

# Planting a Seed

By Max Cooper on 12/06/2011



In the former Square D plant in Emma, vacant since the electrical-components manufacturer moved operations to Mexico in 2005, **Jennifer Lapidus** perches on a 1-ton “tote” of grain. Behind her stand dozens more just like it; in front of her looms a towering wooden mill. There’s enough grain here to make 37,000 loaves of bread.

“Farmers grow it; it gets harvested,” says Lapidus, the director of Carolina Ground, an experiment in sustainable economics that aims to link local farmers, bakers and other small businesses. “The growing end, the milling and baking end, those are fairly straightforward.” The hard part is the money issues every startup must confront, but for Carolina Ground, it’s a more complex challenge.

“A loaf of bread, I think, needs to be affordable,” Lapidus maintains. At the same time, there’s no such thing as a free lunch. “The idea with the mill is that it's not in existence to be a profit-making structure. It needs to pay employees, it needs to exist in the black, pay its debt and dividends to the handful of investors that we have, but all at a good price to the farmer and an affordable cost to the baker.” The question, she adds, is “Can this mill create this economy that's going to work in the long run?”

Creating an economy, rather than simply joining an existing one, is a key aspect of the burgeoning local-business movement. Before Carolina Ground, Western North Carolina’s bakeries were importing grain from 1,000 miles away. “Most of the time you’d see a grain truck with 55,000 pounds of one variety in bulk,” she recalls. And having multiple varieties of local grain will help Carolina Ground's bakers appeal to consumers’ desire for traceability. “We do that by being able to identify the variety of grain, where it was grown.”

But Lapidus’ passion for turning grain into bread doesn’t shield her from the hard realities of running a business. And while Common Ground faces many of the same costs as a larger operation, it doesn’t have the corresponding economies of scale. The electrical equipment that powers her mill, says Lapidus, cost as much as the mill itself. She’s also had to prepare for the required safety inspections at the mill, which is ready to start operating as soon as it receives a certificate of occupancy from the city. “We’re commercial, and we have to meet regulations,” she explains.

Lapidus began seeking funding for the project in 2008. The Carolina Farm Stewardship Association, a Pittsboro-based nonprofit promoting sustainable, local, organic agriculture, got interested and hired Lapidus in January of 2009 to direct Carolina Ground. “There was this huge gap between the farmer, miller and baker,” she notes. “We knew that we needed to close this gap, that we needed to use our skills as bakers to figure out how to work with North Carolina grains and create relationships with farmers. This was about sustainability.”

## **Creative funding**

The first step was finding new funding sources. “We were trying to figure out what this entity should be as a business, and we landed on the L3C model, a new legal entity in N.C.,” Lapidus explains. “It’s a hybrid: a mission-driven, for-profit venture. We established a board made up of farmers and bakers so that we could hear the voices from both. ... Within one week we got a handful of investors.”

But a significant portion of Carolina Ground’s capital came via a campaign on Kickstarter, a website that helps independent creative projects raise money. “Kickstarter was a really interesting way to do it,” says Lapidus, “because here I was saying, ‘Don’t lend me money, don’t expect equity: Just *give* me money.’” More than 300 people contributed, raising over \$18,000.

That kind of creative funding, says Lapidus, is what’s needed to realize the local-business goal of “closing the loop.” Local business, she explains, “is more than just ‘buy local.’ Look at the bigger picture. How are we being a complete value system within our community? It’s not just connecting our local bakeries to our local farmers ... but also capitalizing something like this through somebody investing in their community at a lower interest rate and building their community because there’s a value in that. There’s a currency in investing in your community.”

## **A perfect storm**

Such concerns were front and center at the Blue Ridge Entrepreneurial Council’s recent Venture Local forum. Lapidus was the keynote speaker at the event, held Oct. 27 at the Renaissance Asheville Hotel. About 100 entrepreneurs and potential financial backers came together to discuss the burgeoning local-business movement, and the speakers and panelists were predominantly local, augmented by presenters from national business networks and fundraising organizations. In every case, the focus was on nontraditional business and funding models.

One of those case studies was Carolina Ground. “Wall Street has no right to mess with our daily bread,” Lapidus declares in the project’s Kickstarter promotional video, drawing a round of applause from the Venture Local audience.

“The impetus for Carolina Ground came in the wake of 2008, when the price of wheat spiked 130 percent,” she told the crowd. Although natural causes and market shifts contributed to the skyrocketing price, Lapidus said most of it was due to the machinations of Wall Street and the federal government.

“The profound price hike could be traced back to the commodity index fund that was created by Goldman Sachs in 1991, and the ensuing dramatic change in U.S. monetary fund policy that paved the way for escalated speculation, the Federal Reserve lowering interest rates, the decline of the value of the dollar, and the increase in the price of oil,

which promoted a rush from investors globally to trade dollars for commodities,” she asserted, adding, “It was truly a perfect storm.”

The spike, she noted, left Western North Carolina bakeries “scrambling to make up the difference.” Costs soared and quality fell. Lapidus, a baker for 14 years, said the crisis was “far removed from just a simple, basic loaf of bread.”

## Closing the loop

The other major catch phrase at Venture Local conference was “triple bottom line.” The idea, said Lapidus, is that a business's bottom line should be threefold: Economic, ecological, social. “We're caring about our workers, our environment *and* the bottom line,” she explained. And a prime example of both concepts, she noted, is Blue Ridge Biofuels.



Co-founder **Woody Eaton** said he was inspired by the idea of biofuels at age 15: “I was standing in a field, and a friend of mine pointed at a hay bale. He said, 'I can take that hay bale and turn it into gasoline,' and it just blew my mind. Why aren't we all doing that?”

Eaton began making biodiesel in his basement, soon graduated to a garage and then a shed on the grounds of Hickory Nut Gap Farm. And when his organization (then known as the Asheville BioDiesel Cooperative) received a grant from the state in 2005 to open a public biodiesel station, the co-op model was dropped and the name was changed to Blue Ridge Biofuels.

“Right now we're making 30,000 gallons of biodiesel per month,” reported Eaton. “We have a new, continuous-flow reactor. We collect all our feedstock from area restaurants: It's waste cooking oil that we turn into biodiesel, and most of it comes from Asheville and Buncombe County.”

Eaton went on to explain his vision for the company's future.

“We know we need to expand our collection,” he said, “so we've got four restaurant recruiters going out, aggressively trying to get more restaurants to bring us feedstock. We also just started the community oil-recycling program. We put 30 or so bins throughout Buncombe County and surrounding counties for residential oil, so if you have fryers at

home, you can take your fryer oil to these locations and drop it off.”

Responding to questions from the crowd, Eaton discussed Blue Ridge Biofuels' strategy for closing the loop with regard to waste management.

“When we're cleaning our biodiesel, we have to use a lot of water,” he explained, “and that water pulls out soaps, which also pulls out fuel. For a long time, we were dumping that down to the Metropolitan Sewerage District, and then they started getting onto us about how dirty our water was. So they worked with us on a way to treat our water and now, not only is our water much cleaner going out, it's providing us with all the fuel we need to power our plant.”

Eaton concluded his presentation by stressing the importance of closed-loop networking.

“One of our future goals is to work with farmers to produce an oil seed that we can then press into an edible oil, distribute to our restaurants, let them fry with this oil, and then we will collect it back and turn it into biodiesel,” Eaton said. “So I've got some talking with Jenn [Lapidus] to do about that project.”

— *Photojournalist Max Cooper is based in Asheville.*