Strategies for Community-Based Food System Development

Luis Sierra
CA Center for Cooperative Development

Full Belly Farm

Live Power Community Farm
Marina Farmers Market

Davis Farmers Market

Composting Collective (Berkeley Worms)

Marketing Cooperative, Sales Manager

Davis Food Cooperative, employee

Bilingual Childcare Cooperative, Member

Housing Cooperative, Treasurer
A Cooperative is

A business that provides its members a service at cost.
What is a Community Based Food System?

What does a healthy food system look like?

▪ It should provide us healthy food that we know the source of
▪ It should produce wealth for the region
▪ It should help us connect with each other

Elements of Any Food System

▪ Farm Supply
▪ Local Producers
▪ Farmers’ Markets and other Direct Marketing
▪ Retail outlets
▪ Public Institutions
▪ Education
What’s in San Luis Obispo County?

San Luis Obispo Farm Supply

- 2,700 Member-Owners
- Profitable every year except 2
- Since it provides a ‘service at cost’, that profit belongs to members
- Patronage Dividend: % of member’s share of profit
- 30% of profit returned same year; remainder in 5 years
What is a Regional Food Hub?

Regional Food Hub
An integrated food distribution system to coordinate agricultural production and the aggregation, storage, processing, distribution and marketing of locally or regionally-produced food products.

Central Coast Agricultural Cooperative

Coast Grown
Eat Local
What Coast Grown Did: 2008-2009

- Operate a Mobile Harvest Unit
- Operate a website for marketing and sales
- Operate a reefer truck and warehouse

Accomplishments

1. Completed a business plan: RBEG support
2. Recruited members: 17 founders
3. Developed HACCP plans from scratch
4. Developed Quality, Sustainability and Ethics Standards
5. Raised member equity: $1,000 per member
6. Got a loan from a local bank
7. Got the MHU running: beef and lamb
8. Set up the website with online ordering capacity
9. Hired manager
Important Lessons

Internal factors:
1. Business plan: key assumptions didn’t hold
2. Financing: $1,000 share cost - not enough member equity raised
3. Financing: Loan was for purchasing infrastructure, not working capital
4. Operational: No sales manager = no sales

External factors:
- MHU delays due to HACCP plan development
- Cut/wrap facility went out of business
- Long term drought pushed ranchers to liquidate herds

Coast Grown Today

Kept the Mobile Harvest Unit working
Leased, then sold the MHU to J&R Meats
San Luis Obispo Natural Foods
SLO Natural Foods Co-op: Original Store

Established in 1978
Maximum 600 members
Down to 225 members in 2012
Many years of net losses

Old Store:
• Small
• Crowded
• Outdated
2013: The Big Move

2494 Victoria Ave.
WE DID IT!!! $416,000
in member-owner
pledges!!!

5,000 sq. ft. retail space

2005: “How to
Start a Food
Cooperative”

2006: Starts and
operates a
CSA for 6
months

2007: Move into
Sound & Fury
Record Store
Great Basin Community Food Co-op

2007-2008
Total sales: $10,000 /mo.
Local producers: 3
Total retail space:
200 sq. ft

2008-2011
Costs:
1. Grocery Store, Central Storage, green improvements, and edible landscaping: $277,000
2. Commercial Kitchen: $138,000

Total Member Equity and Loans raised: $416,000

Commercial Kitchen and Storage
DROPP: Distributor of Regional Organic Produce and Products

Welcome to DROPP

DROPP is a new distribution center for local and organic produce and products. It is a part of a larger effort to connect farmers with local markets. DROPP is a cooperative of local farmers and businesses that believe in supporting local agriculture.

Local Food is the Next Big Thing in the Grocery Industry

There is a huge unmet demand for locally produced and healthy food. By bringing these products to market, DROPP creates new opportunities for both producers and customers. Farmers can directly sell their produce in a new way. Customers can know exactly where their food comes from.

For chefs, food service directors, and food buyers of all kinds, shopping with DROPP is easier:

- Order products quickly and easily
- Get background and see information about producers and their practices
- Make contact with the click of a button
- Read more...

Join Now As A Customer

For local farmers, ranchers, beekeepers, and locally producing businesses, DROPP means new markets and selling made easy. You can:

- Promote and sell your products in a targeted audience
- Tell the story of what makes your products unique
- Find the right market quickly and easily
- Read more...

DROPP Truck

A Benefit Show to help the buy this truck for local Food.

Friday, April 27th
9 pm @ Lincoln Lounge

The Freedmoters - much like synthesia, involuntary, irresistible and unrememberable.

We don't have a name. We're just South, Down, Up, East, West, and whatever.

Melissa Impaired: Water coloring monkey after puff paint than they ride off into the suns.
### Mechanisms for building community based food systems

1. Donations
2. Bank debt
3. Slow Money lenders
4. Cooperative member-owner ‘membership fee‘ = owner equity
5. Cooperative member loans
6. Preferred shares

### What is a security?

**Federal definition:**

“a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party.”
What are examples of securities?

• Co-op membership interests (sometimes)
• Preferred stock
• Notes
• Convertible notes
• Revenue sharing agreements
• Pre-sale of a gift card for a business that has not opened yet
• Promise to pay $110 in one year in exchange for $100 today

Kansas Adopted the First Securities Law in 1911
Accredited Investors

- At least $1 million in net worth excluding primary residence or
- $200,000 in annual income
- $5 million for entities

Direct Public Offerings
A DPO is an investment offering

- Made using public advertising
- Allows an unlimited number of accredited AND unaccredited investors
- Made directly to investors (no middleman)

DPOs are Legal NOW (they have been for decades!)
• Interest paid in credits toward product
• Raising funds from California residents – multi-year offering
• Have raised over $2 million so far

• Massachusetts Worker Cooperative
• Offering non-voting preferred stock
• Raised $500,000 from Vermont and Massachusetts residents in 2 months
Special exemptions for CA ag cooperatives

Exemptions from State and Federal Securities reporting requirements
- Can offer equity or debt offerings up to $1 million to California residents
- Most of the revenues come from California sources
- Funds raised to be used in California

The CROWDFUND Act

Signed by the President on April 5, 2012

Creates a new federal exemption for offerings of up to $1 million in which
- each investor invests no more than 5% of his/her annual income or net worth
- offerings are conducted through a registered intermediary

Exempt from state registration requirements
- More than $100k – reviewed financials
- More than $500k – audited financials

Waiting for final SEC rules
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Viroqua, Wisconsin
Viroqua, Wisconsin

- Economic Development Association buys building
- 100,000 square feet
- Regional food processing center

Viroqua Business Cluster

Keewaydin Organics  Fifth Season Co-op
Herb Processor  TBD
Nonprofits