

# Funding Food Systems Innovations That Benefit Local Communities



*Food connects us all—  
and flourishing local food  
systems have the potential  
not only to feed us, but to  
nourish our communities,  
regenerate our ecosystems,  
and cultivate a just and  
resilient future for all.*

## EXECUTIVE SUMMARY | Fall 2024

This paper calls for new funding mechanisms to support a bioregional approach to food system innovations, prioritizing local communities, regenerative practices, and resilience. The document emphasizes food as a critical lever for addressing our climate and health crises, advocating for bioregional systems that incorporate Indigenous wisdom, mutualism, and regenerative agriculture. To bridge the funding gap, we propose utilizing Donor-Advised Funds (DAFs) and forming collaborative funding structures to attract impact-driven investors. The paper culminates in a call to action for the philanthropic community to aggregate and channel resources toward transformative food system innovations that are community-centric, environmentally sustainable, and economically beneficial.



## A Bias for Action

This paper was initiated by Ideagarden Institute as a conversation starter and an invitation to reimagine food systems innovations—a paradigm shift in both what we fund and how we fund enterprises to face urgent challenges to our health and our planet. This is a path we don't fully yet know, but one we can co-create, in community with philanthropy, finance, social innovation, and food systems entrepreneurs. At Ideagarden Institute, a dynamic 501(c)(3) social venture incubator established in 2021, we are transforming the way we nurture and develop the next generation of diverse food system innovators and their enterprises. Born from the collaboration of Will Rosenzweig and Greg Steltenpohl, two of California's respected sustainable food system pioneers, Ideagarden provides a unique “greenhouse” environment in which emerging entrepreneurs can grow their novel food system ideas from seed to sustainable enterprise. The greenhouse model provides an ecosystem of resources, strategic guidance, and catalytic capital to enable entrepreneurs and their initiatives to flourish. Ideagarden is currently focused on empowering three education-centered ventures led by nurturant entrepreneurs—Plant Futures, Climate Farm School, and FARMpreneuers—and developing a philanthropic funding collaborative to inspire and support the growth of these and future necessary innovations.

[www.ideagarden.com](http://www.ideagarden.com)

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# Table of Contents

|  |    |
|--|----|
| 1. Vision: Opportunities of Flourishing, Bioregional Food Systems                        | 4  |
| <b>Why Food Systems as a Focus</b>   | 4  |
| <b>What is a Bioregion?</b>  | 5  |
| <b>Regional Models that Can be Adapted and Replicated</b>                                | 8  |
| 2. Present Moment: Threats and Consequences  | 9  |
| <b>The Risks of Inaction</b>   | 9  |
| 3. Systems Change by Coordinating Innovation and Influence                               | 11 |
| <b>The Bay Area's Concentration and Abundance of Resources and Innovative Leadership</b> | 11 |
| <b>Unmet Needs and Innovations</b>   | 12 |
| <b>Rising to the Challenge: New Mindsets and Models</b>                                  | 14 |
| 4. The Funding Gap (between Venture Capital and Charity)                                 | 14 |
| <b>DAFs and FAIRs</b>  | 16 |
| 5. Call to Action  | 18 |
| <b>A Virtuous, Regenerative Circle</b>   | 18 |
| Endnotes   | 19 |

## Why Food Systems as a Focus

When the EAT-Lancet Report was released, in 2019<sup>1</sup> it was a big deal for at least two reasons. One, it uplifted the central role of food in solving two of humanity's most pernicious problems: poor health and the climate crisis. The report gave us this simple truth that has served as a rallying cry for people around the world:

*“Food is the single strongest lever to optimize human health and environmental sustainability on Earth.”*

Second, for the first time, the report quantified what a diet would look like that feeds 10 billion people while optimizing human health and staying within planetary boundaries (the “conditions that are necessary to foster prosperity for future generations”).<sup>2</sup> The 37 scientific experts who authored the report named this way of eating the Planetary Health Diet, and among the strategies they recommend for achieving it are to sustainably intensify production of healthier foods, grown more sustainably, while focusing on municipal and regional solutions.<sup>3</sup> Specifically, the report states: “The current global food system requires a new agricultural revolution that is based on sustainable intensification and driven by sustainability and system innovation.”<sup>4</sup> What a time to be alive to help plot this next revolution! And yet, it's not just any new model that's up to the task. What are the key attributes that must define this new approach to food production? That is what this paper is about. We set out to make the case for bioregional food systems as critical for a sustainable future. We also paint a picture of what bioregional food systems can look like, highlight examples of emerging real-world models, and underscore the urgent need for financial mechanisms to make them a reality.



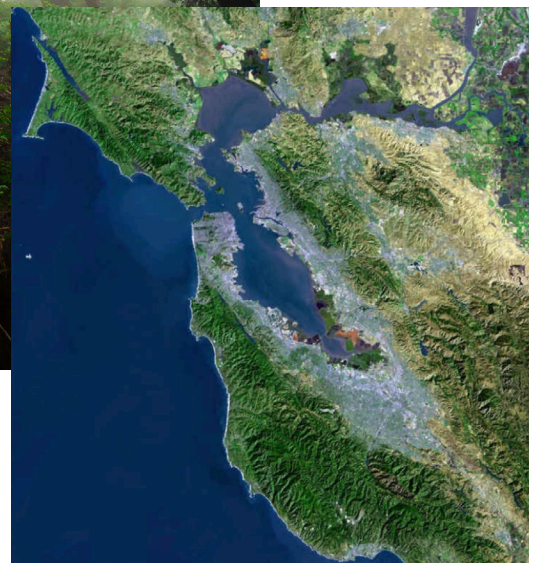
The virtuous, regenerative benefits of local, climate smart agriculture: These facets include fresh, nutrient dense food, equity and security, reduced emissions, resilience, soil and water health, biodiversity and habitat. Combined, they create healthy communities.

*“A bioregion is a distinct area with coherent and interconnected plant and animal communities, and natural systems, often defined by a watershed. A bioregion is a whole ‘life-place’ with unique requirements for human inhabitation so that it will not be disrupted and injured.”*

Since the EAT-Lancet report's release,<sup>5</sup> it has become clear that focusing on local and regional food systems will be fundamental for ensuring cultural relevance of healthy and sustainable diets, gaining buy-in for promoting healthy and sustainable diets, and ensuring the availability of these diets from resilient production practices.<sup>6</sup> In pointing the path forward, this realization in fact points us backward, to look at Indigenous wisdom. “In all Indigenous cultures, in their wisdom, their kin-centric worldview, is a participatory worldview,” said Daniel Christian Dahl on the podcast “The Great Simplification” hosted by Nate Hagens. “You’re in the world, you are the world. There is no word for nature because nature isn’t an other.”<sup>7</sup> Dahl stated that every Indigenous community around the world hinges on three questions: “Does it serve myself? Does it serve my community? And does it serve life?” Countless others beyond Dahl and Hagens have uplifted Indigenous models as what are needed to put humanity back in harmony with other species and the home we share. A related opportunity is to look at models that center Indigenous principles and innovation—thoughtfully translating those principles to evolve the modern cities and agricultural systems that already exist. For example, a booklet on Regenerative Cities from the World Future Council urges a simple yet profound mindset shift: from “petropolis to ecopolis.” A “petropolis” is defined as the current reality in which “all [of a city’s] key functions – production, consumption and transport – are powered by massive injections of petroleum and other fossil fuels,” whereas an “ecopolis” is “the ecologically as well as economically restorative city.”<sup>8</sup>

## What is a Bioregion?





Against this backdrop of overall mindset shifts, Dahl is among the proponents of a specific new model: a bioregional approach. So, what is a bioregion? The term was first developed by a community in San Francisco in 1973 organized by the Planet Drum Foundation.<sup>9</sup>

Today, there is an international collective of funders, impact investors, and systems change organizations focusing on bioregions and re-learning the need to focus on them to change food systems. Called the Bioregional Weaving Labs, the initiative is led by Ashoka and has hundreds of change-makers doing work on the ground “with farmers, nature conservationists, communities, educators, and other stakeholders in bioregions to restore, protect and regenerate ecosystems and to preserve biodiversity.”<sup>10</sup> So far they are working in eight bioregions throughout Europe, to test their model in different areas, with a goal of “mobilising & supporting 1 million changemakers who together contribute to restoring, protecting, and regenerating 1 million hectares of land and sea in Europe, with significant and observable impact on 4 returns by 2030: natural, social, financial returns and the return of inspiration.” Their work illustrates what Indigenous wisdom has not forgotten: bioregional approaches are inherently adaptive and regenerative, with many real-world, active case studies to point the way. These examples are very much in line with one of the best case studies from Planet Drum, which is their Eco-Ecuador Project in the city of Bahia de Caraquez, which started in 1999. It consisted of revegetating a neighborhood and hillsides with native trees to protect against mudslides, developing infrastructure for composting and recycling, “household ecology education,” improved water and energy systems, and more.<sup>11</sup>

Through their “portfolio of systemic innovations,” many of the Bioregional Weaving Lab’s changemakers are focused on food systems specifically, with five demonstrated projects in healthy soils and another five in green cities. Projects range from farmers in Ireland being rewarded for enhancing nature to family-owned, nature-based farms in The Netherlands; from biodiverse flower meadows in Poland to growing communal food in public spaces in the UK.<sup>12</sup>

In looking back to look forward, we also glean what has not worked. And regardless of which new food systems models we choose, we must take as nonnegotiable certain core tenets that can avoid the root issues of past models that produced today’s health and climate problems. For instance, Dahl noted that fossil fuels are what drove the shift away from a bioregional way of relating to the landscape and to each other, and that represented the broader power imbalances that emerged after city states when raw materials became the foundation of our economies. For this reason, it is important, he said, to avoid advocating for bioregionism, as “every ism creates a schism.” Instead, we aim to embrace a mindset of bioregional relationships to the landscape and to each other. These relationships are essential to our own species’ survival and to cultivating communities that can flourish.





## Regional Models that Can be Adapted and Replicated

Importantly, Ideagarden Institute isn't the only group recognizing the need for new food systems models that benefit local communities. A portfolio of exciting regional models has emerged around the world that we can learn from, replicate, and adapt in pursuing bioregional food systems.

A few examples include:

### *Social Innovation Models*

- Founded in 1990 in Santa Fe, New Mexico, Bioneers is a social innovation nonprofit that has a range of programs and initiatives, which include: Restorative Food Systems, Biomimicry, Rights of Nature, Indigeneity, Women's Leadership and Youth Leadership. In particular, their "community resilience models" will be valuable to study closely, along with their core concepts such as "ecological agriculture," "natural capital," "democratic governance," a "culture of pluralism," and "a global wisdom culture that embraces human diversity and an expanded sense of kinship that includes the web of life."<sup>13</sup>
- Community Wealth-Building aims to create a "next system" in which wealth is "deeply rooted, widely shared and in the hands of local residents committed to a liveable planet and thriving local economies into the future." Led by journalist Laura Flanders, it's an alternative approach to our current capitalist economy: "What if, she asks, instead of tweaking the system to reduce the damage, we reorganized entirely so that both local and national economies produced better outcomes for people, communities and the planet in the first place? That's the essence of community wealth building."<sup>14</sup> Real-world examples of Community Wealth-Building in the U.S., Europe, and Australia may offer inspiration to bioregional food systems, as they contain elements such as land trusts and valuing land and labor through local and cooperative ownership.<sup>15</sup>

### *Food System Models*

- The Transforming Urban-Rural Food Systems (TURFS) Consortium emerged out of the UN Food Systems Summit in 2021<sup>16</sup>. The consortium is funded by Laudes Foundation and led by the Global Alliance for Improved Nutrition (GAIN), CARE, EAT, International Centre for Climate Change and Development (ICCCAD), World Wildlife Fund (WWF), Club of Rome, and C40. Its guiding premise is that food systems must be transformed, and that "The only way to do that enduringly is to shift the system settings. This means shifting demand towards healthier foods from sustainable food systems &



shifting supply by connecting that demand to a scaled regenerative agriculture landscape, preferably in close physical proximity to generate spatial spillovers, with shorter and more diverse supply chains for greater resilience.”<sup>17</sup> The consortium focuses on cities as the best place to begin this transformation, which has in common with bioregional thinking a localized vs national or multinational lens.

- In 2022, World Wildlife Fund released its Great Food Puzzle, a report outlining 20 levers for advancing national action to transform food systems.<sup>18</sup> But in 2024 they released a 2.0 version, based on this realization: “Although there is an urgent need to close these transformation gaps, there is no one-size-fits-all solution that can deliver impact in all countries around the world. Different regions and nations face diverse opportunities and challenges shaped by local ecology, culture and histories of development...[Therefore,] identifying the highest impact actions for various local contexts will help to urgently scale implementation and prevent unintended consequences.” Given that “countless hyper-localized solutions can be taken,” the 2024 Great Food Puzzle provides a robust toolbox of food system types and levers for change that could be woven together with core principles of bioregional food systems.

In short, bioregional food systems focus on key aspects of regenerative systems —*especially mutualism and reciprocity, equity, cooperation and collaboration, ecological agricultural practices, place-based implementation strategies, shortened supply chains, and deeper relationships between farmers and nature/farmers and eaters/and eaters and nature*. At Ideagarden Institute, we envision a deeply blended model that takes inspiration from these models and many others, and that tailors solutions to the unique geographic, ecological, and cultural elements of a given region.

## 2. Present Moment: Threats and Consequences

### The Risks of Inaction

It may be tempting to dismiss the models, tenets, and ideas described in Section 1 (Vision) as aspirational at best and idealistic at worst. However, the present moment *requires* us to mobilize toward new ways of producing and consuming food. It is not a matter of “doing the right thing” but doing what is essential. Why? Because of the severity of the threats and consequences of maintaining the status quo. According to EAT, “Dietary choices in G20 countries are destroying the planet. Global adoption of current G20 food consumption patterns by 2050 would exceed the planetary boundary for food-related GHG emissions by 263%. *This would require between one to seven Earths to support.*”<sup>19</sup> To our knowledge, we don’t have an extra six Earths to work with, *so the risk of inaction is simply too high*. Approximately 22% of all GHG emissions globally come from agriculture, land use, and the food system, which is roughly equivalent to the entire U.S. economy. That doesn’t include food waste, transportation, etc, which, when properly accounted for put this total at a staggering 34%. This means, in the words of Project Drawdown Executive Director Jonathan Foley: “We cannot solve climate change unless we also address the problems of food—alongside fossil fuels and energy.”<sup>20</sup>

If you aren't motivated by climate, here are a few other potential motivators:

- **Food security:** Half of humanity doesn't have adequate nutrition.<sup>21</sup> One in 11 people face hunger (1 in 5 in Africa), while 2.33 billion people experience moderate or severe food insecurity. At the same time, sharp disparities persist: 71.5% of people in low-income countries cannot afford a healthy diet, vs. 6.3 percent in high-income countries.<sup>22</sup> COVID further exacerbated disparities in food insecurity and demonstrated the fragility of national and global food supply chains. Proponents of local food systems such as author Michael Brownlee have identified innumerable benefits for not only food security but countless other outcomes, such as food sovereignty, community resilience, local job creation, nutritional quality, and food safety.<sup>23</sup>
- **Human health:** Even as a high-income country, in the U.S. poor diet is the leading cause of death.<sup>24</sup> In general, national dietary guidelines (NDGs) aren't cutting it. Not a single G20 country's consumption patterns match their national dietary guidelines.<sup>25</sup> Even if they did, most NDGs don't incorporate environmental sustainability, so we have a long way to go with NDGs as a tool for driving the dietary shifts that are needed.
- **The link between human health and climate:** Climate change affects human health in nearly limitless ways, including: making health problems more frequent and more severe, and creating new health problems, including respiratory and heart diseases, pest-related diseases, diseases from water and food, mental health challenges, and increased violent crime and injury.<sup>26</sup>
- **Economic impacts:** When applying True Cost Accounting to our current food systems, it is clear that the negative impacts far outweigh the positive contributions to the global economy: hidden costs annually exceed USD \$10 trillion<sup>27</sup> across the globe and \$3.2 trillion across the U.S.<sup>28</sup>—that's three times the amount generated by the U.S. food system. These costs appear in externalities such as health care costs, water and air pollution, GHG emissions, biodiversity losses, and more.



### 3. Systems Change by Coordinating Innovation and Influence

Against the backdrop of threats and consequences, paired with this vision of what's possible, one might be activated to invest in solutions. To channel capital toward fixing what is clearly broken. You should, and we must! However, *how* we do so is as important as doing so at all—because the lessons of the past call for new funding models.

## The Bay Area's Concentration and Abundance of Resources and Innovative Leadership

The San Francisco Bay Area is uniquely positioned to spearhead a reimagination of funding frameworks that rise to the food systems challenge. However, historically, the Silicon Valley instinct has been to “move fast and break things.” Instead, the unmet needs and the ethos of bioregional food systems compel us to tune into Indigenous wisdom: Recognize the inherent bias in Western cultures' desire to “build” solutions (vs. grow), to extract rather than allow for emergence. Rob Day, an investor, recently wrote in *Forbes* how important this mindset shift is for climate entrepreneurs and investors, and yet how difficult a transition it can be for both the talent and the culture of any team, who “suddenly has to build something that absolutely DOES NOT BREAK. The lingo is different, the disciplines are different, the attitude is different, the needed skill sets are different, and the capital structures are different.”<sup>35</sup>

What might this look like in practice? Consider a call to action from Weingart Foundation, the California Endowment, and California Wellness Foundation: “Those of us who have the privilege and responsibility of leading large endowments — such as foundations, universities, and public pensions — could use our financial power to help tilt market dynamics more equitably and include those historically marginalized and disenfranchised from it. California is home to several foundations that share a deep commitment to using all we've got to put all our assets to work on behalf of the communities we serve.”<sup>36</sup>

There is also great precedent of local communities banding together to demonstrate innovative leadership and be the first to try new approaches that later get replicated elsewhere in the U.S. One example is Bay Area leadership to forge innovative policy tools that internalize some externalities in the food system: In 2015 the City of Berkeley made history with the first distributor tax on soda in the country.<sup>37</sup>

Lastly, a rich history exists of not merely conserving but enhancing natural systems by acting as caretakers of the land to preserve open space for generations. MALT, the Marin Agricultural Land Trust, was the first farmland trust in the country. It has inspired numerous conservation efforts, including new public open space projects, like Santa Rosa's “NeighborWood,” a 20-acre open space, originally slated for commercial use, that was transformed into a habitat for native plants, pollinators, and people.<sup>38</sup>

# Unmet Needs and Innovations

When it comes to bioregional food systems, what exactly will we be mobilizing toward? Our answer is to provide resources for the many unmet needs and to cultivate growth among local entrepreneurs working to fill those needs. One type of unmet need is community-based food systems innovation in dense urban areas and major population centers. To be fair, inspiring examples abound; to name just a few:

- Urban Tilth in Richmond, California “Inspires, hires, and trains local residents to cultivate agriculture, feed our community, and restore relationships to land to build a more sustainable food system, within a just and healthier community.”<sup>29</sup>
- Tilth Alliance in Seattle “uses farms, gardens and kitchens as classrooms where all people, from all backgrounds, can learn to grow, prepare and eat food in ways that are ecologically sound, economically viable and culturally appropriate.”<sup>30</sup>
- Fair Food Network is a national nonprofit and investor that started in Detroit, which “grows community health and wealth through food,” using financial investing in local food organizations that nourish their local communities, capacity-building, and policy advocacy.<sup>31</sup>

Yet these examples exist only in pockets of the country, and often with existing funding models that don’t provide the full capacity necessary for entrepreneurial teams to achieve their mission—leaving much untapped potential.

Take as another example the need to support youth leaders and young entrepreneurs. Interest among university students often outstrips the available programs, courses, and career guidance related to food systems transformation. We’re leaving innumerable young people on the table who could be inspired, educated, mentored and supported to be the next generation of food systems leaders—the true stewards of a just transition that includes bioregional ways of feeding communities. Several student-led initiatives have emerged, such as Plant Futures, a nonprofit founded by three UC Berkeley students that has grown from a course to a movement, now spanning 75 campuses nationwide as a thriving nonprofit accelerating the transition to a plant-centric food system. In other cases, administrators at colleges and universities have seen this need, such as the new Future of Food campus at Zurich University of Applied Sciences (ZHAW), whose motto is “regenerative food for planetary health,” and which acts as an incubator for solutions and deep study of the entire food supply chain.<sup>32</sup>

*There is lots of money available for climate tech and “impact” ventures that promise market rates of return, but not for living systems solutions. These initiatives take longer to root and flourish and don’t conform to traditional capital market tools. We see a vibrant opportunity for investing in the wide-ranging potential of entrepreneurial college grads with a yearning (and often a business plan and prototype!) to do their part. Furthermore, these entrepreneurs need a new type of support from mentors and advisors toward a cultivation mindset rather than an extraction mindset.*



As yet another instance, consider infrastructure needs. There is growing consensus that we need truly regenerative agricultural practices in order to nourish a growing global population while remaining within planetary boundaries; in other words, in order to sustain food production for generations on Earth. To make that shift, a blog post by Polly-Labs calls for “An influx of capital to help operators overcome financial barriers associated with transitioning to regenerative practices on farms and ranches.” They noted a laundry list of needs: new “offtake markets” that reward farmers for regenerative production; profit-sharing that’s more equitable among producers and buyers; processing facilities for the greater diversity of crops grown regeneratively “(including nitrogen-fixing legumes and drought-resistant millets and sorghum)”; and better data tracking at every step of food production to understand carbon intensity and nutrient density. Investing in these solutions would produce an entirely new paradigm, they argued, “where our agri-food system serves human needs as part of nature, reclaims diversity at scale, and delivers quality with efficiency.”<sup>33</sup> But that new paradigm is only achievable with thoughtful and robust investment in the many gaps that exist.

A recent report from the Food and Land Use Coalition shows again just how possible it is to redesign food systems to benefit local communities.<sup>34</sup> The report shares nine impact stories, such as expanding regenerative agriculture in Ethiopia, the Indonesian government’s adoption of “eco-regionalization” that centers local food resources and local wisdom, and a group financing nature-based solutions in Colombia, India, and Kenya. Not one of their case studies takes place in the United States. The reality is *the U.S. is behind—and the Bay Area is the best place to start catching up*. The abundance of natural and capital resources, culture of innovation, and progressive leadership in Northern California offer a tremendous opportunity to take the lead on investing in solutions to benefit local communities.



## Rising to the Challenge: New Mindsets and Models

### 4. The Funding Gap (between Venture Capital and Charity)

Beyond the needs identified in the previous section, there is an overarching need for a longer runway and secure capital to create sustainable enterprises with enduring impacts. Even in venture capital, investments for agrifoodtech are down considerably,<sup>39</sup> and on the philanthropic side, it's even bleaker: According to the Global Alliance for the Future of Food (GAFF), *a mere 3% of climate finance is going to food systems* (\$9.3 billion).<sup>40</sup> GAFF also noted: "The amount of harmful public finance is 57 times greater than climate finance going to food systems." And while the amount of public climate finance for food systems has increased, it "starts from a low base."

The top three solution areas that are getting VC funding are: agricultural biotech (biological inputs; \$1.7 billion in the first half of 2024), in-store retail and restaurant tech (point of sale terminals; \$1 billion), and innovative food (alternative proteins; \$828 million). "Novel farming systems" (which, being listed as vertical farming, is also tech) garnered just \$336 million and are on a steep decline.<sup>41</sup> Nowhere on the list are multi-stakeholder, multi-pronged, localized solutions, *and in general, VC lacks systems thinking*, as countless investors in the food and ag space can attest. Even in food waste, which also tends to be one of the areas of food systems receiving more private and philanthropic funding than other areas, ReFED's Capital Tracker estimates a need for 3x more private funding and 70x more philanthropic funding to sufficiently scale food waste solutions.<sup>42</sup>

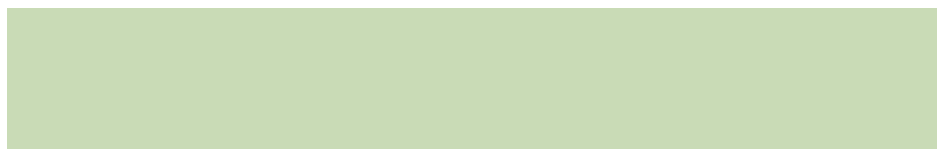
Needless to say: *It's time to close the gap.*

It's important to specify exactly what that gap is, though—or, more likely, what the different versions are of the same gap—so that we can rally the right resources to close each one. Rob Day, the investor, wrote in *Forbes* that generally speaking, when it comes to climate solutions, we can refer to one of the biggest gaps as: "the missing middle."<sup>43</sup> The firm Transformational Investing in Food Systems refers to this as "the gap between the investment needs of regenerative businesses and the investment requirements of interested private and public investors."<sup>44</sup> Day considers the "missing middle" the gap between a startup's innovation stage that relies on mostly venture capital and the stage when mainstream infrastructure capital steps in to scale a solution. Day explained: "Venture capital investors focus on getting to the first of something. Mainstream infrastructure investors, on the other hand, want to be the first to fund the tenth of something." Yet to ensure we're not talking past each other, he noted there are three main subtypes of the missing middle: growth

equity; “First-Of-A-Kind” (FOAK) project capital to fund the first implementation of a new idea (which can often be quite costly; think of something like the first sustainable aviation fuel refinery); and “projects 2 to 10,” where an investor is needed to support everything that happens after the FOAK, which is where he sees a need for the biggest cultural and talent shifts.<sup>45</sup> Addressing the missing middle is an important step in funding food systems innovations with a bioregional lens, however, with an important reminder that the size of this middle may vary depending on the region; *infinite scale is no longer the goal, but rather, it’s about smart and effective replication and scale that benefit local communities.*

Interestingly, the Federal Reserve Bank of New York has identified a similar gap, which they call “the missing market”: “Where is the impact pool, mutual fund, or exchange traded fund (ETF) that successfully invests in lifting up America’s youth - to drive opportunity and thriving? Our purpose is to address this missing market, to create value from flourishing, and thus flip America’s youth health and human services funding paradigm to investing in thriving. This should improve lives and create significant public and private return on investment (ROI).”<sup>46</sup> To address this “financial market failure,” they’ve launched a design team of diverse youth to develop a “National Investment Strategy for Equitable Well-Being” that starts with youth. Their investment thesis centers on multi-layered investments to overcome fragmentation, local ownership and leadership to put power in the hands of those with the lived experience and who will be most affected by the proposed solutions, and upstream investments rather than “the current practice of spending most related public and private funding in reaction to illness and social failure.”<sup>47</sup>

Nearly every element described in the Fed’s vision is shared by the place-based food system innovations Ideagarden believes are possible and necessary, from the need for longer runways and more holistic ROI expectations, to the opportunity to address root causes rather than fund trillions in downstream externalities. The Fed report went on: “Social capital and civic muscle enables economic capital. Our goal is to produce flourishing outcomes from ‘strategic financial action’ that creates/supports a scaffold structure for place-based and person-centered life course investments.” Imagine if we were to heed this call to action and develop a similar ethos and action framework for designing food systems that produce *flourishing* local communities? At Ideagarden Institute we have two such examples: FARMpreneurs, which is empowering the next generation of climate-smart farmers to be more profitable, resilient, and valuable to their communities; and Climate Farm School, which is educating sustainability and health professionals about the climate potential of regenerative farming methods. We seek to grow our own portfolio at the Ideagarden greenhouse to inspire investors to support other portfolios of similar systems-level innovations.



## DAFs and FAIRs

Community foundation executives can play a critical role in guiding **Donor-Advised Funds (DAFs)** investments towards local food systems innovations and innovators.<sup>48</sup> Local donors can contribute to a virtuous circle of community benefits.<sup>49</sup> As we've seen, the opportunities for positive impact in food systems innovation are tremendous, the needs are urgent, and both far outweigh the cumulative total of existing investments. DAFs have the potential to serve as an invaluable source of patient capital for long-term food system changes. They can fund innovative, potentially higher-risk projects, and they have the capacity to provide bridge funding or matching grants to attract and leverage peer resources.<sup>50</sup> This financial impact alone could be game-changing. But the impact doesn't stop there. DAF investments in local food systems innovations could catalyze tremendous strategic impacts (especially by supporting diverse initiatives across the food system, encouraging collaboration between food system stakeholders, and focusing on systemic changes across the food value chain vs iterative changes); social impacts<sup>51</sup> (especially by improving foodsecurity and focusing on local community engagement and empowerment); environmental impacts (such as regenerative agriculture and other food production practices that support biodiversity, soil health, land and water use, etc); and economic impacts (by stimulating local food economies, especially shortening supply chains and enhancing wealth for small-scale producers underrepresented owners of food businesses).

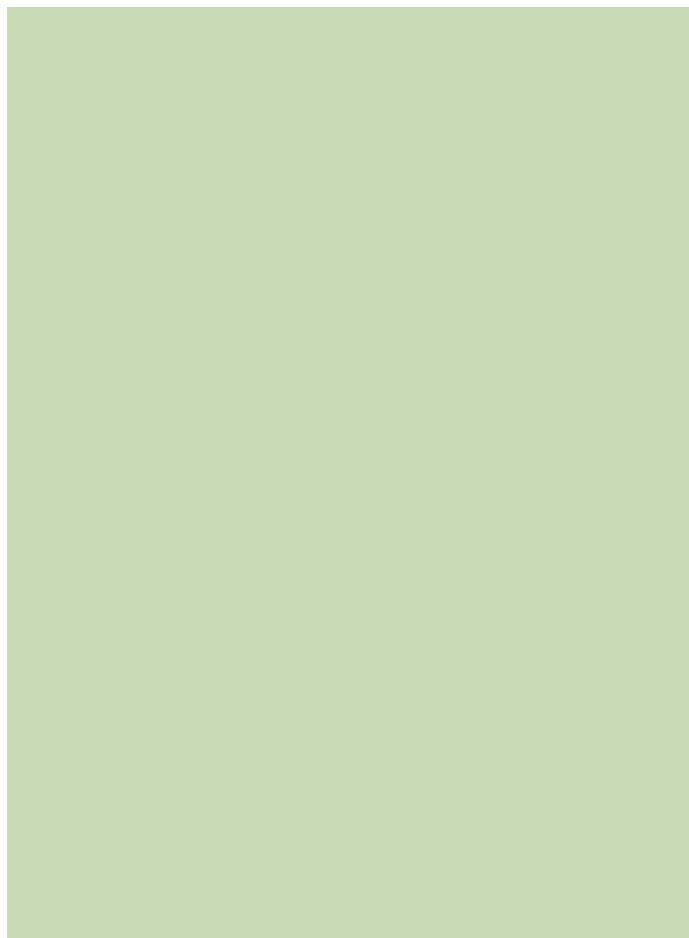
As DAFs continue to grow in popularity and influence within the philanthropic landscape, there is an opportunity to channel these resources towards sustainable, community-centric food initiatives—and ultimately achieve the vision of a bioregional orientation for our food systems.

DAFs can deploy capital to both for-profit and nonprofit entities in the form of grants and debt or equity investments (which are typically structured like Program Related Investments—PRIs). However, there is a new investment instrument that has been developed for impact-centered ventures called a FAIR (Financial Agreement for Impact Returns) that DAFs (and other donors) can use, particularly for early-stage innovative enterprises that have yet to decide or declare their corporate operating structure. The FAIR can be initially treated by donor and donee as a grant (although for tax purposes it will have the same designation as a SAFE, a standard form of convertible note for start-up companies), but it provides more flexibility to convert after an agreed period of time, usually 12 to 24 months.<sup>52</sup>

The flexible nature of FAIRs aligns perfectly with the patient capital approach of DAFs, as the agreement can evolve based on the



enterprise's performance. A FAIR can convert into equity if the innovative company is successful in meeting its impact and financial metrics (potentially providing returns that can be reinvested in the community). This tool could be applied to financing missing processing infrastructure. A FAIR can be turned into debt if the company is successful in meeting its financial metrics but falls short on impact, or a grant if the company is successful on impact metrics but is unlikely to develop a self-sustaining business model. In cases where impact goals are not achieved, the option for repayment ensures accountability and responsible use of philanthropic capital. This structure enables DAFs to support higher-risk, innovative projects in the food sector while maintaining a focus on measurable outcomes. By adopting FAIRs, community foundations can enhance their strategic impact across the food value chain, fostering collaboration among stakeholders and driving systemic changes. This approach may not only amplify the social, environmental, and economic impacts outlined earlier but also provide a concrete framework for tracking and evaluating the progress of these initiatives. FAIRs could represent a powerful tool for DAFs to catalyze the transformation towards more sustainable, bioregional food systems, bridging the gap between traditional philanthropy and impact investing in this critical community-centric sector.



## 5. Call to Action

*“There is no power for change greater than a community discovering what it cares about.”*

- Margaret Wheatley, A Simpler Way

## A Virtuous, Regenerative Circle

Given that food systems account for 34% of global greenhouse gas emissions, yet only 3% of climate finance goes toward food-related solutions, there is an 11-fold misalignment in resources rising to one of the greatest challenges of modern times. So, we ask you to take up the challenge with us: *How might we increase the flow of funds into food systems innovations by 3x in the next 3 years?* How might we do so *together*, in a highly collaborative structure, and with peers and colleagues who share our values and conviction about the potential for this vision of a bioregional future of food? That is our call to action to you and the broader investment community: an invitation to join us in reimagining the mechanisms of support for food systems innovations that benefit local communities.



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