



CIRIEC

BUCHAREST | ROMANIA | 2019

**7TH CIRIEC INTERNATIONAL
RESEARCH CONFERENCE ON
SOCIAL ECONOMY
6 - 9 JUNE 2019**

**BOOK OF
ABSTRACTS**

COMMUNITY FINANCING IN THE GERMAN ORGANIC FOOD SECTOR: A KEY FOR SUSTAINABLE FOOD SYSTEMS?

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Abstract. *The rise of socially responsible and impact investing funds provides evidence for an increased interest private investors have in combining their financial and ethical concerns. At the same time, citizens increasingly engage in food networks and take on a vital role in the governance of agri-food systems. These developments might benefit farms and firms which are committed to sustainable food and seek funding. Through different community financing models, they can involve citizens who aim to support the development of a more sustainable food system.*

While still a niche market, an increasing number of firms in the German organic food sector uses community financing to substitute or complement traditional bank credit financing. There is a wide range of different models which can be classified as follows: 1. Pure financing instruments, e.g. crowdfunding, profit participation rights, direct loans. 2. Financing models which base on a particular legal form, e.g. cooperative, corporation. 3. Financing in cooperation with an intermediary organization which pools citizens' capital, e.g. citizen shareholder corporation, land purchase cooperative. 4. Others (mostly related to primary production), e.g. community supported agriculture (CSA), leasing and sponsorship.

Community financing can increase financial independence from credit intuitions and provides an opportunity to receive funding which otherwise might be difficult to obtain. Given the high capital intensity in agriculture and rising purchase prices of agricultural land, access to traditional bank credit financing is a particular challenge for new or less productive farms. Access to finance can also be a key obstacle for smaller companies involved in collaborative short food chains and green start-ups that offer innovative products or services and/or lack business education. Apart from financial considerations, particular community financing models can also serve as marketing tool in order to build or intensify relationships to customers.

As the example of the German energy transition shows, financial citizen participation can be crucial for financing the transformation of the energy sector. However, little is known

about community financing models in the agri-food sector. Accordingly, this paper presents empirical evidence on community financing in the German organic food sector and discusses the role it can play in food system transformation.

Keywords. *Community financing; impact investing; food system transformation; crowdfunding; profit participation rights; cooperatives; citizen shareholder corporations.*

Workshop C2