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Dear friends,

This is my last newsletter! And I want to go out exactly as I came in ten years ago: with a fierce critique of our modern-day financial system.

First, I urge you to reference a devastating front-page article in the *New York Times* from September titled, “How Big Business Got Brazil Hooked on Junk Food”. The writers condemn Nestlé Corporation and other global food conglomerates for aggressively pushing a nutrient-poor diet of processed foods on the world’s most vulnerable people, causing extraordinary increases in obesity, diabetes, etc. For companies like Nestlé, growth has slowed in Europe and North America in recent years, so they are colonizing Africa, Asia, and South America with deplorable sales tactics, essentially using sugar and salt to get people addicted to their products. This may not be earth-shattering news to many of you. I can’t say I was surprised, exactly, though the personal stories and statistics in this article are painful to read.

The unanswered question: Why is Nestlé using these absurd sales and marketing tactics? Certainly, its employees can’t feel good about the publication of this article. Rarely recognized in these articles is the following simple analysis of upstream causes: Nestlé is conducting business this way because it needs to chase growth. They need to chase growth because the company’s investors/shareholders demand it. If it doesn’t achieve sufficient growth and return-on-capital relative to its peers, then Nestlé’s investors will sell their shares and buy Unilever stock instead. If the CEO and management team don’t steadily raise the share price, they will be fired. If the board doesn’t oversee aggressive growth in market share and share value, they too will be replaced. This is important to recognize.

Directly related personal story: Seven years ago, I visited the president of a very well-known ESG (socially responsible) mutual fund company in New York. We had placed $5 million of RSF assets in the company’s fund two years prior, serving as one of its first investors. Based on some bad PR for Nestlé back then, I asked him how they could justify having it as a top ten holding in the fund. His response was thin; actually, it was lame and embarrassing. We sold all our shares a few months later. Consequently, we have missed out on a huge run-up in stock prices over the past 6 to 7 years; our balance sheet could be a lot bigger than $200 million if we had ridden the most recent wave.

Our friends at the Heron Foundation say, “Know what you own.” It is critical to understand the correlation between what stocks you own and how that lines up with your core values, what you care about, and the world you want to live in. It’s not okay to be an activist for regenerative agriculture and social justice and own Nestlé shares. It’s just not.

Getting off the grid of Wall Street is difficult. Paradox in the world of money is hard to avoid. But please keep pushing, keep questioning, keep going in your search for alignment between what you believe in and how you express yourself in the world through your money.

These last ten years have been an enormously growth-filled journey for me. THANK YOU for being with me and with us! Enjoy this newsletter and enjoy the harvest season.

Onward we go!

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**EXECUTIVE LETTER**

**Paradox in the world of money**

Don Shaffer,
President & CEO

Cover photo of SOIL by Chris Buck

**LINK TO NY TIMES EXPOSÉ**

https://nyti.ms/2jxglzf
Arkansas is rich territory for livestock agriculture. It’s home to one of the country’s four major meat-packer—a multinational giant that sells billions of dollars of meat products a year. Contract farmers who work for them, however, often earn poverty-level wages, and their livestock fares no better. Chickens and turkeys, for example, are crammed into houses the size of a football field with less than a square foot of space per bird. Disease runs rampant and antibiotic use is high.

In the midst of this environment is Grass Roots Farmers’ Cooperative, a pioneering collective of family farms practicing ethical animal husbandry and regenerative agriculture. Its members allow their cattle to graze in pastures and their chickens to roam freely, giving their animals a quality of life that yields high-quality meats. By banding together, the farmers are creating a market for their beef, pork, and poultry that enables them to earn livable incomes. And they’ve made it their mission to help new farmers do the same by providing them with training, equipment, and seed money in partnership with Heifer USA.

“Grass Roots has the potential to shift a lot of things that are wrong with the food system,” says Meredith Storton, senior lending associate for RSF Social Finance, which provided the co-op with a line of credit last year. “There are a lot of farmers who don’t make a sustainable income, so helping them get to a financially viable place is huge.”

(CONTINUES ON PG 4)
Finding Muses in Virginia and Nepal

Grass Roots grew out of the struggles that founder Cody Hopkins and other small-scale farmers faced: there was no infrastructure for farms their size that would get their products from farm to consumer. A former physics teacher, Hopkins and his wife, Andrea Todt, started Falling Sky Farm in Marshall, Arkansas, 10 years ago. He was inspired by the farming models in Michael Pollan’s *The Omnivore’s Dilemma*, in particular that of Joel Salatin, a Virginia farmer who practices holistic animal husbandry.

At first, Hopkins and Todt tried to do everything themselves: raising livestock, processing and packaging the meat, distribution, and attracting customers. It was overwhelming.

“Getting our product from farm to market was a real nightmare,” Hopkins recalls. “The overhead was eating our lunch.”

He soon discovered other farmers in his rural and largely poor community who were struggling with similar issues. In 2013, Heifer USA, a nonprofit working to revive local food systems in the state, took notice. Acting on the mantra of “think globally, act locally,” Heifer invited Hopkins and other farmers from the Arkansas Delta and Appalachia on a trip to Nepal.

“We got to see women-led farmer cooperatives,” says Hopkins. “That drove home the fact that we needed to find a way to do this.” The trip sparked the creation of Grass Roots Farmers’ Cooperative in 2014. There were six farms in the founding group, and with training and start-up support from Heifer, the co-op now consists of 15 farms and has sales of roughly $2 million a year. (To honor the Nepalese farmers who inspired the co-op, it donated 10 percent of September e-commerce sales to Heifer’s relief efforts for September’s devastating floods in Nepal.)

**Beyond Food Labels: Blockchain**

Now the co-op handles processing, packaging, and selling meats online and to distributors such as U.S. Wellness Meats and the Golden Gate Meat Company.

Grass Roots caters to conscientious eaters who want to know exactly where their food comes from. For total transparency, Grass Roots became the first meat company in the U.S. to embrace blockchain technology to reveal the supply chain from farm to the consumer. This allows the co-op to store
detailed information about its products on a secure distributed database, so consumers can learn who raised and processed the animal, how much pasture it had access to, what it ate, how much it cost to raise, and more by scanning a QR code on the packaging.

**Meaty Collateral**
Grass Roots’ humane standards made it difficult to find a meat processing facility that met its needs. After several candidates did subpar work, resulting in lost customers, Grass Roots partnered with another company to establish Natural State Processing. The investment, however, cut into cash reserves and restricted the co-op’s ability to cover operating costs. Grass Roots needed a loan.

The first few lenders they approached rebuffed the co-op. “We're a weird business model,” says Hopkins. “Your run-of-the-mill bank wasn’t going to take the time to understand our business model.” He approached RSF for financing in 2015, three years after first meeting a staff member at an event.

To secure the loan, the only asset Grass Roots had was fresh meat. Most lenders refuse perishable collateral, but RSF was still intrigued. Could it work? To find out, RSF provided the co-op with a grant from its Soil Health Capital Collaborative so that it could hire a professional auditor specializing in food processing to assess the inventory and offer guidance.

Satisfied by the audit results, RSF issued a two-part financial package to Grass Roots in 2016: a loan to cover its investment in the processing plant and a line of credit to support co-op farmers with operating needs if they have a difficult season. The co-op deducts the loan from the farmer’s profits at year’s end. RSF sourced the funding from its Food System Transformation Fund and Soil Health Capital Collaborative.

“RSF was extremely flexible in how they structured our loans,” says Hopkins. “They really understood the social and environmental impact we were having and worked hard to craft a deal that would allow us to be successful.”

**Improving land, livestock, and livelihoods**
Grass Roots helps train new farmers and provides seed money for infrastructure, and since its founding the co-op has grown from managing 400 to 1,400 acres—all farmed using regenerative practices. Its farmers move their livestock every day to avoid over-grazing, and allow plenty of time for the soil to restore itself and mineral-rich grasses to grow. This process is key in helping to sequester carbon in the soil.

To date, Grass Roots has added 27 jobs to the local economy and
Lessons on Restoring Depleted Soil from Haiti

By Dr. Sasha Kramer | Executive Director, SOIL

Dr. Kramer is a globally renowned ecologist and human rights advocate who concentrates on the recycling of nutrients in human waste. In 2006, she co-founded SOIL, a social enterprise that promotes dignity, health, and sustainable livelihoods through the transformation of waste into resources. Dr. Kramer completed her postdoctoral research with the Collaboratory for Research on Global Projects at Stanford University, her alma mater. Sasha spends the majority of her time in Haiti.

Swoosh! That’s the sound many of us in resource-rich countries around the world hear at the end of a trip to the toilet. Flush toilets and the “out of sight, out of mind” reassurance they provide to the lucky few with access to sanitation have long been considered the gold standard. However, flush toilets are infeasible for the many densely populated cities, without formal sewerage systems, that are growing rapidly around the world. Equally important, with every flush we miss a vital opportunity to capture valuable nutrients needed to replenish the earth’s much-depleted topsoil—half of which has been lost worldwide in the last 150 years.1

Sadly, in Haiti, where SOIL has been working since 2006, a cycle of poor sanitation, environmental degradation, and poverty is evident. In Port-au-Prince, the capital, city-wide sewers represent a financial impossibility and waste treatment centers are nearly nonexistent. Haiti inherited a legacy of colonialism and overpowering international intervention that contributed to this lack of infrastructure and continues to affect its people and environment negatively. Once considered the “Pearl of the Antilles” during the French colonial era for its bountiful harvests and fruitful land, Haiti is now a powerful example of the devastating impact of depleted topsoils. Partly due to erosion and depleted nutritional content, just a third of Haiti’s farmland today is truly suitable for agriculture.2

Scientists estimate that Haiti is now losing over 36 million metric tons of topsoil annually.3, 4 By comparison, the United Kingdom loses less than a sixteenth of that.3, 5

Haiti Takes the Lead

Too often, the story of Haiti begins and ends with the problems facing the country. However, there are stories, largely untold, about the work being done to address Haiti’s interconnected issues and create lasting change. The organization that I co-founded, SOIL, is tackling Haiti’s sanitation and soil fertility crises by pioneering an innovative...
and earth-replenishing technology that is spreading across the world. Ecological sanitation (EcoSan) solutions capture nutrients that are so often lost with the flush of a toilet, while simultaneously meeting basic sanitation needs in underserved communities. SOIL’s EcoSan toilets capture waste in sealable containers, and 100% of the human waste from SOIL toilets is fully treated, mitigating the public health risks of untreated human waste. SOIL goes a step further than simple risk mitigation by safely transforming treated wastes into organic, earth-restoring compost. There’s no one intervention that’s a silver bullet to solve the global sanitation crisis—but here’s what sets container-based ecological sanitation solutions apart: they’re remarkably cost-effective, provide dignified sanitation access for families, and ensure that dangerous human waste is safely treated. Adding in resource recapture and waste transformation brings these solutions full circle, allowing human waste to go to work rebuilding Haiti’s depleted soils. In Haiti, several independent reports (link above) have found this technology is the best solution for informal urban settlements without established sewage and waste treatment systems.

Nutrients by the Ton

SOIL has installed EcoSan toilets in urban communities throughout Cap-Haïtien and Port-au-Prince. The waste from these toilets is picked-up weekly, and—using safe, ecologically-sound methods—transformed into compost. SOIL produces over 100 metric tons of agricultural grade compost a year. We sell this compost to Haitian farmers and organizations and use the proceeds to offset the total cost of our sanitation system. When using SOIL’s compost for local production, Haitian farmers have reported a dramatic increase in yields. It’s exciting to consider the potential this could have on food production on a larger scale!

Some of the compost we sell is directed to support reforestation efforts in Haiti. Years of deforestation have left Haiti’s mountains prone to mudslides and extreme weather. Building up tree cover in this Caribbean country would better protect it from the effects of tropical storms and hurricanes. We are proud that our compost is also supporting these longer-term climate-resiliency efforts.

To date, we have just over 1,000 families using our EcoSan toilet.

(continues on pg 11; sources cited there)
As a young woman growing up in Knoxville, Tennessee, I showed passions many considered “uncharacteristic” of a Southern lady. I was a tomboy who enjoyed sports, science, and math. I wanted to be an engineer like my dad.

I left for college in Texas at 16 and then headed to Silicon Valley in its early days. As my dad returned to the family farm in South Carolina, I started my tech career, thinking that gardening was as close as I would ever come to farming.

Growing Grass
In the late 90s, my husband, Matt, and I bought a small ranch in rural San Benito County, where we planned to build a weekend home away from the booming Silicon Valley. At that time, Matt had become fascinated by a 7,600-acre ranch on the way to our “starter ranch.” Developers owned the property and planned to build 4,500 houses, which made the idea of purchasing it look pretty crazy. I didn’t give it much thought.

A couple of years later, we received an unexpected offer for our software company and agreed to sell. Days before we had closed the deal, the county rejected the developer’s plan. Three weeks later, we made our first offer on the Paicines Ranch, and six months later, it was ours. We didn’t have a plan or know anything about ranching, but it seemed like something we should do.

The Ranch
I thought I would be a landlord rather than a rancher, but a few months after we had bought the ranch, I was introduced to holistic management. I had been fascinated by California native perennial grasses for years. They had virtually disappeared from our grasslands, but I had been growing them in my garden. When I read about holistic management, I got hooked on the idea of bringing these grasses back by changing the management of livestock, so I decided to get into ranching to see if it might be possible, and I have been on an amazing journey since then.

Over the last seventeen years, we have improved the way we manage cattle, produced and marketed grass-fed beef and lamb, started an event center, installed a vineyard designed to be managed by

To create a thriving society, we must invest in soil health.

By Sallie Calhoun | Philanthropist & Social Financier
sheep, restored 25 buildings, and transitioned the ranch to organic. There have been many mistakes and an extraordinary amount of learning. Through our educational events and research partnerships, we unearth new knowledge with our colleagues and share what we are doing on the ground.

Most recently, we began farming—something I swore that I would never do, even after getting into ranching. Though our crop ground is certified organic, it is still cultivated in a way that is extractive, destroying soil health and releasing carbon into the atmosphere. A couple of years ago, one block at a time, we started the hard work of restoring the soil by creating a profitable production system for the long term.

Our goal is to figure out how we can produce food, fuel, and fiber and not just sustain but regenerate ecosystems. It is the most fascinating system I have ever worked on and one of the most challenging problems I can imagine. I have never had so much fun!

**Big Ag Falsehood**

There are a lot of current agricultural practices that destroy soil health, including tilling, bare ground, monocultures, and the application of synthetic fertilizers or pesticides. All of these practices diminish life in the soil, release carbon into the atmosphere, and reduce long-term productivity. We need to manage our soils by working with nature and using the tools that have evolved over 5 billion years.

Naysayers and critics question our ability to “feed the world” while working with nature. They view reducing our dependence on technology as a step backward. My response is that nobody’s talking about going back! Everything we’re doing for soil health looks to the future and incorporates all of the growing scientific evidence available along with enormous amounts of human creativity.

I believe that the fundamental change we need to make in agriculture is to realize that we are part of nature and must work with nature if we plan to be around as a species in the long term. We cannot continue on our disconnected path, attempting to dominate, control, and simplify. Besides, it’s a lot more fun to partner with Mother Nature than with the chemical companies.

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**Capital Is Energy**

When I was in the high-tech industry, I built robotic systems for a while. Whenever there was a problem, we would sit down as a team and evaluate the entire system: the hardware, the software, and the human interface. We were looking to find what change we could make that would allow the whole system to function.

In my mind, I frequently take this systems approach and apply it to the food system. If you want to change what happens to that system, why on earth do you care what kind of capital it takes to do what you need? Capital is energy.

This systems approach is essentially what RSF’s integrated capital approach is all about. My relationship with RSF started 12 years ago when I met Don Shaffer. Through Don, I connected with an entire ecosystem of people who were working to change the way economies and money work. One of the people I met was Esther Park, who was then RSF’s director of social enterprise lending.

(Continues on pg 10)
In 2015, Esther became the CEO of Cienega Capital, an investment firm I founded for soil health, regenerative agricultural practices, and local food systems. I am thrilled to work alongside one of the framers of integrated capital. She is not only a talented and creative deal-maker but a thoughtful leader in the field. Even though she calls herself a banker with a heart, I see her as a heart who has banking skills.

In addition to investment capital, we also work as a team to deploy philanthropic capital. The key is first to figure out where capital is needed and then what type of capital best supports the change-makers.

#NoRegrets 2.0

I am an engineer, not a marketer. To me, talking about my journey to restore the health of soils sometimes seems like an interruption of my “real work.” It was not until I met Nikki Silvestri, whom I’ve since hired as a strategic communications consultant, that I was convinced otherwise. She helped me recognize the value of sharing with my peers in social finance and philanthropy the importance of soil health and the possibilities of integrated capital for their respective causes.

With Nikki’s expertise, we launched the #NoRegrets initiative. Part integrated capital resource, part education campaign, we seek to inform and inspire philanthropists and investors about the remarkable, interconnected life of the soil. No matter what you care about, I can show you why soil health is vital to your mission, be it human health, ecosystem vibrancy, or climate change mitigation. Soil health is an important consideration for all people who want to make the world a better place.

The name #NoRegrets has a double meaning. Carbon sequestration in soil is called a “no regrets negative emissions technology.” The process takes CO₂ out of the air and puts carbon (and life) into the soil. Improving soil health would be the most important work of the 21st century, even without climate change because of the current degraded state of the planet’s agricultural soils. If we build expensive technology to scrub CO₂ from the air, all of that money will be spent on just mitigating climate change. Why not address our many problems by creating many more solutions all at once?

The second reason I call this initiative #NoRegrets is more obvious: my grandchildren. When they ask how we failed to address climate change, I want to be able to tell them I did everything I could think of.

#NoRegrets Initiative at noregretsinitiative.com

(L to R) Kelly Mulville, holistic management educator and viticulturist Paicines Ranch; Ester Park, CEO of Cienega Capital; and Sallie Calhoun, philanthropist and social financier.
The Soil Health Capital Collaborative at RSF is a philanthropic fund that supports social enterprises and projects that advance regenerative agricultural practices and foster healthy carbon cycles. Gifts made to this collaborative allow us to use the RSF integrated capital approach—the coordinated use of different forms of financial capital and non-financial resources—to best address the needs of the nascent soil health movement.

This collaborative will help us to directly support farm-based enterprises and their support networks, which we otherwise may not reach.

To learn more, visit: rsfsocialfinance.org/soil-health

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Arkansas Co-op Shifts Meat Industry
(CONTINUES FROM PG 5)

boosted farmers’ income. For example, while a conventional chicken farmer is often paid only a few cents a pound, a Grass Roots farmer makes $2 a pound. The RSF loans will allow the co-op to expand and help its farmers grow; next up is increasing the market for Grass Roots’ meats (using the whole animal, selling offal and items like pork lard) and inviting more farmers to join the co-op. One day, members hope the co-op will include as many as 100 farms throughout the U.S.

“Farmers aren’t rich,” says Hopkins. “But with RSF’s help, we’re knocking down barriers to entry and making it easier for existing farms to expand.”

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Lessons on Restoring Soil From Haiti
(CONTINUES FROM PG 7)

Imagine what we’ll achieve when we expand our sanitation solution to many more households throughout the country! SOIL’s vision is to demonstrate an affordable, dignified household sanitation solution that can, on a global scale, transform a public health hazard—untreated human waste—into a sustainable solution for soil restoration.

For over 10 years, Haiti’s EcoSan solutions have helped mitigate environmental degradation and increased resiliency in a nation poor in resources and vulnerable to climate change. In the process, Haiti has demonstrated to the world that there’s a sustainable way to increase access to sanitation while replenishing the earth’s soil. Those who care about soil health and the benefits it affords humanity should pay attention to the unique sustainable development solutions that sanitation revolutionaries in Haiti are proving possible.

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SOIL’S CITED SOURCES

UPCOMING EVENTS

SOCAP17
10/10 until 10/13/17
San Francisco, CA
goo.gl/enjM7Q

Bioneers Conference
10/20 until 10/22/17
San Rafael, CA
collection.bioneers.org

Soil 2017*
10/16 until 10/17/17
Boulder, CO
goo.gl/AwaHV2

Making Money Make Change*
11/9 until 11/12/17
Stony Point Center, NY
goo.gl/vhx6ak

2017 BALLE Leadership Summit*
11/15 until 11/17/17
Pacific Grove, CA
goo.gl/EXHBkJ

SVN’s 30th Anniversary Conference*
12/7 until 12/9/2017
Sonoma, CA
conference.svn.org

WHAT’S AHEAD

We like hearing from you! Send any comments on this issue or ideas for the next to enrique.perez@rsfsocialfinance.org.

For the latest on RSF’s participation in conferences and events, check out our events page: rsfsocialfinance.org/events.