Fighting food waste with ecosystem of solutions

40 percent of all food produced is thrown away.

Generosity that’s bigger’n Dallas

Participants of an arts shared gifting gathering in Texas reflect on their experience.

Growing while staying true to radical roots

Veritable Vegetable stays true to purpose while expanding into a $50 million enterprise.
Dear friends,

There is something special about fall and the changes it brings. As I watch my children return to school, I anticipate that the season will bring them many opportunities to engage and grow. I hope to have a similar experience with you.

There is much to share that is new and still emerging here at RSF. First and foremost, we launched our new website. We have heard from many of you over the years that you love what we do, particularly the support we provide social entrepreneurs and our community pricing gatherings. However, few have been able to reflect back to us how our unique approach to integrated capital works. In response, we took on a re-branding exercise that pushed us to consider how we tell our story in a way that can be readily understood. Most importantly, we wanted our new messaging and visual identity to call people to action. A response to the question: “How I can align what I care about with how I use money?”

Along with our evolution, the field of social finance is changing, too. Many banks and finance organizations are just discovering the value of supporting social entrepreneurs. We have been doing what is now called impact investing for over 32 years and have learned a lot. We have found that the needs of social entrepreneurs have changed along with our own understanding of innovative ways of working with multiple forms of capital. As a financial services organization, we are uniquely positioned to lead in this new way—building on our existing lending program; innovating in how we can leverage philanthropic funds through loans, loan guarantees, and direct investing; and continuing to cultivate new approaches with sister organizations.

As you will read, we continue our core work of financing innovative enterprises in the food system. The integrated capital financing we provided Veritable Vegetable here in San Francisco is a great example of how our approach is evolving. From the philanthropic side, our collaboration in Shared Gifting with the Embrey Family Foundation in Dallas demonstrates that the conventional power dynamic between funder and funded can be upended in a way that truly frees up initiative in the community.

Just as my daughter and son are filled with discovery as they return to school, I seek to learn more about money and finance as a community moving toward the future. Building on our history of convening conversations on challenging topics, we will be creating opportunities for you to engage in deeper conversations, with peers and us, as part of revolutionizing how we relate to money and each other in the economy. This is no small change.

Thanks for being a part of RSF community,

Don Shaffer,
President & CEO
When Veritable Vegetable, the oldest distributor of organic food in the U.S., was founded in 1974, San Francisco was abuzz with radical food movements.

There were Food Conspiracy buying clubs and the People’s Food System, which brought low-cost health food to co-ops and community stores. It was a heady time. The hitch: somebody had to transport all that organic produce from farms to shelves. Veritable Vegetable was created to fill that distribution role.

Growing while Staying True to Radical Roots

by Melinda Cheel
Marketing Director

(continues on pg 4)
A successful company springing from idealism is a familiar story—except for one thing. As Veritable Vegetable grew into a $50 million enterprise with more than 130 employees distributing food to stores, co-ops, and restaurants across five states, it never abandoned its radical roots.

“Veritable Vegetable is like the holy grail of sustainable companies,” says Kate Danaher, RSF senior manager for social enterprise lending and integrated capital. “Even though they’ve been doing this for 40 years and are now well established, they’ve stuck to their mission and their values.”

Fierce belief in farm-to-table agriculture

Since 1978, three women have run the company: Mary Jane Evans, Karen Salinger, and Bu Nygrens. Evans began working there in 1976 as an employee (there were no titles in those days), while Nygrens and Salinger joined in 1978. They had not an ounce of business or food experience among them.

A fierce belief that sustainable agriculture could work guided the entrepreneurs. They took a values-based approach to every decision they made, from paying farmers fairly to treating every employee equitably (there was no pay differentiation among workers and no management structure) to creating environmentally responsible transport fleets and facilities.

“We definitely came to this with a social aim,” says Evans, who is now CEO. “We never thought, ‘Oh, we’re going into business to make money.’”

Build for growth, retain founding ethos

On the path to becoming a thriving business, Veritable Vegetable hit a few roadblocks. For the first decade, the company had enough cash flow to stay afloat, and it experienced continuous growth. But by the late 1980s, says Evans, “there was a lot of disgruntlement.” Two issues were the amount of time staff spent to make decisions, and pay for experienced staff was similar to that of new staff.

To address the problem, Veritable Vegetable brought in a consultant, who reviewed the company and came back with startling news: employees wanted to know who was in charge. So the company put a management structure in place, with Evans, Salinger, and Nygrens at the helm. (“It was because we were the ones who always signed the contracts,” Evans jokes.) From that day forward, she says, “things got more effective and more efficient, and we started to show a small increase in profit.”

With the new organizational structure in place, Veritable Vegetable continued to embrace its values and grow, aided by the explosive growth in the organics industry itself. The company now
picks up produce from 220 small to mid-size organic growers and delivers it to more than 500 outlets. They provide more than transport, keeping farmers abreast of market trends while providing customers with up-to-date information on what’s available, pricing trends, and other news.

The leaders’ ethos also permeates the company in other ways. Veritable Vegetable’s truck fleet is composed of 30 vehicles that are either electric-gas hybrids or run on diesel. Only one percent of the company’s waste goes into landfills. And Veritable Vegetable continues to maintain a 5:1 pay ratio between the highest-paid and entry-level workers.

Sharing social goals, speaking the language

Veritable Vegetable’s growth, however, presented challenges along the way. The company owned a 23,000-square-foot building in San Francisco and leased 10,000 square feet across the street, plus another 6,000 square feet a block away. The company needed more space and to consolidate. Holding produce in different locations introduced breaks in the “cold chain,” threatening product quality. Tight space made it necessary to stack produce up high, which led to employee injuries.

Evans, Salinger, and Nygrens explored buying a larger building—preferably one with 80,000 square feet that they could share with another food business. For capital, they turned to RSF first. “We wanted a lender that spoke our language and had the same fundamental social goals we do,” says Evans. “And RSF is not as constrained in how it can finance as a traditional bank.”

The latter criterion turned out to be crucial. When Veritable Vegetable started hunting for a new space, the only suitable building they found in San Francisco had a value estimated at $25 million—more than double their budget. They regrouped, and decided instead to lease an additional 20,000 square feet in their building across the street.

But the new space needed upgrades, including $1 million for refrigeration and $3 million for improvements such as LED lighting, updated warehouse technology, and a reconfiguration of the space so it could accommodate more effective handling equipment.

Financing the upgrades would be difficult because Veritable Vegetable had no collateral, and it reinvests all of its money in the company. They didn’t have the $800,000 needed to secure the loan. “What was really special about what we did for Veritable Vegetable,” says RSF’s Danaher, “is that we came up with a down payment for them.”

RSF first matched a $100,000 U.S. Department of Agriculture grant that Veritable Vegetable received as a food hub, and brought private investors on board to provide subordinated unsecured loans, for a total down payment of $800,000. RSF then made a $1.6 million term loan to the company and worked with New Resource Bank to do the same.

A food hub model for underserved communities

Veritable Vegetable completed facility upgrades, including (CONTINUES ON PG 11)
Fighting Food Waste with Ecosystem of Solutions

Hunger and food waste are intractable problems. Or are they?

by Suzanne Lane       | investor and Food Shift volunteer

In the United States today, we throw away 40 percent of all the food that is produced, which is equivalent to tossing $218 billion into the garbage each year. These figures are staggering when you consider that 49 million Americans are food insecure, meaning they lack reliable access to sufficient quantities of affordable and nutritious food.

Recently, I have grown close to one of these food insecure Americans; he is six years old. I was introduced to this young man by my daughter, who mentors him. Despite living in a neighboring city, Berkeley in Northern California, this six-year-old’s family lacks access to healthful food due to financial inability. Often, my daughter and I picked him up hungry. My eyes were open, if not a little teary. I yearned to help, but how?

Around this time, I received an issue of the RSF Quarterly that featured an article about DC Central Kitchen. The piece showcased DCCK founder Robert Egger as he uncovered the inefficiencies of our modern food system. A nightclub manager turned social entrepreneur, Robert witnessed thousands of pounds of food being thrown away each night. This was food that, as a volunteer for a food truck serving meals to the homeless and other people in need, he could have “recycled.”

Robert’s story inspired me to reach out to him. I strongly wanted to support organizations like DCCK but hoped to find one that addressed the challenges of hunger, food waste, and employment training in my area. Through Robert, I was introduced to Dana Frasz, founder and director of Food Shift.

A lifelong passion

Dana’s passion for food recovery is paramount. “I feel a range of emotions when I witness or hear about food waste,” she said to me during one of our many conversations. “There’s this deep knowing in my heart that food is sacred, and yet, in our society, food is treated as a throwaway item.”
While studying at Sarah Lawrence College, Dana started an effective all-volunteer food recovery group that—to her chagrin—fell apart once she graduated. This experience taught Dana a key lesson in organizational sustainability: volunteer groups are just that, volunteers. After her studies, Dana remained committed to her cause by attending various conferences and connecting with key thinkers such as Jonathan Bloom, writer of *American Wasteland*, and Dana Gunders of the Natural Resources Defense Council, whose 2011 report put the issue of food waste on the map.

Something that’s impressed me about Dana in the time that I’ve known her is her unbroken focus on creating replicable models. She is dissatisfied with single-minded approaches, choosing instead to consider collaborative and systemic solutions.

In 2011, while attending a Bay Area sustainable food conference, it dawned on Dana that food waste was missing from the larger food system conversation. “Over the course of three days and dozens and dozens of speakers, there was not one person talking about food waste, and it drove me crazy,” said Frasz.

She needed to take action. As she had done at countless events before, Dana investigated where the huge smorgasbord left over from the conference would be going that evening. Sure enough, it was not to hungry stomachs. Dissatisfied, Dana found the densest food item she could—chicken—and carried 40 pounds of it that night to the streets of San Francisco.

**Ecosystem of solutions**

Shortly after this experience, Dana founded Food Shift, an idea incubator, think tank, and social enterprise based in Oakland, California. The organization’s initial partnership with Stopwaste.org and the Oakland Unified School District. The “Food for Kids” program collected over 14,000 pounds of surplus food from 13 Oakland school cafeterias and redistributed it to students and their families and community organizations. A guide to replicate the model at other schools will be released in early 2017.

Residents of Alameda Point Collaborative — Tabatha, Terri, and Guiselle—cooking in the Alameda Kitchen.

**Santa Clara study**

In early 2015, Santa Clara County hired Food Shift to do an assessment of where and why food is being wasted in the region. Food Shift staff members spoke with dozens of food businesses, recovery groups, and social service agencies for their research. The findings uncovered two major (CONTINUES ON PG 10)
In March of 2016, RSF Social Finance facilitated its first joint Shared Gifting Circle with the Embrey Family Foundation. Located in Dallas, Texas, Embrey identified a group of six grant partners to participate. The grantees represented a mix of organizations focused on community organizing and the arts. Representatives from the six organizations came together for a day-long facilitated process to share project proposals and allocate $60,000 in grant funding. Embrey gave the grantee group complete control over how to divide the funds.

In this conversation, Kelley Buhles, RSF’s director of philanthropic services, discusses the inspiration and experience with Diane Hosey of Embrey and Circle participant David Lozano of Cara Mia Theatre Company.

**Kelley to Diane:** What inspired Embrey to experiment with a collaborative grant-making model like Shared Gifting? Have you done anything similar in the past? Did you have to get board approval?

**Diane:** Lauren Embrey, the president of the Embrey Family Foundation, met with Kelley to learn about the Shared Gifting model. It sounded like a good fit for us, and we treated it like an experiment. Of course, it turned out very well, and we are excited to explore how we can use it in the future and share it with other grantmakers in Dallas. Embrey had never done something so fully participatory in the past. The open, honest connection Embrey had previously fostered with its grantee-partners primed the foundation to experiment with a model like this. We didn’t need to go to the board for approval because this fit into Embrey’s discretionary grantmaking pool of funds for the year. At our last board meeting, in the spring, Embrey invited a few of the Shared Gifting participants to visit with Embrey trustees and share their experience, so that the board could have a better understanding of Shared Gifting. They loved hearing about the experience directly from the grantees.

**Diane to Kelley:** What surprised you about this experience of working with a group of Dallas non-profits at the intersection of art and social justice?

**Kelley:** One surprise for us was how big of a difference it made to work in partnership with a local funder. All of the Shared Gifting Circles we facilitated in the past had been funded by money RSF raised. And as an intermediary, we found that grantees often had questions about where the money came from and if there would be future opportunities for funding. That dynamic shifted with this Circle because everyone knew who the funder was and knew that they were local. That change eliminated the need for organizations to question what RSF was doing there and allowed for the real conversations to begin. The Dallas Circle participants were obviously strong leaders in their community and passionate about their work. Instead of being intimidated about discussing money and each other’s proposals, we saw this group really rise to the occasion. We felt incredibly lucky to spend the day with them.

**Diane to David:** What is the most important thing you took away from this experience?
David: I have to admit that I was skeptical of the process at first. It kind of felt like we would be on the spot to make some tough decisions. I thought that people would be very protective of their funding, and I didn’t really know what else to expect. But then at the meeting, Ellie and Kelley from RSF were very personable and light-hearted in their approach and made it clear that we, the participants, could evolve this process into whatever we wanted it to be. There was no strict structure or format to follow.

An intrinsic part of the approach is that we have to release our preconceptions, which is powerful because the next step is to engage in an authentic, genuine way with the other participants. In the Circle, I was able to process the other applications not just analytically but through the heart.

Kelley: The modern paradigm is that we are all in competition with each other. But if you study the natural world, you see that it isn’t always competitive and that collaboration can be equally as successful.

David: When we got there, I was surprised at how magnanimous everyone was—everyone was funding everyone else in the same way. It was a tough and emotional experience for me. It really hit home that this was the only time that I had ever been able to truly influence the funding of other artists and organizations that are run by and serve people of color. I had the opportunity to break the pattern of giving everyone the same amount of funding from their own pool, and so I ended up giving more to one arts organization because I knew about the uphill battle they were facing. It was difficult for me, and I felt I needed to explain it to the group so that they would understand why. But, the group understood why before I even opened my mouth. So, it was and still is a very moving experience for me as a man of color, an artist of color, in Dallas who feels overlooked in decisions affecting arts funding and arts policy.

Kelley to David: Have you had any reflections since this experience?

David: It made me reflect on a lot of things. In almost every funding experience I have and arts relationship I have, there is a gulf between the artists and the decision-makers of arts funding, resources, and policy. Non-arts people make the decisions, often because they are in positions of power due to private wealth. Typically, large white institutions benefit while smaller groups or groups of color miss out. What excited me from the very beginning about the Shared Gifting was that, finally, I would have a voice at the table. I am excited about the funding we received because we can now hire a new position: curator of community action. I think this role is in the spirit of Shared Gifting’s philosophy of including grassroots efforts into our work with the community. Our goal is to democratize the arts so that they can inspire a social movement in our city.

David to Diane: How did Embrey’s experience with Shared Gifting impact its work or future funding strategy?

Diane: The Embrey Family Foundation is going to sunset in about 8 years. We know our (CONTINUES ON PG 11)
challenges in the sector that limited impact: capacity and infrastructure. Food assistance groups were running on shoestring budgets—unable to afford refrigeration, storage, vehicles, or staff—while undoubtedly performing a service to the community.

Of the many key findings from the Santa Clara project, three stand out: 1) there is a lot more surplus food available, 2) one in four people in Santa Clara County are food insecure, and 3) we need investment in food-recovery infrastructure.

In addition to these realities, we must recognize that the answer goes beyond just supplying food to the needy. As Frasz has commented, “food alone won’t solve hunger. If we truly care about feeding people, we need to do more than just give out food. That’s why the models we’re looking to create involved workforce development, job training, and employment in food recovery, specifically for the people who need the jobs the most.”

**Showing how it’s done**

From this core belief and in response to the reality that one in five fruits and vegetables grown do not fit the strict cosmetic standards of grocery stores and are discarded, Food Shift launched Alameda Kitchen in June 2016. The kitchen uses surplus or “ugly produce” and turns it into highly nutritious soups and other products. An alternative to the traditional charity model, Imperfect Produce, an RSF client, fuels the kitchen with generous food donations and advisory support.

Alameda Kitchen is housed at Alameda Point Collaborative, a housing community for previously homeless individuals—the majority of them are unemployed and living in poverty. The kitchen has committed to hiring residents of the collaborative.

In its first class this summer, the Alameda Kitchen had a significant impact on the lives of program participants. In addition to gained culinary expertise, participants also experienced weight loss, monetary savings, improved diets for their children, and increased self-confidence. And this is just the beginning.

“The Alameda Kitchen is going to spark a shift towards a more sustainable food ecosystem in the Bay Area,” said Frasz. “By recovering surplus food, expanding processing infrastructure, and creating effective outreach to communities in need, we will feed more people and waste less food.”

To reach this goal, Food Shift needs support to purchase critical transportation and refrigeration equipment that expands its ability to store and deliver healthful food products safely.

So you see, hunger and food waste are not intractable problems. They’re ones ripe for solving.
towards the artists and arts organizations led by and serving people of color, we would have a much more equitable and productive arts community. Dallas is full of “arts deserts” where you don’t have any traces of the arts. Yet the attention on the arts is zeroed in on central Dallas and the Arts District, which receive the majority of funding and resources. Dallas is a city that is pumping millions of dollars into the arts, but the resources are being isolated to a small percentage of artists and arts organizations. If they were more equitably distributed, we would see a much more educated, energetic society. To revolutionize funding this way would actually transform our society.

Diane: Well, you can’t say it better than that. The arts can lead the way in many ways and capacities; it’s not an afterthought. We need to create “brave spaces” where people can experience each other in a different way and change the power dynamics even on the smallest of scales.

Kelley: How might collaborative or participatory grantmaking opportunities change the landscape of Dallas’s philanthropy?

David: I think that by moving decision-making opportunities...
UPCOMING EVENTS

Bioneers Conference
10/21/16-10/23/16
San Rafael, CA
conference.bioneers.org

Slow Money Decelerator*
10/21/16
Boulder, CO
slowmoney.org

Zero Waste Summit*
10/22/16
Saint Paul, MN
eurekarecycling.org

SVN Fall Conference*
11/2/16-11/5/16
Philadelphia, PA
svnconference.com

Biodynamic Conference*
11/16/16-11/20/16
Santa Fe, NM
biodynamics.com

Making Money Make Change
11/17/16-11/20/16
Bainbridge Island, WA
resourcegeneration.org

For the latest on RSF’s participation in conferences and events, check out our events page: rsfsocialfinance.org/calendar.

* = sponsored

WHAT’S AHEAD

The next RSF Quarterly will be published in January 2017. We like hearing from you! Send any comments on this issue or ideas for the next to enrique.perez@rsfsocialfinance.org.

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NEW LEAF PAPER®
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RSF Social Finance saved the following resources by using 438 pounds of Reincarnation, made with 100% recycled fiber and 100% post-consumer waste and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.

trees: 4
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energy: 2 million BTUs
solid waste: 137 pounds
greenhouse gas: 377 pounds

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