

SAVING FOOD'S SOUL

LOCAL INVESTOR GROUP SUPPORTS THE SMALL SCALE

BY LINDSAY STAFFORD MADER • PHOTOGRAPHY BY NATHAN BEELS



Left to right: Curt Nelson, Eric de Valpine and Jarred Maxwell.

Several years ago, Austinite Jarred Maxwell spent his days as a rural land broker, traveling to the less-populated areas of the state that had once been home to vibrant communities. Maxwell, who had grown up loving these small towns, was bothered to see that the places “that make Texas, Texas” had become desolate and boarded up. “Big cities are pretty homogeneous these days because of all the moving in and out,” he says. “Those small, rural communities are where [Texas] kind of got its identity, and I feel like if all that stuff disappears, everything along with it goes away.”

Maxwell stresses that this type of cultural erosion directly affects the local food systems used by nearby larger communities. In 2015, the City of Austin reported that less than 1 percent of food consumed by Travis County residents is produced locally. Despite our urban farms and bountiful farmers markets, the City noted that “food production is diminishing rapidly as farmland is lost, farmers age and income for farm labor remains below the poverty level.”

Inspired by the Slow Money movement that encourages capital flow for local food enterprises, Maxwell wanted to revive

rural economies through sustainable investment. But his first several attempts failed to deploy significant funds. Then, in 2014, he joined with Curt Nelson, a technology entrepreneur who had recently moved to Texas, to launch Austin Foodshed Investors (AFI). In its first four years, the innovative company—part business consulting, part angel investing—has engaged more than 200 food and agriculture entrepreneurs, funded 30 projects and disbursed \$2 million across Central Texas.

Several aspects of AFI's structure make it unique. Businesses seeking funding must be doing something in line with AFI's mission “to increase the supply of good, clean, fair food,” such as creating living-wage jobs, improving the environment through organic practices or directly impacting small-scale producers. AFI's not interested in companies vying to grow rapidly and get acquired or go public. “So we don't just pass any company through,” says partner Eric de Valpine.

Likewise, the AFI Investor Network isn't a good fit for all investors. Maxwell explains with a hypothetical of Jim Richardson, owner of Richardson Farms in Rockdale, Texas, pitching to a typical group

of angel investors used to working with tech companies. “Mr. Richardson talks about how his farm works and how the long-term success of his business will be giving it to his son. Those investors [have] absolutely no idea how to deal with that.” To remedy a situation like this, AFI makes sure that its accredited investors, who decide individually whether to participate in a deal, are mission-aligned and like-minded. The company welcomes investors who want market-rate returns but makes it clear it is not in the game of equity investments.

Wally El-Hitam, a Lakeway optometrist, says this is exactly why he joined AFI’s Investor Network. “Investing should always be about more than the return on investment,” El-Hitam says. “Joining AFI was a way for me to also help local entrepreneurs realize their dreams and for us to have a positive impact on the environment.”

Some businesses—deemed “pass-throughs”—are investor-ready upon applying to AFI, and are quickly introduced to the AFI Investor Network for a one-time onboarding fee of \$250. Qualifying businesses that aren’t there yet don’t get turned away, though. Instead, they go through the customized “assist” process where they receive training and mentoring to learn how to speak investors’ language—perhaps the most crucial difference between AFI and other investment groups. “Most of the farmers and ranchers are incredibly sophisticated about soil health, about animal husbandry, about their production,” de Valpine explains. “They just haven’t been forced to put it in the mundane accounting terms.”

For a monthly fee of \$250, AFI assists by taking a close look at the business and then defines the work it needs to do. This can include connecting owners to partners who can help with preparing financial forecasting and a specific breakdown of how a loan would be spent (e.g., grant writers, accountants, city contacts, local ag-extension offices, etc.); prioritizing the order of these steps; and reviewing progress along the way. Once ready, “assists” are connected to the AFI Investor Network or, sometimes, other sources of potential funding, such as banks, the Small Business Administration or the U.S. Department of Agriculture—wherever they can get the best deal. And yes, AFI’s investors are okay with that.

Abianne Falla, co-founder of CatSpring Yaupon, which makes tea from the leaves of the native, drought-resistant yaupon tree and employs people leaving the criminal justice system, says she and her sister initially had trouble finding funding for their business. Then they went through the assist process. “With AFI, we found understanding investors who were more interested in being our advocates for success than in compromising our company for a return,” says Falla. “If more folks approached business and collaboration like the team at AFI, I have no doubt the world would be a better place.”

This spring, AFI joined with the Texas Center for Local Food to launch a statewide local food event calendar to connect the public with the farms and ranches that produce their food, and it also just announced a potentially groundbreaking program to enable senior farmers to retire through mentoring younger farmers to take over the business. Referring to the City of Austin’s report on the magnitude of disappearing farms and aging farmers, de Valpine says, “That is exactly why we’re doing this.”

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