Regional Food Systems
Driving Entrepreneurship and Small Business Development

September 14, 2017

Organized by the Board of Governors of the Federal Reserve System

The Connecting Communities® audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.
Thank you for attending today’s session. How to join (remember, this session is being recorded):

- Call-in number: 888-625-5230
- Conference code: 803 128 20#
- Webinar link: https://www.webcaster4.com/Webcast/Page/584/21270

You have two options to ask questions today:
(These questions may be part of the recorded archive for this session.)

- Email us at: communities@stls.frb.org
- Type your question into the chat box of the webinar

An archived recording of this session will be available on the Connecting Communities® website shortly after the session ends. Please visit www.stlouisfed.org/connectingcommunities/.

In connection with this session, you can find a variety of additional resources on this topic at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.
The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.
Community Development (CD)

• The CD function within the Federal Reserve System—consisting of individual departments at each of the 12 Federal Reserve Banks and at the Board of Governors—promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:
  – **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors
  – **Conducting and sharing research** to examine LMI communities and attendant policy implications
  – **Identifying emerging issues**
Today’s Presenters and Agenda

• Dr. Lisa Benson, Director of Rural Development, American Farm Bureau Federation, Washington, D.C.
• Donna Leuchten Nuccio, Director of Healthy Food Access, Reinvestment Fund, Philadelphia, Pennsylvania
• Dr. Kathleen A. Merrigan, Executive Director of Sustainability, The George Washington University, Washington, D.C.

• The following will be discussed:
  – The use of business plan competitions, incubators, and accelerators to support small business development in the agriculture and food sectors
  – The work of Community Development Financial Institutions to support food and farm businesses through business assistance and financing
  – The need to ensure the opportunities in the food and farm sectors are available to all and examples of organizations advancing those efforts
Bringing Businesses to Life through Competitions, Incubators, and Accelerators

Dr. Lisa Benson
Director of Rural Development
American Farm Bureau Federation
Washington, D.C.
lisab@fb.org
Helping Small Businesses Scale Up

“The biggest challenge we face right now is capital.”

Albert Wilde
Utah sheep farmer and rural entrepreneur
Business Plan Competitions

• **Audience:**
  – Idea phase and early stage

• **Advantage:**
  – Funds with few or no restrictions

• **Disadvantage:**
  – Little follow-up support
Farm Incubators

• **Audience:**
  – Beginning farmers

• **Advantage:**
  – Cheap farmland, equipment, utilities, and training

• **Disadvantage:**
  – Shielded from market realities
Food Incubators and Accelerators

• **Audience:**
  – Concept and early stage

• **Advantage:**
  – Commercial equipment, help accessing markets, and training

• **Disadvantage:**
  – Equity and hard to expand production
Finding Programs

- Farm incubators:
  - National Incubator Farm Training Initiative’s comprehensive map of farm incubator projects in North America
- Food incubators and accelerators:
  - CulinaryIncubator.com
Community Development Financial Institutions (CDFIs) and Healthy Food Financing

Donna Leuchten Nuccio
Director of Healthy Food Access
Reinvestment Fund
Philadelphia, Pennsylvania
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Reinvestment.com
What are CDFIs?

- **CDFIs:**
  - Nonprofit intermediaries
  - Mission driven
  - Financial products and services for economically distressed areas and low-income populations
  - Market niche underserved by traditional financial institutions

- To search for a CDFI in your community, visit:
  - CDFI fund's [searchable database](#)
  - Opportunity Finance Network’s [CDFI locator](#)
Reinvestment Fund

- **$1.9 billion** in community investments
- **$950 million** of capital under management
- **865** individual and institutional investors
- **3,000** projects financed
Pennsylvania Fresh Food Financing Initiative

A public-private partnership to increase access to fresh foods in underserved communities across Pennsylvania.
National Healthy Food Financing Campaign

- Campaign goals:
  - Improve access to healthy foods
  - Support small business development along the supply chain
  - Create and retain jobs
  - Revitalize communities
  - Contribute to local food system development
  - Incent public-private partnerships
Healthy Food Financing Initiatives (HFFI)

- CDFI Fund
- U.S. Department of Health & Human Services
- 2014 Farm Bill U.S. Department of Agriculture
- Regional and State Initiatives
Statewide Programs or Funds

- Ten statewide initiatives:
  - Alabama
  - California
  - Colorado
  - Illinois
  - Kansas
  - Michigan
  - New Jersey
  - New York
  - Ohio
  - Pennsylvania
HFFI Financial Products and Eligible Uses

• **Products:**
  – Grants
  – Loans
  – New markets tax credits

• **Types of food businesses:**
  – Retail
  – Distribution/hubs
  – Food banks
  – Production
  – Value-add small businesses (small business CDFIs)

• **Uses:**
  – Pre-development and startup costs
  – Land acquisition
  – Leasehold improvements and equipment
  – Construction and permanent financing
  – Energy efficiency and conservation measures
  – Working capital
  – Business loans
  – *Job training (grant funds)*
  – *In-store dieticians (grant funds)*
Capital Continuum

- **High Financial Return**
  - Institutional Capital & Bond Markets
  - Traditional Debt (CDFI, Community Bank, etc.)
  - Flexible Capital (Combination of low cost debt and grants)
  - Grant Capital

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<th>Business Model Risk</th>
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Mariposa Food Cooperative

- Expanded from 500 square feet to over 2,500 square feet in a low-income community (LIC)
- Provided $475,000 in acquisition and renovation financing
- Employment grew to 38 full-time equivalent (FTE) from 9 FTE before the expansion.
- Owned and operated by 1,550 members, so profits stay in and are reinvested in this LIC.

29 FTE permanent jobs created
$1.5 million total project costs
$475,000 in financing provided by Reinvestment Fund

Philadelphia, Pennsylvania
Artisan Exchange is the first artisanal food manufacturing hub in the area that brings together entrepreneurs committed to producing handcrafted, sustainable foods.

The hub, made up of 35 individual food retail companies, acquired the 27,000-square-foot building. The financing was provided by MidAtlantic Farm Credit, with a Business and Industry Guarantee.

Reinvestment Fund financing was used to install a commercial kitchen within the facility to allow users to produce items that require open flames.
Honor Capital Save-A-Lot

- Equip and retrofit a 15,000-square-foot vacant store to be operated by Honor Capital, an independent Save-A-Lot operator.
- Honor Capital is a veteran-owned business with a dual mission of supporting veteran entrepreneurship and eliminating food deserts.
- Investment of:
  - $217,750 bridge loan
  - $340,000 equipment loan
  - $295,000 in local county loan funds

Winfield, Kansas
Garcia Brothers Farm

- A certified organic vegetable farm owned by two brothers who graduated from a farm business incubator in California.
- In their second year of operations, California FarmLink, a CDFI, provided $10,000 of operating capital.
- The brothers now operate on 25 acres and borrow $100,000 annually to manage the cash flow of producing strawberries.
- Lenders now include California FarmLink and Northern California Community Loan Fund.

Monterey County, California

25 acres in production
11 jobs supported
Healthy Food Access Portal

www.healthyfoodaccess.org

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Advancing Food Equity through Local Food Systems

Dr. Kathleen A. Merrigan
Executive Director of Sustainability
The George Washington University
Washington, D.C.
Opening Government Doors to New and Diverse Constituents
Where does this occur?

- Rural
- Urban/peri-urban
- Working with all types of groups, including new Americans, previously homeless, previously incarcerated, and historically disenfranchised communities
- Working on local and national scales
- Regionally distributed across the United States
(Left to right) National Women in Agriculture Association (Oklahoma), Frogtown Farm (Minnesota), Nuestras Raíces (Massachusetts), Wholesome Wave (Connecticut), and DC Central Kitchen (Washington, D.C.)

Photo credits: Organization Facebook Pages
Four Ways Local Food Systems Advance Equity

• Job training and access to markets
• Creating opportunity for farmers
• Fruit and vegetable prescription programs
• Community development and sovereignty
Measuring impacts

- Local Food Impacts Conference, April 3–4, 2017
- www.localfoodsimpact.org
- All plenary recordings and presentation slides are available.
Join Us for Our Next Connecting Communities®!

- Engaging Banks in Workforce Development
- Tuesday, September 26, 2017
- 2–3 p.m. CT/3–4 p.m. ET
- Presenters:
  - **Partnership 1:**
    - John Galante, Year Up
    - Mark Estrada, State Street Bank
  - **Partnership 2:**
    - Andrea Stiles Pullas, Mi Casa Resource Center
    - Barbara Mahnen, Bank of America
  - **Partnership 3:**
    - Lelani Mercado, Project QUEST
    - Jeannette Flores Westbrook, Broadway National Bank
Questions?
You have two options to ask questions today:

1. Email us at: communities@stls.frb.org
2. Click the “Ask Question” button in the webinar
Thank you to today’s presenters and to all participants for joining this session.

Next steps:

• All session materials are available on our website and, in the next few days, we will post an audio file of today’s session.
• If you have topical suggestions for future sessions or any questions about this program, please feel free to contact us at communities@stls.frb.org.
• Information about future sessions will be posted on our website along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/.
Related Resources

In connection with this session, you can find a variety of additional resources on this topic at www.fedcommunities.org.

It provides an array of practical resources to help you in your role as a CD professional, whether your work involves supporting people, places, the policy and practice of CD, or small business development.