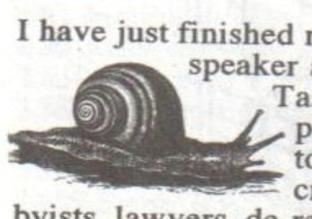
CR Lawn letter in Fedco Seed, Inc. 2011 Catalogue

From Fedco Seeds, Inc. 2011 Catalogue

Slow Money?



I have just finished reading *Slow Money* by Woody Tasch, Saturday's keynote speaker at the last Common Ground Fair. After his speech I took Tasch to task, objecting to his repeated categorization of our present economy as an "Invisible Hand." With due respect to Adam Smith, the hands responsible for our economic crisis are anything but invisible, the bankers, corporate lobbyists, lawyers, de-regulators and right-wing politicians having left their indelible paw prints all over it. We may not know who owned the mortgages after they were bundled into collateral debt obligations, but we are now quite clear on how they affected our economy. By his unwillingness to address the causal agents of the crisis, Tasch limits the scope and power of his possible solutions.

Tasch's answer is to facilitate credit to small and medium-scale socially responsible entrepreneurs in locally based food-related businesses that generally have difficulty attracting capital. He hopes to find many providers of long-term nurturing capital rather than the few angels and venture capitalists who fuel big start-ups. As far as it goes, this solution may do more good than harm, though more readily available credit can be good or not good, depending upon how it is used or abused. We've enjoyed a marvelous relationship with the Cooperative Fund of New England, first as a borrower, more recently as both a lender and borrower simultaneously.

One of Tasch's exemplary businesses recently borrowed $800,000 to increase annual sales over five years from $1.2 to $3 million. That's a 20% compounded annual growth rate! Having experienced 10.6% compounded annual growth at Fedco over the past five years, I am keenly aware of the challenges even that posed. Annual growth of 20%, especially when financed by debt equal to two-thirds of current annual sales strikes me as anything but slow money! By contrast Fedco's current indebtedness, a little over $900,000, equals around a quarter of annual sales.

Significantly, Fedco is a co-op. That sets us apart, with the exception of CSAs (another form of cooperation), from most of the entrepreneurs Tasch seeks to support. As a co-op, our consumer and worker members, rather than our proprietor or stockholders, own us. That makes our goals different: instead of maximizing profits for the benefit of a few owners, we choose to maximize social capital for the benefit of our entire community. Instead of charging what the market will bear, we choose to charge only what our business requires to survive and thrive and what our workers need to feel fairly paid and economically secure. That's what right livelihood is all about!

Turns out, Fedco owes all but about 15% of its debt to itself. Most takes the form of deferred patronage dividends, derived from our profits and owed to our consumers and worker members. Taking away that obligation to ourselves, we are nearly debt-free, having built our financial foundation stone by stone through 32 consecutive years in the black. That, Mr. Tasch, is slow money!

As we stand on the cusp of a major decision, whether to purchase a nearby building that could give us room to continue to grow, at the same time increasing our outside indebtedness significantly but still in reasonable proportion to our balance sheet, we'd do well to ponder the appropriate uses and extent of credit.

–CR Lawn