

INTEGRATED CAPITAL FIBERS FUND



SAFSF



FIBERSHED

BACKGROUND

The global fiber, textile, and leather industry is a \$1T sector with critical impacts on health, environment, land, and communities. Yet this sector has received little attention from funders and investors. Currently, “market-rate” returns from global textile industry investments actually reflect a risky reliance on the global oil and gas industry as a feedstock, the pervasive use of extractive labor practices, and a host of externalized social and environmental costs. At the same time, U.S.-based fiber producers and processors struggle to access capital to pioneer more just, equitable, and regenerative practices. The Integrated Capital Fibers Fund offers a pathway for investors to rebuild soil-based natural fibers, unlock potential for regenerative land management, and reform the current extractive textile industry model.

GAPS

Over the past decade, our two organizations and projects—the Sustainable Agriculture and Food Systems Funders (SAFSF) Fibers Roadmap team and Fibershed’s Regional Fiber Manufacturing Initiative (RFMI)—have worked to raise awareness of current global textile industry issues and the opportunity for change. SAFSF has focused on mobilizing U.S.

funders and investors, while Fibershed has built a vibrant movement of U.S. fiber system producers, processors, scientists, and asset holders. Over the past year, we have identified key gaps in the financing landscape:

The Commitment Catch-22: Entrepreneurs seek contracts that will guarantee revenue to increase production, but brands seek guaranteed scale of production before they will commit to contracts.

Collateral Gap: The inability to use inventory or equipment as collateral often limits producer access to debt capital.

Prototyping Gap: Entrepreneurs seek funding for prototyping, but brands want to see fibers already at the fabric stage before committing.

Working Capital Gap: Small scale textile producers have trouble financing their working capital because of the high cost of inputs.

Patient Equity Capital Gap: Financial structures such as VC funds demand aggressive timelines that are often incompatible with natural textile production.

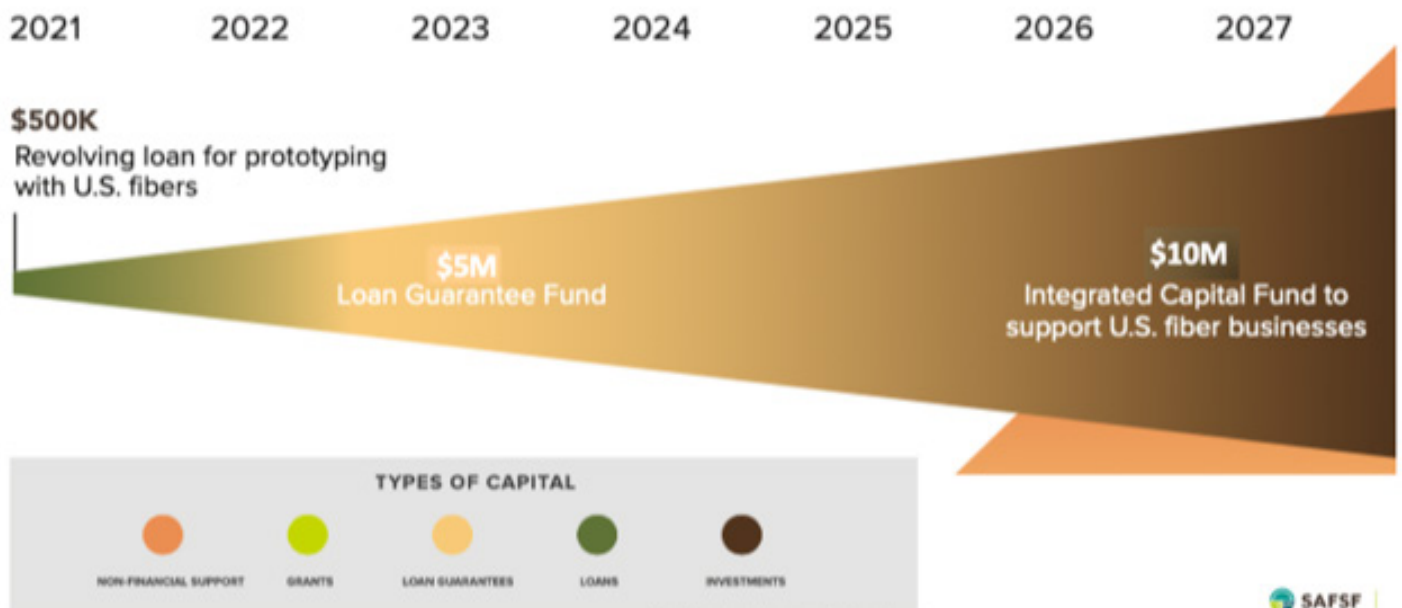
Racial and Gender Justice Gap: The industry’s legacy of racial injustice compounds barriers for farmers and entrepreneurs who are women and people of color.

THE FUND VISION

To address these gaps, we are jointly working to launch a \$10M integrated capital fund for the U.S. sustainable and regenerative fiber and textile sector. The Fund will address the specific gaps above by deploying a full range of integrated capital financing needed by a known pipeline of U.S. fiber producers and processors. The Fund is designed to be catalytic, helping mid-scale U.S. fiber businesses overcome bottlenecks and unlock other forms of loan and investment capital. It will be housed at an existing catalytic capital institution or family office to streamline overhead. To redress the legacy of distrust caused by extractive financing practices, decision makers for this phased fund must include leaders of color, farmers, and garment workers.

PROPOSED FUND STRUCTURE

As envisioned, the Fund outlined in the Fibers Roadmap’s “Lever 1” is a phased catalytic capital fund with a current goal of \$10M. The fund will launch with a \$500K revolving loan/recoverable grant pool that provides philanthropic funders and family offices an opportunity to begin shifting funds to values-aligned investments. It will be expanded in year 2 with a loan guarantee pool. The guarantee pool is intentionally designed as an option for apparel and home goods brands to pool funds with philanthropic funders and investors in order to collateralize loans. By year 4-7 we would aim to complete the \$10M fund with the full complement of integrated capital types (grants, loans, guarantees, and investment; together with technical assistance support). Funding mechanisms and fund size could be subject to change after analysis conducted during the development period.



THE PIPELINE

The Fibers Fund concept is informed by a pipeline of infrastructure investment opportunities identified by both the SAFSF Fibers Roadmap and Fibershed RFMI teams.

- Fibers Roadmap: \$12M of immediate infrastructure investment needs identified by the SAFSF Fibers Roadmap's 12 Case Study businesses
- Fibers Roadmap: 60 interviews with U.S. farmers, fiber processors, brands, and investors to understand overall scope of financing needs
- RFMI: Mapped the western natural textile supply chain and identified 35 investable businesses that address key bottlenecks
- RFMI: Provided 7 of the 35 businesses highlighted above with in-depth business TA and sustained engagement.

NEXT STEPS

The SAFSF Fibers Roadmap and Fibershed RFMI team are working under MOU to jointly develop fund structure, size, criteria, holding vehicle, geographic focus area(s), and equity-focused governance approaches.

Specific tasks include:

- Develop equity-focused advisory committee
- Evaluate joint/linked structures and fund holding vehicles like CDFI's or entities like RSF Social Finance, based on financing vehicle models from agriculture and other fields
- Identify priority types and amounts of capital needed for each fiber type / develop detailed financial case study
- Finalize fund structure, fund operational strategy, fund governance and develop appropriate legal and financial agreements
- Conduct initial conversations with interested investors and brand participants.



Mendocino Wool Mill, Photo Credit: Paige Green Photography

The Fund is designed to work in concert with the other “Levers” of the SAFSF Roadmap and the other components of Fibershed RFMI’s work. At this stage we are not yet able to accept direct investments into the fund, but we are particularly interested to work with funders or family offices who are interested in providing development support with an initial expression of interest in investment into the fund once established. Both Sustainable Agriculture and Food Systems and Fibershed are 501(c)(3) nonprofits and able to accept grant support.

TEAM

- **SAFSF Fibers Roadmap Team:** Sarah Kelley, Common Threads Consulting; Calla Rose Ostrander, People Food and Land Foundation; Jenny O’Connor, Guidelight Strategies
- **Fibershed Regional Fiber Manufacturing Initiative (RFMI):** Rebecca Burgess, Fibershed Executive Director; Adrian Rodrigues, Provenance Capital Group; FJ Selosse, Provenance Capital Group; Teju Adisa- Farrar, Equity Director
- **Sustainable Agriculture and Food Systems Funders (SAFSF):** Renee Catacalos, Senior Director, Membership and Outreach; Bridget Dobrowski, Managing Director
- Jenny Kassan, Business Attorney
- **Equity-focused Advisory Committee in development**

CONTACT

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RESOURCES

The SAFSF Fibers Roadmap
Fibershed RFMI