

RSF quarterly

WWW.RSFSOCIALFINANCE.ORG

1002A O'Reilly Avenue
San Francisco, CA 94129
415-561.3900



Mother cow and calf from the dairy herd at Hawthorne Valley Farm.

Photo courtesy of Hawthorne Valley Association.

「what is our **food**
really **worth?**」

► IN THIS ISSUE

2 LETTER FROM DON

3 biodynamic agriculture

SELF-RENEWAL AT THE CENTER
OF FARM LIFE.

4 what's for lunch?

REVOLUTION FOODS SERVES UP
A NEW WAY FOR SCHOOLS TO
NOURISH STUDENTS.

6 strengthening farms, transforming the system

DOROTHY SUPUT OF THE CARROT
PROJECT ON THE NEED FOR
LONG-TERM PATIENCE AND
BETTER FINANCING NOW.

8 clients in conversation: the meat of the matter

SALLIE CALHOUN AND STEFFEN
SCHNEIDER DISCUSS THE
BUSINESS OF RAISING AND
SELLING SMALL-SCALE BEEF.

10 fund announcements

RSF LAUNCHES TWO NEW FUNDS
IN FOOD & AGRICULTURE.

INVESTING, LENDING, AND GIVING | INSPIRED BY THE WORK OF RUDOLF STEINER



FOOD & AGRICULTURE



EDUCATION & THE ARTS



ECOLOGICAL STEWARDSHIP



LETTER FROM DON

Our Food, Our Way of Life

Dear Friends,

Asking what our food is worth might seem like a financial question, especially coming from a financial services organization like RSF. And there has certainly been plenty of debate about what local and sustainable food should cost in dollars and cents. On the other hand, we know the financial question is always a placeholder for a deeper inquiry: to decide what something is worth, we first have to understand the real value it offers for our lives.

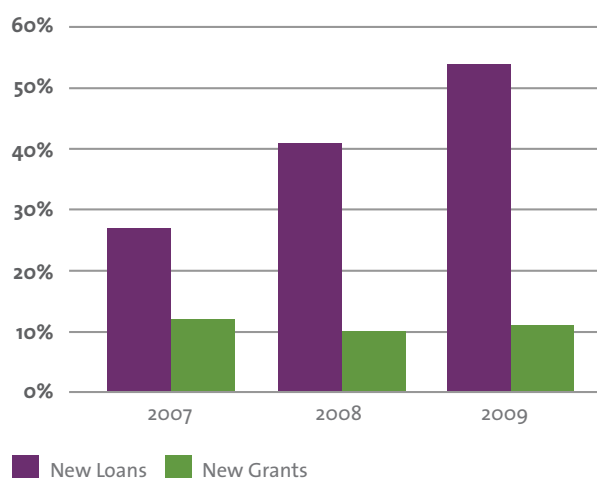
The articles in this newsletter speak to the many kinds of value that our food can “produce”: nutritional value through consumption, social value through communities that form around food and farms, ecological value through the impact that agriculture has on our landscape and natural resources, and spiritual value through the experience of connecting with other forms of life. In opening his Agriculture Course lectures in 1924, Rudolf Steiner remarked, “...the interests of agriculture are bound up, in all directions, with the widest spheres of life. Indeed there is scarcely a realm of human life which lies outside our subject. From one aspect or another, all interests of human life belong to agriculture.”

I hope you will find the stories and perspectives presented in this issue to be an inspiring and eye-opening exploration of the profound role that food and agriculture play in shaping our world. In a time when food is often regarded as another commodity or consumer product, it seems critical that we rediscover its intimate connection to our entire way of life. Only then will we understand just how much our food is really worth.

Warmly,

Don Shaffer, President & CEO

RSF FOCUS ON FOOD & AGRICULTURE 2007 - 2009



This chart shows RSF's focus on Food & Agriculture as a percentage of all new loans and grants made each year from 2007 to 2009. While our lending activity in Food & Agriculture has increased significantly over the last three years, Food & Agriculture grant making by RSF donor advisors has remained steady over the same period.



The elements of Biodynamics as illustrated by Benziger Family Winery. See article on facing page.



Biodynamic Agriculture: From Organic Matter to Farm Organism

By John Bloom, Director of Organizational Culture

Nature cycles between growth and decay. A biodynamic farmer cultivates this process with passion and understands the importance it has for the well-being of the farm. In biodynamic agriculture, the compost pile is a place of vital transformation central to the regeneration of soil fertility. What could appear as simple waste is rather a living part of a comprehensive farm organism that embodies biodiversity, animal husbandry, attention to planetary forces, and the inner life of the farmer.

Biodynamic agriculture originated in the early 20th century in Europe, when a group of farmers asked Rudolf Steiner, the Austrian scientist and philosopher, what he could offer to address what they were experiencing: the soil was depleted, and the produce no longer carried the nutritional value needed as staple crops. They also knew that the advent of petrochemical inputs went against the grain of long-practiced traditions. Based upon his research, Steiner gave a series of inspired lectures that redefine how the many aspects of agriculture should be practiced in the context of modern life. Thus was born biodynamic farming. One of its central tenets is that each farm is a living organism with its own characteristics tied to geography, geology, the farmer, and the forces inherent in its environs. Steiner brought a new kind of whole-system science to agriculture, one which required deep observation of nature as well as cultivation of the farmer's intuition. One of the beauties of this approach is that farms become self-sustaining, meaning each farm grows food for itself and others, grows the feed for the animals, renews the soil via the compost, and generates new plant life through the saving of seeds. The result is a system with virtually no external inputs—this is the ideal.

In the US, most biodynamic farming has been practiced in the context of community supported agriculture (CSA), so the wider public has had little market access to biodynamically-grown produce. Recently, biodynamics has received more attention in the wine, cosmetic, and pharmaceutical industries, where the highest standard of source production is demanded and valued. RSF

borrower Flower Essence Services, for example, produces extraordinary Demeter-certified (see below) flower remedies that serve a range of therapeutic needs. One of the challenges for biodynamic vegetable and fruit farmers in the US is scale: biodynamic farms either do not produce enough to reach the general public, or they have chosen a community-based approach for distribution. More and more farms, however, are collaborating to provide a diversity of foods with greater reach, and one question being considered by the Biodynamic Farming and Gardening Association (see below) is whether and how to develop enough value-added product to reach a broad marketplace.

The reality is that biodynamics has a lot to offer farmers who want to move away from petrochemical agriculture, but who do not feel that organic standards are enough. RSF Social Finance has funded a number of organizations helping to lead this movement. The Biodynamic Farming and Gardening Association (grantee and borrower) and Demeter Association (grantee) carry particular responsibility for raising awareness of the importance of biodynamic farming, with Demeter serving as the primary certifier of biodynamic practice in the US. Both organizations do a lot of education and training, because fully understanding biodynamics requires some shifts in consciousness about nature and the vocation of farming.

What distinguishes biodynamic farming from other approaches to agriculture is its recognition of the role of spirit in the life of the farm. This includes the inner life of the farmer, the elemental beings of nature, and other planetary forces that work on and in the earth. This takes extensive training to understand and practice, but its wholeness is palpable when you step onto a biodynamic farm. Whoever understands the alchemy of composting, understands the organic aspect of farming. Whoever also understands the farmer's intimate influence on and responsibility for the farm organism, understands biodynamic agriculture. 🌀



CASE STUDY

What's for Lunch?

By Gary Sprague, Communications Manager

When I was growing up, “What’s for lunch?” was something kids asked to find out if our favorite pizza or tacos were being served. Today the question seems to be on everyone’s mind, and for very different reasons. For the third straight year, childhood obesity ranked number one in a University of Michigan survey of adult concerns about children’s health. Earlier this year, the White House put the issue front and center when First Lady Michelle Obama launched the Let’s Move campaign to tackle childhood obesity, and President Obama created the first ever Task Force on Childhood Obesity. Most recently, celebrity chef Jamie Oliver took home the Emmy for Outstanding Reality Program for *Jamie Oliver’s Food Revolution*, a series about his efforts to bring healthy school meals to a town in West Virginia. The question of what schools are serving for lunch has become the stuff of presidential politics and primetime television.

As with many issues, the national spotlight on childhood obesity represents more of a culmination than a revelation. Back in 2000, the CDC’s National Health and Nutrition Examination Survey revealed that obesity rates in children age 2-19 had more than doubled since 1980, rising from 5.5% to 13.9%. By 2003, the rate had climbed to 17.1%, and the Surgeon General testified to Congress that childhood obesity constituted a national epidemic. Meanwhile, close to 30 million children were participating in the National School Lunch Program, with many relying on school meals for the bulk of their daily caloric intake.

Two years later, the issue began to receive significant attention, most notably in California. In September of 2005, Governor Arnold Schwarzenegger convened a

state summit on Health, Nutrition and Obesity, where he signed major legislation aimed at increasing the nutritional value of school meals and eliminating the sale of junk food on school campuses. Soon afterward, the city of

Berkeley grabbed headlines when it partnered with the Chez Panisse Foundation and hired professional chef Ann Cooper to revamp its school lunch program. It was around this same time that two UC Berkeley MBA students, Kristin Richmond and Kirsten Tobey, teamed up to launch Revolution Foods as an entrepreneurial intervention in the system. Rather than focusing on broad policy measures or isolated school programs, Richmond and Tobey sought to create a new business model for how food reaches students through supply, production, and distribution.

Revolution Foods begins by sourcing fresher, healthier ingredients for its meals. This means dairy and meat products free of antibiotics and hormones, whole grain breads, and fresh fruits and vegetables in every meal. In many cases, Revolution Foods also works with smaller-scale, local and regional suppliers for whom its purchases represent significant volume that can help them grow. Take the company’s rice supplier, Massa Organics, located on the Sacramento River in northern California. According to Tobey, “When our chef met Greg Massa at a local farmer’s market, she knew we had to get his rice in front of the students we serve. Not only was the rice a high-quality, great tasting product, it was also a wonderful opportunity to support a local grower dedicated to sustainable agriculture.” This year the company expects to order 5,000 pounds of organic brown rice per month from Massa, and the partnership is significant enough that Massa is growing a special blend



Highpoint Academy students participate in a Revolution Foods Iron Chef competition.

Photo courtesy of The Rose Group.



Students enjoying Revolution Foods lunches.

Photo courtesy of The Rose Group.

“The schools we work with really see Revolution Foods as an education partner...”

of organic brown rice specifically for Revolution Foods.

In making its meals, Revolution Foods adheres to a clear set of nutritional and ingredient standards that go well beyond USDA requirements. Food is never fried or microwaved. There are no artificial trans fats, colors, flavors, or sweeteners, and no high fructose corn syrup. Revolution Foods also makes a point of keeping meals low in sugar, using little to no added sugar, and avoiding juice and flavored milk altogether. While it is not able to use all organic ingredients due to cost, the company chooses organic options whenever possible, including 100% of its yogurt thanks to a partnership with Stonyfield Farms.

To deliver its meals, the company uses a hub-and-spoke model with central facilities serving schools within a 3-4 hour radius via refrigerated vans. This approach facilitates continued scaling from the regions where Revolution Foods operates. Its newest facility in D.C., for example, is also serving schools in New Jersey. This allows the company to establish initial customers in the New York metropolitan area before investing in a dedicated facility to serve that market. For Revolution Foods, however, delivery is about much more than getting meals to schools. “The schools we work with really see Revolution Foods as an education partner and not merely a food vendor,” says Richmond. The company recognizes that, in order to have a lasting impact on their lives, kids and parents need better information and resources on healthy eating. So it provides engaging information through newsletters, online resources, posters and stickers, cooking demonstrations, and even “Iron Chef” field trips to its facilities. Richmond underscores the focus on connecting with school communities, noting that Revolution Foods also seeks to recruit from its parent communities whenever it has job openings.

In a market with narrow margins, plenty of bureaucracy, and extremely picky “customers,” Revolution Foods has found a recipe for success. Since officially launching in the summer of 2006, the company has grown from a single location in Alameda, CA, to serve over 7 million meals to more than 220 programs in the San Francisco Bay Area, Los Angeles, Colorado, and Washington D.C. This school year, Revolution Foods expects to serve approximately 65,000 meals per day, up from 45,000 per day in 2009-2010. Over 80% of those meals will go to children who receive free or reduced price lunches through the National School Lunch Program.

Widespread attention to the issue of childhood

obesity may be long overdue, but Revolution Foods prefers to see the glass half-full and is embracing recent progress such as Congress’s plan to re-authorize the Childhood Nutrition Act. While the bill provides just a \$.06 increase in the federal reimbursement rate, it represents the first non-inflationary adjustment in over 30 years. For Revolution Foods that can mean an additional quarter-cup of brown rice or zucchini for thousands of kids each day. And with several years of solid experience under its belt, the company is poised to take advantage of rising demand and bring its model to more regions across the country. Which city or state will be next? The company is currently considering expansion opportunities in a handful of locations including Texas, Chicago, and New Orleans. Amid the growing debate over what our children should be having for lunch, it seems a line is quickly forming for what Revolution Foods has to offer. ↻

HOW WE SUPPORT REVOLUTION FOODS

“RSF provided key financing for our existing business, and helped us attract additional support for expansion. We believe it’s important to have financial partners who are committed to our mission and vision, and RSF certainly fits that description.”



Co-Founders
Kirsten Tobey
(left) and Kristin
Richmond.

Photo courtesy of
The Rose Group.

Funding Relationship

Line of Credit, Core Lending
Program

Funding Source

RSF Social Investment Fund

Purpose

Revolution Foods earns a large part of its revenue through reimbursements from state and federal free and reduced price meal programs. RSF’s line of credit provides the company with steady cash flow for operations while it awaits delivery of these reimbursements.

www.revfoods.com



GUEST ESSAY

Strengthening Farms, Transforming the System

By Dorothy Suput

We have all heard something about the negative consequences of our existing agricultural and food system. Our government policies support the concentration of farm ownership, the presence of genetically modified (GMO) material in both plant and animal food species, and a centralized distribution system that works against small and mid-sized farms. Our industrial food system and its amazing quantities of commodity foods contribute to the obesity epidemic, compromise local economies and the production of healthful food, and create devastating environmental impacts. Contrast this with the idyllic picture of agriculture that we imagine existed on our grandparents' farms, see depicted in literature our children bring home from school, and find on the packaging of an increasing number of products on supermarket shelves. What's the reality?



The author and Lee Straw at Straw's Farm in Newcastle, ME.
Photo courtesy of Melody Ko.

The dominant reality is the former. The latter is for the most part a marketer's dream. The full picture is more nuanced. An increasingly strong movement toward a just and sustainable food system is growing. It began with the back-to-the-landers in the 60s and 70s, continued with the expansion of organics, and is now bolstered by the recent interest in all things local. This movement is comprised of knowledgeable farmers, savvy consumers, businesses, academic researchers, and federal employees, all of whom contribute to the demand for *and* participate in the creation of a different food and farming system, one that produces sufficient and healthful food, provides jobs, and has a positive impact on the natural environment.

Of course, change is not a linear process. There are disputes about the best way forward. Do you throw the baby out with the bath water and start over? Or, do you jump in and bathe together? Our food system has evolved to its current form most prominently over the last 65 years. Absent a revolution, we have to work on policy at the national, state, and local levels, while at the same time building new infrastructure (including finance, research, production, distribution, and processing), and also supporting behavioral, cultural, and institutional change. Part of this change includes developing, testing, and refining new ways of doing business.

One of our investors and supporters shared the following quote with me from M.C. Richard's book *The Crossing Point*. Though it refers to personal development and art, it is very relevant to the work before us:

The artist in man knows that we can't suddenly BE a certain way - we can't suddenly BE FREE, be independent, BE MATURE, BE PEACEFUL. We have TO BECOME what we are going to be. Inner growth takes time. And trust. It takes a sense of the seed forces in ourselves, and some knowledge of the stages of development, seasons, deaths and rebirths, something about the feel for life processes at work, PATIENCE. It takes patience and steadiness and humor and commitment, like a farmer has.

The becoming is starting to happen. We can take pride in the small changes while understanding that an incredible amount of work remains. An increasing number of university and agricultural training programs offer course work and research focusing on a variety of more ecologically-sound production techniques. Recently, organic farmers successfully advocated for a five-fold increase in research funding, but the total funding still represents a tiny fraction (less than 2%) of the overall USDA research budget. The number of farmers' markets has grown 50% in 10 years. Pilot projects to provide discounts on fruits and vegetables to people participating in the Supplemental Nutrition Assistance Program (SNAP, formally referred to as Food Stamps) are underway. Exploring ways to help mid-sized farmers reach markets are programs such as Red Tomato, while organizations like People's Grocery work to get healthy food into urban food deserts.

Simultaneously, an increasing number of formal and informal organizations are connecting investors with farms and food businesses. Slow Money meet ups are springing up all over the country, bringing community members together to invest in local food and agricultural enterprises. Community development financial institutions (CDFIs), which traditionally serve low-income communities and clients that are not served by traditional lenders, are just beginning to learn how to serve this burgeoning sector. These are all important changes that, over time, will have a significant impact. But what is going on at the farm? In the end, food is the foundation upon which any of the above solutions has



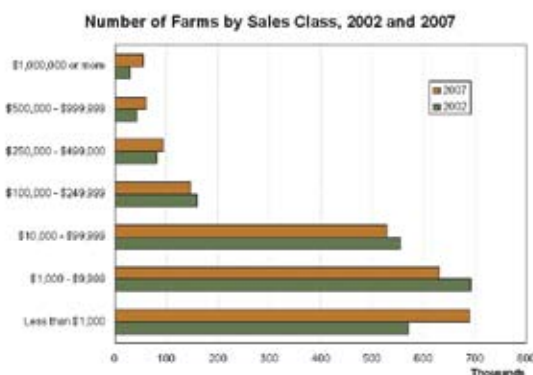
Lee Straw with chef Sam Hayward of Fore Street Grill in Portland, ME. Sam uses Lee's Island Lamb at his restaurant.

Photo courtesy of Warner-Hanson Television.

to be built, and that food is produced on farms.

The latest agricultural census recorded, for the first time in many years, an uptick in the total number of farms, which increased by 4%. Of course, as with many things, taking this number at face value can be misleading. Dig deeper and one finds an increase in the number of large farms (those with gross sales greater than \$250,000), and the smallest farms (those with gross sales less than \$1,000). Ultimately, the census data reflects a further edging out of the farms in the middle range, suggesting that in order to realize a diversified food and farming system, we need to find ways to sustain those farms in the middle while also supporting the smallest farms as they become profitable and grow.

Meanwhile, the same census also showed that the average age of farmers continues to increase (from 55 years of age to 57 over the previous five-year period), an indication that very few young people are taking up farming. Likely because of the high costs of entry, a full third of beginning farmers are 55 years or older. An increasing number of reports indicate that limited access to training, farmland, and capital is a problem for many who want to farm. We've found this to be true in our work at The Carrot Project, where 60% of the farms we work with are beginning farmers. Yet access to capital can be a struggle even on established farms; farmers who are looking to expand their operations, or who have experienced financial difficulties of the personal variety also encounter issues finding adequate capital, even if the farms themselves are profitable.



Despite recent growth in the total number of farms in the US, the number of midsized farms decreased from 2002 to 2007.

Source: USDA 2007 Census of Agriculture.



CLIENTS IN CONVERSATION

The Meat of the Matter with Sallie Calhoun and Steffen Schneider

We recently introduced RSF investors Sallie Calhoun and Steffen Schneider, asking them to share some of their experiences as producers of grass-fed beef. We were also curious about the challenges of producing, processing, distributing, and selling meat that has been raised humanely, in an ecologically-restorative manner: whose job is it to make such meat more accessible? Listen in on the resulting conversation – and see what you can do – below.

Sallie: My husband and I started producing grass-fed beef seven years ago in San Benito County, which is just south of the San Francisco Bay Area. In the Western grasslands, livestock can be used as a tool to maintain biodiversity and the health of our landscape. We produce about 20 animals a year, selling directly to our customers, who are primarily in urban areas. We also partner with a community supported agriculture (CSA) farm program to sell some of our meat.

Steffen: Hawthorne Valley Farm is a diverse biodynamic farm on 400 acres; our primary activities are the dairy herd and vegetable production. We process the milk into various dairy products, and all the manure is composted and put back on the land. We grow all the feed for our dairy cows, and our meat comes from that herd. We sell 100% of our meat through our own store, and at green markets in New York City; we don't produce enough to take it anywhere else! We also have a CSA program to sell our vegetables, but our meat isn't a part of the CSA yet. We have a biodynamic farm, so animals are an integral part of the system. Livestock is a critical part of sustainable agriculture because animals close the nutrient loops needed to maintain farm fertility. And as Sallie mentioned, if you don't have livestock on a landscape, it changes dramatically.

Sallie: Do you have a place to process your animals? Processing is a big bottleneck for us.

Steffen: Good question! There's a limit to what we can process on site. There is a mobile slaughter unit in New York that we could rent, and I am exploring that possibility. Mobile units come right to the farms; because the animals never have to leave the farm, they don't ever experience the stress of travel. We are fortunate that there's a processing plant thirty minutes away, and it is a certified humane facility. I am glad to know that there's a third party that looks into that.

Sallie: Only thirty minutes away! Our closest processor is 3 hours south of us, and the next closest one is 5 hours north. And, it's really hard to get in. We have a steer we need to take in now, and we can't get a reservation for six weeks! We wanted to build a plant on our ranch, but even though we didn't have neighbors close by, it was very hard to get permits. So we leased a plant that had been shuttered, but had still operated fairly recently in the Central Valley of CA. We also went through humane certification, which was much more difficult than organic certification. We opened in February of 2008, and lived through the "great recession of meat packing." We wanted to do niche meat for smaller producers, but it was really tough. We figured one path to



The dairy herd grazing the pastures at Hawthorne Valley Farm.
Photo courtesy of Hawthorne Valley Association.

profitability was to get into the business of religious slaughter; eventually we sold the plant to the Halal group in 2009.

Steffen: One issue we've experienced is that each plant has varied understanding of or capacity to deliver packaging that caters to retail requirements. Some have no idea, others more so about what inspires a customer to buy something – this has a huge impact on our ability to sell our meat.

Sallie: Getting that to happen well at the plant is harder to do than you think! Even if you can hire people who have worked in a big plant, it's an entirely different craft when you're dealing with small scale producers and niche meat products.

Steffen: And people look down on the staff of meat processing plants even more than they look down on farmers in this country. It's very hard to find something like an old butcher shop in Europe. Soon, we'll need to import people trained to use every last piece of the animal and make a product out of it. You need to understand the whole system!

Sallie: Then there's customer-friendly packaging, which is expensive from the equipment standpoint. But you need to do it; customers are paying top dollar, and they have high expectations.

Steffen: Who can blame them? It's even more difficult when you want a processor to use organic ingredients, or not use nitrates, or help create new products. So many of the existing processors are stuck in their ways! It is appealing to imagine a plant where one had control of everything from A-Z. There are a few farms nearby, and a wish to start a facility that would be certified Biodynamic, but wow, that would require some serious capital! There's a project for investors.

Sallie: There are plenty of customers for our products, from families to restaurants. But we really need help filling in the infrastructure in the middle: slaughterhouses, processing facilities, and value-added processing, to make sausages and other high value products from the less-popular cuts. We also need better distribution. When we started, everyone said the weak link was processing, but now I believe there's no chain at all! The first bottleneck that ranchers encounter is processing, but we don't have a single meat distributor interested in distributing specialty meat products either. So there are all these vans driving all over the place, one for each of the different producers.

Steffen: Could part of the problem be that for a rancher to get a reasonable price, there's no room for a middle party? We couldn't afford *not* to market our meat directly to our customers.

SALLIE CALHOUN

and her husband are investors in both the RSF Social Investment Fund and the RSF Mezzanine Fund, LP. Born and raised in Knoxville, TN, Sallie received a BS in Electrical Engineering from Rice University. After moving to the San Francisco Bay Area in 1977, she worked at a variety of high-tech firms; for over six years, Sallie served as VP Operations and CFO for Globetrotter Software, Inc., which she and her husband owned. They purchased Paicines Ranch in 2001, a year after selling Globetrotter. Since then, Sallie has been involved in a variety of activities in the fields of local, sustainable agriculture, local economies, and philanthropy, including serving as founder and president of the I Have a Dream Foundation, which works with at-risk youth in rural South Carolina. Passionate about preserving our built environment, Sallie has restored numerous older buildings both in CA and in SC. She currently lives in Saratoga, CA, is an avid tennis player and hiker, and enjoys traveling. Sallie's two children currently attend college on the east coast.

STEFFEN SCHNEIDER

has over 26 years of active farming behind him. Since 1992, he has been the Farm Manager of Hawthorne Valley Farm, a fully diversified, 400-acre biodynamic farm, comprised of ~250 acres of pastures, fields, 30 acres of woodlands, and a 12-acre market garden. The dairy, bakery, and farm store share a village near Albany, NY with the sister programs of the Hawthorne Valley Association, which includes a Waldorf School and teacher training program, a publishing house, a farmscape ecology program, and summer camp. Founded out of the impulse to offer children from the Waldorf school and surrounding communities an authentic agricultural experience, it was also hoped the operation would counter the loss of small farms and add to the revitalization of the rural economy and regional food system. Hawthorne Valley Farm has indeed become a recognized leader in the growing biodynamic, organic, and local food movement. The Hawthorne Valley Association is both an investor in the RSF Social Investment Fund, and an RSF grantee.

> “Clients In Conversation” continued from page 9

Sallie: Maybe each producer could continue to do direct marketing, and another party could do the delivery....

Steffen: ...so that instead of having sixteen trucks on the road, there would be just one.

Sallie: I agree that there is no way we can raise a healthier, more humane product at prices comparable to the conventionally-raised beef you can buy at big box stores. There are policies that benefit conventional producers, who use subsidized crops like corn and soy to feed their animals rather than relying on grass. Conventional producers don't have to cover any of the external social or environmental costs of what they are doing.

Steffen: All these challenges we've been talking about, these are just facts of life for us. I don't believe that our prices are high, they're *fair* given the costs of production. Making food prices more socially equitable is something that has to be solved outside the farmers' realm. Some of it has to do with policy (i.e., which types of producers benefit from subsidies), and it's also a socio-economic question: how do we each decide how to spend our dollars? As a society, we might have to spend more of our incomes on food. Small producers would all go out of business if it were had to compete on price.

Sallie: Especially since what we're raising is essentially a different product. Unfortunately it's all called “beef.” Conventional beef comes from confinement feedlots where animals

are fed a ration of grain, whereas our animals are raised and finished on grass, resulting in higher micronutrients and a much healthier balance of omega 3 to omega 6 fatty acids. The animals may start at the same point, but the chemical content is completely different when raised differently.

Steffen: There's also a difference in the energy that's embedded in a product from an industrial-scale feedlot and one coming from a pasture. A grass-based system is totally different! Go into a feedlot and a pasture and you can feel the difference, and I'm sure a lot of that energy is transmitted into the meat. Plus, the way you eat decides what your landscape looks like. If you buy beef from confinement feedlots, you're voting for an industrial landscape. If you want to support a more diverse, balanced landscape, you have to buy a different product.

Sallie: If people care about these issues, I hope they will learn to cook different cuts of meat, not just steaks and other “middle meats.” I also wish that people would put a little more effort into purchasing their meat, since it seems to be a huge hurdle for people to do anything other than do meat shopping at a grocery store. Consider shopping for meat at farmers markets, through CSAs, or direct from producers. It will be a long time before small producers will be able to make their grass-fed, humanely-processed meats available at grocery stores.

Steffen: Sallie, I'm coming West later this year, and I'd love to come visit your ranch, and see some farming in California. After all, that is where most of the food in this country comes from.

Sallie: Sure, I'll be happy to show you around! 🌀

FUND ANNOUNCEMENTS We recently launched two new funds dedicated to serving our focus area of Food & Agriculture. Read below for a snapshot of each of these innovative RSF funds.

PRI FUND

RSF's Food & Agriculture Program Related Investing (PRI) Fund allows foundations to make mission-aligned loans to charitable projects without the expense and learning curve of setting up in-house lending systems. The PRI Fund supports borrowers that contribute to healthy ecological systems, urban and rural economic development, and access to healthy food in underserved areas. With a minimum investment of \$100,000 and a five-year term, foundations can receive a 1% annual return from the PRI Fund, ultimately “recycling” their investment toward additional PRIs or grants. For more information, contact Taryn Goodman at 415.561.6195 or taryn.goodman@rsfsocialfinance.org.

FOCUS AREA FUND

RSF's Food & Agriculture Focus Area Fund utilizes a fund sharing model in which grantees collectively determine how to use a pool of grant money in the spirit of collaboration and community. For our first grant making cycle, we asked RSF clients to nominate Food & Agriculture non-profits working in the San Francisco Bay Area. Approximately 6-8 nominees will be selected to participate in a grant making process in winter 2010-11, during which they will collaboratively decide grant amounts from a pool of \$50,000. Selected nominees will be announced in November. For more information or to donate to this fund, contact Kelley Buhles at 415.561.6152 or kelly.buhles@rsfsocialfinance.org.

To receive the latest news on RSF funds and activities, sign up for our e-news at rsfsocialfinance.org/list.

> “Strengthening Farms” continued from page 7

The reasons for this situation are complex. On one side of the equation, many farmers find themselves in positions that banks and other lenders frown upon. They may have little to no personal capital or equity; lack business plans that convert farm production plans into cash flow projections; or have poor personal credit histories, if they have a credit history at all. While we cannot disregard these factors, they can be improved over time if the farmer is willing to seek out business planning support, financial management training, and technical assistance. All of this can make it easier for farmers to access capital.

On the other side of the equation, there are also systemic reasons why lenders are less likely to work with medium or small farm businesses: lending on a smaller scale typically does not meet commercial lenders’ bottom-line requirements; there is a perception among lenders that all farms have access to programs that mitigate risk, such as USDA-backed crop insurance (in fact, these are typically available only to larger-scale, commodity-driven farm operations); few lenders are familiar with newer agriculture operations; and finally, recent changes in the banking industry have tightened the flow of credit to smaller financial institutions.

As mentioned above, the solutions to these issues require a holistic approach, including support of changes in federal laws, policies, and regulations, as well as increased research, knowledge sharing, and training to support small and mid-sized farms. At the same time, we need to seek ways to help those on the front lines who have proven they can grow our food and run a profitable operation. This constitutes a major part of our work at The Carrot Project, and I’d like to share a couple examples of farmers whose operations were nearly derailed by a lack of available financing.

Lisa MacDougall and Chuck Currie of Mighty Food Farm are beginning farmers in southern Vermont. Their profitable Community Supported Agriculture (CSA) farm has nearly 200 members. They have a well-established presence at farmers’ markets, valuable relationships with nearby restaurants, and a history of increasing profits, market opportunities, and CSA members. In an attempt to finance growing demand, they sought loans from banks and tried to access credit through credit cards, but their lack of credit history proved to be an obstacle.

Lee Straw needed a loan to put a new roof on his barn, a critical structure in his diversified animal operation, Straw’s Farm; he also hoped to expand into new markets. After 25 years of farming, the last thing

Lee expected was to get turned down at the bank. But, because of the way his existing debt was structured, plus a recent financial hit due to family fiscal troubles, no bank in his area would give him a loan.

Farmers such as Lisa, Chuck, and Lee represent the dilemma for many beginning and established farmers that face short-term financial difficulties. Fortunately, after being denied financing through more traditional means, both received financing from The Carrot Project. In collaboration with key partners (including Strolling of the Heifers, People’s United Trust, and a handful of foundation and individual investors), we were able to provide Lisa and Chuck a loan for labor-saving pieces of equipment as they continue to hone their business model. In Lee Straw’s case, The Carrot Project and the Lawson Valentine Foundation were able to intervene and provide a loan to tide him over while he gets back onto sound financial footing.

If we want to continue moving toward a socially responsible and sustainable food and farming system, we must be able to answer the call for financing from farms like Mighty Food Farm and Straw’s Farm. We need to commit to supporting small and mid-sized farms in their search for appropriate capital as they work to build thriving and viable businesses. This requires creative financing solutions involving knowledgeable farmers, supportive communities, interested investors, and skillful lenders. Each of us has a role to play in this process, whether in our personal or professional lives, so let’s find our place at the table and dig in. 🌱

DOROTHY SUPUT

is the founder and Executive Director of The Carrot Project, a non-profit organization dedicated to creating durable small-farm financing solutions in collaboration with farmers, lenders, farm support organizations, and investors. Since its inception in 2005, the organization has addressed the lack of research that’s critical to understanding small-farm financing. It has laid the groundwork for the establishment of financing programs by researching and documenting needs and testing alternative farmer-financing strategies. Since 2009, The Carrot Project has launched loan programs in three states with lending partners Coastal Enterprises, Inc., People’s United Trust, and MassDevelopment. The Carrot Project was a 2009 RSF Seed Fund grantee.

Join Us at These Events

For the latest on RSF's participation in conferences and events, check out our "Where We'll Be" page at rsfsocialfinance.org/about/where-we'll-be.

SoCap 2010 (sponsor)

10/4/10 - 10/6/10
Fort Mason, SF
www.socialcapitalmarkets.net

Green Festival San Francisco

11/6/10 - 11/7/10
San Francisco, CA
www.greenfestivals.org

Bioneers (sponsor)

10/15/10 - 10/17/10
San Rafael, CA
www.bioneers.org/conference

Investors' Circle Fall Conference (sponsor)

11/10/10 - 11/12/10
Washington, DC
www.investorscircle.net

SVN Fall Conference (sponsor)

10/21/10 - 10/24/10
Long Branch, NJ
www.svn.org

SRI in the Rockies (sponsor)

11/18/10 - 11/21/10
San Antonio, TX
www.sriintherockies.com

Making Money Make Change (MMMC) 2010 (sponsor)

11/4/10 - 11/7/10
Ben Lomond, CA
www.makingmoneymakechange.org

 Indicates that this event includes an RSF speaker.

WHAT'S AHEAD

The next *RSF Quarterly* will be published in January 2011 and will focus on Education & the Arts. We like hearing from you! Please send comments on this issue or ideas for the next to gary.sprague@rsfsocialfinance.org, call 415.561.6157 or  Find us on Facebook

RSF Social Finance is pleased to count
New Leaf Paper among its borrowers.

NEW LEAF PAPER®				
ENVIRONMENTAL BENEFITS STATEMENT of using post-consumer waste fiber vs. virgin fiber				
RSF Social Finance saved the following resources by using New Leaf Reincarnation Matte, made with 100% recycled fiber and 60% post-consumer waste, processed chlorine free, and manufactured with electricity that is offset with Green-e® certified renewable energy certificates:				
trees	water	energy	solid waste	greenhouse gases
4 fully grown	2,051 gallons	1 million BTU	124 pounds	426 pounds
Calculations based on research by Environmental Defense Fund and other members of the Paper Task Force.				
www.newleafpaper.com				
