

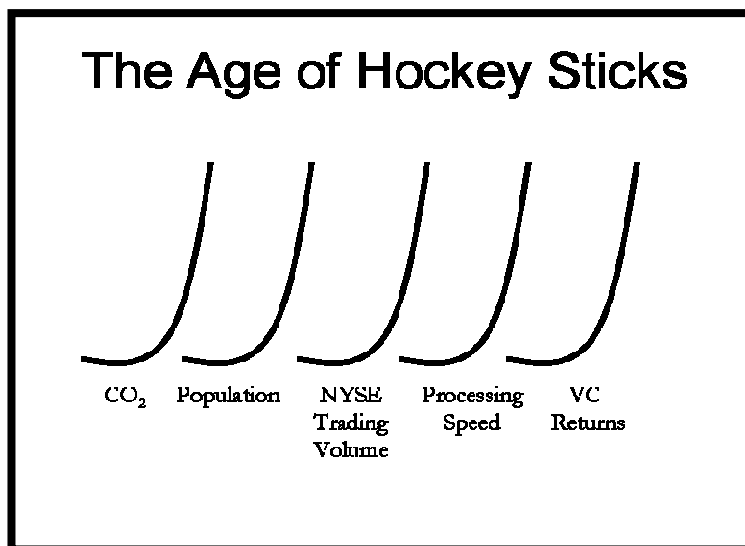
Slow Money Seeks to Fund Vermont's 21st Century Healthy Food System

By Tom Stearns, NOFA Vermont Board Member, and Founding Member of Slow Money USA

Every once in a while, an idea comes around that you immediately know is not only a good one, but in fact is an absolutely necessary one. For me, Slow Money is such an idea. Money is a powerful thing and whatever we collectively put our money into goes a long way toward creating the world that we live in. So far, those choices have led to many things, including a broken world food system, where nobody knows where their food comes from or what it takes to grow it. To become so divorced from something as essential as our food has had many disastrous consequences. The socially responsible investing movement has been around for 30 or more years and has gone a long way toward supporting many companies doing sustainable work in the world. Slow Money is a bit different and it is this fresh and comprehensive approach that has resonated with so many people.

The Slow Food movement has been changing the way people think about food; the growing of it, preparing of it and eating of it. It is with great respect, admiration and partnership with that organization that Slow Money gets its name. Think of Slow Money as the organization that funds Slow Food type farmers and businesses. And funds them in a completely new way. But we'll come back to that more later. First I want to relay some passages from Woody Tasch, the Founder and President of Slow Money. This will help provide a broader context for why this is so important.

Speed is one of the defining characteristics of our age. As much as in the Age of Ones and Zeros or the Age of Gigabytes and Megatons, we live in the Age of Hockey Sticks.



Breaking the 6-billion-person and the billions-of-instructions-per-second and the billions-of-shares-per-day barriers, we are disoriented by the seductions of speed. At the same time, our knowledge of the world becomes considerably more complete, affording us truer perspectives on the incompleteness of economics disconnected from bioregions and communities, markets disconnected from places, wealth disconnected from health.

GDP growth driven by sub-divisions and highways and Mustangs and 727s made sense in a pre-smog, pre-urban-blight, pre-sprawl world. Buy Low/Sell High made sense in a world that could not conceive of a \$300 billion Wal Mart, a \$53 million Christmas bonus, a \$400 million golden parachute, or a China that is building one coal-fired power plant a week and more roads in 2008 than it had in the preceding 50 years.

These limits are nowhere more apparent than in the food sector, where financial strategies optimizing the efficient use of capital have resulted in cheap chemical-laden food, depleted and eutrophied aquifers, millions of acres of GMO corn, trillions of food miles, widespread degradation of soil fertility, a dead zone in the Gulf of Mexico and obesity epidemics side by side with persistent hunger.

Socially responsible investing, mission-related and program-related investing by foundations, venture philanthropy, social entrepreneurship, local economies, consumer demand for organics and green products—these are the first stages of a more profound fiduciary realignment. Some of these initiatives remain incremental and ambiguity-laden. Others are indicators of more fundamental, tectonic shifts along the boundaries of for-profit and non-profit, shareholder and stakeholder, global investor and local citizen.

Slow Money became formalized as an organization at a retreat in Sundance, Utah this past January. Since then, we have raised money to do research on different regions in the U.S. where we want to begin investing in local food systems. After initial research in several locations, it was decided to focus entirely on Vermont to launch this new fund. Yahoo for us! The main reasons for this are that in the general area of organic farming and healthy food systems, we are further ahead of most areas of the country, so it is fertile ground for Slow Money. On Michael Pollan's recent visit to the state he said that we were 30 years ahead! Also, in our small state, work like this can have a bigger impact than in a huge state like California. Slow Money need a good, on-the-ground example of it's work and I am very excited that VT is where this work is beginning.

Vermont Research

So, since June 2008, we have been conducting research and feasibility studies here in Vermont, learning about what farm and agricultural based businesses are needing in the way of financing and support. We have also met with many non-profits, including NOFA-VT, charitable foundations and existing lenders, who have been doing this work for years. They have welcomed us enthusiastically and helped us understand what role Slow Money can play that they are not able to themselves. One of the great things about

VT is that there is so much going on already and it will be very important for Slow Money to partner with the state's leaders and not try to reinvent the wheel. Slow Money will be more of a behind the scenes supporter, as it builds relationships with and follows the lead of local organizations and entrepreneurs.

Why is the money needed?

When a business is growing, it needs financial capital at one or more stages to invest in equipment, infrastructure, people, marketing or many other areas. As a private company, there are only a few sources or ways that this typically happens. Firstly, you can get money from a bank or community lender. This can often be hard to do if you don't have much collateral or if servicing that debt simply eats up too much of the cash that you need for funding your growth. The second major source would be to bring on investors and sell them part of your business in exchange for money. Since you aren't paying them monthly payments like a bank loan, they generally would only get their payout when you sell your company. Bringing on investors generally means that you need to have an "exit strategy", which almost always means selling. But, if you are like most of the mission-based businesses that I know, you don't want to sell your company and if you are a farm, it just doesn't make sense to sell it. But, you may still need money to grow and bank debt may not be available or a fit. Also, if you have a mission besides making money, then it usually gets thrown out the window as soon as you sell, along with local control, local ownership, local jobs etc. This is not likely the option that you would choose, but what other choices have you got.

This is a very personal story for me because I was recently in this challenging spot, in between investment and debt, with my seed company, High Mowing. We had grown very quickly from 2000-2007 and needed every dollar and more, to grow into a more sustainable size where we could continue to offer organic seeds to more and more organic farmers and gardeners. We also have a mission that goes back to the reasons that I started High Mowing in the first place; to help support the rebuilding of healthy, locally-based food systems in Vermont and beyond. I had others that were interested in buying a large percentage of the company, but I had no interest in giving up that control or the run the risk that it would force us to sell out eventually. I felt very strongly that the independent-minded organic farmers in this country needed an independent seed company. I needed a creative financing solution that gave me the flexibility of not servicing major debt while High Mowing was growing and didn't set me on the inevitable path of selling out. I was very fortunate to find the advisors, supporters and especially the investors, to make that happen. In fact, our model is how I became connected with Slow Money in the first place and it is now inspiring other Vermont food and ag. companies to strive for their own creative solutions to financing their growth.

How is Slow Money different

Most investment strategies are based entirely on maximizing financial returns above and irrespective of anything else. No attention is paid to the environmental or social return, or on the long-term effect of the investment. You buy, you sell and move on. It is not about building a relationship. Also, your investments are not generally integrated in any way – if fact, in order to spread out the risk, it is recommended to not put all of your eggs in one basket. This makes sense in many ways, just like diversifying

your farm, but it also misses certain opportunities. Rather than a scattershot approach to investing, Slow Money seeks to build a portfolio that supports food system rebuilding businesses in a strategic and synergistic way that offers long-term solutions. Here is an example;

Problem: Lack of resources and infrastructure for more sustainable meat production in Vermont

Typical solution: Raise money to build a slaughter house – est. 2 million

Slow Money solution: Raise money to build a slaughter house – 2 million AND invest in an entire collection of companies and non-profits to actually “fix” the local meat food system in Vermont. Possible other investments would be in; an existing or new meat processing facility, a producers’ cooperative, a sales and distribution company, a marketing company for VT consumers and nearby markets, a technical assistance and educational program for meat producers and a major effort to get VT meat in VT schools, government buildings, hospitals and more.

This might be more like a 20-30 million dollar investment over a 3-5 year period with a step-by-step plan. It would go a much longer way to actually permanently addressing the challenges in VT’s “meat food system” and making it sustainable in the long-term. Another slaughter house by itself will not completely address the problem. Slow Money’s approach would be to study the problem in depth with all the people involved in the state, then find investors who are interested in investing in a range of businesses as a systemic solution to a problem. Through creative design and financing, it is hoped that these investors would get their investment back, with a modest return of 5-8% through Slow Money and that an aspect of the VT food system would be revitalized. Then, the original money would be available to do it again on a different part of the VT food system or be deployed elsewhere in the U.S.

Here is the mission of Slow Money:

- To promote entrepreneurship that preserves and restores soil fertility, appropriate-scale organic farming and local food communities;
- To catalyze increases in foundation grant-making and mission-related investing in support of sustainable agriculture and local economies; and,
- To incubate next-generation socially responsible investment strategies, integrating principles of carrying capacity, care of the commons, sense of place and non-violence.

The vision is as big as the problem. A broken food system needs to be fixed and part of that solution is related to funding. Woody’s words make the scope clear;

The task at hand calls for a new kind of fiduciary entrepreneurship—a new prudence, a new urgency, a new vision of capital markets designed to usher in the age of restorative economics. We are seeking system design innovation capable of facilitating the flow of many billions of dollars over the next decade, supporting broad-based cultural transformation.

Vermont is always excelled at creating models and exporting them elsewhere. We are a small state that prides itself on collaboration and practicality. There are already dozens of farmers, business owners and others that are partnering with Slow Money to tell it how to best support our great state. The major Slow Money Partner in the state is the new organization in Hardwick, The Center for an Agricultural Economy. Being the ginea pig in this case sure sounds good to me.

To learn more about any of this please visit The Center at www.hardwickagriculture.org or Slow Money Vermont at www.slowmoneyvermont.org. At either site, you can also purchase Woody's new book called Inquires into the Nature of Slow Money due out in November 2008.

Tom Stearns is the coordinator for Slow Money Vermont and is a Founding Member and Advisory Board member for Slow Money USA. Tom also is the founder of High Mowing Organic Seeds and President of The Center for an Agricultural Economy both in Hardwick. Tom has served on the NOFA-VT Board for 3 years as well. He lives in Wolcott with his wife Heather and their two girls Ruby and Cora.

[here is a link to the photo in a pdf of the founding retreat of Slow Money in Jan. 2008](http://www.investorscircle.net/resources/IC_Letter10_no%20members.pdf)
http://www.investorscircle.net/resources/IC_Letter10_no%20members.pdf