



FILLING THE FINANCE GAP FOR COFFEE GROWERS • BY DAVID GRISWOLD

William Foote is one of the key reasons for the tremendous growth and success of fair-trade coffee, yet surprisingly, he's neither a buyer nor a seller of coffee. This former Lehman Brothers investment banker turned his Latin American business from large commercial deals to helping poor coffee farmers with medium-sized loans. He did it by founding EcoLogic Finance, a nonprofit financial services organization based in Cambridge, Mass. "There is a capital gap," Foote explains. "While there are hundreds of millions in socially responsible venture capital at work in Latin America, very few organizations are making the small- and medium-sized loans."

To fill that gap, Foote launched EcoLogic Finance in 2000. He now manages a \$13 million portfolio of \$25,000 to \$500,000 loans primarily to fair-trade cooperatives. He chose the name EcoLogic Finance to reflect the idea that the greatest threat to the environment is human poverty, and that these seemingly intractable problems might be addressed in part by providing



William Foote with a grower from Colombia

affordable loans and financial training to small-scale producers living in critical ecosystems. While several socially responsible European banks exist to support small-scale farmers in the same niche that Foote focuses on, EcoLogic Finance remains the only United States financier solely dedicated to taking the risk of helping sustainable coffee farming communities worldwide get access to credit and financial capacity building.

Borrowers are cooperatives and business associations in Latin America and East Africa that are too large for microcredit agencies and too small to be "bankable" with commercial lenders. Coffee accounts for about 70 percent of EcoLogic's total portfolio of loans, as Foote also finances loans for cocoa, sesame, beans, tropical fruits, nuts, sustainable fisheries, handi-crafts and ecotourism.

Foote's focus on helping small-scale growers makes the value of his organization extremely important for consumers of fair-trade coffee, as it is often his pre-harvest finance loans that allow cooperatives to finance their members' crops and select the best beans for the specialty market. Typically, EcoLogic lends against signed purchase agreements between producer cooperatives



and their importers, using that future revenue stream as a pledge to repay the loan. To handle the rapid growth of his loan portfolio and demand from a growing number of fair-trade cooperatives, Foote has added more bilingual staff and expanded the organization's global reach.

What's most important, however, is that his EcoLogic team understands the reality of the smallholder coffee farmer because a growing number of the EcoLogic staff has worked in Latin America, often with coffee farmer cooperatives. "In the countries where we operate, we have the financial strength, cultural expertise and on-the-ground relationships to bridge the rural financing gap," Foote explains.

EcoLogic currently is expanding its offerings to include a new financial management-training program for small-scale farmers and artisans in Central America and Mexico. The training will strengthen the business skills of small-



Growers in East Africa gather for co-op payments.

holder farmers and leaders of coffee producer cooperatives. According to EcoLogic, the training will benefit 30,000 farmers organized into 50 rural producer enterprises that export sustainable natural products like coffee, cocoa, honey and handicrafts. The program will be implemented in Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua. EARTH University of Costa Rica will help EcoLogic Finance manage the program.

"After more than five years of providing affordable financing to rural producer organizations in Central America and Mexico, we've learned that access to financing and markets alone is not sufficient to build sustainable enterprises," says Foote. "An unaddressed obstacle is the producers' lack of basic financial skills to properly manage their enterprises and to interact effectively with buyers and bankers alike."

William Foote is a great example of how an entrepreneurial and socially responsible businessperson can be a coffee "outsider" but still have significant impact on the specialty coffee industry. 🌱



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