

THE FOOD COMMONS

2.0

IMAGINE, DESIGN, BUILD.....

October 2011



“You never change things
by fighting the existing reality.
To change something,
build a new model that makes
the existing model obsolete.”

—Buckminster Fuller



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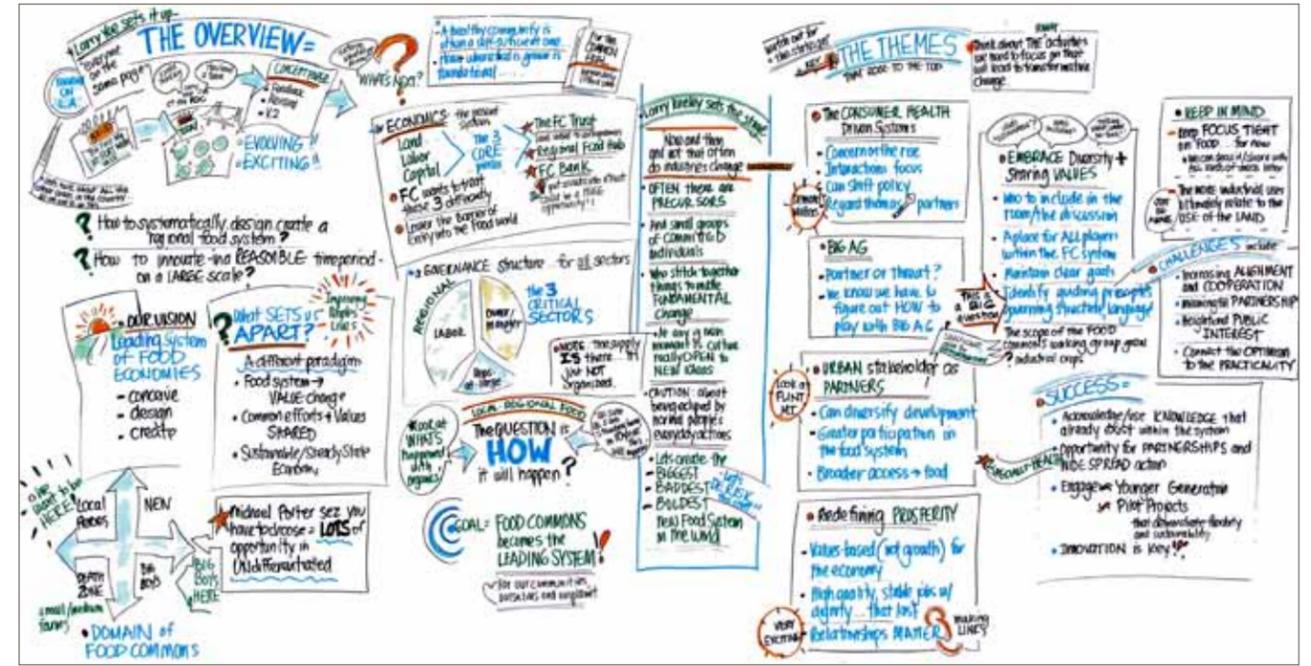
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FOREWORD

A food revolution is definitely underway. Just a few years ago no one could have imagined a book written about food being on the New York Times best seller list for years. Furthermore, probably no one could have imagined a major metropolitan area like New York City producing a city-wide food charter, called “Foodworks,” which approximates a comprehensive set of city-wide innovations that speak to some of the food challenges we are likely to face. All of this is evidence that the era of passive food “consumers” is over and a new era of engaged food “citizens” is rapidly emerging.

As a result, “food sovereignty” (the phenomenon of an engaged community of citizens determining a food system that satisfies its own interests and concerns) is emerging. The era of “fast, convenient and cheap” is gradually being replaced by what Rick Schnieders, past CEO of SYSCO, called “memory, romance and trust.” In other words, this new food citizen not only wants food that is so good she builds a memory connection with it, she also wants a good food story (knowing where the food came from, how it was produced, and how people and nature were treated along the way), and she wants a trusting relationship. All of this is creating an interest in designing a new food structure, one that is regional instead of global in scope, one that enables people to be connected, one in which as much of the food is produced by people in their own regional “food shed” for people in the region, and one in which exports and imports are a second priority.

Advocates of this new “food shed” structure now imagine a future global food system consisting of regional food networks connected to each other through information and appropriate trade relationships. Such a network of regional food systems will attend to appropriate regional food ecologies, respond to regional tastes and be designed for resilience and community food security. The era of a homogenized, one-size-fits-all global food system (which is increasingly dysfunctional at many levels) will be replaced by a diversified network of regional food systems each appropriate to place, and designed to meet local needs.

The “Food Commons” is an anticipatory response to this movement. It is a regional, whole systems demonstration project, which can serve as a model for actualizing the food revolution in communities everywhere.

FRED KIRSHENMANN

*North Dakota Organic Farmer
President, Stone Barns Center for Food and Agriculture
Distinguished Fellow, ISU Leopold Center*

“If economics is reconceived in the service of community, it will begin with a concern for agriculture and specifically for the production of food.

This is because a healthy community will be a relatively self-sufficient one.

A community’s complete dependency on outsiders for its mere survival weakens it.

...The most fundamental requirement for survival is food.

Hence, how and where food is grown is foundational to an economics for community.”

—Herman Daly

SUMMARY

There was a time when people could only **imagine** flying, or speaking to someone across the country on a small, wireless, handheld device, or accessing a world of information in their lap, or lighting a room at the flip of a switch.

So we ask: What would it take to bring to scale a nation-wide regionalized food system?

Further, we ask:

- What is the necessary physical and organizational infrastructure?
- How do we capitalize and finance for the long term?
- How do we develop such a system to be integrative and wholistic?
- What economic principles would ensure equity, fairness, and sustainability?
- How would such a system be governed?
- Why would this new system be desirable and how would it help people prosper and flourish?

Challenging questions, indeed. But this is not the time to shrink from our responsibility to exercise vision and leadership.

The following document seeks to provide answers to the questions above, and it describes the new foundational architecture for such a system. Then it lays out a blueprint for action and implementation.

In the Moving to Scale section on page 78, we project that if we are successful in developing the Food Commons to the full extent of our vision, the Food Commons could be at least 25% of the total regional food economy by 2020. And if the regional food economy is, by that time, 10% of the overall food economy, conservative estimates would put that at \$100 billion, making the Food Commons \$25 billion enterprise.

But to think only in food dollars misses the true opportunity and potential of the Food Commons. Its benefits to the health of individuals, communities and our environment, to bringing life back to “Main Street” and the creation of new jobs and enterprises, to re-instating culture and values back into our food system and business world, and all the while rejuvenating democracy are all immeasurable, or at least difficult to quantify in the customary ways.

For many years, the vast majority of private and public resources around food and agriculture have flowed in one direction — toward a large-scale, industrialized, fossil-fuel dependent, high-input and high-technology approach to food production, the primary goal of which has been to maximize corporate profits rather than to equitably distribute sufficient, healthy, and culturally appropriate food to the people everywhere, as well as to fairly compensate those who produce it. Indeed, our food system has evolved into a collection of “too-big-to-fail” agribusinesses and food corporations.

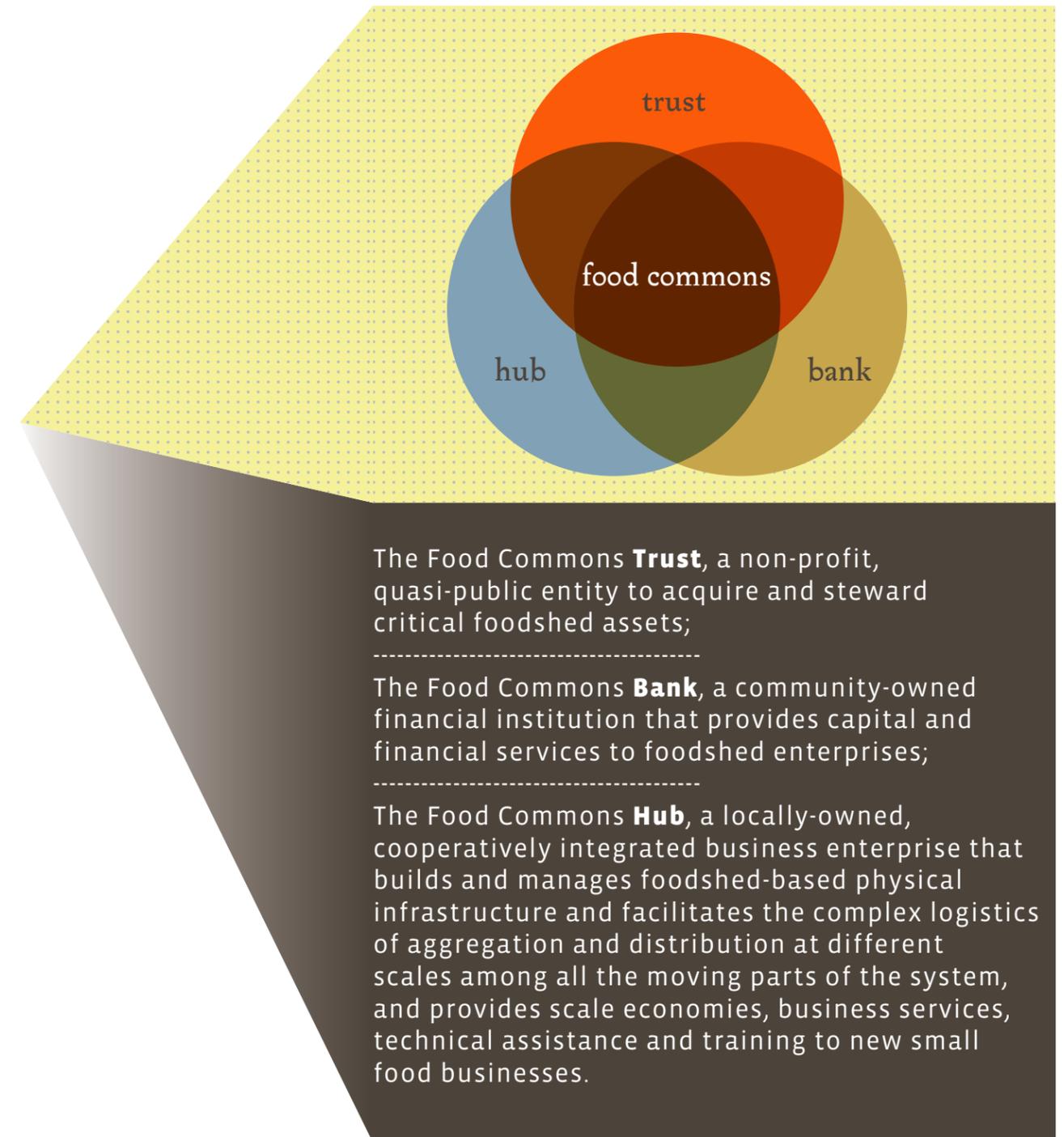
The Food Commons has taken an alternative path by re-envisioning and re-creation of the local and regional food systems that preceded the current global industrial food systems, updated to reflect 21st-century advances in information systems, communications, community-based organizational and economic models, the science and practice of sustainable agriculture and the changes in culture and demand.

The Food Commons will leverage, support and enhance existing and emerging regional food system initiatives to offer the American public a wide range of benefits that are not widely distributed in our current food system. The Food Commons will:

- **Make** healthy and sustainably produced food accessible and affordable to all.
- **Enable** food enterprises within and across foodsheds to efficiently produce and exchange goods and services that meet high common standards.
- **Capture** benefits of scale in infrastructure, asset management, financing, information systems, marketing, and learning, while preserving local identity, ownership, control, diversification and accountability.
- Transparently and equitably **distribute** common benefits along the value chain from farmers, ranchers, and fishers to distributors, processors, retailers, workers, consumers, and communities.
- **Harness** underutilized foodshed assets and protect and steward those assets for current and future generations.
- **Foster and celebrate** regional foodshed identities that generate widespread consumer awareness, participation and buy-in.
- **Create** a wealth of new small businesses and jobs and build a skilled and respected 21st-century food system workforce.

The Food Commons seeks to connect local and regional food system enterprises in a cooperative national federation that enhances their profitability and sustainability while creating and supporting a robust system of local community financing, ownership, management and accountability.

The Food Commons has three integral components:



The Food Commons is a new economic paradigm and whole system approach for regional food.

In order to move the Food Commons from vision to reality the Food Commons working group is pursuing the following near-term objectives to advance development of the Food Commons concept:

- **Define** the Food Commons value proposition and business case for existing and emerging regional food system initiatives.
- **Develop** Food Commons Bank and Food Commons Trust models.
- **Identify** partners and resources for a Food Commons prototype project.
- **Develop** strategic plan for implementing the Food Commons federation.

IMAGINE,
DESIGN,
BUILD...



DEFINITION OF KEY TERMS

Foodshed

The area of land and sea within a region from which food is produced in order to deliver nutrition to a population base. A local or regional food system includes all the inputs, outputs and processes involved in feeding the population within a foodshed. Note that the foodshed concept does not obviate the goal or need to export or import food outside of a region. (Los Angeles Urban-Rural Roundtable, 2010)

Regional Food System

“An ideal regional food system describes a system in which as much food as possible to meet the population’s food needs is produced, processed, distributed and purchased at multiple levels and scales within the region, resulting in maximum resilience, minimum importation, and significant economic and social return to all stakeholders in the region. This is known as “self-reliance” as opposed to “self-sufficiency” wherein everything consumed is supplied from within the target area.” (Northeast Sustainable Agriculture Working Group, 2010)

Food Hub

“A centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.” (USDA Agricultural Marketing Service)

Food Desert

“An area with limited access to affordable and nutritious food, particularly such an area composed of predominantly lower-income neighborhoods and communities.” (2008 Farm Bill)

Food Security

From the supply side, food security refers to a country’s (or state’s, or region’s) ability to produce enough food to support its population. More recently the term has been used to describe the ability of local, state and federal entities to protect the food supply from acts of terrorism. The term is most commonly used today to define the extent to which a population has access to sufficient, safe and nutritious food to maintain a healthy and active life.

value chain

“Strings of companies or collaborating players who work together to satisfy market demands for specific products or services. Sustainable value chains emphasize long-term, significant economic return to all firms in a chain, particularly producers who follow production practices using the highest standards of environmental and community stewardship.

In a value chain business arrangement, each actor in the chain must make a mental shift from simply “What is best for my firm and my firm now?” to “What can I do in my firm to maximize the economic, environmental and community benefit to all the members of this value chain?” A significant change often comes in the form of information sharing. In a value chain members need to share a great deal more business information with one another so that all can make better decisions that affect the group.” (www.valuechains.org)

WHAT IS THE COMMONS?

The commons is a very old idea — that some forms of wealth belong to all of us, and that these community resources must be actively protected and managed for the good of all.

The commons are the things that we inherit and create jointly, and that will (hopefully) last for generations to come. The commons consists of natural resources such as air, oceans and wildlife as well as shared social creations such as libraries, public spaces, scientific research and creative works.

Common assets are those parts of the commons that have a value in the market and which are appropriate to buy and sell. Radio airwaves are a common asset, for example, as are timber and minerals on public lands and, increasingly, air and water. By recognizing certain resources as common assets, it becomes natural to ask: Are the common assets being responsibly managed on behalf of the general public or a distinct community of interest? Is the capital being depleted?

Economists tend to regard “value” as a quantifiable object with a price tag. But in the commons “value” can also be something intangible and not available for sale. An example is the social satisfaction of belonging to a community and contributing to a shared goal. A commons can also create economic value as efficiently as a market; examples include Wikipedia, the online user-generated encyclopedia, and Craigslist, the online advertising service. The difference is that a commons usually does not convert its output into a marketable commodity.

The conversion of commons into private property, termed enclosure, refers historically to the privatization of common grazing lands beginning in 15th Century England which impoverished many peasants. Enclosure entails not just the privatization of a resource, but also the introduction

of money and market exchange as the prevailing principles for managing that resource. Enclosure shifts ownership and control from the community at large to private companies. This in turn changes the management and character of the resource because the market has very different standards of accountability and transparency than a commons. (Contrast a public library with a bookstore, or Main Street with a private shopping mall.)

A corporation is a self-perpetuating legal entity whose mission is to maximize short-term return to shareholders. In market logic, expanding output by corporations must be regarded as “progress” and “wealth,” but the commons paradigm recognizes that, in its aggressive pursuit of this mission, the corporation not only produces new innovations and efficiencies, it also displaces costs onto the environment, our communities and our personal lives.

These externalities — social or ecological costs of market activity that are not paid by their creators — are producing more and more “illth,” or the opposite of wealth. Author Peter Barnes (Who Owns the Sky) has popularized this term, coined by John Ruskin in the 19th century, to describe the unintended but increasing destruction of nature, social disruptions, health problems and other (unacknowledged, unintended or disguised) costs of market activity.

In contrast to a corporation, a trust is a legal institution for protecting the commons and managing any assets that may arise from it. If the corporation is the preeminent institution of the market, the trust is the premier institution of the commons. The managers of a trust, the trustees, have clear legal responsibilities to manage its resources on behalf of the beneficiaries. This includes strict fiduciary responsibilities, transparency and accountability.

THE TRAGEDY OF THE ANTI-COMMONS

The Tragedy of the Commons, an influential 1968 essay by biologist Garrett Hardin, argued that overuse of common resources is a leading cause of environmental degradation. This was interpreted by some, especially economists and free-market libertarians, to mean that private ownership is preferable to the commons for the stewardship of land, water, minerals, etc.

Yet in recent years many have challenged this view on both empirical and philosophical grounds. Professor Elinor Ostrom of Indiana University has been a leading figure in demonstrating the practical utility and sustainability of commons governance regimes, particularly in developing countries. Other analysts, such as Professor Yochai Benkler of Harvard Law School, have shown how people in online commons can indeed collaborate sustainably to produce and protect valuable resources. This suggests that the vision of human behavior implicit in the tragedy of the commons metaphor is not as immutable as many economists assert, and that collective management is an eminently practical governance strategy in many circumstances.

The tragedy of the “anti-commons” or the “tragedy of the market” is now frequently invoked to describe the problems associated with excessive privatization and fragmentation of property rights, such that collective action for the common good is thwarted. An example is the proliferation of patents on bio-medical knowledge that impedes research on cures for malaria, the proliferation of copyrights in film and video that prevents documentary filmmakers from clearing the rights to images for use in new films, and the proliferation of seed patents that restrict farmers’ and communities’ ownership and control over the means of their own food production.



I. INTRODUCTION

BACKGROUND AND PROCESS

Inspired by the growing demand for local/regional food and urged by the “wake-up call” of the 2008 recession, plus concern about other critical issues such as food access and sovereignty, health and chronic diseases, environmental and community resiliency, Jim Cochran and Larry Yee assembled a team in the fall of 2009 to draft a concept paper for what became known as the Food Commons.

*urged by the “wake-up call” of the
2008 recession*

The effort was funded by a small grant from the California Roots of Change organization. The result was a conceptual blueprint for a national network of regional food systems that laid out the essential core components and other important elements, all wholly integrated.

After receiving critical feedback from a number of food systems and sustainable agriculture leaders from across the country, the concept paper was issued in March of 2010.

A Food Commons Coordinating Committee was organized in the summer of 2010 to provide guidance and leadership for the emerging effort. Over the course of the past year, a process involving many knowledgeable and experienced individuals unfolded. We clarified and refined the vision and concept, explored scenarios and crafted strategies, and worked on the overall systems design with a focus on developing prototypes.

In August of 2010, a scenario and strategic planning meeting was held at historic Ft. Mason in San Francisco. Planned and facilitated by Brie Linkenhoker and Nancy Murphy of Global Business Network, a unit of the Monitor Group, 50 food systems leaders brainstormed through plausible and probable challenges and opportunities.

In October 2010, a follow-up Design Intensive Workshop was led by Larry Keeley of the Doblin Group and Chris Michaud of Continuum. Focusing on design innovations, the group developed a framework for a prototype for the Los Angeles region.

“The best journeys
in travel and in life are
the ones that answer questions
that at the beginning
you never ever thought to ask.”

—Unknown

”I will serve the earth and not
pretend my life could better serve”

—Wendell Berry

In November of 2010, the Food Commons was approved to be an official organization under the 501(c)3 fiscal sponsorship of the Trust for Conservation Innovation of San Francisco.

To date, the Food Commons has been almost entirely a pro bono effort to which more than 100 people have donated considerable time and expertise along with a few thousand dollars for direct expenses. To fully design, plan and develop the Food Commons system will require significant funding and dedicated staff. That is the next phase, for which this paper lays the foundation and sets the stage.

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The Food Commons represents whole new cloth but woven from threads of several successful organizations, business enterprises, and disciplines. For example, it borrows from the Mondragon Cooperative, VISA Intl., the Internet, Slow Money, Agriculture of the Middle, complexity science, fractal geometry, systems thinking, ecology, and a new economic paradigm. One can think of the Food Commons as a regional food economy based on an entirely new operating system. It is a new platform that communities around the world could use to underlie and create a more fair and healthful society, knowing that food is primordial, the place from which all else emanates.

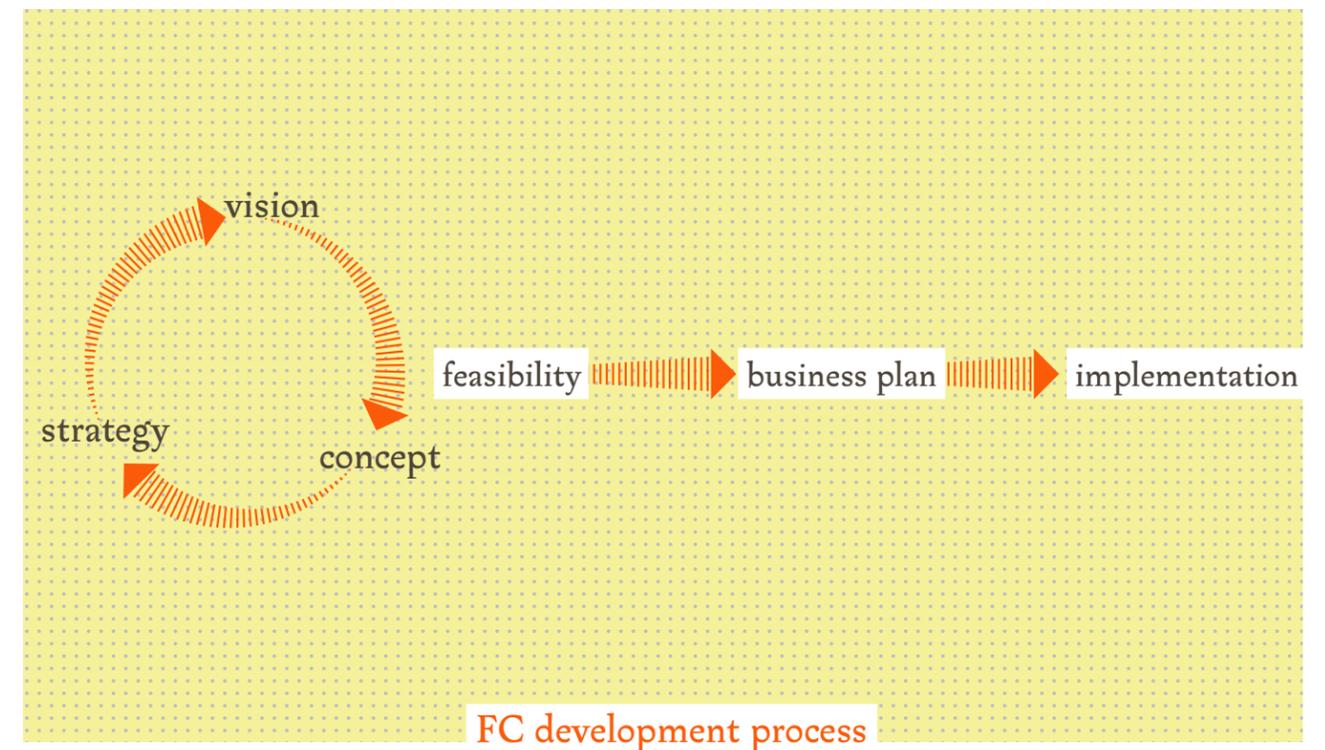


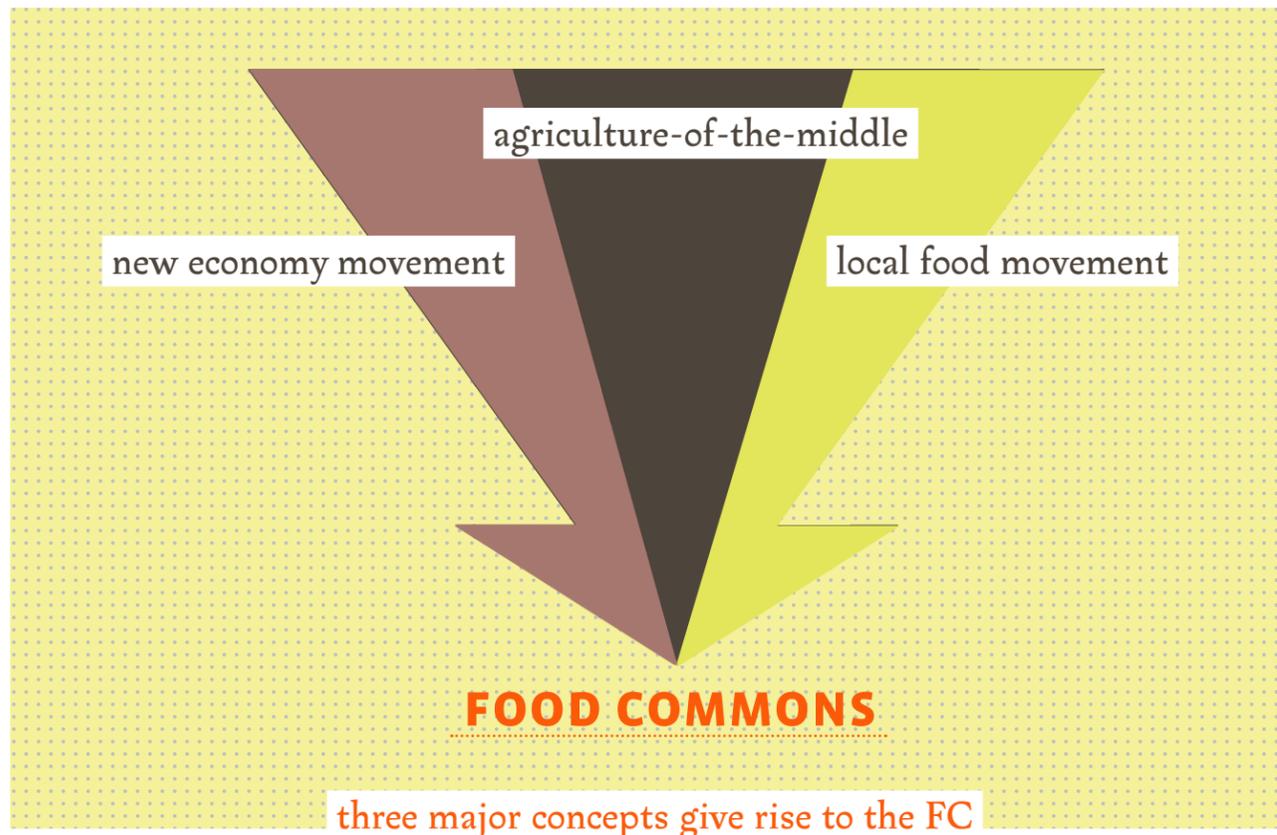
THE OPPORTUNITY

We are in a time of extraordinary opportunity. After a decade of seismic shocks to our country from global terrorism to deep recessions and major natural disasters, each of the three legs of sustainability — the environment, the economy, and the social equity of our communities — is in crisis.

Yet throughout this time a movement has grown which brings great hope for a more healthy, sustainable and prosperous future. It is the movement to produce, access, secure and consume good and healthy food. People are re-awakening to the fact that food is not only the basis of our health but it is also at the basis of traditions, customs and culture that bind us together as family and community.

we are in a time of extraordinary opportunity.





1) AGRICULTURE-OF-THE-MIDDLE (AOTM) A growing movement to save and expand the number of small and mid-sized family farms by creating new value chains and marketing mechanisms to bring their differentiated food products into the marketplace. Aggregating these scales of family farms reduces transaction costs.

The Food Commons sits at the nexus of three growing trends:

2) LOCAL FOOD Interest in the development of localized food systems has emerged out of recognition that the current food system, largely dependent on cheap fossil fuel and the movement of food products globally, is not sustainable, and that localized food systems have the potential to increase food security, food access, and health, and to re-establish land stewardship and food culture. Farmers markets and CSA's (community-supported agriculture) have been instrumental in raising local food awareness, but these two marketing mechanisms alone are not sufficient to establish a thriving, robust local food system.

3) NEW ECONOMY The current recession has revealed some of the deep flaws in our current global economic paradigm, and invigorated thinking about new, more sustainable economic models that take into account the world's finite resources, growing population, and need for more equitable distribution of wealth and power. Much of this new thinking centers on the rebuilding of local economies to foster economic resilience, job creation, entrepreneurship, stewardship and accountability. The food production, distribution and retail/food service sectors are particularly ripe for local experimentation and economic renaissance.

Currently, less than 3% of the food Americans eat is grown within 100-200 miles of where they live. While a few regions have retained or re-established some of the pieces of a thriving local food system, these scattered small enterprises collectively represent a tiny fraction of the total food economy, and they cater primarily to the affluent. Though exciting and inspirational, they are mostly isolated, undercapitalized, and sub-scale, and as such they cannot be expected to effect the food system changes that are necessary.

*currently, less than 3%
of the food americans eat
is grown within 100-200 miles
of where they live.*

Meanwhile, in a worrisome parallel to the banking sector, the food industry has come to be dominated by a small number of “too-big-to-fail” agribusinesses and mega-retail chains. As we are (literally) putting more and more of our eggs into fewer and fewer baskets, these giant corporations continue to operate on the “low-cost” model of global competition, transferring profits out of local communities for re-distribution by Wall Street, and outsourcing externalities even as they adopt and co-opt marketing buzzwords from the local and sustainable food movement. Shifting some fraction — even just 5% or 10% — of the global food economy into localized food systems within a reasonable time frame (say, 5-10 years) will require development of a new, efficient and high performing infrastructure that enables small, independent food and farming enterprises to offer a competitive alternative to the current industrial food system. This then, is the challenge and the opportunity of the Food Commons.

*the food industry has come
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and mega-retail chains*

“To develop new insights into fragmentation and wholeness requires creative work even more difficult than that needed to make fundamental new discoveries in science, or great and original works of art.

Suddenly, in a flash of understanding, one may see the irrelevance of one’s whole way of thinking.... along with a different approach in which all the elements fit in a new order and in a new structure.”

—David Bohm

II. VISION OF THE FOOD COMMONS SYSTEM

THE CALL TO ACTION

*food underlies every aspect
of human activity
and economy.*

Food underlies every aspect of human activity and economy. It is, quite literally, the source of our health, sustenance and sustainability as a species. Yet by many, well-documented measures our current global system of producing and distributing food is inequitable at best and fundamentally unsustainable at worst. It creates wealth for some and abundance for many, but it leaves many others — even in wealthy countries like ours — hungry or malnourished. Moreover, it depends on a large but unseen underclass of farm labor generally working in difficult circumstances at minimum wage. It relies on cheap but dwindling and irreplaceable fossil fuels and fossil water, exploitation of vulnerable populations, and the ability to shift the cost of so-called “externalities” — including soil erosion, toxic chemical residues, and climate change — from more affluent to less affluent countries and communities, and from current to future generations.

It is our hypothesis that the antidote to the unsustainable path we are on is a 21st-century re-envisioning and re-creation of the local and regional food systems that pre-dated the current global industrial food system (but brought back in a 21st century form). In our vision, thriving, prosperous localized food systems around the country are linked together, both virtually and physically, in a dynamic national network that allocates resources efficiently, spreads best ideas and practices virally, and captures the benefits of scale while avoiding the real diseconomies of scale (including externalization of environmental and social costs) by preserving local control, culture, accountability, adaptability and resilience.



*creating this new food system
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We further hypothesize that creating this new food system will require a new and different kind of local, regional and national infrastructure with a new and different set of governing and operating principles. We call this new system the Food Commons.

The Food Commons does not seek to replace the current global industrial food system, but rather to strengthen the overall food system in the United States by expanding and diversifying the number of individuals and businesses participating in food supply chains, providing communities with the opportunity to invest in and control the means of their own food security, and increasing consumer choice and access to foods produced in accordance with commonly shared principles of fairness, sustainability and accountability.

*creating this new system
is a massive undertaking*

This diversification of the food system at local and regional levels will have the significant added benefits of boosting local economic development and job creation and increasing national security by creating both shorter pathways and multiple alternate pathways to get food from producer to consumer.

We recognize that creating this new system is a massive undertaking. Considerable effort and the best thinking from our businesses, universities, NGOs and government at all levels will be required to design and implement a robust, practical, financially and politically viable model that can be replicated and networked at a variety of scales. But the effort required is commensurate with the enormity and urgency of the challenges we face as a country and a planet.

The natural systems that agricultural productivity depend upon — including soils, surface and underground water flows, pollinator populations, seasonal climate patterns — have been pushed to their limits, leaving us with little or no margin for error or cushion against shocks to the system. An event in one corner of the world, be it flood, earthquake, hurricane, war, or financial collapse, is felt almost instantaneously around the globe in the form of higher prices and shortages of energy and food, social unrest, and political tension, if not outright panic.

To date the vast majority of private and public resources around food and agriculture have flowed in one direction — toward a large-scale, industrialized, fossil-fuel dependent, high-input and high-technology approach to food production, the primary goal of which has been to maximize corporate profits rather than to equitably distribute sufficient, healthy, and culturally appropriate food to the people who need it.

Some believe that this is the only path by which we can conceivably hope to feed a planet of 7 billion people, growing to 9 billion by 2050 — that our salvation lays in genetically engineered crops manufactured (and owned) by a very small handful of transnational corporations some of which — not coincidentally — are also the manufacturers of the synthetic fertilizers and pesticides upon which these high-tech crops depend. And it is laudable, at least on the face of it, that these corporations are actively considering how to support a new agriculture to meet the challenges of the 21st century¹.

*these challenges demand a response
that is innovatively bold in
scope, ask, and potential.
the food commons is such a response.*

Few would argue that technology will be a critical component of the food systems of the future — including the technology to develop new strains of crops that are resilient in the face of climate change, consume less water, sequester carbon, enrich soils, and filter waste products within complex agro-ecosystems at varying scales. But many believe that the large agribusiness and biotechnology companies are pushing us further down the very path that has moved our systems toward the brink of ecological and societal catastrophe, and that staying on this path will spell disaster of global proportions in our children's lifetimes if not in our own.

Regardless of whether either side turns out to be right in the end, it would seem to defy logic to invest all our hopes in this one potential solution — to place all our proverbial eggs in one big corporate industrial biotech basket. Given the thin margin of error within which we are now operating, it rather seems prudent to spread our bets, and to seriously contemplate what the world might look like if our investment in alternative food systems — such as the Food Commons — were to come anywhere remotely near the billions of dollars that have been invested in the global industrialized food system over the last 40 years.

This is not the time to shrink away or shrug our shoulders and hope that business as usual will somehow save us. These challenges demand a response that is innovatively bold in scope, ask, and potential. The Food Commons is such a response.

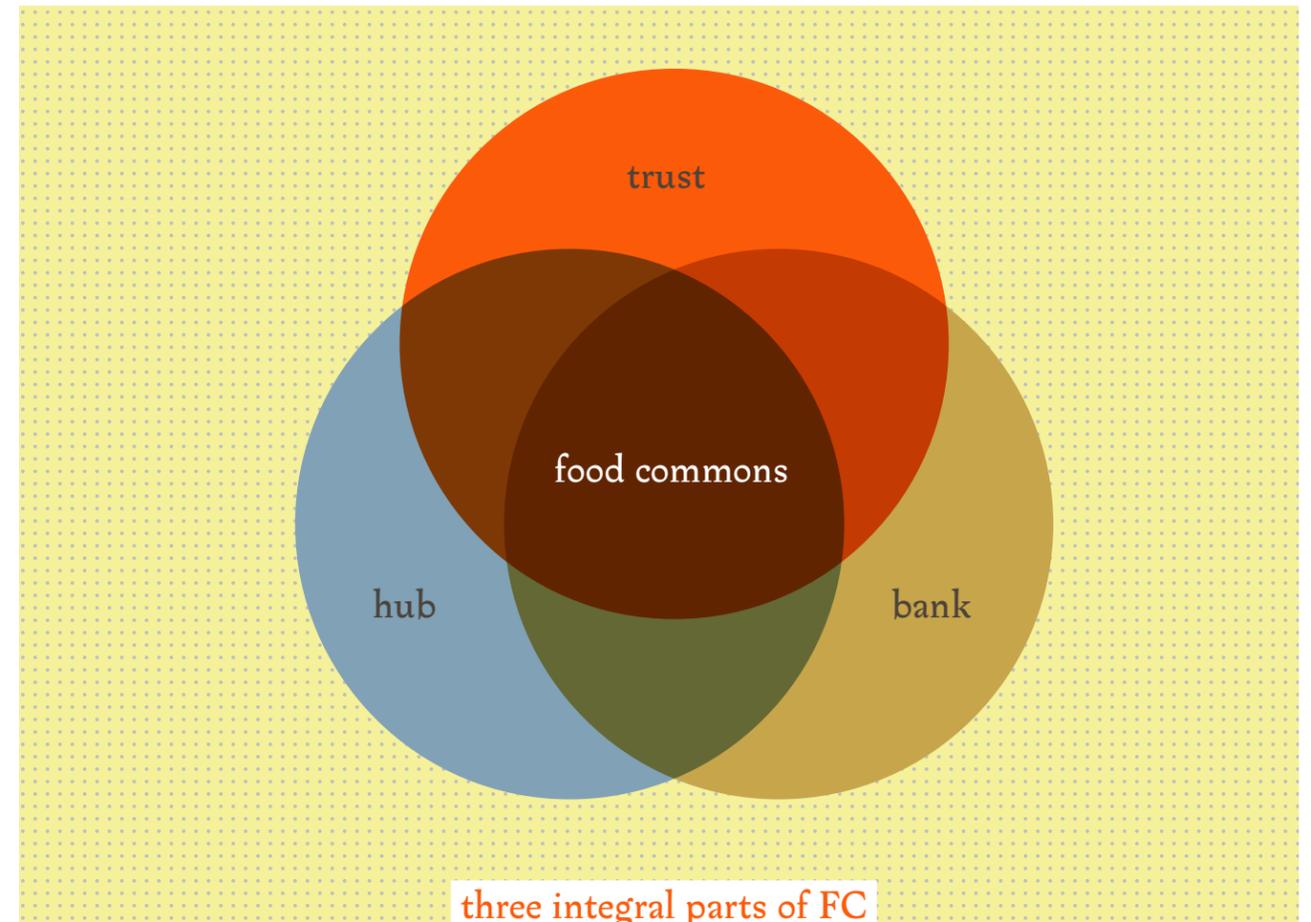
¹ World Economic Forum, "Realizing a New Vision for Agriculture: A Roadmap for Stakeholders," 2010.

WHAT IS THE FOOD COMMONS?

The Food Commons is a nationally networked system of physical, financial and organizational infrastructure that allows local and regional markets to operate efficiently and foodshed-based enterprises to cooperate, compete and thrive according to the principles of sustainability, fairness, and public accountability. It is a whole systems approach to localized food economies.

The Food Commons has three integral components:

- 1) **The Food Commons Trust**, a non-profit, quasi-public entity to own land and other critical food system assets for the benefit of all citizens, leasing them at affordable rates to small- and mid-scale farmers and entrepreneurs who might not otherwise be able to access them.
- 2) **The Food Commons Bank**, a community-owned financial institution that works with small-scale foodshed enterprises, producers and consumers to provide capital and financial services that will help meet “triple bottom line” objectives, particularly in communities that lack local lending institutions.
- 3) **The Food Commons Hub**, a locally-owned, cooperatively integrated, business enterprise that builds and manages foodshed-based physical infrastructure and facilitates the complex logistics of aggregation and distribution at different scales among all the moving parts of the system, and provides scale economies, business services, technical assistance and training to new small food businesses.



Demographics, agricultural and transportation resources, and political and economic culture of each foodshed will drive the appropriate scaling and organizational structure of the three Food Commons components in each population center. Most will operate at some kind of regional level, though all three may also have local structures, and the trust and bank in particular may also have national levels of organization. We refer to the three components operating collectively within a region as a **Food Commons Community**.

From local to national levels, all three components will operate under a common set of principles that guide their governance and operations and are essential to their success in creating a just and sustainable food system.

PRINCIPLES FOR A JUST AND SUSTAINABLE FOOD COMMONS

01. Fairness

Across the entire value chain all participants' needs, from farmers and food business owners to agricultural and retail workers, are met in a balanced way, and all get a fair deal. Throughout the food system, the value of human labor is fairly recognized and appreciated. Individuals and institutions shall return to their communities fair measure for what they receive.

02. Sustainability and Stewardship

In all aspects of food production and distribution, stewardship of our land and marine ecosystems is required to ensure that succeeding generations will have an equal or better opportunity to flourish from its resources. With respect to human relationships, active stewardship is also required to ensure a holistic vision of sustainability that includes ecological, social, and economic components. The true costs of food production should be reflected in market pricing to the fullest extent possible, though not all social, environmental or ethical values can be monetized.

03. Economic Opportunity

Create economic opportunities that facilitate the pursuit of Right Livelihood, so that people may earn a living without compromising the underlying principles of the Food Commons. Expand ownership opportunities for those who may not have access due to the high cost of infrastructure and expand career opportunities and access to good jobs with benefits and security, restoring hope to the unemployed and restoring craft and pride to labor.

04. Food Sovereignty

All people have the right to have access to quality, healthy food that is produced and distributed through environmentally and socially sustainable methods.

05. Integration

Create an integrated value chain, from farm to table, in order to achieve economic efficiency and fairness. Think systemically.

06. Transparency

Openly and honestly share costs and pricing information essential to the equitable functioning of the value chain. Facilitate traceability of products, procedures and other relevant information throughout the value chain.

07. Ethics and Accountability

Governing bodies maintain the highest standards of credibility and ethical conduct, fair and accurate dissemination of information and full disclosure and accountability for their affairs. Representatives are accountable to the environment, to workers, to the general public, and to future generations. Representatives set policies, but do not have any personal ownership in participating businesses.

08. The Commons

The segment of the food system that falls within the Food Commons is based on the establishment of shared and collectively managed infrastructure and resources, operating for the benefit of communities.

09. Subsidiarity

Decisions should be made at the most local level possible. Regional and national decisions should involve only those matters that are relevant to that level of governance, coordination and representation. The Food Commons will provide structures for overall coordination to allow decentralized management structures to operate efficiently and develop network linkages for formal and informal connections at the local and regional levels.

10. Reciprocity

The whole is responsible to all of the parts as well as the parts being responsible to the whole.

11. Representation and Decision-making

Equitable participation of the Food Commons stakeholders shall be present at all levels and entities of governance throughout the Food Commons, from farmers, to workers, to consumers. Decisions and deliberations must fairly represent the diversity of affected views and interests and not be dominated by any single view or interest.

THE FOOD COMMONS VALUE PROPOSITION

Mounting concerns about the health, security, and sustainability of our food supply are driving significant interest and activity around development of alternatives to the conventional centralized industrial food system. These alternatives fall into three broad categories:

1. Independent regional food system approach

2. Oligopolized regional food system approach

3. High tech global commodity approach

The Food Commons value proposition can best be described in relation to each of these alternative approaches to reinventing the food system for the 21st century.



1.

INDEPENDENT REGIONAL FOOD SYSTEM APPROACH

The Food Commons model is a direct outgrowth of the independent local/regional food movement that has emerged around the country over the last few years, and seeks to learn from, support and build on the movement's many innovations and successes.

Regional food systems strive to increase local sales and consumption of food that is produced, processed and distributed within the same region or foodshed. Although the promise of modern regional food systems has yet to be fully tested or proved, both history and current research point to the potential for regional food systems to deliver significant value for local communities and for society as a whole, including:

→ **DIVERSIFICATION** of local and regional food infrastructure and products aligned with the dietary needs and preferences of the population in the region.

→ Increased regional **SELF-RELIANCE AND RESILIENCE** in the face of supply disruptions or emergencies (natural disasters, energy shortages, price spikes, recalls, strikes, sabotage, etc.).

→ Increased **RETENTION OF WEALTH** within rural and urban communities.

→ **SHORTENED SUPPLY CHAINS** that increase **CONSUMER IDENTIFICATION AND VALUATION** of food products, producers, and practices, and that reduce **FOOD SAFETY** risks by increasing **TRACEABILITY AND ACCOUNTABILITY**.

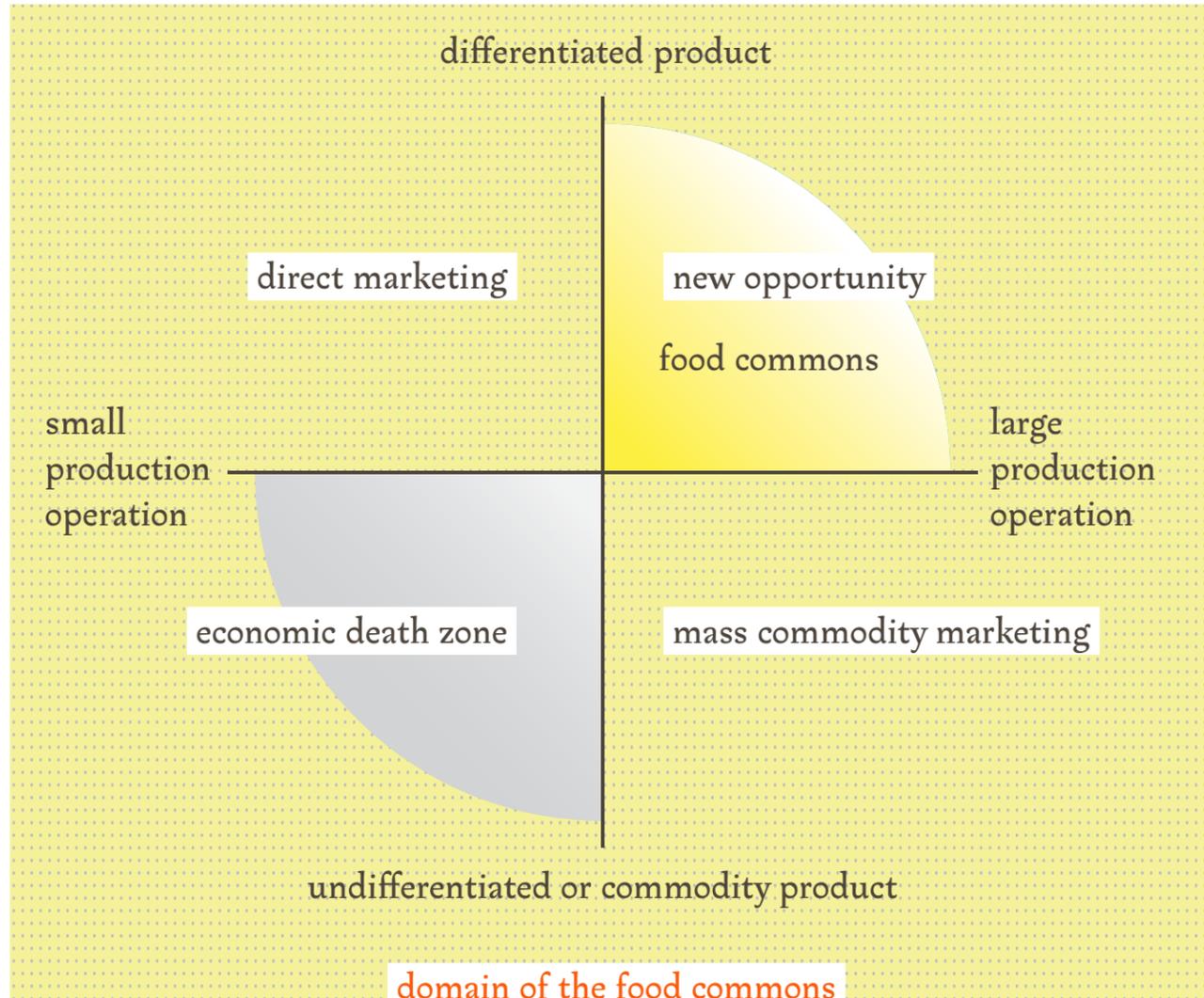
→ Higher and more stable farm incomes that **KEEP EXISTING "FAMILY" FARMS IN BUSINESS** and **ATTRACT NEW FARMERS**.

→ Increased valuation and local/regional **STEWARDSHIP** of agricultural and natural resources.

→ Increased community engagement, control, self-determination, and **DEMOCRATIZATION** of the food system.

→ Resurrection or re-creation of **FOOD PRODUCTION KNOWLEDGE, SKILLS, PRACTICES AND CROPS** adapted to local (and changing) environmental conditions

→ Expanded opportunities for skilled, well-paid and respected food system **JOBS AND CAREERS**.



Improved affordability and access to fresh, healthy, sustainably and fairly produced food for all residents is an explicit and central goal of most regional food system initiatives, and the Food Commons is no exception. Meeting this goal within existing economic and cultural paradigms, in competition with globally-scaled low-cost producers and marketers, is a central challenge for the Food Commons and all regional food system initiatives.

Like other regional food system models, the Food Commons anticipates that in a well-developed regional food economy, many consumers will be willing and able to spend more on food products that are differentiated by the qualities listed above as well as by superior taste, freshness, and nutritive value; and that government subsidies to aid people who cannot afford healthy food will help increase the throughput of regional food systems and lower prices for everyone.

There has been an explosion of interest and activity around regional food system development over the last 2-3 years, but many regional food systems initiatives are hampered by lack of capital and scale, inefficient systems, and limited management capacity. The Food Commons model aims to support and enhance the regional food system approach and increase its competitiveness by adding these critical features:

many regional food systems initiatives are hampered by lack of capital and scale, inefficient systems, and limited management capacity

→ **VALUES-BASED** The Food Commons will explicitly and systematically apply a common set of core values and principles (see box) at all levels and in all areas of the Food Commons system to ensure that the system is fair and accountable to all participants, environmentally sustainable, and economically sound, and that one of these values is not sacrificed for another. Risks and rewards are transparently and equitably shared along the value chain (developed and maintained by Food Commons Communities), not only within but across regions.

→ **LARGE-SCALE SYSTEMS DESIGN** The Food Commons will marry the rich diversity and local identity and control of bottom-up, grassroots regional food system experimentation and evolution with expert large-scale systems design to create a federation of linked regional food systems that collectively share in the benefits of scale economies in logistics, supply chain management, quality assurance, inter-regional trade, marketing, information systems, business development, financing, asset management, governmental relations, regulatory compliance, human resources management, technical assistance, training, and learning.

→ **ACCESS TO CAPITAL** The Food Commons Trust and Bank structures will provide access to physical and financial capital at rates affordable to small-and mid-scale farmers and food entrepreneurs operating in alignment with Food Commons values.



2.**OLIGOPOLIZED REGIONAL FOOD SYSTEM APPROACH**

The **oligopolized regional food systems approach** refers to recent efforts by major food corporations (e.g., Wal-Mart, Sysco) to capture some of the value of regional food systems within the existing system of centralized corporate ownership and control. This approach has the benefit of utilizing existing businesses, infrastructure and highly sophisticated supply chain management expertise to move products efficiently from producer to consumer. This approach should support an increase in the number and diversity of local producers.

However, in this model control and market power remain in the hands of a remote, centralized corporate entity which dictates terms to its suppliers and is in turn dictated to by shareholder and Wall Street expectations of short-term profit and growth. This approach is likely to embrace environmental sustainability and social equity only insofar as it is required and enforced by government regulation and/or leads directly to an improvement in bottom line results.

**3.****HIGH TECH GLOBAL COMMODITY APPROACH**

The **high tech global commodity approach**, exemplified by the recent “Roadmap to a New Agriculture” report of the World Economic Forum², also leaves intact, and in fact would expand, centralized corporate control of the global food system. As noted earlier, this approach holds that expansion of input-intensive, large-scale monocultural, biotechnologically engineered commodity crops is our best and perhaps only hope of feeding the earth’s growing human population over the course of this century. Proponents of this approach may acknowledge the value of the regional food and sustainable agriculture movement on the margins, or in affluent communities that can indulge in the luxury of boutique farming and artisanal craftsmanship, but they do not believe that these movements can achieve the scale and productivity to compete with industrial agriculture on either quantity or cost.

While it is true that the industrialized and high-tech approach has produced enormous gains in agricultural productivity and decreases in food prices over the last 40 years, it also is clear that these gains are leveling out or reversing, and that they have come at enormous and unsustainable costs to soils, fresh water stores, and biodiversity — that is, to the ecological systems upon which our continued ability to feed ourselves depends. This approach has also severely diminished if not completely eradicated generations of knowledge and expertise at adapting agricultural practices and crops to fit each micro-region inhabited by human populations. On the other hand, there is research to suggest that intensively managed sustainable agricultural practices can in fact out-produce and out-compete conventional agriculture, particularly when conventional agriculture’s subsidies and externalized costs are included in the calculation.

As noted earlier, given this history and the enormously high stakes, in the interest of regional and national security it is only reasonable, at the very least, to spread our bets rather than to sit back and hope that a technological fix, paternalistically administered, will solve our problems. This final piece of the Food Commons value proposition, therefore can be characterized as **risk management** — a form of insurance against a potential big-system failure, analogous to the insurance each individual regional food system provides its population against temporary supply disruptions.

*a form of insurance against
a potential big-system failure*

FOOD COMMONS COMPONENTS

FOOD COMMONS TRUST



The purpose of the Food Commons Trust would be to purchase and hold farmland and other physical property, in perpetuity, within and surrounding metropolitan areas, and to build and own the infrastructure necessary to make local/regional food systems viable and sustainable. The Trust could transition vacant land into farming and rehabilitate existing, underutilized infrastructure.

These public holdings would support local food enterprises by providing opportunities for individuals who are not from farmland — and infrastructure-owning families to lease these assets and to create businesses without first having the capital necessary to purchase them; this would significantly reduce their debt load and increase their potential for success. A large percentage of Trust land and infrastructure could be reserved for beginning farmers and entrepreneurs.

The Trust would create a **physical ‘home’ for a national food-security network** that would assure the delivery of high-quality food to communities throughout the nation, sourced as much as feasible from local producers. It would foster the development of a decentralized, integrated system of small enterprises, from farms to retail stores that, taken together, would complement existing small and mid-sized, independent, local, and sustainable food enterprises.

It is possible to think of the Food Commons Trust as a “National Park System”, a “Bureau of Land Management,” or a Public Utility dedicated to national food security and health — but, importantly, without the typical government bureaucracy, since it would be established as a public, not-for-profit Trust, chartered to operate for the perpetual benefit of the American public.

The challenge of capitalizing such an ambitious enterprise is enormous. A potential source of capitalization could be land and infrastructure currently owned by banks and other institutions that receive government support, either directly, or through government guarantee programs and FDIC insurance. Many more of these assets are collateral for non-performing loans that banks would like to remove from their books. Moving these assets out of banking ‘limbo’ (and ultimately government support) and into the Food Commons Trust would remove them from the already-depressed commercial real estate market, and allow them to be re-directed to productive use. This approach is similar to the creation of the Resolution Trust Bank when the savings and loan meltdown happened in the late 1980’s, but with the important difference that the assets would move into public ownership,

rather than be sold off to wealthy individuals and ever-larger banks. After all, the taxpayer has been obligated to pay back many tens of billions, and arguably should receive some assets in exchange. The transfer would be the first step in jump-starting new economic activity, especially in economically depressed areas that would lag behind even in a normal economic recovery.

These **real** productive capital assets spread throughout the nation and held in perpetual trust, would be used to facilitate the creation of new value, based on an essential sector of the economy — food and agriculture.

Trust assets could include:

→ Farmland and improvements.	→ Aggregating/processing facilities and Public Markets.	→ Wholesale markets.
→ Distribution systems including transport infrastructure	→ Food service outlets including such things as bakeries.	→ Retail markets
→ Trust administrative costs	→ Food Commons federation administration, marketing and business development costs	→ Assisting the development of new Food Commons Communities
→ Local and state property taxes and fees	→ Investment in additional land and assets as necessary	→ Ongoing capital improvements
→ Retiring debt and providing exit for investors		

The Trust would receive income from lease payments made by businesses utilizing these assets. The income would be used for the following purposes:

Since the Trust’s land and facilities would be held in perpetuity, occupancy would change as time went by. As older owners and operators of food system businesses retired, or as individual businesses failed or were sold, they would make way for a new generation of entrepreneurs and workers. They could use entry-exit systems found in Employee Stock Ownership Plans and other innovative employee — and management — stock participation methods for transferring business ownership in an orderly and fair manner.

FOOD COMMONS BANKS

Seed capital from the government and public membership fees could establish regional, not-for-profit Food Commons Banks that would serve businesses and customers in the Food Commons Regional networks by:

→ Making loans to individual enterprises of various types that would operate different parts of the system (farms, fishers, processors, retail stores, etc.).

→ Accepting deposits from retail customers and providing traditional banking services. The Banks would accept individual and institutional deposits and pay interest.

The Banks might desire to issue their own 'notes' backed by crops, livestock, and fish stocks that could be redeemed within the Food Commons system, much as subscribers to CSA's pay in advance for food they will receive at a later date. Customers could redeem their cash deposits for discounted food if they chose. They could use a debit card transactions system that could include food stamp enhancements.



The Banks would need a corps of "old-fashioned" bankers who know the people in whom they are investing and understand their local community. They would operate on very low leverage, so as to minimize risk to depositors.

The Banks would have standard cooperative ownership and governance structures. They could operate in concert with other local financial entities such as local stock exchanges, local governments, local banks, in order to provide a full range of financial services for businesses operating within the local marketplaces.

The Banks might even handle the sale of special local bonds issued to help capitalize the numerous new businesses spawned by the regional Hubs. In fact, creating a new category of conservative bond investments — Food Commons Bonds — might be especially appealing to individuals, pension funds, and institutions looking for a modest but reliable return on an investment in an essential industry with a broadly diversified income stream. Further, they could enjoy the visible improvement in their communities that their investment had helped to enable.

Business Development Corporation (BDC) model may offer an attractive structure

The Business Development Corporation (BDC) model may offer an attractive structure, at least initially, for Food Commons Bank functions. A BDC is a category of investment funds that are operated for the purpose of making investments in and providing significant managerial assistance to small and developing businesses that do not have ready access to capital through convention financial channels.

BDCs have greater flexibility under the Investment Company Act, and significantly less onerous and expensive set up and filing requirements, than conventional, fully regulated investment funds or banks. As such they may provide a relatively expeditious vehicle for start-up equity investments in Food Commons enterprises, and for small investments by local residents of a Food Commons Community. Other potential models being explored to meet the ongoing financial service needs of Food Commons enterprises include Community Development Corporations, credit unions, community banks, and local stock exchanges.

FOOD COMMONS HUB

Regional Food Commons Hubs are the coordinating entities that facilitate the aggregation, distribution, processing and marketing of products within a foodshed. Modeled on not-for-profit cooperatives, a Food Commons Hub could be a single, cooperatively integrated enterprise and/or a service provider to a wide variety of small food businesses that operate in alignment with Food Commons principles to produce, process and market food within a region.

Core elements of the cooperatively integrated Food Commons Hub could include independent or Food Commons Community-owned and operated enterprises across the food value chain:

- **PRODUCTION** farms, ranches and fishing boats.
- **PROCESSING** processing plants, slaughterhouses, dairies, and commercial kitchens.
- **AGGREGATION AND DISTRIBUTION** warehouses, trucks, and other infrastructure including information and management systems for handling transactions and logistics among producers, processors, and wholesale and retail markets.

- **RETAIL** grocery stores and/or marketplaces that sell products from FCC producers and aligned businesses, both from within the foodshed and from other regions in the Food Commons federation.

the food commons center could provide physical space and infrastructure for a community of businesses and enterprises

Portions of the Food Commons Hub, along with the Trust and Bank, could be co-located in a Food Commons Center, managed by the FC staff and anchored by an Food Commons Community retail store. In addition to housing core Food Commons business functions, the Food Commons Center could provide physical space and infrastructure for a community of businesses and enterprises that share Food Commons principles and support the trade of local, regional foods in a welcoming, celebratory and approachable way, for consumers of all socio-economic levels as well as for large institutional purchasers.

Tenants of the Food Commons Center might include a host of for-profit, non-profit, or public operations according to the needs and vision of the surrounding community, including but certainly not limited to:

- **Food Hall** a marketplace patterned after the Chelsea markets in New York or Borough Market in London, housing different types of food businesses from retailers of produce, meats, fish, cheese, and other value-added food products (e.g., ice cream, jams, pickles, baked goods), to restaurants, kitchen equipment stores that focus on sustainable materials and affordable costs, and shops with products made from local fibers and crockery.
- **Mobile Food Vendors** fleet of trucks dispatched to sell fresh healthy foods direct to consumers in underserved neighborhoods.
- **Food Business Incubator** kitchen and processing facilities for use by food entrepreneurs testing products and launching small business, along with small business consulting and support services.

- **Demonstration Farm/Community Garden** where families can learn about and participate in farming, urban agriculture, and animal husbandry.
- **Learning Center** classrooms and kitchens for job training and certification programs, farming, cooking and nutrition classes and culinary demonstrations.
- **Community Meeting Space** auditorium or amphitheater for educational, cultural, and celebratory gatherings.

- **Health and Human Services** access points for food benefit programs.
- **Community Health Center**
- **Job Training Center** for food entrepreneurs

- **Park/Fitness Area**

In some cases, communities may have the good fortune to have existing business amenable to Food Commons Principles, who are willing to adjust their business models to accommodate FC operating principles, or perhaps even sell their businesses to the Food Commons. In other cases, the essential elements of a Food Commons core will need to be built from scratch, from farms to retail stores. Once a Food Commons Hub is operational, the enterprise might expand in a number of directions:

→ **THE FOOD COMMONS**

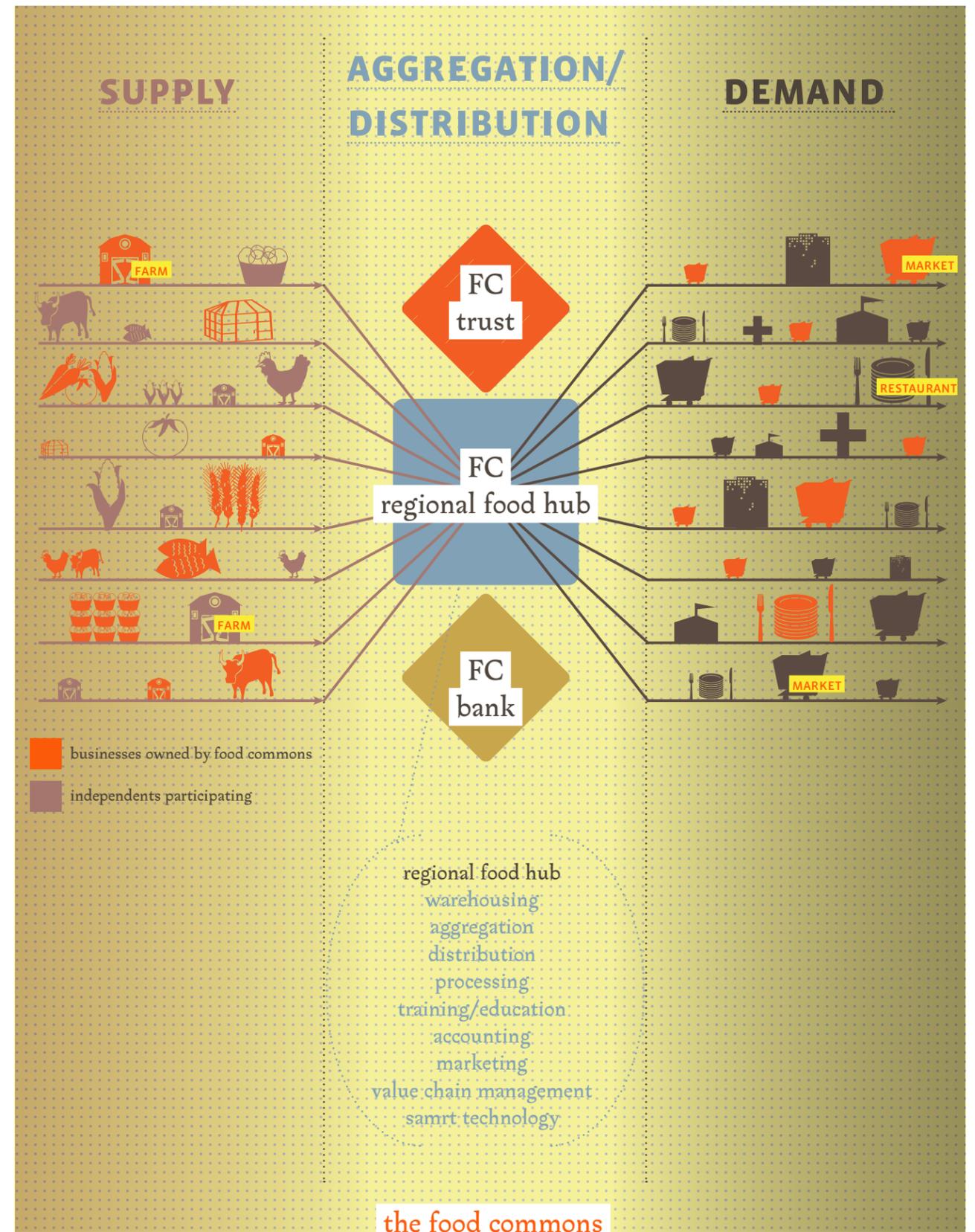
COMMUNITY could acquire or create new retail, distribution, processing and production units, and/or expand relationships with existing small farms and businesses in the region as suppliers and vendors of Food Commons products.

→ **SATELLITE FOOD**

COMMONS CENTERS could be strategically sited around a metropolitan area, starting with the most underserved communities.

→ **EXISTING OR NEW**

FARMS, DISTRIBUTORS, retailers, and food hubs that operate in compliance with Food Commons principles could become certified FC partners utilizing the Food Commons brand in their own sales and marketing for a fee, which could in turn be used to support programs such as skills training for new growers.





FC employees would manage supply and demand, coordinate product flow, transaction flow, certification and tracking, and monitor worker interests such as compensation and working conditions across all modes in the value chain. The FCCs would most likely be organized as co-ops, giving them the ability to serve as a ‘safe-harbor’ price-negotiating exchange that will serve all constituencies, from farm workers to consumers.

A diversity of local and widely distributed ownership of these businesses will be the norm. Some will be formally part of the Food Commons core businesses, and others will be sole proprietorships, some partnerships, some employee-owned businesses, some consumer co-ops, some municipally owned, some small corporations with local stockholders.

The independent businesses that are created may have some resemblance to a franchise structure, with a localized twist. They could thus serve as an entry point for entrepreneurs who have the drive but lack the resources or skills to operate a stand-alone business. Each region, and even neighborhood, can tailor the ‘personality’ of its business units to local tastes, while benefitting from the professional business experience that the FCC could provide.

*all levels of the food value chain
will be integrated so that they can
coordinate supply and demand
and ensure that there was a balance
of cooperation and competition
between enterprises*

Existing small and mid-sized enterprises would be able to join the Food Commons Community, as long as they agreed to adhere to its principles and ‘rules of the game’ — for example, an existing farm could rent land from the Trust, but would have to agree to pay its employees agreed-upon wage scales and benefit packages, adopt quality standards and timeliness expectations, and participate in a cooperative-type marketplace. They would benefit by having a guaranteed market for their products at a price that would support higher labor costs.

All levels of the food value chain will be integrated so that they can coordinate supply and demand and ensure that there was a balance of cooperation and competition between enterprises. One of the functions of the FCC will be to referee this marketplace as an ‘honest broker.’ For example, a grocery store might need two local tomato growers, not ten. The FCC can help negotiate this among growers so as to avoid over-supply in the local market.

The FCC may provide business development, planning, and coordination services for new business entrants to help them avoid the all-too-common effects of over- and under-production. The FCC may also provide technical and support services to new entrants and existing businesses, in marketing, administration and human resources, and other functional areas. This technical assistance arm could provide a menu of business plans for different types of enterprises necessary to populate the system. There could be templates for egg/chicken operations, vegetable farms, greenhouse operations, terminal markets, neighborhood markets, school lunch facilities, dairy farms, farmers’ markets, community kitchens, neighborhood restaurants, etc. And, importantly, it would provide experienced ‘mentors’ for each type of enterprise.

Workforce development/vocational training programs can also be operated through the FCCs, creating opportunities (either as employees or as entrepreneurs) for young people seeking careers in the businesses operating on land and in facilities owned by the Food Commons Trust. This aspect of the Food Commons plan would be almost immediately stimulative to the economy if financing and training stipends were included.

In addition, the FCC can help facilitate community services such as school lunch and other institutional food service programs, community kitchens, public markets, and health promotion components. They would connect different enterprises and actors across the value chain, including producer/consumer linkages. FCC functions will only be limited by the needs and vision of the community.

Achieving all these goals will require assembling a specialized talent-pool that is highly skilled and experienced in managing complicated logistics in decentralized systems. Most of these people do not work in the small-scale enterprises we all know, nor do they work for government agencies, or the philanthropic sector — they work in the existing food system enterprises. Given an alternative, some might prefer to help build a decentralized system that operates under a new paradigm that does a better job of aligning profitability with larger societal goals. We anticipate and are already seeing that the opportunities presented by developing the Food Commons will be very attractive for these highly skilled and experienced people.

Businesses operating within the FCCs could employ graduates of its vocational programs, who become career-oriented, skilled farm workers, butchers, grocers, farmers, fishers, chefs, canners, and so forth, who see their work as a craft, and produced and presented a superior food product. These businesses will also provide new jobs for lower skilled workers and new entrants into the workforce, offering them a chance to move up into skilled positions.

THINKING ABOUT LABOR

Growing more fruit and vegetables regionally will create new, local farm labor jobs as well as others down the value chain.

While these jobs are more demanding than most, they are not beyond the capacity of indigenous regional labor pools. After all — not so many years ago — crops were harvested in some significant part by local high school students and other able-bodied residents, working for a few weeks or months on local farms.

In regions where the harvest season is only a few months long, a seasonal job with decent pay and benefits could become an appealing option for some, as long as they were able to accrue benefits and save some of their income. If a system were developed that tied eligibility for tuition subsidies to summer work on local farms, there might be a pool of willing local participants. Perhaps if free temporary housing in Bank-owned (or Trust-owned) housing were included, young people could work off their student loans at an accelerated pace.

In order for this regional labor system to function optimally, the cultural perception of farm labor as an honorable profession will need to be greatly enhanced. It might even come to be seen as a 'rite of passage' for those whose ultimate ambition lay elsewhere. To this end, the concept of community service could be directed toward participation in the harvest of regionally grown food.

In order to appeal to indigenous labor pools, working conditions on Food Commons farms would have to be at a higher standard than is often the case today. Even the structure of farm labor jobs may need to change.

For example, if morning harvest was combined with afternoon study, or perhaps with processing or retailing in air-conditioned buildings, the harvest jobs might be more widely appealing. A vertically integrated Food Commons entity would be well suited to this type of workday arrangement. A person could harvest from 7am until 12 pm, then work in retail from 2pm to 5pm. Their paycheck would be from the same company.

Numerous 'boot camp' programs have certainly demonstrated the ability of many young people to endure arduous regimes and to feel a sense of accomplishment and pride in completing them. Witness wilderness camps, sports teams, fire crews, and the military.

In fact, the Farmer-Veteran Coalition has been working for some years now placing returning Iraq and Afghanistan veterans into farm jobs.

If the compensation package of the young workers was two-tiered so that they received minimum wage plus non-cash benefits that would be in the long-term interest of the nation — such as student loan forgiveness, residence in abandoned homes, vocational training — the actual labor cost per unit of food would approach that of food produced by professional farm workers.

We should not lose
our ability to
“work in the sun with
hope, or sit at peace in
the shade of any tree.”

—Wendell Berry



FOOD COMMONS GOVERNANCE

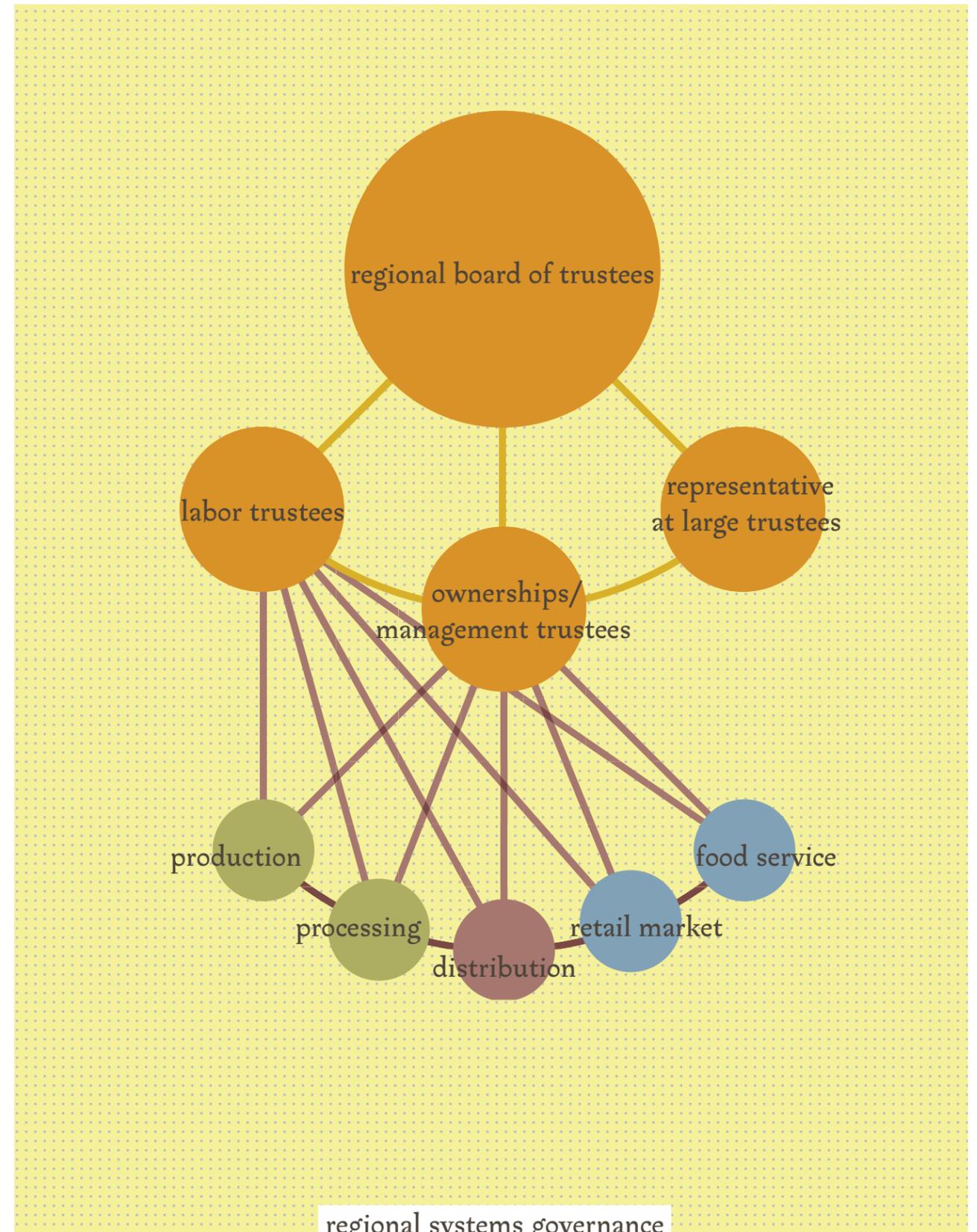
An essential goal of the Food Commons is to achieve a more democratic and cooperative food system with greater alignment and accountability to the communities served and greater equity and fairness for all participants. Manifesting this vision will require new organizational structures that are grounded in Food Commons principles and that draw on the best elements of co-operative, public utility, trust and corporate governance models.

Two of the core principles the Food Commons governance structure will be responsible for upholding are:

→ **PRESERVATION OF COMMON BENEFIT ALONG THE VALUE CHAIN.** Food Commons governing boards will be tasked with balancing the needs of the whole system, from the environment, to workers, to farmers and fishers, to aggregators/processors, to retailers, and to consumers.

→ **SUSTAINABLE, STEADY-STATE PROFITABILITY.** The governing boards will establish goals, incentive structures, and checks and balances that drive efficient use of resources and sustainable positive economic value creation, not unlimited growth and maximization of shareholder profit at the expense of other stakeholders, including future generations.

achieve a more democratic and cooperative food system



regional systems governance

The integrating, governing body at the regional level would be a Regional Board of Trustees comprised of representatives from each of the three Food Commons components (Trust, Bank, and FCC) plus representatives from each of the key sectors in the food system. Also, several seats would be allocated to representatives-at-large who might be retired industry people, or disinterested experts who have no economic interest in the decisions made by the Board. Labor representation would be fully integrated at all governance levels.

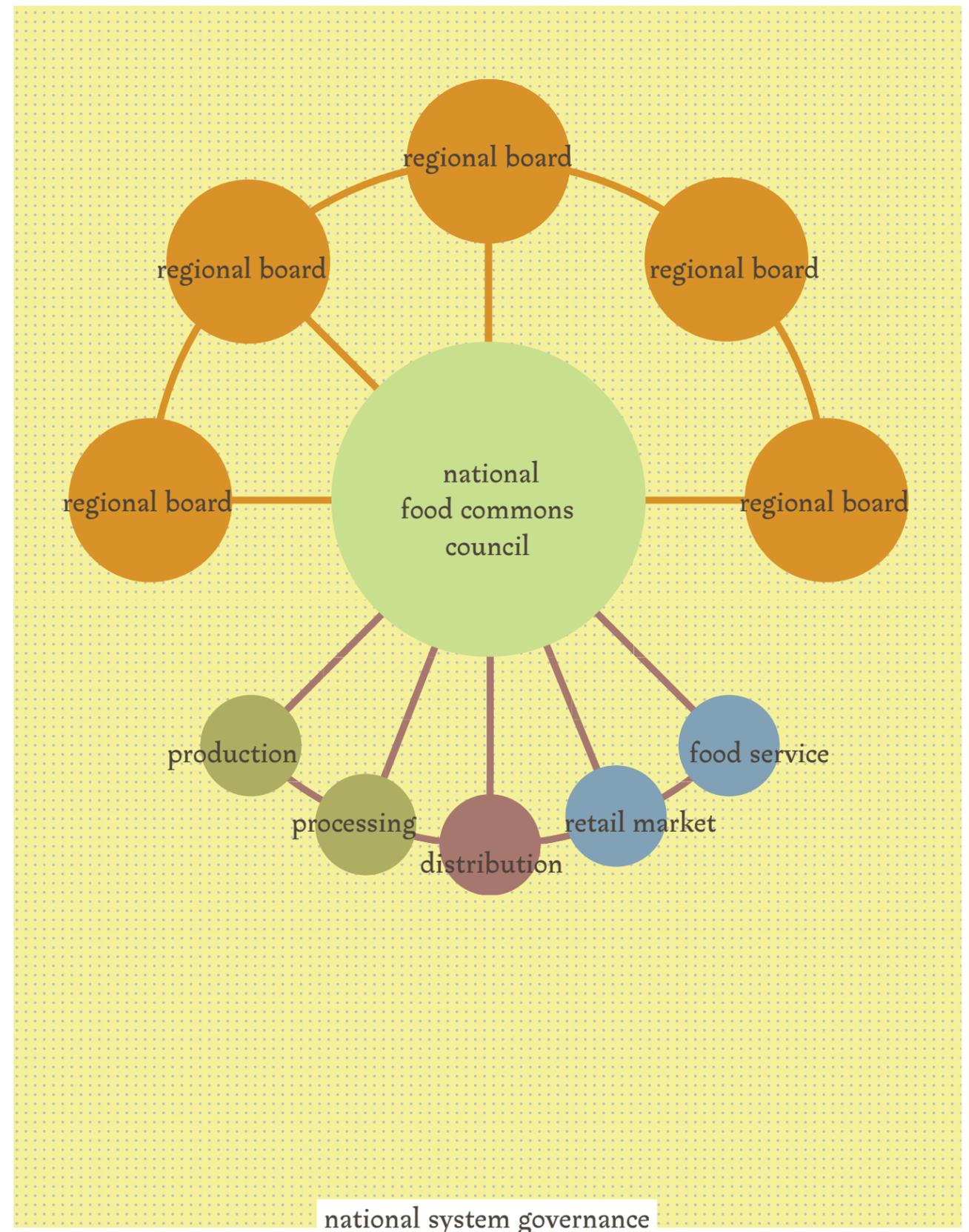
Each Regional Board would have subcommittees for each of the three Food Commons components, allowing for focused decision-making while at the same time assuring that the governance of the region would be integrated.

The Regional Board of Trustees would have fiduciary responsibility and oversight of the regional Food Commons assets in its entirety. In addition to hiring key staff/leadership that would manage assets owned by the Trust and leasing out land and facilities, the Regional Board would set the direction and vision for the local Food Commons and develop policy in concert with the national Food Commons Council. It would oversee negotiations between different levels of the value chain, and serve as arbiter when necessary.

Regional Boards would be linked together through a central federated governance system, but would operate fairly autonomously within their respective regions. At the national level, a Food Commons Council would be comprised of representatives from each of the Regional Boards as well as representatives from the different food system sectors. The Food Commons Council would be responsible for national level decisions regarding direction, coordination, support, and advocacy.

the goal of the governance structure would be to ensure accountability, economic viability and social equity.

The goal of the governance structure would be to ensure accountability, economic viability and social equity. Principles of democratic governance and public accountability would be included in organizational documents, articles of incorporation, and by-laws. All Board members would be held accountable to these principles, including legal requirements to balance interests among different constituencies across the value chain.



national system governance

“In times such as these,
it is no failure to fall
short of realizing all
that we might dream.
The failure is to fall short of
dreaming all
we might realize.”

—Dee Hock
(Founder, VISA International)

III. STRATEGY FOR REALIZING THE FOOD COMMONS VISION

*potential to be a major force for
economic revitalization and a
magnet for a new generation of
innovators*

We believe that the Food Commons has the potential to be a major force for economic revitalization and a magnet for a new generation of innovators who need guidance, access to capital, and a physical place to put their energy and creativity to work. We also believe that this system can revitalize and ensure the continuity of small and mid-sized farms and ranches that steward the land, nourish our communities and our health, and comprise the fundamental building blocks of local and national food security.

*an entrepreneurial effort
of unprecedented scale*

We recognize that creating this new system is a massive undertaking. It is an entrepreneurial effort of unprecedented scale and is based on an economic model that will be new to many people.

Creating a national Food Commons system will entail three major stages:

1. Proof of concept:
building a Food Commons
demonstration prototype
2. Designing and building the
national network and federation
3. Moving to scale:
growing regional food systems'
market share

1. PROOF OF CONCEPT: A FOOD COMMONS DEMONSTRATION PROTOTYPE

The most effective way to establish the commercial viability and value of the Food Commons model will be to create a highly successful prototype in at least one major metropolitan area. We are in discussion with leaders in Los Angeles and other communities to select between one and three prototype sites, with initial emphasis on Los Angeles.

The goals of the prototype are to demonstrate clearly

→ the profitability of the Food Commons model across the value chain from producers to processors, distributors, and retailers

→ improved food access and health benefits for consumers and communities

→ the adaptability, networkability, and replicability of the model's organizational and governance structures



The prototype will represent a fractal of the larger Food Commons system, embodying at a regional level the basic design patterns and relationships between system elements. At minimum, the prototype fractal would likely include:

-
- **PRODUCTION** Ten or more small to medium sized farms and ranches within a regional foodshed producing a diversity of both animal and plant products, all geared to provide a constant flow of products into the business's retail stores. The operations will utilize best available sustainable practices though they may or may not be certified organic.
- **Processing** At least two processing units, one for meat, the other for processed fruit and vegetable products, for retail and food service sales.
- **AGGREGATION/ DISTRIBUTION/MARKET COORDINATION** A food hub to aggregate, pack, warehouse and distribute food products for distribution to retail sites as well to wholesale customers including other participating retail outlets, restaurants, and institutional buyers. Given the central role of a food hub, this is likely where production planning and market coordination functions for the larger Food Commons Community would reside.
-
- **RETAIL STORES AND RESTAURANTS** A small chain of medium-sized retail stores and a small chain of restaurants selling products harvested to the greatest extent practicable from within the foodshed, either on our own farms or by other producers operating in accordance with Food Commons principles. Gaps in the product line would be sourced from other local distributors, and ultimately from other regions that are members of the Food Commons network.
- **FOOD SERVICE** A commercial food service kitchen to prepare foods for institutional customers such as schools, hospitals, universities and hotels.
- **ENTERPRISE DEVELOPMENT** A business incubation center to provide training and support services to entrepreneurs seeking to launch new Food Commons enterprises across the food value chain.

-
- **WORKFORCE DEVELOPMENT** A job training center to develop and place skilled and cross-trained Food Commons employees at all levels in the Food Commons Community.
- **ASSET MANAGEMENT AND STEWARDSHIP** A Food Commons Trust to acquire, hold, and steward regional food system assets, including land and buildings.
- **FINANCIAL SERVICES** A Food Commons Bank to facilitate access to capital and provide a vehicle for local investment in Food Commons enterprises.
-
- **ADMINISTRATION** An administrative/management center to house business planning, human resources, finance, accounting, systems and other enterprise support functions as well as oversight of regional governance mechanisms.

As noted in the previous chapter, portions of each of the demonstration project's core operations may be co-located in a Food Commons Center, managed by the Food Commons and anchored by a Food Commons retail store. In addition to housing core Food Commons business functions, the Food Commons Center could provide physical space and infrastructure for a community of businesses and enterprises that share Food Commons principles and support the trade of local, regional foods in a welcoming, celebratory and approachable way, for consumers of all socio-economic levels as well as for large institutional purchasers.

SOME OF THE IMPORTANT CRITERIA FOR SITING OF A FOOD COMMONS CENTER

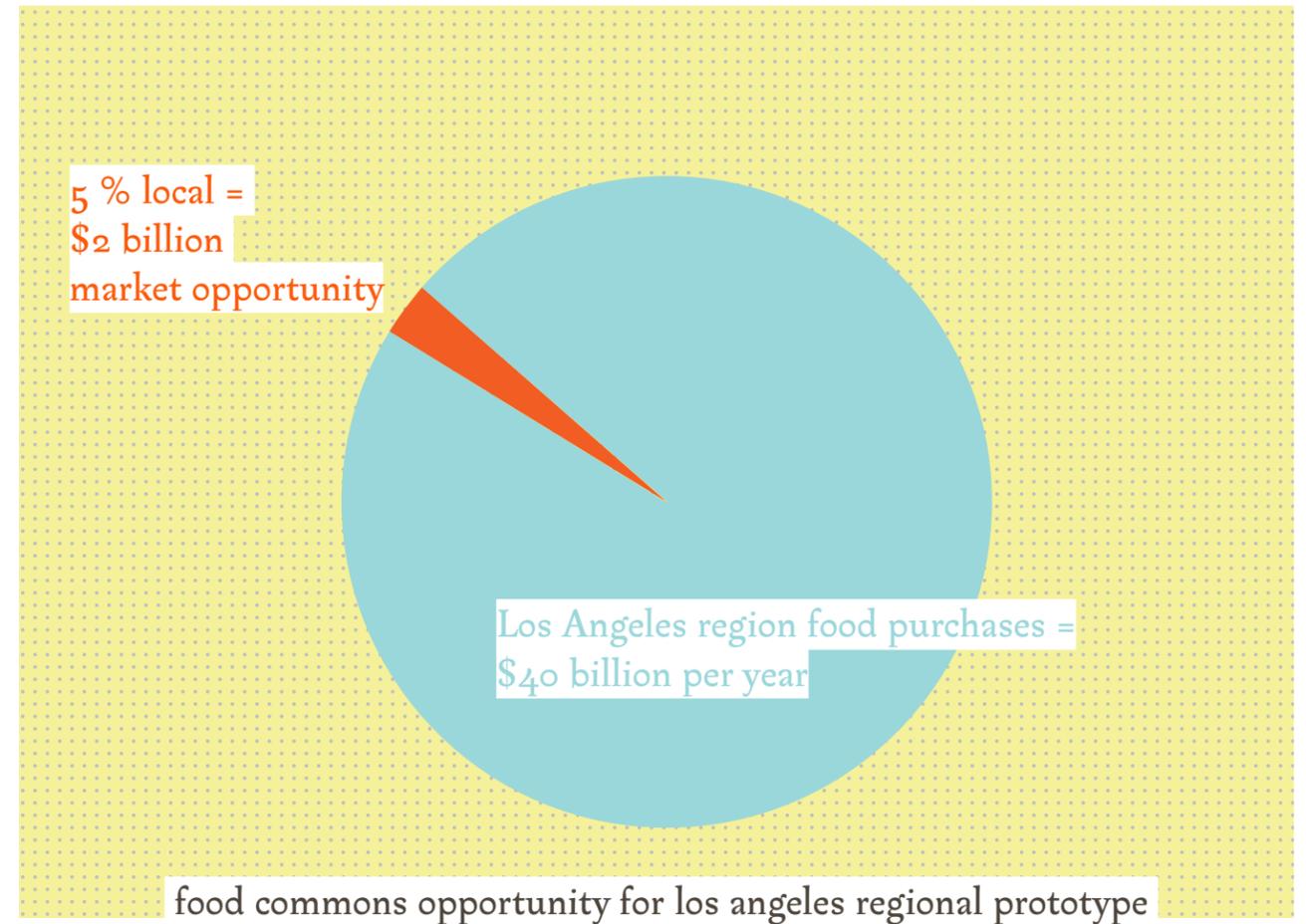
- Easy access by foot, bike, and transit for customers from a range of socioeconomic levels, including low-income communities with limited access to fresh, healthy foods
- Proximity to rail and freeways for efficient movement of goods.
- Support of local community leaders.
- Availability of unused or underutilized properties and facilities (e.g., abandoned retail and/or warehouse space).

Public operations according to the needs and vision of the surrounding community, including but certainly not limited to

- a food marketplace;
- demonstration farm and community garden;
- a fleet of mobile food vendors;
- community meeting space;
- access points for health and human services;
- a park and fitness area.

Once the demonstration project is operational, the enterprise could expand in a number of directions:

- Acquisition or development of new retail, distribution, processing and production units, and/or expand relationships with existing small farms and businesses in the region as suppliers and vendors of Food Commons products.
- Satellite Food Commons Centers strategically sited around the region, starting with the most underserved communities.
- Partnerships with existing or new farms, distributors, retailers, and food hubs that operate in accordance with Food Commons principles, utilizing the Food Commons brand in their own sales and marketing for a fee, which could in turn be used to support programs such as skills training for new growers.



We expect annual TOTAL gross revenue from the demonstration project to exceed \$50 million, which would be large enough to be a credible demonstration of the viability of the Food Commons system and an indicator of the size of the market opportunity in Los Angeles, yet modest enough to be a reasonable initial investment/risk given the state of the economy and urgency of the issue.



DEVELOPMENT PROCESS

Prototype development will be lead by a team of proven industry experts and veterans in all relevant areas of business and organization working in close collaboration with local businesses, governments, health and community organizations to co-design, develop and launch the prototype project. The team’s collective wisdom will need to encompass a full spectrum of food system and business functions:

→ Production, including row crops and nursery operations, meat production, dairy, and fisheries	→ Food processing and food safety	→ Retail grocery management
→ Food service operations	→ Supply chain management and logistics	→ Community and government relations
→ Human resources and training	→ Business planning, financing and investor relations	→ Cooperative and ESOP development
→ Accounting and information systems	→ System design and integration	→ Marketing
→ Real estate development and project management	→ Green building/facilities design	

The process of creating and implementing the prototype Food Commons Communities will include three phases:

- 1) FEASIBILITY ASSESSMENT, SYSTEM DESIGN
- 2) BUSINESS PLANNING
- 3) FINANCING AND DEVELOPMENT
- 4) OPERATION

BDCs and cacs have greater flexibility under the investment company act



PHASE 1: FEASIBILITY ASSESSMENT AND SYSTEM DESIGN

After being invited to present the Food Commons concept, FCBDC representatives would first meet with community organizations and local government bodies to assess their commitment to becoming a Food Commons Community. They would explain FC philosophy, principles, and operating methods, and broadly sketch out what a Food Commons might look like in their community and how it might be brought into reality. If there is interest in moving forward, the community would partially fund a feasibility study for a Food Commons tailored to their specific region.

The feasibility study will assess the potential profitability of the overall enterprise across a range of assumptions regarding scale, capital and operating costs, market size and share, and product pricing. This economic analysis will help guide the preliminary physical, organizational and technical design of the system and its relationship to wholesale, retail, and institutional markets, existing food system infrastructure, competitors, and potential partners and contractors across the value chain.

As part of the system design process we will assess models for the Food Commons Bank and Trust as vehicles for investing in, holding and managing Food Commons capital and physical assets. We will begin the process of launching prototype structures for each and begin identifying public and private equity and debt financing sources.

Establishing one or more non-profit entities to serve as the Food Commons Trust, following the familiar land trust model, will be a relatively straightforward task. The Food Commons team will pursue a range of avenues for funding the trust and acquiring assets:

- Donations of private land, facilities and agricultural easements in exchange for tax benefits;
- Purchase of assets using philanthropic funds, slow capital, government loans or other debt financing.
- Transfer of bank — or government owned “underwater” assets.

The initial structure for the Food Commons Bank may be a business development company (BDC) in California. BDCs have greater flexibility under the Investment Company Act, and significantly less onerous and expensive set up and filing requirements, than conventional, fully regulated investment funds or banks. As such they may provide a relatively expeditious vehicle for start-up equity investments in Food Commons enterprises and a direct pathway to investment and ownership by local residents. Other potential models for meeting the ongoing investment and financial service needs of Food Commons Communities that will be explored over time include employee stock ownership plans, consumer cooperatives, credit unions, community banks, and local stock exchanges.



PHASE 2: BUSINESS PLAN

Once the proposed design has satisfied the initial screens of the feasibility assessment, a full business plan will be developed to present to investors and guide initial business development. In addition to laying out the mission, objectives and business case for the enterprise, the business plan will identify target sites for key components of the business (e.g., farms, hub and retail locations); operating and marketing plans; ownership and governance structures; regulatory issues and strategies; key members of the management team; key business, community and governmental partners, including institutional customers; training and human resources plans; and financial and risk management plans.

A NEW VEHICLE FOR LOCAL INVESTMENT AND OWNERSHIP

To support food enterprises, Food Commons will need capital. Ideally Food Commons will create a fund that can be invested in local sustainable food enterprises developed on trust land. This fund should be open to investors of all kinds — wealthy and not-so-wealthy. It should also provide the opportunity for residents of a community where a Food Commons trust is located to invest in the local Food Commons enterprises.

The major legal obstacle to creating such a fund is the Investment Company Act of 1940. That Act regulates any company whose primary purpose is to invest in other companies. The regulations are quite onerous and would make it almost impossible for Food Commons to operate a fund.

However, the Business Development Corporation model allows enough flexibility, and new opportunity for people of all levels to invest in their own local community.



PHASE 3: FINANCING AND DEVELOPMENT

When the business plan is in place, the Food Commons development team will begin the process of securing capital and guided by the business plan, acquiring, developing or leasing assets, securing permits, negotiating contracts with suppliers and customers, and launching workforce and management training programs.

A regional Food Commons Trust will be established to acquire and hold land and buildings associated with the Food Commons Community (farms, warehouses, stores, etc.). Initial investors such as PRI funds, angel investors, Slow Money members, foundations, and government entities will be approached for debt, equity and grant funding for the build-out and start-up of the enterprise. Capital will be repaid over time from lease payments to the Trust from the Food Commons Community and other food enterprises as well as through stock purchases by employees, customers, and local community members via ESOP programs, co-op-type memberships, and local stock offerings.

Depending on the opportunities and constraints presented by the local environment and economic climate in the prototype site(s), the initial business launch may entail significant capital investment in new construction and/or redevelopment from the outset. Conversely, it may require a more organic evolution of the enterprise based on linking existing businesses through a new set of structured value chain agreements, cooperative branding and marketing programs, information systems, and governance and coordinating mechanisms designed to embrace a widening network of partners over time. The most practical and politically saleable development path will likely involve some combination of both: new enterprise and asset development coupled with partnerships with existing entities whose assets and expertise can be quickly redeployed as part of the Food Commons Community.

*new enterprise and asset
development coupled with
partnerships (or buy-outs)
with existing entities*



PHASE 4: OPERATION

The Food Commons development team will continue to provide on-going business support to the local management team during launch and ramp up of operations to ensure that the enterprise meets its organizational and financial targets in the first three to five years; that governance and accountability mechanisms are established and fully functioning; and that the management and workforce team has access to needed expertise in operations, human resources and training, marketing, business development, and legal and financial services.

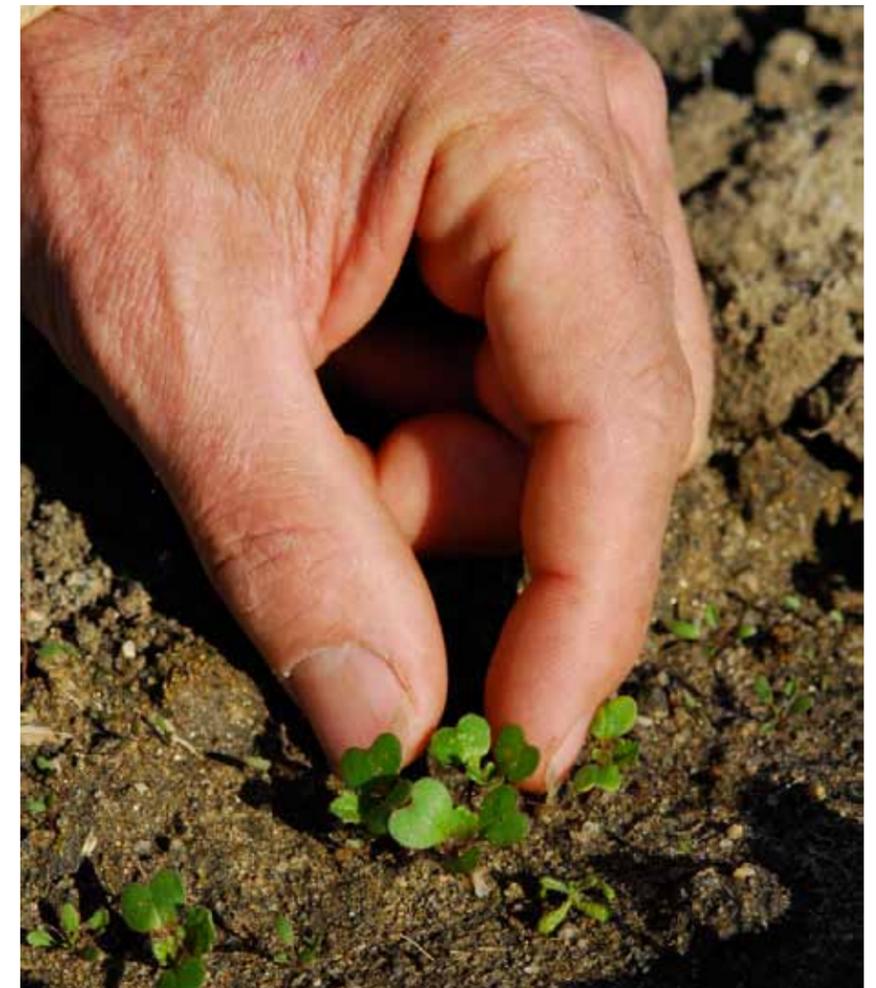
CREATING GOOD FOOD JOBS AND LIVELIHOODS

Economic opportunity and fairness are core tenets of the Food Commons. Keeping more food dollars local will create many more food system jobs within a region, but it will be vital to create a culture, standards and reward systems that ensure that these jobs provide living wages, dignity, and the opportunity for advancement. Education and training will not only create a pipeline of skilled workers to fill new food system jobs, but will open to those workers new pathways for professional fulfillment and economic security.

Food Commons employees will be primarily drawn from residents of the community served. They will receive instruction in all areas of food production, processing, and retailing, as well as business finance, human resources, customer service, and food safety. Successful trainees and workers will have opportunities to move into management positions as well as access to resources and support to launch independent food enterprises that can become partners in the Food Commons Community. Employees will also have the opportunity to build equity over time in the form of redeemable ownership shares through an Employee Stock Ownership Plan (ESOP).

**DEVELOPMENT COST AND TIMELINE**

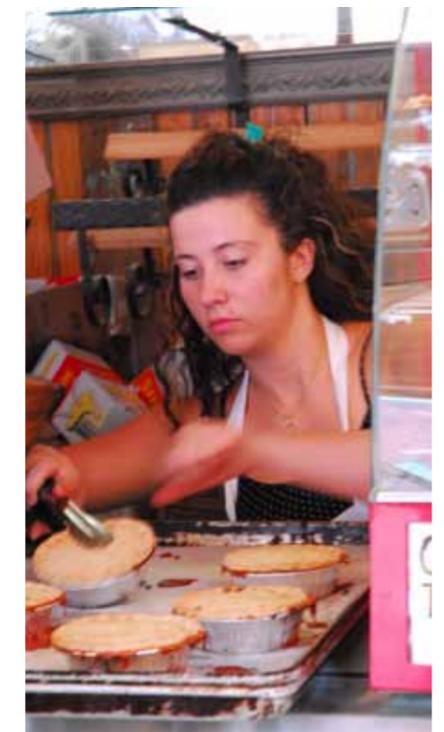
The cost of developing each Food Commons Community will depend on many factors, including: availability of underutilized and undervalued assets in the region that can be easily redeployed; availability of existing entities (e.g., farmers, distributors) ready to participate in the Food Commons value chain; and the scope and scale of enterprises developed. Prototype sites will be selected in part based on the existence of favorable conditions in these areas, along with a community of leaders who are highly motivated to expedite the development process. If built from scratch, development of a Food Commons prototype would likely require on the order of \$100-250 million in capital investments for land, buildings, development fees, equipment, and start-up and working capital. Availability of distressed assets, redevelopment funds, and/or partners with existing capacity could result in considerably lower capital requirements.



**HYPOTHETICAL FOOD COMMONS
COMMUNITY CAPITAL REQUIREMENTS**

COMPONENT	CAPITAL COST ³	ASSUMPTIONS	NOTES
FARMS	\$30 – 75 million	30 small to mid-size farms and ranches	Ag land values vary considerably, based in part on proximity to urban areas and competing demands for land. Ranches may entail considerably larger acreages.
FOOD HUB	\$25 – 50 million	75,000-100,000 sq. ft. facility.	Packinghouse functions (cooling, washing, grading, packing, labeling) and light processing may be housed here or in separate processing facility. Hub also assumed to house administrative center, trust and bank offices, and training center.
PRODUCE PROCESSING	\$5 – 10 million	20,000 – 40,000 sq. ft processing center with capacity for 5 cases (125 lbs) per sq. ft per week.	See for example “Ready to Grow: A Plan for Increasing Illinois Fruit and Vegetable Production”, FamilyFarmed.org, July 2010. Costs will depend in part on number, diversity and complexity of value-added product lines.
MEAT PROCESSING	\$5 – 10 million	Mobile or permanent slaughterhouse(s), packing facility, capacity for 6,000+ head/year of beef, lamb, pork, poultry.	See for example “Locally Produced Livestock Processing and Marketing Feasibility Study”, University of Nevada, Reno, 2007. Poultry, dairy and fish would require additional investment. Rendering, waste management and permitting could drive up costs.
COMMERCIAL KITCHEN	\$5 – 10 million	10,000 – 20,000 sq. ft.	
RETAIL STORES	\$20 – 60 million	4 stores @ 25,000 sq. ft.	Typical large-scale supermarket is 40,000 sq. ft. Fresh & Easy stores average 15,000 sq. ft.
RESTAURANTS	\$10 – 15 million	5 restaurants @ 5,000 sq. ft.	
TOTAL	\$100 – 230 MILLION		

³ High level estimates assuming ag land value of \$10,000-20,000/acre, urban land value of \$1-2.5 million/acre, development and construction costs of \$150-300/sq. ft., machinery, equipment, and working capital requirements. See Reed Construction Data, www.meanscostworks.com, for detailed construction cost estimates for different facilities by geographic location.



From feasibility study through launch will likely take four to five years but component enterprises may begin operating as part of the Food Commons Community within one or two years from commencement of planning and system design.

2. DESIGNING AND BUILDING THE NATIONAL NETWORK AND FEDERATION

Networking regional Food Commons enterprises into a national federation will enable regional food systems to reduce operating and capital costs by capturing efficiencies of scale in logistics, supply chain management, information systems, financing and asset management, and marketing; to source products not grown in their regions from other producers with shared principles, and expand the market for their own surplus products; and to strengthen nationwide awareness and demand for products bearing the Food Commons brand.

We will begin forging the national federation through system design, partner recruitment, pipeline development, and communications.

SYSTEM DESIGN

We will assemble a team of systems design experts to begin designing, building and testing the systems and processes that will link regional Food Commons enterprises into a nationally networked federation that enables Food Commons Communities to access services, expertise, and system-wide scale economies while retaining local ownership and control of their food system.

The design process will include definition and development of:

-
- Criteria/standards for admission to the federation and use of the Food Commons brand
 - Member benefits and services
 - Brand management and marketing
-
- Human resources
 - Financing
 - Asset management

-
- Revenue and sustainability model
 - Governance and accountability mechanisms and linkages between the federation and Food Commons Communities
 - Value chain management and coordination across Food Commons Communities
-
- Information technology and market controls

PARTNER RECRUITMENT

Concurrent with national system design work, we will be engaging leaders of existing and emerging regional food system initiatives around the country to better understand their needs and challenges, gain their perspective on the potential value of the Food Commons federation, trust and bank models to efforts in their regions, and identify opportunities for collaboration on design and testing of model components. In so doing we will begin building a team of regional food systems leaders/actors to participate in the co-design and co-creation of national federation.

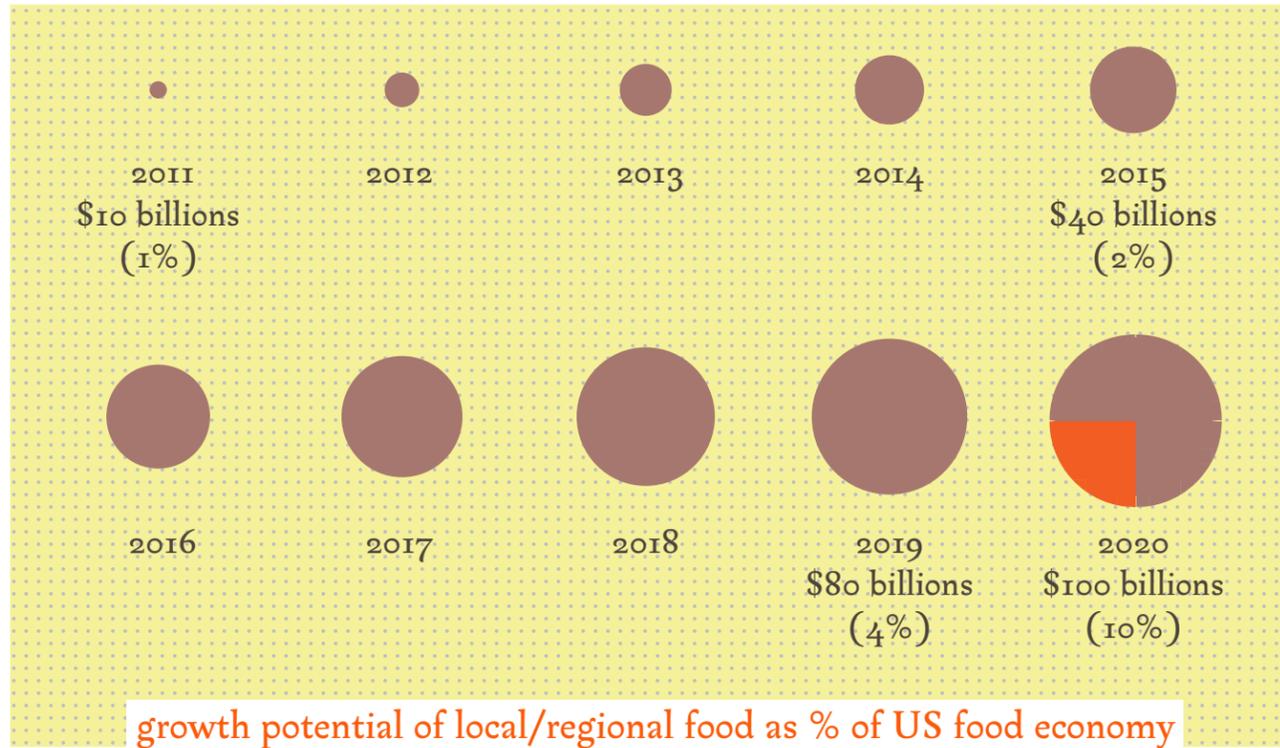
PIPELINE DEVELOPMENT

As we are developing the Food Commons prototype we will continue seeking to identify additional communities that are ready to engage in creating Food Commons systems, help to marshal resources for initiatives in these areas, and provide mentoring and consulting support as needed. We will also explore prize philanthropy and other creative strategies to stimulate innovation and engage communities in building the Food Commons system.

COMMUNICATIONS/EDUCATION

Efforts are already underway to promote information sharing and learning across the regional food system movement. The Food Commons team will participate in these forums to help advance and deepen the national dialog about reinventing the food system. We will also develop our own media tools to communicate our core message about the urgency of our undertaking and the unique value of the Food Commons approach. We will periodically convene or co-convene regional and national gatherings to spur relationship building and breakthrough thinking and discovery.

3. MOVING TO SCALE

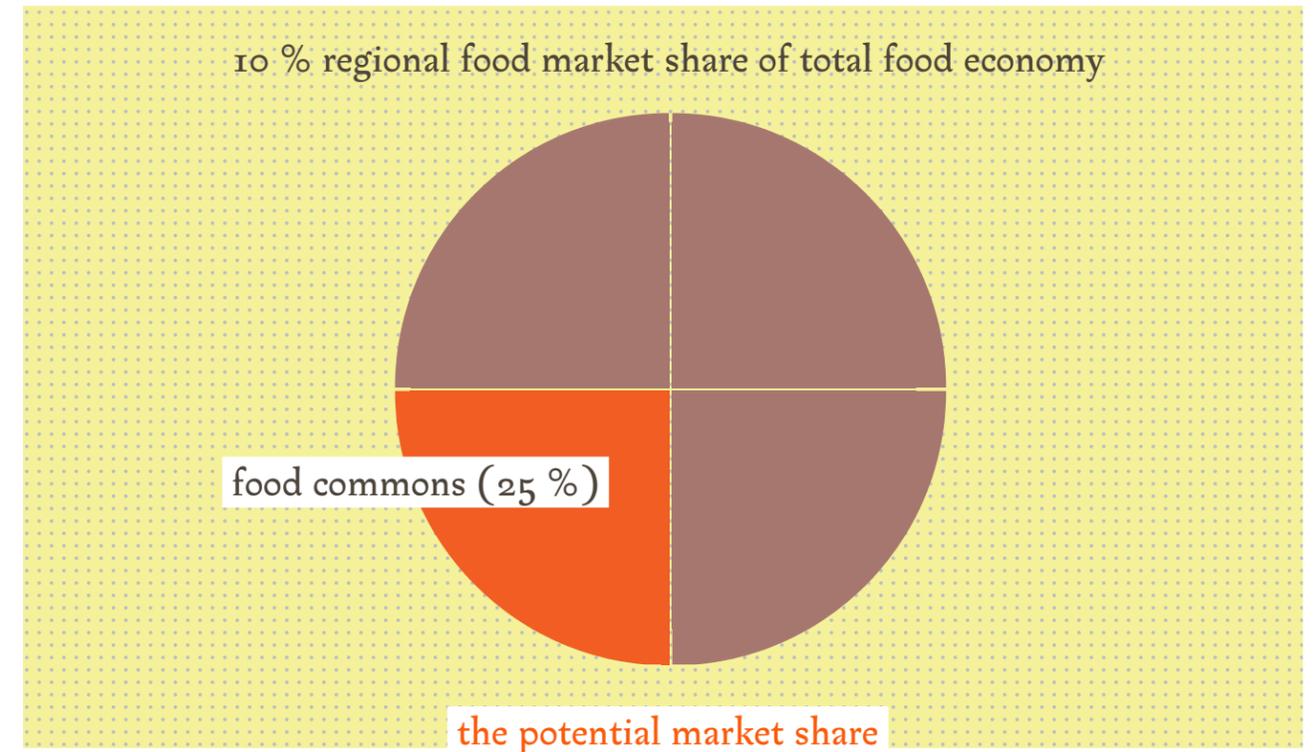


The value of FC will not be fully realized until Food Commons Communities are networked into larger system.

The size of a national FC system at 2.5% of total food economy = \$25 billion (if food economy is \$1 trillion) — if local/regional is current 1%, 20% annual growth rate (comparable to organic food sales growth over last 20 years) would get us there by 2020.

*the size of a national FC system
at 2.5% of total food economy
= \$25 billion*

The FC team aims to develop an open source platform/operating system for the Food Commons; create successful prototype to inspire investment, imitation and innovation; and facilitate/support viral explosion of FC system around the country with national-level system design and management, and regionally deployed professional development support teams.



The prototype development and creating the national system design will lay the foundation for taking the Food Commons to scale.

Once the prototype(s) is successfully demonstrated and the national infrastructure of the Trust, Bank, and governance Federation are in place, we anticipate many other large communities wanting to develop and become a part of the Food Commons systems.

We will document the prototype start-up to help inform the process of establishing Food Commons Communities in other regions, and we will invite members of other communities interested in launching a Food Commons initiative to observe and participate in the prototype development process firsthand.

The Food Commons team will work concurrently to incorporate learnings from the prototype into templates for the Food Commons business model and plans. This process will be supported by the active development of regional and national communities of practice around key elements of the Food Commons system.

DEVELOPMENT COST

The cost for the Food Commons Business Development Company's work over a 10 year period will be between \$10 and \$20 million per project, depending on the region's size and complexity. These costs would be paid by a mix of grants and investments. Once the FCBCD is established and has developed proven operating systems, the cost of establishing each new Food Commons will drop slightly.

Assuming a roll-out rate of one project per year, the total cost to establish ten operating Food Commons Communities would be around \$140 million, which is in line with customary development cost of large projects (7-10%)

The cost of the FCBCD's efforts are "soft costs." This means that they are design and development costs and are apart from the cost of land and infrastructure, training stipends for future workers, and operating capital for the Food Commons 'core' businesses.

The cost of a regional Food Commons' physical assets may be substantially offset because the Food Commons Trust hopes to acquire some of them from banks, pension funds, and insurance companies, as they go through their re-structuring process in response to the long-term effects of the financial crisis. These assets may be acquired at very low cost since they are essentially an albatross around the necks of these institutions, and are impeding their ability to clean up their balance sheets in an orderly manner. The Department of the Treasury will need to be involved in order to facilitate the transfer of assets from institutions to the Food Commons Trust.

Assuming a low cost for acquisition of land and buildings, capital costs for retrofitting and building infrastructure, including farms, along with start-up and working capital for a typical 'core' of a Food Commons Community, is expected to be around \$150 million for an average metropolitan area.

Initially, the FCBCD development cost would represent around 10% of the investment in the Food Commons Communities. The cash flows of the Food Commons would probably not support repayment of the full cost of FCBCD fees, some portion of which would have to be treated as grants. However, as more FC Communities became established and the pool of experienced developers grew and the processes became widely understood, the development costs would drop to a level that could be amortized over time by the Food Commons Communities and recovered as part of the repayment of the loans and exit strategies of investors, be they government entities or private capital pools.

NATIONAL FOOD COMMONS BUDGET																		
(Thousands of dollars)																		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total	Notes	
CASH INFLOW																		
Grant funds	3,100	7,300	0	1,500	9,800	0	4,600	4,300	0	0	0	0	0	0	0	0	30,600	
Equity investments	0	0	10,000	0	0	10,000	0	0	10,000	0	0	0	0	0	0	0	30,000	
Individual donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Development fees	0	0	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	69,000		
Licensing income (1% of gross sales)	0	0	0	6,100	1,000	2,500	4,500	6,500	8,500	10,500	12,500	14,500	16,500	18,500	20,500	116,000	Assumes each	
Surplus cash	0	0	0	6,100	0	0	1,700	0	0	7,700	0	0	0	0	0	15,500		
Total Cash Inflow	3,100	7,300	16,900	14,500	17,700	19,400	17,700	17,700	25,400	25,100	19,400	21,400	16,500	18,500	20,500	245,600		
CASH OUTFLOW																		
National Office																		
Staff	630	1,560	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	1,860	26,370	7 sr manager add govt rel	
Office expense	0	50	50	50	50	50	50	50	50	50	50	50	50	50	50	700		
Meetings and travel	50	100	100	100	100	100	100	100	100	100	100	100	100	100	100	1,450		
Communications	20	40	40	40	40	40	40	40	40	40	40	40	40	40	40	580		
Administration	300	700	1,000	1,300	1,600	1,600	1,600	1,600	1,600	1,600	1,400	1,100	800	500	200	16,900		
Total	1,000	2,450	3,050	3,350	3,650	3,650	3,650	3,650	3,650	3,650	3,450	3,150	2,850	2,550	2,250	46,000		
Business Development Company																		
Field Team #1	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000	For developm	
Field Team #2	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	14,000	8-13 profess	
Field Team #3	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #4	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #5	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #6	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #7	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #8	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #9	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Field Team #10	0	0	0	2,100	2,700	2,900	3,400	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	14,000		
Total	2,100	4,800	7,700	11,100	14,000	14,000	14,000	14,000	14,000	14,000	11,900	9,200	6,300	2,900	0	140,000		
Total Cash Outflow	3,100	7,300	10,800	14,500	17,700	17,700	17,700	17,700	17,700	17,700	15,400	12,400	9,200	5,500	2,300	186,700		
NET CASHFLOW	0	0	6,100	0	0	1,700	0	0	7,700	7,400	4,000	9,000	7,300	13,000	18,200	74,400		
CASHFLOW TO INVESTORS																		
Equity investments	0	0	(10,000)	0	0	(10,000)	0	0	(10,000)	0	0	0	0	0	0	0	0	
Cash available for distribution	0	0	0	0	0	0	0	0	0	0	4,000	9,000	7,300	13,000	18,200	18,200	18,200	
Dividend rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
Dividend payments	0	0	0	0	0	0	0	0	0	0	1,400	3,150	2,555	4,550	6,370	6,370	6,370	
Net cashflow to investors	0	0	(10,000)	0	0	(10,000)	0	0	(10,000)	0	1,400	3,150	2,555	4,550	6,370	6,370	6,370	
IRR - 20	5.00%																	

LOS ANGELES CHARTER FOODS																
Pro Forma Income Statement																
Assumptions																
Weekly sales per square foot	\$	20,000	Median = 46,235 - FMT													
Gross margin (% of sales)	35%	Industry average = \$11.77 in 2009 - FMT														
Operating margin (% of sales)	8%	Average 25.6% for stores with sales of \$15-20 million - bizstats.com														
		1%	Average 6% for stores with sales of \$15-20 million - bizstats.com													
		8%														
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
INCOME																
Retail Sales	\$	50,000,000	\$ 75,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000	\$ 100,000,000
Other	\$	17,500,000	\$ 16,250,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000	\$ 75,000,000
Total Sales	\$	100,000,000	\$ 150,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000	\$ 200,000,000
EXPENSES																
Production/processing opex	\$	52,940,000	\$ 84,540,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000	\$ 117,940,000
Production capital charge	\$	12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000
Total COGS	\$	65,900,000	\$ 97,500,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000	\$ 130,900,000
Retail operating expenses	\$	25,000,000	\$ 42,500,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
EBITDA	\$	5,000,000	\$ 7,500,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
RETAIL CASHFLOW TO INVESTORS																
Equity investment (retail only)	\$	(63,000,000)														
Net pre-tax cashflow to investors	\$	(63,000,000)	\$ 5,000,000	\$ 7,500,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Pre-tax IRR		13.21%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
		(162,000,000)														
Net pre-tax cashflow to investors	\$	(162,000,000)	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000	\$ 12,960,000
Pre-tax IRR		4.96%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Pre-tax IRR - 20																

LOS ANGELES CHARTER FOODS		VALUE CHAIN PRO-FORMA EXAMPLES			
Capital Budget		10 pounds	20 pounds	Gallon	1 pound
Retail Stores (5)					
Architecture/engineering	\$ 2,100,000				
Permits, fees	\$ 900,000				
5x2000sfx300/ft	\$ 30,000,000				
5x2acre sites	\$ 10,000,000				
Shelves, display, etc	\$ 5,000,000				
Set-up inventory	\$ 5,000,000				
Operating line-of-credit	\$ 10,000,000				
Subtotal	\$ 63,000,000				
Aggregating/Processing					
3 acre site	\$ 5,000,000				
Arch./engineering	\$ 2,100,000				
Permits, Fees	\$ 900,000				
2x5000sfx300/ft	\$ 30,000,000				
Trucks	\$ 1,000,000				
Operating line	\$ 5,000,000				
Subtotal	\$ 44,000,000				
Admin/Education center					
10000 sf @ 300	\$ 3,000,000				
Plans, permits	\$ 300,000				
Parking, water mgt.	\$ 1,000,000				
Subtotal	\$ 4,300,000				

HOW WE WILL WORK

Implementation of the Food Commons will be driven by the National Food Commons (NFC), a 501(c)3 non-profit organization operating initially under the fiscal sponsorship of San Francisco-based Trust for Conservation Innovation. The Food Commons Business Development Company (FCBDC), a full-service economic development company organized as a Business Development Company, will function as the development arm of the National Food Commons under the direction of the National Food Commons Board.

In regions and communities that are already working to tie together existing producers and retailers into nascent regional food systems, NFC will work in tandem with those efforts to support and encourage their development along FC principles, leverage their learning and innovations, and facilitate their connection to the national system.

In regions that want to build a healthy and sustainable food system but have not yet begun the transition process, NFC and FCBDC will actively identify, recruit and work with local partners to develop and launch an FC business tied into the national network.

In either case, importantly, the Food Commons business model is distinct from other 'regional food hub' efforts around the country in several important ways:

→ We will stimulate change by **CREATING NEW BUSINESSES**, rather than by trying to convince existing businesses to change their business model. We believe that existing businesses will be more likely to make changes once they see the success of the core Food Commons businesses, much as the retail food industry has emulated Whole Foods. After all, years of effort by non-profits to promote organic food among established retailers were only marginally successful until Whole Foods began to eat away at their customer base.

→ We will operate on an entirely **DIFFERENT SET OF BUSINESS PRINCIPLES** that would be impossible to achieve by cajoling existing businesses to change their practices. However, we anticipate that some will change once they see that they have a market advantage in doing so.

→ We will act like a **'DEVELOPER,'** bringing along the specialized talent necessary to co-develop a regional food plan with a local community, and then actually implement it using a combination of local and outside resources.



→ We take a **SYSTEMIC APPROACH**, tackling all levels of the value chain at once, and delivering a fully integrated system of reasonably priced locally produced food.

→ Although we will bring in large amounts of outside capital, **OWNERSHIP OF THE ENTIRE SYSTEM WILL ULTIMATELY BE IN LOCAL HANDS**, in a manner that ensures perpetual access to the system by local entrepreneurs and workers, and prevents the sale of the system to wealthy individuals or large corporations.

While the FCBDC focuses on developing new regional Food Commons Communities around the country, the NFC will focus on developing and supporting national and regional Food Commons Trust and Bank infrastructure and building the systems to link individual Food Commons Communities into a nationally networked federation. The NFC will also be responsible for driving business development, value chain management, federal government relations, and communications, as well as providing human resources and legal support for the enterprise as a whole.

MORE BANG FOR STIMULUS DOLLARS

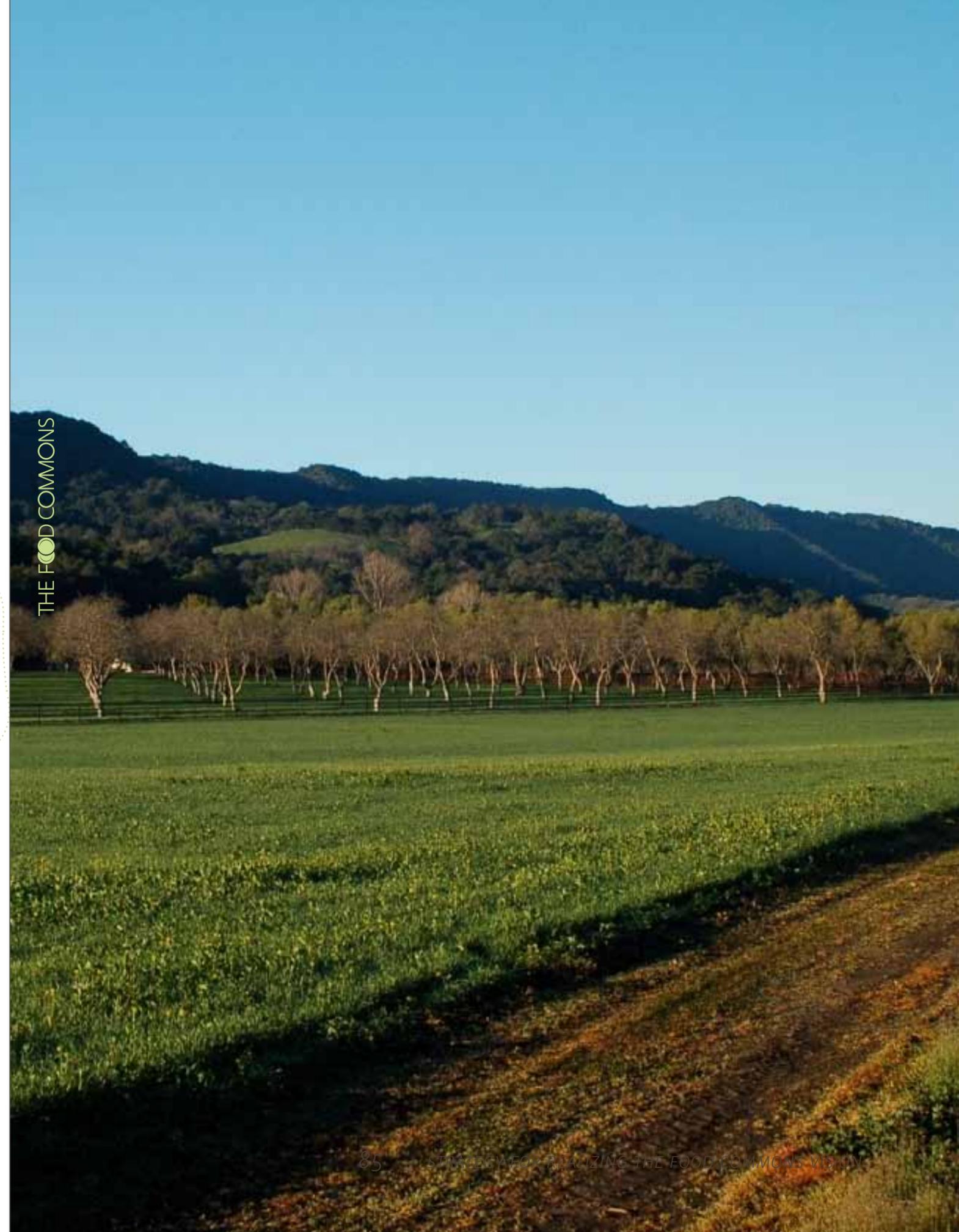
If at some point in the future the Federal Government decides that fiscal stimulus is necessary to re-vitalize Main Street businesses, the Food Commons strategy will provide a complement to the usual stimulus spending on highways, etc. Federal stimulus funds could be spent on rehabilitating land and buildings owned by the Trust, as well as training stipends for future workers. This investment would have the direct effect of re-vitalizing an almost-lost industry: locally grown and processed foods, and have the additional benefit of improved health outcomes. In the short-term, this strategy will create local construction jobs, as well as vocational training for unemployed people. In the long run, it will create many new living-wage jobs in the food industry, and a healthier community.

By providing a national development structure, the Food Commons offers the Federal government a way to move large numbers of dollars into targeted areas relatively quickly and efficiently. It also offers institutional investors a 'wholesale' way to invest in local food economies without having to deal with countless small projects that may lack the complete set of development skills necessary to pull off successful projects that have significant impacts.

NATIONAL FOOD COMMONS TEAM

The FCBDC field teams will be supported by a National Food Commons management team consisting of an executive director, six senior managers, and four support staff to oversee design and implementation of the national federation, trust and bank; systems design; value chain management; business development and finance; legal and human resources; government relations; marketing and communications.

The organization will be governed by a board of directors that will ultimately evolve into a National Food Commons Council comprised of representatives from each of the regional Food Commons Community boards as well as representatives from the different food system sectors. The Food Commons Council will be responsible for guiding overall policy, strategy, advocacy and standards for the Food Commons federation, and ensuring coordination across regions and across the Food Commons Trust, Bank, and Community components.



“The future is not a result of choices among alternative paths offered by the present, but a place that is created — created first in mind and will, created next in activity. The future is not some place we are going to, but one we are creating.”

—John Schaar

IV. NEXT STEPS

Response to the Food Commons vision from leaders in the regional and sustainable food movement around the country has been very positive, and many of those leaders have expressed strong interest in aligning their efforts with this vision. At the same time over the past year there has been an explosion of activity around regional food system development driven primarily by a nexus of interests and funding from the agricultural policy and healthcare communities.

A Food Commons working group will develop and refine the Food Commons concepts and components through research, consultation with leading experts in key disciplines, and in-depth conversation with practitioners around the country who are actively working on regional food system projects.

Specific objectives include:

- 01. Develop a feasibility study and system design** for a Food Commons Community demonstration project. Assemble a team of local and national partners to plan a Food Commons prototype project, either as a stand-alone initiative or as a build-on to an existing regional food systems initiative.

- 02. Develop the Food Commons Bank and Food Commons Trust models.** Assess the feasibility and utility of the Business Development Corporation, Capital Access Corporation, and other models to provide start-up financing, community investment, and management support to regional food system enterprises. Design and launch a pilot regional Food Commons Trust.

- 03. Define the Food Commons value proposition for existing and emerging regional food system initiatives.** Engage with the leaders of regional food system initiatives around the country to understand their needs and challenges, gain their perspective on the potential value of the Food Commons federation, trust and bank models to initiatives in their regions, and identify opportunities for collaboration on design and testing of model components.

- 04. Develop a roadmap for implementing the Food Commons.** Convene key leaders to review findings and develop an action plan for moving forward.

Among the issues to be explored during this next phase are:

- How do the Food Commons principles fit with the values and principles of existing regional initiatives? Is it likely that existing businesses/institutions can adapt their cultures and practices to fit the Food Commons model?

- What will it take to make regional food system enterprises profitable? How could a Food Commons model help drive profitability (e.g., vertical integration; leveraging economies of scale in marketing and supply chain management; access to low-cost assets and capital; business development expertise)

- Can a Food Commons federation help regional food systems achieve economies of scale while allowing them to preserve local identity, control and accountability?

- What network services would be of value to regional food enterprises?

- Can the Food Commons vision be realized through an evolution of existing regional food system initiatives – or even an evolution of the existing globalized food system – or does it demand the revolutionary development of an entirely new kind of enterprise?

Specific next steps currently underway:

- **Pursue** funding opportunities for the feasibility and system design phase. In particular focus on foundation support, but be creative in seeking other sources. Grant writer engaged in writing proposals.
- **Begin** establishing organizational identity through logo design, developing style guides for communications, and researching trademark possibilities.
- **Create** and establish an active Website presence and craft a strategic communications plan.
- **Begin** an active search for a CEO/Executive Director to lead the organization through the development and launch phases.
- **Select** the site(s) for the demonstration prototype(s)
- **Continue** preliminary legal work on the Food Commons Bank and Trust models
- **Plan** for engaging key leaders from around the country in moving the enterprise forward through prototype design and partnering with existing efforts.





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