	2	(D)
Douglas	9	131	5	16
Edgar	2	(D)	3	9
Effingham	6	57	2	(D)
Fayette	12	78	9	92
Macon	9	91	7	45
Montgomery	2	(D)	3	(D)
Moultrie	4	(D)	2	(D)
Piatt	6	16	5	8
Sangamon	9	67	11	41
Shelby	2	(D)	12	33
Vermilion	6	17	3	4
Area Total	112	597	88	339
Illinois	1,107	70,430	830	8,168

Vegetables in Area, # of Farms:

- | | | |
|----------------|------------------|------------------|
| Asparagus, 11 | Leaf Lettuce, 1 | Spinach, 2 |
| Snap Beans, 17 | Okra, 1 | Squash, 12 |
| Beets, 2 | Dry Onions, 6 | Sweet Corn, 50 |
| Broccoli, 2 | Green Onions, 3 | Tomatoes, 43 |
| Cabbage, 3 | Green Peas, 2 | Turnips, 6 |
| Cantaloupe, 18 | Bell Peppers, 19 | Turnip Greens, 1 |
| Cauliflower, 1 | Chile Peppers, 5 | Mixed Veg, 1 |
| Cucumber, 8 | Pumpkins, 35 | Other Veg, 4 |
| Eggplant, 1 | Radishes, 1 | Watermelons, 20 |
| Garlic, 3 | Rhubarb, 3 | |

* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Tables 28-30.

Figure 6

Farm Subsidies

Rank	County	Total USDA - Subsidies	Pct of Total
		2005	Total
5	Champaign County, Illinois	\$42,335,872	2.40%
7	Sangamon County, Illinois	\$35,909,290	2.10%
10	Christian County, Illinois	\$33,648,264	1.90%
11	Vermilion County, Illinois	\$33,535,907	1.90%
18	Edgar County, Illinois	\$25,122,287	1.40%
19	Shelby County, Illinois	\$25,069,716	1.40%
22	Macon County, Illinois	\$24,049,691	1.40%
24	Montgomery County, Illinois	\$24,008,547	1.40%
34	Piatt County, Illinois	\$20,157,229	1.20%
35	Douglas County, Illinois	\$19,458,202	1.10%
39	Coles County, Illinois	\$17,544,581	1.00%
45	Clark County, Illinois	\$15,341,931	0.90%
47	Fayette County, Illinois	\$14,898,529	0.90%
53	Moultrie County, Illinois	\$14,370,233	0.80%
62	Effingham County, Illinois	\$12,592,163	0.70%
71	Cumberland County, Illinois	\$11,030,106	0.60%
	AREA TOTAL	\$369,072,548	21.10%
	STATE TOTAL	\$1,359,896,663	

* Environmental Working Group, USDA Subsidy Programs Data.

Figure 7

Farm Subsidies

Total USDA - Subsidies by year, Champaign County, Illinois

Year	Total USDA - Subsidies
1995	\$13,406,952
1996	\$8,918,418
1997	\$13,878,397
1998	\$25,722,675
1999	\$44,463,564
2000	\$49,483,160
2001	\$47,864,208
2002	\$14,949,096
2003	\$20,784,461
2004	\$28,953,996
2005	\$42,335,872
Total	\$310,760,800

Top Commodity and Conservation Programs in Champaign County, Illinois

Rank	Program	# of Beneficiaries PY 2003-2005	Total PY 2003-2005
1	Corn Subsidies	4,379	\$78,824,810
2	Soybean Subsidies	4,326	\$11,161,672
3	Conservation Reserve Program	1,840	\$5,353,594
4	Wheat Subsidies	694	\$305,755
5	Env. Quality Incentive Program	68	\$167,218
6	Dairy Program Subsidies	2	\$48,350
7	Dry Pea Subsidies	12	\$8,390
8	Wildlife Habitat Incentives Program (WHIP)	2	\$5,577
9	Oat Subsidies	163	\$1,916
10	Wool Subsidies	4	\$989
11	Sorghum Subsidies	1	\$228
12	Barley Subsidies	8	\$110
13	Sunflower Subsidies	9	\$42

** Environmental Working Group, USDA Subsidy Programs Data.*

Figure 8

Infrastructure

Good network of major highways, roads and railways

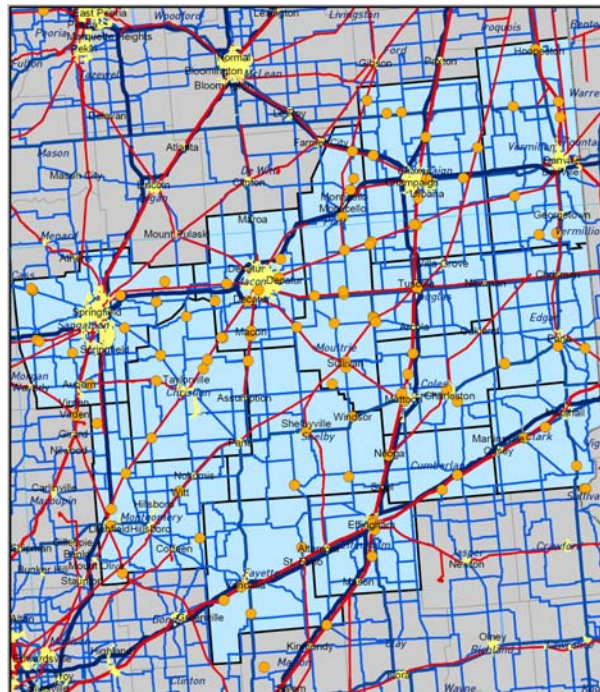
982 registered grain facilities in Illinois

217 in study area

110 on map

- Elevators
- Warehouses
- Brokers
- Dealers

Trucking operations



** Grain entity information from the Illinois Department of Agriculture.*

Figure 9

Farm Value

	Est. Value of Land/Buildings		Est. Equip. Value	
	Ave \$/Farm	Ave \$/Acre	Ave \$/Farm	Total
Champaign	\$ 1,284,092	\$ 2,890	\$ 132,373	\$ 169,967,000
Christian	\$ 1,339,210	\$ 2,530	\$ 129,646	\$ 100,606,000
Clark	\$ 783,541	\$ 1,950	\$ 105,225	\$ 58,400,000
Coles	\$ 977,295	\$ 2,716	\$ 96,799	\$ 66,017,000
Cumberland	\$ 604,166	\$ 2,123	\$ 89,019	\$ 51,008,000
Douglas	\$ 1,105,880	\$ 2,970	\$ 94,937	\$ 54,968,000
Edgar	\$ 1,284,359	\$ 2,341	\$ 120,223	\$ 80,189,000
Effingham	\$ 487,464	\$ 2,170	\$ 68,262	\$ 77,409,000
Fayette	\$ 515,875	\$ 1,714	\$ 59,276	\$ 73,265,000
Macon	\$ 1,504,821	\$ 3,057	\$ 131,746	\$ 84,844,000
Montgomery	\$ 784,478	\$ 2,033	\$ 108,531	\$ 105,058,000
Moultrie	\$ 1,129,060	\$ 2,952	\$ 138,390	\$ 61,168,000
Piatt	\$ 1,827,180	\$ 2,981	\$ 171,835	\$ 75,607,000
Sangamon	\$ 1,318,704	\$ 2,829	\$ 132,730	\$ 129,013,000
Shelby	\$ 788,230	\$ 2,341	\$ 91,751	\$ 110,560,000
Vermilion	\$ 1,268,611	\$ 2,467	\$ 135,076	\$ 122,244,000
Area Total	\$ 1,062,685	\$ 2,504	\$ 112,864	\$ 1,420,323,000
Illinois	\$ 913,251	\$ 2,425	\$ 102,242	\$ 7,386,281,000

* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Table 8 and Table 38

Figure 10

Farm Size

Average: 424 Acres

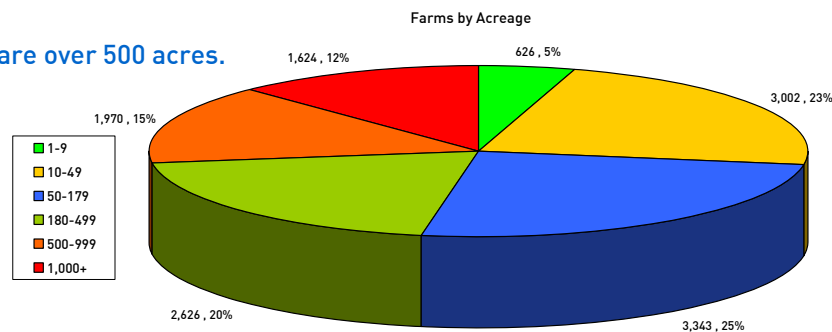
Median: 203 Acres

Higher than State

53% of Area Farms are under 180 acres.

27% are over 500 acres.

	Farms	Farmland	Farmland	Farmland
	#	Acreage	Ave. Acreage	Med. Acreage
Champaign	1,285	577,066	449	264
Christian	796	410,549	516	280
Clark	581	275,318	474	150
Coles	684	261,138	382	160
Cumberland	583	173,363	297	128
Douglas	576	232,690	404	154
Edgar	667	355,035	532	271
Effingham	1,134	278,199	245	131
Fayette	1,248	365,680	293	107
Macon	646	320,646	496	280
Montgomery	1,001	362,300	362	167
Moultrie	441	186,478	423	160
Piatt	442	257,869	583	405
Sangamon	970	468,314	483	171
Shelby	1,228	419,814	342	162
Vermilion	909	449,964	495	259
Area Total	13,191	5,394,423	424	203
Illinois	73,027	27,310,833	374	164



* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Table 1.

Figure 11

Farmers

13,191 Area Farms

1/3 of operators list a different occupation as their primary employment.

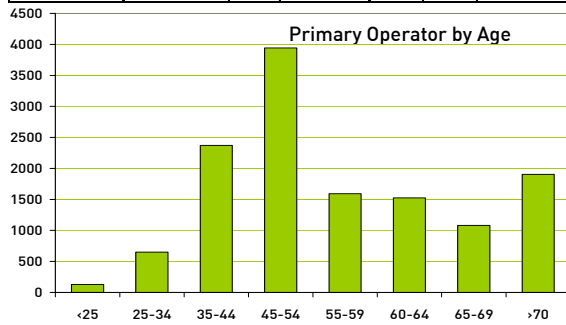
55% of operators work off the farm, over 100 days or more.

Average age of principle operator: 54.3 years

Only 24% of primary operators were under 35.

46% were are over 55.

	Primary Occupation			Off Farm Work		
	Farming	Other	% Farming	No	Yes	% Off Farm
Champaign	931	354	72%	566	719	56%
Christian	521	275	65%	351	445	56%
Clark	354	227	61%	249	332	57%
Coles	451	233	66%	302	382	56%
Cumberland	357	226	61%	239	344	59%
Douglas	415	161	72%	252	324	56%
Edgar	470	197	70%	344	323	48%
Effingham	653	481	58%	398	736	65%
Fayette	755	493	60%	573	675	54%
Macon	474	172	73%	321	325	50%
Montgomery	614	387	61%	438	563	56%
Moultrie	310	131	70%	213	228	52%
Piatt	344	98	78%	238	204	46%
Sangamon	610	360	63%	437	533	55%
Shelby	806	422	66%	531	697	57%
Vermilion	633	276	70%	431	478	53%
Area Total	8698	4493	66%	5883	7308	55%



* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Table 40.

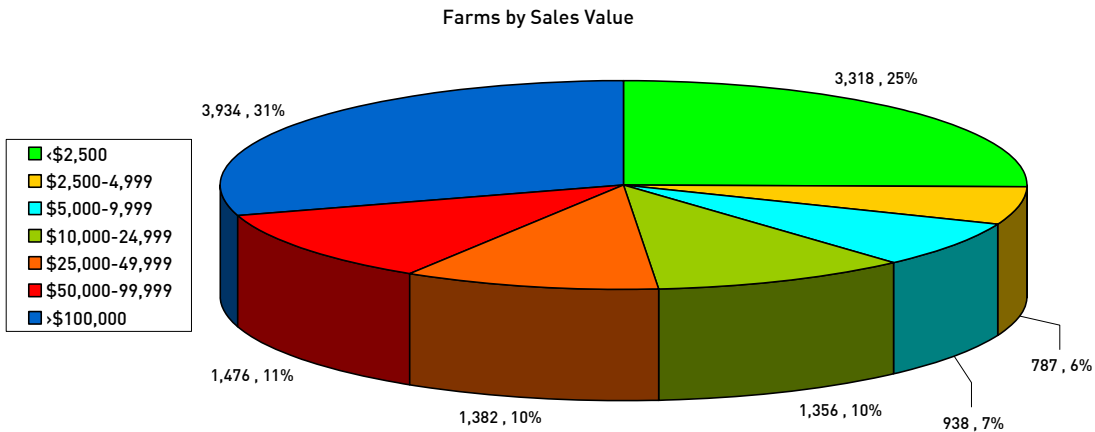
Figure 12

Farm Sales Value

25% of farms in region have a value of <\$2,500

48% are below \$25,000 in sales value

31% are above \$100,000

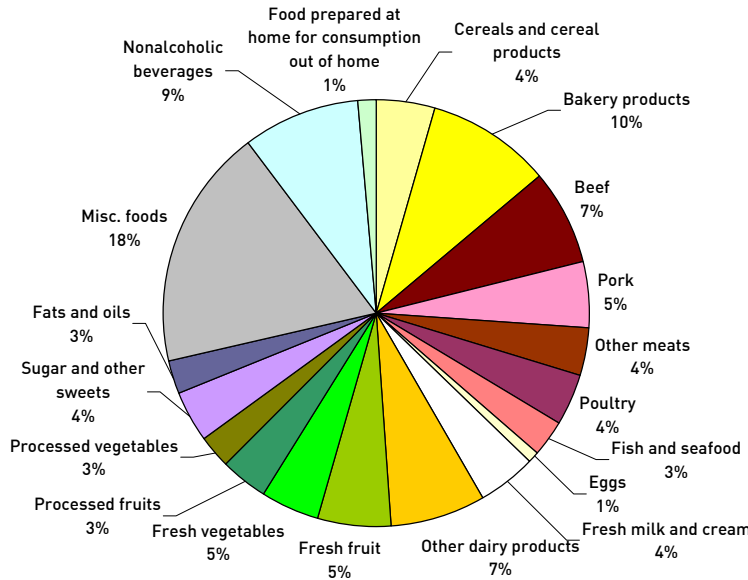


* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Table 2.

Figure 13

Food Consumption

Over \$3.3 billion spent on food
 54% spent on food at home
 46% spent on food away from home



Food	\$
Food	3,327,093,000
Food at Home	1,799,319,000
Cereals and bakery product	252,240,981
Cereals and cereal products	79,596,043
Bakery products	172,644,938
Meats, poultry, fish and eggs	418,720,029
Beef	129,483,704
Pork	89,685,682
Other meats	63,901,049
Poultry	69,506,404
Fish and seafood	49,327,125
Eggs	16,255,530
Dairy products	209,640,282
Fresh milk and cream	80,717,114
Other dairy products	129,483,704
Fruits and Vegetables	288,115,254
Fresh fruit	96,972,644
Fresh vegetables	83,519,792
Processed fruits	61,098,371
Processed vegetables	46,524,448
Other food at home	631,162,989
Sugar and other sweets	69,506,404
Fats and oils	46,524,448
Misc. foods	329,034,347
Nonalcoholic beverages	161,994,764
Food prepared at home for consumption out of home	23,542,492
Food away from home	1,527,774,000

* Category breakdown from Consumer Expenditure Survey, Bureau of Labor Statistics, Regional Total from Demographics USA.

Figure 14

Regional Consumption vs. Production

Regional Caloric Consumption			
Area Residents	863,963	Calories/day	1,727,926,000
Average Calories/Day	2,000	Calories/year	630,692,990,000

Regional Caloric Production			
Crop	Calories/Acre	Acres	Calories
Corn	3,124,240	2,347,217	7,333,269,240,080
Soybeans	1,534,000	2,301,425	3,530,385,950,000
Wheat	1,788,000	69,553	124,360,764,000
Total		4,718,195	10,988,015,954,080

On a caloric basis, region produces a surplus of 10 trillion calories over regional requirements (over 17 times more).

Only includes calculation from soybeans, corn and wheat, not other crops, livestock, dairy, eggs, etc.

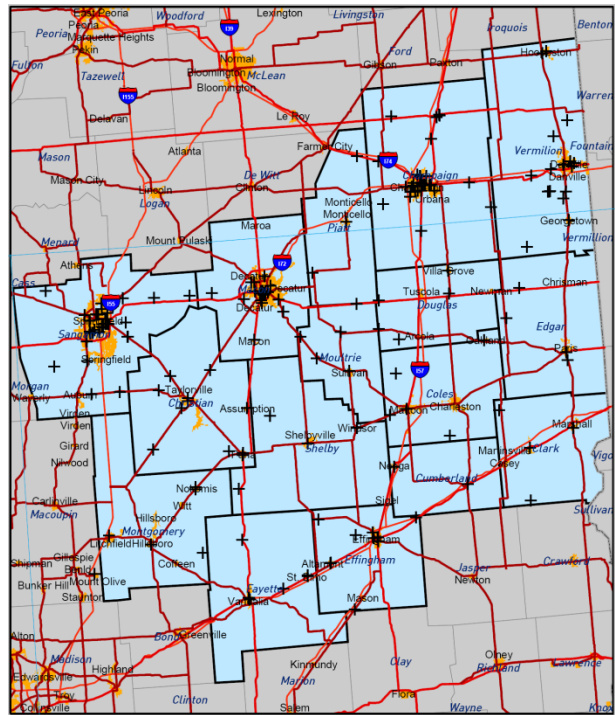
* Calories/Acre from U.S. Department of Agriculture Farmers' Bulletin No. 877.

Figure 15

Food Consumption

- 1600+ Restaurants
- 766 Retail Food Stores
- 210 Grocery (map)
- Others include:
 - Convenience
 - Bakery
 - Specialty

	Restaurants	Food Retail	Caterers
Champaign	369	144	31
Christian	50	36	2
Clark	34	12	0
Coles	95	41	7
Cumberland	11	8	0
Douglas	39	23	1
Edgar	27	13	0
Effingham	81	46	9
Fayette	33	23	1
Macon	184	83	24
Montgomery	65	40	2
Moultrie	22	22	2
Piatt	21	20	1
Sangamon	416	158	48
Shelby	30	23	2
Vermilion	120	74	17
Total	1597	766	147



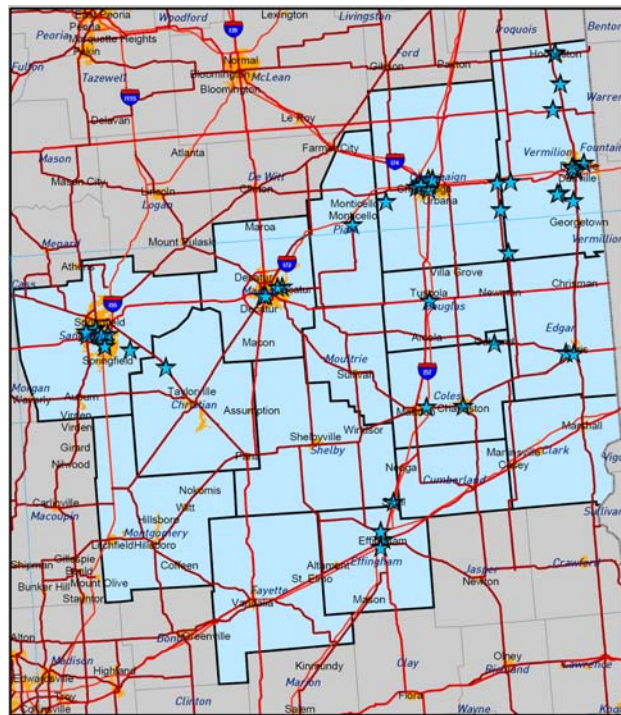
** Data from the USDA National Agricultural Statistics Service*

Figure 16

Manufacturers

- Cheese Processor
- Canning
- Flour Mills
- Milling
- Bread
- Soybean Oil
- Fats & Oils
- Noodles
- Food Products
- Garlic
- Organic Chemicals

Difficult to tap into market for small and mid-sized farms.



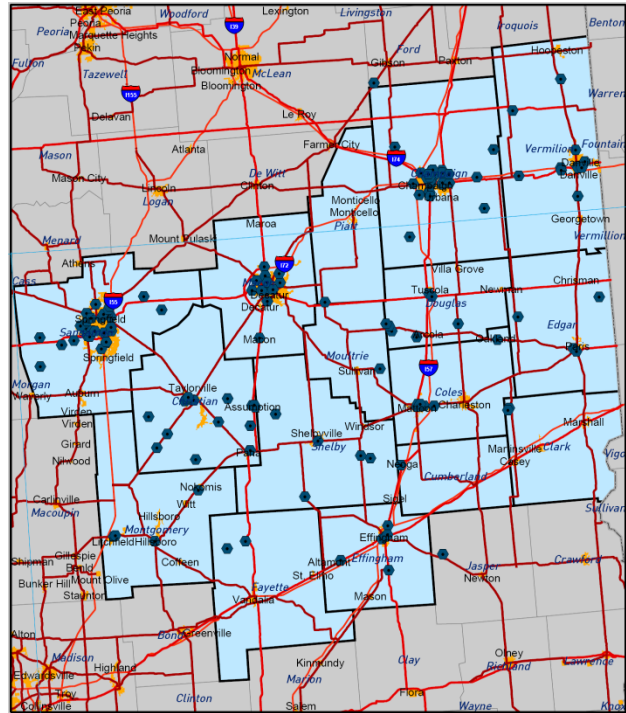
** Information provided by Market Maker from national marketing database..*

Figure 17

Wholesale

169 businesses defined as wholesale including:

- Food Products
- Food Brokers
- Grocers
- Fruit Juices
- Dairy Products
- Ice Cream Mixes
- Fruits and Vegetables
- Bakers
- Meat
- Flour
- Condiments and Sauces
- Soybean
- Grain
- Livestock
- Marketing and sales issues



** Information provided by Market Maker from national marketing database.*

Figure 18

Food Production in the Region Can Be Diversified

Soil type and climate is suitable for a broad range of vegetables and specialty grains.

<p>Trees</p> <ul style="list-style-type: none"> Apple Chinese Chestnut Pawpaw Sour Cherry Sugar Maple 	<p>Vegetables and Roots</p> <ul style="list-style-type: none"> American Ginseng American Licorice Asparagus Black Mustard Brussel Sprouts Carrot Celeriac Celery Chicory Fennel Garden Pea Green Bean Greens, Lamb's Quarters Horseradish Endive Lettuce Iceberg Lettuce Parsnip Peppers Radish Squash, Acorn Squash, Butternut Squash, Pumpkin Tomato Tomato, Cherry Turnip Greens, Pak Choi 	<p>Beans</p> <ul style="list-style-type: none"> Chickpea Scarlet Runner Butter-Lima Kidney Fava Blackeyed-Cowpea Assorted Lentil
<p>Grain and Grass</p> <ul style="list-style-type: none"> Catnip Clover Forages Jungle Rice Quinoa Sorghum Slender Wheat Western Wheatgrass Ryegrass: Ann/Peren. Rye: Spring/Summer Millet: Finger, Foxtail, Indian Barnyard, Proso, Japanese 	<p>Herbs</p> <ul style="list-style-type: none"> Cilantro Sage Spearmint Sweet Marjoram Summer Savor 	<p>Fruits</p> <ul style="list-style-type: none"> Cantaloupe Elderberry Mulberry Persimmon, Amer. Raspberry, Amer. Red Raspberry, Red Raspberry, Black Red Currant Strawberry

** Data from the Alternative Crops Analysis, Illinois State Water Survey*

Figure 19

Area and Population

863,963 Residents (2000 Census)
 2.9% increase from 1990 to 2000.
 Average density: 77 people/square mile
 Sangamon County: 217.7 people/square mile
 Shelby County: 30.2 people/square mile
 Cook County: 5,683
 Median age of residents: 36.5 years

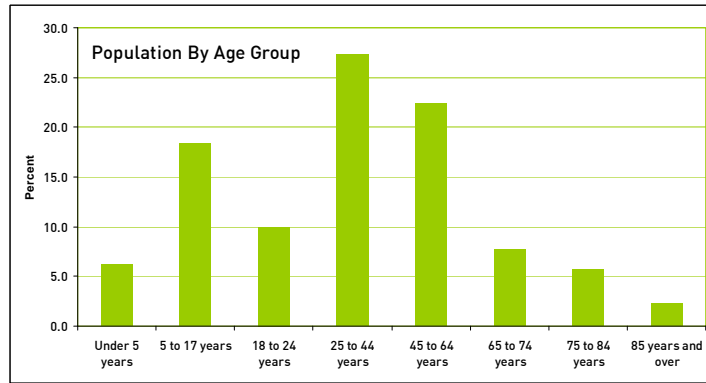


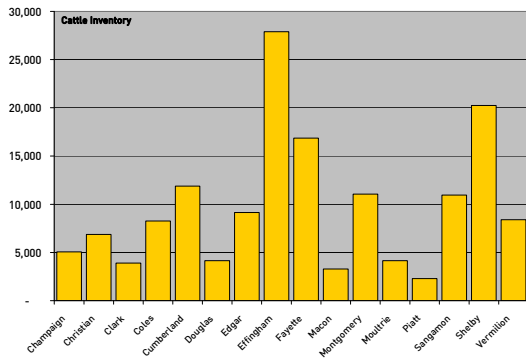
Figure 20

Production: Cattle

	Cattle and calves inventory		Beef cows		Milk cows		Cattle/Calves sold	
	Farms	Number	Farms	Number	Farms	Number	Farms	Number
Champaign	101	5,062	66	[D]	10	[D]	89	5,704
Christian	161	6,884	128	2,852	5	11	128	3,233
Clark	139	3,912	112	1,995	13	94	115	1,751
Coles	151	8,267	107	2,446	12	220	124	4,933
Cumberland	164	11,882	99	1,632	24	2,032	145	6,600
Douglas	106	4,152	25	374	52	1,469	87	1,459
Edgar	177	9,153	145	[D]	2	[D]	166	5,548
Effingham	415	27,885	254	4,723	54	4,932	362	10,447
Fayette	420	16,862	332	6,249	29	1,721	362	9,335
Macon	85	3,295	68	[D]	3	[D]	75	5,024
Montgomery	288	11,053	230	4,212	19	889	243	6,634
Moultrie	116	4,146	55	943	36	1,111	103	1,690
Piatt	51	2,294	40	701	4	113	46	1,713
Sangamon	223	10,957	179	4,499	11	252	196	5,678
Shelby	370	20,247	277	6,120	23	2,375	314	11,390
Vermilion	198	8,403	157	3,031	5	167	164	5,142
Area Total	3,165	154,454	2,274	39,777	302	15,386	2,719	86,281
Illinois	19,928	1,359,010	14,766	422,694	1,658	114,101	17,699	917,251

Region has 11% of State cattle inventory.

Effingham and Shelby reported 20,000+ head.



2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Tables 11.

Figure 21

Production: Hogs, Sheep and Poultry

	Hogs/Pigs Inventory		Hogs/Pigs sold		Sheep/Lambs inventory	
	Farms	Number	Farms	Number	Farms	Number
Champaign	22	21,158	19	46,817	17	371
Christian	43	27,742	43	63,195	14	665
Clark	25	41,409	24	96,199	11	239
Coles	22	3,058	26	6,282	14	150
Cumberland	43	49,362	51	208,834	10	365
Douglas	28	8,863	37	39,148	16	120
Edgar	22 (D)		23 (D)		12	381
Effingham	100	82,513	110	213,772	25	918
Fayette	48	11,208	49	23,469	30	979
Macon	21	6,397	24	13,781	8	189
Montgomery	53	58,861	57	156,883	18	388
Moultrie	27	9,346	28	16,581	18	398
Piatt	15	8,072	15	14,172	14	230
Sangamon	45	50,810	50	104,643	15	401
Shelby	67	56,285	77	111,580	18	768
Vermilion	25	19,056	28	54,151	16	358
Area Total	606	454,140	661	1,169,507	256	6,920
Illinois	3,929	4,094,706	4,313	11,178,721	1,916	66,078

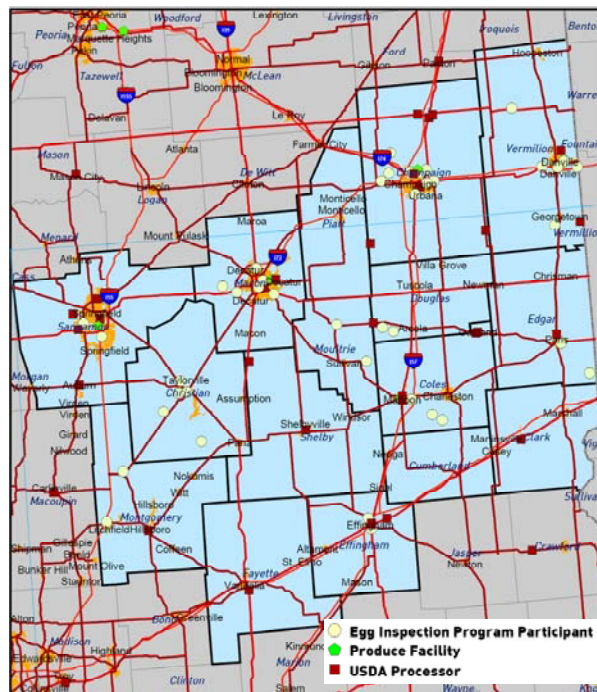
Region has 11% of State hog inventory excluding Edgar county, which did not report county inventory but has an estimated 100,000 head. Poultry numbers are difficult to estimate due to non-reporting.

	Layers 20 weeks+		Broilers/ other chickens sold	
	Farms	Number	Farms	Number
Champaign	23	3,772	3	412
Christian	12	241	2 (D)	
Clark	15	588	-	
Coles	17	629	4	470
Cumberland	16	331	4	403
Douglas	27	1,666	6	48,597
Edgar	5	140	-	
Effingham	30	608	6	556
Fayette	25	602	2 (D)	
Macon	11	214	1 (D)	
Montgomery	21	485	5 (D)	
Moultrie	15	1,061	1 (D)	
Piatt	10	177	3	30
Sangamon	24	1,463	3	40
Shelby	9	461	-	
Vermilion	21	504	6	241
Area Total	281	12,942	46	50,749
Illinois	1,672	3,290,313	239	82,974

* 2002 Census of Agriculture, Volume 1, Geographic Area Series, Part 13, Chapter 2: Tables 12.

Figure 21

Processors and Distributors
Egg Inspection Program
USDA Processors
Producers



* Information provided by Market Maker from national marketing database, Illinois Department of Agriculture and the Blue Book.

Meeting Summary

Farmers from the study region participated in two meetings to discuss local food production. The meetings were held on October 15th and 17th, 2007 in Taylorville and Champaign, respectively. Farmers were asked to respond to general questions from the project team including a reaction to the preliminary recommendations that had been developed from initial research. The questions included:

- Do you believe that diversified production is an economic opportunity for East Central Illinois? Why?
- What are the barriers in diversifying production in your area?
- How can these barriers be overcome?
- What support and resources do you need to diversify your production or expand your business to the next level?
- What products are you interested in producing and why?
- What do you anticipate to be your greatest needs in succeeding in this part of your business?
- What motivates you to grow for the local food market? Profitability? Lifestyle? Production method? Other?
- What are your greatest business challenges? Production? Business/marketing systems? Post-harvest handling or processing? Distribution? Transportation? Capital investment?

The following is a summary followed by quotes from attendees. Full transcripts of each meeting are available for review.

Marketing

Most of the attendees do not have a marketing plan. This was surprising given the frustrations that they all expressed in connecting with the customers, knowing what the customers were looking to buy and what they were willing to pay. Chicago was overwhelmingly the market that most of the farmers looked to as their primary market, though, in reality, not always a profitable one. The majority farmers are selling directly to customers and not wholesale or large scale accounts which they view as a battle and less profitable.

The most immediate local market, which includes the Lumpkin sixteen county region, was viewed more immature with a less savvy consumer base than larger metropolitan markets which have developed a demand and taste for local food. They expect that with concentrated consumer education that their local markets will improve with time.

Some of the marketing challenges that seemed to affect most of the farmers were creating a marketing plan, connecting to the customers, determining pricing and finding better distribution models.

"You go out of your region to make it profitable and you pull back in as the region catches up with you. I have to go out of my region to make a profit."

"I think that if we could sell it closer, we'd do it. But we go to Chicago because that's where the money is. And as soon as the money's here and the demand is here, we're not going to go to Chicago."

"Chicago sucks up all of our production. We can't raise enough for Chicago, but the delivery and headache of delivering things up there is phenomenal. It makes you question whether or not it's worth it. If I had to pay somebody for each step in the process, we would not be making money. It would be a whole lot better if we didn't have to sell everything up there and we could sell locally. But when we've tried to sell locally, it's been hard to find the critical mass to make it worth it."

"For us, it all comes back to marketing. We can raise five acres of green beans just as easily as five acres as soybeans but I can't sell five acres of green beans. We can grow a variety of things but finding a market for it and being able to sell it is another story."

"Jumping into something and not knowing where you're going to go with the product and not understanding what the risks are... maybe you've got a little money socked away where you can cover your costs for awhile... but what is the back stop?"

"I think we can do anything we want to in Illinois. The real question is how do you market it and how do you price it?"

"I just don't think we have any idea where we (should be pricing) this stuff."

"When you're going into retail or grocery, that's a different price plan (than farmers markets)."

"Marketing... it's just difficult. I've had contacts with people in Chicago...but I had no idea whether their money was good. When you're a one-man show, you just don't have the time to be in production and marketing and..."

"Maybe there's a dialog that could happen with restaurants and growers to better understand each other."

"(The restaurant) buys my product but they're co-mingling. I mean, I have a restaurant still selling my bacon. They only bought five pounds this spring."

"If you're selling to a restaurant, you need to go in there and eat about once a week. I'm not kidding you. Our name is (on the menu) and it's not always our product."

Selling wholesale: "I had to deal with the corporate office in St. Louis... they want the insurance and this and that, and then what I found was they didn't want enough to make it worthwhile doing."

Co-Marketing Partners

Outside marketers and special interest groups are an additional partner in developing consumer interest on local food through their advertising, media interviews and product placement. Some farmers have found these unofficial marketing partners as a great boon for specialty products like heritage turkey. Slow Food, Heritage Foods, Sara Bush Hospital, chiropractors, and food sections (doing farmer and product profiles as well as informing people about food recalls from large food manufacturers) were all mentioned. "People are out there... doing the marketing (for larger business or product categories) and we can tag along on their marketing."

Collaborative Marketing

"We are our own worst enemy because we're independent. I see a bunch of fractured groups out here doing this and doing that and not teaming together."

Approaching restaurants as a collection of growers would be strategic. There is a greater chance that restaurants will deal with you because they can do more shopping with a collection of growers.

Business Planning

"You've got to have a business plan of some sort if you've got to borrow money. If you can't write yourself a business plan and you don't have the capital then it's family money." It's hard to get banks and family to invest in anything that doesn't relate to cash rents or corn and soybeans.

"I'd like to have some place to get financing and somebody that's willing to think like the rest of us think (about this type of production)."

"Diversification has to take place in some kind of logical sequence. It has to correspond with the market and the demand for the product." If everyone decides to change production but it's all to the same thing, we're no better than growing corn and soybeans.

How does the farmer know which level of market to pursue, where best to place her product maximum profitability like the larger companies (Williams-Sonoma, Target, Heritage Foods)? "We need that same type of information and we can use it or throw it away but it would be handy to look at and make some business plan decisions."

Local Customer Education and Affordability

"People (in this region) aren't as interested in the quality of food, and they don't have the disposable income that they have in Chicago."

"(In Chicago) there is a whole culture of people who are looking for natural foods, meet the farmer type food. Down here, farmers are common. It's nothing special to get sweet corn from the farm, to get chickens from the farm."

"(People in this area) don't know (this local food) is out there. You've got to educate them, and you've got to get them to try it...Probably 75% of the people (who) go through the store that I work

at here in town – their billfold tells them what they’re going to buy. Whether they like it or not, they can’t afford (local food).”

“It all sounds doom and gloom here locally but I think with the right amount of education, the folks in this lower income bracket will still (buy).”

“There are reasons (why local consumers will buy local food). When we get the reasons figured out and start to see the change that takes place, the opportunities are there.”

“How do you raise the demand in this region to the point that it makes sense to sell mostly locally?”

“The reason why everybody goes to Chicago is because you’re looking at a fraction of one percent of the population (down here) that’s taken the time to educate themselves (on local food). Even if they have the money they still don’t have enough taste buds to taste the difference so they can care less.”

“(Marketing your product) takes a lot of money.”

“I think one project could be just to have tastings and let people see what this stuff tastes like. Because if it’s a little higher priced, they may never buy it, taste it, and know (how good it is).”

Farmer Education (established and new farmers)

In order to have more diversified farming in the region, new farmers need to be attracted into the business and better educational and support systems need to be in place. Many attendees expressed their positive experiences using mentors, the Farm Beginning course, and visiting other farms to see different models of production. Attracting women and immigrants into farming was also discussed.

“We need support and we need some good examples to follow.”

“If I hadn’t seen Stan doing it, I wouldn’t have known how (to raise poultry).”

“If I were to diversify in vegetables, I wouldn’t know where to start.”

“Without successful examples, it’s really hard.”

“If you’re going to wait for the university to come and teach you how to do it, it’s never going to happen because those days are long gone. There’s a lot to be said for technology transfer, but there’s a lot to be said for civil researchers that will not go back because it’s not financed, it’s not funded. Unless the public turns around and says “We the people of central Illinois demand that you start teaching this again,” it’s not going to happen until the Monsanto’s and the seed companies are out there. Unless they say they’re going to dun it, they’re not going to teach it.”

“Learning from other practitioners (farmers) is under valued and under-utilized.”

Models are fine but “they’re going to have to evolve for each farmer. Is that the model that’s going to carry the next person and give them the opportunity for profit? If you’re selling chickens now but you don’t have a plan how you’re going to market those chickens, not just expand your market, where is your profit going to come from?”

“Farm Beginnings is a good starter program but I’ve seen people – their heart is in it, their mind is in it, but they didn’t realize how much work (farming) was. So we need a way to pre-screen them a little bit before you get them in a situation like that.”

“We incubated a starting farmer. He got a chance to look at the real costs and how much energy it too on his part to do it. I hope that we seasoned him some because he had very little experience before he started with us.”

“Offer incubator opportunities for people where they would have to do all the work but they would get shared equipment and reasonable prices for the land use and access to expertise that they wouldn’t get if they just tried to start up on their own.”

“A lot of the people in the Mexican community come from an agricultural background...and I actually think that that’s a potential (new farmer) population.”

“Farm Beginnings is developing a Spanish language program.”

“Migrants and women are the largest growing sector of small farm enterprises.”

“I have probably 15 calls a week, “I want to start farming five acres...” The odds are (after taking a Farm Beginnings course) a third says this is not for me, a third says I want to do it sometime in the future (and a third tries it out). (You need to be willing to work) That’s one of the prime prerequisites.”

Age

According to the 2002 agricultural census, the average Illinois farmer is over 57 years of age. Most of them are looking to retire, not start diversifying their production or investing in new avenues of business. The lack of younger farmers to take their place and the reality that few people are returning to the farms after school, puts succession of existing farms in peril and makes wide-spread diversification in local production that much more remote.

“(The age factor in this region and whether existing farmers would be interested in changing their production...) Farmers have got a lot of capital invested in their farming operations and they’re just going to coast out. I don’t know where the next bunch is coming from and I don’t know if they can take on what the old guys do.”

“I heard of a family of three brothers that were eighty-two, seventy-eight, and seventy-six and they farmed two, three thousand acres. They (couldn’t) afford to quit and they didn’t have anybody to take it over. We’re really in a crux in agriculture (with) this age thing.”

"You see (the market for organic and local food) everywhere now. Not so much here, but in Bloomington, Champaign, Springfield, there are niche markets. It does seem like a lot of the old guys aren't interested in that."

"I have a cousin who's my age (27). His family has 1000 acres but someone's going to have to die before he's got enough land to support his (own) family."

"A lot of the guys here have their generation before them to pass down information. But a lot of the people (my age) don't have the generation ahead of us to pass down the information (for alternative production), the know-how, the skills, the equipment. It's hard to start a business and have the capital."

"I just can't go do all that (new production) at 55 years old."

"You need to have some way to bring in some new people into (farming) that have bought into it and are going to work 12 hours a day, seven days a week."

"I can see what's going to happen around here when I'm done. The bulldozers will get called in. In the area that I'm in, nobody wants to eat that much dust and dirt and put in that many hours."

"Where do you find young people that want to go into this?"

"I have kids...I would like for them to come back into (the farming with me). But if they don't, maybe I need to start mentoring somebody because I don't want to lose what I've worked for."

(Vegetable farmer) "My retirement plan is to move into more crops that are (harvested mechanically)."

Lifestyle

Just like you wouldn't expect a Wisconsin dairyman to be persuaded into becoming a fruit farmer, corn and soybean farmers are unlikely to want to switch their current lifestyle for hands-on vegetable farming. Most farmers identify very strongly with what they grow or raise on their land. They typically have a deep passion for what they do and don't see themselves doing another type of production; it's personally defining. Aside from passion for the work, however, the type of farming someone chooses impacts the rhythm of their lives, their lifestyle. A dairy farmer has a completely different lifestyle than a grain farmer; what one farmer might see as hard work, another may view as satisfying. Lifestyle is a very personal part of anyone's decision to go into a particular type of business. This sentiment is certainly not limited to farming.

"I think most of the reason why local farmers aren't willing to diversify is it's a lot easier to sit in an air-conditioned tractor all day long."

"Why would you go out in a hundred degree heat and pick green beans?"

“I think lifestyle (is what motivates) a lot of (farmers). There’s more commitment (to what they’re doing).”

“It has to be about more than the economics. Lifestyle plays more of a part in agriculture because there are a lot of swings. You’re dealing with Mother Nature and a lot of unknowns.”

Culture

When a young person inherits the family farm, it comes not only with equipment and land but expectations as to what is going to be planted or raised. Whether a new farmer or an experienced farmer, changing the type of agriculture on a farm is potentially a huge financial undertaking (different equipment, paying off existing debt, securing loans, researching and developing new production, establishing a market, etc.), but the cultural expectations can be greater to overcome. Deciding to get into specialty production can be a divisive decision in a multi-generational farm family and isolate the innovator from the community. Loss of family and community support can be too great of a personal risk for some to take.

“Peer pressure.” “That’s a big one.”

“When we went organic, I wasn’t welcome at (the corner cafe) table anymore. I’d walk up and say, “Is anybody sitting here?” “Yea, Bill is coming in later.” I could have (gone) to Chicago in(to) one of the fanciest restaurants in my dirty jeans and told them I was an organic farmer and they would have invited me to eat with them. But in my own little town, I wasn’t welcome.”

“(Diversified farming) takes a plan, it takes infrastructure and it takes marketing. That’s totally different than just going to the coffee shop and sitting around and driving an air-conditioned tractor. It takes a totally different mind set. I don’t know where that’s going to come from on the agriculture side.”

“People know how to farm down here. They know how to farm corn and soybeans.”

Regulation

Farmers who have expanded their business by adding on-farm processing or are creating regional processing have encountered a multitude of regulatory roadblocks to small-scale processing.

“There are constraints put on some of these operations because of standards that are set by government that apply to big business that have no business applying to little business.”

“They’re really not used to looking at smaller scale or slightly different kinds of operations. Kentucky has separate regulations for small (scale production).”

“I try to make the case examples where other states are allowing a certain type of practice that isn’t impairing health. Of course, (the inspectors) don’t buy that in many cases. They don’t like it when I throw up another state’s example. (They would probably say) another state isn’t as rigorous.”

"We're the first ones in the state to (create an on-farm creamery) and get licensed. (The state) had trouble trying to figure out where we fit in."

"It's totally interpretation (of the regulations). It's who you get that particular day and what kind of mood they're in."

"The regulations are prescriptive...it's not just that your cheese will have no pathogens in it but telling you exactly how you have to produce that cheese that will have no pathogens. They don't put the responsibility on the producer to figure out how to achieve the goal. They tell you how to achieve the goal."

"We have to invent it. Then we have to develop it, and then we have to demonstrate to them that it's going to be safe."

"My local (inspector), I started asking him questions (on how to do things properly) and he says, 'I'm not here to help you get in compliance with the law. I will come and check you and see if you are in compliance.'" It irritated me when they told me we're not going to tell you how to get in compliance. We're going to check you and you better be in compliance."

"We're novices. We don't know what all the choices are. With the equipment inspection guys (they said) If you buy it and bring it here, I'll look at it and decide if it's okay. That's a pretty big set of risks to go through before you know whether he's going to stamp it approved or not."

One participant learned after struggling to write his HACCP(?) plan that they'll only tell you if it's right or wrong but they won't help you. Additionally, no one told him that he couldn't write his own plan unless he was certified to.

"One thing we have to be aware of is most of our inspectors are hitting the twenty the twenty to thirty year timeframe and are due to retire. About fifty percent are going to retire and turn over in the next six years. This means that we're going to have a whole group of new inspectors that have no background, no education. All they have is the law – there's no background on how to interpret (it)."

Sourcing

There is a very limited supply of products and services in this region for farmers who are expanding beyond corn and soybean production. This is a significant barrier for farmers to overcome in order to diversify their production. They need to look outside of their region and often the state of Illinois to find supplies and production expertise.

"We're quite a ways from a dairy supplier so the infrastructure wasn't really (supportive). Our supplier is up north of the Wisconsin border. They've got good small scale stuff up there. We have to have teat dip mailed to us. It's ridiculous."

"There's not much variety to select from (in our local area). It's one of the barriers."

“(A supplier for) organic fertilizer. The closest I know is around Pennsylvania and shipping is expensive.”

Resources

Securing financing is difficult for farmers who are not doing traditional row crop farming in this region. Additionally, there is no state-wide group to help support this type of production through resources, lobbying efforts or policy development.

“The price of land is astronomical and it’s not based on maintaining it in agriculture. We can’t afford the land around us to expand.”

“We’re members of Practical Farmers of Iowa. There isn’t an analogous group in Illinois that I’m aware of...could the Farm Bureau or some other entity do something? We don’t fit under specialty crops. We don’t fit under dairy. We don’t fit under any of these groups.”

Profitability

At the end of the day, it’s all about financial sustainability and making a profit.

“It doesn’t matter how warm and fuzzy a feeling you get talking about organic or locally grown, if you don’t have profitability.”

“When you’re dealing with a consumer and they want good food and they’re happy with you, that builds a relationship, so if China ships in something for ten cents cheaper, they’re not going to leave you hanging. I figured it would be harder to get that with any commodity. You can change into organic corn or whatever, but they’re already starting to ship in organic beans from China because they’re cheaper.”

“You can not raise a pastured chicken for anything close to (a factory chicken).”

“There has got to be profit in it to make it worthwhile to get up early and stay up late and get your hands dirty. And finding that profit – that’s the key.”

To get younger farmers on the land, you have to show profitability. Profitability in diversified production. Change in agricultural production is going to come from young people but even the farmers at the events don’t have kids coming back to the farms.

“In order (for my family) to diversify, (it has to) take away from the existing (corn on corn) income. The first year – where is the money going to come from? How can I convince my other family members to take a (financial) hit for a couple of years? Some of us are completely dependent on that – it’s a matter of breakfast, lunch and getting gas to get into town.”

“Growing enough (vegetables) to be profitable is one of the hardest things, researching it and figuring how much you can sell and then, how much it’s going to take to produce that – is it worth it?”

"I'd like to find a way to make it work better so I don't have to work a full-time job, part-time job and take care of the farm all at the same time when I'm fifty-six years old with no other help."

"If someone is going to put forth a program that's going to attract a different type of agriculture, we've got to (have the hard numbers)."

"A reasonable sized corn and bean grower right now is not going to do any of this. Prices are good. They're making money. I don't think there's more money in vegetable crops than what they're doing now."

"So what would encourage your cousin to diversify?" "Profitability."

Vegetable Production

"I think it's mostly small scale. New growers that we see coming in are smaller. Labor is a factor that seems to affect all the growers. Most of the growers I talk to...they're not using outside labor."

"For vegetable crops, labor is a huge thing. Most growers shy away from labor because it's difficult. That's a cap (on production) right there."

Case Study #1

Rural Development through Local Food, Family Farms, and Organics -- Woodbury County, Iowa

Woodbury County, Iowa is a rural region rich in fertile farmland dominated by commodity production of corn and soybeans. Believing that local family farmers were a primary economic engine of the county, its Board of Supervisor's passed landmark rural economic development measures in 2004 designed to sustain, foster and grow family farms and organic production. These measures include a local food purchasing policy for county procurement and a tax rebate program for transition organic farms.

Development & Leadership

The innovative rural development strategies currently being implemented in Woodbury County, Iowa are the brainchild of Rob Marqusee, the Rural Economic Development Director for the county. Mr. Marqusee, working with the Board of Supervisors was able to pass two separate development measures in 2005. The first is a local foods procurement policy requiring Woodbury County to purchase the food its uses in its intuitional kitchens from producers within 100 miles of the county courthouse. The second measure is a tax rebate program designed to assist farmers who want to transition to organic production.

Both of these measures were developed and championed by Mr. Marqusee as a means to sustain family farms, something Mr. Marqusee believes is central to the economic health of Woodbury County. Mr. Marqusee was unaware that these policies where new, indicating in a March 2006 interview in *The Land Stewardship Letter* that he had no idea these were first in the nation examples of using county economic development programs to sustain and grow organic production. To him they were simply "common sense" initiatives that aided the largest small business base in his county, the hundreds of small farmers who not only produce tax revenue but also are the fabric of the community.

In addition to Mr. Marqusee, the Woodbury Board of Supervisors was instrumental in passing these measures and funding them. The Board saw wisdom in establishing Woodbury County as a center of organic food production in the Midwest. The case was built, not just with Mr. Marqusee's enthusiasm, but also with hard data from Ken Meter of the Crossroads Resource Center and perhaps more importantly by Luanne Lohr of the University of Georgia. Ms. Lohr's presentation to the board included information about how organic farms are an economic plus for counties as per farm income is significantly higher compared to conventional farms. Together the case was made that economic development could be pursued with a strategy of fostering organic agriculture and processing of these products.

Program Details

Local Procurement Policy

Woodbury's local procurement policy encourages the county to purchase local foods grown within 100 miles of the county courthouse, when available. On average the county purchases \$280,000 of food a year for their schools, jails and municipal facilities through large food service providers like Sysco. As part of the legislation the county required that any food purchased locally would have to be done through a third party food brokerage/aggregator.

In the past several years the local food purchasing program has moved forward slowly even with the establishment of a private food brokerage, the Floyd Boulevard Farmers' Market. The Market which aggregates supply for the county and for retailers like Whole Foods owes much of its contracts to assistance from Mr. Marqusee and hasn't been able to supply the county effectively because of a lack of staffing. The Market hopes to expand staffing over the next year, which will allow them to more adequately meet the needs of different county institutions when sourcing locally.

Tax Rebate Program

The tax rebate policy is innovative in that it is among the first to be funded by a county government and is targeted primarily at organic transition. The county initially set aside \$250,000 over five years to fund the initiative, with \$50,000 budgeted per year to fund the tax rebates. The rebates are structured with leeway to be given depending on farm size and importance. A cap is set at \$20 an acre or \$10,000 a farm for any one year in the program. The rebates extend out five years, covering the three year transition process before they are gradually phased out once a farm has become certified.

To qualify for the tax rebate program, a landowner must agree to begin the three year organic transition process, leading towards a Certified Organic label. If the landowner withdraws from the process, they are liable for repaying the county the amount of tax rebate they claimed while enrolled in the program. The county hopes that this program will spur farmers to consider the organic program as a means to enhance the value of their farm and their paycheck.

Currently there is only one 630 acre farm enrolled in the program, claiming the maximum \$10,000 tax credit per year. Woodbury hopes to enroll more farmers in the coming years and is actively developing a beginning farmer program to lure young farmers to the region. The initiative has been proposed statewide, although action has stalled in the Iowa legislature. Other counties and states from around the country have approached Woodbury to understand and perhaps replicate their model.

Impact

Although both programs are relatively new, they have shown progress in meeting the County's goals. In addition to their direct benefits, they have contributed numerous indirect benefits including the decision by a large organic processor to open a \$40 million dollar organic soy processing facility in the county. In the first phase the facility will process 17,000 acres of organic soy and in the second phase it will process 68,000. The processors hope to source the majority of their feed product from local Woodbury farmers as the region hopefully ramps up organic production over the next decade.

Relevance to Lumpkin Foundation Initiative

This case study speaks to our core recommendation - frame and promote local food program as an economic development opportunity - and illustrates the use of bold local economic development policy. The Woodbury approach puts its emphasis on retaining local farmers through farm viability, viewing them as integral to the larger economy of the state. Woodbury County encompasses the region surrounding Sioux City, IA known locally as the Souixland. The region, comprised largely of rural farm land with a small sized urban center (pop. 85,000), in many ways mirrors the Lumpkin target region including the urban center of Champagne-Urbana. Woodbury's approach works to transition farmers to organic production, including commodity growers. Such a strategy could be effective in the target region as the majority of production there is commodity crops and livestock production.

The policies instituted by Woodbury County could be replicated (or adapted) as part of a larger program to grow sustainable food production in the target region. Rather than focus on one county it would be best to foster cooperation across counties perhaps by working with economic development organizations and others in the region to convene a summit to determine how existing or new programs and policies can best support the development of new diversified food production in the region. The FSEP model of cooperation would inform such an approach. It is important to keep in mind that the Woodbury County policies are new and still proving their utility.

For Further Information Contact:

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Case Study #2

Michigan's Agriculture Processing Renaissance Zones

As part of a larger economic development strategy, Michigan developed and implemented special use Agriculture Processing Renaissance Zones in addition to traditional economic development zones. These zones are designed to stimulate and preserve agricultural processing capacity, a strong element of Michigan's overall farm economy.

Development & Leadership

The effort to establish Agriculture Renaissance Zones was initiated by large agricultural enterprises and businesses in conjunction with Michigan's Department of Agriculture, Michigan Jobs Commission (now the Michigan Economic Development Corporation). With a diversity of agriculture, Michigan is among the top ten in a number of specialty crops, positioning itself as a major grower in the region. Amidst competition from Florida, California and South America, mid and large scale producers, distributors, retailers and processors realized that in order to preserve and perhaps grow the agricultural sector it would need coordinated economic development assistance.

As a result, the Michigan legislature passed innovative legislation in 1996 creating economic development "Renaissance Zones" across the state. These geographic specific tax exempt zones were developed to spur business development generally, and in the case of the specialized Zones, certain at risk areas of the Michigan economy. The legislation created specific Renaissance Zones for Agriculture Process, Alternative Energy, Pharmaceutical, Tool and Die and Renewable Energy. The Renaissance Zones in agriculture are used to spur processing and distribution industries and to spark growth in areas where Michigan has dominance in the regional or national production of certain crops.

Program Details

Amongst enterprise development programs, the Agriculture Processing Renaissance Zones are unique and effective in that they spur business development by creating tax free geographic locations. This loss of state and local funding is offset by state funding that creates a business environment with little repercussion to the municipality hosting the zone.

The Agriculture specific Renaissance Zone has allowed a wide variety of agri-businesses to attract investment and create new jobs. In addition to on-farm processing facilities, the Renaissance Zones have aided food enterprises including fruit processing, canning, ethanol, aquaculture, and natural products. These Zones have been successful at spurring business in both urban and rural municipalities and also have been employed on closed military bases.

There are currently 47 Agriculture Processing Renaissance Zones designed to spur the development/redevelopment of agriculture processing capacity in Michigan.

Impact

Collectively these Renaissance Zones have completed over 400 projects responsible for \$2.4 billion in private investment and 8,500 new jobs.

Relevance to Lumpkin Foundation Initiative

Michigan's program is an interesting study in the ability to adapt the enterprise or development zone mechanism to specific industries. The use of agriculture enterprise zones within the Lumpkin region is feasible – although it would require work at either a multi-county/regional level or a state wide push. A similar program in Illinois would be best focused on value added businesses that stem from the regions current strength in field crops. These could include animal processing plants, eggs, oilseed processing, organic animal feed operations to name a few. The push to establish these zones appears to need broad and strong support. This will take time and leadership from the agricultural and economic development leaders in Illinois and strong buy-in from the agricultural sector at all levels. These will be best pursued once the concept of regional food system economic development is accepted and proof-of-concept enterprises are operating to support a strong case for replicating Michigan's successful Renaissance program.

This type of initiative may be something that the Fresh Taste Initiative could investigate further to see who potential supporters are, what the focus of the zones could be and so on. It may also be an idea that the state wide Illinois Local and Organic Food and Farm Task Force embraces and requests funds to investigate. This Task Force was established under House Bill 1300 (Illinois Food Farms and Jobs Act) in the fall of 2007 and will work for one year to form a recommendation to the state house. Lumpkin could a be a partner and a leader in a zoning effort but the issue is too large to take on alone.

For Further Information Contact:

The Renaissance Zone Act is administered by the MEDC. More information and administrative criteria can be obtained from Shannon Crawford, MEDC, at (517) 335-5810 or e-mail: CrawfordS@michigan.org.

For more information on APRZs and the promotional and facilitating role done by MDA, please contact Robert Craig, Director of MDA's Agriculture Development Division (AgD) at (517) 241-2178 or via e-mail at craigr@michigan.gov.

Case Study #3

Buy Local/Buy Wisconsin

Buy Local/Buy Wisconsin (BL/BW) is a new initiative recently authorized by the Wisconsin state legislature, Wisconsin Bill SB89. BL/BW is a multi-part program that provides technical assistance, innovation grant monies and develops new marketing opportunities for Wisconsin farmers. The initiative is an outgrowth of multi-disciplinary research and cooperation in Wisconsin around the development of local food systems.

Development & Leadership

Wisconsin is best known for its dairy industry, although it is home to a diversity of agriculture and is among the national leaders in developing local food systems. Anchored by a strong local food system and food activism in Madison, stemming in large part from the University of Wisconsin, the rest of the state has begun to follow suit. In order to accelerate food system development state wide, the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) convened a group at the end of 2005 to explore what could be done to create a board based program designed to encourage consumers and businesses to buy Wisconsin.

During 2006 over 80 participants contributed to Working Groups that developed the outlines and requirements of the new program. The participants included individuals from all sectors, including: farmers, producers, local, state and federal governments, private sector and businesses people and advocate and resource provides from the non-profit sector. This combined effort included lengthy discussions, consumer and farmers surveys, market research and meetings and presentation designed to find consensus on these issues. Through their combined efforts a list of hurdles for developing local food systems were developed and integrated into the program in an attempt to provide resources and knowledge to solve them.

Program Details

The Buy Local/Buy Wisconsin initiative recently received funding from the Wisconsin legislature and is in the process of being implemented by the DATCP. Initially \$1.1 million in funds were requested for the program to cover two fiscal years. After budgeting, a final bill provided \$600,000 in funds for the program to cover administration by the DATCP and an innovation grant program. The Buy Local/Buy Wisconsin initiative has two central elements to it, in addition to staffing at DATCP to handle the program implementation and to provide enterprise development services to agricultural entrepreneurs. The initiative is comprised of a Food & Culture Tourism Trails component and a Regional Food System Development component which will provide training and technical assistance in addition to grant funds.

Food & Culture Tourism Trails

Wisconsin is a state that is diverse in agriculture, with many local food economies having developed over long periods and offering unique representation of Wisconsin along with unique foods. The Food & Culture Tourism Trails component will develop eight trails through out the

state highlighting Wisconsin's unique heritage and foods. The trails will offer tourists the opportunity to explore Wisconsin along dedicated routes where they'll be able to interact with farmers, food entrepreneurs and others related to local foods. The trails will publicize Wisconsin agriculture and will allow local communities to build brands and to attract people, while growing local tourism and local foods. The hope is that these trails will act as a catalyst in developing relationships between local producers and local buyers as well as educating guests about the value of Wisconsin agriculture.

The trails will be funded with through grants funds allotted as part of this program. The grants funds will provide \$50,000 over three years for trail establishment and will fund 2 trails in the first year, 3 in the second and third years of the program. Regions through a non-profit or government entity may apply for the funds and they will be competitively awarded by the DATCP. In addition to startup capital – expertise in branding and marketing will be provided by a DATCP Economic Development consultant who will provide guidance, coaching and consultation services as part of this program.

Regional Food System Development

Through this program Wisconsin's DATCP expects to provide training and technical assistance, grant funds, networking and online tools that will inspire agricultural innovation. The competitive grant program will provide funds that can be used to replicate models and/or innovations in marketing, distribution, processing and networking. The intention of the grant funds is that once a successful model has been developed and proven, an entrepreneur or farmer can receive funds to replicate the model in other areas of the state. The DATCP and food system advocates believe that this program will act as a catalyst in expanding and spreading successful food system innovation and models.

In addition to the grant program, the DATCP will also provide training and technical assistance through a DATCP Economic Development consultant who will focus on helping identify and reduce hurdles in food system development. The consultant will also provide business development expertise, business coaching, fund sourcing, and will aid in the development of web based resources for agricultural entrepreneurs. The Regional Food System component will also feature a food business information resource center and a policy development portion which will include an Advisory Board appointed by the Secretary of the DATCP.

Impact

The Buy Local/Buy Wisconsin program has the ability to have an enormous impact on local and regional food systems in Wisconsin as it provides coordination and resources to accelerate their development. The Buy Local/Buy Wisconsin program is unique in that it combines agricultural tourism with enterprise development and provides funding as well as training and technical support. It will be several years before the value of the program is known, although trends from Wisconsin and other states indicates that this is the exact type of program (broad base of support building on strengths) needed to further development food systems.

Relevance to Lumpkin Foundation Initiative

The Buy Local/Buy Wisconsin initiative is an important model for consideration in the Lumpkin region and again supports the frame of economic development. Although the BL/BW initiative is state funded, a similarly designed program, one that combines tourism, resource allocation and training and technical assistance could greatly benefit Illinois and could be done in partnership with other agencies. The central elements of the BL/BW initiative are fairly straight forward; the innovation in this case is the focus on regional food system development, specifically with model replication and supporting innovation.

Much of this stems from leadership provided in part by those in Madison who have researched, developed and supported local food systems for many years. In this way it reinforces our recommendation to build upon current seeds of success so that over the long term they can bloom in to broader impact and modeling of local innovation.

Given that this effort is rooted in policy and public funds it may be another idea that the state wide Illinois Local and Organic Food and Farm Task Force embraces and requests funds to develop. Lumpkin's participation in this Task Force will be critical to success in the target region and to the state overall.

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Case Study #4

Oregon Health & Science University – Local Sourcing

Portland, OR has a growing reputation as a west coast hub for sustainable agriculture and food systems. With Food Alliance, Eco-Trust and numerous other food system non-profits in residence, plus a population of caring consumers creates an environment where organizations and for profit companies are willing to try new things. One such organization is the Oregon Health & Science University (OHSU) which has been working over the past several years to develop a local sourcing program and farmers' market on campus.

Development & Leadership

The local sourcing and farmers' market programs are an outgrowth of a Food Service and Nutrition department devoted to changing the way visitors, staff and patients eat. Beginning with participation in the 2005 Food Med conference, staff and administrators at OHSU decided to devote more resources towards sustainable and local sourcing. A decision was also made to develop an onsite farmers' market modeled on the successful Kaiser Permanente example. Work on a local sourcing program began with the development of internal sustainable sourcing standards. The standards developed by two of the staff's nutritionists were fairly broad and worked to remove antibiotics, growth hormones, trans- fats and GMO products from purchased goods. The standards have remained informal guidance and have not been formally adopted or implemented by OHSU.

The decision to source locally was made easier through strong institutional buy-in, little cost difference and that OHSU was not encumbered by a food service contract. OHSU operates its own food service program serving nearly 9,000 retail meals a day and nearly 400 patient meals. The initial local sourcing program has been accelerated by the hiring of Eecole Copen as Sustain Foods Program Manager. Ms. Copen worked with the head chef at OHSU and Eco-Trusts Farmer-Chef Connection program to make the appropriate contacts with farmers' who could provide consistent volume and quality to the OHSU kitchens. Ms. Copen and OHSU's chef have been able to build stable relationships with two farmers over the past 2 years, and have even begun to work with them at planting time to provide products that are needed by OHSU.

Program Details

There are three components to OHSU's sourcing program. There is the institutional buying by the chef, an on campus farmers' market and a convenience store that sells only healthy, local and sustainable snacks and products. The local sourcing program currently works with two farmers' in the Portland area to provide fruits and vegetables and meat to the food service program. The vegetable farmer provided OHSU with nearly 200lbs of summer and winter squash and beets and 500lbs of cucumbers and herbs on a weekly basis. While these account for a small percentage of

OHSU's overall food purchasing, they have had an important impact on the farmer as he has begun to expand acreage and contract for greenhouse space to supply more product to OHSU.

- Ms. Eecole is actively working to source more from local farmers, although internal hospital payment policies have created a road block in working with some farmers. In addition to the local sourcing, OHSU sources many of their other products such as breads, coffee and nuts from sustainable producers. OHSU has found that purchasing sustainable and local products is often competitive in price to whole sale distributors and at some points in season is even cheaper. Ms. Eecole has also begun working with the head chef to change the current 3 week hospital menu into a 12 week menu that will feature seasonal products and dishes. OHSU expects to transition to a 12 week menu over the next year and use it as a planning tool in sourcing locally from a greater number of farmers.
- In addition to the local sourcing work, OHSU has started a farmers' market on their campus to educate consumers and provide students, staff, faculty and guests with a convenient way to buy fresh, healthy local produce. The market is in its second year and is funded jointly by OHSU and by a USDA Farmers' Market Promotion Program grant (relatively small grant). The market is additionally subsidized by having Ms. Eecole serve as a manager and having her salary paid for by OHSU. The market has between 11-14 vendors and accepts EBT and WIC using a token system. The vendors offer a diversity of fresh fruits and vegetables, valued added goods, dairy and meats. Ms. Eecole is interested in sourcing more of the food service products from the market vendors, but has had trouble as they sell a majority of their product through farmers' markets. Ms. Eecole is currently recruiting new farmers' to participate in the market, although insurance has become a road block for some farmers.
- In another innovation, OHSU's Food Service staff is opening a convenience store on campus that will provide healthy, sustainable and fresh foods and products. The store will feature nearly 350 items, with a preference to those local to Portland. Staff is currently working with farmers' market vendors to extend their market into the store by providing shelf space for them to sell their products.

The combination of these three different programs allows OHSU to support the local farm economy while also providing healthy more local foods for their staff, students, faculty and patients.

Impact

Although relatively small, the current local sourcing program has already begun to have a positive economic impact on the farmers who participate. The fruit and vegetable farmer has been working with OHSU to plan his planting and is enlarging his acreage and greenhouse space in order to sell more to the food service program. While still a small percentage of overall food consumed on campus, the early success and cost effectiveness of the program has led to a plan to ramp up and expand the program as more producers can be identified and contracted with. The benefit of

sourcing locally go beyond providing healthier local food to patients, but keeps money in the local economy and supports local agriculture.

Relevance to Lumpkin Foundation Initiative

The role of institutional purchasing in local food systems is beginning to take shape across the country and this is one example. The local food sourcing initiative by OHSU demonstrates that it is possible for large institutions with food service programs to source locally and address what appear to be barriers but with leadership they can be reduced. The success of the OHSU program is illustrative as model for other hospitals and health care providers to follow. It also demonstrates yet another alternative market that could be developed for scaled farmers. Farm to institution programs do require more administration and a certain amount of flexibility. They also require the support to non-profit or other entities that can create linkages and technical assistance to farmers' who want to enter into these markets.

The Lumpkin region features a large livestock industry that could benefit from the development of new local institutional markets. Specialty crop production in the region could also be fostered through the development of diversified markets, including direct, retail, processing and farm to institution. A strategy that combines multiple markets would reduce risk and make specialty crop production attractive to more farmers. Additionally investment and ownership of local food systems by participants such as hospitals only strengthens the overall system, often providing needed support beyond just the local purchasing.

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Case Study #5

FoodSystem Economic Partnership -- Southeast Michigan

The FoodSystem Economic Partnership (FSEP) is multi-stake holder process working to develop a more coordinated and integrated food system in southeast region of Michigan. The program has a diversity of participants from local governments to producer associations and focuses its work on farm to institution, education & outreach, research and providing business planning skills to producers and aggregators.

Development & Leadership

The FoodSystem Economic Partnership is an outgrowth of Michael Score's Extension work at Michigan State University. Michael's interest in small farm development and local food systems led him to collaborate in 2004 with a working group of Master's students at the University of Michigan who were working together on a food system thesis. A member of that thesis working group, Michael DiRamio took a lead role in the development and administration of the early Partnership concept. In 2005 Jennifer Fike transitioned into the role of program manager as Mr. DiRamio became a consultant to the initiative.

From its initial conception the Partnership evolved into a standalone group overseen by a Board of Directors and a Leadership Team consisting of different Working Groups. Early funding was provided by each of the five counties who are located in the Partnership's focus area. Additional funding has been provided by several community foundations and the Michigan Economic Development Corporation for additional programming. In early 2007 the Partnership gained 501c3 status that allows it operate as an independent non-profit corporation.

Program Details

The Partnership has used funding from a variety of resources to conduct research that fosters linkages in farm to institution, between various elements of the agriculture community and to provide business focused technical assistance. Research conducted by the Partnership has covered a variety of topics, including marketing analysis, mapping of processing capacity and transportation routes and food system modeling. The research conducted by the Partnership has been primarily focused on its five county region of Southeastern Michigan – although much of its work has a broader applicability to the regional food system nationally.

Under a grant from the Community Foundation of Southeastern Michigan, the Partnership has implemented a farm to school program in two of its counties. The one year pilot program is active in a public school and a private charter school. Ms. Fike sees the farm to school work as an important "microcosm" of the larger food system, as it allows the Partnership to explore important issues of transportation, distribution, and infrastructure. So far the early farms to school efforts

have been successful and the Partnership is looking to expand funding in 2008 to continue and enlarge the program.

On a more local level the Partnership works to create linkages between producers, farmers, processors, distributors, retailers and governments. Part of this effort has been an annual conference held for each of the last three years that brings together this diversity of partners to explore common issues and areas of cooperation. The conference has been successful in offering various participants an opportunity to learn from each other, and to express their views about how to proceed forward.

Impact

FSEP has had an important impact on raising the awareness of food system participants in its five-county region in Michigan. It has provided a critical focal point for community leaders to address issues in a coordinated fashion and consider how the food system can be part of the solution. The ability to coordinate research, marketing and networking through one entity empowers many of the smaller and tangential participants to be more involved in the process. In addition to raising awareness, FSEP has contributed a vast body of research on marketing, production and other relevant topics areas in the region. While much of this research is region specific, the methodologies and lessons learned are easily applicable to other regions looking to build a sustainable food system.

Relevance to Lumpkin Foundation Initiative

This case study supports the recommendation to use the frame of economic development as well as the development of leadership. The multi-county approach taken by FSEP provided a forum for public agencies to engage on the issues. Just as this initiative has begun to develop the leadership and research ground work for a food system in Michigan, a similar organization in Illinois would greatly benefit the future development of a regional food system. FSEP also conducts much of the “on the ground” work that would be required to establish a local food system in the Lumpkin region. The report and the recommendations outline a need for future networking through conferences, seminars or other workshops, along with a need for a central organization to administer and implement this work.

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Case Study #6

Springport, MI Chapter of FFA

Future Farmers' of America (FFA) was founded in 1928 to act as an organization uniting students, teachers, agribusinesses leaders and farmers to support and enrich agriculture education. As a national membership organization FFA has over 7,000 chapters nationwide and nearly 400,000 current participants. Although they no longer use the term Future Farmers of America, only FFA, the organization is still focused on agriculture and youth. The Springport, MI chapter of FFA is part of this proud legacy providing relevant and innovative programming to encourage a new generation of farmers' to take to the land.

Development & Leadership

The Springport, MI chapter of FFA was founded in 1940 to educate students about the agriculture heritage they grew up with and to encourage them to participate in the family farm and farm on their own. The Springport chapter has adapted to changing economic and agricultural times as farmers transitioned from one way of life to another. Today they have facilitated a series of unique agricultural enterprises, from greenhouses to pastured poultry, which teach students a range of skills and responsibilities.

Program Details

The Springport FFA chapter organizes and maintains a series of innovative agricultural enterprises that teach students sustainable and profitable farming systems. The FFA chapter and its students manage a hydroponic greenhouse, a pastured poultry enterprise and a student-run farm stand. They provide students with supervised farm experiences and engage in numerous community building activities. Springport's unique enterprise program closely mirrors the migration of many farmers from traditional row crop and specialty crop production into more diversified and year round agricultural enterprises.

- Hometown Hydroponics is a student run hydroponic greenhouse managed by the Springport FFA and Springport High School. As part of a supervised experience the students learn how to grow hydroponic beefsteak tomatoes in the greenhouse and how to market and sell them to the local community. The students market their tomatoes as vine-ripened, pesticide free and local. They're product is competitively priced compared to local retail outlets with 100% of the profits going back into the student owned and operated enterprise. Hometown Hydroponics provides students with real world experience in growing hydroponic vegetables and business experience in terms of marketing, distribution and client relations. These skills closely mirror those needed by farmers who operated greenhouse and hot house enterprises across Michigan.

- Pastured Poultry is a diversified livestock operation run by the Springport FFA and Springport High School. With a grant from the National Education Association Foundation the Springport FFA turned their land-lab into pasture for livestock operations. On their land the students raise beef cattle, sheep and free range chickens in a rotational grazing system similar to systems employed by many modern pastured livestock operations. The livestock are raised by 10-12 student employees every year who learn the how to manage pastured livestock, including the marketing and business skills necessary to maintain and grow an agricultural enterprise.
- Springport Youth Farm Stand is a traditional farm stand run by the Springport FFA that allows their two agricultural enterprises to sell products directly to the community. The farm stand features the hydroponic tomatoes grown in the greenhouse and the pastured livestock raised as part of the land lab. The students who participate in the farm stand learn valuable marketing and business skills that are directly applicable to today's modern diversified farming enterprises.

Impact

The Springport FFA impacts a new generation of future farmers by teaching them important skills in how to organize and manage diversified agricultural enterprises. It provides young people with options for their future in rural areas and in agriculture. For example, greenhouse growing is increasingly popular across the country as a season extension tool and as a means to protect high value products. The pastured poultry operation teaches a traditional form of livestock management that is currently undergoing a renaissance in America as consumers become reacquainted with superior taste and sustainability of pasture raised livestock. The Springport FFA chapter is innovative in the way it uses these more enterprise models and how it incorporates business and marketing skills into its work. The students who participate in the FFA program gain important knowledge that will enable them to compete in today's more diversified and competitive agriculture environment.

Relevance to Lumpkin Foundation Initiative

The Lumpkin region is in need of growing new and innovative farmers who are dedicated to sustainable growing and local food systems. The curriculum taught by the Springport FFA is in line with these goals and is relatively low-cost in contrast to other local food system solutions. The real advantage of working through FFA is that in many cases it engages with young people who come from the family farm, understand the lifestyle, have access to land and equipment, and have their parents support to develop new enterprises.

The adoption of similar curriculum in the Lumpkin region by a local or regional FFA chapter would provide students with skills they need to grow sustainable, but still profitable products for their local food system. Specialty crops, like those grown by Hometown Hydroponics and pastured livestock are essential elements of creating a diversified and economically viable local food system.

By teaching students about alternative methods and introducing them to successful farming models, the Lumpkin region can begin to grow a new generation of farmers' who. This is increasingly important as a majority of farmers reach retirement age and they make decisions about the future of the family farm. If a new generation of farmers, experienced in modern, economic viable systems and with important business and marketing skills can take over, the Lumpkin region will be well on its way to developing a more local and sustainable food system.

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Case Study #7

Iowa's Micro-Enterprise Assistance Program

Assessment of the Lumpkin region indicates that access to credit for entrepreneurs seeking to start small or medium size food enterprises is and will be a barrier. The use of micro-enterprise loans, relatively small loan amounts, to fund small enterprises and entrepreneurs has proven popular in international development and is gaining in popularity domestically. Programs typically leverage public and private monies to reduce lending risk and provide start up capital to borrowers who might not be able to access traditional avenues. In an attempt to make capital and credit more available for agricultural enterprises in Iowa, the Leopold Center at Iowa State has been working in conjunction with others to develop a micro-enterprise assistance program to fund small enterprises and entrepreneurs.

Development & Leadership

The Iowa Micro-Enterprise Assistance Program (I-MAP) was developed by a working group of business leaders, small enterprise specialists, and research institutes in Iowa. Among those who have participated in its development is Rich Pirog and The Leopold Center for Sustainable Agriculture at Iowa State. Mr. Pirog took interest in the program for its ability to use public and private monies to fund a diversity of food and agriculture enterprises that are usually too high risk for traditional creditors and capital markets.

The I-MAP isn't limited to food and agricultural enterprises, rather when the loan fund is in operation in the near future it will fund all manner of small businesses that meet its criteria. The Leopold Center and Mr. Pirog hope that I-MAP will provide needed capital to many of the agricultural enterprises they seek to incubate through their Value Chain project.

Program Details

The I-MAP will be state wide in scope and designed to help small entrepreneurial businesses of less than five employees gain access to credit and capital. The program operates both as a loan loss/guarantee mechanism for the lenders as well as a borrowing program for its clients. Small entrepreneurial businesses would have access of up to \$50,000 in funding at competitive rates through commercial banks, the Iowa Revolving Loan Fund and other non-traditional lenders. A 1-2% guarantee fee of the initial principal would be charged as part of the transaction.

The loans would generally go to higher risk entrepreneurs who have had trouble accessing credit and capital through traditional small business programs. The program uses state financed tax credits that it either sells or exchanges on the open market with traditional lenders, who in turn use the credits to secure the otherwise risky loan. The guarantee program would cover 80% of

loan loss by the financing agent allowing them to make capital available to a wider pool of entrepreneurs.

The I-MAP guarantee program is currently in the planning and development phase, with implementation planned in the next 18 months. The fund would be administered by a LLC and a non-profit foundation that would jointly secure and invest the tax credits for use in guaranteeing loans, while also providing training and technical assistance to clients. The LLC would then work with commercial lending institutions, Iowa's Revolving Loan Funds and other non-traditional funders such as Whole Foods revolving loan line to make capital available to small rural businesses. It should be noted that training and technical assistance in support of loan programs is a critical part of success of such programs in many regions of the country.

Impact

The overall impact of such a program is unavailable as it has not been implemented yet. Traditional international development focused micro-credit programs have been highly successful overseas, although micro-credit is still developing in the US and has loans amounts generally larger than those used overseas. The concept behind the program, using both public and private resources to fill a gap, is encouraging as a way to let more and more entrepreneurs gain access to needed credit.

Relevance to Lumpkin Foundation Initiative

I-MAP is an innovative example of how public/private monies can be used together to enhance economic development and support entrepreneurs. The program, although still in design and development offers the Lumpkin Foundation a model that could be replicated in their region to fund innovative entrepreneurial activities related to agriculture. Small business funding for food and agriculture enterprises is notoriously hard to secure from traditional sources and a similar program could ease this problem.

The Iowa program uses state tax credits – in essence state money – to fund the program. Similar programs are being developed that uses private philanthropic monies in similar ways, generally as collateral to secure high risk private loans. One recent example is funds given to Project for Public Spaces to be re-granted in support of farmers markets. The size of the loans and the types of entrepreneurial businesses they would go to are in line with the type of capital needs that small business in the Lumpkin region would require.

Nationally micro-enterprise loan activity is finding new life as economic development based on accelerating local economies through small business development. The Association for Enterprise Opportunity (AEO) a national membership organization reports that there are programs in nearly all 50 states that reach nearly 300,000 microentrepreneurs and small business owners. Programs like those sited by the AEO and similar to I-MAP have the ability to accelerate the development of a local food system by encouraging economic development as a whole and agriculture enterprise

development in particular. The recommendations attached to this report state that economic development through the expansion of small and mid-scale agriculture enterprises is an important element in strengthening the overall food sector in the Lumpkin region.

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Case Study #8

Southwest Marketing Network

The Southwest Marketing Network (SWMN) works to empower small and mid scale farmers, with a focus on minority and socially disadvantaged farmers in the Four-Corner region of the Southwest. The Network acts as a clearing house of information and regularly holds trainings, seminars and publishes a newsletter.

Development & Leadership

The SWMN is an outgrowth of the H. A. Wallace Center's Agriculture Policy Project. The Agriculture Policy Project was a multi-stakeholder process that used regional and local listening sessions around the country to evaluate the state of the US farm sector in 2000 and discover policy needs leading to the publishing of a report *Making Changes* in 2001. Part of the findings identified by the Wallace Center was the need for a unified marketing environment and training and technical assistance provider in the Southwest. The region was home to many farmers particularly those who could be considered limited resource, minority and socially disadvantaged who shared unique needs.

Stemming from the reports recommendations, a group of individuals came together to found and develop the SWMN – among them Jim Dyer and Pam Roy and Wallace Center's director at the time, Kate Clancy. This group was able to secure an initial round of funding from the W.K. Kellogg Foundation and received substantial support from the National Center for Appropriate Technology (NCAT). Rather than create a separate non-profit organization; the Southwest Marketing Network exists as a program of Farm to Table, a regional non-profit based in New Mexico.

Over the past 5 years the Network has steadily grown in size and reach as it works to provide information and resources to address policy and regulatory issues that its members face. The Network has continued to diversify its funding through new grant opportunities and through earned income from membership.

Program Details

The SWMN operates in two distinct ways, first it operates as a link between projects already underway, helping non-profits and other service providers' better link to each other and to the farmers they serve. Secondly the Network provides its own unique programming and resources including a resource site, an annual conference and monthly newsletters.

The Network's annual conference has become the premier event in the Southwest for small scale producers. The 600+ farmers who attend this conference have access to numerous workshops, training sessions and seminars on production practices, business skills and marketing strategies. Events at the conference cover topics applicable to ranchers, specialty crop producers and value-

added entrepreneurs. The 2007 Conference has a special emphasis on the needs of tribal farmers, addressing issues that can be very different from other farmers.

In addition to the popular and successful Conference, the Network maintains a resource sharing site and also produces a monthly newsletter featuring helping information for its members. The Newsletter includes articles, profiles, columns and listings for upcoming trainings and workshops hosted by resource providers in the region. The newsletter itself reaches nearly 3100 farmers and service providers by mail and email.

In the past several years the Network has begun to undertake separate initiatives designed to increase understanding of the marketing needs for its members or to fill those gaps through new resources. The first such initiative was a Needs Assessment conducted jointly by the Network, NCAT and the Wallace Center in 2004. The assessment focused on service providers in the Four Corners regions and sought to understand their capacity in light of the needs of the Network Membership.

Other similar programs have included a *Regional Organic Producers Resource Guide*, an *Organic Supply and Market Analysis in the Four Corners* and *Extension Agents as Marketing "First Responders"*. These studies and their publications have sought to fill gaps in the marketing resources and to contribute greater understanding to the needs of Network participants.

Impact

SWMN has had an important impact on the farmers, ranchers and other producers in the Four Corners region of the Southwest. The network has provided seminars, trainings and technical assistance that has allowed many farmers' to explore and utilize new markets or marketing strategies. The Network's conference annually attracts hundreds of producers from around the region who gather to learn, network and share resources. The publications and newsletters published by the SWMN reach thousands of farmers and act as a unifying tool keeping desperate producers in touch with each other about agriculture in the Southwest.

Relevance to Lumpkin Foundation Initiative

The SWMN is a unique non-profit that connects small and mid-scale producers in the Four Corners region of Southwest. The network focuses on providing training and technical assistance through seminars, trainings and other opportunities for producers to interact and learn. SWMN has been highly successful with ranchers and livestock producers – in helping them access new markets and to advocate for their need to additional processing facilities.

An entity similar to the SWMN would support our recommendation to facilitate a strategic initiative to connect producers and buyers via the Chicago Green Restaurant Coalition. The entity would function to coordinate the producers who would interact with the coalition and build out from their training into new markets and opportunities. The SWMN functions entirely on grant funding –

which is not the best model. As an operator in the market, we would recommend moving the network toward some level of fees from the buyers and/or the producers.

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Case Study #9

White Dog Café/White Dog Community Enterprises

The White Dog Café was established 25 years ago in Philadelphia by Judy Wicks, an entrepreneur and activist. The restaurant has grown from a simple eatery to a mission driven organization that has spun off non-profits committed to livable communities and local food systems.

Development & Leadership

The White Dog Café was founded 25 years ago by Judy Wicks an entrepreneur and activist with a passion for local food, local economies and the environment. As Ms. Wicks became caught up in the burgeoning food movement and as her restaurant began to use more and more local ingredients she realized there was no central way for her farmers to access restaurants other than hers. Beginning in the late 1990s Ms. Wicks set out to change all of this by founding what was then known as the White Dog Foundation with a mission of connecting local farmers to new markets including restaurants who might be her competitors.

In the beginning the White Dog Foundation was funded by Ms. Wicks' own private money and was focused on networking farmers with restaurants and chefs in the Philadelphia area. Feeling strongly that local food tasted better and was better for you and the local economy Ms. Wicks believed that even if she was assisting her competitor's access local foods as she improved her own, it was the right thing to do. As the White Dog Foundation evolved one of its major programs became known as Fair Food. Fair Food took on the responsibility of linking farmers with buyers along with several other initiatives including a new local food stand at the Reading Terminal Market.

Over time White Dog Foundation morphed into White Dog Community Enterprises and was no longer funded solely by Ms. Wick's money, but rather through a combination of grant funds, a share of the Café's profits and earned income programs. For a time the organization included the programs of Fair Food and also the Sustainable Business Network of Greater Philadelphia, although SBN was recently spun off into its own non-profit organization.

Program Details

White Dog Community Enterprises – Fair Food Project

The Fair Food project encompasses many of the organizations efforts in Philadelphia to encourage local and sustainable food. The project includes The Restaurant Project, Buy Fresh/Buy Local campaign, Fair Food Farmstand, Farmer Outreach Project, The P.I.G (Pigs in Grass) Alliance and a Farm to Institution effort.

- The Restaurant Project is part of the original program that Ms. Wicks funded with her own money in the late 1990s. The program is designed to link farmers with chefs, caterers, grocers and wholesalers who are looking for fresh, local sustainable products. The Restaurant project acts as a sort of consultancy helping farmers refine their business practices and make them easier for restaurants to source from, although its primary function is to act as a clearinghouse of information and as a networker. As part of this effort it publishes an annual Wholesale Guide to Local Farm Products and holds two bi-annual Farmer/Chef gatherings. While Community Enterprises seeks to establish this work as a sustainable venture, it has been largely supported by grant funding including USDA Risk Management Agency monies.
- White Dog is also responsible for organizing and managing the Buy Fresh/Buy Local chapter for greater Philadelphia. Buy Fresh/Buy Local is part of the national Foodroutes network and is a coordinated advertising and branding campaign that promotes local products. White Dog publishes a Philadelphia Local Food Guide and maintains the www.buylocalpa.org site as part of its work with Buy Fresh/Buy Local.
- The Farmer Outreach Project is part of USDA Risk Management Outreach grant that White Dog currently has. The project provides risk management tools for local producers who want to sell to local wholesale markets. This is accomplished through Workshops, tip sheets, publications (including the Wholesale Guide to Local Farm Products), networking events and other informational sessions for farmers. The goal of the project is make it easier for farmers to sell to local wholesalers and other businesses by empowering them with contacts and business training and technical assistance they need to enter into these markets.
- White Dog also works closely with grass-fed pig producers under a grant from the SVF Foundation. As part of the P.I.G. Alliance, a state wide network of organizations that assist and promote natural pig producers. White Dog's work focuses on assisting pork producers through small grants that they can use to purchase equipment, animals or other materials.

Sustainable Business Network of Greater Philadelphia

The Sustainable Business Network was a part of White Dog until 2006 when it was spun off into an independent non-profit. SBN is part of the Business Alliance for Local Living Communities (BALLE) which is a national movement to develop and protect local economies. SBN currently has 400 participants across a range of businesses and recoups about a third of its operating budget from member fees, about a third from earned income ventures and about a third from grant funding.

SBN is still developing as an organization although it does run a number of programs and events. SBN hosts a Social Venture Conference in conjunction with the Wharton School. SBN also publishes a guide to sustainable business for the greater Philadelphia area. Most of the work of the SBN goes towards creating a network of organizations that can learn from each other and can educate consumers about the value of local living economies.

Ms. Wicks is a founding member in the BALLE (<http://www.livingeconomies.org>) whose mission is to catalyze, strengthen, and connect local business networks dedicated to building strong Local Living Economies. It would be wise for those in the target region to start a BALLE chapter that engages as many of the local economic development leaders as possible and links into this innovative network to start building a new future.

Impact

White Dog Community Enterprises and The Sustainable Business Network have had an important impact on the local food scene and sustainable businesses in Philadelphia. The programs administered by White Dog have increased farmers' access to markets; have increased the use of fresh and local fruits and vegetables in restaurants and retail stores. Additionally the work of both organizations has educated consumers about local foods and needs of local economies.

Relevance to Lumpkin Foundation Initiative

The work of the White Dog Community Enterprises is unique in that it was initially driven by a single entrepreneur from the for-profit sector who had a vision and the means to implement it. The model of linking producers with buyers is innovative, although replications are starting to emerge in other markets. The concept of a for-profit donating part of its profits to run a non-profit that could in theory help its competitors (while it helped itself) is also novel.

Clearly White Dog operates in a large metropolitan area close to numerous sources of agricultural products. In terms of the Lumpkin region one has to look beyond this and extract concepts and lessons learned from this effort. For example:

- The success at White Dog is in part due to the fact that the work was rooted in a for-profit enterprise that could provide start up funds, continuity beyond grant periods, and skilled and connected leadership.
- A person with for-profit experience who acts as a non-profit convener, networker, and organizer that fulfills a similar role as White Dog Community Enterprises could be important to the development of a regional food system in the target region.
- The BALLE network embraces many of the values and methods used by White Dog and an association by the target region with this group would help to translate the concepts to the region and develop leadership at the same time.
- The various sub-programs also illustrate the use of philanthropic funds in building local food enterprise.

Any direct translation of the White Dog's sub programs, Fair Food and the Sustainable Business Network are probably best applied in the Champagne-Urbana region where there is a density of urban development.

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Sources and Options for Local Food System and Social Enterprise Financing

Prepared for Lumpkin Family Foundation (LFF) Local Food Program

Delta Institute -- Wallace Center -- Coyne
December 2007

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Introduction

To achieve scaled impact on the local food system, solutions must move beyond the work of local NGOs and government programs. For-profit businesses and social enterprises are at the center of efforts to “scale up” from direct marketing to having a presence in the larger market place. For these businesses and enterprises to start and grow, they will need financing and available credit. For various reasons bank funding and other typical sources of credit and financing are not easily available for local food enterprises. They are seen as too small, perceived as too risky, do not look familiar enough to financiers, the returns are too low for venture capital, lack of a proper business plan, or the enterprise is truly not credit worthy. In this document we briefly introduce how social enterprises are being used to foster more local and sustainable food systems followed by a look at various innovative funding options that may be viable for the LFF Initiative.

Context

The bulk of our food system is commercial and market-oriented; consumers typically purchase large amounts of their food through grocery stores, convenience stores, and wholesalers. A large-scale local food system solution will need to involve the for-profit, food-oriented businesses in the region.

There are several challenges inherent in establishing a large-scale local food system involving these business channels:

- Local growers are often not equipped to do business directly with the retailers and wholesalers (e.g., absent business skills, inadequate food safety certification, and/or too-small supply output for the retailer or wholesaler to accept)
- Retailers and wholesalers are often logistically unequipped to source locally, as it tends to increase the complexity of their supply chains
- Local infrastructure is often lacking, as many growers ship their product out of the area for processing and many retailers and wholesalers receive their food from out-of-state warehouses and distribution centers

Innovative Solutions to Address These Common Barriers

Around the country social entrepreneurs, established businesses and sometimes NGOs are pioneering new approaches to addressing these challenges. NGOs such as CADE, the Center for Agricultural Development and Entrepreneurship in New York, are working directly with local growers to teach new business skills using a stable of regular consultants and funded by foundation and government grant funds and service fees.¹ The business and social enterprise solutions are exciting and can be instructional as we think about how to grow a local food system. Three major themes or patterns are emerging, and case examples are listed below each:

1. Growers are forming new kinds of for-profit co-operatives. These serve multiple functions, including: (1) pooling supply for increased scale and diversity of product line, (2) combining funding to develop a brand name to increase their value within the value chain and marketplace, and (3) combining funding to purchase or add processing and distribution functionality for local market access

¹ www.cadefarms.org

Good Natured Family Farms (GNFF) is a co-op established to meet the growing demand for local food from a regional retailer called Balls Food Stores in Kansas City, Missouri. GNFF was organized by one of the growers, and over time the group added its own processing capacity and developed its own brand name and labeling. GNFF transported its product to Balls Food's warehouse and Balls Food had to add capacity to handle the logistics on their end. Balls Food invested heavily in marketing and signage for the Buy Fresh, Buy Local campaign. They held in-store events for shoppers to meet the GNFF growers and establish the local connection. The partnership took many years to perfect, but continues and is heralded by all parties as an enormous success today.

2. Social entrepreneurs are wrapping local infrastructural needs into new business models to facilitate the flow of local food from growers to retailers and wholesalers. They aggregate the growers output to achieve scale and diversity of product line, perform the contracting and business functions between growers and retailers/wholesalers, and process, grade, and transport the food products

Appalachian Sustainable Development (ASD) in a sense plays a "food broker" role between growers and local retailers in the Appalachian region of Virginia. ASD was begun as part of an effort to convert local tobacco farmers to more sustainable food production, and has grown into an enormously successful (not-for-profit) business. ASD effectively aggregates and processes the growers' output, and develops business relationships with retailers who purchase from ASD. ASD also continues to provide training and encouragement to growers, while eliminating the need for the growers themselves to find the consumer market or the processing capacity and to transport their food to retailers.

3. Retailers and wholesalers are transforming their supply chains to enable more local sourcing, and in some regions social entrepreneurs are developing and introducing new grocery store models – that focus on local and sustainably produced food – in order to capture the growing consumer demand for these products

New Seasons Market (NSM) has been a hit with consumers in the Portland, Oregon area. NSM is a small, local grocery store chain that focuses on sustainable and local food products. The stores are filled with signage celebrating local farms and food and educating consumers. The stores are located in neighborhoods and communities, typically at the intersection of higher and lower end income levels in order to attract and provide good food for all. They include some conventional products on their shelves in order to be more of a one-stop-shop for their customers. Their competitive strategy hinges on their ability to source plentiful, diverse, good local and sustainable food. They have tended to outsell the Whole Foods and Wild Oats markets in their areas. They are for-profit, but donate large portions of their profits to employees and their communities.

Funding Overview

In all cases, these solutions need start-up and growth funding appropriate for for-profit, agriculture-focused enterprise. There are six categories of this type of funding:

Illinois Public Sector Financing

These are several state-owned and funded organizations that provide grants and credit specifically to Illinois' value-added agricultural industry.

Community Development Financial Institutions (CDFIs)

CDFIs provide credit, financial services, and other services to underserved populations. CDFIs are non-profit, but many now have for-profit subsidiaries. And while many are certified by the US Department of Treasury, others are not.

Community Development Venture Funds/Venture Capital Funds

Venture capital encompasses for-profit and non-profit entities that provide private equity financing in addition to any loans. Equity is provided by outside investors to new, high growth businesses that are too risky for standard capital markets or bank loans. This type of financing can be used as a development tool by playing a key role in business start-ups, existing small and medium enterprises and overall growth in developing economies. These Funds are often mission-driven and may look for social and environmental returns, as well as financial ones.

Foundation/Intermediary with Social Enterprise Funds

The Foundation/Intermediary category consists of those that have taken a venture capital (including rigorous due diligence) approach to philanthropy, often providing equity financing in addition to loans and grants and prioritizing impact potential and business thinking.

Public/Private Partnerships

Public/Private partnerships are occurring between businesses and non-profits that mutually benefit in local food system development. The business will usually invest in the work of the non-profit in order to have greater access to local food or to market local food.

Microenterprise Development Funders

MicroEnterprise Developers support economic and social development by providing microcredit (less than \$35,000) to very low-income entrepreneurs with no other sources of capital. Microenterprise lenders typically offer business training and technical assistance in addition to access to capital to businesses with five or fewer employees.

Trends and Findings

The main findings of this report:

- Social enterprise funding from foundations and social venture capital programs are a growing strategy for social change. There are good examples of both in the US and internationally. However, the conditions of innovation, entrepreneurship and leadership usually associated with these have not been developed in the target region to the point that these would be viable strategies in the near future (of course there may be exceptions). As leaders emerge, capacity is built, and demand for local food matures this type of finance will play in larger role.
- Dedicated funds are available for Illinois' growers through state-initiated financing organizations or programs. There are many programs for agriculture, however, there are only a few that fit well with local and sustainable food systems. To access them a solid business plan, a substantial level of equity and solid collateral is usually required. LFF should work with current organizations to help farmers in the region access these funds and engage with the State's Local Food Advisory Board to expand state funds dedicated to this purpose.
- Micro-credit can be effective strategy for small loans that support development of local production and handling operations for local food systems. Loans for less than \$35,000 are growing in popularity. This type of funding should be explored and pursued in partnership with other institutions in the region.
- Community Development Financial Institutions (CDFI) are important in community development in many states and some have innovative programs for agriculture and local food systems. Although there are CDFIs in Illinois, they are strongest in Chicago. The few identified in the target area appear somewhat inactive.
- Funding pools can be expanded by leveraging the capital. Typically, the initial pool of capital is provided to a bank as risk collateral for a larger pool of loans to be given to a target population. This should be further explored and pursued.
- For profit enterprises are increasingly willing to invest in local food systems if they can capture market share by doing so. Innovative, small to mid-size companies like Whole Foods (investment in product aggregation) and Ball Food (partnership with GNFF) illustrate this trend. Larger companies are less willing to invest outside the company walls but increasingly want product. Established companies should be identified and relations established in the short term with growers who are ready for investment and in the long term and the number increases.
- As foundations and non-profits get involved with these new types of social enterprise financing, new skills will be needed. Non-profits will need to be more business savvy and foundations will need to be more focused on market based results. This includes finding and developing entrepreneurs, performing due diligence on new ideas and organizations, financial modeling,

and administration of loans and equity in for-profit enterprise investments. LFF should invest in building capacity for enterprise development among farmers and food entrepreneurs.

Funding Detail

The following section provides detailed snapshots of relevant example organizations within each funding category including information as to their entity type (for-profit, non-profit, hybrid); entity types they support; financing types provided; whether or not they fund agriculture projects; and whether or not they support projects in Illinois. A summary table is at the end of this report.

I. Illinois Public Sector Financing

Illinois Department of Agriculture

<http://www.agr.state.il.us>

- Stated mission is *“to be an advocate for Illinois’ agricultural industry and provide the necessary regulatory functions to benefit consumers, agricultural industry, and our natural resources. The agency will strive to promote agri-business in Illinois and throughout the world.”*
- Agriculture grant programs
 - Agri-FIRST - the Illinois Department of Agriculture’s only economic development program; designed to help provide planning and construction funds to expand the number of value-added agricultural businesses in Illinois. In 2001, the Illinois General Assembly passed legislation instructing the Department of Agriculture to establish a program to provide grants to help develop value-added agricultural businesses in Illinois.
 - Funds available: subject to annual appropriation; \$564,480 available in 2007
 - Eligibility: Any eligible applicant residing or owning a business that operates in Illinois; individuals or companies with the intent to develop a value-added business in Illinois are also eligible as long as they are working with an in-state partner.
 - Use of funds
 - Feasibility studies, competitive assessments and consulting; productivity services: up to 50% of the cost of undertaking feasibility studies, competitive assessments and consulting-productivity services including, but not limited to, the following: feasibility studies, market research, development of a business and marketing plans, accounting, engineering, legal and site development work.
 - Technical Assistance: up to 75% cost for technical assistance to develop a project.
 - Capital/Construction: up to 10% of the project’s total capital construction cost not to exceed \$5,000,000 including, but not limited to: purchasing land; purchasing constructing or refurbishing buildings or equipment; installation; labor and working capital.
 - Impact/outcomes

- Since the program's inception, the Department has awarded more than \$3.7M in funds to help with the development of more than 90 value-added agricultural projects throughout the state.
 - Illinois Farmers' Market Advertising Grant Program - new program allows Illinois farmers' to apply for grant funds to help off-set the cost of advertising and promotion of the market for the 2008 farmers' market season
 - Funds available: \$175,450.42 in 2007
 - Eligibility: any Illinois farmers' market can apply for grant funding.
 - Uses of funds: any advertising and/or promotional project that enhances awareness of the market; radio, print (newspapers, flyers, posters), television ads and/or billboards.
 - Conservation 2000 Sustainable Agriculture Grant Program - In the 1995 Legislative Session, the Illinois General Assembly passed Conservation 2000, a bill introduced to support development of a comprehensive and long-term approach to conserving, protecting, and managing Illinois' natural resources. The Sustainable Agriculture component of Conservation 2000 supports the following:
 - On-Farm Research and Demonstration grants
 - Outreach and Education grants
 - University Research grants
 - One year only grants in the amount of \$10,000-\$25,000
 - Eligibility: any unit of government, organization, educational institution, non-profit group or individual who has experience in sustainable agriculture

Illinois Finance Authority

<http://www.il-fa.com/>

- A self-financed, state authority principally engaged in issuing taxable and tax-exempt bonds, making loans, and investing capital for businesses, non-profit corporations, and local government units statewide
- Created on January 1, 2004 by then Gov. Rod R. Blagojevich following the consolidation of seven existing state authorities into this new organization
- Role is to support the Governor of Illinois' economic development agenda, not set priorities
- Receives no general revenue funds from the State of Illinois, and the state bears no direct or indirect liability for the debt IFA issues or incurs except for specific, statutorily authorized programs
- Source of funds
 - Operating income is exclusively derived from application and closing fees, interest income, and investment income
 - Amount held in aggregate as of August 2007 is \$24 million
- 15-member Board of Directors are appointed by the governor and confirmed by the senate
- Stated mission is *"to foster economic development to public and private institutions that create and retain jobs and improve the quality of life in Illinois by providing access to capital."*
- Areas of focus

- Education
- Healthcare
- Non-profits
- Agriculture
- Local government
- Industrial
- Small business
- Uses of funds for Agriculture – 7 loan programs
 - Farm Purchase Guarantee (FGP) – designed to enhance credit availability for farmers, ranchers, and agribusinesses to purchase farm land. Loans may be made to purchase farmland, construct or repair buildings and other facilities, and improve farmland to promote soil and water conservation. In some cases, up to 50% of the loan may be used to refinance existing debt. In conjunction with the IFA Secondary Market Loan Program, lenders are encouraged to utilize the Secondary Market Program when initiating a Farm Purchase Guarantee (FPG) loan in order to obtain more favorable financing terms for the borrower.
 - Eligibility requirements include:
 - Illinois resident at least 18 years old
 - Principal operator of a farm who derives at least 50% of gross income from farming
 - Net worth of at least \$10,000
 - Debt/asset ratio of borrower cannot exceed 70% after the project is considered
 - Cash flow and collateral must be adequate for the loan
 - Beginning Farmer Bond Program – provides affordable financing to farmers by using federally tax exempt bonds ("Aggie Bonds") to reduce the interest rate on a loan to purchase farmland; can be used between a buyer and his/her local lender or between a buyer and the seller for a contract purchase. The lender or contract seller make all credit decisions for the loan. Loans may be used to purchase capital assets including farmland, new or used farm improvements or buildings, new equipment, and used equipment when purchased with farmland. Loan proceeds may not be used to finance a residence. The maximum loan size is \$250,000.
 - Eligibility requirements include:
 - Illinois resident at least 18 years old
 - Net worth of less than \$500,000
 - Borrower will be the principal user of the capital item
 - Have not owned a significant amount of farmland
 - State Guarantee Program for Restructuring Agricultural Debt - allows a farmer to consolidate existing debt and spread the payments out over a longer term. Loans are made through a local lender and the lender will receive an 85% guarantee on the principal and interest of the loan. The maximum loan size is \$500,000 and 30 years is the longest term available. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.
 - Eligibility requirements include:
 - Illinois resident at least 18 years old

- Principal Operator of a farm who derives at least 50% of gross income from farming
 - Debt/assets ratio is between 40 and 65% on a current balance sheet
 - Cash flow and collateral must be adequate for the loan
- Specialized Livestock Guarantee Program – designed to provide family sized livestock operations the access to capital needed to enter, upgrade, or expand their livestock business. Local lenders receive an 85% guarantee of the principal and interest on the loan. Loan proceeds may be used for the purchase of capital assets used in livestock production. This includes construction, purchase or remodeling of livestock facilities and the purchase of equipment and/or breeding livestock. Purchases cannot be made more than six months prior to IFA loan approval. The maximum loan size is \$1,000,000 and maximum term is 15 years. The interest rate can be variable or fixed, and the interest rate must be less than the market rate of interest generally available to the borrower.
 - Eligibility requirements include:
 - Borrowers or the owners of a partnership or corporation must be an Illinois resident at least 18 years old
 - Applicant must be the principal operator and materially involved in the operation
 - Debt/asset ratio of borrower generally should not exceed 70% after the project is considered unless risk reduction measures are undertaken
 - Cash flow and collateral must be adequate for the loan
- Value Added Stock Purchase - loans made by local lenders who receive an 85% guarantee on the principal and interest of loans to Illinois farmers planning to purchase stock in value-added entities that further process their commodities. Loan proceeds are used to purchase stock in a value added entity. In conjunction with a purchase, debt may be refinanced to improve lien position or financial structure, up to the amount of the purchase. A portion of the stock can be used as collateral for this loan. The maximum loan size is \$100,000 and maximum term is 10 years. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.
 - Eligibility requirements include:
 - Borrowers, the owners of a partnership or corporations must be an Illinois resident at least 18 years old
 - Applicant must be the principal operator and materially involved in the operation
 - Debt/asset ratio of borrower generally should not exceed 70% after the project is considered unless risk reduction measures are undertaken
 - Cash flow and collateral must be adequate for the loan
- Young Farmer Guarantee Program – allows farmers to make capital purchases that will expand or upgrade their operation. Loans are made by local lenders who receive an 85% guarantee of the principal and interest on the loan. The loan proceeds may be used for the purchase of farm related capital assets including farmland, machinery, and breeding livestock. The maximum loan size is \$500,000 and maximum term is 15 years.

The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.

- Eligibility requirements include:
 - Illinois resident at least 18 years old
 - Principal operator of a farm who derives at least 50% of gross income from farming
 - Net worth of at least \$10,000
 - Debt/asset ratio of borrower cannot exceed 70% after the project is considered
 - Cash flow and collateral must be adequate for the loan
- State Guarantee Program for Agri-Industries – designed for farmers and agribusinesses that wish to diversify into new enterprises or to further process existing crops or livestock. Loans can be made to farmers or agribusinesses to purchase new or used property, equipment, or other capital items that will be used for: growth and development of new crops or livestock not customarily grown in Illinois, or the further processing of grain or livestock grown in the state. Loans are made through a local lender who receives an 85% guarantee on the principal and interest of the loan. The interest rate can be variable or fixed and must be less than the market rate of interest generally available to the borrower.
 - Eligibility requirements include:
 - Illinois resident at least 18 years old
 - Principal operator of a farm or land
 - At least 50% of gross income is from farming
 - Gross income is at least \$20,000 based on previous years tax return
 - Net worth is less than \$500,000
 - An agribusiness must be located in Illinois and the products used must be grown in Illinois currently or soon to be
 - Cash flow and collateral must be adequate for the loan
- Financings in east central Illinois
 - Christian county \$90,000; Beginning farmer bond loan
- Financings in other counties
 - Bethany \$110,000; Beginning farmer bond loan
 - Bloomington, \$250,000; Beginning farmer bond loan
 - Carthage \$292,000; Beginning farmer bond loans
 - Chambersburg \$300,000; Restructure debt on guaranteed loan
 - Chestnut \$190,000; Refinancing existing machinery notes and operating carryover
 - Chrisman \$250,000; Beginning farmer bond loan
 - Christian \$90,000; Beginning farmer bond loan
 - Coatsburg \$108,000; Beginning farmer bond loan
 - DeKalb \$131,040; Beginning farmer bond loan
 - El Paso \$108,000; Beginning farmer bond loan
 - Elizabeth \$500,000; Refinance existing real estate notes, machinery debt and operating loan carryover

- Flanagan \$285,000 ; AquaRanch Industries: Construct greenhouse, and related equipment
- Forrest \$500,000; Beginning farmer bond loans
- Goodfield \$32,000; Beginning farmer bond loan
- Jefferson \$132,300; Beginning farmer bond loan
- Kent \$390,000; Pearl Valley Cheese Company, Inc.: Loan guarantee for buildings, equipment improvements and working capital
- Leland \$500,000; Refinance operating loan carryover and existing IFDA guaranteed loan
- Mahomet \$250,000; Beginning farmer bond loan
- Marengo \$500,000; Debt restructuring loan
- Mason \$207,500; Beginning farmer bond loan
- McLeansboro \$250,000; Beginning farmer bond loan
- Morrison \$750,000; Oink, Inc.: Loan guarantee for specialized livestock guarantee
- Morrisonville \$250,000; Beginning farmer bond loan
- Olney \$165,150; Beginning farmer bond loan
- Peru \$207,900; Beginning farmer bond loan
- Polo \$357,000; Beginning farmer bond loan
- Poplar Grove \$150,000; Beginning farmer bond loan
- Ridgeway \$205,000; Extend existing IFA guaranteed loan
- Rosamond \$100,000; Beginning farmer bond loan
- Stephenson County \$7,518,000; Thompson Pearl Valley Eggs: Business expansion
- Waggoner \$171,000; Beginning farmer bond loan
- Whiteside \$50,000; Beginning farmer bond loan

II. Community Development Financial Institutions (CDFI)

Attributes

- Established to provide credit, financial services, and other services to underserved markets or populations
- 771 CDFIs certified by the CDFI Fund of the Department of Treasury and approximately 1,000 non-certified CDFIs across the United States.
- Primary mission is community development through
 - Job creation
 - Affordable housing
 - Community facilities
 - Banking services
 - Financial literacy
- CDFI types:
 - Community development banks
 - Credit unions
 - Loan funds (including micro-loan funds)

- Community development venture funds (see Section II)
- CDFI Fund and its certifications limited to the U.S., but CDFIs exist around the world such as:
 - Grameen Bank in Bangladesh
 - Fair Finance Consortium in the UK, a collaboration of 11 CDFIs
- Sources of financing
 - Banks
 - Corporations
 - Philanthropic sources
 - Individuals
 - Government sources (CDFI Fund of the Department of Treasury)

Coastal Enterprises, Inc. (CEI), Maine

<http://www.ceimaine.org/>

- Private, non-profit community development bank founded in 1977 and headquartered in Wiscasset, Maine.
- Rural regions of Maine are its primary market; areas of northern New England and upstate New York are secondary markets
- Mission is *“to help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.”*
- Areas of focus
 - Financing business and affordable housing
 - Developing natural resources like fisheries, forests and farms
 - Creating sustainable communities
- 3 for-profit subsidiaries
 - CEI Ventures, Inc. (<http://www.ceiventures.com>) - founded in 1994; manages 2 socially responsible venture capital funds with total commitments of \$25.54 million; makes equity investments in underserved markets throughout the Northeastern United States; often staged through multiple financings, investments average \$750,000 in a range from \$500,000 to \$2 million; anticipate exiting each portfolio company at appreciated multiples within 5 to 7 years; each fund portfolio is diversified by business stage, industry, geography and social benefit.
 - CEI Community Ventures, Inc. (<http://www.ceicommunityventures.com>) - manages a \$10M venture capital fund; invests in companies in a variety of sectors and stages (early, development, later); target investment ranges from \$250,000 and \$750,000; works with partner funds to help coordinate and/or lead larger financings (as much as \$5 million).
 - CEI Capital Management, LLC - manages CEI's \$129 million allocation under the New Markets Tax Credit program.
- Sources of funds
 - CEI's funding is from private foundations, federal agencies, and other sources
 - Foundations: Ford Foundation, MacArthur Foundation, Lilly Endowment, Kellogg Foundation, Surdna Foundation, Heron Foundation, Betterment Fund

- Federal agencies: Small Business Administration, United States Department of Agriculture, Department of Health and Human Services, and the United States Treasury's CDFI Fund.
 - Other: businesses, banks, religious institutions and individuals
 - Venture capital funding is from individual and institutional investors
- Uses of funds
 - Direct loans to start-up, existing and growing Maine small businesses, in amounts ranging from \$1,000 to \$500,000.
 - Venture capital investments in small businesses located in New England and the mid-Atlantic region.
 - New Markets Tax Credits for investments in targeted distressed communities in Maine, Northern New England, and upstate New York; tax credit investments range from \$2 million to \$30 million.
 - SBA 504 program provides fixed-rate financing for machinery, equipment and buildings - as much as \$4 million for manufacturing.
 - Loans and development capital for affordable homeownership, rental and supported Housing (<\$500,000 to >\$2 million)
- Sector focus
 - Loans: waterfront and marine businesses; small farms and agriculture; micro-enterprises; women business owners; child care providers; business ventures of refugees and immigrants
 - Venture capital: very broad (e.g., biotechnology, consumer products/services, financial services; business products/services, software/IT, etc.)
- Impact/Outcomes
 - CEI has mobilized over \$516 million for financing of 1,500 business ventures and housing projects, created or sustained over 16,130 jobs, and provided business counseling to over 17,600 aspiring and existing entrepreneurs.
- “3E” Investing Philosophy
 - *Economy*: Generates a viable financial return, either by maintaining or creating profits, return on investment or a tangible asset.
 - *Equity*: Provides an opportunity for disadvantaged groups to access information, housing, financial resources, or livelihoods/employment.
 - *Environment*: Results in a positive impact on the natural environment by reducing energy use, waste, pollution or material use, or by improving stewardship of natural resources.

Non-Profit Finance Fund (NFF)

<http://www.nonprofitfinancefund.org/>

- The only national CDFI focused on helping non-profits strengthen their financial health and improve their capacity to serve their communities

- Established in 1980 and serves nonprofits in Washington, DC-MD-VA, the West Coast, New York, New Jersey, New England, the Greater Philadelphia region, the Midwest, and nationwide through partnership-based national alliances
- Areas of focus
 - As a CDFI, offers an integrated package of financial and advisory services, including facilities and working capital loans and lines of credit; asset-building programs; intensive workshops; nonprofit business analyses
- Works with the following types on non-profits:
 - Arts & culture organizations
 - Community centers
 - Community development organizations
 - Educational institutions
 - Health organizations
 - Social service organizations, including youth servers, child care providers, and religious organizations
- Sources of funds (200+ organization nationwide)
 - Financial institutions
 - Corporations
 - Foundations
 - Public sector
 - Non-profits
 - Private individuals
- Uses of funds
 - Loans with low rates; re-payable over 5-7 years; often do not require collateral
 - Loans are for facilities and other growth-related needs, like working capital and equipment
 - For small to medium-sized nonprofits that have been in existence for at least three years
- Impact/outcomes
 - Lent over \$160 million and leveraged \$1 billion of capital investment on behalf of its nonprofit clients
 - Generated \$16 million for nonprofits for building reserves, cash reserves and endowments through its multi-year asset-building product
 - Provided \$1.2 million in loan guarantees, \$10.3 million in 9/11 recovery grants, approximately \$13 million in capital grants and \$2 million in planning grants
- NFF Capital Partners - newly launched entity
 - Helps nonprofits attract equity-like growth capital and helps facilitate capital campaigns of \$5-\$30 million
 - Serves as an intermediary between non-profits looking to raise funds and funders
 - Performs financial due diligence in anticipation of funder questions
 - Assists the organization in preparing an investment prospectus
 - Designs accounting systems to be used for monitoring investment flows
 - Drafts a provisional investment term sheet that promotes equity-like behaviors
 - After the money has been raised, provides several years of investment monitoring and reporting services on behalf of all investment parties

Shorebank Corporation, Illinois
<http://www.shorebankcorp.com/>

- A conglomerate of for-profit banks & non-profit affiliates as shown below:



- Leading community development bank with a stated mission *“to invest in people and their communities to create economic equity and a healthy environment.”*
- Privately owned by approximately 70 shareholders including individuals, foundations, religious organizations, financial institutions, insurance companies and major corporations.
- Started in 1973 to revitalize the communities being avoided by other financial institutions (lower income, minority) and expanded its focus in 2000 to include environmental issues in support of its mission.
- For-profit subsidiaries include federally regulated full-service banks and a small business investment company (Shorebank Capital)
- Non-profit affiliates include Northern Initiatives, a community development corporation affiliated with Northern Michigan University and several US and internationally focused CDFIs
- Shorebank and Shorebank Pacific – the commercial banks
 - Areas of focus
 - Community development banking – traditional banking services to revitalize communities by spurring the redevelopment of real estate, financing business growth, helping residents build their own wealth, and encouraging new services; lends extensively in its priority communities, and also focuses on lending to minority-owned businesses, nonprofits and faith-based organizations.
 - Conservation or environmental banking – traditional bank services to promote a healthier environment. For example, ShoreBank makes conservation loans to customers who are making changes to improve their use of key resources like energy, water, materials and land.
 - Sources of funds
 - Development Deposits offered to worldwide customers, market rate, federally insured deposits used to finance community development loans
 - Eco Deposits offered to worldwide customers, market rate, federally insured deposits used to finance conservation/environmental loans

- Impact/outcomes
 - Community Development Lending – in 2006 originated \$346.6M in community development loans. On every working day, Shorebank invested \$1.38 million to improve communities.
 - Conservation lending – totaled \$202.3M in 2006 and increase of 8% over 2005.
 - Triple bottom line loans: Triple bottom line philosophy includes financial performance, community development, environmental well-being. So it tracks loans that fulfill these three goals simultaneously. In 2006, the bank originated \$134.2M in triple-bottom-line loans.
- ShoreBank Capital - for-profit small business investment company
 - Originally created in Chicago in 1978, and in 2003 merged with ShoreBank’s Michigan-based BIDCO (business and industrial development corporation)
 - Provides flexible financing to businesses in Michigan’s rural areas and enterprise communities, and to businesses owned by ethnic minorities in Chicago
 - Services complement loans from other ShoreBank companies, unrelated banks, or venture capital investments
 - Offers management assistance in all areas of business management including product development, financial and cash management, and workforce training
 - Sources of funds
 - Uses of funds
 - Provides financing from \$200,000 to \$500,000 to small and mid-sized companies to finance equipment purchases, mergers and acquisitions, working capital to meet company growth, and purchase order financing
 - Subordinated debt/equity combinations (performance participation, royalties, guarantees and other non-traditional financial packages)
 - U.S. Small Business Administration guaranteed loan products
 - Originally created in Chicago in 1978, and in 2003 merged with ShoreBank’s Michigan-based BIDCO (business and industrial development corporation)
- Center for Financial Services Innovation – non-profit affiliate
 - An affiliate of ShoreBank Corporation and capitalized by The Ford Foundation
 - Founded in 2004 in order to expand financial services access and asset-building to underserved Americans.
 - Mission is to *“assist the financial services industry to identify, develop, and implement innovative ways to serve the underserved market that are profitable for both company and customer.”*
 - Areas of focus
 - Research
 - Networking
 - Communications
 - Investments (Catalyst Fund, grants and co-investments)
 - Roundtables
 - Public Policy
 - Sources of funds: foundations such as Anne E Casey, Ford, Citi, Bank of America, F.B. Heron

- Uses of funds
 - Invests in early growth stage business-to-business or business-to-consumer companies that
 - Since inception in 2004, has provided almost one and a half million dollars in grants and investments, in addition to its work developing broader investment syndicates.
 - All funding projects share the common goal of having potentially broad industry acceptance and measurable impact.
- Northern Initiatives - non-profit affiliated with Northern Michigan University
 - Started in 1985 and helps businesses in Michigan's Upper Peninsula grow and compete more effectively.
 - Provides business loans to new and existing firms; business consulting services such as business assessments and benchmarking, industrial marketing, and manufacturing systems improvements
 - Also partners with organizations to create new business opportunities in timber and tourism, two major industries in the Upper Peninsula.
 - Northern Initiatives has loaned nearly \$17 million to Upper Peninsula businesses since 1994, and provides business development services to over 200 companies annually, including to 75% of its loan customers.
- Shorebank Enterprise Group – 3 non-profit CDFIs (Detroit, Cleveland, Cascadia)
 - Provides loans and technical assistance to small businesses in Detroit, inner city Cleveland, and low-income rural and urban communities in the Pacific Northwest
 - Cascadia location is the largest CDFI in the Pacific Northwest and has a focus on linking rural farmers with urban markets.
 - Areas of focus and Uses of funds
 - Small-business loans, including micro-loans, from \$2,500 to \$1.5 million
 - Residential and commercial real estate loans
 - Programs for Native Americans, immigrants, and fisheries
 - Consulting services in the areas of financial strategies, risk management, growth, real estate, community development projects, and food-related products that link rural producers with urban markets
- Shorebank International – international
 - Delivers a broad range of financial services expertise to expand access to capital for small businesses, entrepreneurs and households around the world.
 - Areas of focus:
 - Small business finance
 - Microfinance
 - Housing finance
 - Africa, Asia, Central and Eastern Europe, Former Soviet Union and Latin America
- ShoreCap International – international
 - Invests capital in local financial institutions that provide loans to micro and small businesses in developing and transitional economies
 - Established in 2003 in response to increasing requests for support from local banking institutions

- Brings together a group of investors from both the private and public sector in the U.S., Europe, Asia and Africa
- Sources of funds: ABN AMRO, Asian Development Bank, The Belgian Investment Company, Calvert Group, Ltd., CDC, European Investment Bank, Evslin Family Foundation, FINN Fund, Ford Foundation, The Gatsby Charitable Foundation, International Finance Corporation, The Netherlands Development Finance Company, ShoreBank Corporation, Skoll Foundation
- Uses of funds and investment criteria
 - Type of Institution: invests in small business banks, regulated microfinance institutions and other regulated non-bank financial service companies striving to profitably meet the credit needs of micro entrepreneurs and small businesses in underserved markets. NGO's seeking to transform their operations into for-profit, regulated institutions are also eligible for investment.
 - Size: typically invests between \$500,000 and \$2 million for an ownership position of 10-25% of a company. Thus, Investee institutions generally have \$2-20 million in capital supporting total assets between \$10-150 million.
 - Geography: Institutions located anywhere in Africa, Asia or the non first-round ascension countries of Eastern Europe are eligible for investment.
 - Profitability: Investees must have achieved a level of unsubsidized operating profit or have plans to do so within the next 12-18 months.
 - Local Management and Ownership: As a minority shareholder, ShoreCap seeks financial institutions with a strong, experienced management team and a committed set of local development-minded investors.
 - Exit Strategy: ShoreCap seeks to exit its investments within 5-7 years through such means as a share put option, recapitalization by local investors, sale of company to strategic buyers, or an initial public offering.

Southern Bancorp, Arkansas

<http://www.southernbancorp.com/>

- Largest rural community development bank in the United States
- Founded in 1986 through then Governor Bill Clinton and the Winthrop Rockefeller Foundation's initiative to end decades of economic decline in rural Arkansas
- Created by a consortium of private foundations, governmental entities, corporations and private individuals; founding directors included then Arkansas First Lady Hillary Rodham Clinton, ShoreBank founders Ron Grzywinski and Mary Houghton, and Rob Walton
- Mission is to *"to help transform rural economies by creating new trends of investment in people, jobs, businesses, and property."*
- Currently has \$550 million in assets, 40 locations in rural Arkansas and Mississippi and over 250 employees
- Holding company for three commercial banks and two nonprofit affiliate organizations.
- Nonprofit affiliate organizations
 - Southern Financial Partners (SFP)
 - Founded in 1988 as the lead nonprofit in the Southern Bancorp family of development banks

- Operated the Good Faith Fund, a microlending program modeled after that of the Grameen Bank in Bangladesh; program spun off into a separate nonprofit, and changed its name to Southern Good Faith Fund
 - Program-Related Investments:
 - Community facilities loans, home mortgage loans for first-time low income buyers, small business development loans to rural entrepreneurs
 - Lending activities are coordinated with community development activities in order to further maximize their impact
 - Southern Good Faith Fund (SGFF)
 - Began in 1988 as a program of Southern Financial Partners and modeled after Grameen Bank, but mission has evolved
 - Current areas of focus
 - Asset builders: Individual Development Accounts (matched savings accounts for working poor families who are trying to buy their first home, make improvements to their home, pay for post-secondary education or job training, or start their own business); SEED Accounts (accounts for pre-school children established when a child is 3 or 4 years old and allowed to grow over their lifetime)
 - Business development center
 - Career pathways: helps low income people move up the career ladder
 - Public policy: education/training; jobs; building assets
 - Sources of funds
 - Donations
 - IDA Tax Credits
 - Community Deposits (foundations and private individuals)
 - Grants (foundations and private individuals)
- Impact/outcomes
 - Originated over \$1.7 billion in development loans since inception – primarily to individuals and organizations in the poorest areas of the United States

III. Community Development Venture Capital/Venture Capital Funds

Attributes

- Type of private equity capital provided by outside investors to new, high growth businesses that are too risky for standard capital markets or bank loans
- Capital from various sources is pooled into an investment vehicle (often a limited partnership)
- Generally made as cash in exchange for shares (i.e., equity) in the investee company
- High risk, but offer the potential for above-average returns
- Firms can also provide managerial, technical expertise and social capital
- Sources of funds include wealthy investors, investment banks and other financial institutions that pool capital in funds, which in turn invest in new ventures
- Can be used as a financial tool for development by playing a key role in business start-ups, existing small and medium enterprises and overall growth in developing economies.

- Community Development Venture Capital (CDVC)
 - Mission driven entities that invest in for profit business
 - Focus on double bottom line: financial and social returns
 - \$1 billion under management with more than 80 funds
 - Bring resources that other venture funds do not
 - Contacts with and understanding of regional economic development resources
 - Associated non-profits that can add value to portfolio companies
 - New Markets Venture Capital and Rural Business Development Companies which provide federal operational assistance grants made directly to portfolio companies

ACEnet Ventures

<http://www.acenetworks.org/>

- A community development venture fund started in 2000 with a mission *“to create quality jobs and establish a sustainable economy in Central Appalachia by providing investments and technical assistance to businesses in the food and technology sectors.”*
- Affiliated with the Appalachian Center for Economic Networks (ACEnet)
- Provides flexible financing and investment for small businesses
- Areas of focus
 - Agriculture
 - Farmworkers
 - Fisheries
 - ElderCare/Assisted Living
 - Healthcare/Clinics
- Uses of funds
 - Capital products meet the need for capital where risk is too high for banks and loan funds: 20% microlending 80% small business
 - Subordinated debt – the fund’s primary investment product and meets the need for equity-like capital for growth
 - Senior loans – less than 25% of the portfolio and are administered at a very early stage to businesses with limited or no credit history; loans are collateralized and priced according to the fund’s risk assessment worksheet
 - Delayed payments of principle or interest – applied to cases where the delay will help overcome short-term cash flow or improve profit margins by improving the quality of their sales restructuring debt, or investing in a new manager or team
 - Participation fees – royalties on sales or increase in sales.
 - Warrants – these are attached to subordinated debt in order to ensure a return at or above the targeted rate if the business is sold or the ownership structure is changed
 - Investments range from \$2,000 to \$10,000
- Impact/outcomes

- Financed 14 small businesses and 14 microenterprises, creating a total of 112 jobs; total of \$1 million in loans

Acumen Fund

<http://www.acumenfund.org/>

- Non-profit global venture fund based in New York City that uses entrepreneurial approaches to solve the problems of global poverty; uses a venture capital approach to philanthropy
- Incorporated on April 1, 2001, with seed capital from the Rockefeller Foundation, Cisco Systems Foundation and three individual philanthropists
- Investments focus on delivering affordable, critical goods and services to improve livelihoods, health and opportunities for the poor around the world
- Areas of focus
 - 3 Investment Funds: Health, Housing, Water
 - Geographic areas: India, Pakistan, Egypt, South Africa, Tanzania, Kenya
- Sources of funds
 - Private individuals
 - Foundations
 - Corporations
- Uses of funds: (for-profit and non-profit organizations; monies returned are reinvested in Acumen Funds)
 - Loans
 - Equity investments
 - Occasional grants
- Impact/outcomes
 - Four key criteria: financial sustainability, social impact, scale and cost effectiveness
 - Best Available Charitable Option (BACO) method – compares each investments with a real or hypothetical charitable option in order to quantify how social impact, for each net dollar invested, compare with that of other philanthropic options. At the macro level, look at the results across three areas:
 - Output: count of goods/services delivered on a scale and at a cost that is superior
 - Impact: measurable improvements in quality of life at the Bottom of the Pyramid
 - Systems change: transformation in the marketplace for critical goods and services in emerging markets
 - Since first investment in 2004, more than 500,000 people have been protected from malaria, 12,000 women have received micro-finance loans, 5,000 farmers have increased their income by purchasing drip irrigation systems, and 11,000 families have bought life-saving de-fluoridation water filters.

Community Development Venture Alliance

<http://www.cdvca.org>

- Membership network of community development venture capital (CDVC) funds formed in 1993 and incorporated as a not-for-profit in 1995; 100 members
- Mission is to *“promotes use of the tools of venture capital to create jobs, entrepreneurial capacity and wealth to advance the livelihoods of low-income people and the economies of distressed communities.”*
- Member funds provide equity capital to businesses in under-invested markets and seek market-rate financial returns, as well as the creation of good jobs, wealth, and entrepreneurial capacity (i.e., social returns)
- Program areas
 - Professional development and networking
 - Industry research
 - Public policy
 - Member services (deal directory, CDVCA asset protection insurance program, job bank)
 - Investing (direct and co-investments)
 - Communications (represents the CDVC industry)
 - Consulting services
- Uses of funds
 - CDVA Central Fund
 - \$6 million under management; minimum investments of \$250,000
 - Fund of funds investments - investments made in CDVCA member funds
 - Co-investment fund investments - direct equity investments made with other funds

Investeco Capital

<http://www.investeco.com/>

- Incorporated in 2003 as the first and only private equity firm in Canada that has a defined environmental sector focus
- Mission is to *“produce superior financial returns by investing in high-growth environmental companies with lasting competitive advantages.”*
- Areas of focus
 - Alternative power
 - Natural and organic foods
 - Water technologies
 - Environmental technologies
- Uses of funds: equity financing
- Impact/outcomes
 - Invested \$15 million to date in nine Canadian companies
 - Natural and Organic food investments:
 - Organic Meadow - oldest, and the largest, organic dairy brand in Canada; leading dairy brand in eastern Canada with 75% market share in Ontario
 - Horizon Distributors - distributes more than 3500 ecologically-sound and organic food products from around the world to retailers across the Canada, including Whole Food; owns other organic and natural food distributors.

- Rowe Farm Meats - largest producer of natural meat in Ontario, selling beef, chicken and pork, as well as eggs; sells through its own retail outlets as well as farmers' markets and supermarkets (such as Whole Foods)

Investor's Circle (IC)

<http://www.investorscircle.com/>

- A nation-wide membership organization started in 1992 for accredited angel investors looking to invest in venture deals that promote transition to a sustainable economy
- Serves as a bridge between social entrepreneurs and investor circle members through venture fairs, an online company database, electronic and print newsletters
- Does NOT act as an advisor or broker to circle members and does not receive any fees or commissions for investments made through the network
- IC's membership is comprised primarily of:
 - Individual angel investors
 - Professional venture capitalists
 - Foundation officers
 - Family office representatives
 - 170 members in 26 states in 4 countries
- Areas of focus
 - Energy & Environment
 - Food & Organics
 - Community & International Development
 - Education & Media
 - Health & Wellness
- Sources of funds
 - Accredited angel investors who can invest directly in companies
 - Accredited angel investors who can invest in IC social mission funds such as Commons Capital (launched in 2002 with \$13.5 million in committed capital and 53 limited partners)
- Financing needs and stages of target companies:
 - Capital needs under \$5 million and no more than \$10 million.
 - Scalable models i.e., potential for national or international growth.
 - Generate revenues of at least \$5 million within 5 years
 - Early, expansion or growth stages
- Impact/outcomes
 - 250 company briefings are shared with IC membership each year. Of this pool, approximately 10% of posted briefings receive a call from an investor solely as a result of their company posting, approximately 15% are selected to present in person at an IC venture fair, and approximately 6% receive investment from IC member(s).
 - Since 1992, over \$111 million has flowed into 182 companies and small funds addressing social and environmental issues.
- IC also has a non-profit arm, IC Foundation, whose mission is *"to support networks of individuals and organizations dedicated to entrepreneurship that preserves and restores the commons."*

- IC Foundation has three program areas: System Design, Education and Research and Technical Assistance
 - **System Design** - incubates innovative, mission-driven investment strategies. Currently, three such projects are underway, one of which is Slow Money. In collaboration with the W.K. Kellogg Foundation, the IC Foundation has embarked on a project to more effectively respond to early-stage food companies, steering more capital towards the building of a healthy food system. The Slow Money project is exploring the feasibility of a sustainable food fund that provides effective, mission-driven intermediation for entrepreneurs, investors and philanthropists.
 - **Education and Research** - creates educational content for IC conferences, retreats and workshops; undertakes research into financial returns and social impact; collaborates with foundations on mission-related investing, and, develops case studies and special reports.
 - **Technical Assistance** – supports technical assistance projects with companies that have IC member involvement, including:
 - Farmers Diner Assisting this early-stage company with its financing and strategic planning, pioneering new roles for for-profit companies building local food systems.
 - Pura Vida Coffee Enhancing the flow of capital to this emerging fair trade coffee company, which is dedicating 100% of its profits to disadvantaged children in Costa Rica.

SJF Ventures

<http://www.sjfund.com>

- Started in 1999 based in Durham, NC and New York, NY and comprised of two organizations
 - SJF Ventures, a venture capital fund
 - SJF Advisory Services, an affiliated non-profit
- SJF Ventures is structured as a ten-year limited partnership; first fund was capitalized at \$17 million in 2000; second fund has \$28 million under management and was closed at the end of the first quarter of 2007
- SJF Advisory Services
 - Provides entrepreneurial, workforce and sustainability assistance services to SJF prospect and portfolio companies
 - Seeks to rapidly diffuse those entrepreneurial strategies to help build a more sustainable economy
- Areas of focus
 - Clean technologies
 - Natural and premium consumer products
 - Business services
 - Representative investment areas include renewable energy and efficiency, organic and healthy consumer products, digital media and marketing services, electronics recycling, and outsourced business services

- Sources of funds
 - Banks
 - Funds of funds
 - Accredited individual investors
 - Foundations
 - Family offices
- Uses of funds
 - Equity financings from \$500K to \$5MM, solo or in syndicates, to growth stage companies with revenues of \$1M to \$20 million and seeking expansion capital
- Impact/outcomes
 - In 2006, SJF identified 1,197 companies seeking equity financing; of these, SJF assisted 208 companies with business assistance such as financing and partner referrals, business plan feedback, and workforce development assistance such as help with benefits, location, recruitment, and tax credits
 - SJF portfolio companies currently employ 2,100 individuals, with 1,228 new jobs created after SJF investment. Approximately 75% of these employees are low to moderate income individuals

IV. Foundation/Intermediary with Social Enterprise Funds

Attributes

- Legal categorization of nonprofit organizations that either donate funds to other organizations or provide the sole source of funding for their own activities
- Private foundations usually funded by an individual, family, or corporation; have more restrictions and less tax benefits than public charities
- Public charities i.e., community foundations and other nonprofit groups that raise money from the general public
- Social enterprise funds take a venture capital approach to philanthropy, going beyond giving grants to making investments, tracking their performance and seeking social returns

Ashoka

<http://www.ashoka.org/>

- Founded in 1980 by Bill Drayton in Washington, DC and a registered 501c3 not-for-profit organization
- Named, created and pioneered the global field of social entrepreneurship
- Started with an annual budget of \$50,000, grown to nearly \$30 million in 2006
- Established programs in over 60 countries and supports the work of over 1800 Ashoka Fellows
- Employs 160 staff in 25 regional offices throughout Africa, the Americas, Asia, Europe, the Middle East, and North Africa
- Areas of focus
 - Civic engagement
 - Environment
 - Economic development
 - Health
 - Learning/Education
 - Human Rights
- Sources of funds
 - Individuals, foundations and business entrepreneurs from around the world
 - Does not accept funding from government entities.
 - Individual and institutional endowment funds
- Uses of funds: provides grants and financing on the individual, group & sector levels
 - Individual: provides financial and professional support to individual social entrepreneurs throughout their life cycle – Ashoka Fellowship program
 - Ashoka Fellows - leading social entrepreneurs who have innovative solutions to social problems and the potential to change patterns across society; are at the launch stage; are given a living stipend for an average of three years
 - Senior Fellows- advanced Fellows who are well beyond the launch stage and, at the time of election, have already created widespread impact; are recognized in their field; might not need Ashoka financial support, but benefit from connection
 - Global Fellows – entrepreneurs whose work is borderless and transnational
 - SIV (Social Investment Venture) Fellows- can transform the allocation of capital for social benefit; have helped bring fresh capital to underserved communities,

- improved the provision and efficiency of financial services, or developed new institutions and mechanisms to bring scarce resources to the citizen sector
 - Group: brings communities of social entrepreneurs together to help leverage their impact, scale their ideas, and capture and disseminate their best practices.
 - Sector: helps build infrastructure and financial systems needed to support the growth of the citizen sector
- Social Financial Services (SFS) initiative – sector level financing
 - Improves access to financing and sustainable capital in the citizen sector
 - Works with leading financial intermediaries to educate them about the immense value inherent in the social sector and helps them develop new products
 - Key SFS strategies include:
 - Engaging major financial institutions, including private, investment, and commercial banks, to provide alternative sources of capital
 - Creating financial models such as SIV (Social Investing Ventures) to allow the movement of these cutting edge ideas to scale
 - Assisting other philanthropic groups and Ashoka Fellows to secure investment through non-traditional avenues
 - Encouraging learning between potential pattern-breakers and professional support institutions
 - Working with other Ashoka programs to leverage global change
 - Partnered with UBS to create new means of engaging banks in financing the citizen sector
- The Venture Fund for Leading Social Entrepreneurs
 - Started in 2005 through a gift from the Oswald Family Foundation in honor of Charles W. Oswald, a lifelong business entrepreneur
 - Allows private donors to support the social entrepreneurship Fellows program
- Eye Fund a new financial instrument started in 2006 in partnership with Deutsche Bank and the International Association for the Prevention of Blindness
 - Unique \$20 million fixed income fund that will direct capital and technical assistance to eye care facilities around the world, while providing financial return to investors
- Impact/outcomes
 - Within 5 years of becoming Ashoka Fellows:
 - 94% remain engaged in consolidating and spreading their innovations.
 - 93% have proven their ideas to be so effective that their work has been replicated by independent groups or government organizations
 - 56% have achieved changes in national government policy or legislation.
 - 54% consider their institutions to be leaders in their field.
 - 80% stated that Ashoka's investment made a critical or significant difference in their work

Blue Moon Fund

<http://www.bluemoonfund.org/>

- Established in April 2002 by Diane Edgerton Miller and Patricia Jones Edgerton; private social mission fund based in Charlottesville, VA
- Mission is *“to improve the human condition by changing the relationship between human consumption and the natural world.”*
- Areas of focus/initiatives
 - Rethinking Consumption and Energy - aimed at developing environmentally friendly, efficient, and economically competitive transportation and energy choices worldwide. The fund works only in the Americas and Asia
 - Balancing Human and Natural Ecosystems - promotes new economic and culture approaches to reducing resource pressure and preserving biodiversity; seeks economically sustainable development models that do not displace humans and that take advantage of market forces
 - Reenergizing Urban Communities - based on the belief that underpinning vibrant and resilient cities is their capacity to self-organize in ways that maximize the economic, cultural, environmental and spiritual benefits of urban life. Self-organization generates social and economic capital, empowers citizens, and is inherently holistic and sustainable
- Uses of funds: one-year and multi-year grants to non-profit organizations in Asia, Latin America and the United States

Calvert Foundation

<http://www.calvertfoundation.org>

- Launched in 1995 as a 501(c)(3) organization with the support of the Ford, MacArthur and Mott Foundations; separate entity from Calvert group of mutual funds, but founded by Calvert Board member after reading about Grameen Bank
- Received its Community Development Finance Institution (CDFI) certification from the US Department of Treasury in 1999
- Mission is to *“maximize the flow of capital to disadvantaged communities in order to foster a more equitable and sustainable society.”*
- Created the Calvert Community Investment (CCI) Note, its first community investment vehicle:
 - Calvert Community Investment (CCI) Notes bring together the financial benefits of an investment and the social impact of a charitable donation. Every dollar invested is placed in a diversified loan pool with the objective of earning both a financial and a social return
 - With the purchase of a CCI Note, the full value of the principal is lent out to help underserved communities. As loans are repaid, the capital is lent out again, multiplying the social impact of the investment has created. At maturity, capital is returned to the investor with interest
 - Calvert mutual funds are the single largest investor in CCI Notes, comprising approximately 25 percent of total notes outstanding
 - Areas of focus

- Affordable housing
 - Small business development
 - Essential community services
 - Social development
 - Gulf Coast recovery
 - Sources of funds
 - Individuals
 - Institutions
 - Uses of funds
 - Affordable loans to non-profit organizations in underserved communities
- Calvert Giving Fund
 - The only 100% Socially Responsible Donor Advised Fund in existence
 - The equivalent of starting a “personal foundation” without the hassle, expense or capital requirements
 - Offers a range of investment choices that help maximize the impact of donated funds
 - Assets appreciate tax-free in an investment platform of socially-responsible mutual funds and community investments
 - Donor gets receive an immediate tax-deduction upon opening a Giving Fund and funds start generating positive social returns through the investments selected by donor
 - Sources of funds
 - Private individuals donate cash, mutual funds, shares, stocks, bonds and other non-conventional securities (such as real estate)
 - Uses of funds
 - Invested in socially responsible mutual funds managed by Calvert Group, and directly into community development programs through Calvert Foundation’s Community Investment Note
- Impact/outcomes
 - Invested/loaned more than \$443 million
 - Created 216,685 jobs
 - Helped build 9,619 affordable homes
 - Financed 12,724 nonprofits and social innovations

F.B. Heron Foundation

<http://www.fbheron.org/>

- Private, non-profit institution founded in 1992 to support organizations with a track record of building wealth within low-income communities
- Mission investing goal is to use the Foundation’s assets *“to increase wealth-creation opportunities for low-income people and communities in the United States.”*
- \$307 million in assets; seeks opportunities that leverage its resources with those of other investors
- Areas of focus
 - Advancing home ownership
 - Supporting enterprise development
 - Reducing barriers to full participation in the economy by providing quality child care

- Increasing access to capital
- Employing comprehensive community development approaches with a strong focus on the wealth-creation strategies
- Uses of funds
 - Grants: general support and program specific; 1-2 years
 - Mission-related investments (totaled \$73.9 million in 2006)
 - Program-related investments (PRIs) - typically low-interest senior or subordinated loans or equity-like investments to nonprofit or for-profit organizations whose work closely corresponds with Foundation's programmatic interests
 - Market-rate insured deposits in low-income designated credit unions or community development banks
 - Other mission-related investments including, but not limited to, private equity and fixed-income securities offering a risk-adjusted market rate of return with substantial social benefits to low-income families and communities
- Impact/outcomes
 - 132 grantees in 2006; \$9.1 million; 77% for general support

V. Public/Private Partnerships

Attributes

- Partnership between business enterprise and non-profit organizations to create innovative approaches to local food system development

Kaiser Permanente

<http://www.kaiserpermanente.org/>

On-site Organic Farmers' Markets and Thrive-Support Agriculture Program

- Partnership between Kaiser Permanente and the Pacific Coast Farmers Market Association (PCFMA), a not-for-profit organization that operates over 40 Certified Farmers' Markets in the San Francisco Bay Area
- PCFMA operates certified farmers' markets at 12 Kaiser Permanente facilities in the San Francisco Bay Area
- Brain child of Dr. Maring, a physician at Kaiser Permanente Medical Center in Oakland CA and established in 2003 with these goals:
 - Promote healthy eating as a key element of our health education and health maintenance programs
 - Create a healthy food environment for staff, patients and community residents
 - Support the agricultural community.
- Today 38 KP facilities offer organic produce markets
- Dr. Maring recently received a Kellogg Foundation Food in Society Policy Fellowship for his work creating farmers' markets (fellowship is designed to help reach a goal of having 10 percent of the food sold in the United States, 10 years from now, be "good food" that is healthy and affordable.)

Whole Foods Market

<http://www.wholefoods.com/>

Local Producer Loan Program

- National \$10 million a year low-interest, loan program for small, independent, local producers in areas where Whole Foods has stores
- Program attributes
 - Loans amounts targeted between \$1,000 and \$50,000 and not greater than 80% of total project cost
 - Interest rate based on prime rate (currently 8.25%) with current range of 5% to 9%, fixed or variable with annual re-sets
 - Term and repayment of loan tied to life of asset financed, but can range from a few months to ten years.
 - Whole Foods Market may maintain first lien position on asset financed
 - Monthly payments required after termination of any grace period
 - No penalty for early repayment
 - Approval and terms dependent primarily on producer suitability, risk assessment, type of product, and use of proceeds
 - Producer may apply for additional financing if initial loan is in good standing after 1 year
 - Minimization of loan application paperwork; administrative fees of \$0-\$65
- Product attributes
 - Products include agricultural crops, value-added food products, and other all-natural grocery items
 - Products must meet Whole Foods Market's Quality Standards and Animal Compassion Standards (if meat or dairy producers)
- Use of funds
 - Fund expansion, not cover operating expenses i.e., buy more animals or new equipment/infrastructure, expand crops
- Impact/outcome
 - Program currently has \$859,500 in loans underway across the nation
 - Midwest Region: Public/private partnership: partnered with Sustain and FamilyFarmed.org to promote and administer the loan program
 - Florida Region - Buzzn Bee (Ft. Lauderdale, Florida)
 - Mid-Atlantic Region - Mills Rest Ranch (Mt. Gilead, Ohio)
 - North Atlantic - Old School Baking (Northampton, Massachusetts)
 - Northeast Region - Red Jacket Orchards (Geneva, New York); Upper Meadows Farm (Montague, New Jersey); Wine Cellar Sorbets (Brooklyn, New York)
 - Northern California - Dr. Melina (San Francisco); Kombucha Botanica (Santa Cruz); Mudslinger's Freestyle (San Francisco); Revolution Foods (Emeryville); Valley End Farm (Santa Rosa)
 - Rocky Mountain Region - Desert Blends of Taos (Taos, New Mexico); Full Circle Farm (Boulder, Colorado); Haystack Mountain Goat Dairy (Boulder, Colorado); Justin's Nut Butter (Boulder, Colorado); MouCo Cheese Company (Fort Collins, Colorado); Yummy's Choice (Kansas City, Missouri)

- Southern Pacific - Laughing Giraffe Organics (Phoenix, Arizona)
- Southwest - Blumetti's Gourmet Foods (Rockwall, Texas)

Whole Foods Foundations

- Animal Compassion Foundation
 - Mission is *"to improve the quality of life of farm animals through educational services and research aimed at assisting ranchers and meat producers around the world to achieve a higher standard of animal welfare excellence."*
 - Sources of funds
 - Global 5% Days held twice since inception in 2005: first in 2005, five percent of all customer purchases from every Whole Foods Market in the United States, Canada and the United Kingdom was set aside to establish the Foundation; second in 2006, raised \$650,000 to pursue foundation goals.
 - Plan is to raise funds from private individuals in the future
 - Uses of funds
 - Dedicated solely to research projects, on-farm studies and education, not for administrative purposes
- Whole Planet Foundation
 - Mission is *"to create economic partnerships with the poor in those developing-world communities that supply Whole Foods stores with product."*
 - Areas of focus
 - Direct micro-credit loans and tangible support for other community partnership projects
 - Sources of fund
 - Global 5% Day raised \$570,000 (this is an annual event)
 - Whole Foods donates \$1,000,000 annually to the foundation
 - Uses of funds
 - Microcredit loans in partnership with Grameen Bank

VI. Microenterprise Development Funders

Attributes

- 600 microenterprise development organizations operating in the United States originated in the mid-1980s, including CDFIs
- Offer business training, technical assistance, access to capital, and other services to businesses with five or fewer employees requiring \$35,000 or less in start-up capital
- Target very low-income entrepreneurs who have no other sources of capital
- 4 key elements of microenterprise development programming:
 - Training and technical assistance
 - Credit and access to credit
 - Access to markets
 - Economic literacy and asset development
- Provide direct access to funds through microloans (defined as less than \$35,000)
- Partner with banks, credit unions, & other financial institutions to provide access to capital

- Rural Microenterprise Development
 - 60% of MDO serve rural areas (Source: 2002 Directory of US Microenterprise Programs)
 - US Department of Agriculture provides funding through several programs, the largest being Rural Business Enterprise Grants
 - Funding sources include foundations, corporations, government, individual donors, and earned income

Association for Enterprise Opportunity

<http://www.microenterpriseworks.org>

- Founded in 1991 and located in Washington D.C.; national membership association of community-based organizations that provide entrepreneurial education, access to capital, and support to aspiring and active low-income entrepreneurs
- Current membership stands at 450; **not a funding source**
- Stated mission is *“to support the development of strong and effective U.S. microenterprise initiatives to assist underserved entrepreneurs in starting, stabilizing, and expanding businesses.”*
- Estimates that there are over 20 million U.S microenterprises, which represent 17% of all private employment in the U.S.
- Rural Initiative 2007-2010 supported by W.K. Kellogg Foundation
 - Regional Flavor Learning Cluster - deepens understanding and practice of strategies for rural economic development by supporting a variety of players comprising Regional Flavor Networks in six rural regions. These groups are developing strategic alliances to implement Regional Flavor plans that build upon the unique assets of each region while aggregating and enhancing the potential of microentrepreneurship.
 - Rural Policy Learning Cluster - aims to substantially expand rural microenterprise development policy and practice in five rural states by building and supporting policy networks. These collaborations are focused on defining and disseminating a strong microenterprise policy message reflective of the policy needs determined by each network and resulting in increased resources supportive of microenterprise development in California, Maine, South Carolina, Tennessee and Vermont.
 - New Models for Rural Microenterprise Development Project - examines and supports new and cost-effective models of service delivery for microentrepreneurs in four rural areas where services are lacking. The lead organizations offer a variety of models including the addition of microenterprise program delivery by organizations that have not previously offered such services as well as the expansion of microenterprise program delivery by existing MED organizations into unserved geographic areas of their states.

EcoLogic Finance

<http://www.ecologicfinance.org/>

- A non-profit based in Massachusetts and founded in 2000
- Offers affordable financial services to community-based businesses operating in environmentally sensitive areas of Latin America, Africa and South Asia

- Provides loan capital to support low-income communities whose business activities foster environmental conservation and grassroots economic development
- Manages a portfolio of \$25,000 to \$750,000 loans, with a median size of \$200,000, to small- and medium-sized enterprises that do not meet traditional requirements to access loans from local financial institutions
- Areas of focus
 - Target sectors include agroforestry (shade-grown and sustainable agriculture), wild-harvested products, certified wood, sustainable fisheries, and ecotourism
- Sources of funds (over 50 investors)
 - Private individuals
 - Socially responsible investment firms
 - Foundations
 - Faith-based investment funds
 - Coffee roasters
- Uses of funds
 - Short-term loans for working capital and long-term loans for capital investments or farm refurbishment
 - Restricts its lending to rural producer organizations with established market linkages to values-driven buyers engaged in direct commerce with their suppliers
- Partnership approach
 - Partners with NGOs working with potential and current loan recipients. For example, EcoLogic Finance regularly meets with TransFair USA (the only independent, third-party certifier of Fair Trade practices in the U.S.) in order to identify potential loan recipients and to share due diligence
 - Partners with loan guarantors to follow its mission of serving higher-risk yet high-impact applicants. For example, the Development Credit Authority of the U.S. Agency for International Development provides the fund with a 50% guarantee on disbursements of up to \$4 million
 - Partners with specialty product importers, who ensure product demand for EcoLogic Finance's loan recipients. EcoLogic Finance lends against specific contracts between importer and loan recipient and upon product shipment, is paid directly by the importer
- Impact/outcomes
 - Since inception, has provided over 300 loans totaling \$60 million to village-based enterprises with a real stake in conserving local habitats
 - Established an important presence working with over 150 small- and medium-sized enterprises in twelve Latin American countries (Belize, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Peru), seven East African nations (Ethiopia, Ivory Coast, Kenya, Mozambique, Rwanda, Tanzania, and Uganda), and three South Asian countries (East Timor, India and Indonesia)
 - Borrowers come largely from indigenous communities that lack equitable access to capital, social services, and external markets

Grameen Bank

<http://www.grameen-info.org/>

- Started in 1976 as a research project by Muhammad Yunus and the Rural Economics Project at Bangladesh's University of Chittagong to test his method for providing credit and banking services to the rural poor
- Pioneer in microcredit development
- Core work is to provide microloans to the very poor in Bangladesh without requiring collateral
- Now consist of a wide ranging group of enterprises including the Grameen Fund launched in 1994
- Grameen Fund (GRFD) – non-profit social venture capital fund
 - Areas of focus – 4 areas
 - Venture/ Equity Financing Scheme - provides capital in the form of direct equity to risky and technology-based projects, sponsored by private entrepreneurs that bring direct or indirect benefits to the poor. It also finances ongoing clients of GRFD needing expansions, modernization and developing new products of interest.
 - Micro Enterprise Loan Scheme - finances small and micro industries and enterprises in the manufacturing and marketing of various products, extends loans to rural enterprises, provides working capital and fixed capital investment to small-scale industries. Financing small projects and microenterprises is one of GRFD's primary activities, with more than \$2.6 million dollars already disbursed
 - Loan Financing - provides short-term and long-term finances to its family members and equity-financed companies
 - Time Deposit Loan Scheme - non-member time deposit holders at Grameen Bank branches can take out loans. This enables them to utilize their deposits for urgent situations without liquidating it before maturity
 - Sources of funds
 - Grameen Bank
 - Calvert Foundation
 - Other foundations
 - Impact/outcomes
 - Since inception, has financed 1,742 microenterprise loans worth almost \$2.49 million and 21 small business loans worth \$121,739
 - Sectors financed from microfinance loans include agriculture, engineering, poultry, dairy, fishery, and handicrafts

Summary Table of Example Social Enterprise Financers

	Entity Type (for-profit, non-profit, hybrid)	Entity Type Invested In (for-profit, non-profit, both)	Financing type			Agriculture Focus	Illinois Focus
			Loans	Equity	Grants		
Community Development Financial Institutions (CDFIs)							
Coastal Enterprises Inc.	Hybrid	Both	✓	✓		Yes	No
Non-Profit Finance Fund	Non-profit	Non-profits	✓	✓		Yes	No
Shorebank Corporation	Hybrid	Both	✓	✓		Yes	Yes
Southern Bancorp	Non-profit	Both	✓	✓		Yes	No
Community Development Venture Funds/Venture Capital Funds							
ACEnet Ventures	Non-profit	For-profits	✓			Yes	No
Acumen	Non-profit	Both	✓	✓	✓	Yes	No
Community Development Venture Alliance	Non-profit	Both		✓		Yes	No
Investeco Capital	For-profit	For-profits		✓		Yes	No
Investors' Circle	Hybrid	For-profits		✓		Yes	No
SJF Ventures	Hybrid	For-profits		✓		Yes	No
Foundation/Intermediary with Social Enterprise Funds							
Ashoka	Non-profit	Both	✓		✓	Yes	No
Blue Moon	Non-profit	Non-profit			✓	Yes	No
Calvert Foundation	Non-profit closely affiliated with a for-profit	Both	✓	✓		No	No
F.B. Heron Foundation	Non-profit	Both	✓	✓	✓	No	No
Public/Private Partnerships							
Kaiser Permanente/ Pacific Coast Farmers Market Association	Hybrid	n/a	n/a	n/a	n/a	Yes	No
Whole Foods/Familyfarmed.org	Hybrid	n/a	✓			Yes	Yes
Microenterprise Development Funders							
Association for Enterprise Opportunity	Non-profit	Not a funding source	n/a	n/a	n/a	Yes	No
EcoLogic Finance	Non-profit	For-profits	✓			Yes	No
Grameen Bank	Non-profit	Both	✓	✓		Yes	No