

Appalachian Harvest Think Tank Proceedings

Reflections on a Local Food Social Enterprise

Hosted by Appalachian Sustainable Development
December 5 and 6, 2011
Marion, Virginia



Introduction to the Think Tank

On December 5 and 6, 2011, Appalachian Sustainable Development hosted an ad hoc think tank on the role of social enterprises in building and strengthening local food value chains. An *ad hoc think tank* is a process where people come together to engage in in-depth consideration of various issues and challenges that have relevance beyond a particular program or region.

In this case, around 25 representatives of businesses, nonprofit organizations, and government agencies from across the Eastern United States gathered in Marion, VA to engage in a reflective, productive, practical dialogue about the work of strengthening local food value chains. The conversation focused specifically on Appalachian Harvest, a social enterprise operated by Appalachian Sustainable Development. Appalachian Harvest is an aggregation and distribution business that allows a network of family farmers in southwest Virginia and northeast Tennessee to access area groceries and other wholesale markets for their fresh produce and eggs.

The people attending this think tank were a diverse group, who came to the gathering with very different perspectives, ideas, and experiences. They included:

- Four representatives from major grocery chains or wholesale buyers (e.g., Whole Foods and Ingles)
- Two other food-related social enterprises (Red Tomato in Boston and Fair Food Philadelphia)
- Two funders of Appalachian Harvest
- An Area Specialist for VA Cooperative Extension who works with Appalachian Harvest
- Appalachian Harvest staff members
- An Appalachian Sustainable Development board member
- An agriculture-focused lender (Natural Capital Investment Fund)
- A manager of an Appalachian worker-owned business (Opportunity Threads)
- A global intermediary focused on local food value chains (Sustainable Food Lab)
- Two members of the resource team at the Ford Foundation's Wealth Creation in Rural Communities – Building Sustainable Livelihoods initiative.



The overall goals of the think tank were for participants to learn about Appalachian Harvest and help it be successful. More specifically, people attended this gathering to provide feedback and input into Appalachian Harvest's current business model, discuss the role of social enterprises in strengthening local food value chains, and consider ways in which lessons learned from Appalachian Harvest could be applied to the broader sector of local food system development. Appalachian Harvest has been successful in many ways, but has also faced significant challenges, as all social enterprises do. We believe that an exploration of Appalachian Harvest's experiences will have relevance, implications, and usefulness for other nonprofits and social enterprises working on strengthening local food systems or local food value chains. We hope that this document will begin this exploration by serving as a brief case study of some of the most salient successes and challenges.

Think Tank Hosts

Appalachian Sustainable Development. Appalachian Sustainable Development (ASD) is a non-profit organization that has worked in southwest Virginia and northeast Tennessee since 1995. ASD connects farmers, forest landowners, and those who make food and forest products with markets and other resources in the region. They also seek to educate children, communities, farmers, forest landowners and others on nutrition, childhood obesity, low impact farming and forestry practices, local foods, and much more.

Appalachian Harvest. Appalachian Harvest (AH) is a social enterprise owned and operated by ASD. It is an aggregation and distribution business that allows a network of family farmers in southwest Virginia and northeast Tennessee to access regional grocery store chains and other wholesale markets for their fresh produce and eggs. Most of the produce at AH is organic, but a growing amount is conventional. AH staff members assist area growers with every aspect of successful farming including on-farm training and technical assistance. When their products are ready for sale, farmers bring their produce and free-range eggs to AH's 15,000 square foot packing and grading facility where they are graded, washed, labeled, and packaged. The produce and eggs are then distributed to supermarkets across the region.



Context for the Think Tank

Food Systems in Central Appalachia. Like all of the US, Central Appalachia has suffered since the recession that began in 2008. The economic recovery has been slow. The region sees continued un- and under-employment. We have seen budget cuts and program cuts at the federal and state levels. Philanthropic giving has decreased, due to lost assets.

The challenges inherent in this broader economic context are made worse by challenges faced in local food systems in Central Appalachia. Mountainous geography limits the size of most farms and makes transportation to markets challenging. The population of farmers, made up of many former tobacco farmers, is aging. Younger farmers want to live closer to urban centers. Central Appalachia is extremely rural, which limits local demand. And yet there are signs of hope. We see a growing interest across our region in local investing, in buying or spending locally. We see growing consumer demand for locally-grown, locally-made, or regionally-branded products. Grocery

- Population density of Scott County, Virginia, where AH is located:
44 people per square mile
- Population density of Virginia, statewide:
204.5 people per square mile
- 2009 poverty rate in Appalachian Virginia:
17.7%
- 2009 poverty rate in Virginia, statewide:
10.5%

Sources: US Census Bureau, Appalachian Regional Commission

chains are becoming more interested in stocking and selling local foods, because of consumer demand, increased transportation costs, and rising corporate social responsibility. Grocery chains such as Whole



Foods and Earth Fare, both large AH buyers, use social and environmental responsibility as significant marketing strategies, but mainstream groceries are also tapping into growing demand for local and regional products. Both grocery chains and consumers are becoming interested in what one think tank participant called *domestic fair trade* products, products where consumers know that their purchases are doing their local community some good. Also, at a macro level, there is an increased attention to healthy eating. The White House and USDA are paying more and more attention to connecting consumers with farmers. In sum, the factors above

outline the overall context in which Appalachian Harvest is operating.

The Importance of Appalachian Harvest. Why did we focus this think tank on Appalachian Harvest? Appalachian Harvest (AH) is an important example and a trailblazing model in Central Appalachia. It has struggled; it's not perfect. But we are not aware of another local food business located in a low-wealth rural area that brings together small local farmers and helps them generate the volume needed to provide produce to wholesale buyers like Whole Foods or Ingles (a regional grocery store chain). Further, one of the participants at this think tank noted that AH is one of the few produce aggregation and distribution businesses he knows about that cares about farmers and treats farmers fairly. As a result, other businesses are treating farmers better because they know that they could leave and go to AH. And AH makes this happen in Central Appalachia, an area where persistent poverty, entrenched social struggles, and the geographic isolation presented by mountains and mountain roads present daunting challenges for regional entrepreneurs. For these reasons, AH represents an important and innovative business model, one worth exploring in more depth. This in-depth exploration of AH is one of the purposes of this report.

Core Questions Addressed at the Think Tank

Before the think tank began, AH's leadership identified some core questions with which they have struggled as they have worked to evaluate and strengthen AH's business model. They hoped that the think tank would help them address these questions.

- *What is the right mix of markets to ensure the highest margins for producers and AH?*
- *How can we best increase the available supply of locally-grown produce? What roles should AH play in increasing supply?*
- *How can we expand our season /product line to provide more year-round cash flow?*
- *Which of AH's current roles should be continued? Which should/could be played by other partners?*
- *Are there additional roles/services that would be beneficial for AH to play or provide?*

What is a Social Enterprise?

Process. The think tank began with defining the idea of a *social enterprise*. We also learned about the opportunities and challenges that Appalachian Harvest is facing in its growth as a social enterprise.

What is a social enterprise? In the US today, there is no precise definition of social enterprise. For the purposes of this think tank, we define *social enterprise* as a private sector or non-profit business that is created for a social purpose, but uses market-based strategies to achieve a double or triple bottom line.¹ A double bottom line refers to the simultaneous pursuit of financial and social goals; a triple bottom line refers to the simultaneous pursuit of financial, social, and environmental goals.¹ A social enterprise focuses on earned revenue, either alone or as part of a mixed revenue stream that could also include charitable contributions and / or private sector subsidies.

Think tank participants agreed with the definition above, adding the following characteristics. Social enterprises:

- Meet a market need
- Provide a return on investment
- Provide employment options
- Figure out how to put the pieces of a value chain together
- Accelerate businesses
- Recognize, match, and network resources

In addition, we discussed the differing goals of social enterprises with regards to funding sources. Some social enterprises are, or work to be, *sustainable*, while others are or work to be self-sufficient. *Sustainability* refers to the ability to fund a social enterprise through a combination of philanthropy, subsidies, and earned revenue.² *Self-sufficiency* refers to the ability to fund a social enterprise through earned revenue alone.

AH has always worked toward self-sufficiency, with the stated objective of reducing the organization's dependence on philanthropic funding. Think tank participants, however, pointed out that even self-sufficient social enterprises are dependent upon the fluctuations and interests of the market, and discussed the importance of emphasizing the return on investment that AH provides. While "funder fatigue" – the reluctance of philanthropic funders to continue supporting the same organizations to do the same work for extended periods of time – is a real concern for AH's leadership, think tank participants felt that it may always be necessary for external funding sources to support some parts of the enterprise, especially those aspects that provide a high social return but do not contribute to the financial bottom line. Participants emphasized the need to clearly identify and articulate the social and environmental returns that investment in AH provides, including accurate and thorough measurement of who benefits, and how, from the enterprise's activities.

¹ Institute for Social Entrepreneurship (2010). *Toward a better understanding of social entrepreneurship: Some important definitions*. <http://www.socialent.org/beta/definitions.htm>

² Boschee, J. (2010). *Merging the profit motive and moral imperatives: The rise of social enterprise in the United States*. <http://www.socialent.org>.

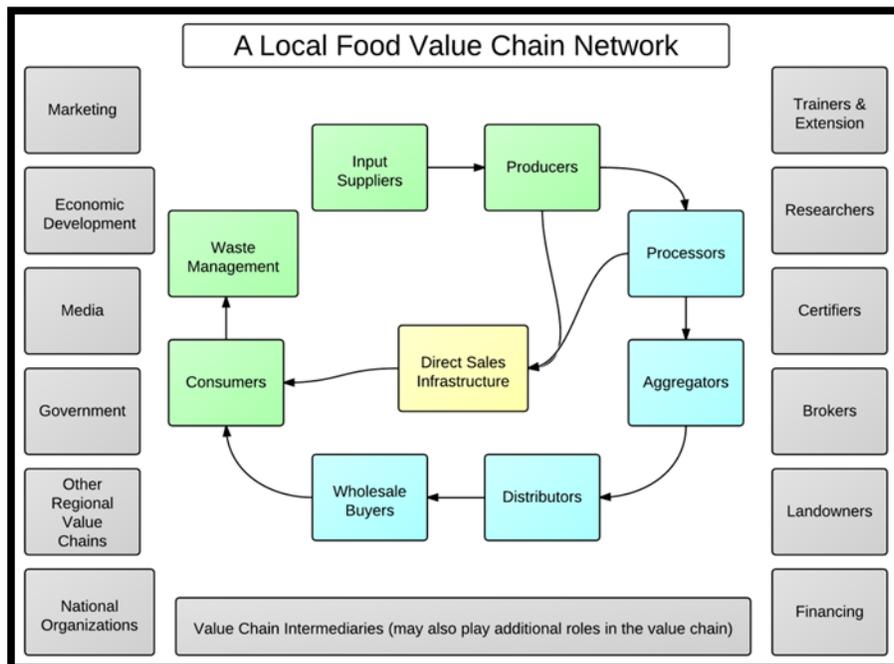
Understanding the Appalachian Harvest Value Chain

Process. Think tank participants defined and discussed the idea of a *value chain*. AH staff presented a detailed overview of the AH value chain.



What is a value chain? A value chain is a network of businesses, organizations, and collaborating players that works together to satisfy market demand for specific products or services. Concretely, most local food value chains are made up of producers; processing, aggregation, and distribution facilities; wholesale buyers; and end consumers. This core of the value chain is supported by an ecosystem consisting of local government, economic development, Extension agents, researchers and trainers, and many others. Value chains require a mental shift from thinking, “What is best for me and my firm now?” to, “What can I and my firm do to meet consumer demand while maximizing the economic, environmental, and community benefits to all the members of this value chain?” Because value chains are built in response to market demand and involve clear and constant communication, they are often more responsive and innovative than traditional supply chains. Finally, the term *value chain* is related to the concept of *value added*, which can be defined as the difference between the sale price and the production cost of a product. Indeed, many of the people at the think tank who worked in businesses said that *value added* is a more widely understood and widely used term.

The diagram below shows a simplified version of an agriculture-based value chain. The circle in the center represents the core value chain, those partners who are directly involved in the production of food products. On either side, we see some of the many players whose support is crucial to a value chain’s success, although their roles may be less direct.



On either side, we see some of the many players whose support is crucial to a value chain’s success, although their roles may be less direct.

ASD plays the role of the intermediary organization in this value chain. AH plays multiple roles, including processor, aggregator, distributor, trainer, broker, and marketer.

Understanding the Appalachian Harvest Value Chain: The Data

For the purposes of the think tank, we focused on the core value chain in which AH is involved. We began with consumer demand, then discussed wholesale buyers; processing, aggregation, and distribution; and production. There were a lot of details, but the chart below hits the highlights.

Value Chain Link	Important Trends	AH's Role
Consumer Demand	<ul style="list-style-type: none"> Organic food sales in the US tripled between 2000 and 2009, and make up 3.7% of total food sales in the US. Seven of the top 10 grocery retailers nationwide advertise local food offerings on their website. Wal-Mart alone sells \$400 million of local produce each year; this is 20% of produce sales in summer. 	<ul style="list-style-type: none"> Build the local food and organic food movements Focus on the supply of local and organic produce
Wholesale Buyers	<ul style="list-style-type: none"> The number of buyers for AH has fluctuated over the past four years, between 22 and 36. Total annual purchases at AH rose from \$513,000 in 2008 to \$1,101,627 in 2011. Most purchases are for organic produce, but conventional produce and buying and reselling are growing areas of revenue for AH. AH's largest purchasers are regional and national grocery chains (64%) and resellers and distributors (33%). AH purchases by regional and national grocery chains have risen the sharpest, nearly tripling over the past four years. 	<ul style="list-style-type: none"> Recruit buyers Facilitate and maintain relationships with buyers Track orders and sales Plan for and forecast supply levels throughout the season
Processing, Aggregation, and Distribution	<ul style="list-style-type: none"> Around half of all produce processed by AH comes in already graded (up from 35% in 2008). Seasonal labor costs for AH have ranged from \$44,000 to \$51,000 per year over the past four years. 	<ul style="list-style-type: none"> Grading Packing Providing supplies (such as boxes and labels) Maintaining equipment, vehicles, and the packinghouse facility Hiring and training seasonal labor
Production	<ul style="list-style-type: none"> The number of producers participating in AH has ranged between 39 and 57 over the past four years. Net revenue for AH producers has more than doubled over the past three years, from \$304,000 to \$656,000. In 2011, 22 producers focused on organic produce, 7 on free-range eggs, 8 on conventional produce, and 2 on buying / selling. 	<ul style="list-style-type: none"> Maintaining group organic certification Equipment rental Grower recruitment Producer training (e.g., Good Agricultural Practices, best practices, organic certification process)

Appalachian Harvest: Core Questions, Challenges, and Opportunities

This section outlines major questions, challenges, and opportunities related to AH’s local food value chain, as outlined above. The questions, identified by ASD, fall into four categories: supply and production, markets and margins, seasonality and cash flow, and roles and services. For each category, ASD laid out the key questions, the current path down which AH is headed, and some key challenges and opportunities that AH sees before it. The issues outlined below are a summary of the key issues that AH is currently facing as a social enterprise.

Category	Core Question(s)	Current Path	Challenges and Opportunities
Supply and Production	<p>How can we increase supply?</p> <p>What roles should AH play in increasing supply?</p>	<p>AH is aiming to expand the group of farmers that the business works and plans with.</p> <p><i>Rationale:</i></p> <ul style="list-style-type: none"> • This approach encourages more people to grow. • It establishes relationships so you can talk about growing organic. • It increases volume. 	<ul style="list-style-type: none"> • Incorporating conventional (non-organic) supply has been an opportunity for AH, increasing supply and credibility among local producers. • Grower recruitment has become more challenging as farmers are aging and it becomes harder financially to purchase land, equipment, and start-up supplies. • Production planning has been challenging because of weather. • Labor issues have been challenging for producers, because local labor is not interested in agricultural production work and only larger farms can generally afford H2A (foreign workers) farm labor.
Markets and Margins	<p>What is the right mix of markets to ensure the highest margins for producers and AH?</p>	<p>Current path: AH focuses on large wholesale buyers (e.g., grocery chains, brokering or buy / sell).</p> <p><i>Rationale:</i></p> <ul style="list-style-type: none"> • These buyers provide higher volume demand. • Moving large orders ensures more efficient distribution. 	<ul style="list-style-type: none"> • AH has been exploring other markets, but this has been somewhat challenging (e.g., limited markets for seconds, higher-end and local-focused restaurants may not provide enough volume, recommendations to focus more on restaurants and wholesale markets). • Organic vs. conventional produce: Markets for organic produce are strong, but there is more supply from more mature growers on the conventional side.

Category	Core Question(s)	Current Path	Challenges and Opportunities
Seasonality/ Cash Flow	How can AH expand its season and product line to provide more year-round cash flow?	Current path: AH works with partners to identify opportunities for year-round products and services.	<ul style="list-style-type: none"> • Margins on meat products are often not high enough to make the wholesale market feasible • AH has explored several ways to extend the growing season, including facilitating cost-sharing of hoop houses and high tunnels and experimenting with various crops in a high tunnel at the AH packinghouse. • Seasonal labor has been challenging: AH has no long-term positions; local labor is not interested in packinghouse work; there is no Hispanic population locally. • Logistics and freshness have been challenging: AH is committed to shipping produce within 48 hours of receiving it; it is necessary to forecast sales so buyers can commit to purchases; the cost of shipping rises as supply decreases in the off-season.
Roles and Services	<p>Which of AH's current roles should be continued or played by other partners?</p> <p>Are there additional roles or services that would be beneficial for AH to provide?</p>	<p>Current path: AH is planning to stop grading produce and stop holding an organic group certificate ; AH is also planning to develop new partnerships (e.g., with Extension).</p> <p><i>Rationale:</i></p> <ul style="list-style-type: none"> • AH is trying to determine what it does well and efficiently, and identify partners who could carry out other parts of the work more efficiently. • AH is trying to prioritize the best use of funds that it has. 	<ul style="list-style-type: none"> • Grading has been challenging: Labor is inefficient and inconsistent; grading skills and motivation are limited; both growers and buyers are at times dissatisfied with AH's grading service; and finally, the cost to AH for its grading work is higher than the industry average. • Growers' Group Organic Certification has been challenging: Basic fees are over \$6,000; this training requires .75 FTE AH staff time to maintain; AH will facilitate Growers' Group members becoming individually certified to grow organic. • AH has been considering potential services that it could provide for buyers, including logistics, backhauling, GAP training, and storage. • AH has been considering potential partnerships that it could deepen or extend, including brokers, wholesale and retail buyers, aggregators, farmers and farmers markets, Extension, and nonprofits.

Strengthening Appalachian Harvest's Value Chain

On Day 2 of the think tank, participants worked together in small groups to develop recommendations for Appalachian Sustainable Development and Appalachian Harvest. The basic question that participants wrestled with was, “What changes would you recommend making to Appalachian Harvest’s model or business plan to address the questions and challenges outlined above?”

The Process

Think tank participants engaged in a two-stage problem-solving process to develop the recommendations



below. First, four small groups brainstormed preliminary ideas for addressing the challenges laid out above. Each group presented their ideas to the large group, which asked clarifying questions and provided feedback. Participants then re-convened into small groups to focus on exploring and deepening some of the best ideas that emerged from Round 1. The results of Round 2 of the problem-solving process are the recommendations described below. During each round of the problem-solving process, participants used a brainstorming template that was specifically designed for the think tank. These templates are attached.

Recommendations for Appalachian Harvest

Below we present an overview of the recommendations that emerged from the process described above; much more detail is available in the notes from the think tank. There were four major recommendations that emerged from the small group work. Although these recommendations are specific to Appalachian Harvest’s unique circumstances, we believe that they touch upon a broader set of guiding principles that can be applied to social enterprises in other sectors and regions. For each recommendation below, we provide an overview of the participants’ suggestions and pull out the guiding principle implicit in the recommendation. We plan to revisit and refine these guiding principles in an ongoing conversation with ASD and other organizations engaged in social enterprise work.

1. Increase the focus on marketing and branding. One of the major recommendations to emerge from the small group work related to marketing and branding. The idea is that Appalachian Sustainable Development and Appalachian Harvest can aim to develop more of a regional brand, with more and different ways of engaging buyers. As an example, a wholesale buyer said that his company has a new interest in focusing on the social assets (in addition to the environmental assets) that buying local and / or organic produce can provide to communities. The basic idea is that consumers will pay more if you show them that by buying a certain product, they are doing well by their community. This may work particularly well with conventional (as opposed to organic) produce, where the social benefits may outweigh the environmental benefits.

Related to these ideas, several participants became excited about the concept of domestic fair trade. *Domestic fair trade* is an emerging movement in agriculture that has as its goals “to support family-scale farming, to reinforce farmer-led initiatives such as farmer co-operatives, to ensure just conditions for agricultural workers, and to bring these groups together with mission-based traders, retailers and concerned consumers to contribute to the movement for sustainable agriculture in North America.”³ Think tank participants suggested that Appalachian Harvest could market or brand itself as a domestic fair trade business, because that is essentially what it is.

Guiding Principle #1: Market the “social” aspect of your social enterprise as well as the environmental benefits. Consumers are willing to pay more for products, and develop loyalty to brands, that they see as benefitting their own communities and regions.

Finally, think tank participants suggested that Appalachian Harvest could capitalize more on connecting the produce in stores with the farmers who grow the produce. Buyers at the think tank reported that produce in stores that has a picture and a story about the farmer who grew it sells twice as much as produce without the story. Participants suggested that everything at Appalachian Sustainable Development – wood products, food products, and so on – could be marketed under ASD’s current slogan, “Living Better. Locally.” This slogan is community-focused, not geographically specific, and non-elitist. It could lead to many new ways of marketing Appalachian Harvest’s produce and food products – for example, QR (Quick Response) codes on produce packaging that consumers can scan into their phones to learn about the farmer who grew the produce, updated stories about farmers on AH’s website or Facebook page, and so on.

2. Unpack the value chain: Identify AH’s core roles and partners who can do the rest. A

second recommendation that emerged from the think tank was that Appalachian Harvest’s Food Safety and Marketing Manager plays more roles, and more hands-on roles, than may be necessary or feasible for the business. Participants thought that parts of AH’s work could potentially be spun off or separated out, and carried out either by another person, a new business, or another, already-existing company.

The core of this idea is that Appalachian Harvest’s Food Safety and Marketing Manager could focus her work on supporting farmers and developing relationships with buyers. This could be her essential work. Other work that AH currently focuses on, mainly managing AH’s distribution and logistics system, could potentially be spun off or contracted out to other businesses or other people. This would reduce risk, allow contracted truckers or a trucking company to pursue other entrepreneurial opportunities in the off-season, and embody one of the core concepts of a value chain: the idea of a number of small businesses, each with a specialized set of skills, working together to create a chain that benefits everyone.

Guiding Principle #2: Identify your core strengths and areas of expertise as a business. Focus on the roles that only you can play, and partner with others with complementary strengths to fulfill other roles.

While the focus was on exploring alternative structures for distribution of AH products, think tank participants had several other suggestions for spinning off pieces of Appalachian Harvest’s current work, including no longer grading produce, renting out the packinghouse or cooler for storage to other businesses, and potentially partnering with an entrepreneur interested in running the entire packinghouse.

³ Retrieved from The Domestic Fair Trade Association, <http://www.thedfta.org/index.php?c=about&m=vision>

3. Continue recruitment of multiple types of growers. A third recommendation for Appalachian Harvest (AH) focused on grower recruitment, especially with large-scale and / or conventional (i.e., non-organic) growers. This was a complex recommendation, with multiple, sometimes paradoxical suggestions coursing through it. For instance, one major suggestion was that from a business or profit perspective, AH should focus on recruiting large-scale, well-established farmers in order to increase volume. Generally speaking, the demand for AH produce has outstripped supply, because much of the produce comes from small farmers. Recruiting larger-scale conventional farmers would increase the supply available to AH; however, it is important to note that demand is still strongest for local and organic produce.

Participants also felt strongly that Appalachian Harvest should also continue to focus on training, supporting, and helping to develop small farmers, organic farmers, and farmers that are transitioning from growing tobacco to growing fruits and vegetables. Not only is this at the core of AH's social mission, it is also the aspect of the business that appeals most to customers. Participants suggested that ASD and AH be intentional about balancing the business and philanthropic aspects of AH's work. One suggestion was that ASD and AH state clearly that its work supporting small farmers and organic farmers could be where philanthropy plays the largest role in its business model. This small farmer support work may not result in immediate profits, but it is work that preserves local small farms and heals and conserves the land on which these farms operate. People at the think tank felt that if AH's small farmer and organic farmer support work is not wholly profitable and has to be subsidized through grants from foundations or from government sources, then that subsidy is acceptable.

Guiding Principle #3: Remember your target population, and find a balance among your bottom lines. Engaging with those who most benefit from your social objectives may not be directly profitable, but it is what sets a social enterprise apart and builds brand loyalty in the long run.

4. Use ASD's knowledge and services to serve the larger region. A final recommendation from think tank participants was that ASD and AH aim for getting a better return on the services that it offers throughout the region. Concretely, participants suggested that AH could identify and package suites of services for farmers and buyers that can be marketed across Central Appalachia. This could include training in GAP (Good Agricultural Practices), training on transitioning to organic farming and organic certification, and so on. ASD and AH are currently providing these trainings (often at no charge), but think tank participants thought they might be able to formalize them, package them, market them to a broader audience, charge for them, and thus earn income for AH by providing these trainings.

Guiding Principle #4: Recognize and market the value of your experience, knowledge, and skills. Social enterprises are often trailblazers, experimenting with products and services that the conventional market has not adopted. The knowledge and experience developed through this process can be valuable.

Additional Recommendation # 1: Rethink Appalachian Harvest's financial goal. While these final recommendations did not come directly from the small group problem-solving process, they were both recurring themes throughout the think tank.

Earlier, we discussed the distinction between sustainability and self-sufficiency of social enterprises. In relation to the funding of social enterprises, *sustainability* refers to the ability to fund a social enterprise

through a combination of philanthropy, subsidies, and earned revenue.⁴ *Self-sufficiency* refers to the ability to fund a social enterprise through earned revenue alone.

Guiding Principle #5: Value and articulate the non-financial return on investment in your social enterprise. Some social enterprises may not be self-sufficient or profitable; investors may agree that the social and environmental returns more than justify the needed subsidies. In some cases, a 70-30 split between earned income and philanthropic support may be appropriate.

AH is currently sustainable, but not self-sufficient. Around 30% of AH's 2012 budget will come from grants that have already been secured; around 70% will come from earned revenue. This 70-30 breakdown felt acceptable to participants at the think tank. ASD has always claimed that AH could be self-sufficient, that it could break even or make a profit without grant subsidies. Several people at the think tank noted that, given AH's social and environmental goals, it seems appropriate that AH is subsidized by grants. Most people at the think tank felt that it was acceptable for AH to be sustainable rather than self-sufficient, as long as AH was able to clearly define the non-financial returns on the needed philanthropic investment.

There are several reasons why participants felt that it might be acceptable for AH to be sustainable rather than self-sufficient. AH provides many services that a typical for-profit business would not provide: AH trains farmers at no charge, it treats farmers well and fairly, it focuses on building trust and relationships with farmers, it builds community leadership, it builds shared infrastructure, it involves youth in farming, it advocates for small farmers, and so on. Typical for-profit businesses, businesses that are self-sufficient, do not provide these community services and the benefits they bring about. In sum, participants at the think tank felt that AH might always need grant subsidies – and that that is OK. AH is a business that provides enough social and environmental benefit to low-wealth rural communities to justify the subsidies.



Additional Recommendation #2: Deepen and expand AH's measurement and communication of results.

While AH currently measures a number of outcomes related to the social and environmental goals of the enterprise, participants agreed that this measurement system could be deepened to provide a more detailed picture of what the enterprise contributes to the people, communities and economy of the region. In other words, AH staff should focus on answering the question of *what would be lost if Appalachian Harvest did not exist*. A complete response to this question would include information that is currently being measured, like the number of organic acres contributing to the value chain and the number of farmers involved, but would go far beyond, to give a snapshot of the impacts on farmers' families, the importance of the trust that comes from giving farmers a fair and competitive price for their

⁴ Boschee, J. (2010). *Merging the profit motive and moral imperatives: The rise of social enterprise in the United States*. <http://www.socialent.org>.

products, and the intangible effects of fostering a cultural appreciation for the history and traditions of farming in Appalachia.

Participants recommended that a robust measurement system should include both qualitative and quantitative data; while the numbers are crucial in showing the reach and impact of the enterprise, the stories of people affected by AH ground the data in reality in an important and compelling way.

Guiding Principle #6: Measure and communicate the full reach of your enterprise's impact, using both quantitative and qualitative data. What would be lost if your social enterprise did not exist?

Summary: Guiding Principles for Social Enterprises

One of the objectives of the AH think tank was to identify ways in which ASD's experience, both successful and challenging, could be shared with other social enterprises around the region and the country. To this end, we've developed a preliminary set of guiding principles for social enterprises from the recommendations and discussions that emerged at the think tank. Some social enterprises may already be following most or all of these recommendations; others may have their own principles to add to the list.

As we mentioned above, the guiding principles we've extracted from the recommendations developed at the think tank are not definitive. We plan to test, revise, and build on these principles with a group of ASD's partner organizations and others who run social enterprise businesses, both in Central Appalachia and in other regions of the country. We hope that these principles will ring true to them as well; we also hope that they will add their thoughts and perspectives to the conversation, resulting in a more relevant, useful list of guiding principles. That said, we are sharing the preliminary list here in the hopes that it will contribute to the larger dialogue around best practices for social enterprises in a number of locations and sectors.

Guiding Principles for Social Enterprises (preliminary)

1. Market the "social" aspect of your social enterprise, as well as the environmental benefits. Consumers are willing to pay more for products, and develop loyalty to brands, that they see as benefitting their own communities and regions.
2. Identify your core strengths and areas of expertise as a business. Focus on the roles that only you can play, and partner with others with complementary strengths to fulfill other roles.
3. Remember your target population, and find a balance among your bottom lines. Engaging with those who most benefit from your social objectives may not be directly profitable, but it is what sets a social enterprise apart.
4. Recognize and market the value of your experience, knowledge, and skills. Social enterprises are often trailblazers, experimenting with products and services that the conventional market has not adopted. The knowledge and experience developed through this process can be valuable.
5. Value and articulate the non-financial return on investment in your social enterprise. Some social enterprises may not be self-sufficient or profitable; investors may agree that the social and environmental returns more than justify the needed subsidies. In some cases, a 70-30 split between earned income and philanthropic support may be appropriate.
6. Measure and communicate the full reach of your enterprise's impact, using both quantitative and qualitative data. What would be lost if your social enterprise did not exist?

What We Learned about Ad Hoc Think Tanks

A think tank is usually defined as an organization that focuses on research, generally to influence policymaking. This gathering is more accurately conceptualized as an ad hoc think tank. An *ad hoc think tank* is a structure or process, either of which is temporary, that focuses in-depth on a consideration of issues and challenges whose relevance reaches beyond a particular organization, program, or immediate time frame.⁵ In this case, the ad hoc think tank was a two-day gathering, a process, where a group of people came together from extremely diverse perspectives to both learn about and help improve Appalachian Harvest, an innovative social enterprise in Central Appalachia.

This ad hoc think tank was organized by Appalachian Sustainable Development (ASD) and Rural Support Partners (RSP). RSP is a social enterprise working across the rural Southeast to strengthen anchor organizations, develop collective impact networks, and help move sustainable economic development to scale. Neither ASD nor RSP had previously organized a think tank like this one. It was worth doing. It was a good experience. But we learned some things about organizing gatherings like this, and would do some things differently when we do it again. We thought it might be helpful to share our reflections briefly, in case others might be considering organizing a similar ad hoc think tank. The reflections below come from RSP staff, as we thought about what went well and what we might change in the future.

Think deeply about the complexity of a diverse group of participants.

An event like the AH think tank is extremely complex and takes a significant commitment of time and resources to plan. We brought together a very diverse group of people to discuss a very complex topic. One aspect of the planning process we would do differently next time is to have a more representative planning team. Having a diverse planning team would have helped us avoid some false



assumptions that we made as we planned the event. For instance, we assumed that people coming to the event would be generally familiar with ASD, AH, and Appalachian culture and ways of life. This was not the case. In retrospect, we would have spent more time introducing the context for the conversation, either during the think tank or through preparatory materials that we sent out ahead of time.

Capture the collective wisdom of participants in multiple ways. A second change we will consider making the next time we organize an ad hoc think tank is to focus more on multiple opportunities for participation, both in advance and during the think tank. On Day 1 in particular, we did too much talking and presenting. Generally we facilitate gatherings by using a popular education model called the spiral model.⁶ In the spiral model, we start with the experiences of the people in the room, help the group look for patterns among those experiences, and then add new information that can move the conversation along; this then becomes the basis for planning for action. In this think tank, there was a great deal of information

⁵ Thunert, M. (2011). *The organization and structure of think tanks*. http://www.kas.de/wf/doc/kas_14157-544-1-30.pdf

⁶ Arnold, R. and colleagues (1999). *Educating for a change*. Toronto, CA: Between the Lines.

that we needed to share with participants about AH and its business model. We spent most of the afternoon on Day 1 with participants listening to a presentation about AH. In retrospect, we could have broken up this presentation by drawing on the collective wisdom of the folks in the room. We could have sent out much of the material on AH beforehand, as preparatory materials; we could have held a fishbowl on defining a social enterprise; we could have organized a panel of various participants in AH's value chain to talk about their experiences with AH. While participants were very engaged on Day 2, we felt that the energy in the room was lower on Day 1, with its focus on presentations and sitting and listening.

Balance the goals of participants and hosts. During the AH think tank, we focused mainly on meeting the goals and objectives of ASD; primarily, to explore the challenges facing AH and request participants' input in addressing them, and secondarily, to pull out lessons and discussions that might be applicable to other social enterprises. We met these objectives well. However, we could have done a better job of identifying and meeting the goals of each of the participants in the room. Each had a reason for attending the think tank, and while we captured these at the beginning of the meeting, having some conversations with participants about their objectives in advance would have allowed us to incorporate these thoughts into our planning process. It's true that the work of understanding a complex enterprise like AH was both time-consuming and necessary to meeting our primary objectives. However, we feel that in a meeting like this, it is important to find ways to meet the needs and achieve the goals of all participants, and in retrospect, we could have placed more of an emphasis on doing so.

In Conclusion

Despite the reflections above on the think tank process, this gathering was a success. It met its major objectives, namely, to gain feedback and input into AH's current business model. Leaders at ASD have been struggling for a while to try to figure out a way to take AH's business model to the next level. They have been making small adjustments and tweaks over time, steadily improving the business's operations and earnings. But they worried that they were missing something. They worried that there was a silver bullet that they were missing, some blind spot in the development of the business and its approach. They wanted to bring together an extremely diverse group of people with various pieces of expertise related to the work of AH and ask them, "Are we on the right track? Are we missing anything? Are there any blind spots that we're not seeing? Might there be some solution that would suddenly make all of our work much easier?"

AH received answers to these questions. It became clear, through the conversations in this think tank, that AH has been making the right decisions about improving the business and that there are no silver bullets or blind spots that its leadership has not been seeing. That was reassuring to the folks at AH – simply to be told by a group of knowledgeable and experienced people that they are on the right track, that they are doing the right things to improve their business.

Beyond being reassured that they are on the right track, the leadership and staff at AH heard some important new ideas for strengthening the business from folks at the think tank. At the think tank, participants' energy seemed to be gathering around four particular ideas: (1) marketing AH's products as domestic fair trade products and linking products more closely to the farmers who grow them, (2) spinning off or separating out pieces of AH's work, (3) finding a balance between serving small and large farmers, and (4) changing the financial structure and budgeting process for AH. All of these ideas have had immediate impacts on food systems across the region. A couple of days after this think tank, there was a gathering of the Central Appalachian Network (CAN), a network of which ASD is a member. CAN members followed up on ideas from this think tank and set a goal to understand how the various major produce trucking routes across Central Appalachia could potentially connect with one another to form a more coherent and interconnected transport web for shipping local produce to wholesale buyers. They also set a goal of studying the possibilities offered by coordinated regional branding efforts, potentially around the idea of a domestic fair trade brand. The ideas from this think tank had immediate impact across Central Appalachia. We expect that the various ideas generated at this think tank will reverberate within AH and throughout Central Appalachia for years.

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Think tank participants were treated to a delicious, locally-sourced dinner at [the Harvest Table Restaurant](#) in Meadowview, Virginia. For more information about the Harvest Table, visit www.meadowviewfarmersguild.com.

