

# Cascadia Foodshed Financing Project

Prepared by Tim Crosby for the, "Financial Mechanisms for Landscape Investment: Synergies to Increase Returns, Reduce Risks and Enhance Impacts," virtual event convened by the 1000 Landscapes for 1 Billion People initiative, Laudes Foundation and IKEA Foundation on April 26, 2023.

# Landscape context

Project Timeline: 2014-2019, begun when food systems financing was not well understood

Landscape: USA Pacific Northwest states of Washington and Oregon

Population: 12 million

Geography: coastal temperate rain forest west of the Cascade Mountains; Great Basin high desert conditions east of the mts.

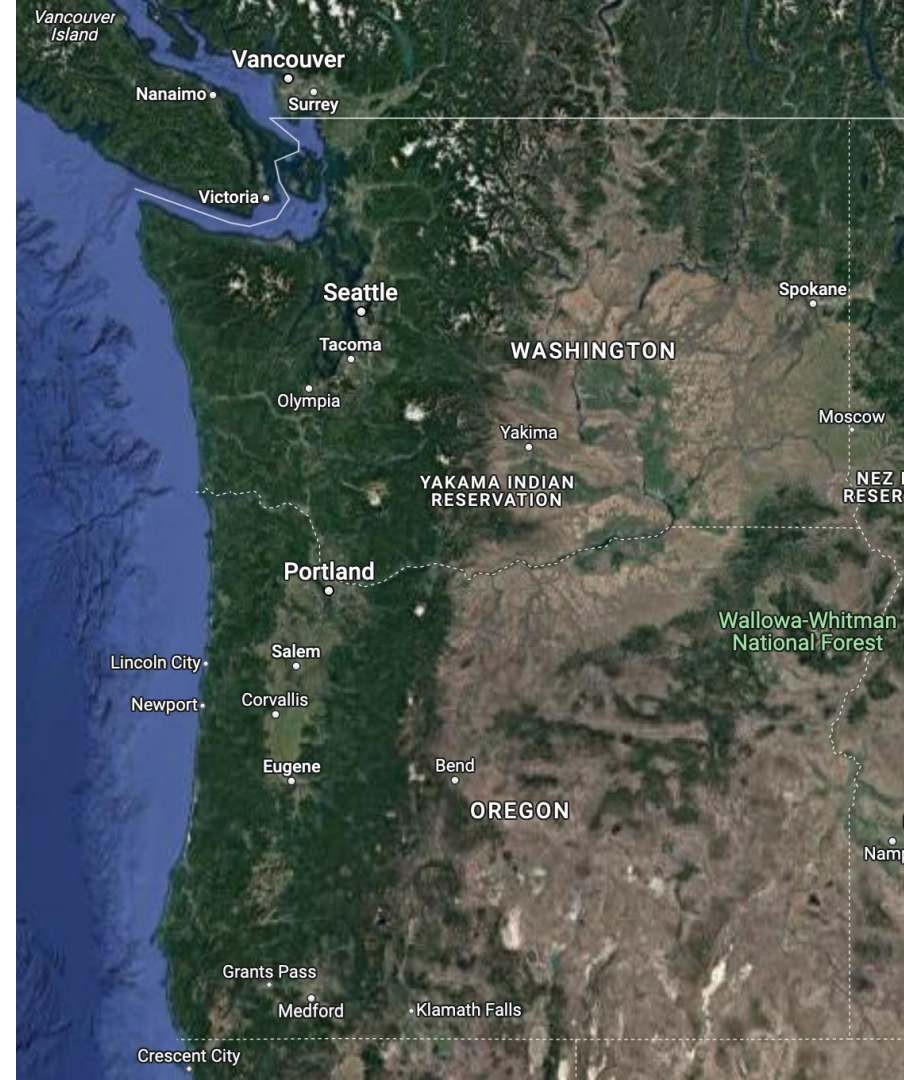
## Annual Food/Ag Stats (2017)

Farm Production Value: USD14.64 Billion

Food Consumption Value: USD 34.3 Billion

Opportunity Gap: USD 19.7 Billion

Acres farmed: 30.6 Million





# Landscape finance challenges

Challenge #1: no clear roadmap forward. Different innovations had occurred but without solid evidence of meeting intended goals.

Challenge #2: finding different types of investors interested in working together to increase regional production of sustainable and affordable food.

Challenge #3: getting different types of investors to agree on a common strategy, including language, returns, and the speed of execution.

Challenge #4: Executing on a common investment strategy that was driven by 'external' stakeholders' actual needs; namely, the investee.

Challenge #5: working with other regional financiers.

# CFFP: from frustration and dialogue into action

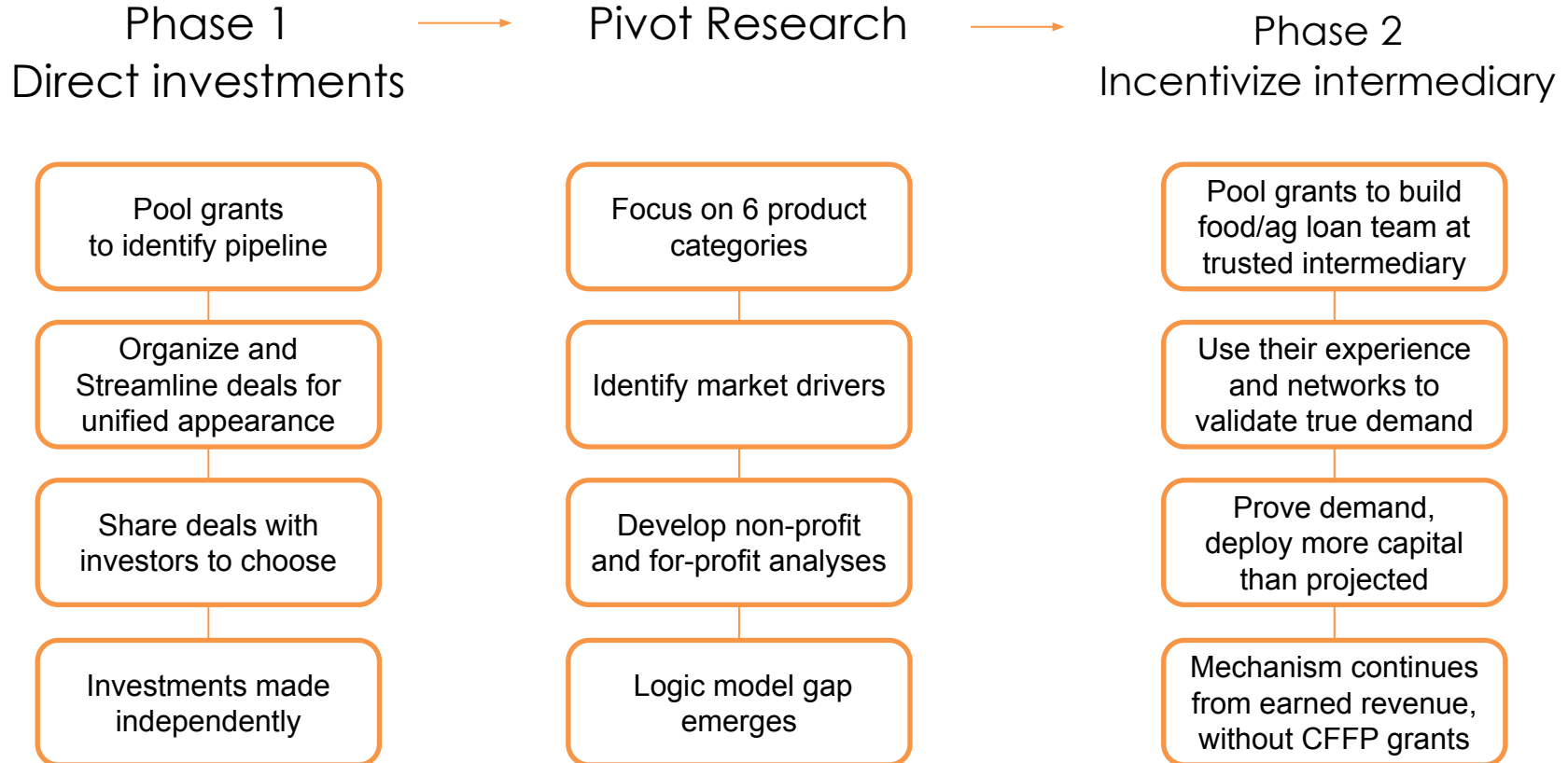
“Where are the funders interested in sustainable regional food?”

“ Wait; we are funding the same thing in  
different parts of the region?  
How can we work together?”

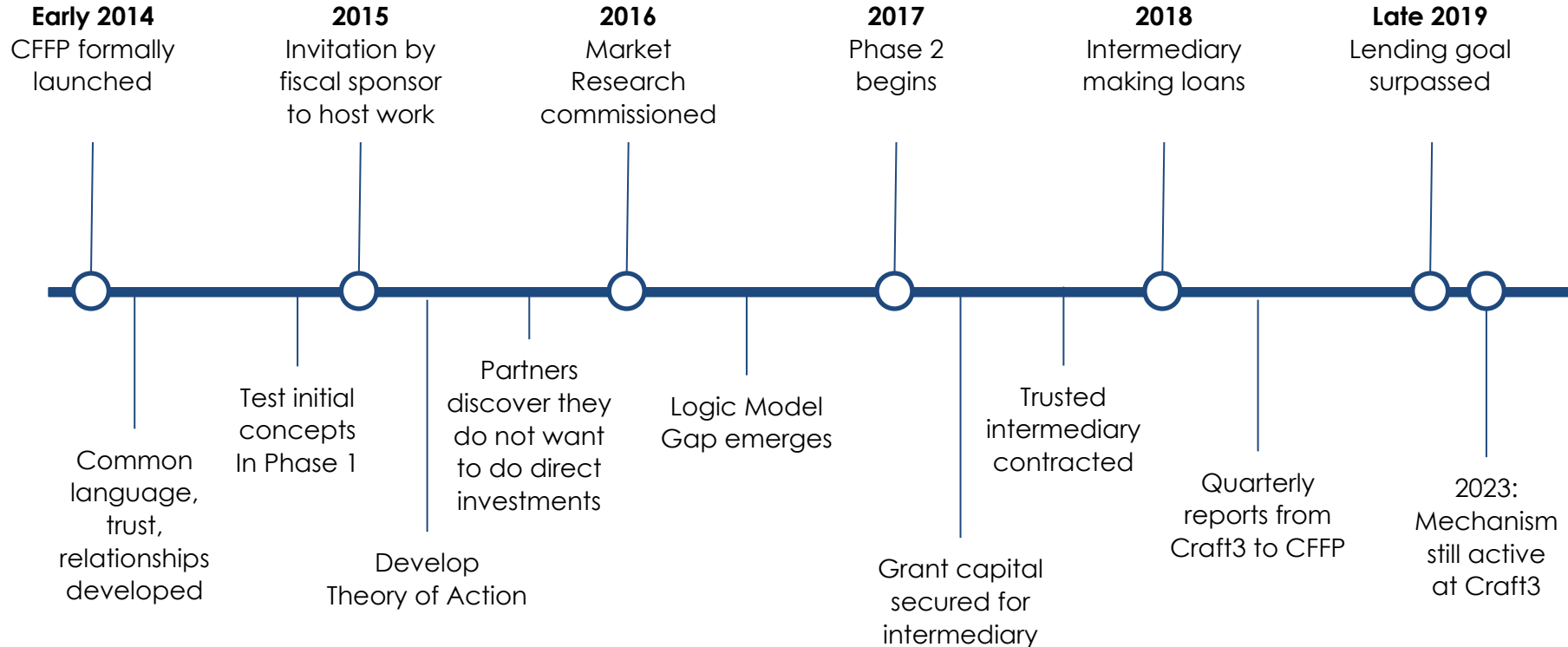
**“What products actually grow well here without lots of chemical inputs?  
What are their market drivers to help them scale?  
What are their investment needs?”**

“ Instead of creating our own fund, why not use trusted financial  
intermediaries already present in the community?”

# CFFP: Lean startup meets philanthropy



# Dynamic Timeline (develop as you go)



# 2015 CFFP Theory of Action

## APPENDIX A: Strategy

The Theory of Action consists of five Gateways: Exploring, Emerging, Sustaining, Systems Change and Proof Point. Within each of the five Gateways, there are a series of quality benchmarks that are key steps in developing and sustaining a partnership. Meeting the quality benchmarks in the Exploring, Emerging and Sustaining Gateways leads to System Change and ultimately Proof Point.

Partnerships implementing the Theory of Action effectively demonstrate four principles as they move from designing to building to impacting outcomes:

### 1. Engage the Community

The work of the partnership must be grounded in the context of the community. Partnerships engage a broad array of community voices through building awareness and information sharing; involving and mobilizing the community towards improvement; and co-developing solutions and strategies with community members.

### 2. Develop a Culture of Continuous Improvement

The work of the partnership focuses on the use of local data, community expertise and national research to identify areas for improvement in a constant and disciplined manner that ensure Partners invest in practices that work.

### 3. Focus on Eliminating Identified Gaps

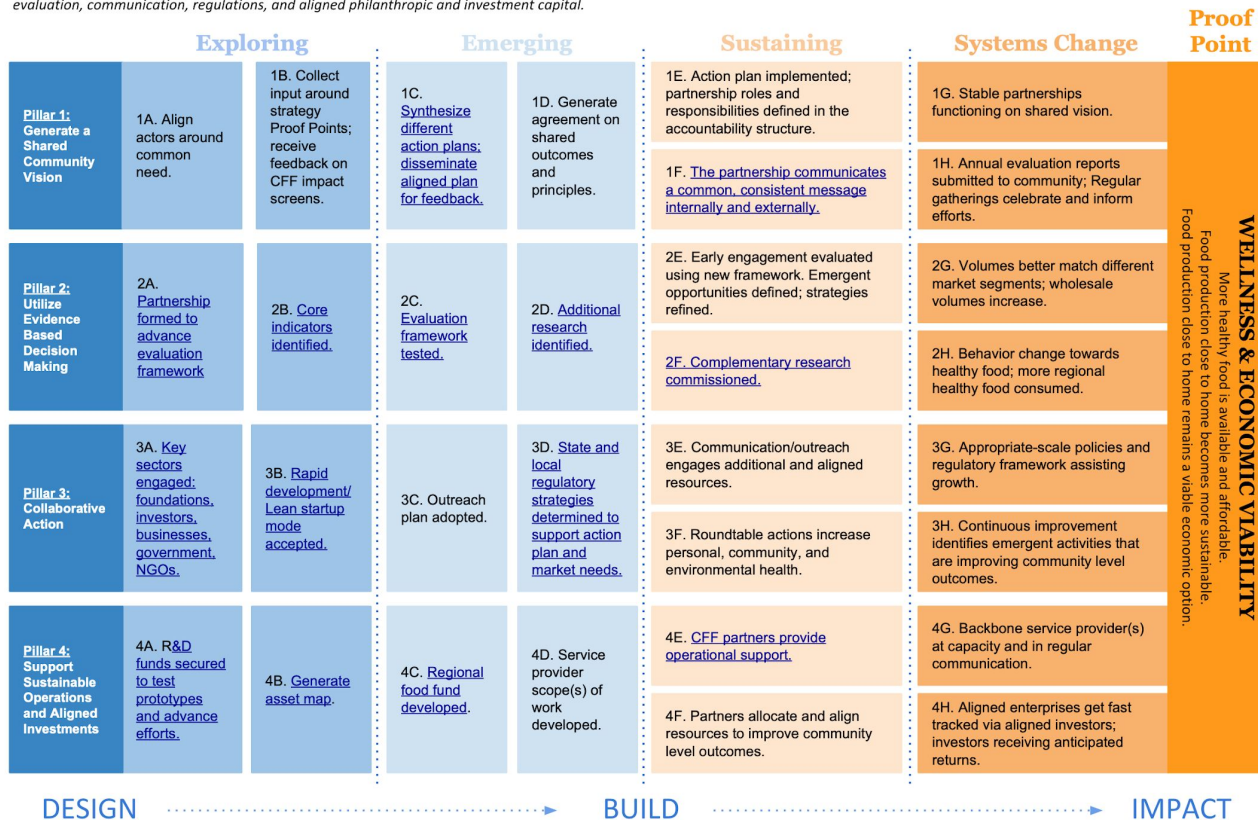
Market gaps are identified using regional data and research. Behavioral change is a consideration to determine true consumption potential. Different volumes and producers are considered for different market segments.

### 4. Leverage Existing Assets

The partnership builds on existing resources in the community and aligns resources to maximize impact.

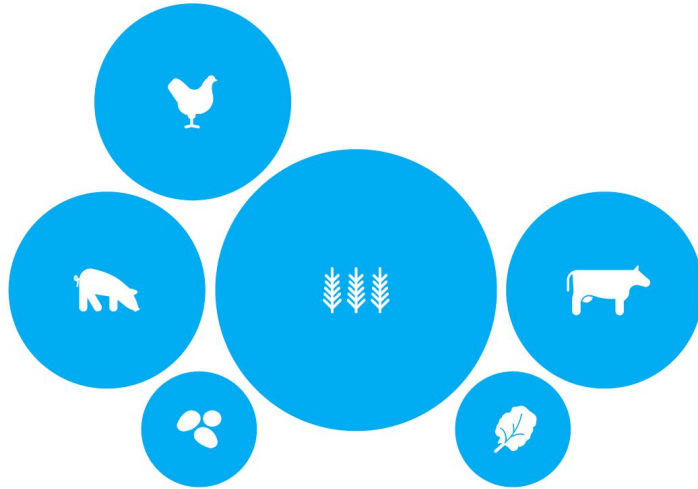
## Theory of Action: Catalyzing growth of the Pacific Northwest's Regional Food Economy

Engage WA and OR food and farm stakeholders in a more unified action-oriented strategy. The main goal of this approach is to increase regional market activity for products that improve sustainable food business viability, health of consumers, and stewardship of natural resources. The framework aligns key players around proof points, data and evaluation, communication, regulations, and aligned philanthropic and investment capital.



# 2016: Market Research

*In what sustainable food products could collaborative investments catalyze regional food system growth in WA and OR?*



6 product categories that grow well in region:

- Wheat and Small Grains
- Storage Crops (e.g. onions, carrots)
- Organic Greens
- Pastured Poultry
- Grass-fed Beef
- Hoop House Pork



# Innovation: Combining logic models on strategy

## Nonprofit Analysis

### High opportunity



WHEAT &  
SMALL GRAINS

INTEGRATED

### Moderate opportunity



PASTURED  
POULTRY

GRASS-FED  
BEEF

HOOP HOUSE  
PORK

### Minimal opportunity



ORGANIC  
STORAGE CROPS

ORGANIC FIELD  
GREENS

## For-Profit Analysis

### High opportunity



WHEAT &  
SMALL GRAINS

STORAGE  
CROPS

ORGANIC  
INDOOR GREENS

### Moderate opportunity



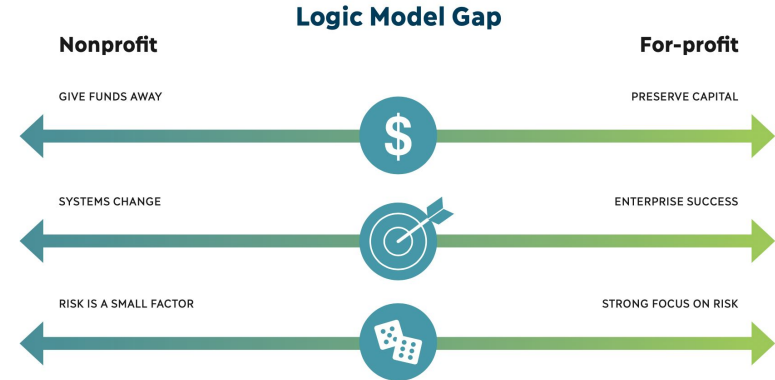
PASTURED  
POULTRY

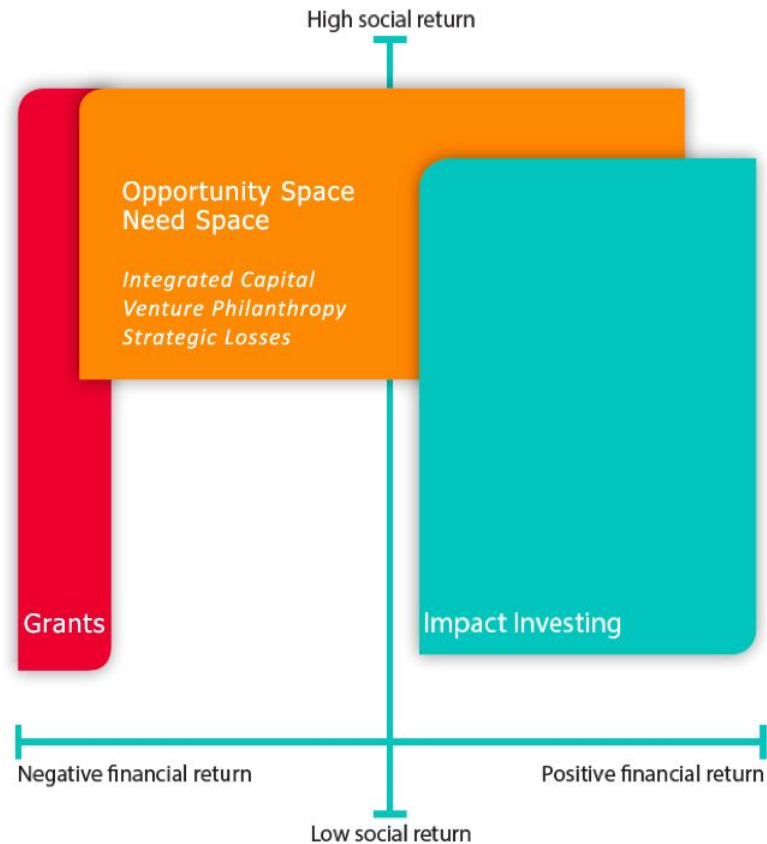
### Minimal opportunity



HOOP HOUSE  
PORK

GRASS-FED  
BEEF





Modified from graphic within report "Venture Philanthropist & Impact Investors", Toniic Institute, June 2016  
[http://www.toniic.com/wp-content/uploads/2016/06/Venture-Philanthropists-and-Impact-Investors\\_June-2016.pdf](http://www.toniic.com/wp-content/uploads/2016/06/Venture-Philanthropists-and-Impact-Investors_June-2016.pdf)



# Structure of the mechanism

**Phase 1:** Grant capital pooled for Project Coordinator to manage research, prototyping, meetings and contractors; financial capital from independent CFFP investors directly into a few investments. Non-profit, Philanthropy Northwest, chosen as a fiscal sponsor.

**Phase 2:** After pivot, grant capital for consultants and development of a sustainable ag loan team at Craft 3, a regional CDFI with eight offices across WA and OR. Primary CDFI mechanism were loans.

TOTAL CRAFT3 FOOD SYSTEMS LENDING 2018-2019					
Subsector	# closed loans	\$ closed loans	% of total	# loans declined	\$ loans declined
Primary Ag	6	\$1,434,683	11%	13	\$12.819,155
Primary Aquaculture	1	\$100,000	1%		
Commercial Fishing	4	\$595,784	5%	2	\$163,414
Value Added Processing	29	\$9,314,058	73%	32	\$19,354,000
Distribution	1	\$41,000	0%	6	\$7,400,000
Wholesale/retail	5	\$1,210,453	10%	1	\$201,000
Total	46	\$12,695,988	100%	54	\$39,937,569

Craft 3 investments during CFFP's project engagement. Project goal was deployment of \$10M which they exceeded by \$2.7M. For examples showing how Craft 3 has continued to develop the work go to <https://www.craft3.org/business-loans/revolving-line-of-credit>



# Example investments from Craft3

**Adaptive Symbiotic Technologies.** Early stage ag-tech company focused on symbiotic fungal applications to increase drought and heat resilience in agricultural crops. Purchase order financing and short-term working capital. Seattle, WA

**Aspen Valley Ranch.** Bridge loan to purchase 1,000 acre in-holding. Loan repayment through sale of conservation easement. Prineville, OR.

**Bet Boon.** Immigrant-owned wholesale coffee roaster. Term debt for equipment purchase and working capital for expansion into retail. Seattle, WA.

**Umami Kushi.** Minority-owned Japanese bakery and sauce manufacturing. Working capital and expansion financing. Portland, OR.



# Scalability Drivers

Main factors to scale all impacts:

1. Project partners willing to engage with unassigned risk, and willingness to de-risk innovation by proving/testing concepts.
1. Strong Social Capital present (trust, relationships).
1. Philanthropic capital partners understand the unique characteristics of grants and their ability to assist private sector with innovation and aligned scaling.

# Additional Scalability Factors

Main factors to address scale for all impacts:

1. Grant capital to build capacity of dedicated loan facility at a trusted intermediary.
1. Intermediary willing to be innovative and address community interests. Leadership buy-in is critical.
1. Similar financial and regulatory structuring (Other CDFIs in the US could easily adopt this model).

# Potential scale of the financial impact

CFFP's \$375,000 grant allowed Craft3 to launch its farm and food lending program using loan capital from other sources. The result: \$12.7M over two years lent to 46 farm and food businesses in Washington and Oregon, \$2.7M above CFFP goal.

In other words, a 34X blended/leveraged ROI.

Craft3 found that the individual loan amounts were typically smaller than those in the rest of their community-focused small business lending portfolio.

Scale best achieved at territorial and national level. Regional scalability dependent upon a shared regulatory environment.

# Potential scale of environmental and social impacts

Compared with loans to other sectors, Craft 3's food and ag loans involved more women-owned businesses and entrepreneurs of color than average.

Potential Impact dependent on multiple factors

- National? Regional? Global?

- Same mechanism or same sector (food/ag)?

- Same regulatory structures?

- Same type of intermediaries?

# Risk management across stakeholder groups

Risk was managed across a trusted network of investors, contractors and institutions.

The partners asked Crosby, whom everyone already knew, to become Project Coordinator while also remaining active as a participant representing the Thread Fund.

For the sake of clarity, the group developed in 2014 a vocabulary of common terms. By the end of 2015, the group had achieved one shared strategy forward. By



# Key lessons from our experience

**1. Access.** Food system businesses are primarily located in rural communities, where resources are fragmented across distances and many small pots of money. Technical assistance is harder to secure than in urban areas; lack of broadband access limits virtual assistance options. Place-based collaborations work best, among trusted stakeholders with deep roots in the community – but these tend to be time-consuming and complex.



# Key lessons from our experience



**2. Patience.** Long-term, sustainable gains in complex systems require a thoughtful process: starting with small trials, incorporating emergent learning into a strategy flexible enough to pivot as needed, then proceeding with major grants and investments. While institutional philanthropy partners have embraced this approach, individual investors are used to faster returns, with shorter timelines and clearly defined benchmarks.

# Key lessons from our experience

**3. Perspective.** Many types of capital - philanthropic, financial, intellectual, social - can and should be harnessed to tackle community needs. Even when presented with the same needs assessments, however, foundations and private investors tend to make fundamentally different conclusions about how to proceed. Both types of funders require clarity and acceptance of their respective goals, risks and returns before co-investing in aligned enterprises.



## For More Information

- **Tim Crosby, Thread Fund (tim@threadfund.org)**
- **Download Case Study at**  
[https://philanthropynw.org/sites/default/files/resources/CFFP Orig Report and NewChapter 09.2020.pdf](https://philanthropynw.org/sites/default/files/resources/CFFP_Orig_Report_and_NewChapter_09.2020.pdf)
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