Slow Money: Where Food and Money Connect

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According to Entrepreneur Magazine and Reuters, "The Slow Money movement is one of the top five trends in finance". Straddling traditional philanthropy and investment, Slow Money is a new form of financing the development of local, sustainable food systems. Instead of buying stocks on Wall Street, Slow Money members invest in local suppliers and food businesses with the goal of strengthening the economy and the food systems in their communities. And, as the name suggests, they do it very patiently.

***Slow Money* is a booming movement.** Born four years ago, the movement has 25,000 some members, offices in 14 locations in the U.S., and a recently established chapter in France, all run by volunteers. In the past two years its members have invested some $21 million in 180 deals with small and medium-sized businesses, 90% in the form of loans and equity, and 10% in the form of donations. It´s a national movement which rewards local action. Of the $21 million invested, $15M went to small businesses located close to the investors. This proximity makes it easy for the investors to get personally involved and many of them provide invaluable technical assistance to the companies in which they invest.

Slow Money is based on six principles and a vision proposed by Woody Tasch, the current president and author of the book that launched the movement

Why "slow"? Nature produces its bounty season by season, not by quarters or fiscal year. According to proponents of Slow Money, IRR (Internal Rate of Return) is an absolutely inappropriate way to get a balanced return on investment because it´s extremely sensitive to time (the shorter the time it takes to earn each euro, the better.) Slow Money investment seeks to heal human communities and natural systems rather than to optimize speed and potential earnings.

As its name suggests, Slow Money was inspired by the Slow Food movement. Slow Food founder Carlo Petrini will be the keynote speaker at the national conference of Slow Money which will be held this year on April 29th and 30th in Boulder, Colorado. Each year the conference includes participants from Latin America, the U.S. and around the world. According to participants, it´s an inspiring mix of investors, foundations, organic farmers and entrepreneurs who are all committed to the philosophy of "small, local and slow".

One Slow Money investor is Eleanor Kinney, mother of three and oceanographer. She demonstrated her commitment to the local environment at a young age; she made her first four figure donation to a nonprofit when she was only 22 years old. Eleanor´s parents, who were passionate about supporting the arts, had recognized that their daughter´s passion was the environment. They invited a leader of environmental nonprofit doing impressive work to their home to meet Eleanor and he left with a check in his hand.

Today Eleanor Kinney doesn´t just make generous donations, she is one of the leaders of Slow Money in her home state of Maine. "My focus on local food and on rethinking how investment capital moves allow me to address multiple issues at once: the hunger that comes with poverty, climate change, lack of healthy eating options, the development of our local economy, the rise in obesity and diabetes, and more. "

"When my children were born," Kinney explains, "I wondered why I owned shares in companies that produced food I would never give my children to eat". Slow Money offers her the opportunity to make impact investments which reflect her values. For Kinney, that means moving her assets from Wall Street to local food companies with sustainable practices. "Besides," she explains, "the best way to preserve rural open spaces is to keep them productive. You can only protect so much land with philanthropic funds".

For many, Slow Money represents the next step in socially responsible investments. Like others, Kinney, "knew what I was not going to invest in, but I lacked the positive alternative which Slow Money offers." "We want to bring money to earth" said Arno Hesse, coordinator of the Northern California chapter." "In assessing our investments, we look not just at financial returns but at improving our community and producing better food."

Put another way, "The future is local," pronounces Narendra Varma, 43, former manager of Microsoft, who recently invested $ 2 million of his own money into a project which includes 58 acres of small farms and training farmers near Portland, Oregon. There are many ways to invest with the Slow Money philosophy. In Boston a financial adviser and founding member of Slow Money directed $ 170,000 of capital from three of his customers to Slow Money deals. Members can invest in local small businesses individually or as a part of a groups. They also help entrepreneurs take advantage of favorable financing through existing public funds or by providing guarantees for loans from local banks or credit unions. For example, funding for the Somerset Grist Mill in Maine, a flour mill and market for local agricultural products, comes from a mix of private investors, public funds, a private foundation and even a Kickstarter crowdfunding campaign which netted $28,000.

Accredited investors provide the majority of Slow Money funding, but there are opportunities to fit all budgets. Kinney is one of the founders of an investment club in Maine that follows the Slow principles. The "No Small Potatoes Fund" makes microloans of up to $ 5,000 to farmers and small businesses. The fund is made up a limited number of investors who each commit a minimum of $ 5,000 and must collectively approve all loans. Participants range from individuals for whom $5,000 represents a meaningful portion of their investment portfolio, to a billionaire who simply likes the concept. Now clubs in several regions of the U.S. have followed the example set by Maine. Loans made by a group in Northern California include lending a baker $2,000 to buy a new blender, loaning $6,000 to expand a local Greek restaurant, and lending $5,500 to two farms to increase the production of roasting chickens.

Another recent innovation is the "Credibles" model piloted in Northern California. It´s a form a crowdfunding through which investors buy credits which can be redeemed for food produced by the participating companies. It pays "edible credit" in the form of eggs, chicken, ice cream, etc..

Family foundations are important players in the movement nationally and locally. The Castanea family foundation invested in the implementation of a pilot farm for goat milk production. According to the director of the foundation, "Our first goal is the return of capital. If we can get our money back, plus a profit that allows us to continue our mission, would be great. If we can get our money back and nothing else, but at 15 years from now there are half a dozen more commercial dairy goat farms in Vermont, that will be a "home run" for us. We will have strengthened the local food economy, created economic opportunities and preserved land. "

After the early death of his brother, Andrew Kendall realized that "life is short" and took the reins of his family´s foundation. He chairs a board which includes his father, who created the foundation in the fifties alongside Andrew´s uncle. After over a decade of frustration with the results of their grants in response to climate change, the Board undertook a process of reflection, research and strategic planning. It was clear that the Board did not want to dilute the impact of the foundation by making it a "charitable bank account to meet the personal concerns of family members," as they had seen it happen at other family foundations. Kendall was President of the Board when he had an epiphany: if the foundation were focused on an area in which he had direct experience, he would be able to contribute valuable knowledge and relationships in addition to guiding financial grants. The Kendall Foundation has quickly become a major player in sustainable agriculture in the communities where it operates. Andy explains that the investment committee how now begun to discuss how they might deploy a larger portion of the foundation´s assets to fulfill its mission. They are attracted to Slow Money because ***it´s a way to test out impact investing.***

The latest innovation at the intersection of philanthropy and Slow Money investment is the Soil Trust, a national crowdfunding initiative to invest in local agricultural companies with the ultimate aim of increasing soil fertility, local economic vitality and access to food. Because the Soil Trust´s capital comes from large number of individual donations, the Trust focuses primarily on generating social and environmental impact and, only secondarily on its financial results. The Trust plans to reinvest its profits to reach its vision of creating value and long-term impact.

The Soil Trust defines itself as "Nurture Capital". It´s the opposite of venture capital, funds which typically invest in "high-tech", capital intensive business and concentrate capital is the hands the few in order to earn high returns. Nurture Capital focuses on soil fertility, is decentralized, supports local networks and facilitates the participation of many individuals. Slow Money folks explain that venture capital is about profitability, while "nurture capital" is about fertility.

How is the Soil Trust different from most crowdfunding platforms? The Soil Trust deploys its capital in collaboration with a network of local investors who have strong local knowledge as well as a through a national team whose members have decades of experience in philanthropy and socially responsible investment. Above all, the Soil Trust belongs to a movement, an emerging community of activists, farmers, entrepreneurs, investors and others with a strong, shared vision.

SLOW MONEY IN ACTION ON THE GROUND

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Slow Money Maine ***is one of the movement's most active chapters***. According to its Coordinator, Bonnie Rukin, philanthropist, investor, activist and long-time organic farmer***, the Chapter's success comes from the diversity of its participants.*** It's a vibrant network of more than 450 people, including farmers, investors and private philanthropists, bankers, NGO leaders, government officials and, of course, entrepreneurs. In the last 36 months, ***Slow Money Maine has catalyzed more than 3.5 million dollars going into in 55 small and medium-sized sustainable farming and food processing enterprises***. This breaks down into $ 1.6 million in loans with favorable terms, 15 investors putting $535,000 in equity into companies, and another 1.5 million in grants.

Slow Money Maine carries out five main activities:

1. ***Building a network*** to connect farmers, fishermen and other food producers to financiers, entrepreneurs, non-profit organizations, philanthropists, supporters and colleagues, so that all can benefit from the skills, experience and resources of the others.

2. ***Raising awareness*** of potential funding opportunities (while following securities laws and without seeking investments from the public.)

3. ***Working creatively and collectively to connect promising companies with the assistance they need***, technical, marketing and distribution support as well as financial assistance. This activity is not centrally coordinated, rather it functions organically through networks of relationships. For example, the "No Small Potatoes Club" Investment is a spin-off of Slow Money Maine whose members come together to make micro-loans.

4. ***Developing new funding vehicles for investing in local food businesses***. For example, along with lawyers who donated their time, Slow Money Maine worked with financial regulators and the Secretary of State of Maine to create a mechanism through which private foundations can finance local small and medium-sized businesses. Slow Money Maine folks also drafted model agreements which can be used to make grants to local economic development nonprofits with the stipulation that they be used for grants or low or no-interest loans to specific companies.

5. ***Creating a forum for public dialogue on food systems in Maine.*** For example, the priority Slow Money Maine currently places on promoting investment in infrastructure projects, such as processing plants or mills emerged from this dialogue.