Learnings from the Just Growth programme

Just Growth was an innovative funding programme run by the Real Farming Trust through its Funding Enlightened Agriculture (FEA) Network between June 2015 and May 2017. It provided enterprises that follow agro-ecological principles with a blended funding pot – part grant (provided by the Esmée Fairbairn Foundation), part loan (provided by Co-operative and Community Finance) and part community finance ie an amount of money had to be raised by the enterprise from its local community. Critically, the programme also provided tailored mentoring support to help enterprises become "investment ready". Mentoring was provided where it was needed rather than in specific disciplines. However, the majority of the support was around business planning, governance and preparing for share offers.

This part grant, part loan, part community finance model had previously been successfully used to fund community shops through a programme run by the Plunkett Foundation and also supported by Esmée Fairbairn and Co-operative and Community Finance.

Since launching in July 2015, the Just Growth programme has learnt some valuable lessons about the issues facing small scale agro-ecological enterprises and the areas where the sector needs help in order to create viable community businesses.

Here ***Clare Horrell, Programme Manager of Just Growth shares some of the learning from the programme***

Access to Land

With prices for agricultural land now at over £10,000 per acre, a major barrier to new entrant farmers is access to land. A number of our Just Growth projects have formed unique and supportive relationships with their landlords. These landlords have been prepared to rent/lease their land on favourable terms. It is this affordable access to land that has been the critical starting point for these projects. Two of the landlords are intending to transfer the land into the ownership of the projects over the longer term.

Many of the enterprises that we have worked with under Just Growth had insecure or verbal agreements with their landlords which we have needed to support them in formalizing. This is often a key area where mentoring support is required and having a third party involved in the negotiations can be very valuable where a close personal relationship has developed between the organisation and the landlord.

Whilst there will always be some innovative landlords we need policy initiatives and fiscal incentives to encourage more landowners to support new entrants. Consideration should also be given to incentivise community land ownership and funding initiatives to help communities raise the funds to purchase the land. More also needs to be done to support our smallholders.

Over the course of the Just Growth programme we have supported a number of small family farms in creating a Community Benefit Society on their farm and worked with them to explore how in the longer term their farm could be transferred into community ownership securing a future both for themselves and the farm. There is scope for these ideas to be more widely replicated and a possible model to maintain familyfarms where there is no succession.

Community Shares

Running a share issue requires a lot of work. Yes, the documentation takes time to prepare, but the really hard work is building up the community of supporters so that the share issue is a success. It's essential to have a ready pool of investors before the launch so that the campaign can start on a high. One of the projects we mentored withdrew from the process when they realised that they needed to do more work on developing their community connections before attempting a share offer. It was a brave decision but the right one. Building that community takes time and a failed share offer or crowdfunder can have a very detrimental effect not only on an organisation's bank balance but also on its reputation.

All of our Just Growth projects have been around long enough to have built up very strong connections with their local community or their community of interest and knew that they could count of their support. That meant that they could "warm up" their crowd ahead of their share offer so that once it launched the offer would have immediate take up. They also held back some keen investors and asked them to only contribute at the end to help the campaign get over the finishing line.

If enough time and effort is spent building up the crowd then the rewards can be significant. All four of the Just Growth projects that launched a share offer exceeded their target. Mind you, that didn't mean it was not a nail biting process! One project was £3k under target with 3 days to go – but in the last 3 days raised £14k. A fantastic outcome, but worth noting that people can leave it to the last minute to part with their cash, so it's important to keep plugging away right up until the very end! Social media, press and flyers are all useful, but ultimately it's the face to face contact that really makes the difference if the community of interest is one that is geographically local to the project. Knocking on doors, organising open days, talking to people down the pub are key ways of really making a difference to an organisation's community fundraising efforts.

Despite the challenges of launching a share offer or crowdfunding campaign, a successful campaign creates a pool of committed investors that have a different relationship with the organisation from a grant or loan funder. They most likely have an emotional as well as a financial involvement with the project. They might be prepared to offer their skills and contacts to help the organisation develop and they are likely to continue to give their support over a long period of time and over any bumps in the road.

What is more, a successful community finance campaign gives other investors and funders confidence that a project has potential. Raising community finance is arguably more powerful than a marketing plan in showing that people want the service or product that an organisation is offering. Thus the patient capital that community finance provides not only helps fund the project but can leverage in other funds.

Business planning

Getting business planning and financial modelling to the level of detail that is required to raise loan capital requires a lot of work and specialist support. Whilst many of our projects had already done some work in this area, few of them had plans that were sufficiently well developed or robust enough to pass a conventional loan assessment. What you need for a grant application is very different for what you need for a loan.

There is no doubt that developing a financial model is hard work, often taking the enterprise outside its comfort zone. There is often a lack of skills and knowledge about finance and business within the organisation. This means that the first thing that has to happen is that those skills have to be acquired either by bringing in people that have them or up-skilling the existing group. All of this takes time and whilst a funder may provide money at the end of the process, few, if any, will pay an organisation in advance for this development work. That places a huge financial and emotional strain on the enterprise and often relies on personal sacrifice from the individuals involved to get the work done. This is to some extent true of any new business, but there is a balance to be struck here between a certain amount of voluntary labour that needs to be expected to get a business going and failure due to the burnout of the people involved. The key is to have a good number of people with differing skills involved in the core group right from the start so that the work can be shared more evenly.

Our experience from Just Growth is that although finding the time and skills to do the business and financial planning is very challenging, once it is done it provides the enterprises with the confidence to move forward knowing that their planning is robust enough to be financially sustainable in the long run. It's not an easy journey but one which is worthwhile. Infact, one of our projects commented that "the specialist advice that we have received through the Just Growth programme has been more useful than the funding itself."

Whilst creating a robust business model is important, there is also an ongoing need for enterprises to have support for a mentor-led “health check” to help them review and refine the business model over time. Ultimately, a plan is only as good as the results it delivers.

Governance

It’s important to consider carefully what legal structure will work best for an enterprise not only now but in the future. It’s tempting to go for the option that involves the least cost and paperwork, but that may create a model which hinders rather than helps the organisation to grow. Switching structures at a later date is a headache that a busy, small enterprise can do without. Spending the time at the start to consider all the options is time well spent but not something that most enterprises do, or even consider that important. By putting governance at the centre of our mentoring programme, Just Growth helped enterprises review their governance and get or amend their structure so that it aided rather than hindered their aims and ambitions.

Furthermore, in a world where a lot of enterprises go out of business because of the burn out of the people involved, building resilience through governance can improve the long term sustainability of an enterprise. Community and co-operative ownership by its very nature encourages participation and the spreading of the load. One of the projects Just Growth was supporting withdrew from the process partly because they were unable to put together a board that would meet the minimum legal criteria for a Community Benefit Society. Whilst clearly this was a great shame, the fact that the legal structure prevented this from happening was actually a blessing in disguise as running an enterprise without enough people taking on key roles and positions will inevitably lead to burn out and demise of the organisation.

The Need for Specialist Advice

Just Growth has been fortunate to have had grant funding from the Esmée Fairbairn Foundation to provide mentoring support to the Just Growth projects.

What was important about this support was how it was delivered. Rather than being self-referred, each enterprise underwent a diagnostic assessment where specialist advisors came into the organisation and looked at the organisation as a whole and identified areas of weakness. Organisations do not always know what support they need, and sometimes they can be unaware of areas of weakness that can materially affect their viability. Having an external, impartial pair of eyes review the whole organisation before seeking support and advice was critical in targeting the mentoring to the right areas.

Esmée Fairbairn gave us the flexibility to use the programme’s mentoring budget as we saw fit with no restrictions on the type of support that was given as long as it was improving the resilience of the organisation. This was incredibly useful as it allowed us to vary the support we gave to each organisation. We think that this structure enabled us to achieve the maximum possible benefit from the mentoring provided.

Another key element of our mentoring programme was that mentoring support was ongoing and continued off and on with many of the organisations for over a year. This enabled mentors and mentees to build a relationship and allowed us to bring in a range of specialist mentors as a need was identified. Often, organisations need time between each "dose" of mentoring to acquire the skills and personnel to put into practice the advice of the mentors. Sometimes cultural change inside the organisation is needed before the next development stage can happen. This all takes time and cannot be hurried. The fact that our mentors were able to stay engaged with the organisations throughout the programme enabled us to help the organisations effect real, positive, long lasting change.

Affordable finance

Many of the developments in the agro-ecological sector over the last decade have been dependent on grant funding. With funding cuts, new models for funding need to develop. The Just Growth funding programme has been a pilot to explore one such model. Other models need to be explored, trialled and developed. That will require innovation in terms of the types of funders and investors involved and their expectations. It will also often require changes and development in the culture and skill set of the enterprises. Crucially also, we just need more people to get involved – running enterprises, providing finance, volunteering and buying the produce. And we need policy initiatives to support and underpin this.

Grant funding will continue to play a critical role in providing mentoring and support to help develop new ideas for funding. It will also be needed to provide mentoring to the enterprises to help them build resilient community run businesses that are attractive to a range of different types of funders and investors.

Thanks to funding from The Big Lottery's Power to Change programme, The Real Farming Trust will be spending 2017 working to develop one such new model - a social investment fund focussed on food and farming. The fund will prioritise social and environmental returns over financial ones. Our aim is to have a mentoring and support programme attached to the fund along the lines of the one we have had for Just Growth. This mentoring programme will be a critical part of the fund helping potential investees become investment ready and in the long term reducing the fund's default rate. We'll be reporting more on this as it develops.

Measuring our Impact

Food affects our health, our culture and our land. Our industrialised food system often has negative impacts on all these areas. If we are to change that, we need to be better at showing the positive impacts that food produced agro-ecologically has on people and the planet. At the moment however, few enterprises thoroughly and/or consistently measure what they do and there is no standard matrix and data pool that funders and decision makers can look at to judge the value of agro-ecological enterprises collectively or individually for themselves.

Through the Just Growth programme we have started to address this. Working with Coventry University's Centre for Agro-ecology, Water and Resilience (CAWR) we are developing a toolkit of indicators to help agro-ecological enterprises measure their social impact. In particular, we are looking to measure three outcomes: social impact, community resilience and food sovereignty. During 2016 we worked with the enterprises involved in the Just Growth programme to develop an outline for the toolkit. This will be developed further and tested in the field in 2017 using funding from The Big Lottery's Power to Change programme. We will use the toolkit to measure the impact of the organisations that we hope to fund through our new social investment fund. Working in partnership with other organisations who are also developing ideas around this work, we hope to collectively start to build a body of data to evidence the social and environmental effects of agro-ecological enterprises.

This evidence is important if we are to change the way that decision makers view the food system. It is also critical if we are to encourage more social investors to consider financing the sector. There is a growing understanding that social impact is as important as financial return. Many of the major multi-national food businesses are already starting to look at their impact in this way. If we could evidence our work better, our sector clearly has a competitive advantage in terms of social and environmental returns over industrialised food and farming. Measuring our impact will not only help to promote what we do but put into sharp contrast the negative effects of systems that do not follow agro-ecological prinicipals. We hope that the work we are doing now with CAWR will provide a platform from which to shout about the critical importance of moving our food system to one where agroecology is the norm.

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