



The Regionalwert: Creating sustainable regional structures through citizen participation

Baden Württemberg,
Germany

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July 2011

Case Study from a Series on Access to
Land for Community Connected Farming

Case Study Series on Access to Land for Community Connected Farming

In 2010-11, an informal group of civic organisations from across Europe conducted a project on Access to Land for Community Connected Agriculture. A key part of the project lies in a series of seven case studies, documenting experiences from various European countries and different levels of activity (local, regional, national). These case studies seek to explore both the functioning and the benefits of community

connected farming. From this they seek to identify the constraints that limit access to land of sufficient quality and size, and the potential solutions that have been found to reduce the impacts of these constraints. The case studies are illustrative of a variety of issues and situations and, taken together, present some interesting and innovative approaches to the development of local, civic agriculture.

• Viva sol, Lithuania:

A National Association of cheese eaters and producers established to support the development of solidarity between urban and rural people, and to encourage the settlement of small farmers and artisans in rural Lithuania. Viva sol has started a farmers' market in Vilnius, a box scheme, environmental training and activities to support small-scale breeders. Faced with the issue of several farmers being unable to find affordable land, it is currently envisaging creating a Land Fund to raise investments or donations in order to buy agricultural land.

• Tablehurst and Plaw Hatch Community Farms, UK:

Two Biodynamic Community Farms located in East Sussex, UK, wholly owned by a cooperative (an Industrial and Provident Society) with approximately 600 shareholders, most of them local to the farms. The farms occupy approximately 300 hectares of land, the majority of which is owned by St Anthony's Trust, a local land trust. The farmers employ about 20 staff, process and sell their products directly and have established strong community connections.

• Hamburg City Estates, Germany:

For decades, Hamburg municipality has purchased agricultural land to be able to influence city development. In 1989/1994, the city opted for the conversion of three large estates in its ownership to organic farming. These farms all play a major role in providing local organic food, and two of them have developed direct marketing and a large array of social and cultural activities involving the community.

• Terre de liens, France:

A civic organisation established to assist organic and peasant farmers in gaining access to land. The organisation also promotes new ways to own and manage land as a common good. Terre de liens has created financial tools (a solidarity investment company and an endowment trust) to collect investment funds and donations, and educational tools to inform the public and raise awareness about land access and agriculture. It now has a network of 2000 members and 8000 shareholders, and owns 2400 hectares of farmland, supporting about 200 farmers.

• Jaglea Farm, Romania:

An organic farm located near Sibiu, in the Carpatians, which illustrates a new kind of farm in Romania, where tradition and innovation meet to form an emerging "new peasantry". The Jaglea family practice a low-input, largely manual agriculture, which is certified organic and which seeks new ways to be economically, socially and environmentally sustainable. They process and market all their products directly, and took part in the creation of the first organic producers' cooperative shop in Romania. One obstacle that they face in seeking to expand their activity is gaining access to more land in the vicinity of the farm.

• Cooperativa Agricoltura nuova, Italy:

A cooperative farm on the periphery of Rome, formed in 1977 following occupation of the land by a group of young people opposing urban development. It is now a 250 ha mixed organic farm, geared towards on-farm processing and direct marketing and hosting a range of environmental and social activities (an information centre on renewable energies, community gardens, social integration of vulnerable adults, etc.). In 1996 it obtained a tenancy contract from the municipality of Rome, which has established a regional park in the area surrounding the farm.

• Regionalwert AG, Germany (RWAG):

A citizen shareholder corporation, located in the area of Freiburg em Brisgau, that supports the development of organic agriculture and local food production, marketing and distribution. It has collected €1.7 million from about 500 mostly local shareholders. The capital is invested in 6 farms and associated land, processing businesses (caterer, processor), and marketing businesses (retail and wholesale shops, box delivery). As part of its operation, RWAG has developed a detailed methodology to report on the social, economic and environmental impact of its investments in the region.

These case studies have been brought together and edited by Véronique Rioufol (Terre de liens) and Neil Ravenscroft (University of Brighton and Tablehurst and Plaw Hatch Community Farms).

The Regionalwert: Creating sustainable regional structures through citizen participation

by Peter Volz, Die Agronauten

Overview

The Regionalwert AG (RWAG) was founded in 2006 near Freiburg, south-west Germany, by agriculturalist Christian Hiss. It was conceptualised as a citizen shareholder corporation in which people could invest in small and medium sized (SME) socio-ecological enterprises in the region, mainly in the agriculture and food sector. Access to land is facilitated for new entrants to farming, and farm succession can be secured, thereby helping to maintain the region's agriculture and thus its characteristic landscape. But there is much more: the RWAG aims to build up a network of enterprises to establish a sustainable food supply chain and regional added value. Its concept has successfully managed to gain the support of regional residents who are now investors. It can serve as an inspiration for those interested in helping to foster a sustainable transformation in regional agriculture (addressing ethical financing, public support, economy of solidarity).

Pressures on small-scale, local agriculture in the Kaiserstuhl Region

The experience of Regionalwert AG is anchored in the Kaiserstuhl Region, near Freiburg, in South-western Germany. This volcanic region has valuable soils and a distinctive ecosystem with many rare animal and insect species and plants.

Wine production and small-scale farming has dominated the region and shaped its landscape.

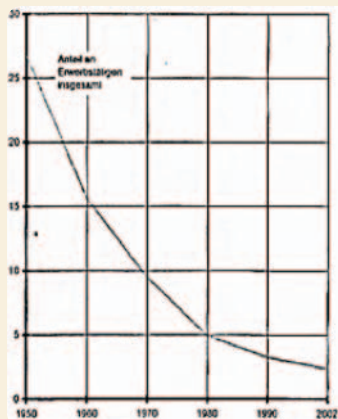
In contrast, corn monoculture is practised nearby in other parts of the Upper Rhine area, with consequences for soil, water and the ecosystem. As in other parts of Europe, this latter form of agriculture is largely based on large agro-industrial enterprises, water and energy intense monoculture, long transport routes, high market integration, the loss of



small-scale farming and environmental depletion¹. The growth of large-scale, monoculture farms has also led to the decline of family and small-scale agriculture, particularly through farm closures and amalgamations, as well as inability of small scale farmers to secure working capital and land. For example, about half of the farms in the federal state of Baden-Württemberg have closed in the last 20 years. This underlines the significance of continued support for SME agriculture enterprises in the Kaiserstuhl Region.

FIGURE 1:

People working in forestry and agriculture in the German state of Baden-Württemberg 1950 – 2002
(Statistisches Landesamt)



¹- In the European Water Framework Directive (WFD) the agricultural sector showed as one of the key polluters (see Dvorak et al 2010). The State of the Environment Report of the European Environment Agency highlights the negative effects of agriculture on biodiversity and soils.

From the refusal of a bank loan for a small organic farm...

Christian Hiss grew up on one of Germany's first organic farms, started by his parents in 1953 in Eichstetten, a small village in the Kaiserstuhl Region. His father had been a prisoner of war in England and came in contact there with organic agriculture. He brought these ideas home to Germany.

An agriculturalist by training, Hiss took over their farm and experienced firsthand the challenges of succession in agriculture. He asked for a loan from his bank to build a new cowshed. The bank refused the loan, despite his sustainable business plan. He recognised from this experience that if he was finding it hard to raise capital even though he inherited the farm, the situation for new farmers would be even harder. Indeed, without financiers to provide start-up investment, no farm could be started.

When he was refused capital from the bank, Hiss decided to take matters in his own hands and change the way money is made available for small and medium sized farmers. According to Christian Hiss's estimate, it cost about € 250.000 to establish a farm, while the income generated was too low (turnover - not income - of € 40.000 to € 80.000 per year) to expect quick returns. Thus, the banks refrain from providing the money. Together with friends, Hiss reflected upon a way to start an institution to help farmers in a similar situation to maintain their farms and the modes of agriculture that had shaped the landscape for generations.

... to the creation of a Citizen Shareholder Company

Christian Hiss examined several possibilities. He eventually decided to create a shareholder corporation ('Aktiengesellschaft', AG). This kind of corporation is a widespread business model in Germany, which requires a minimal initial capital investment of €50,000. It was, however, not utilised to acquire capital in the agricultural sector, where cooperative societies ('Genossenschaften') were the prevalent model. Rather, its business model was to generate capital by selling shares and investing the money in land, real estate and equity holdings. As with all shareholder corporations, shareholders are liable for losses and profits, and vote for the Board of Directors at the Annual General Meeting (AGM). They can thereby exert influence on the direction of the work undertaken by the company. It is monitored by financial authorities just like any other company.

Christian Hiss chose a shareholder corporation as it was the organisational form that provided the appropriate scope for his concept. His idea was clearly larger than just the future of his farm. Furthermore, the AG had some practical advantages to other financial forms. In particular, it is the only organisational form where shareholders cannot withdraw their investment (it can only be transferred from one shareholder to the other), thus providing financial stability. It is also comparatively easy to manage, with shares being easy to acquire without a notary. In 2006, Hiss thus officially registered the RWAG at the commercial register with an initial capital of € 435,500, which was the value of his farm, as estimated by an independent auditor. To raise this capital he handed over his family farm to the RWAG and continued it as leaseholder. The shareholders now owned the farm. According to him, he did not hesitate for a moment to take this decision; in fact, for him, this was liberation.



CHRISTIAN HISS

It took around half a year to get through the administrative formalities but once the RWAG officially started to offer shares, 20 shareholders joined the RWAG, amongst them two large investors who believed in the innovative vision. From there on, the popularity of the RWAG has grown², supported in part by extensive media coverage, but also because the idea of the RWAG struck a chord with local people who had an increasing awareness of regional and environmental issues. Currently there are 485 investors. They have bought shares ranging from the minimum price of one share € 500 to shares worth €150,000. The total capital investment stands at almost €2 million. The RWAG is often referred to as a 'Bürgeraktiengesellschaft'. This means Citizen Shareholder Company, which refers to the fact that the shareholders are private individuals and not companies or investment funds. The key players of the RWAG are the Managing Directors, composed by the agriculturalist Hiss and the banker Volker Schwarz, and the Board of Directors that acts as controlling body. The Managing Directors, which are running the company, are elected by the Board of Directors for 5 years. The Board of Directors themselves are elected by the shareholders every 5 years at the AGM.

When founding the RWAG, Hiss deliberately conceived it to be a "for profit" enterprise so as to stimulate shareholders to think about the nature of the profits they want. The profit is not reduced to financial gains but also includes the societal and ecologic dimensions. In financial terms, there is no guarantee by the RWAG to pay dividends, and none have yet been paid.

² - Even regional celebrities like the popular coach of Freiburg Football club became shareholder.

The investors are instead guaranteed that their money is used according to RWAG's pre-determined criteria. Clearly, the prospect of quick financial gain was not the decisive factor for the investors. Instead idealistic and pragmatic motivations have prevailed. By investing in RWAG, citizens support the development of a sustainable regional food supply chain, from agriculture to food processing, to shops. They thus invest in their living environment, have their say in the development of food supply chains and contribute to regional landscape management. Investment in RWAG fosters urban-rural connections as city inhabitants invest in food production and supply from their immediate locality. As such, investing in RWAG is investment with a feel-good factor, underpinned by investment in land and real estate being perceived as a secure option. There is hardly any withdrawal of shareholders since 2006. If people want to sell their shares they will be transferred to new shareholders - a waiting list available for those willing to buy these shares. In that way the financial stability of the RWAG is guaranteed.

Creating a regional organic food supply chain

Providing venture capital

The RWAG supports small and medium farmers and food businesses that usually experience difficulties in securing equity capital from banks as they do not have sufficient equity. The RWAG, and in particular the Managing Directors, check the business plans of entrepreneurs who request finances and, where necessary, co-create suitable business plans with inexperienced people, including guiding them through the first years of their enterprise management. There may be a charge for the financial consultations provided but this depends on the context and the scope of the service. The RWAG has a catalogue of criteria for financial participation where economic, ecologic and social criteria carry equal weight.

If their business plans are viable, the RWAG offers the entrepreneurs (who then become RWAG's partners) various forms of financial support for start-ups as well as investments in business expansion. There are various forms of financial engagement. One common approach is to provide capital in the form of silent holdings with a fixed rate of interest of between 3-8% on repayment (for land, machines etc). Another approach is to lease land to farmers at a reasonable rent (depending on the case). There is also the establishing of an associated company where the RWAG holds shares in the enterprise. In that case it shares the profits and losses of the enterprise, depending on the contractual terms agreed. Whatever form the assistance takes, the enterprises can benefit from being part of the RWAG network. Through the capital brought in, new enterprises can be founded and existing ones can be maintained. In essence, local citizens provide cover



for the young entrepreneurs and secure their existence. The investment is direct, without fund managers, agents or other intermediaries, and it supports only SMEs. In some cases, the venture capital of the RWAG enables enterprises to gain easier access to bank loans. In some instances the banks even recommend the RWAG and some of the partner enterprises have only received finance from the bank because the RWAG co-financed a certain percentage of the investment. In these circumstances, RWAG takes an equity stake of between 30-100%, with the bank financing the remainder.

Creating a local food chain from farm to fork

The RWAG aims to create an economically viable chain of added value from farm to fork and even beyond. Therefore, the RWAG buys agricultural land and farms, as well as enterprises that process, distribute and sell food. The land bought is then leased - not sold³ - to qualified entrepreneurs, who have to manage their business according to the RWAG criteria and justify it in an annual sustainability report and at the RWAG AGM. Support is tied to this condition but it does allow for a transitional period from non-organic to certified organic farming. So far sixteen partner enterprises are being financed and more contracts are soon to be completed. The current 16 enterprises of the RWAG network are:

Producers

- A vegetable farm which also produces seeds (leased land, farm succession outside the family);
- A dairy farm that produces cheese (leased land, farm succession outside the family);
- A fruit farm/orchard (business start-up / non-voice share);
- A vineyard (acquisition of vineyards and lease);
- A multifunctional farm;
- A vegetable farm (limited partnership);

³ - In order to maintain the sustainable use of land

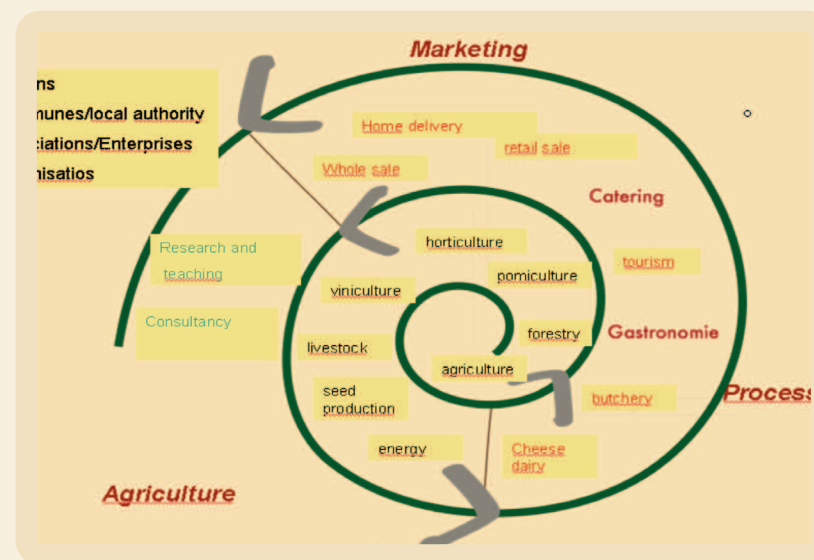
Processing

- An organic caterer (business start-up / non-voice share);
- A manufacturer for the drying of food (renting real estate, start-up);

Retail and Marketing

- An organic food shop (support to proprietary capital/non-voice share);
- An organic food wholesaler (support to proprietary capital/non-voice share);
- An organic food shop (share);
- An organic food shop (share);
- A delivery service for the produce of the RWAG partner enterprises (start-up/subsidiary);

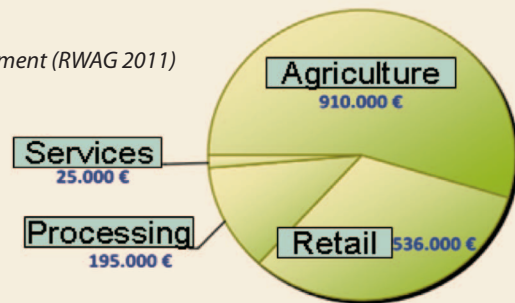
FIGURE 2: Chain of Added Value (Hiss 2011)



Services

- A service company providing inter alia accountancy (start-up);
- A real estate company (start-up, subsidiary);
- A research organisation named “Die Agronauten” dealing with all relevant questions related to the RWAG and sustainable regional agriculture.

FIGURE 3:
Distribution of Investment (RWAG 2011)



Altogether the RWAG owns eight hectares of land and has shares in 220 ha of land. There are about 60 people working in the partner enterprises⁴ and about 350 people receive organic food boxes from the partners. In total, the RWAG has invested more than € 1,600,000 in the enterprises with the rest of the money in the bank. Most of the money in the bank is designated for new projects and thus already planned for use. The following figure shows the distribution of the investments per sector.

Creating synergies between the businesses

The idea of networking the enterprises is an important component of the RWAG concept. The partner enterprises operate independently but are all connected through the RWAG network. Such cooperation reduces the costs so that the small-scale structures become more competitive. Practical examples are the use of the waste of the vegetable farm by the dairy farm, the use of the cow-dung by the vegetable farm,

⁴ - Additionally 150 people are employed by the wholesale organic food company where the RWAG holds a small share.

the use of RWAG products by the caterer, the selling of RWAG produce in the shops and the distribution of vegetables by the box scheme. The long-term goal is to have an integrated structure that ensures regional supply, benefits enterprises as well as the shareholders and creates wider societal benefits. This diversity of businesses within the network allows risks to be spread and thus reduced. In addition, the big and successful enterprises of the RWAG group have higher interest rates and thus support the smaller, newer ones. Decisions like these are taken by the executive board and have to be approved by the board of directors. The businesses meet informally every 2 months in order to better get to know each other and to exchange on relevant issues in the network, including conflicts. Recently, the whole network increased cooperation by extended meetings and the instalment of working groups related to improvement of logistics, inner structure and marketing.

Measuring and emphasising the non-monetary return

In order to measure and communicate the sustainable effects of its partner enterprises, the RWAG has developed a set of 64 qualitative and quantitative indicators (see Figure 4).



The RWAG network at a meeting in 2011 (Maier, 2011)

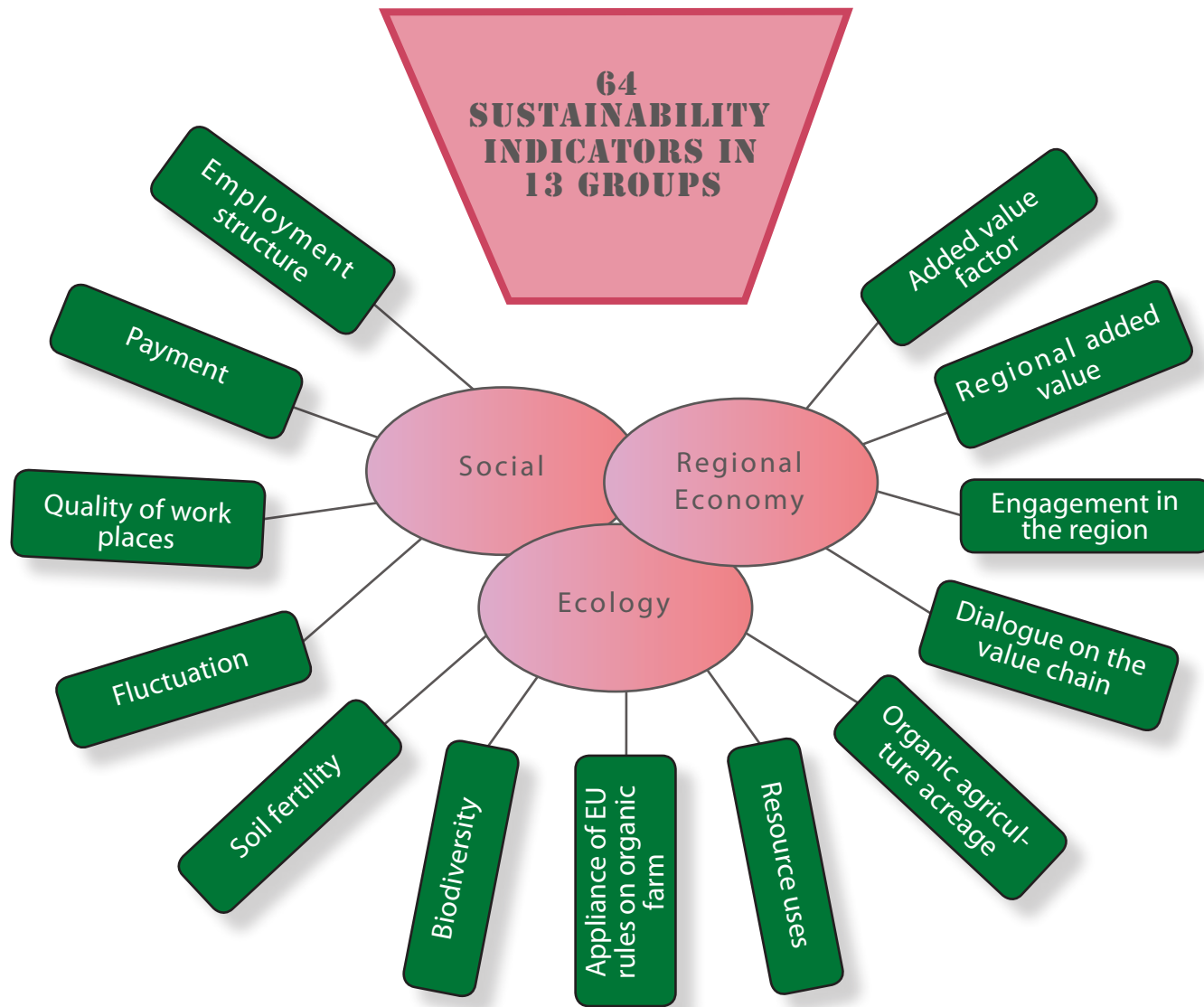
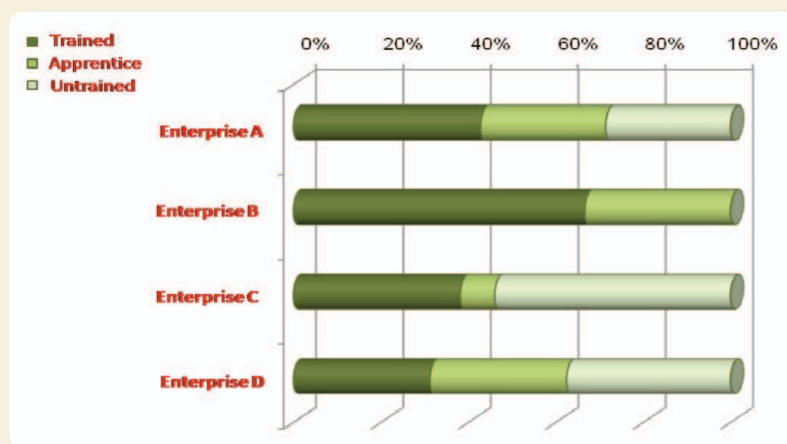


FIGURE 4: 64 Sustainability Indicators (RWAG Geschäftsergebnis 2009)

These indicators address the economic, social and ecological impacts of the enterprises. This includes the situation of the employees (e.g. income, contracts, and apprenticeship positions), the ecological impacts of the enterprises (like soil fertility, resource use, biodiversity) and the impacts on the regional economy (added value for the region, commitment to regional initiatives, educational events).

FIGURE 5: Example of a social indicator for all RWAG enterprises (RWAG Geschäftsergebnis 2009)



The set of indicators came about as the result of a 6 month research undertaken by the Imug consultancy, involving expert roundtables and public discussions. This approach, which focused on extra-financial values, has three functions:

- To develop an evaluation tool for the social, ecological and regional services of the enterprises;
- Display of progress of indicators
- To provide a communication tool for the shareholders in the annual report.

The enterprise performance is given in the annual business

report of the RWAG with the help of the indicators. Furthermore, an overview is given of all enterprises supported by the RWAG. The indicators are described qualitatively and quantitatively and also provide information on the evolution and future prospects for the enterprises.

The approach is currently being enhanced in order to offer a comprehensive impact assessment for the whole value chain, from the farmer to the consumer. The improvements include the embedding of the indicators into accountancy and the improved measuring, valuating and communicating.

A source of inspiration for others

The RWAG has received widespread attention and a positive public response; the model was recently highlighted by the German Minister of Agriculture as an innovative network that deserves attention and praise. Christian Hiss also received an Ashoka Fellowship in October 2009 for creating the RWAG. One month later he received the German Government Council for Sustainability Award for 'social entrepreneur of sustainability'. In addition to its home region, the RWAG concept is currently being transferred to two other regions in Germany (Frankfurt, Munich).

The RWAG provides consultancy services for farms, and designs business and capital plans. Since autumn 2009, a series of seminars was held on the issue of 'regional sustainable agriculture'. Another recurring event is the 'Eichstetter Wirtschaftsgespräche' (economic round table), which brings high profile thinkers and leading actors to the region for presentations and discussions.

Many issues related to the RWAG concept are still to be researched, which was the reason behind the recent creation of the "Agronauten⁵", a non-profit research body.

5 - <http://www.agronauten.net>

Conclusion: A corporate concept making sustainable development real at the regional level

The model of the Regionalwert AG offers interesting insights into financing methods and regional structural transformation in the field of small and medium scale organic farming. It does this by addressing the three pillars of sustainability:

- **Ecological dimension:** The RWAG can contribute positively to shaping a healthy, aesthetic and (bio)diverse landscape ecology by supporting organic farming and consumption of local produce which shortens supply chains and reduces emissions. Citizens of the region participate in the development of a regional food supply chain that is small, organic and localised.

- **Social dimensions:** The RWAG supports a regional agriculture that is based on small/medium enterprises which provide jobs, increases regional identification and cohesion and life quality.

People are more than just consumers; they are an active part of shaping regional development. SMEs can be founded or preserved; jobs are created; and knowledge about regional sustainable agriculture is preserved and communicated to others. The capital investment of the RWAG is tied to fair payment for employees of the enterprises. Through capital investment and transparent accountancy, people obtain an insight into the problems of small-scale agriculture. The trend of small farm closure may be reversed in this way.

- **Economic dimension:** the RWAG network links small actors and is embedded in the region. This offers a certain degree of protection from structural dependencies and vulnerabilities. It can boost development in deprived regions and set the frame for a stable, healthy and sustainable economy that has benefits for all.

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Interviews with Christian Hiss on the 26th of January, the 18th of March and the 13th of May 2011

Access to land for Community Connected Agriculture in Europe Project 2010-1

This case study is part of a broader project on Access to land for Community Connected Agriculture in Europe run by a group of European civil society organisations.

Project Presentation

Our European project on Access to Land for Community Connected Agriculture focused on experiences of Community Connected Farming where there have been particular issues related to gaining and maintaining access to land.

We define Community Connected Agriculture as:

- sustainable, i.e. with no chemical inputs and minimal use of external and non-renewable resources, such as organic farming or extensive grazing;
- civic, i.e. concerned with the broader social, economic, environmental and cultural implications of caring for the land and producing food and/or engaging directly with their community;
- local, i.e. open onto their local environment and nurturing the local social and economic fabric through direct marketing, on-farm transformation, job creation, social activities, consumers' participation, etc.

The objectives of the project were:

- To document such experiences, through seven case studies and a mapping exercise of about 100 community-connected farms and related projects throughout northern, southern and central Europe;
- To disseminate information about and analyses of these experiences and the difficulties that they have faced, to feed into the broader public debate about the future of European agriculture and rural areas.

Local, civic agriculture is developing in Europe, and is gaining broader support from consumers, citizens, civic organisations and local authorities. Such farms often have many benefits: they provide local and quality food to consumers; they contribute to the protection of the environment and the reduction of farming's carbon footprint; they often create more jobs, per hectare, than more conventional farms; they contribute to the maintenance of green belts

around cities; and they are often multifunctional and pluriactive farms, which reinforces their economic sustainability and the vitality and viability of rural areas.

At the same time, one key obstacle to the preservation and development of local, civic agriculture is that many such farms are unable to compete successfully for access to sufficient land that is in good condition. Such civic farmers often struggle to find agricultural land that is available to them at affordable price and on secure terms. A question at the core of our project therefore was to explore these difficulties and, where possible, to identify innovative solutions.

Project Partners

The project was coordinated by Sjoerd Wartena and Véronique Rioufol - Terre de liens (France) and Titus Bahner - Forum Synergies (Europe). Neil Ravenscroft - University of Brighton and Tablehurst and Plaw Hatch Community Farms (UK), Jan Douwe van der Ploeg - Wageningen University (Netherlands), Audrius Jokubauskas - Viva sol (Lithuania), Peter Volz - Regionalwert AG/ Die Agronauten (Germany), and Marta Fraticelli - aGter (France/ international) were all active partners of the project.

Funders

This project benefited from the financial support and fruitful involvement of the Fondation de France and the Fondation Charles Léopold Mayer (FPH), as well as from that of European ethical banks: La Nef association and La Nef bank, Triodos bank, GLS bank and Merkur bank.

Contact:

We welcome information and contact regarding similar European initiatives and studies. The results of our work, and on-going activities, are available (from March 2012) on the website of:

Terre de liens:

<http://www.terredeliens.org>

Forum Synergies:

<http://www.forum-synergies.eu>

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