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Foodshed Investors in 2019

The passing of the year provides many people an easy excuse for reflections and resolutions—a time to consider what the prior year’s experience revealed and to plan for the coming year’s adventures. We are no different at [Foodshed Investors](#). At the close of 2018, we reflected on what our experience over the last 4 years has taught us about the role of capital in increasing the supply of [good, local food](#). When we put our heads together, we realized we’ve learned quite a lot and are even more excited about this opportunity than when we first started.

2018 Reflections

The pipeline is robust and diverse... Since we launched in 2015, we have seen more than 250 opportunities—nearly half of which ultimately applied for funding—and they cover the food value chain [from farmers to consumers and back again](#). Given the surge of customer demand for healthier, closer-to-the-source food, it is no surprise that the majority of those deals were value-added products. We like our deals as close to the soil as possible, so we’ve prioritized those businesses with local supply chains and have been thrilled to also see a healthy pipeline of producers and the businesses that get their goods to market (e.g., distributors, processors).

...and we’ve been able to achieve profit and purpose in our portfolio. In our fourth year of operation, we reached \$2.2 million of capital¹ deployed across 32 deals in [26 companies](#). All but one of those deals has met or exceed expectations, with a 10% average interest rate and over \$500,000 already returned to investors.² Better yet, as each of these companies grows, we are seeing the contributions they are making to the proliferation of good, local food—from producers and processors to sellers and distributors. We’re also proud to note that while much of the financial world still struggles with inclusion and equity, 46% of our companies are women-owned and 35% are rurally located (with nearly all of them in the Central Texas region).



“Whether it’s helping to find grants, creatively crafting deals that align investors and the business owners, or offering your personal networks to facilitate conversations, you all are offering your time and experience for healthy acceleration of growth for companies.”
Abianna Falla, Cat Spring Yaupon Tea

The market needs diverse forms of capital... While many businesses chase private equity and venture capital as the sole sources of financing, we’ve learned that depending on the stage, the nature of the business, and where it sits in the value chain, equity capital is sometimes not the most appropriate solution. In fact, sometimes it can be [downright dangerous](#) for investors and companies. We’ve been more creative, trying to apply the right type of capital based on a careful assessment of the business. As a result, more than three-quarters of the monies we’ve deployed has been as debt—both traditional, secured debt and with features like revenue-linked royalties—and we’ve developed a [special financing tool](#) for farmers. We believe our companies are healthier, happier and more successful because of it.

...and there is even greater need for advice and education. Our original vision for Foodshed Investors was a simple affinity network of like-minded investors. While that remains core to our model, we’ve also seen a great many ideas and entrepreneurs with huge potential, but who lacked the necessary

¹ Includes \$1.1 million of direct investments and \$1.1 million in deals for which we facilitated financing

² Dollar-weighted average interest rate of FI Accredited Network Loans; data as of 12/31/2018

tools and resources to accept investment and grow their companies. We started offering friendly advice on business planning, financing strategies and impact metrics—both through individual meetings and at roadshows attended by over 200 people in a dozen Central Texas cities. The enthusiasm for this type of advice has been extraordinary; we spoke with 46 companies in the last quarter of 2018 alone about their advisory needs, so it's clearly a gap that needs filling.

2019 Resolutions

Given all we've learned, we have resolved in 2019 to go deeper on what works, so we can more quickly scale our impact on good, local food in Central Texas and beyond.

We want to bring more aligned capital to the entrepreneurs who are re-designing the food system. With U.S. consumer demand for local food predicted to [reach \\$20 billion](#) in 2019 (and at rates that outpace growth in demand for food overall), it is no wonder that we have seen so much activity in the pipeline. Capital will be critical to growing the businesses that can respond to this demand, and it will be needed across the value chain to ensure there are sufficient producers, processors and distributors to comprise a sustainable supply chain for product manufacturers and sellers. There are also a number of innovations to [reduce cost and waste](#) in the supply chain, which will have the twin effects of making local food more affordable and reducing the environmental impacts of food production. We plan to be part of that [capital solution](#) and are exploring the potential for a Foodshed Investor fund to provide a streamlined source of aligned financing for businesses committed to good, local food.



"I trust AFI with my business. Prickly Pair Farm is stronger and more resilient because of AFI's Advisory Services. Specifically, AFI's work on our financials was enormously helpful."

- Mike Milligan, Prickly Pair Farm

We want to help more investors achieve profit and purpose in their portfolios. To that end, we are expanding our investor network and bringing a more sophisticated set of solutions for different investor types—responding to [growing investor interest](#) in sustainable and responsible investing. We will continue to provide exclusive access to deal flow, curated events and market insights to a [membership network](#) of accredited investors who share our commitment to local food, and we'll [partner with other networks](#) and groups to amplify the funding access we can provide to businesses. More generally, we see the trend towards democratization of investment as an exciting way for people to deepen their support of their local economy. We have [one solution](#) for that and are eager to use the Foodshed Investors platform to further this trend.

We want to build the quality and depth of the pipeline across the entire value chain. Important to developing the pipeline of viable businesses across the local food value chain will be continued [hands-on work](#) with entrepreneurs to get them the tools and resources they need to be successful. This includes a disciplined and rigorous approach to [investment readiness](#) that we've built out and refined over the last couple of years, as well as the ability to retain a ["virtual business partner"](#) to support business planning, term sheet review and to just generally be an objective source of seasoned experience and good sense.

And we want to take this show on the road! Well, figuratively, at least. Although we have remained focused on Central Texas these last 4 years, businesses and investors outside of the region find us, and we're excited about the potential to [serve a more national audience](#). We are initially prioritizing a build-out of our investor network and advisory client base in the great state of Texas and then will look to target other regions with the goal of rapidly growing our pipeline, deepening our market insights, and increasing access to capital and knowledge for good, local food businesses. ons with the goal of rapidly growing our pipeline, deepening our market insights, and increasing access to capital and knowledge for good, local food businesses.

Wrap-up

If you clicked on any of the links in this email, you may have noticed a shiny, new website for Foodshed Investors (here's another chance to [take a look](#)). As we start to work on our resolutions for 2019, we wanted to have a site that articulated our vision and mission, and the ways we are going about achieving it, that would resonate with a wide audience. We first hope that it resonates with you and are [eager for your feedback](#) and to explore ways we can deepen your involvement in our network. Your partnership has allowed us to experiment, learn and develop a strategy that will take our efforts to scale good, local food to the next level.

We look forward to continuing the adventure with you!