



University for  
Sustainable Development  
Eberswalde

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# Community financing in the German organic food sector: a key for sustainable food systems?

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## 1. Background

### **Community financing ► financial citizen participation**

- Wide range of models applied in the German (organic) food sector:
  - Pure financing instruments, e.g. crowdfunding, profit participation rights
  - Based on a particular legal form, e.g. cooperatives
  - Intermediary organizations, e.g. citizen shareholder corporations
  - Community supported agriculture, leasing and sponsorship
- Community financing potentially
  - provides access to finance,
  - increases financial independence from credit institutions (Oberholtzer 2004)
  - serves as marketing tool (Brown et al. 2017; Schäfer 2019)
- Considerable research on alternative food networks and community financing in the renewable energy sector

### **► Potential role for food system transformation?**



## 2. Theoretical Framework

### **Alternative food networks (AFNs):**

alternative modes of food production or provisioning; reduced distance between producers and consumers  
(Tregear 2011; Forssell and Lankoski 2015)

### **Social embeddedness:**

emphasis on the role of social relations for economic behavior ► necessary condition for trust (Granovetter 1985)

► relational and geographical proximity (Eriksen 2013) of major importance?

### **Impact investing:**

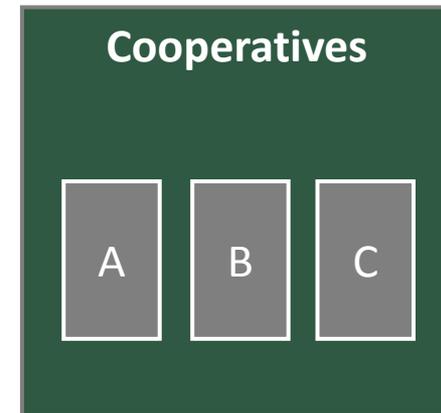
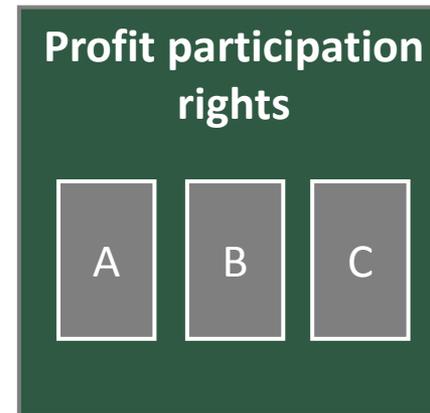
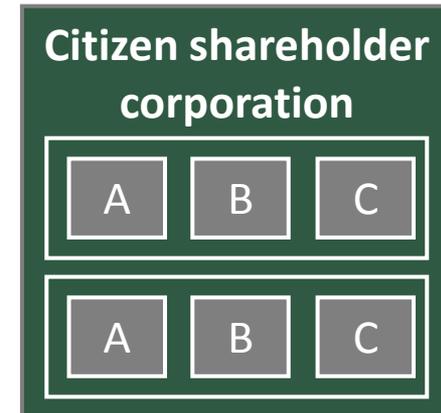
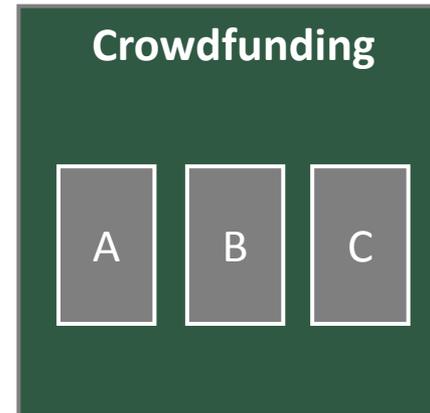
investment style aiming at social / environmental impact and financial return  
(Höchstädter and Scheck 2015)

Local investment opportunities allow for identification and observation of impacts  
(National Advisory Board Germany 2014)



### 3. Case Study Design

- Embedded multiple-case design (Yin 2018)
- Selection of four models as cases
- Selection of 2 – 4 firms or initiatives as embedded units of analysis from
  - A) production,
  - B) processing,
  - C) retail / trade of organic food
- Semi-structured interviews with a representative of each firm (n=16) on:
  - Motives, relevance in financial terms
  - Relations to investors
  - Success factors, challenges
- Short online survey among investors (n=107) and semi-structured interviews with investors (n=18)

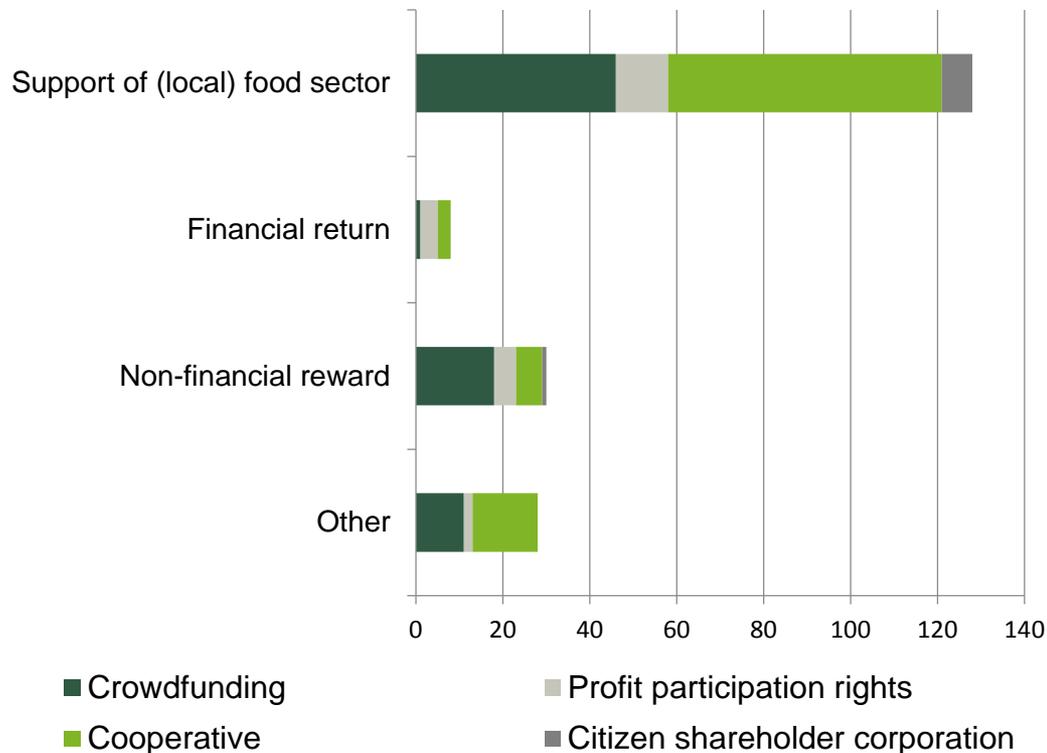


## 4. Results: Capital seekers' perspective

	Crowdfunding	Profit participation rights	Cooperatives	Citizen shareholder corporations
<b>Main motives</b>	Marketing, access to finance	Independence from banks / improving bargaining position, marketing	Access to finance, improving bargaining position, marketing	Alternative funding, integration into a network, reduced efforts
<b>Relevance in financial terms</b>	Complementary	Complementary	Existential, complementary	Complementary
<b>Relations to investors / supporters</b>	Rather impersonal	Personal, often long-term customers or employees	Existing relations facilitate capital mobilization, the larger the coop, the less relevant	Rather impersonal
<b>Success factors</b>	Considerable communication efforts, appealing film and product	Strong relations to customers, communication	Existence of circle of supporters, communication	Considerable communication efforts

## 4. Results: Investors' perspective

### Investors' motives



n=194, multiple answers possible

- Supporting organic and/or local food systems clearly outweighs financial expectations
  - ▶ impact investing
- Non-financial rewards (discounts, coupons, natural produce) are appreciated
- Other motives: transparent and direct investment, supporting an alternative economic system



## 5. Discussion

### **Community financing and its potential role for food system transformation?**

- Niche market, small investor / consumer segment
- Social relations facilitate communication (Schäfer 2019) and foster personal trust (Thorsøe and Kjeldsen 2016):
  - Community financing aims at building / intensifying relations to (new) customers
  - Large network and existing relations are a success factor of community financing
- However: Systemic trust necessary in order to increase the impact of community financing?
- Learning from the German energy transition: favorable regulatory framework



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# Thank you for your attention!



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