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KEY MESSAGES

FOREWORD & INTRODUCTION



# MOBILIZING MONEY & MOVEMENTS

Creative finance for food systems transformation

MAY 2022



**TIFS** Transformational Investing in Food Systems

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## FOREWORD

Now, more than ever, we need to elevate stories of hope, action, and possibility. As the world faces conflict, climate change, biodiversity loss, and food insecurity, we must be brave enough to reckon with the systems failures that trigger these inter-related crises. We need to start thinking differently about pathways to action. Old ideas and ways of working are no longer effective — they are not fit for purpose.

There's never been a more critical time for finance and donor communities committed to social and environmental good to align missions and investments for maximum impact. These investments must enable, support, and catalyze initiatives that deliver fair, environmentally sound, and inclusive returns for all.

Transformation within the financial sector has been accelerating over the past few years. Now, with the Paris Agreement pushing countries to achieve net-zero emissions globally by 2050, reaching those goals requires focused action. In investment and business, we're seeing how environmental, social, and governance (ESG) criteria, nature and climate-related impact disclosure, and other benchmarks and frameworks are being applied toward the aim of achieving the Sustainable Development Goals (SDGs) and aligning corporate reporting with the Paris Agreement. Similarly, with more actors committed to delivery of the SDGs, climate action, and racial justice, a growing number of investors from across the private and public sphere are looking to food systems as a way to catalyze meaningful change.

This progress is welcome, but current action is still insufficient to incite the magnitude of change needed and finance leaders must go further. Every day we hear news reports of companies, funds, exchanges, and practices being accused of greenwashing, while more and more consumer movements are emerging and uniting to demand that the financial system stop bankrolling extinction.

A systems approach supported by tools, methodologies, and frameworks must be taken to shape and inform the financial and investment decision-making of tomorrow. Without this, we'll only see more of the same single-focused interventions, leading to unintended negative consequences and a perpetuation of the status quo.

From our work, we know that while tools and frameworks are essential to guiding action, we also need examples of what is possible and how things can be done differently. As part of our “Beacons of Hope” series of case studies, designed to shine a light on transformative food systems initiatives around the world, we set out to find real-world examples of creative finance that maximizes economic, natural, human, and social capital returns (i.e., positive externalities, benefits, and impacts). We were interested in understanding the diverse financing approaches that social entrepreneurs and their investors use to achieve these positive outcomes and, importantly, what could be learned from their work that may be useful to others interested in food systems transformation, social justice, and environmental action.

These stories illustrate the nature of investments that can create systems of healthy nutrition and food, promote soil health, and curb climate change. They urge us to ensure financial flows and investment dollars prioritize holistic and cooperative approaches that meaningfully engage all actors in food production, distribution, and consumption.

Policymakers, financial leaders, advocates, and experts often speak of the substantial financial sum required to transform our food economy toward healthy, equitable, and renewable systems. We must unlock investment opportunities in sustainable food systems and align private, philanthropic, and multilateral funding flows quickly and effectively. As well — and as the Beacons of Hope stories in this report highlight — we need to elevate the ways that healthy food systems rely on more than financial investments alone, including a plurality of actors and diverse resources and investments.

Led by entrepreneurs, farmers, activists, and social movements, these initiatives are visionary yet also highly practical and grounded in place and culture. Through their many years of operation and iteration, these Beacons of Hope prove it is possible to generate social, environmental, and economic value at the frontlines of food systems transformation. And they demonstrate how true value and growth is possible in such a way that embeds principles of democracy, equity, and shared prosperity.

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This work calls on the investment community — impact investors, fund managers, public donors, and philanthropic grant makers — to think in new and different ways about how to bring about the urgent, transformative change we need. It is a significant contribution to the ongoing dialogue between private, public, and commercial investors about how to scale sustainable financing and what good impact looks like.



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## INTRODUCTION

Private, public, and commercial investment typically enable the efficient distribution and marketing of food. But conventional finance often focuses on narrow metrics of promoting efficient crop production, maximization of crops grown and profit earned, and export-oriented crops. Adoption of this narrow view has contributed to market failures and negative externalities that diminish the quality of food produced, undermine the rights and well-being of farmers and producers, and perversely affect soils, water quality, and biodiversity.<sup>1</sup>

Investors are recognizing that business-as-usual is a high-risk proposition<sup>2</sup> as well as the material risks associated with investing in extractive, industrial agriculture. They are reconsidering their understanding of risk, return, efficiency, and scale in food systems. The Global Alliance for the Future of Food and the Transformational Investing in Food Systems Initiative (TIFS) set out to look for examples of financial investing that had propelled food systems transformation forward. The six Beacons of Hope stories presented in this report suggest more nuanced strategies are required and challenge a narrow view that is focused on financial returns above all else.

What we found are enterprises and initiatives that illustrate how a blend of financial and non-financial investments are necessary to generate positive externalities for communities and nature. Private, public, and commercial finance were complemented by investments in advocacy, organizing, creativity, policy-making, and time. Strategies embraced solidarity economy principles such as: shared governance and participation of all stakeholders including farmers and community members; cost-conscious approaches that work with ecosystems; investing in training and dignified work; and values-aligned blended finance. When taken together, these strategies demonstrate transformative financing models for healthy, equitable food systems.

We found examples of financial investments from international institutions, national development banks, cooperatives, philanthropic actors, individuals, and others that have been instrumental in supporting and scaling the impact of these initiatives. What we learned is that the initiatives apply creative strategies to blend these investments to maximize their environmental and social value. This confirmed to us that public and private finance needs to be better coordinated with other factors as part of a systems-investing approach that increases financial flows available for transformative initiatives.

Importantly, certain commonalities emerged as we learned from these inspiring initiatives and re-searched the subsequent case studies. Our analysis of what we learned is separated into three sections:

1. Creative finance strategies for food systems transformation: Innovative investment approaches that use a blend of financial and non-financial strategies.
2. Shared characteristics for building sustainable food systems enterprises: Similar themes in approach and strategy resonate through the examples.
3. Levers of change for transformational investing: Tangible ideas to inspire action by policymakers, social entrepreneurs, movements, bilateral and multilateral donors, social purpose investors, philanthropic groups, and others.

Taken together, these Beacons of Hope enterprises and initiatives illustrate how coordinated investment across the spectrum of financial capital, from grants to commercial, are creatively used to stimulate social enterprise. Operating across local, national, and international markets, they demonstrate the diversity of investors involved in making transformational models work: private and commercial investors, funds, philanthropic foundations, governments, bilateral and multilateral institutions, not-for-profit, as well as significant investments from the entrepreneurs and enterprises.

Philanthropic actors, investors, and asset managers seeking to invest in healthy food systems can learn much from these case studies and their innovative investors in order to replicate, adapt, or scale these transformative models. The findings are particularly salient for impact investors and fund managers specializing in placing catalytic capital, and philanthropic donors working to accelerate food systems transformation.

The report presents a number of important insights and lessons for the investment community, especially those with flexible capital:

1. Recognize that transformational business models require blended finance models to accelerate their impacts. These Beacons of Hope initiatives have benefited from catalytic, blended, and flexible capital as well as grants and technical support.
2. Identify and apply catalytic capital to the field, redirecting existing financial flows away from harmful practices and augmenting finance for initiatives that are demonstrably incentivizing, accelerating, and amplifying food systems transformations.
3. Screen for initiatives that are modelled on shared ownership and cooperative models and are committed to delivering fair and inclusive returns for all parties.
4. Identify and build relationships with networks and communities of investors (private, public, commercial) who are actively working to support and accelerate context-specific transformational businesses and food systems initiatives.
5. Look for aligned transformational investment opportunities and actively scope possible collaborations with governments, cooperatives, farmers, banks and corporations, researchers, and others.

Shared prosperity is within our reach, and these Beacons of Hope plot the pathway there.

## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

The Beacons of Hope in this report relied heavily on their personal investments as well as reinvested capital, revenue, and profits to grow their business. They also benefited from external financial, in-kind, and social investments from the following groups.

Please note this is not an exhaustive list.

### PHILANTHROPIC FOUNDATIONS

Wilde Ganzen Foundation (Netherlands)  
Dominicus Legacy (Netherlands)  
Tea Tsunami (Netherlands)  
W.K. Kellogg Foundation (U.S.)

### LOCAL NGOS

Tech Ceylon Social Ventures (Sri Lanka)  
Local non-profits (Mexico)

### INTERNATIONAL NGOS

CARE International  
Africare  
World Vision  
Ashoka  
Fair Trade

### IMPACT INVESTORS & FUNDS

RSF Social Finance  
Purpose Evergreen Investments  
Candide Group  
Natural Investments  
Equal Exchange  
NECTAR Lanka  
SCOT UK  
Shared Interest  
Root Capital  
Donations  
Crowdfunding

These donors and investors represent:

- Catalytic finance: Reflecting investors' interests in catalyzing change.
- Flexible finance: Reflecting the varying and changing needs of entrepreneurs for customized sources of funding, technical assistance, and other support.
- Blended finance: Reflecting the strategic application of philanthropic, government, and private sector investments.

### COMMERCIAL INVESTORS

Village-level cooperative rural banks (Sri Lanka)  
Central Bank's COVID-19 Refinancing Facility (Sri Lanka)  
Fideicomisos Instituidos en Relación con la Agricultura (FIRA) (Mexico)

### GOVERNMENT & PUBLIC INVESTMENTS

Governments of Zambia, Sri Lanka and Denmark  
U.K. Department for International Development  
Australian High Commission  
The Canada Fund for Local Initiatives  
Northern Provincial Council (Sri Lanka)  
Municipality of Copenhagen  
Universities and other public institutions

### MULTILATERAL INVESTMENTS

World Bank  
UN Development Programme – Global Environment Facility



The six Beacons of Hope featured in this report are:

### 1. EDUCE COOPERATIVA

A Mexican beekeeping cooperative that applies Fair Trade and organic certifications and values to enable its 750 beekeeper members to thrive. The cooperative has strategically used external financing to advance its social, economic, and environmental mission.

**READ MORE ON PAGE 21 →**

### 2. MUNICIPALITY OF COPENHAGEN

The Danish capital manages its public food budget to jumpstart the consumption and production of organic foods. Nearly 90% of food purchased and served in the city's public kitchens is now organic — a conversion that has happened within existing budgets.

**READ MORE ON PAGE 27 →**

### 3. NORTHERN CO-OPERATIVE DEVELOPMENT BANK

An institution funding local food production cooperatives and kickstarting rural development in Sri Lanka's Northern Province, a region where residents are strapped with indebtedness and a mistrust of predatory lending schemes.

**READ MORE ON PAGE 33 →**

### 4. ORGANICALLY GROWN COMPANY

The first North American company to use steward ownership as a business model to protect the sanctity of its vision and benefit a range of stakeholders: employees, farmers, customers, community allies, and investors.

**READ MORE ON PAGE 40 →**

### 5. PUN PUN CENTER FOR SELF RELIANCE

A farm, learning centre, and social enterprise in northern Thailand trains farmers to grow a diversity of crops and cultivates a spirit of self-sufficiency. It's a different kind of business model led by fair prices and true cost accounting, independence, and a renewed sense of community.

**READ MORE ON PAGE 48 →**

### 6. SYLVA FOOD SOLUTIONS

A pioneering Zambian entrepreneur proves that it's possible to popularize traditional food by partnering with over 25,000 smallholder farmers. With tenacity and creativity, founder Sylvia Banda is an unstoppable business force.

**READ MORE ON PAGE 54 →**

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## KEY MESSAGES

1. To catalyze food systems transformation, a blended finance approach is required to generate positive externalities for communities and nature. Private, public, and commercial finance should be complemented by investments in social movements, advocacy, creativity, policy-making, and time.
2. Successful food systems initiatives pursue business and operational strategies that are grounded in solidarity economy principles, including shared governance and participation of all stakeholders, cost-saving approaches, working with nature, investing in training and dignified work, and values-aligned blended finance.
3. A food systems investing approach enables public and private finance to be better coordinated, augmented, and strategically aligned, resulting in maximized environmental and social value for initiatives and funders alike.
4. Impact investors, catalytic capital, fund managers, and philanthropic donors are in a prime position as “early adopters” to replicate, adapt, or scale the models and initiatives demonstrated by the six Beacons of Hope in this report. More active and instrumental partners are required to scale and replicate these kinds of transformative initiatives.
5. Whether motivated by commitments to deliver the SDGs, climate action, or gender equity and racial justice, a growing number of investors are looking to food systems as a way to catalyze meaningful change.

## CREATIVE FINANCE STRATEGIES FOR FOOD SYSTEMS TRANSFORMATION

Selected for their creative financing approaches and featuring an array of investment types, the six Beacons of Hope featured in this report employ several strategies to catalyze transformative food systems change. These strategies can be summarized in five key categories, as follows.

### STRATEGY 1 MOBILIZE VARIOUS TYPES OF INVESTMENT TO ACCOMPLISH RETURNS

The initiatives in this report employ financial, in-kind, and social investments to generate multiple returns. To stimulate greater food systems transformation, actors need to rethink a siloed approach that separates the allocation of investments and grants from the non-financial resources that are equally important.

For example, **Sylva Food Solutions** mobilized its own resources — 40% capital and 60% in-kind land, machinery, and vehicle purchases — to match a grant from the World Bank. This permitted the construction of a processing facility that enabled the company to scale its healthy food-processing business. The outcome was greater income-generating opportunities for smallholder women farmers while also stimulating local food security in Zambia's capital city of Lusaka.

The **Municipality of Copenhagen** directs its public budget toward organic food and products. By harnessing the energy, creativity, and knowledge of its public kitchen chefs, the Danish city has shown it's possible to use public procurement to mature the market for organic products. Through these social investments, the Municipality has also achieved its original goal of reducing water contamination caused by agricultural pesticides.

### STRATEGY 2 PROVIDE GUARANTEED MARKETS

Smallholder farmers often grow a surplus of crops yet lack secure markets through which to sell such produce. Providing a guaranteed market for these crops can open the door for many, while also reducing food loss. Many of the initiatives featured in this report provide smallholder producers with a price enhancement and regular payments, a testament to their ability to create and secure new markets.

In Mexico, **Educe Cooperativa** leverages organic and Fair Trade certification to provide its beekeeper members with regular, advance payments of up to 60% of their honey. This stabilizes the income of farmers, who use the upfront capital to invest in new beehives, agricultural inputs, and other essential costs like education, household sanitation, and healthcare.

International NGOs that hire **Sylva Food Solutions** to train rural Zambian farmers know that the company is committed to aggregate and buy smallholder farmer-grown produce, no matter the quantity produced. The size of the business, coupled with this commitment, enables Sylva Food Solutions to prioritize buying from women farmers on an ongoing basis.

### STRATEGY 3 SEEK FAIR & INCLUSIVE FINANCE & RETURNS

The Beacons of Hope featured in this report seek capital that is fair and inclusive in structure and approach. The Beacons of Hope entrepreneurs demonstrate service leadership through shared ownership strategies and seeking investment from values-aligned investors.

The **Northern Co-operative Development Bank**, for instance, has solicited grants, zero-interest loans, crowdfunding from diaspora communities, and technical and in-kind assistance. All are helping the institution achieve its ambitious plans to provide small amounts of capital to women, farmers, and other marginalized groups with limited resources.

Similarly, **Educe Cooperativa** has drawn from grant funds, social enterprise loans, and pre-purchasing finance for production. The interest rates for these loans has not exceeded 12%, and the cooperative has grown slowly and intentionally so as to not overextend its members with debt it cannot repay. For example, the cooperative spent 10 years building a honey-processing plant. Though lengthy, the timeline made most sense for cooperative members who had other priorities and costs to contend with over the decade.

The Beacons of Hope featured in this report seek capital that is fair and inclusive in structure and approach. The Beacons of Hope entrepreneurs demonstrate service leadership through shared ownership strategies and seeking investment from values-aligned investors.

### STRATEGY 4 EMBRACE MODELS OF SHARED OWNERSHIP

These Beacons of Hope initiatives demonstrate that scaling healthy food production can benefit everyone when growth and development are guided by principles of participatory governance and inclusive ownership.

In the United States, **Organically Grown Company** actively involves its five stakeholder groups in the benefits and structure of its business. Note the emphasis on stakeholders rather than shareholders alone — a shift that values the perspectives of employees, farmers, customers, community allies, and investors. Each of these groups has a say in the governance of the business, but no one alone can make sole decisions.

Through its cooperative structure and strategies, the **Northern Co-operative Development Bank** (NCDB) in Sri Lanka supports local cooperative groups with technical assistance and rotates profits with their loan funds. Deeply connected to the needs of its local communities, NCDB also considers the realities of its members when shaping its programs and policies.

## STRATEGY 5 USE EXISTING RESOURCES TO CREATE SELF-RELIANT SYSTEMS

The **Municipality of Copenhagen** and the **Pun Pun Center for Self Reliance** employ strategies of budgeting, self-sufficiency, and circular economy to decrease their dependence on outside sources of funding.

In the Copenhagen case, we see how government procurement is a critical finance lever. It facilitates transitions toward more sustainable food systems by leveraging public spending, sending market signals, linking environmental and social policy priorities, and setting the tone for all stakeholders. A growing number of public procurement programs focus on increasing the proportion of local, healthy, organic, and fresh foods — few, however, look at how containing the costs of such initiatives can protect programs from shifting political priorities.

The Municipality used its public food spending to test a theory that it could deliver higher-quality meals within the same budget by supporting city chefs to develop new skills. The strategy has produced social outcomes such as the production of healthier meals, an increased sense of self-esteem and agency among kitchen staff, and enhanced community spirit.

Meanwhile, the founders of the **Pun Pun Center for Self Reliance**, Jon Jandai and Peggy Reents, live simply and use all community and environmental resources available on their farmland in northern Thailand. A few notable strategies: Jon and Peggy invest time, energy, and knowledge in regenerating the natural value of their land and soils. From a social perspective, Pun Pun embraces the principles of a solidarity economy, wherein community members are encouraged to join forces to dig wells, build houses, prepare fields, and complete other tasks without exchanging money. Such an approach engenders community relations and a sense of independence through interdependence. Finally, Pun Pun circulates money generated through its social enterprise businesses to enhance community well-being.

These six new Beacons of Hope challenge us to view financial capital and other non-financial investments with greater flexibility and creativity. With the courage to go forward with this expanded mindset, they demonstrate it's possible to attain both healthy, equitable food systems and a financially viable operation.

## SHARED CHARACTERISTICS FOR BUILDING FOOD SYSTEMS ENTERPRISES

Despite dramatically different contexts, the Beacons of Hope featured in this report bear a certain resemblance to one another. And beyond being leaders in creative financing, the six Beacons of Hope featured in this report also share approaches that define their ethos, values, means of engagement, vision, and strategies. In fact, they mirror many characteristics found in our [initial Beacons of Hope cohort](#) of case studies.

The commonalities found among all Beacons of Hope suggest three things:

1. That aspects of food systems transformation are universal across geographies and experiences;
2. That we can distill shared characteristics from their experiences; and
3. That by following the lead of these food systems innovators and nurturing these shared characteristics, investors can accelerate food systems transformation.

To this end, we have grouped the commonalities into the following five shared characteristics for building sustainable food systems.

### FIVE SHARED CHARACTERISTICS FOR BUILDING SUSTAINABLE FOOD SYSTEMS

#### 1. Lead to serve

- Co-creation of knowledge, exchange, and dissemination
- Cooperative ownership models
- Participatory approaches and inclusive governance models

#### 2. Engage with movements

- Engaging in policy development

#### 3. Centre healthy food

- Promotion of agroecological approaches and principles
- Culturally relevant and space-specific sustainable diets

#### 4. Invest in skills development

- Ideas of circular and solidarity economy

#### 5. Adapt through innovation

- New market mechanisms
- New markets

## CHARACTERISTIC 1 LEAD TO SERVE

Behind each Beacon of Hope is a remarkable leader. Each embodies the philosophy of service leadership — an unwavering dedication to meeting their community's needs for healthy food and dignified livelihoods. These leaders are systems thinkers and creative problem solvers who come from a diversity of disciplines and lived experiences.

Ahilan Kadirgamar of the **Northern Co-operative Development Bank** combines his background in engineering and anthropology to advance the cooperative movement in his home country of Sri Lanka. Jon Jandai started as a Bangkok security guard and apprenticed as an earthen home builder before founding the **Pun Pun Center for Self Reliance**, an organic farm and learning centre in northern Thailand.

Ahilan and Jon see themselves as guides and facilitators, responsible for convening the right people, listening to suggestions, and incorporating lessons learned. They actively engage a range of community members, from farmers and fishers to government officials and women's groups, broadening the idea of what constitutes expertise and acknowledging that everyone contributes to food systems transformation.

## CHARACTERISTIC 2 ENGAGE WITH MOVEMENTS

Social movements feature prominently in the origin story and ongoing success of this Beacons of Hope cohort.

With its origins in movement organizing, **Educe Cooperativa** in Mexico actively collaborates with a coalition of Mayan communities to organize the MA OGM Colectivo (No to GMOs) campaign, a regional movement to fight the use of genetically modified seeds and pesticides and protect their organic certification, the basis for their business model and the higher prices they command. The alliance evolved into Kaabnal'o'on ("We are Beekeepers" in a Mayan dialect), an effort to ban transgenic organisms and defend the community's territories and the rights of Indigenous Peoples.

**Organically Grown Company** (OGC) in the United States was founded in 1978 by a group of environmental activists and smallholder farmers. Originally conceived as a cooperative to sell their organic produce, the founders embraced the movement toward organic food before formal organic standards even existed. Today, the company remains true to its organizing roots: it donates time, expertise, and financial support to multiple organizations supporting food justice movements.

Strong sustainable and equitable food systems initiatives are often threatened by powerful outside economic interests, both historically and in the present day. This makes the participatory governance structures of Educe Cooperativa, OGC, and other Beacons of Hope particularly relevant for long-term sustainable solutions.

### CHARACTERISTIC 3 CENTRE HEALTHY FOOD

At the heart of all six Beacons of Hope initiatives is a commitment to healthy food. They reflect agroecological principles of food production that go beyond organic methods to embrace a biodiverse, ecological approach that values the health and well-being of farmers and community members.

**Sylva Food Solutions** promotes the acceptance of healthy, traditional Zambian foods in its marketing messages and product development. The **Municipality of Copenhagen** encourages kitchen chefs to use seasonal ingredients to cook meals from scratch rather than opting for prepared, processed foods. The resulting dishes are tastier, healthier, and contribute to the well-being of people and the environment.

Further, several of the initiatives encourage farmers to cultivate biodiverse crops as a way to first nourish and feed their families before selling the excess harvest. Conversations also revealed how healthy food can reinforce the importance of culturally appropriate and place-specific sustainable diets.

### CHARACTERISTIC 4 INVEST IN SKILLS DEVELOPMENT

Training and education are integral to Beacons of Hope initiatives that emphasize the intentional and effective use of all resources, crops, and parts of an animal.

In Thailand, the **Pun Pun Centre for Self Reliance** trains farmers to grow biodiverse food crops for household consumption by using locally available resources like compost and traditional seed varieties. The Centre views seed saving and plant reproduction as essential skills for all farmers. Not only do they train 600 to 700 farmers each year, but their education program also targets urban dwellers who return to their cities as more conscious consumers and farmer allies.

**The Municipality of Copenhagen** focuses on skills development for its kitchen staff as a way to reach its goal of having organic products compose 90% of all food purchased and served in public kitchens. Training empowers chefs to rethink their menus, utilize leftovers, and reduce food waste to stay within budget — all while buying fresh, organic, and local. The Municipality also offers training for teachers, headmasters, elder care staff, and anyone else serving meals in public institutions, encouraging them to champion the new organic menus.

Skills development is valuable because it enables farmers and eaters to reconnect with the surrounding environment through their production and consumption practices. It also recognizes traditional and Indigenous wisdom and practices — both of which are often subverted by a profit-seeking economic model.

### CHARACTERISTIC 5 ADAPT THROUGH INNOVATION

The six Beacons of Hope in this report demonstrate agility and adaptability — and have been doing so long before COVID-19 made “pivot” a buzzword and a business necessity. They frequently adjust their initiatives to respond to market changes and outside threats that could undermine their mission.



**Sylva Food Solutions** has changed its business model multiple times. What started as a string of restaurants serving Western-style dishes became a catering business with product lines celebrating traditional Zambian food. When the social enterprise added a food preservation arm to the business, it needed to source hygienic, properly dried vegetables from smallholder farmers. Working alongside engineers, Sylva Foods designed a household-scale solar dryer that could meet its quality standards. In doing so, the company created another income-generating stream and further integrated smallholder farmers into the supply chain.

Facing a possible business acquisition, **Organically Grown Company** forged a new ownership pathway. By taking the time to identify investors with similar values, OGC became the first company in the United States to restructure its business using a steward ownership model. Better known in Europe, this model of having a company owned in perpetuity by an allied group of stakeholders is only now gaining traction in North America.

Recognizing the need to add value to their honey by refining in-country, **Educe Cooperative** invested in their own processing plant to collect and process large quantities of honey. This huge investment enabled them to increase their margins by 25% and to attract more beekeepers to a stronger business model.

### MUTUAL VALUES

In addition to the five shared characteristics outlined, the Beacons of Hope in this report also demonstrate five mutual values. These values can be considered trademarks of successful food systems transformation.

- 1. Rehumanize all food systems actors.** Acknowledge and appreciate the value and knowledge of all, from producer to packer, butcher to distributor, and chef to eater.
- 2. Empower and engage with marginalized communities,** including Indigenous Peoples, women farmers, and religious minorities. Initiatives need to nurture relationships, restore trust, and center the cultural and nutritional needs of eaters and producers.
- 3. Commit to a long-term vision.** This can foster flexible, incremental decision-making and inspire alternative strategies.
- 4. Employ creative, practical approaches.** Experiential learning can be a successful way to engage audiences of all ages and backgrounds.
- 5. Collaborate with a constellation of actors,** including government, community, non-profit groups, social movements, supply chain actors, financiers, individuals, and others.

## LEVERS OF CHANGE FOR TRANSFORMATIONAL INVESTING

The levers of change in this section can be used to inspire action and direct funding from policymakers, social entrepreneurs, bilateral and multilateral donors, social purpose investors, philanthropic groups, and others interested in contributing to food systems transformation. Their stories debunk well-worn narratives about investing in food systems transformation, such as the inefficiency of smallholder farmers and limited ability to scale local markets — many of which are outlined here.

### LEVER OF CHANGE 1 ACCOUNT FOR THE CO-BENEFITS THAT COME FROM CIRCULAR & SOLIDARITY ECONOMIES

The dominant narrative in food systems finance is that smallholder farmers are inefficient due to their size, numbers, and lack of sophistication. As a result, investors interested in engaging smallholder farmers often seek opportunities to increase the value of single crops through value-chain improvements. The belief is that this will increase the income of farmers and help to eradicate poverty.

But addressing poverty without considering the food security and well-being of smallholder farmers does not lead to food systems transformation. Investors must recognize the relationship that farmers have with the land and soil they cultivate. A more holistic view of food systems must be incorporated into any evaluation of investment. This aligns with the [FAO's 13 principles of agroecology](#) and the Global Alliance for the Future of Food's [7 guiding principles](#).

Alongside their investors and stakeholders, these Beacons of Hope flourish by harnessing partnerships; seeking environmental, social, and economic returns; and generating revenue. They also employ circular and solidarity economy strategies. The investors themselves are a diverse group, representing different sectors from private individuals to social movements, governments to NGOs, social enterprise lenders to commercial investors, and others.

Both the **Northern Co-operative Development Bank** (NCDB) and **Organically Grown Company** (OGC) demonstrate the viability of business models that prioritize multiple measures of success — approaches that are equally valued by their investors and donors alike.

In the case of NCDB, the Sri Lankan government acknowledges the dynamic, multiple benefits that come from the institution's activities in relation to the cooperative movement. All at once, NCDB revitalizes local economies while also enabling farmers to produce food. It also supports farmers and fishers to gain stable access to income through cooperative systems of banking, marketing, and technical assistance. These functions are vital to the economy and drive the recovery of a region still emerging from war and indebtedness.

Looking at OGC, private investors were willing to purchase preferred non-voting stock for the U.S. company, despite it granting them no decision-making powers. Instead, they were attracted to the alignment of values, understanding that the well-being of all stakeholders depends on the well-being

of the company. Part of their return as investors is the continued success of a company that drives value for people and the planet — though it should be mentioned that in 2019, OGC returned 406,000 USD to its stakeholders.

### LEVER OF CHANGE 2 INVEST IN LOCAL AGROECOLOGICAL KNOWLEDGE

Food and agricultural investment remains focused on the use of external inputs: seeds, fertilizers, pesticides, irrigation equipment, machinery, and technology solutions. These inputs disregard the importance of complementary agroecological approaches to farming. Such wisdom balances livestock and local biodiversity while emphasizing natural cycles, biological inputs, and cycles that restore soils and ecosystems.

The **Pun Pun Center for Self Reliance**'s agricultural training views local knowledge as a valuable asset in decreasing reliance on expensive external inputs that undermine farmer autonomy and, often, financial viability. Its focus is on co-creating and exchanging knowledge and restoring positive nutrient cycles, as well as seed reproduction and saving, to enable farmers to establish biodiverse farms with limited financial support. Pun Pun provides farmers with seed at no cost, teaches them how to make biofertilizers, and supports them to start their farms with minimal upfront costs.

Pun Pun, along with two key partners, developed **Thamturakit**, a social enterprise, to sell local agroecological production. Thamturakit supports and incentivizes farmers to adopt solidarity economy principles and self-reliance through agroecology methods and social organization focused on interdependence. While their main sales are in organic rice, they also purchase excess diverse vegetable production of a farm at one fair market price, after a family has achieved food self-sufficiency. This unique purchasing model enables farmers to achieve food security while increasing their access to markets through the creation of Thamturakit-managed infrastructure such as restaurants, a produce delivery truck, and a local resort.

### LEVER OF CHANGE 3 BUILD LOCAL PROCESSING INFRASTRUCTURE TO CREATE VALUE FOR NEARBY FARMERS

High-value export crops with the potential for foreign currency earnings remain an investment focus around the world. While foreign currency is valuable for local farmers, these six Beacons of Hope initiatives understand the value of catering to local, regional, and territorial markets. Through their actions, they invested in building crop collection, processing, and transportation infrastructure to create a market for surplus produce and satisfy the needs of local eaters. This refocus on local needs and contexts represents a decolonization of the food system.

With the support of multiple means of investment, **Sylva Food Solutions** and **Educe Cooperativa** established large local facilities equipped with storage, processing, and distribution capabilities. These projects required major capital investment. Their phased and careful development of this infrastructure meant that it is locally owned, managed, and run, creating economic value that remains in the local economy.

Importantly, these facilities are supplied primarily by smallholder farmers. In the case of Educe, the cooperative plans to draw more individual beekeepers into their cooperative model, which includes engagement with international consumer groups interested in promoting dignified work.

For Sylva Foods, the enhanced production capacity enables further product diversification and expanded purchasing from smallholder farmers. It also provides the opportunity for the company to subcontract the processing facility's equipment to local groups that want to create shelf-stable added-value products for Zambians from Zambian farmers.

#### **LEVER OF CHANGE 4 USE PROCUREMENT TO STIMULATE HEALTHY FOOD PRODUCTION**

Healthy, organic food is seen as cost prohibitive and inaccessible to all but the wealthiest of consumers. However, these Beacons of Hope initiatives show it's possible to make healthy food accessible to all.

The Municipality of Copenhagen has made 90% of all meals served in public kitchens organic. Its experience and abundant evidence have proven to governments across jurisdictions that programs like this are not one-off experiments. Building on Copenhagen's success, the Government of Denmark allocated part of its national budget to grants that support Danish municipalities in launching similar efforts.

Further, government officials from Scotland, Norway, Germany, and Sweden have visited and studied the Municipality of Copenhagen's experience to develop organic public food programs of their own. Building on its successes, the Municipality of Copenhagen is now moving beyond its organic food procurement targets to add new measures to decrease global greenhouse gas emissions and improve the impact measurement of its program. It remains a living lab for all to see.

Private companies and non-profits (e.g., universities and hospitals) can also use this lever if they supply large numbers of meals for their institutions.

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# CASE STUDIES

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## CASE STUDY

**EDUCE COOPERATIVA**

Fair Trade certification and values help Mexican beekeeping cooperative thrive

**KEY TAKEAWAYS**

- **Preserve the environment and cultural traditions.** Beekeeping is a longstanding traditional activity in the Yucatán Peninsula. In making it more financially stable and viable, Educe-Coop is ensuring the continuation of an Indigenous Mayan practice that maintains the biodiverse land and cultural heritage of the region.
- **Fair Trade certification and cooperative values.** Fair Trade importers in Europe pre-finance up to 60% of the cooperative's invoice value, which Educe-Coop uses to provide working capital to its farmers.
- **Seek external financing — but from appropriate lenders.** Educe-Coop's financing has come from agricultural development banks or ethical lenders that have lower interest rates than commercial banks. The cooperative has also received support from global and national development partners and family foundations.
- **Uphold cooperative values.** Principles of democracy, inclusivity, education, and transparency have enabled Educe-Coop to cultivate trust among local farmers and more easily obtain Fair Trade certification.

**INTRODUCTION**

For one cooperative in Mexico's Yucatán, Campeche, and Quintana Roo states, honey production is a means to bring social, political, economic, and cultural benefits to the region's farmers.

Established in 1997, [Educe Cooperativa](#) (Educe-Coop) is an umbrella cooperative representing the voices and interests of 750 beekeepers in 30 cooperatives. For nearly a decade prior to its establishment, Educe-Coop operated as a local non-profit organization focused on health, agricultural production, gender, and the environment.

Miguel Ángel Munguía Gil, one of Educe-Coop's original staff members and now a director with the cooperative, remembers observing how the agricultural activities were positive for the environment and provided an additional income source for families.

"The main problem was in the value chain," Miguel recalls of honey production in the early 1990s. "Most of the value added went to intermediaries, not to the producers. At that time there were no peasant organizations successfully producing honey. So we started a new model for ordinary producers in terms of Fair Trade."

By obtaining Fair Trade and later organic certification in the 1990s, the cooperative has made honey production a means to supplement the income generated by subsistence farming activities.

Pre-financing from Fair Trade importers has enabled Educe to provide its members with partial payments for their honey production prior to the product's eventual sale — all while never losing sight of Educe-Coop's broader cooperative values of protecting peasant rights and the integrity of the natural environment.

### A HISTORY OF HONEY HARVEST

Beekeeping has long been an important activity for the region's Mayan population. For centuries, people have harvested the honey produced by *Melipona beecheii*, a small, stingless bee native to the Yucatán Peninsula. That honey is still cultivated today, though in smaller quantities reserved for medicinal and traditional uses.

Though a component of cultural identity, beekeeping is not the primary livelihood for people on the peninsula. Farmers typically feed their families using the *milpa* crop-growing system, a Mayan agricultural method that includes the intercropping of maize, beans, and squash. The system is water efficient, sustains soils, and fosters self-reliance in which farmers generally harvest enough for household consumption.

However, Mexico is a leading producer of honey worldwide, and much of the national supply comes from the Yucatán region. A small producer with Educe-Coop may harvest up to 900 kilograms of honey each year, though some cooperative members exceed that volume.

Though the introduced Western honey bee (*Apis mellifera*) is typically more productive than the native, stingless species, Educe-Coop's beekeepers obtain higher-than-average yields through the proper management of their hives and the richness of the environment where they're located.

The quantity of honey harvested is too great for individual consumption, leaving the majority of what's produced to be sold to the international or national market.

### CENTERING FAIR TRADE PRINCIPLES & VALUES

Educe-Coop built its organizational structure from the ground up. During its time as a non-profit (1989–1997), Miguel and the Educe-Coop team cultivated trust among local farmers — relationships that would prove invaluable in introducing technical improvements and the organic certification process.

In the mid-1990s, Educe-Coop was looking to evolve beyond its non-profit status. “We were seeking a model with the values of democracy, inclusivity, and respect for the environment,” Miguel explains. The cooperative movement was attractive, and before long he and others were approaching small farmers to gauge their interest in joining the group. When the time came, the integration of these democratic, social, and environmental values simplified the Fair Trade certification process for the cooperative.

Today, Educe-Coop's member cooperatives range in size, from a handful of farmers to up to 150 producers. Educe-Coop has built processing infrastructure that serves these member cooperatives, including a series of 20 regional processing centres created with support from the [UNDP GEF Small Grants Programme](#).

Producers bring their raw honey here for processing, saving them the time and money of travelling to Educe-Coop's main processing plant in Merida. The plant was constructed between 2010–2019, and today it can process at least 1.5 thousand tons of honey. Miguel estimates this in-house processing translates to a further 25% increase in revenue for the cooperative and its beekeeper members.

Significantly, Fair Trade certification has enabled Educe-Coop to provide working capital to its farmers. Fair Trade importers in Europe pre-finance up to 60% of invoices, which Educe-Coop uses to make an interim payment to its producers at local market value.

Rather than awaiting final payout once their raw honey has been processed and exported, farmers can use this upfront capital to invest in new beehives, agricultural inputs, and other essential costs such as education, household sanitation, and health care.

Anecdotally, Miguel says these advanced payments have provided an incentive for beekeepers to join a cooperative and have helped to reduce rural–urban migration. “This has been very helpful to preserve the social fabric of our communities,” he adds.

Educe-Coop has also leveraged its Fair Trade certification to access finance through ethical lending initiatives like U.K.-based [Shared Interest](#), which supports Fair Trade producers around the world, and [Root Capital](#), an American firm that focuses on providing loans to agribusinesses that privilege returns to smallholders. The interest rates set by these ethical lenders are significantly lower than that of commercial banks, which means more money is directed to beekeepers.

Additional financing has come from [Fideicomisos Instituidos en Relación con la Agricultura](#) (FIRA), a national development bank in Mexico that extends credit to agricultural activities at interest rates similar to Shared Interest and Root Capital.

### **SOLIDARITY WITH THE FAIR TRADE MOVEMENT**

Though some businesses pursue Fair Trade certification to sell their products at a premium internationally, it was the solidarity aspect of the movement that appealed to Educe-Coop. Together with its members, Educe-Coop has not only developed the value chain for Mexican honey production but has also championed a political agenda.

Notable was its [MA OGM Colectivo](#) (No to GMOs) campaign, an alliance with various regional actors to fight the use of transgenic (genetically modified) seeds in the region that would contaminate the organic designation of producers' honey and harm the local environment.

This alliance evolved into Kaabnalo'on (which means “We are Beekeepers” in a Mayan language), a political



organization that provides a platform to defend the community's territories, the rights of Indigenous Peoples, and the banning of transgenic organisms. "Since the bees have no borders, a protection to the forest of around 2 million hectares is needed," expands Miguel of the land area they're defending.

Educe-Coop is also focused on strengthening the Fair Trade movement within Latin America. It's a member of the [Latin American and Caribbean Network of Fair Trade Small Producers and Workers](#) (CLAC), an advocacy and education organization promoting Fair Trade within 1,000-member organizations across 24 countries. In sharing its own journey, Educe is promoting South-South solidarity across the region.

### EDUCE'S FUTURE PRIORITIES

When looking to the future of Educe-Coop, Miguel identifies two key priorities. The first is growth-centric: to continue expanding its existing membership of 750 local beekeepers to include more of the 18,000 apiarists in Yucatán, Campeche, and Quintana Roo. "To grow, it is necessary to expand our line of credit and some subsidies to improve the infrastructure," summarizes Miguel.

The second priority aligns with the cooperative's core values. By advocating for an end to deforestation, greater land protection, and the prevention of pesticides, Educe-Coop is protecting local ecosystems and the environment on which the well-being of its business and members depend.

After all, for Educe-Coop and Miguel, it has never been about the honey alone: "The product we produce has a history. It comes from the Mayan territory and Mayan people who have a centuries-long tradition of caring for the land. By buying our honey you are helping to continue that tradition."

### FINANCIAL SNAPSHOT EDUCE COOPERATIVA

- **Gross annual revenue:** 40 million Mexican Pesos (MXN) (2 million USD); of this, 32 million MXN (1.6 million USD) was paid to beekeeper cooperative members
- **Financial runway:** 16,018,720 MXN (800,000 USD) to stockpile honey and for operating expenses
- **Volume of honey produced:** 1 million kilograms (2.2 million pounds) exported to several European countries and consumed by local and Mexican markets; in 2021, the average cost of honey was 50 MXN (2.50 to 3.00 USD a kilogram)
- **Employees:** 20 staff employed by the cooperative and processing plant
- **Beekeeping cooperative members:** 750 people as part of 30 cooperatives; cooperative members oversee more than 28,500 hives; the average beekeeper member annual income was 7,008 to 41,348 MXN (350 to 2,065 USD), depending on the size of their operation
- **Honey collection points:** 20 local community collection points have been created at a cost of 600,702 MXN (\$30,000 USD) each (financed by the UNDP Small Grants Programme); processing their own honey has increased Educe-Coop revenues by around 25%
- **Organic certification:** Approximately 160,187 MXN (8,000 USD) annually

## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

Educe-Coop has benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>LOCAL NON-PROFITS (MEXICO)</b>	Provided grants and in-kind support for community organizing, movement-building, and beekeeping training, among other areas
<b>EDUCE COOPERATIVA OPERATING BUDGET</b>	Invests in certification, training, solar panels, processing factory, among other areas
<b>UN DEVELOPMENT PROGRAMME - GLOBAL ENVIRONMENT FACILITY</b>	Provided funding through its Small Grants Programme
<b>W.K. KELLOGG FOUNDATION</b>	Awarded a 5-year, 4,405,148 Mexican Pesos (MXN) (220,000 USD) grant for education and advocacy
<b>SHARED INTEREST (UNITED KINGDOM)</b>	Provided a social enterprise loan of 8,009,360 MXN (400,000 USD) at 12% interest
<b>ROOT CAPITAL (UNITED STATES)</b>	Provided a social enterprise loan
<b>FAIR TRADE PARTNERS IN EUROPE</b>	Facilitated advance payments on imported honey
<b><u>IDEICOMISOS INSTITUIDOS EN RELACIÓN CON LA AGRICULTURA (FIRA), A NATIONAL DEVELOPMENT BANK IN MEXICO</u></b>	Provided a social enterprise loan of 3,604,212 MXN (180,000 USD) at 18% interest, a much lower rate than local commercial banks

## ADDITIONAL IMPACTS

- **Strengthening local communities:** By circulating more money in the local economy, communities where Educe-Coop operates experience less out-migration to cities and to the United States.
- **Environmental protection:** Cooperative members actively protect the local environment against harmful pesticides, deforestation, and GMO seeds. These conservation activities are critical to honey production and personal well-being. Educe-Coop has also self-financed 68 solar panels for its processing plant.
- **Increased processing capacity:** Educe-Coop built its regional honey-processing plant between 2010–2019. Educe-Coop was required to match funds provided by the UNDP Small Grants Programme and commit to the commercial production of organic, Fair Trade honey.

## CASE STUDY

**MUNICIPALITY OF COPENHAGEN**

How public kitchens can set the table for food systems transformation

**KEY TAKEAWAYS**

- **Direct municipal government spending.** By committing to stock its public kitchens with 90% organic products, the Municipality of Copenhagen has set the tone for the maturation of Denmark's organic food sector, is helping achieve the city's social and environmental objectives, and is improving the quality of meals served in public institutions. Officials found that municipalities are the ideal size and scale to lead food systems change.
- **Invest in human capital.** Rather than increasing kitchen budgets to accommodate this organic conversion, the municipality directs funds toward training kitchen staff and shifting kitchen culture. As an outcome, cooks have the knowledge and skillset to offset costs by making dishes from scratch and planning meals and menus for reduced food waste.
- **Build procurement relationships.** The municipality is transparent with wholesalers and producers in signalling its shift toward buying organic. Open communication in a complex procurement system has been helpful to advance market quantity and develop fresh, organic supply to meet evolving demand.
- **Inspire food systems change.** The success of Copenhagen's approach inspired the Danish government to create a national grant program so other municipalities could pursue organic conversion training. The municipality has also served as a replication model for cities across Europe.

**INTRODUCTION**

When the Municipality of Copenhagen wanted to protect its clean drinking water supply from agricultural pesticides and sustainably develop its food system, the city government looked inward for a solution.

It was 2001, and the Danish capital set an ambitious goal as part of its broader sustainability targets: to have organic products compose 90% of all food purchased and served in public kitchens by 2015 — and for that conversion to happen entirely within existing budgets. Another smaller Danish municipality had already managed a similar transformation within its childcare centres, elderly homes, and other public institutions. Why couldn't Copenhagen be next?

At the time, public kitchens in Denmark did not always have the reputation of being cutting-edge settings for experimentation and delectable meals. In fact, public perception often skewed the opposite direction, painting public kitchens as outlets for processed, packaged foods and unskilled cooks.

By upskilling staff in more than 1,000 public kitchens, improving the quality and healthiness of the meals served, and introducing new food procurement practices, the Municipality of Copenhagen is in the final stretch to reach its 90% target. It has also, as an outcome, significantly advanced Denmark's organic food sector.

The city's leadership is an example of how one municipal government has not only pioneered a comprehensive food strategy but is actively using public spending to stimulate the market for seasonal, sustainably produced food and nutritious meals.

### CHANGING MINDSETS AND MENUS

From the beginning, municipal officials realized its updated food systems vision would require both a culture change and a shift in policy agenda. "It's not enough to send out a memo and say 'from Monday you're going to buy this instead of this,'" explains Anya Hultberg. As the motto in Copenhagen has been throughout the initiative: "You need to have a change in both saucepans and in heads."

Anya is a food systems advisor with the Municipality of Copenhagen, and she is quick to point out that the role is ever-evolving and crosses several departments. Her colleagues come with a plurality of experiences working as chefs, technical food producers, sustainability experts, and beyond — a testament to the municipality's intention to take an integrated and interdisciplinary approach, and build in-house capacity and competence to develop the city's food system and support local units in the process of change.

Anya, too, comes from a diverse personal and professional background, though sustainability has been a common thread throughout. She helped start a local food co-op, managed an organic catering company, cooked for kindergarten classes, and is a long-time food activist. Within the municipality, she sees her role as that of a translator, helping cooks, city administrators, lawyers, producers, and farmers to understand one another.

Copenhagen's organic conversion has been a gradual process. Anya started working with the municipality in 2008, when efforts were initiated by an independent foundation called Københavns Madhus (Copenhagen House of Food). At the time, the trend was for public kitchens to purchase packaged foods over fresh, regional ingredients; far from all were preparing dishes from scratch.

As a result of the organic food target, cooks were prompted to follow [10 basic kitchen principles](#), including to use more local ingredients, learn to stew cheaper cuts of meat, bake their own bread, and understand how to wash and prepare seasonal greens — all while making meals taste better than before. Cooking classes, inspirational events, recipe vaults, and ongoing support has been made available to the kitchens throughout the process.

The reaction from kitchen staff was mixed: some responded well to the change, others were defensive of their cooking abilities. These principles required new skills and knowledge, and it wasn't enough to ask people to rally together behind a sustainability agenda.

### NEW APPROACH, SAME BUDGET

A notable element of the Municipality of Copenhagen's approach is that the organic conversion in public kitchens happened without increasing existing budgets.

The reason is political and practical: additional funds allocated in one budget could easily disappear in the next. "It's always been central that the conversion process is not one that you solve through adding funds; it's something that you solve through moving around the resources that you already have," explains Anya.

Where the municipality did invest was in human capital — training and upskilling kitchen staff and nudging a general cultural shift within public institutions. Presently, the 2020–2024 budget for training staff in more than 1,000 kitchens is 37.5 million Danish Kroner (DKK) (about 5 million EUR or 6 million USD). The total budget for annual food consumption in the municipality's public kitchens is 337.3 million DKK (about 40.3 million EUR or 47.8 million USD).

To offset the cost of organic milk, for example, cooks are trained to utilize leftovers and reduce food waste and to use all parts of animals and debone fish. To save further, they bake from scratch, scrub their own vegetables, concoct in-house spice blends, and whip up sauces that rival any jarred accompaniment.

"There are so many ways for kitchen staff to engage with the [sustainability] agenda because for many of them it's an opportunity to go back to a lost art and reclaim their professional pride," says Anya.

She recalls a 2009 workshop with kitchen staff from an elderly home: "One of them turned to the others and said 'You know, we've been using the scissors instead of the knives for many years. Instead of opening packets and cooking someone else's food, we have to take the power that lies in being the one that can wield the knife and cook the food from scratch.'"

The culture shift required more education than financial investment. This started with the training of kitchen staff themselves, and soon evolved to include teachers, headmasters, elder-care staff, and anyone else surrounding or serving meals.

"Many of them said 'I'm not in the food sector,' but they were eating with people three times a day," expands Anya. It was a matter of encouraging these people to be good hosts to the eaters and champion the new menu, not because it's organic but because the meals are delicious and nutritious.

The involvement of these other professionals, alongside kitchen staff, has increased over the years and will be vital in the future to combine objectives of climate, sustainability, and nutrition in a meal culture that is meaningful to both staff and citizens.

## APPLYING MARKET PRESSURE THROUGH PUBLIC PROCUREMENT

Another piece in the organic production puzzle involved restructuring and formalizing methods of food procurement. Anya says this has become increasingly complex and controversial with competing sustainability agendas and public kitchen cooks who have become conscious, critical consumers.

“It’s very much a transaction between the wholesaler and the kitchen. [...] You’re procuring food, but you’re also setting up a relationship,” explains Anya of the process. Those relationships establish effective communication, contract management, and ensure kitchens are compliant. “It’s also how the tenders develop as the city and the food culture develops,” Anya adds, providing the example of the latest tender, which included more plant-based foods.

When Copenhagen’s organic conversion began, there were a half-dozen small organic wholesalers in and around the city, and their stock of organic products wasn’t always reliable. Rather than passively awaiting the laws of supply and demand, the municipality intervened to drive the market forward.

Hosting a series of “market dialogue” events, the municipality invited wholesalers and producers across the region to ensure they knew of the city’s intent to reach 90% organic. The dialogues outlined the product gaps public kitchens were seeing, urging wholesalers to step up and meet that demand.

One specific example came when the municipality indicated that some kitchens wanted to purchase meat that was not only organic, but also Halal. “In the beginning it was impossible and [the butchers] wouldn’t hear of it,” starts Anya. “But now we actually have a large assortment of organic, Halal meat so our institutions don’t need to choose which agenda they want to adhere to.” Anya’s role has been critical to actively cultivating these authentic, respectful, and inclusive conversations at all levels to achieve change.

In this way, a secondary benefit of the city’s food procurement has been embracing more culturally diverse food and reducing the stigma around eating it. This reflects the city’s changing demographics and enables kitchens to cook and serve a more inclusive menu.

While the amount of food procured by Copenhagen’s public institutions is much less than that bought by private consumers, Anya says municipalities are the ideal size and scale to lead food systems change: small enough that structural change is possible and large enough that they can leverage their purchasing power to apply market pressure.

The organic market in Denmark has tripled since 2015, partly resulting from Copenhagen’s efforts and the fact that the country [has one of the highest percentages](#) of organic consumption worldwide.

## A MODEL FOR MUNICIPALITIES

Copenhagen’s latest food strategy, released in 2019, continues to propel the city in its last mile efforts to reach 90% organic (it currently sits at 84%). The strategy also harkens back to the project’s original environmental mission.

Just as an initial impetus of the organic agenda centred on clean drinking water, the municipality's 2019 food strategy focuses on a 25% reduction in the city's greenhouse gas emissions by 2025. Reductions in food waste and loss can have a significant contribution. Anya says it's important that these social, health, and environmental agendas remain integrated and coherent going forward.

To that end, the municipality is collaborating with the Technical University of Denmark to develop climate friendly dietary guidelines tailored to its various eaters, whether they are elderly people with unique nutritional needs, civil servants, differently abled citizens, or a class of kindergarteners.

Meanwhile, Copenhagen has become an inspiring model for other municipalities, nationally and across Europe. In 2014, Denmark launched a national program where municipalities could apply for funds to kickstart their own organic conversion training. And Anya and the team have hosted visitors from Norway, Sweden, Scotland, and Germany, all of whom are interested in replicating Copenhagen's success in their respective contexts.

The example set by the Municipality of Copenhagen debunks the myth that food systems change is unaffordable, and demonstrates that promoting behaviour change, applying appropriate market pressure, and investing in human capital offer a realistic and hopeful way forward.

#### FINANCIAL SNAPSHOT **MUNICIPALITY OF COPENHAGEN'S ORGANIC FOOD PROGRAM (2019–2020)**

- **Annual cost of training kitchen staff:** 7.5 million Danish Kroner (DKK) (about 1 million EUR or 1.2 million USD); 37.5 million DKK (about 5 million EUR or 6 million USD) over the 2020–2024 period
- **Number of kitchen staff trained:** around 1,750 individuals at a cost of 4,834 DKK (about 649 EUR or 685 USD) per staff member
- **Volume of organic food consumed in Copenhagen's public kitchens, yearly:** 7,000 tons of organic food, representing 84% of total purchases
- **Meals produced daily:** 70,000 meals from over 1,000 kitchens
- **Annual cost of meals provided through Copenhagen's public kitchens:** Approximately 339 million DKK (45.6 million EUR or 48 million USD)



## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

The Municipality of Copenhagen has benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>MUNICIPALITY OF COPENHAGEN</b>	<p>Dedicates staff time to restructure food procurement and to implement, oversee, and monitor the organic food program</p> <p>Allocated funds to train kitchen staff in new skills and to appropriately staff government roles (i.e., Anya and her colleagues)</p> <p>Provided additional funds to support the improvement and upgrade of physical kitchen spaces</p>
<b>GOVERNMENT OF DENMARK</b>	<p>Provides grants for Danish municipalities to pilot organic food-purchasing programs</p>
<b>WHOLESALERS, PRODUCERS</b>	<p>Dedicate staff time to learn about organic food purchasing procedures</p> <p>Develop new relationships between vendors and municipal kitchens to ensure operations are compliant with regulation</p>

## ADDITIONAL IMPACTS

- **Staff satisfaction:** [According to a report](#) that looked at organic conversion in public kitchens across Denmark, half of staff reported increased job satisfaction and 54% said the program had positive effects on their work ethic and motivation.
- **Reduced pollution:** Using data from 2016, it is estimated that the Municipality of Copenhagen prevented at least 370 million litres (97.7 million gallons) of groundwater from being contaminated by pesticides.
- **Cooking with kids:** Each year, over 500 cooking classes bring school children from across Copenhagen to work in the kitchen; programs feature themes like “the ocean around us,” “spice it up,” “know your cabbage,” and more.

## CASE STUDY

**NORTHERN CO-OPERATIVE DEVELOPMENT BANK (NCDB)**

A regional approach to support local cooperatives in Sri Lanka's Northern Province

**KEY TAKEAWAYS**

- **Tackle microfinance debt as a way to build cooperative solidarity.** Predatory micro-finance loans were hugely harmful in Sri Lanka's Northern Province following the country's 26-year civil war. Rather than issuing credit on unrealistic terms, NCDB stimulates the rural economy by building trust with local communities, investing in small-industry development, and issuing inclusive financial products where profits are reinvested into the community.
- **Ground solutions in the local context.** NCDB, its loan schemes, and its support services respond to the specific needs and pressures faced by Northern Province residents, especially women and oppressed communities. Products also consider the seasonal nature of livelihood activities. All have been critical to NCDB's success.
- **Offer additional non-financial services.** Registered under the Co-operative Act of Sri Lanka and owned by members of 1,200 active cooperatives across the Northern Province, NCDB offers its member cooperatives valuable financial, technical, research, and capacity-building support.
- **Stimulate local food systems with a regional perspective.** NCDB intervenes at various phases in the value chain to improve the production, marketing, and distribution of locally produced foods and added-value products. All of its activities are grounded in the cooperative movement.

**INTRODUCTION**

The [Northern Co-operative Development Bank](#) is a central institution that offers a range of financial and support services to help over 1,200 active cooperative societies in Sri Lanka's Northern Province. In doing so, the bank is improving livelihoods, developing the market and technical capacity for locally processed food products, and revitalizing the regional economy.

To recognize the impact of NCDB's work, one must first understand the context through which the need for the bank originated — namely Sri Lanka's 26-year civil war that created a rift between the country's north and south.

Ahilan Kadirgamar's life has been shaped by this political turmoil. Ahilan has been the Honorary Chairman of NCDB since its inception and is a senior lecturer in sociology at the University of Jaffna. Prior to this work, Ahilan started his career as an engineer in Tokyo and New York — his father was a

[historian and human rights activist](#) from the Northern Province, and the family was exiled when the civil war started in 1983.

As the years passed, Ahilan gravitated to the situation in his home country. He obtained a master's degree in economics and a PhD in anthropology, an intentionally chosen path in which he returned to Sri Lanka to study the economic and livelihood concerns that emerged when the civil war ended in 2009.

Settling in Jaffna in Sri Lanka's Northern Province, Ahilan was alarmed by the high level of indebtedness of the region's residents, especially women affected by the war. [Predatory microfinance companies](#) backed by international institutions had proliferated and were charging annual interest rates as high as 240%. Not all were registered under Sri Lanka's Central Bank — the institution provided oversight only to companies that were deposit-taking, not those focused on lending.

"It came to a point where there was no way women could pay back the loans, and this created a huge amount of pressure," says Ahilan, explaining that people would borrow from family members and neighbours to pay debts. This created tension in communities, and microfinance debt collectors would use verbal and physical abuse to coerce repayment.

Meanwhile, few in the national government or expatriate development circles recognized indebtedness as a serious concern. Reconstruction efforts focused on building infrastructure and other development projects. As a consequence, extending credit to Northern Province residents failed.

Despite persistent advocacy by some researchers, including Ahilan, and an increasing number of protests by women's groups, it took until 2018 for the national budget to reflect these issues.

Additionally, the Central Bank capped interest rates for microfinance institutions under its regulation at 35%. The cooperative movement was central to the strategy.

### REACTIVATING THE COOPERATIVE MOVEMENT

After the civil war, many Northern Province residents already held cooperative membership<sup>3</sup> — however these cooperatives didn't have the capital to issue loans and had lost all records and assets during the war.

The 2018 and 2019 budgets contained a number of financial proposals, of which 800 million Sri Lankan rupees (LKR) (4 million USD) was dispersed for northern rural development and debt relief through cooperatives.

With a 292 million LKR (810,000 USD) grant — a third of the allocated funds — dispersed by the national government, about half that amount was matched by village-level cooperative rural banks. As a result, cooperative members could access small, 20,000 LKR (100 USD) loans at 14% annualized interest — lower rates than microfinance companies and commercial banks.

The initial goal of the small loans was to draw people out of the debt cycles perpetuated by microfinance companies and into the cooperative system. The scheme led to a decline in microfinance loans, and because cooperative banks operate at a local level, accumulated interest was reinvested into a revolving loan fund.

Also encompassed in the 2018 and 2019 government scheme was the creation of 50 small-scale industries to be owned by cooperatives across the north, many of which were agriculture-based: the production of milk products, fruit pulp and juices, coconut oil, and organic compost, just to name a few.

### A LONG-TERM INVESTMENT IN NORTHERN RURAL DEVELOPMENT

The 2018 and 2019 national budgets provided an important boost to rural development in Sri Lanka's north, but longer-term thinking was needed. In a [report](#) to the country's Central Bank, Ahilan and colleagues recommended establishing a development bank, one that was more familiar with the regional conditions and could strategically plan for the future.

The Northern Co-operative Development Bank was created with support from the then Governor and Co-operative Commissioner of the Northern Province, and registered in August 2019 under the Co-operative Act of Sri Lanka. It operates as a central institution, owned by the members of 1,200 active cooperatives across the province.

The bank was initially conceived under the premise that it would receive a large seed capital injection from the government. This never materialized due to shifting political priorities. In its absence, NCDB is dependent on leveraging the national funds disbursed to local cooperatives in 2018 and short-term international grants. It loans to village-level cooperative banks or societies who, in turn, lend to their members at a slightly higher interest rate, which generates a profit margin for loan recovery.

NCDB continues with the idea that the bank would one day reach a level of capitalization (150 to 200 million LKR or about 420,000 to 550,000 USD) where it could operate based solely on circulating funds, versus requiring constant outside grant financing.

"Rather than being the major institution that uses its credit as a way to push the cooperative movement forward, our role has been more in terms of doing research, giving direction and ideas for the cooperative movement, and working with them because we never got the capital necessary to take forward our other plans," explains Ahilan of NCDB's current reality.

Fortunately, NCDB has found valuable non-financial ways to support rural cooperatives through technical, business, and research assistance. This includes creating business plans for cooperatives, identifying engineers for infrastructure projects, researching flexible payback structures that accommodate the seasonality of fishing and agriculture, and more. The knock-on effect is rural development and a stronger economy.

## ECONOMIES OF SCALE FOR LOCAL FOOD PRODUCTION

As part of its rural development efforts, NCDB is using the cooperative structure to kick-start the production, market, and distribution systems for local added-value food products.

“Even though we’re a rural economy, we end up importing a lot of our essential nutritious foods,” says Ahilan. Take milk, for example. Sri Lanka only produces 40% of the milk consumed. The country and the Northern Province are dependent on dairy imports, particularly milk powder.

Working with cooperatives, NCDB helps members access equipment to produce pasteurized milk and other value-added products. It’s also supporting the creation of distribution networks for these products in rural areas and among working-class urban areas.

In spearheading value chain improvements, NCDB is lessening the reliance on imported products, enabling more people to access the nutritional benefits of fresh milk and to save money by not having to choose between milk powder (less nutritious but can be stored without refrigeration) and sterilized milk (twice the cost of pasteurized milk, which carries similar nutritional benefits).

Another example is on Karainagar Island, an island off the coast of Jaffna where agricultural production is challenging and predominantly limited to paddy rice during the monsoon season. Here, NCDB has engaged a local cooperative in the production of organic compost, training members and creating quality standards and a market for the product. Once compost is produced at a certain scale, it becomes an income-generating activity for rural households.

The market is the general public but also other northern cooperatives. Ahilan envisions a cooperative producing rice, for instance, buying coconut oil and organic compost from another pair of cooperatives within the NCDB network.

“There’s a huge market within cooperatives themselves, and NCDB is uniquely positioned to coordinate this,” he says. “[These cooperatives] are a very local-level institution, but the regional economies of scale would kick in when we as a provincial-level actor can bring all of these together.”

The increased emergence of cooperative-produced and regulated products would also pressure retailers and producers to lower their prices in accordance with cooperative pricing models. These agricultural and livelihood activities could, in turn, be replicated by other cooperatives across Sri Lanka — or be emulated by groups around the world.

## WHAT’S NEXT FOR NCDB

Ahilan recognizes that NCDB’s current model of funding is not sustainable in the long term. Neither is its human capacity — a combination of voluntary energy and staff that have been seconded from a provincial council.

The bank’s CEO, for example, is a second-generation Tamil woman from London who offers her international development and cooperative expertise pro bono. Board members also have considerable

banking and accounting experience, and one member is the retired regional manager of a leading commercial bank in the Northern Province. Each of these voluntary experts has been critical to developing NCDB's systems. Now the bank is looking to the Sri Lankan diaspora and others, including funders, to bring in the funds needed to be self-sustaining.

Overall, Ahilan says COVID-19 and the resulting economic crisis — the worst since the country gained independence from Britain in 1948 — have made people recognize the importance of food sovereignty at a local level. This is contrary to the rhetoric of the past 30 years, which was focused on moving people out of the countryside and into cities.

“We’ve come up with this agricultural transformation strategy but catching up with the developments on the ground is a huge challenge,” says Ahilan of the acceleration sparked by the pandemic. “On the other hand, we’re happy that we’re on the right track.”

While building this more sustainable financial model, NCDB will continue offering cooperatives the many non-financial services that make its approach so comprehensive. Says Ahilan: “It’s not just a question of money. It’s the coordination, it’s the research, it’s the understanding of where the resources are and to work with cooperatives to get them to work together.”

#### FINANCIAL SNAPSHOT NORTHERN CO-OPERATIVE DEVELOPMENT BANK

- **Value of loans circulating:** 38.5 million LKR (192,500 USD). As of 31 December 2021, this involves 36 loans to 25 cooperative societies (who, in turn, lend to their individual members; NCDB does not loan directly).
- **Loan reach:** Since 2018, cooperative societies have made nearly 40,000 loans to households, reaching over 10% of cooperative members in Northern Province — an impressive scale and impact early on. The economics of loans varies by cooperative, crop-type, and other factors.
- **Repayment rate on loans:** 98.7% (as of 31 December 2021).
- **Employees:** 12, including 7 full-time staff, 3 staff seconded by the Northern Province’s Provincial Council, and 2 full-time volunteers.
- **Grant support:** As of 31 December 2021, 17.2 million LKR (about 86,000 USD) in grant projects continue to establish agricultural collection, support a joint venture in coconut oil production, support fresh juice production, activate idle assets of cooperatives, enhance organic compost production, create village credit societies for marginalized communities, and provide credit to purchase essential goods by pandemic-affected day wage earners.

## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

The Northern Co-operative Development Bank and the cooperative movement have benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>NORTHERN CO-OPERATIVE DEVELOPMENT BANK</b>	<ul style="list-style-type: none"> <li>• Provides loans to cooperatives</li> <li>• Offers technical, business, and research assistance to cooperatives</li> </ul>
<b>SRI LANKAN VOLUNTEERS AND MEMBERS OF THE DIASPORA</b>	<ul style="list-style-type: none"> <li>• Serve in pro bono management, fundraising, and board roles</li> </ul>
<b>GOVERNMENT OF SRI LANKA (2015 - 2019)</b>	<ul style="list-style-type: none"> <li>• Provided funds for grants (2018–19) to cooperative members for debt relief</li> <li>• Supported 50 cooperative-owned small-scale industries</li> <li>• Seconded provincial council staff for NCDB operations</li> </ul>
<b>VILLAGE-LEVEL COOPERATIVE RURAL BANKS</b>	<ul style="list-style-type: none"> <li>• Matched funds for 2018–19 debt relief</li> </ul>
<b>TECH CEYLON SOCIAL VENTURES (SRI LANKA)</b>	<ul style="list-style-type: none"> <li>• Offers engineering graduates to provide voluntary business feasibility support for small-scale processing enterprises</li> </ul>
<b>NECTAR LANKA (SRI LANKA)</b>	<ul style="list-style-type: none"> <li>• Social enterprise loan</li> </ul>
<b>INDIVIDUAL DONORS FROM THE DIASPORA COMMUNITY</b>	<ul style="list-style-type: none"> <li>• Provide zero-interest local currency social enterprise loans and grants</li> </ul>
<b>AUSTRALIAN HIGH COMMISSION; THE CANADA FUND FOR LOCAL INITIATIVES</b>	<ul style="list-style-type: none"> <li>• Awarded grants to establish small-scale enterprise infrastructure</li> </ul>

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>WILDE GANZEN FOUNDATION (NETHERLANDS);</b> <b>DOMINICUS LEGACY (NETHERLANDS);</b> <b>TEA TSUNAMI (NETHERLANDS)</b>	<ul style="list-style-type: none"> <li>• Provided grants to support fishing communities, rural women’s credit, and capacity-building for small industries</li> </ul>
<b>SCOT UK (DIASPORA COMMUNITY);</b> <b>INDIVIDUAL DONORS FROM THE DIASPORA</b>	<ul style="list-style-type: none"> <li>• Provided grants and donations</li> </ul>
<b>CENTRAL BANK’S COVID-19 REFINANCING FACILITY</b>	<ul style="list-style-type: none"> <li>• Provided 73 million LKR (200,000 USD) in working capital loans for 2 years at a 4% interest rate, which NCDB facilitated; this capital went toward 19 multi-purpose cooperative societies</li> </ul>
<b>NORTHERN PROVINCIAL COUNCIL (SRI LANKA)</b>	<ul style="list-style-type: none"> <li>• Provides social enterprise loans for differently abled and women-dependent households</li> </ul>

### ADDITIONAL IMPACTS

- **Increased regional reach:** Since 2018, Northern Province cooperatives have made close to 40,000 loans to households, which equates to 10% of cooperative members in the region. NCDB has helped to position the cooperative movement as an alternative to high-interest, predatory microfinance loans. One of its key messages is that accrued interest from cooperative loans is reinvested in the community versus being paid to outside companies.
- **Maturing Sri Lanka’s credit system:** NCDB monitors the national government’s allocation for cooperatives and advises the Co-operative Department’s terms and management. What started as a fund where cooperative members could access 20,000 LKR (100 USD) loans at 14% annual interest has expanded to include loans of up to 100,000 LKR (500 USD) with the lower rate of 6% due to the COVID-19 crisis.
- **Bolstering crop growth:** Alongside cooperative societies, NCDB has developed a multi-faceted strategy to increase crop productivity. Programs include measures to implement water-saving techniques, enhance access to farm inputs, connect farmers to wholesale collection centres, and turn excess produce into added-value goods.



## CASE STUDY

**ORGANICALLY GROWN COMPANY (OGC)**

The North American business using steward ownership to build a resilient and just agricultural economy

**KEY TAKEAWAYS**

- **View organic certification as one milestone toward sustainability.** OGC's founders see organic certification as one tool to advance practices toward better environmental stewardship. The company's mission has broadened since its founding to focus on sustainability principles and practices across all areas of its operations.
- **Adopt an alternative ownership model.** Various governance challenges and company-wide soul-searching led OGC to establish a perpetual purpose trust that will ensure the business forever upholds its sustainability mission and is not at risk of corporate takeover.
- **Structure ownership to include all stakeholders.** Rather than prioritizing profits for shareholders, OGC divides its returns between five stakeholder groups: employees, farmers, customers, community allies, and investors. These groups each have a say in the governance of the business but none can sell it.
- **Fuel the organic movement.** OGC is a player within the larger organic movement. The company supports the movement in various ways, from financial donations to serving on boards to providing strategic policy guidance.
- **Build equitable relations with coworkers and farmers.** OGC values transparent, fair, and caring relationships that honour each person's integrity, contribution, and role by the way they compensate, manage, and work together as a company. OGC is interested in the well-being of all people involved in its food production, distribution, marketing, and consumption channels.

**INTRODUCTION**

Corporations move millions of pounds of food, influence farmers, and shape the environment in countless ways. There are those companies that do so in an extractive manner, fixated on a mindset of more, without consideration for the long-term impacts of their practices. Then there are businesses like [Organically Grown Company](#) (OGC), a large wholesale distributor of organic produce based in the U.S. state of Oregon. In its journey to promote and build sustainable food systems, OGC has become a leader in rethinking ownership, financing, and profit, as well as what it means to be part of the larger organic movement.

In pursuing an alternative ownership structure — that of steward ownership — OGC has guaranteed its prioritizing of purpose and self-governance for generations to come.

## ORGANIC PRINCIPLES FOR BUSINESS SUSTAINABILITY

OGC has embraced a constant state of evolution since it was founded in 1978 by a group of environmental activists and small-scale farmers. Early iterations of what was then Organically Grown Cooperative saw the organization as a non-profit and later as an agricultural marketing cooperative that brought together farmers to create the first U.S. organic certification standard and a collaborative business model.

“Our founders were social movement people who wanted to transform food and agriculture, and they decided the vehicle was to form a produce distribution company to help farmers access the market,” explains Natalie Reitman-White of the company’s history. Natalie worked at OGC for 16 years, most recently as the vice president of Organizational Vitality and Trade Advocacy — now she’s part of the purpose trust that owns the company.

As the cooperative expanded, the demand for organic produce was increasing alongside. OGC started supplementing its Oregon-grown product line with organic produce from California and Mexico, eventually making the choice to focus on wholesale distribution. In 1999, OGC became an [S-Corporation](#) that was jointly owned by farmers and staff alike.

Organic certification was never the end goal for OGC — instead, the founders viewed it as one step forward in the longer journey toward business and environmental sustainability.

At its 2004 annual meeting, the OGC team celebrated the accomplishment of their original mission: to promote health through certified organic agriculture. Nearly their entire product line could be certified organic, its growers were successful, and Washington State University had started an organic agriculture program to teach the next generation of farmers.

A new question emerged for the company: “Now what?” The founders made the decision in 2005 to zoom out and take a holistic view centred on promoting health through organic agriculture and sustainability, within the company and within the food system.

“We wanted to understand how to bring values from farming practices into the entire business model,” summarizes Natalie of the decision. She was hired in 2005 to help the company pursue this new mission. “We recognized that just because it’s organic didn’t mean the labour practices were fair, didn’t mean the farmers were paid a fair price, didn’t mean that the trucks and the tractors were run on sustainable fuel.”

The conversation quickly turned to company ownership. “We also needed to think about how the business was owned, who was making the decisions at the top, and how they were financed. If that’s not aligned with those principles of sustainability then that can pull all the behaviour underneath in a different direction,” continues Natalie.

Three years after that 2005 meeting, OGC created an Employee Stock Ownership Plan (ESOP) to accommodate the fact that S-Corporations are limited to 100 owners and to continue cultivating a shared sense of ownership and reward among its growing team.

## THE LIMITATIONS OF EMPLOYEE STOCK OWNERSHIP PLANS

In 2018, OGC came up against a handful of ESOP-related hurdles.

One was the risk of unwanted acquisition that could compromise the company's values — consolidation in the organic sector is [a growing trend worldwide](#). “Federal retirement law dictates that an ESOP is a profit-motivated, profit-seeking organization, regardless of what the employees participating in the ESOP want for themselves,” explains Matt Mroczek, OGC's VP of Finance. That meant the trustees could not reject an attractive financial offer, even if it was voted down by employee and farmer shareholders.

A second challenge was the need for OGC to repurchase shares at fair market value from employees who were leaving the company or retiring. “Our CFO called it a ‘stock buy-back treadmill,’ where we were buying ourselves again and again from ourselves at an increasing valuation because the organic market is hot and there's a lot of acquisition,” says Natalie. The situation required OGC to generate enough cash flow to fund the share buy-backs while also operating and scaling its business.

There were other ESOP pitfalls, too: ranging from the fact that not all employees wanted to own the company to concerns the ESOP was too employee-centric as opposed to placing equal emphasis on the voices of farmers, wholesale customers, and community allies within the organic movement.

All this to say, OGC recognized the need to adopt a new ownership model and recapitalize the business alongside.

## STEWARD OWNERSHIP: A DRIVE TO DO THINGS DIFFERENTLY

Steward ownership [is defined as](#) “an alternative to conventional ownership that permanently secures a company's mission and independence in its legal DNA.” In 2018, OGC became one of the first companies in the United States to restructure using this model, though steward ownership is common in Europe and the concept was pioneered in Germany in the late 19th century.

The business is now owned by the [Sustainable Food and Agriculture Perpetual Purpose Trust](#), a legal entity overseen by a group of individuals elected by OGC's five stakeholder groups: employees (who OGC calls “coworkers”), farmers, customers, community allies, and investors.

Each of OGC's investors has been vetted for mission alignment, a long-term perspective, and a desire for fair returns. They own non-voting preferred stock, terms that provide capital for OGC to grow the business, with returns predicated on sharing a portion of the profits with the other stakeholder groups.

In explaining the structure, Natalie offers a metaphor: “Imagine the company is a canoe — it's this vehicle for heading toward sustainable agriculture through commerce. [...] We wanted an ownership structure where the vehicle is not for sale, it's held in trust for the long term, but we have [the five stakeholder groups] in the canoe. They're all paddling the business forward, but if one of them took over steering we'd be in trouble.”

For OGC, steward ownership eliminates the concerns of consolidation and acquisition that the ESOP introduced. It also enables the company to prioritize long-term sustainability (in all its forms) and the interests of multiple stakeholder groups rather than measuring success based on shareholder profit alone. While the model isn't without criticism, OGC has found it's the best way to integrate the values and contributions of these varied partners.

In sharing the new ownership structure with employees,<sup>4</sup> Natalie says the approach resonated. She distinctly remembers how one coworker, Floyd, summarized it: "He was like 'Hey, I get it. A lot of companies say you work for the mission, but you really work for the man and the investors. They own the company, that's who you work for. But now, we are really going to be owned by the mission.'"

### SUPPORTING THE SUCCESS OF ITS STAKEHOLDERS

When it comes to planning for the future, OGC wants to expand its business in alignment with its values — one of them being to continue fostering the grassroots movement toward alternative business models.

Just as the company restructured and recapitalized its own operations, OGC is supporting like-minded leaders to pursue models of ownership and finance that don't result in wealth concentration and a compromise of values.

To that end, OGC created [Alternative Ownership Advisors](#), a consulting agency that helps companies to restructure their ownership, governance, investment terms, and other variables to secure long-term independence and lock in mission-focus.

Natalie and Matt are advisors with the agency, bringing the lessons learned through OGC's process — though Natalie notes that each business is unique in its structure. OGC has a vested interest in ensuring other mission-driven businesses stay independent. After all, it is challenging to survive and thrive in a marketplace that's increasingly being gutted by large, consolidated companies.

Pledging financial and in-kind contributions to the larger organic movement are also critically important to OGC — undermine that and you risk the future of the entire sector, Natalie says. "The movement birthed the trade and without the movement, the trade will die," she states. "The movement is convincing people as to why we need this and is supporting the infrastructure to keep the integrity around it."

Through its bold leadership — both internally and within the organic sector — OGC demonstrates there are promising new ownership and financing models that account for the well-being of multiple stakeholders and the environment, all while turning an ethical profit.

## FINANCIAL SNAPSHOT ORGANICALLY GROWN COMPANY

- **Annual revenue:** Over 100 million USD.
- **Volume of food sold:** Over 100 million pounds (45.4 million kilograms), with 26% of overall volume coming from northwestern U.S. farms.
- **Employees:** 250 permanent staff.
- **Sales outlets:** Stores, restaurants, food manufacturers, institutions, food box programs (home delivery services), food banks throughout Pacific Northwest.; OGC products reach Alaska and Montana through brokers.
- **Suppliers:** 350 vendors worldwide.
- **Stakeholders:** 150 stakeholders in the Sustainable Food and Agriculture Perpetual Purpose Trust, with a 5% return for investors; there is also employee profit sharing (see below).

### PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

Organically Grown Company has benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>ORGANICALLY GROWN COMPANY</b>	<ul style="list-style-type: none"> <li>• Devoted leadership and staff time to build consensus and navigate new business structure</li> <li>• Dedicates revenue to buy back ESOP shares</li> <li>• Invests in employees' pay, COVID-19 personal protection equipment, health support, and food buying club</li> <li>• Provides COVID-19 payments to farmer producers for operating costs and farm workers personal protection equipment</li> <li>• Mission Fund makes grants to support businesses and non-profits building resilient, just agricultural economies</li> </ul>
<b>OGC EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Willing to accept payment for ESOP shares during the transformation to steward ownership</li> <li>• Commit to be mission-focused</li> </ul>
<b>FARMERS AND PRODUCERS</b>	<ul style="list-style-type: none"> <li>• Plan to sell to OGC for long term</li> </ul>

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>RSF SOCIAL FINANCE, PURPOSE EVERGREEN INVESTMENTS, CANDIDE GROUP, NATURAL INVESTMENTS</b>	<ul style="list-style-type: none"> <li>• Helped develop the new perpetual purpose trust agreement</li> <li>• Invested financially in the new business model</li> </ul>
<b>EQUAL EXCHANGE</b>	<ul style="list-style-type: none"> <li>• Helped develop the new perpetual purpose trust agreement</li> </ul>
<b>INVESTORS AND SUPPORTERS</b>	<ul style="list-style-type: none"> <li>• Helped develop the new perpetual purpose trust agreement</li> <li>• Invested financially in the new business model</li> </ul>

### ADDITIONAL IMPACTS

- **Commitment to a greener future:** OGC reduces food waste and loss by donating unsold food to food banks. The company has also recycled 360,000 pounds (163,293 kilograms) of wood pallets, cardboard, glass, and paper. It has pioneered environmentally focused trucking practices that are now the industry standard, reducing its energy consumption by 12% — this includes the use of biofuels, solar cooling units on trucks, and other innovative technologies.
- **Producer benefits and farmer collaboration:** OGC built its business to be ethical and fair to farmers and producers. Due to its many selling channels and its brand-name recognition (Ladybug Produce), the company can smooth market turbulence for producers. OGC is transparent with farmers regarding how much it pays and sells produce for, levelling the playing field of power and building a different kind of relationship. The company also updates farmers on expected price fluctuations and signals from buyers regarding future needs. Finally, OGC also assists growers with organic production and food safety certification processes. As an OGC founder said of the company's relationship to farmers: "We are trying to create a win-win. If we create win-lose, then we will lose in the long term."
- **Donations to aligned causes:** OGC donates 2.5% of its net profits to non-profits and schools. The company sees food systems justice as social justice. It advocates through the Organic Trade Association's Diversity and Entrepreneurship Fund and other initiatives like the California BIPOC Farmer and Land Steward Relief Fund for farmers who identify as Black, Indigenous, and People of Colour.

- **A diverse, well-supported work environment:** Nearly half of OGC's employees identify as Black, African American, Hispanic, Latino, Native Hawaiian, or Pacific Islander. Other figures: OGC employees stay with the company for an average of 6 years; 57% of the executive team identifies as female. During the COVID-19 pandemic, the company invested 500,000 USD in keeping its employees safe and healthy.

### IN FOCUS: PERPETUAL PURPOSE TRUST CONVERSION

**Context:** In 2018, OGC raised over 20 million USD to buy back employee-owned ESOP shares and those owned by 45 other shareholders (founding farmers and past employees). Only then could the financial restructuring process begin.

**Key players:** OGC leadership team, [RSF Social Finance](#), [Purpose](#), [Candide Group](#), [Natural Investments](#), OGC's founding farmers and owners, Dan Fireside at [Equal Exchange](#), and dozens of others.

**The process:** During the year-long process, OGC conducted a feasibility study to see if it were possible to become a perpetual purpose trust. The company had never before received external investment and wanted to ensure it was offering the most suitable terms to potential investors.

To do this, OGC hosted all potential investors in Eugene, Oregon, where they toured the company's operations and farms before starting discussions about what may constitute fair terms. This process helped strike a compromise between satisfying investors and meeting the needs of the company.

A term sheet and profit sharing agreement were determined following this convening. It resulted in the following:

- OGC-led fundraising that included: 11 million USD in a Series A Equity fund, 10 million USD in debt, and 1 million USD in a working capital loan from Purpose Evergreen, Candide Group, Natural Investments, RSF Social Finance, and individual investors.
- The term sheet recognized that all stakeholders receive a good base "return." For OGC's five stakeholder groups, this meant:
  - **Shareholders:** Non-voting stock and a 5% cumulative annual base dividend. In addition, investors pledged to accept no growth in share price or value in order for the company to provide a good base "return" to the other stakeholders. Investors also committed to a 10-year agreement with OGC.

- **Employees:** Good base pay and benefits.
- **Suppliers and customers:** Great service and fair pricing.
- **Community partners:** Steady support (both financial and logistical).
- **OGC:** An ongoing healthy and sustainable business.

Stakeholders agreed that additional revenue would be distributed by a cash flow waterfall, the further details of which [can be found here](#). In 2019, the first fiscal year governed by this cash flow waterfall, OGC returned 406,000 USD to stakeholders.



## CASE STUDY

## PUN PUN CENTER FOR SELF RELIANCE AND THAMTURAKIT

Teaching farming and self-sufficiency in the mountains of northern Thailand

### KEY TAKEAWAYS

- **Diversify to achieve self-reliance.** The self-reliance principles taught by Pun Pun and Thamturakit are consistent with sustainable food practices to move away from monocropping toward a diversified crop system where families produce almost everything they need for personal consumption.
- **Build community strength through farm-level self-sufficiency.** Pun Pun and Thamturakit emphasize seed saving, locally produced organic fertilizers, and crop production techniques to minimize external purchases and build relationships between neighbours and farmers.
- **Intervene for independence and solidarity.** As a social enterprise, Thamturakit has created alternative infrastructure and networks through which farmers can receive training and seeds, be paid fair prices for their produce, and reach new markets in a solidarity economy.
- **Grow and develop — but in a sustainable manner.** Through its approach, Pun Pun and Thamturakit demonstrate that a different kind of economic system is possible when you embrace diversified farming, self-sufficiency methodologies, true cost accounting, and community-owned infrastructure.

### INTRODUCTION

It was the late 1990s when Jon Jandai knew he needed to escape the city. He was employed as a security guard in Bangkok, working long hours, guzzling caffeine, and surrounded by the frenetic machinery of urban life. That's when he experienced a fundamental shift in values and decided to return to his family's farming roots in northeastern Thailand.

Jon's yearning for an agrarian lifestyle ran counter to the prevailing narrative. "Everyone looked down on farming because to be a farmer must mean you're poor," he says. "When I was in Bangkok, I wanted to be a city person. But after a while I felt like I had the wrong understanding. To be in the city, you need to ignore love, happiness, and freedom. That's why I needed to go back home."

Moving to the countryside, Jon started an experimental plot and gradually grew his skills. "From that small garden I learned so much," he recalls. "I discovered that we should not be hungry, because this Earth is full of food."

He supplemented his time gardening with travels across Thailand to teach earthen building workshops. In speaking with farmers, he realized the urgency of seed saving, and pledged to dedicate his life to preserving this precious biodiversity.

Alongside his partner, Peggy Reents, Jon purchased a 9-acre piece of land near Chiang Mai, a city in the mountains of northern Thailand. Their new terra firma was not exactly hospitable; the soil was depleted and washed down the hillside after every rainfall. Planting 150 kilograms (330 pounds) of beans in their first year, the efforts yielded less than a handful of arable crops.

Despite the discouraging harvest, Jon and Peggy were sowing something else: a community. Visitors were coming from around the world — friends and family members from across Thailand, the United States, and beyond. “We had different kinds of people, different religions, different ideas, all mixed together. It’s like a big mess,” smiles Jon.

These visitors connected with the land in a similar way to Jon and Peggy, and soon wanted to stay for longer periods. In 2003, the couple officially named their new home. [Pun Pun Center for Self Reliance](#) — an intentional community, organic farm, and now a flourishing network of farmers — was born from humble harvest and heart.

### A TEACHING PHILOSOPHY BASED ON EXPERIMENTATION

Experimentation has always been central to Pun Pun’s approach. To a degree, that sprung from necessity — Jon found that mainstream farming practices were not always appropriate or localized for his land.

Trialling new techniques, Jon and Peggy produced compost and planted grasses at Pun Pun, restoring the soil within a few years. Jon also drew inspiration from around the world: from the adobe buildings in Taos Pueblo, a Native American community in New Mexico; from *One Straw Revolution*, Masanobu Fukuoka’s seminal guide to natural farming; and from a Thai farmer who pioneered agroforestry techniques rather than replacing trees with cassava and corn. He also learned from Santi Asoke, a Buddhist group that became the first in Thailand to promote self-reliant organic farming.

This philosophy of constant experimentation has carried through to what became Pun Pun’s learning centre. The centre offers four-day hands-on workshops on earthen building, farming, and self-healing, as well as longer courses for in-depth learning.

While foreigners at first made up the majority of visitors, the centre started targeting more farmers from Thailand and Southeast Asia, and the majority of workshop participants are now locals. Participants are given seeds that have been saved on the farm, a cost subsidized by learning centre fees.

Jon shares the story of a 15-year-old girl from northeastern Thailand who recently came to the farm with an interest in gardening and seed saving. Two years after the workshop, she has a higher income than her parents as a result of selling seeds online.

“It’s empowering people and making young people want to move out of the city,” explains Jon of Pun Pun’s workshops. “Anything can be a career and make enough for you to have a good life.”

To date, hundreds of thousands of people have gone through the Pun Pun training, and the organization has created a network of more than 1,000 farmers across Thailand.

Alongside training, the sale of books and value-added products like homemade nut butter, jams, honey, and natural beauty products are what generate Pun Pun’s income. Since its founding, Jon and Peggy have made the conscious choice to not accept external grants or subsidies from funders, proving it’s possible to be a self-sufficient, viable business.

### **SELF-SUFFICIENT MODELS FOR FARMING & BUSINESS**

One day in 2013, Jon was talking with two colleagues — Dr. Wiwat Salyakamthorn (also known as Ajaan Yak) and Pichet Tonitiwong — about the challenges faced by farmers. Each came with a different perspective: Jon as the founder of Pun Pun, Dr. Wiwat’s expertise in sufficiency economics, and Pichet’s experience as a rice farmer and mill owner.

The three long-time observers of rural Thai economics recognized the flaws of the system: “Farmers work very hard for many years, but they never get paid. The longer they work and invest in the land, the more they become poor and have debt. That’s not a sustainable economic system,” explains Jon of their discussion. “We thought, ‘How can we make it fair for everybody?’”

The three men made the decision to create Thamturakit (Thai for “fair business”), a social enterprise separate from Pun Pun that trains farmers in sufficiency economy principles and self-reliance — as well as the skills covered in Pun Pun’s four-day training.

“The idea of the sufficiency economy is that we need to have enough to eat first, have enough to live, have forests, good air, and a good environment,” Jon begins. “[Excess crops] you can donate to other people, and if you still have more you can save for emergency times. If you have more than that, then you can sell, but this is the very end of the process.”

For farmers who do have oversupply after harvest, Thamturakit has developed a pricing model that is fair and sensitive to the disruptions caused by price fluctuations. The company currently buys from around 200 farmers, the majority of whom are women.

Farmers are typically at a disadvantage: They sell their products for less than the time and financial investment they put into growing them or are gouged by middlemen who turn a generous profit off the produce. In talking to farmers, Jon and the Thamturakit team calculated the true cost of growing food, accounting for externalities like farmer time, management costs, transportation, and more.

Factoring in these externalities, Thamturakit buys produce at 50 Thai Baht (THB) (1.50 USD) a kilogram — with the exception of rice and fruit, which is purchased at a different price. Because

the self-reliance training encourages farmers to diversify what they grow (to be self-sufficient), households have a greater range of crops that can be consumed, shared with neighbours, or sold through Thamturakit.

“Even though they make less money than when they do conventional farming or monocropping, they have more savings and more food to eat,” summarizes Jon of the model. Thamturakit has also revived the tradition of “joint force parties,” shared labour gatherings where neighbours come together to dig wells, build a house, or prepare their field without exchanging money. In this sense, self-sufficiency is also community sufficiency.

Beyond fair pricing models, Thamturakit has created a market for its producers. There’s the farmers market and produce delivery truck in Bangkok, various restaurants, and, since 2019, a resort and diving centre.

The Chumphon Cabana resort, which was well known in the sufficiency economy community, [was purchased by Thamturakit](#) after Jon and the team successfully ran a public crowd-funding campaign to raise the auction price of 130 million THB (about 4 million USD).

The 13,000 people who supported the campaign became shareholders in the resort. In accordance with [Thai social enterprise regulation](#) passed in early 2019, businesses are only deemed social enterprises if they direct at least 70% of their profit toward a social mission, with remaining profits paid to shareholders as dividends. In the case of Thamturakit, the business will be investing in education around farming, sustainable living, and seed saving.

### AN ALTERNATIVE WAY FORWARD

In summarizing the work of Pun Pun and Thamturakit, Jon wants to make one thing clear: The team is not against development and economic growth.

“When we talk about self-reliance, many Western people think it’s us going back to the old ways and that we are not developing, so it’s hard for new generations to accept this thinking,” he articulates. “The way we develop now is very fast, and the faster we develop the more we have a complicated life and work harder and more.”

Rather, Pun Pun and Thamturakit are advocating for a business model that values independence, fair prices and true cost accounting, led by fair prices and true cost accounting, independence, and a renewed sense of community.

“If we come back to self-reliance, we can grow in a more sustainable way,” concludes Jon. “If we keep doing this, we can see life is very fun, very easy. When you stick with the formula, it’s boring and hard. Everything has more than one solution.”

## FINANCIAL SNAPSHOT PUN PUN CENTRE FOR SELF RELIANCE

- **Annual budget:** 2 million Thai Baht (THB) (864,000 USD); 80% of this amount comes from training fees
- **Staff:** 20 total staff members, 12 of whom are paid a monthly stipend of 6,000 THB (185 USD) plus housing and food provided by the Centre
- **Farmer trainees:** 600 to 700 participants trained each year, plus 1,200 visitors and one-day trainees; the daily cost of training is 1,036 THB (30 USD), inclusive of food and accommodation
- **Seed distribution:** 700 seed varieties distributed to 25,000 people each year through the mail and to 2,000 people who visit the Centre

## FINANCIAL SNAPSHOT THAMTURAKIT

- **Volume:** 144 tons of vegetables sold per year and 36 tons of organic rice per year; per 1 acre of organic rice, a farmer can earn about 20,000 THB (600 USD) each year
- **Farmer suppliers:** Thamturakit buys from 300 Thai farmers, many of whom are women; these farmers earn about 2,000 THB (60 USD) per week or 96,000 THB (3,000 USD) a year
- **Training reach:** 7,680 people have been trained in the 8 years they have been operating

## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

Pun Pun Center for Self Reliance and Thamturakit have benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>JON JANDAI AND PEGGY REENTS</b>	<ul style="list-style-type: none"> <li>• Purchased land for Pun Pun Center</li> <li>• Provide labour, seeds to improve the land, and the creative vision to design and build the intentional community</li> </ul>
<b>VISITING VOLUNTEERS FROM THAILAND, SOUTHEAST ASIA, AND OTHER PLACES ABROAD</b>	<ul style="list-style-type: none"> <li>• Contribute labour and time to farm, build, and operate the Pun Pun Center</li> <li>• Volunteer training fees have enabled investment in the farm, staff, and business enterprises</li> <li>• Trainees benefit from farm food</li> </ul>

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>PUN PUN CENTER</b>	<ul style="list-style-type: none"> <li>• Generates revenue through training fees, shop sales, and the restaurant</li> <li>• Creates social capital</li> </ul>
<b>PUN PUN CENTER STAFF</b>	<ul style="list-style-type: none"> <li>• Provide the labour to produce value-added products, run trainings, and restaurants</li> <li>• Paid with stipends and in-kind housing and food</li> </ul>
<b>ABBOT (MONK) AND LOCAL FAMILY</b>	<ul style="list-style-type: none"> <li>• Donated space for the Pun Pun restaurant, which is run by staff and volunteers</li> </ul>
<b>JOINT FORCE PARTIES, LOCAL VOLUNTEERS</b>	<ul style="list-style-type: none"> <li>• Shared labour gatherings to dig wells, build houses, and prepare farmer fields without the exchange of money</li> </ul>
<b>CROWD-FUNDING (WITHIN THAILAND AND ABROAD)</b>	<ul style="list-style-type: none"> <li>• Enabled the purchase of Chumphon Cabana resort as a non-profit social enterprise, in which contributors became shareholders</li> </ul>
<b>THAI VOLUNTEERS AND PUN PUN CENTER STAFF</b>	<ul style="list-style-type: none"> <li>• Devoted time to design and establish Thamturakit, a non-profit social enterprise</li> </ul>

### ADDITIONAL IMPACTS

- **Seed saving:** Seed saving is central to Pun Pun's philosophy and is critical to restoring farmer knowledge and self-reliance. Pun Pun has collected 700 varieties of seeds, some of which have been shared with them by Thai elders. By circulating these seeds and teaching seed reproduction techniques, Pun Pun is increasing the capacity of farmers to protect biodiversity.
- **Fair pricing, better business:** Through Thamturakit, farmers are paid a flat rate for surplus vegetables. Thamturakit then sells these crops directly to individual consumers and restaurants. This pricing and business model makes farmer incomes more stable as: 1) they are no longer exposed to market fluctuations; 2) it eliminates the need for farmers to travel, transport, and market their produce; and 3) it reduces food wastage, which saves time and money.
- **Training reach:** Pun Pun's training programs attract people from across Thailand and nearby countries such as India, Myanmar, Sri Lanka, and Indonesia. As of 2021, Pun Pun has trained 100,000 individuals, 1,000 of whom are Thai farmers.

## CASE STUDY

**SYLVA FOOD SOLUTIONS**

The Zambian entrepreneur popularizing traditional food by partnering with over 25,000 smallholder farmers

**KEY TAKEAWAYS**

- **Create a guaranteed market for smallholder farmers.** One challenge of enabling subsistence farmers is guaranteeing a fair market for their harvest. Sylva Food Solutions provides smallholder farmers access to markets through its line of catering services, added-value products, and market outlets in stores.
- **Catalyze a mindset shift among consumers.** Sylva Food Solutions has long recognized the importance of endorsement from high-profile Zambians. The company has used influencers and other clever marketing tactics to nudge public perception around traditional food.
- **Connect farmers with the private sector.** With independent relationships that span the supply chain, Sylva Food Solutions bridges farmers and government officials, farmers and the market, and farmers and non-governmental organizations (for relief food to refugees and disaster management).
- **Secure creative financial flows.** Revenue from various business streams and agreements with NGOs and international financial institutions have enabled Sylva Food Solutions to grow — without ever relying on high-interest bank loans.
- **Innovate to create new revenue streams.** After decades, Sylva Food Solutions continues to imagine and activate new income-generating streams. Beyond the financial sheet, innovation includes conceiving new markets as situations shift in the country, as well as new ways of supporting entrepreneurs to valorize locally produced Zambian foods to further smallholder farmers' income potential and thus continue their local farming practices.

**INTRODUCTION**

Sylvia Banda became an entrepreneur early in life, before she even understood the meaning of the term.

At the age of 12, she began selling fritter snacks at school. “I didn’t know that what I was doing was business, but I was providing food and making money,” begins Sylvia, founder of [Sylva Food Solutions](#) and one of Zambia’s most recognizable entrepreneurs.

She credits her upbringing for this entrepreneurial drive. Raised in a family of seven girls and one boy, Sylvia recalls neighbours pitying her father for having so many daughters. Through the mockery, Sylvia wondered: Is there a difference between what boys and girls can accomplish? Approaching her male cousin, she looked at his palm: three lines, just like hers. They had the same number of teeth, too. “From that time I declared that what a man can do, I can do and do it better,” Sylvia says.

From the seed planted with that childhood fritter stand, Sylvia's business acumen and focus on food systems evolved. In college, she found another opportunity: "I went to the dining hall and discovered there were three days a week when they were feeding us rotten beans, rotten fish, and cabbage."

Sylvia bought a two-plate cooktop and launched a canteen in her student hostel room. "Eat now, pay later" was scrawled on a sign posted by her door — already a unique financing scheme to set her business apart. Customers hungry for quality comfort food flocked, and Sylvia collected her payment outside the accountant's office when students received their monthly allowance.

While there are many other examples of her early businesses, each exemplifies Sylvia's resourcefulness and ability to identify her customers' needs and be sensitive to their motivations. It's on the foundation of these insights and skills that she, alongside her late husband Hector, built a socially minded Zambian business empire.

### PUTTING TRADITIONAL FOOD IN THE PUBLIC CONSCIOUSNESS

Sylvia created Sylva Professional Catering in 1987, which grew to include a string of 16 restaurants and a catering business. But in the early years, Sylvia realized something was not right.

"I was not happy because we were selling Western dishes heavy on meat and starch, not Zambian recipes based on local foods and vegetables," she explains. "I thought I could try to change the mindset of the people so they start appreciating indigenous food." Sylvia also emphasizes the connection of these foods with traditional farming practices that support food system resilience and quality lifestyles in her country.

As for the mindset shift, it wasn't easy. People had developed a negative perception of locally grown food and craved the status and taste of exotic, Western fast food. In rural areas, Sylvia witnessed malnourishment and families who were not utilizing their crops to prepare nutritious meals.

In 2005, Sylvia founded Sylva Food Solutions to bridge these gaps. Not only was it a question of maintaining Zambia's food identity, preparing healthier dishes for her customers, and addressing food insecurity, but there was also a clear business opportunity.

She started with the urban market. "I had to think, 'how could I make my products sell?' I thought of using the highest person in the land, and that was the president."

During an audience with the First Lady of the country, Sylvia shared her vision of reviving Zambian traditional food, and was extended an invitation to cook the president's favourite Zambian dish: *lumanda*, a sour-tasting vegetable prepared with a groundnut sauce, tomatoes, and onions, accompanied by *nshima*, a stiff maize porridge.

Seated next to the president on the day of the lunch service, Sylvia spotted her moment. "Mr. President, can you tell us why you are enjoying this traditional food when you could have food from anywhere in



the world?” Sylvia prompted. The President’s response was the perfect soundbite: the food reminded him of his mother’s cooking.

Sylvia captured it all on video, and the segment was broadcast on national television for 13 weeks. “It popularized the consumption of traditional food. A lot of people started looking for where they could find traditional dried vegetables,” says Sylvia of what happened next. Sylva Food Solutions products are that source.

To support the country’s newfound interest in traditional dishes, Sylvia and Hector authored the [Zambian Cookbook](#). This bestselling book includes simple recipes for how to prepare indigenous Zambian foods and has since been adopted by the national school curriculum.

### CREATING A MARKET FOR SMALLHOLDER FARMERS

Having sparked demand for traditional food, Sylva Foods Solutions needed to increase its supply of locally grown fruits and vegetables.

“We only had one problem: Some of the vegetables we were buying came from the rural areas and they were not up to my standards,” Sylvia explains. In the absence of effective food preservation techniques, farmers were sun-drying their vegetables, which faded the colour, diminished nutritional content, and compromised food hygiene.

Always the innovator, Sylvia searched for a solution. Designing the prototype for a solar dryer alongside a team of engineers from the local university, Sylvia’s machine was more efficient — fruits and vegetables took a few hours to dry versus a few days — and lab results found the technique retained nutrient density.

Sylva Food Solutions began training smallholder farmers in food preservation techniques and in business practices so each farmer saw herself as an independent enterprise. The organization also offered cooking workshops so women could prepare healthier, traditional meals at home.

Soon after, the company signed a Memorandum of Understanding with the farmers, establishing production standards and providing a guaranteed market for dried vegetables and maize — a critical factor in making this added-value process financially viable and attractive to subsistence farmers.

Based on this demonstrated local success in smallholder farmer training and support, a number of international NGOs have provided funds to purchase solar dryers and expand training efforts, both of which would otherwise be unattainable to farmers. These partnerships are bolstered by the fact that the training leads to a guaranteed market — a common shortcoming of the development sector and national government efforts. In exchange, Sylva Food Solutions benefits from three income streams, wherein the company sells the solar dryers, leads a training of trainers, and turns a profit on the final processed product.

Those NGO partnerships, as well as relationships with government ministries, have enabled Sylva Food Solutions to reach and train 25,000 smallholder farmers in Zambia and neighbouring Tanzania and Mozambique. Women represent 90% of those farmers, a deliberate effort to empower them with a degree of the financial freedom Sylvia worked hard to attain in her teenage years.

### INVESTING IN PROCESSING & PACKAGING INFRASTRUCTURE

With thousands of smallholder farmers trained and a commitment to buy their products, Sylva Food Solutions soon found that the supply of dried fruits and vegetables outpaced demand.

A matching grant from the World Bank in 2015 enabled the company to scale and avoid food loss from surplus crops. Sylva Food Solutions put the 11 million Zambian Kwacha (ZMW) (about 650,000 USD) grant toward opening a factory to process crops into a variety of added-value products, including a Vitamin A-fortified orange maize, moringa soup, tea, and cereal, and 18 other products sold in supermarkets across Zambia and exported both in the region and the United States. Sylva Foods Solutions met this World Bank matching grant with 40% in cash from profits and 60% via in-kind land, machinery, and vehicles.

More recently, a second infusion of funding from the World Bank is being channelled toward a Sylva Food Solutions dual-purpose packaging factory that will open in 2022. The factory contains a number of new machines that expand Sylva Food product lines and the company will contract out the machinery to other processors and producers for a fee.

“A lot of smallholder farmers grow very beautiful, nutritious food. But the farmer is always poor, year in, year out. The reason why these farmers are poor is that they sell their food in raw form,” says Sylvia.

The new packaging factory will put processing power within the hands of larger entrepreneurial farmers. Bringing their crops to the factory, the Sylva Food Solutions team will create and package an added-value product that farmers can sell at a premium price, with the company taking a small cut.

Financially, Sylvia has pledged to never borrow money from a commercial bank — despite them now pursuing her with loan offers. High interest rates and unrealistic repayment terms are two reasons for her decision, and Sylvia has chosen to focus instead on building a financially disciplined business. “I would rather we wait, we make a bit of money, we invest [in starting another line of business] and you are able to sleep at night and think properly of what to do next,” states Sylvia of her approach.

These days, that question of what to do next is not bound by ideas but limited by human capacity. Hector, Sylvia’s husband and business partner, passed away in 2018, and her four sons, who own 30% of the company, are interested in pursuing their own career paths.

“There are so many untapped and untouched business areas [in Zambia] where you can collaborate. All you need is to actualize the ideas that you have, especially during this Coronavirus period,”

explains Sylvia. “So I sometimes wish I could hold hands with someone else so we could drive this business that we have grown up to this level.”

### EMPOWERING ENTREPRENEURS IN ZAMBIA & AROUND THE WORLD

“Success is never an accident” is both the name of Sylvia’s upcoming memoir and a business mantra. She credits the relationships she’s built — with government officials and farmers alike — as a key ingredient to her success.

“I get connected to pave the way, not for me alone, but for the group of women who I work with,” says Sylvia, adding that during her last meeting at the Statehouse she invited farmers to accompany her.

Elevating the voices of local farmers, Sylvia also strengthens the entrepreneurial conviction of others. She has been invited by the international [Nourishment Economies Coalition](#) to collaborate with Native American communities in New Mexico in the United States on several occasions, sharing stories and ideas, inspiring Diné/Navajo farmers and educators to consider entrepreneurship as a means to invest economically in their communities by working in harmony with the land.

Sylvia has also been invited to testify in the United Kingdom Parliament, was elected president of the Pan African Women Entrepreneurs Program (AWEP), and introduced Hillary Clinton, as U.S. Secretary of State, at an international women’s entrepreneurship conference. She also paid a courtesy visit to the White House during President Obama’s term and was invited to a live session at Capitol Hill.

Overall, Sylvia defines her life’s impact by the change she has made on the lives of ordinary people in rural areas. “They are the backbone of the nation,” she says. “Every country that supports small-scale farmers will succeed.”

Through her many food-focused business ventures, Sylvia is a shining beacon of how entrepreneurship can drive that mission.

### FINANCIAL SNAPSHOT SYLVA FOOD SOLUTIONS

- **Gross annual revenue:** 6.4 million Zambian Kwacha (ZMW) (400,000 USD)
- **Volume of food produced by Sylva Food Solutions:** 2,000 tons per year
- **Employees:** 35 permanent staff, 64 seasonal buyers, 60 interns
- **Suppliers:** 10,000 farmers provide dried fruits and vegetables; 5,000 farmers provide fresh produce

**PRODUCER INCOME AND COST HIGHLIGHTS (ANNUAL)**

CATEGORY	INCOME/COST AND ADDITIONAL DETAILS
<b>FARMER INCOME</b>	<ul style="list-style-type: none"> <li>• 1,000 to 5,000 Zambian Kwacha (ZMW) (63 to 313 USD) (average annual payments to farmers)</li> <li>• 50,000 ZMW (6,250+ USD) for the 20% top suppliers</li> </ul>
<b>FARMER TRAINING COST</b>	<ul style="list-style-type: none"> <li>• 42,561 ZMW (2,500 USD) per farmer for post-harvest training</li> <li>• 85,122 ZMW (5,000 USD) per farmer for both pre- and post-harvest training</li> </ul>
<b>SOLAR DRYERS COST</b>	<ul style="list-style-type: none"> <li>• 7,000 ZMW (300 USD) for a small dryer (15 to 22 pounds/7 to 10 kg capacity)</li> <li>• 38,000 ZMW (1,700 USD) for a medium dryer (661 to 771 pounds/300 to 350 kg capacity)</li> <li>• 100,000 ZMW (4,400 USD) for a commercial-sized dryer (3,307 pounds/1,500 kg capacity)</li> <li>• Dryers are paid for or subsidized by NGO partners</li> </ul>

## PARTNERS IN FINANCING FOOD SYSTEMS TRANSFORMATION

Sylva Food Solutions has benefited from the financial, in-kind, and social investments from the following groups. Please note this is not an exhaustive list.

CONTRIBUTOR	NATURE OF THE INVESTMENT
<b>SYLVIA AND HECTOR BANDA</b>	Invested their creativity, physical labour, and supplies to launch the first restaurant Wrote and published the <i>Zambian Cookbook</i>
<b>GOVERNMENT OF ZAMBIA</b>	Provided free space for Sylvia's initial restaurant Pays the salaries of 60 Sylva Food Solutions interns
<b>SYLVA PROFESSIONAL CATERING</b>	Generates revenue from restaurants and catering, which is re-invested in a training college and Sylva Food Solutions
<b>UNIVERSITY OF ZAMBIA ENGINEERS</b>	Assisted in designing an efficient solar dryer for fruits and vegetables Evaluated the nutrient density of dried foods
<b>INTERNATIONAL NGOS: CARE INTERNATIONAL, AFRICARE, WORLD VISION</b>	Partnered with Sylva Food Solutions to purchase solar drying equipment for farmers and support training
<b>U.K. DEPARTMENT FOR INTERNATIONAL DEVELOPMENT</b>	Provided grant for volunteers to provide business and cash flow training to build the skills of finance staff at the processing plant
<b>WORLD BANK</b>	Matching grants to establish processing plants and expand production capacity
<b>ASHOKA</b>	Awarded Sylvia an innovation grant for her work as a social entrepreneur Networked Sylvia with other food, farming, health, and development innovators

### ADDITIONAL IMPACTS

- **Professional training and teaching:** Sylvia has created Sylva University and a professional catering college. Both equip the next generation of entrepreneurs and chefs with the skills to succeed.
- **Reduction in food loss:** Through its solar dryer techniques, Sylva Foods Solutions is decreasing food wastage at farms and increasing food storage capacity for farmers. This has been especially impactful during the food system disruptions caused by COVID-19.
- **Organic products, healthy soils:** Sylva Food Solutions prioritizes purchasing from farmers who do not use chemical pesticides and fertilizers. The company also participates in planning exercises focused on soil health and biodiversity conservation.
- **Promotes a gender-sensitive approach:** As a woman-led company, Sylva Food Solutions prioritizes purchasing from women farmers, and offers women additional training in business skills and healthy cooking (90% of trainees are women).

## METHODOLOGY

The six case studies featured in this report were selected by identifying various examples of creative finance — from private enterprises to cooperatives to government procurement.

The creative finance approaches taken by these initiatives include:

- Appropriate investment terms;
- Blended finance with grants and subsidies;
- Fair, consistent, and increased payments to producers;
- Crowdfunding;
- Efficient use of capital;
- Policies that favour environmentally safe food production; and
- Solidarity economies.

Initiatives were not required to have secured external investment to be considered in this cohort. Selected initiatives did, however, need to demonstrate the use of finance to transform food economies for healthy, equitable outcomes. This was to ensure our research was informed by direct experience.

The [Transformational Investing in Food Systems](#) (TIFS) Steering Committee and others in the TIFS network were instrumental in identifying potential initiatives for inclusion in this cohort. Over 80 cases were initially identified and reviewed by TIFS and the Global Alliance for the Future of Food teams.

In the end, we honed in on six Beacons of Hope. Among other reasons, these cases were selected because of their geographic spread and the diversity of stakeholders engaged and impacted by their actions.

Now a collection of more than 30 inspiring case studies from around the world, the Beacons of Hope stories are the Global Alliance's contribution to amplifying and celebrating initiatives that address food systems challenges in creative and transformative ways.

Building on what we learned producing the original [Beacons of Hope report](#) and toolkit in 2019, our selection team applied a robust criteria to ensure these six new Beacons:

1. Demonstrated a systemic, creative approach to addressing the urgent and interrelated global challenges of food insecurity, climate change, biodiversity loss, and unhealthy and unsustainable diets;

2. Led impact across the Global Alliance's [7 guiding principles](#)<sup>5</sup> and alignment with our [theory of transformation](#);
3. Embraced key aspects of the 13 agroecological principles advanced by the [FAO High Level Panel of Experts on Food Security and Nutrition](#); and
4. Aligned with holistic food systems evaluation frameworks, including the TEEBAgriFood Evaluation, the FAO's Tool for Agroecology Performance Evaluation, and Blue Marble Evaluation.

Though refreshingly different in their approaches, all six Beacons in this report connect communities with local producers of fresh, nutritious, culturally appropriate, and organic food.

In addition to the story shared through each case study, you will also find a set of key take-aways and a financial profile. The takeaways are what we have deemed to be the most significant highlights of the case and are included at the top of each story.

The financial profiles include:

- **Financial snapshot:** A high-level overview of some key finances and figures.
- **Partners in financing food systems transformation:** A curated list of the financial, in-kind, and social investments that have supported the initiative.
- **Additional impacts:** Three or four further information points that were not included in the main case study but are of note.
- **Producer income and cost highlights:** A few of the case studies also contain this section that provides a further overview of how the Beacon works alongside farmers and producers.



## ENDNOTES

- 1 See the [True Cost Accounting](#) work of the Global Alliance for the Future of Food for a full exploration of these dimensions.
- 2 See the [Task Force on Climate-Related Financial Disclosure](#) for an explanation of how a number of transition and physical risks require investors and companies to consider longer-term strategies and most efficient allocation of capital in light of the potential economic impacts of climate change.
- 3 The cooperative movement started in 1911 when Sri Lanka (then Ceylon) was under British colonial rule. The British administration introduced agricultural credit cooperatives as a response to rural indebtedness and declining production.
- 4 In recognition that English may be the second language for employees, OGC provided translation during these sessions.
- 5 These principles are: renewability, resilience, equity, diversity, healthfulness, inclusion, and interconnectedness.

METHODOLOGY

CASE STUDIES

LEVERS OF CHANGE FOR TRANSFORMATIONAL INVESTING

SHARED CHARACTERISTICS FOR BUILDING FOOD SYSTEMS ENTERPRISES

CREATIVE FINANCE STRATEGIES FOR FOOD SYSTEMS TRANSFORMATION

KEY MESSAGES

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## ACKNOWLEDGEMENTS

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## ABOUT THE GLOBAL ALLIANCE FOR THE FUTURE OF FOOD

The Global Alliance for the Future of Food is a strategic alliance of philanthropic foundations working together and with others to transform global food systems now and for future generations. We believe in the urgency of transforming global food systems, and in the power of working together and with others to effect positive change. Food systems reform requires that we craft new and better solutions at all scales through a systems-level approach and deep collaboration among philanthropy, researchers, grassroots movements, the private sector, farmers and food systems workers, Indigenous Peoples, government, and policymakers.

[www.futureoffood.org](http://www.futureoffood.org)

## ABOUT TIFS

TIFS, the Transformational Investing in Food Systems (TIFS) Initiative, is building a global food systems investing movement that generates positive non-financial and financial returns. We focus on strategic investments that are economically viable and deliver sustainable impact. Our holistic approach recognizes the full value of farm and business practices that contribute to vibrant local economies and healthy ecosystems. And our tools help investors ensure that their investments are doing good in the world and not causing harm. TIFS is an Allied Initiative of the Global Alliance for the Future of Food and partners with the Agroecology Fund and other aligned initiatives to advance food systems transformation.

[www.tifsinitiative.org](http://www.tifsinitiative.org)

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