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SALT & HARROW

Social Finance Case Study

Salt and Harrow

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Social Finance Case Study: Salt and Harrow

Social enterprises and ventures often face significant challenges accessing financial capital to ideate, launch and grow. Many not-for-profit social ventures do not have the cash flow required to service large debt obligations, leaving these organizations largely dependent on traditional sources of short-term and cyclical grant funding. While for-profit social enterprises and ventures have the option of raising equity capital, these organizations also face challenges related to finding investors that are willing to tolerate patient returns and avoiding investors that expect them to compromise their social mission to grow.

The aim of these case studies is to illustrate how Vancouver Island-based social enterprises and ventures have leveraged innovative financing to support their launch and growth, while maintaining a strong commitment to their social mission. The case studies are selected to represent a diversity of organizational forms, stages of growth and financing mechanisms. It is hoped that their stories will inspire other social enterprise and ventures to explore innovative financial mechanisms to scale up their own social impact, and to identify social finance tools and options that could be further strengthened. The table below summarizes the key attributes of the four case studies selected for this research.

SALT AND HARROW is a for-profit venture that operates a 37-acre organic farm in French Creek on Vancouver Island. The organization's mission is to provide customers with access to quality organic fruits and vegetables.

Financial Structure: In 2015, Salt and Harrow accessed three sources of start-up capital from Vancity Savings and Credit Union. The Small Grower's Fund, which is dedicated to supporting local organic farm and food production businesses get off the ground, provided Salt and Harrow with a \$20,000 loan. Once the loan and interest is repaid, Salt and Harrow will receive the interest that it has paid on the loan to help fund future growth. Salt and Harrow also received a \$50,000 microloan from Vancity, which it is close to paying off. The farm uses a line of credit for operating capital.

Rationale: Having previously worked in the not-for-profit sector, Salt and Harrow's co-founder did not have a large source of personal assets to use for start-up capital or collateral that is often required by lenders for new ventures. Indeed, most financial institutions would not be willing to take a chance on a small venture that lacks collateral. What the co-founder did have was a pre-existing relationship with Vancity through his work with another successful venture (Sole Food Street Farms in Vancouver). Vancity recognized the merits of Salt and Harrow's business plan and there was strong alignment with the credit union's mandate to support local and organic food production.

This social finance case study will examine Salt and Harrow, a for-profit social venture based in French Creek, BC. Salt and Harrow is in the early stages of their launch and are using microfinance to scale their social impact.

Salt and Harrow operates a 37-acre farm in French Creek and sells its produce at farmers markets in Vancouver and on Vancouver island.



Salt and Harrow's founder had experience with other capital raising strategies such as crowdfunding. It was determined that this would not be a suitable strategy for Salt and Harrow after weighing the time commitment required to run a crowdfunding campaign against the benefits associated with generating interest from potential customers. Salt and Harrow's business plan depended on selling its produce at farmers markets in Vancouver and on Vancouver Island. As such, they were less concerned with generating consumer interest before going to market through a crowdfunding campaign.

“Having previously owned a business, I knew what my ideal capital needs were, and it was a process of working with Vancity to scale the business plan back to meet parameters of their financing while still making sure that I had what I needed to get started.”

- Seann Dory, Co-founder, Salt and Harrow

Process: The process to secure financing took approximately three months. The first step was a meeting with Vancity to discuss suitable financing options. Salt and Harrow then worked with Vancity staff to develop a business plan. The co-founder’s previous experience with writing business plans and operating a successful social venture helped to make this process efficient. Salt and Harrow was able to work directly with Vancity and did not require a consultant. During this stage, there was a lot of back and forth with Vancity about Salt and Harrow’s capital needs. Salt and Harrow had to decide what was essential during the first year to get the business off the ground. As co-founder Seann Dory explains, “having previously owned a business, I knew what my ideal capital needs were, and it was a process of working with Vancity to scale the business plan back to meet parameters of their financing while still making sure that I had what I needed to get started.”

Key Outcomes: Vancity’s microloan programs allowed Salt and Harrow to access financial capital to launch its business that it would not have had access to through traditional financial institutions. Salt and Harrow is close to repaying its loans and is looking to the next round of financing to grow its business. One option it is considering is Vancity’s ‘Next Step microloan’ program that is designed to help small businesses that have a few years of successful operations under their belt to reach the next stage of growth¹.

Key Challenges: Microfinance is a great source of start-up capital for businesses that do not meet the financing requirements of traditional financial institutions. However, there are some limitations to launching and growing a business with microfinance. In particular, farming is an expensive endeavour that requires large upfront investment in capital such as greenhouses, tractors, and equipment. Salt and Harrow has made do with the bare minimum and its growth rate has been slower than what it could have been, if it had access to more capital.

A second potential challenge when working with local credit unions to access finance to start a business is geographic restrictions. While Salt and Harrow did not face this challenge since the farm planned to sell its produce in the Vancouver market, other businesses planning to operate outside of the geographic region that is served by Vancity may face barriers to accessing this type of financing.

Key Conditions for Success: Microloan programs are useful for new entrepreneurs and businesses that are willing to start small and scale their business. It is more difficult for bricks and mortar businesses that depend on large upfront investments to start their business. However, the example of Salt and Harrow shows, it can be done. Vancity’s willingness to lend to Salt and Harrow was essential to its success, as there are few alternative financing options for small ventures that lack collateral. Constant communication was also essential to maintaining a good relationship with Vancity.

Lessons Learned:

Be ready with a plan... Salt and Harrow was able to get its business off the ground in three months because the owners had knowledge of their business and experience with developing a business plan. Salt and Harrow had done the heavy lifting required to convince its lenders of the merits of its business.

...but be willing to flexible... Because Salt and Harrow did not have collateral that traditional business ventures often have, it had to scale back on some of its initial plans to meet the terms of Vancity’s microloan program. As Dory explains, it requires making sure that business fits with the financing that is available, so if you are starting small then make sure that you actually are small.”

Resources: Salt and Harrow website
Interview, Seann Dory, Co-Founder and Owner, Salt and Harrow

¹ Business owners can access expansion funding of up to \$75,000 based on their character and the competence they’ve demonstrated in the initial years of their business operations.