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Financing Maine's Food Enterprises

Ron Phillips
Coastal Enterprises, Inc. (CEI), rlp@ceimaine.org

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by Ron Phillips

This is the right time to invest in Maine's agriculture and fisheries enterprises and infrastructure, and to boost the quantity of foodstuffs produced and consumed in this state. The national "Know Your Farmer, Know Your Food" campaign of the USDA is gripping the nation. Consumer interest in purchasing local foods is increasing, not just for access to healthy foods, but also to support local farmers and state economies.

Various outlets to quality foods, whether through community-supported agriculture (CSAs) and community-supported fishery (CSFs) networks or farmers' markets, are evidence of a growing market. Deputy Secretary of Agriculture Kathleen Merrigan in a blog on the USDA's web site focused attention on the more than 100 "food hubs" throughout the nation—cooperative partnerships among smaller farmers, distributors, and buyers—providing new market opportunities for rural food producers. Throughout the state, retail chains, institutions, and restaurants are featuring local foods both to boost their "bottom line" and to give Mainers the quality they deserve for healthy and safe food.

Among the drivers of access to healthy foods is increased obesity, a problem facing many Mainers. The resurgence of interest in local foods is also driven by studies related to long-term health issues. For example, a recent study by the Robert Wood Johnson Foundation found that the lack of access to quality, healthy foods leads to early childhood obesity and premature deaths at later ages, particularly among children and families with low incomes.

There is work ahead in redeveloping Maine's food systems. Financing the development of a local and regional food-production, -processing and -retail system—and all that constitutes the Maine food industry's infrastructure—presents an opportunity for private and public investing, including philanthropic sources of support. More social investors, more governmental entities, and more nonprofit organizations are pursuing ways to develop Maine's food systems.

This article covers a number of opportunities, issues, and challenges related to financing Maine's emerging food-production and -processing sector, including the critical components of a business plan, management, and capital. It concludes with recommendations for both private and public support of this sector.

FINANCING BUSINESS ENTERPRISES

As the list in Table 1 shows, many institutions and investors are poised to assist in the capitalization of projects. The articles by Manuel and Biemann, this issue, give expanded examples of two other funders and the types of projects they have supported.

Providing funds in any form to any enterprise, including food production, processing, and distribution, carries risks that must be confronted and managed for successful outcomes. Raising the necessary and appropriate capital for these enterprises—whether from friends, family, government, private investors, foundations, donations, or combinations of sources—is challenging. Food hubs or larger-scale ventures aimed at regional, national, or export markets demand intensive due diligence. Current capital resources may not be sufficient. Banks certainly appear flush with funds for conventional, secured debt, as the Maine Bankers Association would insist, but the ability of an enterprise to borrow funds under more rigorous scrutiny may be less evident. Federal or state guarantees for loans ranging from 75 percent to 90 percent may be available, but these are largely underwritten with some degree of collateral back-up or personal guarantees.

While vital to ignite entrepreneurship, access to more risk-oriented developmental capital, equity

TABLE 1: **Select Financing Resources for Agriculture and Other Business Enterprises**

Targeted Loan Programs

Organization	Program
Androscoggin Valley Council of Government	Dedicated to supporting the agriculture sector with assistance for start-ups, expansions and modernizations in Androscoggin, Franklin and Oxford Counties.
Coastal Enterprises, Inc. (CEI)	Provides flexible financing to micro, small and medium business enterprises from less than $50,000 - $500,000 and higher to farm and value-added enterprises.
The Carrot Project	With CEI, offers the Maine Farm Business Loan Fund for small and mid-sized farms that use sustainable practices and serve local and regional markets.
Farm Credit of Maine	Offers loans, appraisals, insurance, financial, tax and other services.
Farm Service Agency (FSA)	Provides links to Federal and Maine-specific loan programs.
Finance Authority of Maine (FAME)	Offers the Agricultural Marketing Loan Fund, the Nutrient Management Loan Program, the Potato Marketing Improvement Fund for agricultural businesses, as well as a linked investment program for agriculture.
Four Directions Development Corporation (FDDC)	Offers commercial (fixed-rate, low-interest) loans to members of the four Maine tribes with a vested interest of 51 percent or more in a business.
MaineStream Finance	Provides credit, financial services and other services to underserved populations in Penobscot, Piscataquis and Knox counties.
Maine Center for Women, Work and Community	Offers business and financial planning training and a microloan program.
Maine Farmland Trust (MFT)	Pools donor funds to help buy farmland in its Buy/Protect/Sell program.
Maine Organic Farmers and Growers Association (MOFGA)	Offers loans from $5,000 - $20,000 for working capital or farm equipment, available to MOFGA-certified or transitioning organic farmers; and current participants and graduates of MOFGA's Journeyperson Program.
Northern Maine Development Commission (NMDC)	Works with businesses, local banks, state and federal agencies, and other funding sources to assist businesses in Aroostook County with their financial needs.
No Small Potatoes Investment Club	An informal network of private investors who are "seeding" diverse projects; offers personal/direct small loans ($3,000-$15,000) to farmers/producers.
Sunrise County Economic Council (SCEC)	Offers businesses, entrepreneurs, commercial fishermen and marine-related industries access to capital through locally-operated revolving loan funds.
Somerset Economic Development Corporation	Offers a revolving loan fund to assist small businesses with cash requirements.
Washington-Hancock Community Agency/ Down East Business Alliance (WHCA/DBA)	Supports agriculture and food system projects and offers small business loans.

Grant Resources

Source	Program
Maine Department of Agriculture, Food and Rural Resources	Offers a variety of support programs, including the Agricultural Development Grant, which funds market research, promotion and new technology projects for groups of businesses; the Agricultural Water Source Development Cost Share Program, offering up to 75% of funds for irrigation ponds and wells for farmers; and the Farms for the Future Program, offering business planning assistance and grants for farmers up to $25,000.
Sustainable Agriculture Research and Education (SARE)	Includes information on sustainable agriculture grants, project reports and publications as well as information for consumers and educators.
Farm Credit AgEnhancement Grants	Grants for organizations promoting agriculture, not for individual farms.

capital, or "patient capital" as it is sometimes referred to, or even grants, is limited. A recent grant program managed by the Finance Authority of Maine (FAME) to provide much-needed grant capital to select, value-added food processors was oversubscribed for the funding available. Efforts among the Slow Money network to induce more donations and investment funds directly to private, for-profit enterprises or through other charitable entities will probably be limited given the constraints of IRS regulations concerning designated giving.

In any event, the amount of capital necessary to boost the food sector likely far outstrips private charitable capacity. At a recent forum convened by the Maine's Community Foundation, a presenter from the Annie E. Casey Foundation noted that foundation lending in community investing that includes food projects is minimal (Valesquez 2011). Regarding venture capital, few food enterprises offer the kind of return on investment (ROI) to attract conventional venture capital sources.

MAINE FOOD SYSTEM ECONOMICS

Already employing some 8,774 full- and part-time workers, the $2.3 billion Maine agriculture industry in 2008 included approximately 7,100 farms and 2,391 food manufacturers (Harker 2008). Maine agriculture and natural-resource industries overall grow further when satisfying the appetites of Maine's $3 billion annual tourist industry, according an article by Daniel Stynes (2008). The Maine Department of Tourism calculates that tourism is by far Maine's biggest economic sector. In 2009, Maine's 34 million tourists supported more than 170,000 full-time jobs, $535 million in tax revenues, and $10 billion in goods and services. When combined with the state's iconic lobster industry of over 5,300 fishermen and its groundfishing fleet, Maine's food sector offers a ripe opportunity for investment.

The U.S. food-marketing system links producers to consumers via a robust food-manufacturing, -wholesaling, and -retailing system comprised of food stores, co-ops, and foodservice institutions. It is a complex system that is not easy to replicate, replace, or indeed, compete against. Investment in the sector is rightly tentative, and state and federal policy intended to promote models of alternative food systems (e.g., the food hubs) are now making slow inroads in the number and variety of grocery outlets for local Maine products. While making strides, overall in-state food production, processing, and distribution is minimal, with 80 percent of the state's "caloric" consumption dependent on imports (Maine Department of Agriculture 2006).

Nationally, data from a USDA Economic Research Service news brief on the food marketing system in the U.S. (www.ers.usda.gov) show that a wave of consumer demand for local foodstuffs extends to new forms of retailing. Major recent developments in the U.S. food system include the increasing presence of nontraditional grocery retailers such as supercenters and drugstores and competitive responses by traditional grocers such as supermarket chains. These developments have contributed to sharp increases in concentration in the grocery retail sector, changing conventional relationships among retailers, wholesalers, and manufacturers. In such a competitive domestic food market, food companies are attempting to differentiate themselves from the competition by reporting voluntary activities that demonstrate social responsibility and by more tailored advertising campaigns and product offerings.

Food- and beverage-manufacturing plants transform raw materials into intermediate foodstuffs or edible products. In 2005, these plants accounted for 13 percent of the value of shipments from all U.S. manufacturing plants. Because intermediate inputs (primarily agricultural materials) account for a relatively large share of food and beverage manufacturers' costs, value added in food and beverage manufacturing represents a slightly smaller share (12.7 percent) of value added in all manufacturing. Nationally, meat processing is the largest single component of food and beverage manufacturing; other important components include beverages, dairy, other food products, grains and oilseeds, and fruits and vegetables.

Each of these sectors represents market opportunity for Maine enterprises. The promise of food-production enterprises is evident in the number and diversity of projects in the news over the past few years. In one instance, after only one year in business, an organic Maine dairy feed mill has had the effect of depressing competitors' prices out of Quebec (the next nearest source). In another, the Somerset Grist Mill strives to revitalize grain growing and its local Main Street as it uses a historic 19th-century downtown structure in central Maine. The Crown O' Maine marketing cooperative is aggregating product to supply Maine's organic-market retail network. And yet another business is developing a state-of-the-art, humane-certified, red-meat-processing facility on a scale to handle the burgeoning livestock industries throughout the state.

How far does Maine have to go to supplant imported food supplies? While certainly dairy products supply virtually all of Maine consumption, the percentages fall rapidly with beef and poultry with only 5.8 and 11.1 percent, respectively. Can Mainers significantly replace imported agricultural products? Closing this gap will require not only entrepreneurship and business-development support, but also access to appropriate forms of financing beyond debt capital: equity and even grant support.

ACCESSING CAPITAL: THE CONTINUUM OF RISK AND DUE DILIGENCE

The new and emerging food entrepreneurs with their bold goals face capital challenges. The road to business success is replete with casualties, many for the lack of timely capital or missing the right market moment. Yet, others failed because management didn't have the breadth or depth to put in place the right people at the right time. The issues, then, remain how to connect a business to appropriate financial resources and how to communicate the vision and experience of the entrepreneur to the individuals, investors, financial intermediaries, government agencies, and banks that are trying to respond to this new-found entrepreneurial spirit.

Business starts and expansions are financed along a continuum of the risk spectrum, from the venture capital-like or equity and patient capital part of the spectrum to the more traditional bank financing and guarantee programs that are essentially "collaterally driven" and less risky. Financing any new or expanding project is a time-consuming process. Venture capital can take six months, and then not even end up doing the deal. Banks can turn around a loan relatively rapidly, given their hunt for collateral and repayment capability. As a result, there is considerable variation in the time it takes to conduct due diligence, which is simply the careful study of all aspects of a potential investment to assess risk (Metrick 2007), as each business poses a unique set of challenges to underwriting.

Most lenders have standard requirements that include demonstration of sufficient cash-flow to service a loan, secondary sources of repayment such as collateral, and tertiary sources of repayment such as a personal and/or other guarantees of "friends, family, or principals" to mitigate the initial risk of the loan. Indeed, many businesses start by using credit cards of family and friends for initial financing, a practice that the Kauffmann Foundation has argued is indicative of the entrepreneurial gamble and casualties of the U.S. financing system (www.kauffman.org).

Assuming a positive initial screen, the lender then begins a due-diligence process that includes testing and analyzing the assumptions in the business plan, financial viability, and management capabilities. In addition to credit considerations, the loan officer may also consider the social benefit generated by the loan. How will it affect the entrepreneur(s), employees, the community, and the state?

BUSINESS PLAN, CAPITAL, MANAGEMENT

If asked to rank how one should assess a business, what would the sequence be? As most lenders and investors will tell you, *capital is a necessary but insufficient ingredient to the success of a new or expanding business*. Many start with the business plan. A fundamental consideration is the business feasibility of a venture—social or otherwise. The business plan is the platform from which all else flows. Is the business idea credible? The business plan is not just a vague collection of words, projections, and pictures depicting the operation. Rather, it is a test of the entrepreneur's ability to capture the essence of the project, the vision of his/her team, and create a level of comfort that there is leadership to chart a course headed toward success. This is the most important ingredient in success, and the business plan is designed to launch this conversation. After this, it might truly be a matter of luck, that is, hitting the market's sweet spot, being in the right place at the right time.

Then follows the question, is there sufficient and appropriate capital to finance the enterprise? And finally comes management. One can have a great idea and all the money in the world, but if management can't be persuasive on his/her ability to execute the plan, all else is meaningless.

Business Plan: A Realistic Vision

In addition to a completed loan application, covering the basic information about the entrepreneur, the cash requirements, and potential uses of funds, lenders typically review a comprehensive business plan. Some of the best business plans are written by people with little financial experience, but a wealth of practical insight and ability to express their vision. The typical plan consists of descriptive material of the business and back-up documents (MasterCard 2002). All plans place considerable focus on management's personal financial situation and the members of the team. The assumptions made throughout the plan are noted, including factors such as how pricing ties together with gross revenues and competition. There is considerable attention to the gross margin of the business, including the costs associated with production such as labor, keeping the lights on, and the owner's salary or "draw."

A good example of a comprehensive business plan is the one submitted to Coastal Enterprises, Inc. (CEI), by Village Farm in Freedom, Maine (www.villagefarm-freedom.com). The farm entrepreneurs presented a model business plan. Its introduction articulates their vision well:

> Village Farm is the dream and reality of two people, committed to the greater good of the environment and the community. For us, Polly Shyka and Prentice Grassi, growing food with respect for the limitations of the soils and waters, and with community involvement are the means to living those commitments. We are proud to be farmers, and we aspire to be good neighbors and stewards. We enjoy interacting creatively, educationally and carefully with our customers.

The supporting documents include the typical financial statements, budget, and projections. After reading the plan, a thorough picture of the entrepreneurs' goals, products, distribution, marketing, risks, and budget is evident.

Adequate Capital: No Margin, No Mission

When reviewing a business venture's plan that clearly has a vibrant social mission (such as producing jobs and enhancing environmental stewardship), an oft-repeated expression in considering an investment is "no margin, no mission!" While the social vision of the mission may be paramount and attractive, the critical question is, "Is there margin?"—meaning, a healthy enough percentage of revenues to cover costs so that there is sufficient money left to pay indirect expenses (often the owner's draw), debt repayments, and other overhead not directly associated with the actual product and selling.

This question can and should be applied to every enterprise. Private, socially motivated capital from individuals and foundations has helped catalyze a new focus on growing Maine's food sector. Resources appear to abound, giving credence to the view that *there's always money available if there's a good deal*. A lender or investor who understands the issues unique to agriculture or other aspects of the food system can be helpful in shaping the ingredients of a plan to attract investment.

To get at the margin issue or potential profitability of the company, the central question for any enterprise is, "What's the business model?" The precise definition of a business model is the plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs. This is a revenue model, one not reliant on grants or subsidy. In agriculture—of vital interest to the health and welfare of a community—subsidy is used by federal and state governments (to the extent politically and financially feasible) to balance purely private, market-generated income to provide certain "price stabilization" compensation to farmers, particularly on key commodities such as milk. Not every farmer benefits, but it continues to be of utmost importance to deal with the values lost or gained if the common good of farm viability is not preserved.

Within these uncertain conditions, the business model of MOO Milk (Maine's Own Organic Milk Company) illustrates the challenge of access to timely equity or equity-like capital to develop essentially a New England market for a quality, local, organic dairy product. While milk is a product familiar to everyone, producing the product and maintaining farmer viability is difficult. A report of the Governor's Task Force on the Sustainability of the Dairy Industry in Maine noted that between 2000 and 2009 Maine lost 238 dairy farms (Governor's Task Force on the Sustainability of the Dairy Industry 2009). By 2009 there were 315 farms with 32,000 cows producing 69 million gallons of milk annually. The report noted the dairy industry generates more than $570 million dollars annually for the state's economy, with 700,000 acres of land "important to the state's number one industry—tourism."

In an effort to restore a market and preserve farm viability, Bill Eldridge connected his multinational food-business experience with the potential in the organic market to revitalize the industry, particularly among farmers in the northern part of the state. While challenged by transportation cost to distant markets, the issue for MOO Milk is to establish a consistent and growing market for the product in sufficient volume to meet expenses and pay farmers. The vision of dairy farmers and many others to develop the MOO Milk brand is a classic case of a social entrepreneurial start-up consisting of experienced dairy farmers aligned with social investors and an individual with a background in multinational food business (see sidebar).

MOO Milk is a prime example of many of the issues faced by a private enterprise, from efficiencies in production to the all-important establishment of a brand and marketing to support sales.

MOO MILK

MOO Milk's story began in 2009 when some northern Maine dairy farmers lost their contracts to sell to Hood. They came together with private investors to launch Maine's Own Organic Milk Company, L3C (low profit, limited liability company). MOO Milk's progress to date in meeting its goals is encouraging from the perspective of establishing strong "brand" recognition for the product, not just in Maine but in Massachusetts, whose consumer market will enable the company to achieve significant volume and sales. The challenge for MOO Milk, as with many start-ups, is access to cash when needed to adapt to market issues, problems in production, and investment in market strategies to differentiate the company from its competitors.

MOO Milk's business model rests on capturing the rise in consumer interest in local and organic dairy products and on distinguishing itself as a *Maine-branded product* while being competitive on price. Like many start-up businesses, seed and equity capital is essential to getting the operation up and running. In MOO Milk's case, the sole capital investment came from private sources committed to the social impact of the venture with no public capital and bank financing

MOO Milk L3C combines social investing with business viability—low profit for investors, but gainful return for dairy farmers. With potential profits flowing to farmers, there are limited returns. An L3C is run like a regular business. Unlike a for-profit business, however, an L3C's main focus is on achieving socially beneficial aims, with profit-making as a secondary goal.

Management: The Entrepreneur as Maine's Best Asset

Generally speaking, the flow of capital will ultimately depend on how convincing the management team is in demonstrating its expertise. There are many ways to characterize management's contribution to the success of any enterprise. This does not mean that every business leader has all the answers and is infallible. In the real estate business, the common refrain to evaluate one's investment value is *location, location, location*. In an entrepreneurial start-up or expansion, the apt expression is *management, management, management*.

One of Maine's greatest assets is the number, depth, and capabilities of its entrepreneurs who have developed well-known companies such as Tom's of Maine; Moss, Inc; Cuddledown; and Delorme Mapping. A good example of a company in the food sector with persuasive management is Looks Gourmet in Whiting (see sidebar). This seafood-products company was able to attract venture capital from Maine sources, and then, as the company grew, to bring in even more venture capital from a West Coast firm that specializes in the natural-food-products industry. Solid entrepreneurial vision and management made this happen.

LOOKS GOURMET FOOD COMPANY

Looks Gourmet is a case where a Maine-born and raised entrepreneur, Mike Cote, saw great potential in a natural product, blended with the character and tradition of Maine's fishing heritage. As an executive with Pepperidge Farm and Odwalla, Inc., Cote gained invaluable experience in the food industry, leading to his acquisition of a failing 100-year-old small business in the Washington County town of Whiting, a rural town of 2,200 located in Maine's poorest county. This entrepreneur's vision was to harness the brand power of the products, which include all-natural shellfish products (clams, mussels, lobster) chowders, bisques, clam juice, canned fish, seafood sauces, and a wide variety of other products under the Bar Harbor brand and to optimize their value in the marketplace. In the premium-shelf stable seafood and soup sector, the Bar Harbor brand has now risen to become the fastest-growing brand in the U.S. in both grocery and natural retail segments. Additionally, Bar Harbor clam juice has gained a solid threshold in the clam juice segment to become the number 2 clam juice in total U.S grocery among a field of more than 20 competitors.

When Looks Gourmet initially approached CEI's venture subsidiaries for financing, it showed a sales growth of 208 percent between 2003 and 2006. It had been selected by *Inc. Magazine* as being among the top 35 percent of the fastest-growing small firms in the U.S. Since then Look's Gourmet has continued its aggressive growth and has been named by Inc 5000 as one of the fastest-growing private companies in America, having achieved 23 percent compounded annual growth since its inception in April 2003.

In Washington County, new business and job opportunities are challenging, so when a venture emerges with promise of growth, employment, and economic opportunity, mission investors want to look favorably on financing, in this case the type of equity capital and technical support to help the company realize its potential. The headline in the *Ellsworth American* says it all; it reads, "Gourmet Canning Company Expands Facility and Increases Sales Using Lean Principles: Seven New Jobs Added: Entrepreneurial Spirit Takes Hold" (Ellsworth American 2007).

With help from CEI's equity commitment and technical assistance funds, Cote began the process of reshaping the company's product formulation, brand, labeling, go-to market strategy, and business plan and goals to achieve a greater economic potential that had been dormant. They have now doubled employment to 21 in a geographic region offering few options for jobs.

Looks Gourmet's ingredients for success included not just the natural products of clam chowder, lobster bisque, clams, and lobster, which are largely locally produced and sourced in Maine, but the intangible value of an entrepreneur matched with appropriately scaled and responsive capital.

ROLE OF FINANCIAL INTERMEDIARY

The dynamics of the market, its demand for local food products, combined with the ingenious and persistent marketing strategies of the entrepreneur to "buy local" will ultimately determine the future of Maine's food production sector. Support for entrepreneurs comes from a variety of places, one of which is the nonprofit sector, and particularly those that provide financing and technical support, often described as a *financial intermediary*. Many of these with varying attributes and capacity are listed on the web site of FAME (see Table 1).

Many of these financial intermediaries are CDFIs, including their historic predecessors, the Community Development Corporations (CDCs), which came out of the civil-rights movement in the 1960s. These community-based intermediaries are now favored entities among grantors and social investors to manage and deploy funds for affordable housing, real estate, community facilities (such as child care), or commercial small-business ventures. At both the national and local level, there are some 2,000 CDC/CDFIs at varying stages of development, with professional lending, investing, technical and administrative staff on the ground making socially motivated investments.

Intermediaries can perform many functions, from marketing and outreach to encouraging food producers at all levels, to the technical support, due diligence, and management of capital needed to nurture the industry. Intermediaries can also play a role in policy at all levels— private, public, state, or federal—bringing important issues and policy advocacy to bear: land preservation such as Maine Farmland Trust; healthy ways of producing food, such as the Maine Organic Farmers and Gardiners Association (MOFGA) certification program; and even the marketing of products and working with trade associations, such as the Independent Grocers Association and Maine Food Producers Alliance. Local, state, and federal policies frequently focus on financial intermediaries to drive more capital and support to the sector.

Intermediaries vary widely in purpose and capacity, but they are all mission driven, and typically structured as charitable organizations with goals to ameliorate distress and otherwise help people and communities to achieve greater self-reliance. Maine has its share of nonprofit, governmental or private intermediaries engaged in some sort of financing activity, whether in small business, affordable housing, special-needs housing, or single-project-focused activities, and regional or state community-development projects. (Some examples are listed in Table 1.)

Not Just Money: Know-How and Technical Support

With differing capacities and skills, part of the infrastructure of food-sector development is the capability of intermediaries to work with the sector. This function is typically defined as technical assistance. There exists a statewide network of business counselors overseen by organizations such as the University of Southern Maine's Small Business Development Center and the Women's Business Centers at CEI. Business counselors work throughout the state providing support to perhaps 4,000 to 5,000 fledgling entrepreneurs annually.

To illustrate, only a handful of projects that come to CEI receive loans or equity investments. Annually, CEI reviews 400 business plans and finances perhaps 20 percent of these businesses through direct lending and investing and leveraging about $30 to $40 million in project financing. But most businesses need more than money. They need direction and support in basic business operations, putting together a business plan, developing financial packages, and devising a market strategy for their product.

As a manager of others' capital, intermediaries such as CEI are mindful of the risks and attempt to manage these risks with analysis and judgment on overall business feasibility. And as a financial intermediary, CEI and others are expected to follow a discipline of project review, balance risk with social impact such as job creation, and carry out its charitable, tax-exempt mission, which means a broader public benefit must be ascertained for each project.

THE PAST REVISITED

Agriculture was cited in the seminal Brookings Institute (2006) study, *Charting Maine's Future*, as one of the primary sectors within which to develop sound policy and resources. But one can go back to 1977 and the *Commission on Maine's Future Final Report* to encounter a conversation about the importance of Maine's natural resources generally, and specifically, its agriculture. One statement from the report's recommendation on agriculture is worth quoting: "It be the policy goal of the State of Maine to preserve and reclaim agricultural land and to encourage the production, marketing and diversification of agricultural products" (Commission on Maine's Future 1977).

The primary concern at that time was not only the disappearance of the family farm to nonfarm development, but also loss of topsoil due to the farming practices of the day. During that period, "back to the land" young organic farmers were beginning their long journey to take their place in the mainstream of Maine agriculture. MOFGA was born, and individuals and groups throughout Maine came together under the banner of the Maine Consortium for Food Self-Reliance (including CEI, formed in 1977) in an attempt to implement the recommendation of the commission and foster the growth of local markets and institutional buying.

The issues remain much the same today—food safety, access to food, and the energy costs to transport food—but the odds seem so much greater to succeed measurably this time. Business-minded entrepreneurs and activists are re-envisioning the nature of our food system, its supply and safety, the health of children and families, the stewardship of land, and a land (and sea) ethic that binds people and places to their environment and community support.

Back then there was also the question of access to capital. That issue was brought to the national stage with the Community Reinvestment Act of 1977 to spur more bank lending to revitalize rural and urban communities in need of capital and to invest in communities and neighborhoods outside the mainstream. In this period in Maine, little capital was mobilized compared to today, and Maine ranked in the lower quintile, if not 50th, in bank deposits per capita. For any development to take place, there had to be a more proactive move by the private and public sectors to spur investment.

Private-Public Development Model

It's worth looking back at what the state did in the late 1970s and early 1980s to spur growth in fisheries as an example of what might be done in other sectors of Maine's food system. Propelling investment was a strategic intervention in federal public policy, the Magnuson-Stevens Fishery Conservation and Management Act of 1976, which gave the U.S. regulatory control over the fishing resource 200 miles from its borders—a way of managing the resource to the benefit of U.S. fishermen. Key to taking advantage of the regulatory environment was Maine's need to develop processing and freezer capacity to create value-added products. At that time, an estimated 85 percent of Maine-caught groundfish was sent out of state for processing. In so doing, the value per pound was determined by southern New England pricing, to Maine's disadvantage—the infamous "Boston blue sheet"—that would set Maine's fish prices at an artificially lower price than fish caught by its southern neighbors. Maine lost value and jobs because it lacked infrastructure to take advantage of the regulatory framework. As a result, investment, both private and public, steered in the direction of freezer and processing capacity.

Maine's fisheries sector investment strategy was based on four conditions in the marketplace:

1. A potential market value that lay to the south of Maine for products branded as such for market differentiation and consumer delight.
2. The federal regulatory change under the 1976 Magnuson-Stevens Fishery Conservation and Management Act that created a more positive environment for investment.
3. Access to flexible, patient, or equity-like, capital to bear the brunt of the risks involved in such an investment.
4. And last but not least, knowledgeable entrepreneurs to take charge of the enterprise and set the course and vision for the industry—in a word, management, the key ingredient of any endeavor.

Municipalities joined in, with coordinated state and grassroots development to support local fisheries. In Portland and along the coast, fishery communities banded together to create more infrastructure capacity in processing, freezing, and even the wholesaling of products through the innovation of Portland's Fish Exchange, a nonprofit market exchange modeled on successful European techniques. In 1981, the city of Portland took 19.5 acres for the site of the Portland Fish Pier to develop docks and berthing and to provide attractive, long-term lease opportunities for the private fishing sector to thrive. Also, since 2006, the state's citizenry has voted on three occasions to pass a bond that would, in effect, "save the working waterfront" for marine uses. For fisheries, the state, local communities, and industry came together in support of public financing to develop a sorely needed infrastructure from which the private sector—fishermen, processers, and retailers—could profitably invest and create new value. Could there now be a similar effort for Maine's agriculture?

Following the fisheries model, one can imagine public funding that would create a half-dozen facilities for food hubs around the state to serve as an exchange between vendors and producers. In that model, the public invested in the basics of infrastructure—much like a highway—with deep subsidy to cover the high capital costs associated with entry into a particular private enterprise.

POLICY RECOMMENDATIONS

What are the key state/federal policies to effect change? Will an institutional-buying bill help secure market advantage? What is the role of independent retailers in advancing Maine agriculture and fisheries products? Should activists and practitioners come together to more effectively promote scalable investment strategies? Can the Maine legislature step up with state and federal dollars, along with various financing agencies, to consider a strategy to boost the chances of meeting the 2020 goal of 80 percent caloric intake of Maine-produced food by the state's population? Often it's not money that can solve the problem. But when money is in short supply for infrastructure or patient capital, the solution indeed becomes formidable. For example, despite Governor John Baldacci's efforts to convene a commission to address the potential of the lobster industry in the marketplace, funding for its primary recommendation—to launch a high-level marketing venture—has been difficult to advance (Moseley Group 2009).

A private-sector working group on sustainable agriculture and fisheries would certainly be of added benefit to spur public policy in the right direction. It would be an action group, self-funded with foundation support, to facilitate coordinated investment, programmatic, and policy initiatives.

Here are a few specific recommendations for both the private and public sectors to consider:

- Capitalize state small-business-financing programs operated and managed by FAME and other nonprofit lending, investing, and technical assistance initiatives. These funds can be complemented by federal and private donations and investment from individuals and foundations.
- Consider a multimillion dollar state bond matched with federal and local municipality funds to develop the infrastructure facilities for farmland preservation, food storage, processing and sales. This model could follow closely other governmentally supported initiatives such as the Department of Agriculture's Potato Market Improvement Fund, which targeted loans to upgrade potato storages, with the result that Maine is now a leader in potato quality improvement; and the department's Agricultural Marketing Loan Fund, which has helped small producers build effective vegetable storage and processing facilities; and the Portland fish pier where public investment covers the basic costs of building and certain capital equipment, while private vendors lease space for their particular market activity.
- Support various state agriculture initiatives such as one establishing a task force that would study the job-creating potential and challenges confronting the agricultural sector and the opportunities to enhance the development of traditional, niche, and new, innovative agriculture enterprises; and one in support of the farm-to-school program which aims to spur more purchases of local foods by school systems. (See article by Amy Winston, this issue.)
- Develop an interagency agreement for funding that can also bring federal funds, state agencies, and private agencies into the mix to coordinate public funds and map out strategies in support of development initiatives in the food sector, including health and safety, food supply, and state-sponsored buying requirements for institutions.
- Reinvest in Maine's Farms for the Future program (operated by the Maine Department of Agriculture), which began in 2003 and has used $2,000,000 in public bond financing to support the development of new enterprises among farmers and value-added grants for various enterprises building on the voter-approved bond last year that included $1,000,000 for agricultural-processing enterprises.
- Conduct policy research on how private donors, philanthropic organizations, and investors can deploy funds for the benefit of private companies and self-employed persons to launch or expand businesses in the food sector.

Michael Pollan (2008), noted writer on U.S. food policy and systems, argued in a *New York Times Magazine* article for a public policy that promotes a wholesome U.S. agriculture system as a matter of national health and security. He further states that low-income families should be able to double the purchasing power of their food-stamp (Supplemental Nutrition Assistance Program [SNAP]) debit cards when shopping at farmers' markets. Pollan's roadmap to building a reliable food system should be required reading for all. The good news is there are many people within government and the private sector working on solutions, policies, and practices. Given the tremendous upheavals in the nation and the world today, it is time to treat food as a national-security priority and to lead the way in rebuilding a robust Maine food system.

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Ron Phillips is founder and CEO of Coastal Enterprises, Inc. (CEI) in Wiscasset, a statewide and nationally known Community Development and Financial Institution.