



**FOODSHED  
CAPITAL**

Strategic Plan  
2020 - 2025





## OVERVIEW



**Michael Reilly**  
*Co-Founder*  
*Executive Director*

Since launching as a grassroots slow money program in 2018, Foodshed Capital has made great strides toward building an organization that can serve the financial needs of food producers for decades to come. The organization made its first loan in January 2019 to Vanguard Ranch, a Black-owned farm in Louisa County, Virginia, and had made a total of 16 loans by the end of that year. In May 2020, Foodshed Capital was certified by the US Treasury as a Community Development Financial Institution (CDFI).

Foodshed Capital now enters the next phase of its development. It does so in the face of incredibly challenging times. Such a statement would have been accurate and understated even at the beginning of 2020. Now, midway through 2020 as this Strategic Plan is being written, the world is grappling with a devastating pandemic that has forced humankind to reflect deeply on many things, not the least of which is the way we feed ourselves. Pandemics notwithstanding, climate change alone demands that we focus more on community resilience, with regenerative agriculture as the backbone. The long overdue call for racial justice in 2020 also demands that we focus on equal access to healthy food for *everyone*.

With these imperatives in mind, Foodshed Capital is crafting its vision for the next phase of its development. The purpose of this Strategic Plan is to inform stakeholders, funders, supporters, staff and board members about this vision.

This strategic plan was created by Foodshed Capital staff, including the organization's two co-founders, with input from the Foodshed Capital board. The conclusions reached herein are based on the lessons learned from the organization's first two years of existence, combined with research from and discussions with countless organizations throughout the country that share similarities to Foodshed Capital.

It should be noted that, at the time this Strategic Plan is being created, the organization's official name is Virginia Foodshed Capital. It is being referred to throughout this document as "Foodshed Capital," partly for brevity, but also in recognition of the organization's plans to expand beyond Virginia, as will be discussed later in the document.

### STAFF

Michael Reilly  
*Co-Founder &*  
*Executive Director*

India Brahm  
*Programs and Lending*  
*Associate*

### BOARD OF DIRECTORS

Hunter Hopcroft  
*Co-Founder & Chairperson*

Shantell Bingham  
Michael Carter Jr.  
Kristen Suokko  
John Wilson



## MISSION

**Foodshed Capital  
provides financial  
stewardship for  
farms and  
businesses  
promoting an  
equitable and  
regenerative local  
food economy.**



## VISION & VALUES

### VISION

We envision a more beautiful world where nutritious, culturally appropriate food is available to *everyone*. We believe food should be produced in a manner that heals and regenerates the planet, while protecting the inherent goodness of all living creatures without exploitation of any kind, particularly in regard to those who are historically marginalized. Foodshed Capital's contribution to this more beautiful world is through the flow of non-extractive finance, or what we call Nurture Capital.

### VALUES

**Equity and fairness** - We believe everyone who wants to farm should have equal access to capital, including people of color, women, immigrants, LGBTQIA, and beginning farmers.

**Patience** - We strive to be flexible and understanding in the process of providing our resources. Agriculture is at the mercy of Mother Nature. Often, things don't go as planned.

**Risk Tolerance** - We share the risk with our farm and food enterprise partners. The mainstream financial industry doesn't like risk. Farming is undoubtedly risky.

**Nimbleness** - We appreciate that farmers are not always on their own timeline. Nurture Capital requires that we respond quickly to the needs of our borrowers.

**Relationships** - We value one-on-one, face-to-face interaction with our partner farms and businesses.

**Environmental Stewardship** - We believe farming and food production should promote more life than it takes away through regenerative organic practices. Farming can and should protect and heal the planet.

*"In the names of nonviolence, community, and health, we need to nurture greater humility and self-restraint. There is no better place to splice nurture into the genes of the economy than local food systems."*

— **WOODY TASCH**,  
FOUNDER OF SLOW  
MONEY



## HISTORY

# 2018

Foodshed Capital began as a Slow Money program in May 2018.

In January 2019, the organization made its first two 0% loans in Virginia.

# 2019

In February 2019, Virginia Foodshed Capital was incorporated and received its 501(c)(3) status a month later.

In June 2019, the inaugural Board of Directors convened for the first time.

# 2020

In May 2020, Virginia Foodshed Capital was certified as a Community Development Financial Institution (CDFI).



**27** LOANS  
MADE

**\$204,300** TOTAL  
FINANCING

**81%** LOANS MADE TO FARMS AND  
BUSINESSES OWNED BY WOMEN  
AND PEOPLE OF COLOR

**200** HOURS OF TECHNICAL ASSISTANCE  
AND BUSINESS TRAINING  
DELIVERED



## STRATEGIC GOALS

- 1** Foodshed Capital will expand its lending capacity to meet the financial needs in the foodshed.
- 2** Foodshed Capital will grow its balance sheet through a strategic and intentional capitalization plan that minimizes risk with flexible funding partnerships, loan guarantees and aggressive loan loss reserves.
- 3** Foodshed Capital will define its loan products to align with its mission and the needs of the foodshed.
- 4** Foodshed Capital will expand strategically and intentionally beyond the borders of Virginia
- 5** Foodshed Capital will continue to build its training and technical assistance services to reduce risk in its portfolio and to play a role in fostering farm profitability.
- 6** Foodshed Capital will develop all the goals described in this Strategic Plan through a lens of Equitable Food Oriented Development.
- 7** Foodshed Capital will grow and strengthen the team to support this plan.



## GOAL ONE

Foodshed Capital will expand its lending capacity to meet the financial needs in the foodshed.

Through the first two years of Foodshed Capital's existence, the lending limit was set to \$10,000 per loan. The purpose of this limit was to reduce risk and demonstrate impact with a limited amount of capital, while maintaining a balance sheet free of debt. It is clearly evident from our work over the course of two years that demand for Foodshed Capital's Nurture Capital services far exceeds what we are currently offering. The onset of the pandemic has underscored the urgent need to support a vibrant and equitable local food system with more capital.

Following are the targets we have set that we believe will balance our ability to meet the growing demands for financing with the internal capacity to meet that demand:

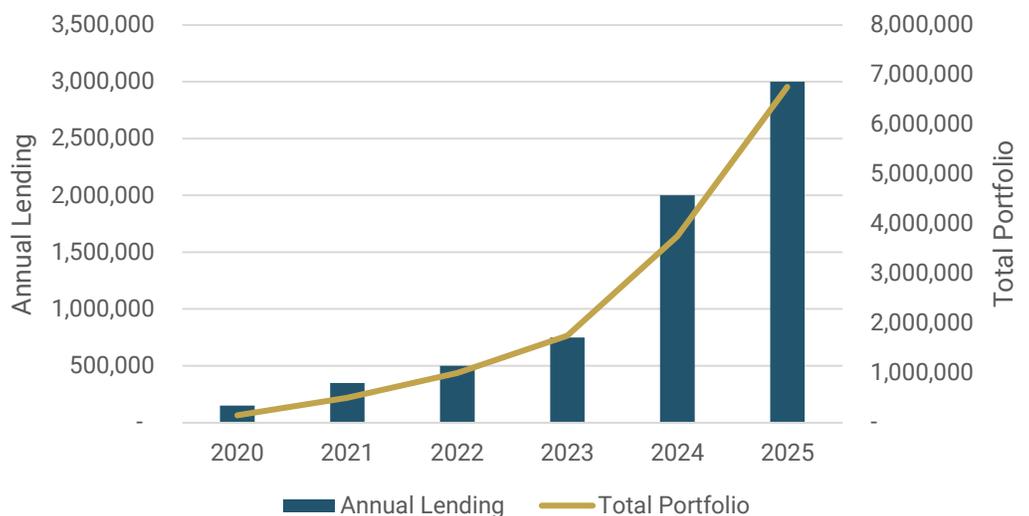
### Individual Loan Size:

Current Maximum Loan Size (2020): \$10,000

Projected Maximum Loan Size by end of 2021: \$50,000

Projected Maximum Loan Size by end of 2025: \$150,000

### Lending Goals



### Strategies:

- Stay committed to the capitalization plan outlined in Goal #2.
- Monitor debt-to-equity ratio on a quarterly basis.
- Reduce or raise lending targets based on deal pipeline and internal capacity.
- Collaborate with experienced CDFIs to properly underwrite larger loans.
- Continue building Loan-Loss Reserves and securing loan guarantees to mitigate risk.



## GOAL ONE

*cont.*

**First Steps:** In Fall 2020, Foodshed Capital expects to have several of its early capitalization expansions in place. Assuming that to be the case, it will seek out lending opportunities in the \$20,000-\$35,000 range. In addition, by the end of Summer 2020, Foodshed Capital has already begun building up its Loan-Loss Reserve to mitigate risk. Staff is also training to handle the heavier burden of larger loans funded with borrowed capital, and is building relationships with larger CDFIs to access support and mentorship.

## GOAL TWO

Foodshed Capital will grow its balance sheet through a strategic and intentional capitalization plan that minimizes risk with flexible funding partnerships, loan guarantees, and aggressive loan loss reserves.

In order to meet the targets articulated in Goal 1, Foodshed Capital will need to access additional forms of capital, beyond the community grants and individual donations that helped the organization get started. In an ideal world, Foodshed Capital would rely strictly on equity to make loans. For non-profit lenders, “equity” consists of funds that do not have to be paid back. These typically come in the form of grants and charitable contributions. Unfortunately, the limited source of these funds makes it difficult to rely on them 100% for lending.

However, equity is critical for operational expenses, as well as for Loan-Loss Reserves and for unlocking larger amounts of capital in the form of borrowed funds. It is the intent of Foodshed Capital to use the equity it built up through its first two years in existence to leverage its balance sheet using a cautious and measured approach.

Over the next five years, Foodshed Capital will meet its lending goals by leveraging its balance sheet aggressively but mindfully. The Debt-to-Equity Ratio recommended, on average, for small CDFI’s is 2:1. That means for every \$1 of equity, the organization carries no more than \$2 of debt. Large CDFIs are able to push this ratio as high as 5:1. For its first two years in existence, Foodshed Capital carried no debt. It has developed a solid equity base of about \$225,000 through its SOIL fund. Using that solid foundation, and other mitigating strategies, Foodshed Capital will build its balance sheet over the next five years while maintaining a Debt-to-Equity Ratio of no more than 3:1.



## GOAL TWO *contd.*

In fall of 2020, Foodshed Capital unveiled an Investment Note for accredited investors, through a private offering. The note has a 7-year term and 2% interest rate, with a minimum investment of \$25,000.

As Foodshed Capital grows its balance sheet over the next five years, it intends to place a high priority on working directly with impact investors, eventually expanding to permit opportunities for non-accredited investors, in much smaller increments, through a direct public offering.

### Strategies:

- Pursue debt that only has the purpose of expanding lending capacity to meet the objectives of this Strategic Plan, as well as the organization's overall mission.
- Seek only the lowest cost debt, with a target of 2% blended cost of capital in order to keep costs to Foodshed Capital borrowers as low as possible.
- Seek debt with the fewest encumbrances and restrictions.
- Bolster debt with mitigation strategies such as higher-than-average Loan-Loss Reserves and Loan Guarantees when and where possible.

**First Steps:** In August 2020, Foodshed Capital added its first debt to the balance sheet. This came in the form of a \$150,000 Program Related Investment (PRI) from a funder in Pennsylvania. The PRI is a 3-year loan, carrying a 1% annual interest rate. The funding is devoted to helping Foodshed Capital provide financing for farms in Pennsylvania participating in a farm training grant program through the state department of agriculture. The program is in collaboration with Kitchen Table Consultants, a business consulting service for farms in Pennsylvania, which Foodshed Capital began partnering with in Spring 2020 to provide technical assistance to borrowers. Foodshed Capital believes that adding this debt to its balance sheet is consistent with this strategic plan, specifically in relation to Goal 4.



**“THE EARTH, THE SKY, AND MUCH HARD WORK”**  
THICH NHAT HAHN

**Timshel Permaculture**  
Daniel & Morgan Griffith



## GOAL THREE

Foodshed Capital will define its loan products to align with its mission and the needs of the foodshed.

Foodshed Capital launched in 2018 with one loan product, a 0% microloan (under \$10,000) called SOIL. The organization made its first SOIL Loan in January 2019. SOIL is a grassroots program that offers local food advocates a unique way to financially support local food producers. For as little as a few dollars, an individual donor can help enable a 0% loan to a farmer who needs capital to grow their business and become financially sustainable. Foodshed Capital believes this program is an integral part of its mission and values, and will continue to be in the years to come. Beginning in Fall 2020, the organization will begin offering more diverse loan products in alignment with this Strategic Plan.

Following is a summary of these loan products as they are envisioned. *It is important to note that these descriptions explain the practical aspects of the loans. All loans, no matter the type, must conform to Foodshed Capital's mission, vision, and values, as articulated on page 3 of this Strategic Plan.*

### **Soil Loan**

Grassroots-funded, mini microloans to support the basic needs of farmers and food entrepreneurs.

**Interest Rate:** 0%

**Loan Amounts:** Under \$10,000

**Repayment Terms:** Flexible, generally under 5 years, with grace periods offered

**Loan Fee:** None

**Other:** Streamlined underwriting. Limited availability based on funding levels

### **Equipment & Infrastructure Loans**

Processing, refrigeration, storage, livestock shelters, buildings, fencing, tractors, irrigation, hoop houses/high tunnels, tractors, roller crimpers, etc.

**Interest Rate:** Typically from 4-6%

**Loan Amounts:** \$5,000-\$50,000 (stair-stepping to \$150,000 by 2025)

**Repayment Terms:** 1-7 years, with grace periods offered

**Loan Fee:** 2%



## GOAL THREE

*contd.*

It is important to note that these descriptions explain the practical aspects of the loans. All loans, no matter the type, must conform to Foodshed Capital's mission, vision, and values, as articulated on page 3 of this Strategic Plan.

### **Operating/Development/Bridge Loans**

Operational purposes include seeds, livestock, inventory, marketing, labor, etc. Development purposes include training fees paid to outside service providers for the purpose of enhancing and improving farm operations, particularly in regard to ecological practices. Bridge Loans are to complement grant funding from federal agencies that are payable upon project completion.

**Interest Rate:** Typically from 4-6%

**Loan Amounts:** \$5,000-\$50,000 (stair-stepping to \$150,000 by 2025)

**Repayment Terms:** 12-18 months (extended terms may be offered for Bridge Loans)

**Loan Fee:** 2%

### **Land Loans**

Purchase of land for regenerative/organic agriculture, in partnership with other lenders.

**Interest Rate:** Typically from 4-6%

**Loan Amounts:** Up to \$50,000 (stair-stepping to \$300,000 by 2025)

**Repayment Terms:** Up to 15 years

**Loan Fee:** 2%

**Transition/Conservation Finance:** A specialized program devoted to supporting farms seeking to deepen their commitment to regenerative agriculture or conservation practices, or to transition away from conventional practices. This program will be in pilot phase during 2020-2021, with full deployment expected by 2022.

The intent of this loan program is to advance agriculture practices that help mitigate the causes of anthropogenic climate change, as well as help promote biodiversity, healthy soil and clean waterways.

The goal is to offer farmers the flexible financing, advanced training, and sense of shared risk needed to embark or continue on the regenerative journey



## GOAL THREE

*contd.*

### Strategies:

- Diversify product offerings in lock-step with strategies discussed under Goals 1 & 2.
- Continually assess and evaluate each loan product for refinement or need for change of direction.
- Collaborate with other CDFIs and food advocates to identify and maintain a productive pipeline of loans.

**First Steps:** Foodshed Capital anticipates making its first “non-SOIL” loan by the end of 2020. It is anticipated that this will be an equipment loan, and will likely be under \$30,000, in an effort to stair-step toward the eventual loan limit of \$50,000 in 2021.



**Sylvanaqua Farm**  
The Newman Family



## GOAL FOUR

Foodshed Capital will expand strategically and intentionally beyond the borders of Virginia.

Foodshed Capital began as a loan program focused only on Central Virginia, making its first six loans in Albemarle, Nelson and Louisa counties. It began its first expansion in summer 2019, lending in the Tidewater Region. By the end of 2019, Foodshed Capital was making loans statewide.

After two years of focusing on its home state, it is apparent that need and opportunity exists for Foodshed Capital beyond the borders of Virginia. There are other lenders in the Mid-Atlantic and Southeast regions doing similar work in food and agriculture. Natural Capital Investment Fund is a CDFI, based in West Virginia, supporting the needs of food entrepreneurs in their home state, as well as Virginia, Maryland and North Carolina. MARBIDCO is an NGO in Maryland that provides capital to the agriculture industry throughout that state. And of course both Farm Credit and the Farm Service Agency (FSA), an arm of the USDA, provide financing to farmers. Despite the presence of these other organizations, and many others like them nationwide, Foodshed Capital is confident in the need for its loan products, as well as the desire for funders to connect with its unique values-based approach to lending.

### **Strategies:**

- Expand beyond Virginia when appropriate opportunities present themselves in adjacent states, while striving to develop a strong local presence in new locations.
- Network with other nonprofit organizations supporting local food and agriculture in neighboring states, just as Foodshed Capital has done in Virginia.
- Build relationships with regional funders who support sustainable food and agriculture.
- After assessing progress in adjacent states, explore further expansion beyond the Mid-Atlantic.

**First Steps:** Foodshed Capital expanded beyond Virginia for the first time in August 2020. Working with a partner in Pennsylvania, Kitchen Table Consultants, Foodshed Capital began offering bridge loans for farms participating in a business training program, funded by the Pennsylvania Department of Agriculture. The bridge loans were enabled through a Program Related Investment (PRI) from a philanthropist. It is an excellent example of strategic expansion.



## GOAL FIVE

Foodshed Capital will continue to build its training and technical assistance services to reduce risk in its portfolio and to play a role in fostering farm profitability.

It is critical to the mission, values, and vision of Foodshed Capital that it doesn't get lulled into the traditional lending model followed by commercial banks and even some CDFIs. Observation of the CDFI industry reveals a tendency to re-create some of the same barriers the industry is intended to solve. These include high interest rates for risky borrowers, lengthy and complicated underwriting processes, and emphasis on the "numbers" in the application versus the relationship with the borrower.

Relationship is the foundation of the lending process for Foodshed Capital and the nexus around which the organization hopes to redefine the borrowing experience for farms and food businesses, particularly those marginalized by race and gender. It is our goal to "get to yes" with loan applicants as nimbly as possible. This may involve the perception of taking on more risk than most lenders are accustomed to. Foodshed Capital believes passionately that sharing this risk with farms is vital to advancing the goals of healing and regenerating the planet, building resilience into local communities, feeding people nutritious and culturally appropriate food, and tearing down barriers to capital for marginalized populations. To mitigate this risk, Foodshed Capital will devote as many resources as possible toward supporting its borrowers with technical assistance, consultation and training as a means toward uplifting farmers and improving their prospects for profitability.

### **Strategies:**

- Develop partnerships with outside organizations that can provide business training and consultation for Foodshed Capital clients.
- Apply for grant funding specifically for development of technical assistance resources, both for internal capacity and external partnerships.
- Add covenants to loans that tie lending more closely to participating in technical assistance.

**First Steps:** Foodshed Capital has developed a pilot program with Kitchen Table Consultants in Spring 2020 to work with borrowers, launching the program with Timshel Farm in Nelson County.



## GOAL SIX

Foodshed Capital will develop all the goals described in this Strategic Plan through a lens of Equitable Food Oriented Development.

While Foodshed Capital's mission, vision, and values underscore the importance of equity in all our work, we cannot be satisfied with mere words on a page. All the goals discussed in this Strategic Plan will be developed with a mindfulness toward how they can foster and advance an equitable food system. Tangible goals and projects will be incorporated.

To date, Foodshed Capital has made more than 25% of its loans to farms or food businesses owned by people of color. This is a benchmark that the organization will strive to push higher as the portfolio grows. It will also be a validation of our work supporting marginalized populations. But it cannot be the only benchmark. Nor can we push this benchmark higher without a thorough assessment of the lending process and the barriers and costs it imposes on those excluded from traditional financing. Our work must push back against the norms and critically examine how to do this with an approach that is values-aligned, does not extract from the people we seek to support, and does not unnecessarily burden our partners with costs they cannot afford.

Equitable Food Oriented Development (EFOD) is a relatively new framework within which we aspire to do our work. EFOD is a development strategy that uses food and agriculture to create economic opportunities, healthy neighborhoods, and explicitly seeks to build community assets, pride, and power by and with historically marginalized communities.

### **Strategies:**

- Collaborate and partner with EFOD stakeholders to better understand how to incorporate it into all of Foodshed Capital's work.
- Pursue and develop partnerships and strategies that can increase the flow of capital for marginalized populations, including capital that can open up access to land.
- Test and deploy lending strategies that remove barriers to entry for marginalized borrowers. This must include a thorough examination of the use of interest rate pricing, the use of credit scores, and the demand for collateral, among other things.

**First Steps:** Foodshed Capital has begun exploring the concept of a Black farmer equity fund. It is also developing a partnership with the Agrarian Trust to increase access to land for BIPOC farmers.



## GOAL SEVEN

Foodshed Capital will grow and strengthen its team to support this plan.

Foodshed Capital started modestly with a small seed planted in the ground. In early May 2018, co-founders Hunter Hopcroft and Michael Reilly each contributed a mere \$100 to help pay for a few low-key events to launch the organization. For the first year-and-a-half, Foodshed Capital grew organically through the sweat equity of the co-founders. We're proud of these unpretentious roots and believe they are foundational to our culture and values.

In mid-2019, the organization's first board of directors was seated. At the time this Strategic Plan is being written, the board is composed of seven members. In 2020, the organization began functioning with a paid executive director and one other paid staff person. All loan procedures are conducted by the two staff members, with review and oversight by the board of directors.

In 2021, the organization's team goals are as follows:

**Staff:**

- Executive Director (full-time)
- Director of Lending and Operations (full-time)
- Loan and Operations Assistant (full-or-part-time)
- Director of Communications and Development (full-or-part-time)
- Director of Transition Finance Programming (pending funding)

**Board of Directors:**

- Increase from 7 to 9 positions, with additional positions representing the financial community;
- Remove board members from the lending process and allow them to focus entirely on governance.

**Loan Committee:**

- Launch with three members, including one from the board of directors.

**Advisory Committee(s):**

- Form in accordance with geographic expansion, focusing first potentially on Pennsylvania.

By 2025, Foodshed Capital expects its team to look as follows:

**Staff:** 8-10 full-time

**Board of Directors:** 11-13 members

**Loan Committee:** 5 members

**Advisory Committee(s):** Dependent on geographic expansion



## GOAL SEVEN

*contd.*

Foodshed Capital will grow and strengthen its team to support this plan.

### Strategies:

- Focus fundraising efforts on capacity building and operations.
- Research and assess organizational structures that work for other loan funds/CDFIs, but carve out an “organizational identity” that is unique to Foodshed Capital and harmonizes with its culture and values.
- Make diversity a priority as the organization grows.

**First Steps:** Foodshed Capital applied for a \$150,000 capacity building grant through the CDFI fund which it hopes to be approved for in Fall 2020. We have also begun focusing much of our fundraising efforts on supporting operations and capacity building. We are shifting away from a complete focus on capitalizing the SOIL Loan fund, since it is capitalized at about \$250,000 (as of Fall 2020) and is now revolving funds back into itself at a healthy pace.





# FINANCIAL PROJECTIONS

## Statement of Financial Position

	2020	2021	2022	2023	2024	2025
<b>Assets</b>						
Cash and Investments	65,000	110,000	310,000	435,000	515,000	610,000
Loans Outstanding	385,000	650,000	1,100,000	1,550,000	3,100,000	5,500,000
Loan Loss Reserve	25,000	65,000	110,000	155,000	310,000	550,000
Other Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>475,000</b>	<b>825,000</b>	<b>1,520,000</b>	<b>2,140,000</b>	<b>3,925,000</b>	<b>6,660,000</b>
<b>Liabilities &amp; Net Assets</b>						
Loans Payable	250,000	625,000	850,000	1,000,000	1,900,000	2,400,000
Other Liabilities	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>250,000</b>	<b>625,000</b>	<b>850,000</b>	<b>1,000,000</b>	<b>1,900,000</b>	<b>2,400,000</b>
Operating Net Assets	90,000	175,000	420,000	590,000	825,000	1,160,000
Loan Fund Net Assets	135,000	25,000	250,000	550,000	1,200,000	3,100,000
<b>Total Net Assets</b>	<b>225,000</b>	<b>200,000</b>	<b>670,000</b>	<b>1,140,000</b>	<b>2,025,000</b>	<b>4,260,000</b>
<b>Total Liabilities and New Assets</b>	<b>475,000</b>	<b>825,000</b>	<b>1,520,000</b>	<b>2,140,000</b>	<b>3,925,000</b>	<b>6,660,000</b>

## Statement of Activities

	2020	2021	2022	2023	2024	2025
<b>Operating Revenue</b>						
Private Grants and Contributions	175,000	285,000	410,000	435,000	515,000	525,000
Government Grants	125,000	375,000	400,000	485,000	625,000	735,000
Loan Interest Income	-	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>300,000</b>	<b>660,000</b>	<b>810,000</b>	<b>920,000</b>	<b>1,140,000</b>	<b>1,260,000</b>
<b>Expenses</b>						
General	15,000	65,000	80,000	85,000	95,000	115,000
Program Services	220,000	325,000	355,000	425,000	495,000	525,000
Wages	50,000	215,000	310,000	355,000	465,000	520,000
Other	12,000	30,000	35,000	35,000	40,000	40,000
<b>Total Expenses</b>	<b>297,000</b>	<b>635,000</b>	<b>780,000</b>	<b>900,000</b>	<b>1,095,000</b>	<b>1,200,000</b>
<b>Net Operating Income/(Loss)</b>	<b>3,000</b>	<b>25,000</b>	<b>30,000</b>	<b>20,000</b>	<b>45,000</b>	<b>60,000</b>



## Support Your Foodshed.

[www.foodcap.org/takeaction](http://www.foodcap.org/takeaction)

To Give By Check:

Please make the check payable to:

Virginia Foodshed Capital

Mail to:

**Virginia Foodshed Capital** , c/o Michael Reilly 101 Devon Road, Charlottesville,  
VA 22903

*(Please indicate in the memo if you'd like your donation to go to our SOIL Fund  
or to our organization's General Operations.)*