



University of Gastronomic Sciences

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## **Community-Supported Financing**

How Transparency On The Web Promotes

Good Food Production

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# 1. INTRODUCTION

We all know the rules. Make your business plan, go to your bank and hope that they like it.

If they like it (which essentially means, that the expected turnover and profitability are high enough) you get your credit, buy your inventory, do your job and sell your products to be able to pay of your debts.

The mechanism of business works like this all over the world for big and small. Unfortunately for the smaller is, that higher loans ask for smaller interest rates and create a greater general interest for the investor. This leads in an increasing globalized world to mega-players, that have the power to control the market and to monopolize the offer of whole segments.

## 1.1 The Environment

New, direct and transparent ways of by-passing the banks are being created almost on a monthly basis (see [www.feedmyapp.com](http://www.feedmyapp.com) for examples). Some of the current models of micro- financing are for investors of the richer countries that want to support development in the poorer ones. Of course I have to mention in this context Muhammad Yunus, founder of the acclaimed Grameen Bank and holder of the 2006 Nobel Peace Prize. His work for poor bengalese farmers was without doubt nothing less than extraordinary. Unfortunately the bubbling system of top down financing, even on small scale, led ultimately to a breakdown in many areas, compared by the NY Times to the subprime crisis. Some others look for start-ups in the online, media and creative sector (e.g. [www.kickstarter.com](http://www.kickstarter.com)).

Slow Money ([www.slowmoney.org](http://www.slowmoney.org)), a joint of funds for farmers and food producers uses the network approach, to establish local investment opportunities on real- life meetings.

Founder Woody Tasch elaborated a set of principles that participants have to obey:

*“In order to enhance food security, food safety and food access; improve nutrition and health; promote cultural, ecological and economic diversity; and accelerate the transition from an economy based on extraction and consumption to an economy based on preservation and restoration, we do hereby affirm the following Principles:*

I. We must bring money back down to earth.

II. There is such a thing as money that is too fast, companies that are too big, finance that is too complex. Therefore, we must slow our money down -- not all of it, of course, but enough to matter.

III. The 20th Century was the era of Buy Low/Sell High and Wealth Now/Philanthropy Later—what one venture capitalist called “the largest legal accumulation of wealth in history.” The 21st Century will be the era of nurture capital, built around principles of carrying capacity, care of the commons, sense of place and non-violence.

IV. We must learn to invest as if food, farms and fertility mattered. We must connect investors to the places where they live, creating vital relationships and new sources of capital for small food enterprises.

V. Let us celebrate the new generation of entrepreneurs, consumers and investors who are showing the way from Making A Killing to Making a Living.

VI. Paul Newman said, "I just happen to think that in life we need to be a little like the farmer who puts back into the soil what he takes out."

Recognizing the wisdom of these words, let us begin rebuilding our economy from the ground up, asking:

*\* What would the world be like if we invested 50% of our assets within 50 miles of where we live?*

*\* What if there were a new generation of companies that gave away 50% of their profits?*

*\* What if there were 50% more organic matter in our soil 50 years from now?"*

Another interesting statement is that of Umair Haque, director of the Havax Media Lab, who writes a blog at the Harvard Business Review (hbr.org) In an article called "The Finance 2.0 Manifesto" he formulated a list of "**nine paths to igniting the next financial revolution**".

*"Edge funds.* An edge fund is the opposite of a hedge fund. Where hedge funds are opaque, edge funds are transparent. Where hedge funds are closed, edge funds are open. Where hedge funds are run for near-term gains, edge funds are in it for the long run. Where hedge funds create artificial book value, edge funds create value that accrues to real people and society. Where hedge funds focus on long and short transactions, edge funds focus on relationships. Think Marketocracy on steroids.

*Macro and micro-currencies.* A currency tied to national interests determined by a political elite? That's so ~~20th-century~~ 16th century. A better financial system needs better currencies. Finance 2.0 will be built on micro-currencies and macro-currencies: currencies which operate hyper-locally and transnationally. Why? Because people shouldn't have to bear collective responsibility for bankers looting or regulators cahooting. In the 21st century, the quiet tyranny of economic collective responsibility is intellectually bankrupt: it is fundamentally unjust, deeply inefficient, and vastly value-destructive.

*Social banks.* Despite what marketers tell you, banks do not exist to maximize profits. They exist to maximize the safety of deposits. We've been taken for a very expensive ride. Next-generation banks will be structured as social enterprises — because the incentives to safeguard deposits and reinvest profits for the common good perfectly converge to a dominant strategy for long-run value creation.

*Fair markets.* Markets are free like a shark is a fish. Anyone can play — but only at the risk of being manipulated, looted, and defrauded by the deepest-pocketed. The anonymous arms-length transactions orthodox economics lionizes are, in practice, just a hyper-efficient mechanism for front-running, predatory trading, and bid rigging. Next-generation markets aren't just free: they're fair. They are markets where information about reputation, reliability, and relationship thickness are hardwired into the DNA.

*Stakeholder communities.* Institutional investors are so 20th century. Centralizing control over our biggest corporations in the hands of a bunch of old dudes asleep at the wheel was as good an idea as the 'spork': interesting in theory, useless in practice. Tomorrow's radical innovators are already updating corporate governance for the 21st century, by letting communities of stakeholders shape managerial decision-making. Think mega-Etsy.

*Whisper bullhorns.* Why is trading such a great business? Because traders have access to info that you don't. Why can't everyone get in on the whisper circuit that powers prop desk profits? Because no radical innovator has taken on the challenge yet of amplifying the secretive whisper circuit into a blaring bullhorn. But imagine if the rumors that drive share prices up and down on trading desks were Twitterfied. The result would be a financial revolution: the market power Big Trading enjoys would vaporize faster than you can say "insider info."

*Googlizing financial instruments.* What business is Wall Street really in? The business of hoarding information: to seek a so-called informational edge. Of course, markets don't work if everybody's hiding info — they only work when people are revealing it. Google can help me find a tennis racquet, Match can help me find a date, and Last.fm can help me find some

tracks to rip — but who can help me find a better place to put my cash that effortlessly? No one. And that's a massive reason why we're stuck with a 1.0 financial economy.

*Anti-ratings.* Your credit is rated mercilessly. But does anyone rate lenders — not to mention brokers, banks, and investors? Today's crisis would have been far less severe if consumers had access to knowledge about who was a trustworthy lender — and who was going to sell them the financial equivalent of a roadside bomb. Credit ratings alone cannot create more efficient financial markets — doing so requires better information about both buyers and sellers of every kind of financial product.

*Open source modeling.* Every bank built the same models. Every bank built the same flawed models. Every bank built the same flawed models on similarly erroneous assumptions. How dumb is that? Incredibly. Unleashing the power of open source to vaporize this black hole of incompetence is going to be a tremendously powerful path to innovation. The peer review, voluntary contribution, and always-on negotiation at the heart of the open source model create powerful incentives for quality — which is exactly what the hare-brained quants at banks lacked.”

## **1.2 Why Invest**

Imagine you walk along your favorite high-street when you realize, that you didn't have anything to eat for some hours and your stomach starts to send some easily recognizable signs to your conscious. You decide to walk into the bakery on the side to get a quick snack that keeps you satisfied until you get back home. Entering the bakery the smell of the goods create even more desire to eat. You make your choice, see how the friendly lady on the other side of the counter places the sandwich you chose in a brown paper bag, that you finally exchange for some coins. Now imagine, that the baker actually didn't use any flour, to bake the bread. The topping also was never part of the inventory of his store, and if that would not be absurd enough,

instead of paying the amount written on the price- tag, you have to pay double. Nobody would agree to a deal like this? Well, this is precisely the scheme behind bank loans and credit cards. Banks can and do lend up to around 90 times the value, that they have on reserve. Asking for an interest rate on that imaginary money is, how they “crop” the system. Prof. Franz Hörmann, economist at the Vienna University of Economics and Business explains this precisely in an interview with ‘der Standard’ and goes so far as to say, that actually you don’t have any obligation to pay back loans, if the money in question never existed.

This opens an important question; why would it make sense to invest existing money in businesses, if banks can ‘invent’ it? The answer is quite obvious, if we consider all aspects of the calculation. Only through careful attention to what people do with the money they get to use can help to lead us on a road, where it actually does matter. This attention comes by default, if the lenders carry part of the risk, in a transparent setting. We know, that people are willing to take some risk, if the incentive is high enough. To observe this, we just have to look on the stock markets. On the other side it is to recognize, that a growing number of people look for an alternative strategy, enlarging their values from pure profit maximization to more complex and sustainable ones like community building, organic agriculture, fair trade and the creation of ethical working conditions. Lending real money prevents the construction of a market bubble, that doesn’t exist, a way of financing we have seen failing twice already in a single decade.

### **1.3 This Work - Its Ambition**

The field of economics is as old as society, with an incredible amount of publications that can be found on the market. This text is not aimed at reinventing the wheel, but to give a brief insight to the origins and the current state of thought in the field.

As it is impossible to comprehend the full scope of economics in this work, I will try to include essential pieces for the understanding of the ongoing project to create a platform for a new system of food production financing.

To do this, it is necessary to include citations of people, that changed the way I perceived the current system in an interdisciplinary approach. Only this discourse opens up an understanding of how to contribute in an extensive way through holistic means.

The Internet enables everybody to directly contact anybody with access to the Web instantly. Potentially all intermediaries for communication can be cut, given a system in which people with a common interest can find each other.

This is true as well for the capital market, where for the past few years the big players have sold their shares almost solely over the Internet. For small participants, both on the entrepreneurial as well as investor side this didn't lead to improved security. Fluctuations on the stock-markets cost many small scale investors their savings, while small scale entrepreneurs still have to struggle with representatives of profit seeking banking institutions.

In a time where an increasing number of people want a real alternative in investment opportunities, I will try to find a ground for:

- a network of small and medium sized farmers, food producers/transformers and consumers (or as Slow Food coined it, more correctly co-producers<sup>1</sup>)
- a more ethical approach to economics
- an investment tool for sustainable food production on an educational level
- supporting local development on a socio-political, environmental and economic level
- creating transparency for all participants
- fostering food sovereignty as promoted by “Via Campesina”

Nevertheless it is necessary to have a institutional system, that allows for easy money transfer, possibly allowing for local/ micro currencies. The uprising question is, if this should be an established, or a newly created system.

A structure created for the purpose could basically be compared to ‘Paypal’ ([www.paypal.com](http://www.paypal.com)), the online banking tool set up by ‘e-bay’ ([www.ebay.com](http://www.ebay.com)). A centralized platform with user accounts with the main purposes of bringing ease to money transfer and creating security for the users by hiding their actual banking details.

While this approach would mean more liberty on decisions for the provider, it would by-pass as well existing banking models, that actually do consider ethical value and, more importantly, be another centralized (and thus controlled by only a few) institution.

Another, maybe more egalitarian proposition would be to work tightly together with local, anthroposophic<sup>2</sup> co-operative banks, that already exist in most areas like the ‘Banca Etica’ ([www.bancaetica.com](http://www.bancaetica.com)) in Italy or the GLS (Gemeinschaftsbank für Leihen und Schenken [www.gls.de](http://www.gls.de)) in Germany.

In this context I would like to cite the principles of the Banca Etica as stated on their Web-site to allow an understanding of the common values of the Community-Supported Financing for sustainable food production and this institution.

- ethically oriented finance is aware of non economic consequences of economic actions;
- access to finance, in all its forms, is a human right;
- efficiency and soberness are components of ethical responsibility;
- profit produced by the ownership and exchange of money must come from activities oriented towards common well-being and shall have to be equally distributed among all subjects which contribute to its realization;
- maximum transparency of all operations is one of the main conditions of all ethical finance activities;
- the active involvement of shareholders and savers in the company's decision making process must be encouraged;
- each organization which accepts and adheres to the principles of ethical finance undertakes to inspire its entire activity to such principles.

## **2. COMMUNITY-SUPPORTED FINANCING**

### **2.1 Ethical Values**

Ethics and education in economics are the two most meaningful aspects of this work, I would like to start at this point with aspects of the former point. Amartya Sen who was awarded the 1998 Nobel Prize in Economic Sciences, touches some core questions in his book 'On Ethics and Economics'. Starting off his book with a description of the origin of economics, where he notes:

“...(A) surprising feature is the contrast between the self-consciously ‘non-ethical’ character of modern economics and the historical evolution of modern economics largely as offshoot of ethics.” “It is arguable that the importance of the ethical approach has rather substantially weakened as modern economics has evolved ... If one examines the balance of emphases in the publications in modern economics, it is hard not to notice the eschewal of deep normative analysis, and the neglect of the influence of ethical considerations in the characterization of actual human behavior.”

It is arguable at this point, also considering the beginning of this text, that ethics found its way into economics, especially through social media in the Internet. But it is not to overlook, that still all textbooks distributed and recommended to students of economics deny any link between the issues. His work can still be considered as the only book, published in the context of scientific methodology to bring together the strict correlation of the fields.

Sen continues to talk about the effects of this neglect:

“...it turns out that famines often have little to do with food supply, and instead have causal antecedents elsewhere in the economy, related through general economic interdependence.”

This interdependence, that is impossible for any one person to fully appreciate in its entire scope, even considering only the products consumed by himself, has to be translated into a data- evaluating tool. Only this opens up the possibility to look for further value than pure utilitarianism.

“... the traditional welfare economic criterion used to be the simple utilitarian one, judging success by the size of the sum total of utility created - nothing else being taken to be of intrinsic value.”

The “Right to Food” is law in many countries in our days, but that still doesn’t correspond to actual nutrition of the nations. Those countries that actually are able, to feed their populations are caught in one-way cycles of Dependency, like the import of certain goods, or the distributive power wielded by a selected few corporations.

“... in economic analysis rights are seen typically as purely legal entities with instrumental use rather than any intrinsic value. ...However, it is arguable that an adequate formulation of rights and of freedom can make substantial use of consequential reasoning of the type standardly used in economics.”

At this point it becomes obvious, that only a participatory interdependence can insure a sustainable production and stable supply of food.

Why would it be necessary to everybody to get involved in this network, one could ask? Leaving decisions about food production to others lead us to a place, where not even those responsible can overlook their influences on the society and the environment.

Who doesn't use his ability to get informed and involved ignores his piece of responsibility in regard to slave- and child- labor (from sugar production in the Dominican Republic to cocoa production in Ivory Coast), toxification of our water and agricultural land and its loss of bio- diversity and fertility.

## **2.2 On Interdependence**

Interdependence becomes more and more obvious in many aspects of daily life. Wherever we are customers we have to rely on an ever increasing amount of people, wherever we offer a product or a good, people are dependent on us. In most cases, we are just intermediaries, who have to further rely on external support, maybe even of the same people that appear to be our customers. One very basic example is the baker, who needs flour to bake his bread. This, he gets from a mill that in turn receives the grain from a farm. Both Miller and Farmer need to eat bread and become customers of the bakery. What appears here as a simple cycle becomes more complex if we consider modern distribution webs, but nevertheless short of interdependences.

In his Web-log "The Relationship Economy" author Jay Deragon asked the question "Are we Interdependent?" The short answer:

"The key to maintaining a community of any sort and for any length of time is interdependence."

He argues that:

"One of the strongest forms of interdependence is customer interdependence. Customer interdependence is defined as a group of people who create a social network due to an affinity of a particular product or service.

If the community members need each other to obtain the collective objectives, it will become a strong force for change. This form of interdependence is most easily created by self-sufficient exchanges. In other words, all of the needs of the members of the community are all defined from beginning to end by the community itself.

The emergence of the adult population into social networking platforms is creating a much higher expectation for required changes than before their participation. Most adults with any business experience have higher expectations for performance than the younger generations who have historically been the primary users of social networking platforms. Thus the bar of expectations for utility and efficiency from social networking platforms is being raised quickly as more and more adults both adopt the medium and spend time learning how to use it effectively. Now enter commercial businesses and the media to this mix.”

### **2.3 Interdependence- Driven Education**

This change in social networking, driven by adults with expectations towards actual results, opens up the question on how consumers actually get the information they need to make educated decisions. Journalism can help, but ‘preaching’ change alone can’t be the answer. Only the ability to interact with each other, as well as with producers, can lead to a discourse profound enough to drive change.

At the 1999 Conference on Higher Education of the American Association for Higher Education John Seely Brown gave an insight about the connection when he said:

“...the Web does three things. First, the Web helps to establish a culture that honors the fluid boundaries between the production and consumption of knowledge, recognizing that knowledge can get produced wherever serious problems are being attacked and followed to their root. Second, with the Web, it is easier for experts—in the academy or in the firm

—to casually interact with others and thus to act as mentors or advisors for students (or knowledge consumers) of any age—that is, folks that want to learn. Third, the Web provides infinite reach, rendering accessible resources far beyond the region; yet, the power of this reach is greatly enhanced when the results of this reach act as cross pollination, providing new grist, new points of view for communities of practice of the region.

In essence the Web augments the knowledge dynamics of a region, increasing its diversity and expanding its learning resources by leveraging local expertise—in a lightweight way—for mentoring. More generally, it enhances the fluid boundaries between knowledge production and knowledge consumption and between the local and the virtual. The Web helps to build a rich fabric that combines the small efforts of the many with the large efforts of the few. It enables the culture and sensibilities of the region to evolve, not only by enriching the diversity of available information and expertise, but it tightens the feedback loops of bootstrapping. It increases the intellectual density of cross linkages. And it enables learning to happen everywhere—a learning ecology.”

Implementing these changes will be a process that will play a role in several aspects of our life. Certainly food choices will become (if they not already are) a major issue in this context. As a part of these choices will not only be what we consume, how and by who it is produced, but also how these people finance their activity and promote their values.

In this framework of thought I would like to come back to Slow Money, the principles of which I already cited in the preface.

## 2.4 The Case for 'Slow Money'

Woody Tasch places his funding network on the solid bedrock of sustainable development, analyzing the disadvantages of our contemporary perception of good investment strategies and re-guiding anthroposophical investments to a social and local level.

“The premise is this: the problems to be addressed related to soil fertility, biodiversity, food quality and local economies are not primarily technological problems but financial. In a financial system organized to maximize the efficient use of capital it shouldn't constitute a surprise to find oneself with depreciated food, million hectares of genetically modified cereals, billions of miles traveled by food, dying small-towns, children that believe food is born in supermarkets and an epidemic of obesity alongside persistent hunger.”

He is convinced, that the perception of the infallibility of our economic system, of which not only many bankers are persuaded, is just one type of myth, not better than any other or even representing the actual truth.

“What if not a myth could make the soil seem sacrificial? What if not a myth could be powerful enough to convince us, that too big companies, too complicated intermediaries or too fast money don't exist. Too fast money does exist. It is that, which is so remote from the people, the place and the activity that is financed that not even the experts understand it thoroughly.”

Opposing to fixed- mind- sets of politics Tasch pursues a bottom up approach for his project, that can't be easily categorized like the predominant modes (capitalism, communism,...).

“But to be clear: Slow Money is not an “-ism”. Slow Money did not come out of the head of an economist, but comes from a myriad of small

steps taken by farmers, consumers and investors who raise the questions that must be asked and respond to questions that are no longer resolvable by the formulas of agricultural economics...”

In the complex web of money he sees opportunities for a great increase of multiple- value investments, to finance a new agricultural- and food- system.

“Food... is (also) the field in which we explore the border each day between investment and philanthropy. Using the global markets as a guide, we prefer the production of goods over the fertility of the soil, denying in parts or at all access to investment capital or philanthropic intervention to the great majority of sustainable farms.

Socially responsible investments, investments of foundations targeted to related programs, venture philanthropy, social entrepreneurship, local economics, consumer demand for organic and natural products are the first stages of a realignment of deeper trust. Some of these initiatives remain marginal and full of ambiguity, others are an indication of fundamental, structural changes, along the border between profit and non-profit, shareholders and stakeholders, global investors and local citizens.

This process of economic and cultural transformation demands a new prudence, new urgency, a new vision of financial markets that introduce the age of a restorative economy, that integrates the theory of fiduciary responsibility and the practice of maximum load of capital management, attention to the community, the sense of a place, cultural and biological diversity and nonviolence.

One of the parameters of success will be how much new capital we can channel to businesses that create economic opportunities while respecting, protecting and promoting soil fertility.”

Taschs inclusive approach tries to define itself not only through numbers, but through common sense and good practice.

“That is the beauty of the adjective small: it can not be used in an absolute sense, but exists only in a relative sense. It requires an assessment of quality; it implies an appropriate level and challenges the intelligence to imagine what that means.

The same is true for the word local: does local indicate a specific number of miles from point A to point B? Is it an indication of a specific policy or contract? What relationship does it imply on a bioregion or a water catchment area? The adjective local has connotations of relationships, connections, roots and that kind of responsibility that is the opposite of anonymity and absentee ownership.”

Money has a role in society, but this role is not infinite for the author.

“We need to stop thinking about money as a lubricant for a machine that is everywhere and nowhere at any given moment and start thinking about money as an irrigation for the field of our intentions, expressed here and now, where we live and where we work. We must stop giving priority to the imperative of self-propagation of the explosive money begin to give priority to the imperatives of the impending implosion of the social and ecological collapse.”

Bottom-up is about everyday choices of the individual, for Tasch the guiding-force should be beauty.

“With the right vision we can see every transaction, every investment, not only as a small moment of truth, but also as an opportunity, small but crucial, to prefer the beauty over convenience, competitiveness, uniformity, control, the big shot, non-liability of the seller, the commodification, to the lowest common denominator, to buy low and sell high.”

Explaining, that as an economist, he was trained to think and write in an objective manner, he used to exclude himself from the context. Thus dehumanizing the issue and obscuring the whole purpose of his work.

“It is ironic, that while I understand that Slow Money serves to reunite producers and consumers, investors, community and earth, I am still very slow at understanding that the functions of connecting and reuniting of Slow Money can be as important as its management strategy funds. People and places first, money second. Unite producers and consumers and investors not only in the abstract, but as people.”

Now, if investment is key, and empowering small scale food producers is the goal, my proposition would be to look at the most direct link. What is the gain of paying a producer for his goods, so that he can pay back the investors, if the investor and the consumer are the same people?

## **2.5 Community-Supported Agriculture and beyond**

“Community-Supported Agriculture is a socio-economic model of agriculture and food distribution. A CSA consists of a community of individuals who pledge support to a farming operation where the growers and consumers share the risks and benefits of food production. CSA’s usually consist of a system of weekly delivery or pick-up of vegetables and fruit, in a vegetable box scheme, and sometimes includes dairy products and meat.” (Wikipedia)

In its early days in the 1960s, several european and japanese farms, and their customers, participated in the elaboration of the idea and established a system of anthroposophic distribution of food. But only after 1984, when dutchman Jan Vander Tuin introduced it in north America, it gained broader recognition. According to the United States Department of Agriculture, in 2007 there existed throughout the USA more than 12000 farms utilizing this economic model.

Taking advantage of the benefits of shared responsibility, this mode of financing bypasses all institutions, and thus fresh, high quality, low impact food becomes reasonably priced even for larger communities. During a field trip with a group of students in the summer 2009 to the city of New York we met Julie Walsh, Assistant Director of ‘Grow NYC’ that organizes over 50 farmers markets in the town. She explained to us, that for people receiving benefits it is now possible to devote a part of that directly to one of the CSA programs. The city saw a great opportunity of providing access to good food to the lower classes, paying the one-off fee, thereby reducing by a small amount the monthly payment to the beneficiaries.

The Idea is both simple and good, but in Europe and many other countries couldn't find wider recognition. Nonetheless a different kind of economic model, the Box Scheme has had marginal success on this continent.

These Schemes, mainly used for fresh fruit and vegetables, are based on a similar and at the same time opposing strategy. The investment for farmers still depend on the classic institutions, but they open the horizon for long term relationships between producer and consumer. In this model customers order on a, usually, weekly basis a portion of a farmers weekly yield, who often include as well products of other origin, to compensate for climatic unavailability in a given region.

While the relationships build up trust between the participants, and allow for customers to choose when to participate and when not (so there are no unnecessary deliveries during times of no need like holidays/ travels), the fundamental issue of ownership is handled in a crucially different way. The one-off payment of the CSA doesn't pay for a certain amount of food, but pays for the tools, seeds and labor of the farmer for a given time/ season, thus breaking the one way street of interest-based loans and opening a way for fair pricing.

A mixed system, taking advantages of both models and using the power of the Internet, could bring forth a new interest in alternative food-production financing.

New customers, to understand the quality of a product, should be able to purchase goods individually or collectively, without any further obligation. Only those satisfied with the work of a producer should consider to engage in a long term partnership with him. After all, in our modern society nobody wants to marry without knowing the bride/ groom.

This model should include a wide variety of primary producers like horticulturalists, grain farmers, dairy farmers, breeders of animals for meat (including fish and seafood) and animal products (like eggs) as well as artisans and food transformers like millers (including oil mills), bakers and brewers, restaurateurs/ chefs, dairy transformers (cheese, yoghurt, butter,...), beekeepers, meat processors (fresh cuts, cured meats, smoked & tinned products, animal fats,...), coffee and chocolate transformers, institutional kitchens and private customers (ideally constituted of groups/ buying co-operatives).

But, not only food producers should have access to this type of financing, anybody who plans educative events, workshops and festivals should equally be able to promote their products and get access to means.

### **3. EXAMPLE CASES**

In the following chapter I would like to discuss several situations of food production and distribution, allowing insight into the current channels producers of quality foods/ beverages are operating within, with a main emphasis on the small-scale and organic sector. Since most trade is still done through traditional channels (offline so to speak) I will include examples of both 'worlds'.

While it is not possible for brick and mortar stores to offer the same amount of information about the producers, their goods and pricing transparency as it is for online shops, their accessibility is still far greater and for small amounts usually cheaper due to shipping costs. What unites all examples is the aim of providing quality products to informed customers.

#### **3.1 Traditional Distribution Channels**

##### ***3.1.1 Wines from the Langhe***

Wines from the Langhe area in the south of Piemonte have a long tradition, names such as Barolo and Barbaresco are common among wine connoisseurs around the world. Since the 1980s the area under vine cultivation was increasing continuously, creating in some parts of the valleys large monocultural plantations. At the same time the number of bottles produced increased by nearly 50 percent, while it became increasingly difficult, to sell the wines. Today many producers, especially of small and medium scale, that can't afford to run their own marketing department, find their cellars full of several years worth of production, not knowing how to market their wines in a more constant way.

This situation raises questions on how to continue, many have to face consequences like selling their grapes to larger companies, that have better distribution channels, but depersonalizes the wines and leave only a small margin to the growers.

Restaurants, like consumers often located far from the region of production have difficulties in finding a variety of producers of the same region, to understand the differences in production, and thus to make informed decision on the choices. Of course one could and probably should consider consulting wine guides, but even the best guides offer just a limited range of characteristics and usually don't help much, to build a lasting relationship between buyer/ consumer and producer.

### ***3.1.2 Cheese and the farmers market***

Inhabitants of the city of Bra, home of 'Slow Food' and host of the biannual trade-fair 'Cheese' have a wide choice in food products of many sorts. From large commercial shopping centers, via speciality stores and the general market to a three times per week farmers/ producers-market.

While the opening hours of the shopping centers have their advantages, the food found there is often less fresh and higher priced than the foods found at the market. The general market is subdivided on several squares throughout the city center, with the area for the farmers/ producers stands confined to a rather inanimate square.

Due to these circumstances, the majority of inhabitants can be grouped into two main fractions. One part prefers the ease of shopping in the large supermarkets, the other part uses more frequently the offerings of the general market.

The small fraction, that prefers to purchase directly from producers at the market, has the opportunity to buy next to fresh fruits and vegetables as well transformed goods such as honey and cheese from the local producers.

The cheese on offer is of high quality and almost exclusively made of raw milk. The stand with the widest choice (next to cows-, ewes- and goats-milk cheeses of all types you can find butter and eggs as well as whole birds on special occasions) belongs to two very

sympathetic ladies (mother and daughter), who come to Bra every Friday as part of their six days/ six markets rotation. All of their products come from their family farm and everything is sold at the local markets.

They cheerfully advertise new types and have always a slice-to-try on hand, however it is still difficult for them, to sell-off their goods and pre-estimate in advance, what is going to be sold.

### ***3.1.3 Bio- Supermarkets in Germany***

Anyone who has spent some time during the last few years in any of Germany's towns surely noticed the fast spread of bio-shops and -supermarkets.<sup>3</sup> These shops offer a wide range of organic certified products, of which many imported goods carry as well a fair-trade label.

The average quality is usually satisfying and the prices comparatively acceptable. The biggest part of the packaged product range comes from some packagers/ distributors like 'Dennree', 'Alnatura' and 'Rapunzel'. These enjoy a high reputation and trust from the customers, many of the loyal buyers purchase a range of different products from the same company.

Fresh produce is usually imported from around the globe, mainly of large monoculture but organic certified farms.

Aiming to offer everything a normal supermarket has to offer these shops (most of them part of a chain e.g. 'Basic' or again 'Alnatura') create an atmosphere of alternative lifestyle for the young and educated customers.

Since Germans proved to prefer 'local' (or more correctly close by) supermarkets to any other type of distribution (e.g. open-markets, small specialty stores, centralized hyper-markets) it appears to be very appropriate for this nation. At the same time it is creating a growing gap between producers and consumers, since the objectives of both are drifting apart. The price battle carried out by the

supermarkets left the producer to care solely for the quantity of the product with the highest margin, while the consumers created a feeling of pride for finding the cheapest deal.

The distributors, that build up values today may be the ones, who drive prices tomorrow.

As long as there is no transparency for the consumers, and producers stay anonymous only time can tell how long it will take.

### ***3.1.4 Eataly in Italy - and elsewhere***

An increase of bio-supermarkets can be felt as well in Italy, but at a very different pace.

Most towns offer a similar picture of what I described before in the example of Bra. One concept seems to have taken off nonetheless since its introduction in 2007.

Oscar Farinetti's 'Eataly' combines high quality products (bought directly from the producers), gastronomy and education. Eataly has been opening one shop after another with flagship-stores in Turin, New York City and Tokyo. Not only is he selling goods, but he is the main investor in several of his best selling products like pasta ('Afeltra' in Gragnano), wine ('Fontanafredda' in Serralunga d'Alba), beer ('Birrificio Baladin' in Neive), water ('Lurisia' in Roccaforte Mondovì), pastry ('Golosi di Salute' in Monticello) among others. To round up the offer he includes a wide selection of Slow Food 'Presidia'.

The prices are rather high compared to mainstream supermarkets, but are acceptable for the quality and even low compared to small speciality stores.

In the Italian stores there is a strong emphasis on regional products, meaning 50 per cent of the products come from Piemonte (where 4 of the 6 stores are located). This regional aspect is obviously much less developed in the New York and Tokyo outlets.

I have to say, that for an eco-food-lover it is more than easy, to fall in love with these shops, where good marketing meets good products. The only critique that I dare to pronounce at this time is to point out, that it is rather difficult for producers, to get their products into the shelves, if they want to stay in control of their production.

### ***3.1.5 Whole Foods in the United States of America***

The number one adjective if thinking about the USA must be big. In the country of superlatives the organic and local market makes up only a fraction of the GNP but even in that fraction representations of 'big' exists.

I would like to pick three examples from this country, as its speed of development and implementation of ideas has a different footprint than anything in Europe.

The list of Whole Foods stores (<http://wholefoodsmarket.com/stores/all/>) is breathtaking and so is the the number of products on offer. The quality of these is generally good, sourced from every imaginable place and priced accordingly. Ready to consume foods for take-away are offered (like wedges of fresh pizzas and a salad bar).

People searching for local ingredients can have a hard time in many of the stores even though the company puts a special emphasis on those, but in the wide choice there should be something for every taste.

While looking out for local producers, they offer as well a low-interest funding for local small-scale food producers. Several videos of funded businesses can be watched on the Web-site.

Like Eataly it still carries for many the connotation of an elitist store and is more regularly frequented by the 'LOHAS' (people with a lifestyle of health and sustainability) meaning wealthy singles rather than family moms.

Throughout the shops Whole Foods offers courses on product knowledge and their Web-site offers even to foodies several new insights on the products on offer.

## **3.2 Virtual Distribution Channels**

### ***3.2.1 Equalway.org in Italy***

This Web-site offers a place for producers to promote their goods and for consumers to join together to reduce/ divide shipping cost for the products originating from a far-off location. The data is structured on three map layers.

The first layer shows all groups that collectively order products, every member is free to join groups or create new ones. The second layer shows locations of producers (many of which certified organic), the third individual consumers.

Apart from the map functions, products are categorized and listed (premium users). For producers it is free to list their location, create a blog and list their shop, to list products on the site, open a online-shop including the ability to offer pay-pal payments next to some other features, they have to sign up for a premium membership which currently costs 36€ per year.

Even though the community is still rather small the products on offer cover many regular shopping items as well as some regional specialities. With a growing number of participants this nonprofit operator appears to become a very interesting player for the Italian market.

### ***3.2.2 Meine-Ernte.de in Germany***

On this new Web-site, it is possible to acquire a share of the production, based not on the overall output of the farm, but on a designated part of it. The 15 participating farmers, located throughout Germany, agree to plant a variety of at least 20 different vegetables, accompanied by flowers on an area of 45 or 85 square meters, for 179 or 329 Euros respectively.

The customers become true co-producers, since the harvest has to be done by them. That way, they receive the freshest possible produce, for a season lasting from the beginning of May through to the end of October.

Apart from harvesting, they agree to water and look after the plot during the season, always aided by the professional help of the farmer. For grown ups and kids alike, this opens the possibility of getting in touch with their food, before actually cooking and/ or eating it. Learning playfully, what it takes to grow food, while not having to worry about heavy labour, expensive equipment (everything is provided) or studying books before starting. Information on what has to be done in the gardens and small texts about product knowledge can be found seasonally updated on the farm's blackboard.

The Web-site claims, that by re-seeding the land after the harvest of the pre-planted vegetables, produce with a value of over 600 Euros can be grown on the larger plot.

Even for those who don't reach this ambitious goal, this site has come to last and to grow.

### ***3.2.3 FarmsReach.com in the United States of America***

I would like to introduce the concept of Farms Reach, located in California, even though the service is still in an experimental phase.

The differences of this Web-site compared to its competitors are in the extra services they offer.

The initiators worked, before starting this new challenge, for five years on direct sourcing for San Francisco based restaurants from farms within a 100 mile radius and operate the 'San Francisco Foodshed Project'.

From the About section:

“Our shared goal: to increase farms' visibility of and access to new markets, and to help larger volume buyers access regional foods.

The Leadership Committee was born from a Supply Chain Convening we hosted in San Francisco in August 2010. In the two-day design workshop, 30 individuals from across the vertical and from across the country came together to identify why regional food systems aren't scaling very quickly or easily despite the demand, and what the most urgent solutions may be. The results were overwhelmingly enlightening and inspiring.

Intuitively, many of us believed regional farms just need a more efficient marketplace, but what we found is that the more urgent need is to help farms prepare for market: specifically, tools to assist with pricing, packing, food safety compliance, planning, and group purchasing.”

This approach should be included in any marketing strategy, since only the ability to comply to market standards, without the help of big intermediaries, gives producers a real chance on the market.

#### ***3.2.4 LocalHarvest.org in the United States of America***

I have to admit, this groundbreaking page is a great inspiration and the most advanced and way-leading tool in food distribution.

With a staggering 3500 community supported farms listed, it is not only the biggest of its kind, but also offers a program that makes it easy for farmers with only basic computer skills, to fully engage with their customers.

Customers can choose between producers, different subscriptions, pick up points and dates, and can even with a tick let the farmer know, when they are away and can't pick-up their share at all.

It's not only a site for CSA's, but offers a wide range of goods for delivery from all over the United States, mainly from small- and many of organic producers. Just to give an Idea of the choice opened by a network of that size: they have 19 pages of tomato seeds and list even a farmer that offers fertilized emu-eggs.

The map function offers ease of use for finding farms, farmers markets and restaurants. The prices are, thanks to full transparency and direct distribution, down to earth.

It is hard to find reasons, why this site would stop growing at its current speed, and if progress on development keeps up with the speed it has, it will change the american market significantly within the years to come. Even if the european market doesn't have such a strong force on the Web right now, I am convinced that this model will reach and conquer this part of the world within a decade.

## **4. CONCLUSION**

### **4.1 Food Sovereignty**

How is this connected to food sovereignty?

The international non-governmental organization ‘Via Campesina’ gave a definition that has now gained wide recognition.

“Food sovereignty is the RIGHT of peoples, countries, and state unions to define their agricultural and food policy without the “dumping” of agricultural commodities into foreign countries. Food sovereignty organizes food production and consumption according to the needs of local communities, giving priority to production for local consumption. Food sovereignty includes the right to protect and regulate the national agricultural and livestock production and to shield the domestic market from the dumping of agricultural surpluses and low-price imports from other countries. Landless people, peasants, and small farmers must get access to land, water, and seed as well as productive resources and adequate public services. Food sovereignty and sustainability are a higher priority than trade policies.”

Obviously a trading platform on the Internet cannot reach this goal alone. But the possibility of accessing information throughout continents is a significant step to understand problems within systems and across these. Trade logistics can be thought over and optimized, new business models can be elaborated and investors can be found to support these. Only when everybody has access to information everybody has a fair chance.

## 4.2 Access to Information

Transparency is key in the network of tomorrow. Who wants to participate, needs to put some information public. I strongly advise everybody to think about how to present information about businesses, with the current speed of development of the Internet it is only a matter of time for it to become public. The future will show who is prepared for presenting a fair picture of all data available. I'd like to list some essential key points that should be included in any profile, for several exemplary sectors:

For a farmer, essential information for participation are for example:

- Land under use (map)
- Farming methods (certified organic and biodynamic, if not certified: what are the treatments, what is done to promote soil health,..)
- Biodiversity of farm (considering as well, what is not sold)
- Hired labor / Treatment of workers
- Machines used (tractors,..)
- Energy balance (fuel used, renewables (e.g. wind, solar...))
- Educational offers
- Product description (e.g. Box containing... during season...)
- Price of products/ Value of a share
- In case: Minimum amount of participation

For a dairy transformer/ co-operative:

- Where is the milk coming from (map)
- Farming methods of dairy farmers (if not participants of the same page)
- Diversity of breeds used
- Hired labor / Treatment of workers
- Equipment used / Energy efficiency
- Energy balance
- Educational offers

- Product description
- Price of products/ value of a share
- In case: Minimum amount of participation

For a artisan baker/ chef:

- Type of ingredients
- Where are the ingredients coming from
- Farming methods of primary producers (if not participants of the same page)
- Hired labor / treatment of workers
- Equipment used / Energy efficiency
- Energy balance
- Educational offers
- Product description (minimum amount of participation)
- Price of products/ value of a share
- In case: Minimum amount of participation

For a beekeeper:

- Where are the bees located (map)
- Species used
- Farming methods of the surrounding farmers (if not participants of the same page)
- Hired labor / treatment of workers
- Equipment used / Energy efficiency
- Energy balance
- Educational offers
- Product description
- Price of products/ Value of a share
- In case: Minimum amount of participation

## 5. LAST BUT NOT LEAST

The title of this work puts an emphasis on good food. Who is to judge if the products produced on small scale through transparent marketing are really good?

First I would like to consult one more time the ABC of Slow Food, following their guidelines for the definition of good food:

“a fresh and flavorsome seasonal diet that satisfies the senses and is part of our local culture”

Locally distributed or even self harvested (as in the example of [Meine-Ernte.de](http://Meine-Ernte.de)) vegetables certainly fall into this category. The shorter the chain, the more direct the link between producer and consumer, the more fresh and wholesome the produce that arrives on the table. The same is true for bread, fish, meat, milk and eggs. Certainly, there are products, that are more stable and more suitable for travel, like oil, wine, coffee and cocoa which at the same time can only be produced in certain regions. But nonetheless consumers demand information about the goods, about the labour practices and the trading conditions. Fair trade certification is a step, that makes sense in an intermediated context, but for direct trade on small scale, as possible on the Web, it is obsolete.

There is a saying stating that taste is not disputable, the way for the food processing industry to create broadly accepted, standardized products is by choosing the least common denominators, creating goods that are refused by as few as possible. But not disliking is not the same as truly liking something. If you want to find what really corresponds to what you enjoy, you need a choice. And this choice should not be between artificial strawberry and vanilla flavor but reflect the ingredients, the way of production and the level of freshness.

Strong flavors can suit some, mild others, in the whole spectrum that our senses can perceive there does not exist one thing that suits all desires. Food diversity is not created by different branding of the same standardized building blocks, but derives from a multifold of ingredients and processing steps.

## 6. NOTES

<sup>1</sup> from the “ABC of Slow Food”:

“**co-producer** – Collectively our consumer choices can bring great change to how food is cultivated and produced. To highlight this, Slow Food coined the term co-producer - a consumer who goes beyond the passive role of a consumer and takes an interest in those that produce our food, how they produce it and the problems they face in doing so. In actively supporting food producers, we become part of the production process.”

I will continue nonetheless, to avoid confusion, use the term consumer or ,in its own sense, customer.

<sup>2</sup> from Goetheanum.org:

“The word “anthroposophy” means “wisdom of the human being,” or, for us today, “awareness of one’s humanity.”

Knowledge of spirit can only be found by spiritual means. Anthroposophy offers an inner path of schooling to attain such knowledge. It takes its starting point from modern critical consciousness and our contemporary orientation toward technology and science. It is a kind of study and schooling that leads to concrete experience of the spiritual dimensions of the human being and the world.”

<sup>3</sup> Primary distinguishing difference between the shops and the supermarkets is the size, with the former having a size between 200 and 400 square meter and the latter a size of over 400 square meter. To count only the number of those opening between 2008 and 2010 the number of Bio-shops increased by 55 and the Bio-supermarkets even by 139 ([www.bio-markt.info](http://www.bio-markt.info)).

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