



# Community Food Enterprise

*Local Success in a Global Marketplace*

*A project of the Wallace Center at Winrock International and  
the Business Alliance for Local Living Economies*



Community Food Enterprise: Local Success in a Global Marketplace

**A project of:**

Wallace Center at Winrock International  
Business Alliance for Local Living Economies

**Funded by:**

Bill & Melinda Gates Foundation  
W.K. Kellogg Foundation

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This publication was funded by the Bill & Melinda Gates Foundation and the W.K. Kellogg Foundation.  
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# Community Food Enterprise: *Local Success in a Global Marketplace*

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# Fundación Paraguaya's Financially Self-Sufficient Organic Farm School

"We change peasants into rural entrepreneurs," says Martin Burt, executive director of Fundación Paraguaya, a nonprofit foundation that since 1985 has been providing micro-lending and sustainable training to Paraguay's farmers and other agricultural workers, as well as to women and young people.

Fundación Paraguaya's Escuela Agrícola Orgánica Financieramente Autosuficiente (Financially Self-Sufficient Organic Farm School, or "Farm School" for short) offers a solid high school education focusing on strong agricultural practices, business skills, and entrepreneurship. Its mission is "to impart practical and entrepreneurial education to poor farmers to empower them to succeed economically."

The school is located in Cerrito, an area outside the rural town of Benjamín Aceval, about 46 kilometers from Asunción, Paraguay's capital and largest city.

"What sets our model apart from other approaches," says Martin, "is that we have found a way to combine quality, relevance, and affordability. Our model offers high quality agricultural education at the secondary level, yet does not require poor students to pay any more than a token tuition fee. Other approaches either recognize the importance of quality but do not have a way to pay for it, or have found ways for the poor to pay for their education but cannot deliver quality."

## Business Model

"There's a natural assumption that the food chain starts with the farmer who knows how to farm," observes Nik Kafka, director of Fundación Paraguaya's sister organization, Teach A Man To Fish. "But the reality in most developing countries... is that that just isn't the case. The educational system is set up to deliver people a piece of paper that shows their academic prowess, but students aren't really learning how to be farmers, and this is the missing link in the food chain."

The Farm School is designed to be this missing link. It's a boarding high school for rural, low-income students that operates as an independent entity under the foundation's nonprofit umbrella. It employs 20 full- and part-time staff, including administrators, teachers, cooks, and other support personnel. Sometimes interns from around the world support the staff, offering additional training and services in exchange for room and board.

When Fundación Paraguaya first took over the ownership and operation of the Farm School in late 2002, it resolved to walk the talk of entrepreneurship—to make the school market-driven and financially self-sufficient. It immediately stopped taking state money. It did raise some grant money from the Skoll Foundation, the Peery Foundation, AVINA



Sanita Role Schaffer

## At a Glance

### Where

Cerrito area outside Benjamín Aceval, Department of Villa Hayes, Paraguay

### Year Founded

2002

### Number of Employees

20

### What

Rural agricultural high school specializing in entrepreneurship

### Total Revenues

US \$310,516.47 / 1,446,280,704 Paraguayan guaraníes (PYG)

### Founders

Fundación Paraguaya

### Website

<http://www.fundacionparaguaya.org.py/>



(which stands for acción, vida y naturaleza, or “action, life, and nature”) and other entities, but viewed these as investments in its social enterprise.

Besides maintaining self-sufficiency, the school has two other express missions. One is to give students agricultural skills, so that they can become successful agricultural extension agents, to start their own food businesses, or to teach responsible agricultural methods in their own communities. Another is to promote and replicate their model of a self-sufficient agricultural school elsewhere in Paraguay, Latin America, and globally.

To achieve self sufficiency, the school developed 16 sub-enterprises on campus, including a hotel, a dairy, a restaurant, and a farmers market stand. Each of these enterprises is designed to provide experiential education for the students and to generate additional revenue for the school. For example, Hotel Cerrito and its surrounding chalets can accommodate up to 140 guests at once, and can be used as a conference center and a destination for tourists and travelers. The facilities generate up to 30% of the school’s annual revenue, but also train students interested in hotel management and hospitality. The school’s dairy processes the milk produced on campus into dulce de leche, yogurt, and cheese. Students make the products, bring them to market, and sell them, which gives them experience with food processing, packaging, and retail.

Community experience is regarded as one of the best teachers. For example, students must take turns running the school’s farmers market stands. By being involved in local markets, students learn customer service, merchandising, financial management, and production, all while meeting people in the community. “It’s important for students to hear and learn to decipher and interpret the messages the market sends them,” explains Jose Luis Salomón, director of the Farm School from 2002-2007. “Our greatest teacher—the market—gives us big, important classes all the time.”

Other Farm School programs give students more than just rudimentary skills. They teach students how to meet Grow Biointensive organic standards, which employ intensive soil conservation practices to produce more food on less land. They introduce students to AgroWin, a basic software program designed for farmers to easily organize and analyze accounting, budgeting, inventory, and production data. The school also introduces students to solar energy, composting, and vermiculture (farming with worms).

According to Luis Fernando Sanabria, the chief operating officer of Fundación Paraguaya, “The number of employees

Business Model Overview	
<b>Sector</b> Service (education) and production	<b>Market</b> Local
<b>Ownership Type</b> For-profit enterprise under nonprofit ownership	<b>Customers</b> <i>School:</i> Students come from surrounding area; <i>Food products:</i> School itself and surrounding communities
<b>Local Ownership</b> Yes (100%)	<b>Niche(s)</b> Revenue-generating school through student-run enterprises, youth vocational and entrepreneurship training, experiential education, rural economic development, organic and Grow Biointensive organic production
<b>Products</b> <i>Service:</i> Entrepreneurial training for students; hotel accommodations; restaurant; <i>Products:</i> Range of produce items, dairy products, and eggs	

has been maintained or reduced—and in this sense we have gained efficiency. Sales volume has increased substantially. In five years, the school’s income level has tripled and it has increased not only its productivity but also the variety of campus enterprises.”

By 2007, the Farm School reported an annual growth rate of 10-15% and annual revenue reached US \$300,000—an operational break-even point. The school now operates debt-free and has also generated a cash reserve to be used for teachers’ retirements.

The school takes its community relationships very seriously. For instance, with the exception of durable goods like vehicles, computers, and hardware, the school purchases all of its supplies locally—within an hour’s drive—and teaches its students how to best use local resources. As a community-based employer, the Farm School tries to hire its instructors locally and provides them with good salaries. The school has played a role in improving the local food system, generating nearly 70% of its income by selling locally grown organic food to local markets. It is also very conscious of its energy impact on the surrounding community, and strives to minimize its carbon footprint with its new solar energy panels and composting program.

For Paraguayan communities generally, the school has become an invaluable resource. According to Fulbright scholar Sarita Role Schaffer, who lived at the Farm



Students of the World

School and studied its operations for two years, “Each year the school graduates roughly fifty young people who return to their communities not just to grow food, but to transform their local food systems by launching rural enterprises that introduce innovations at all points on the food supply chain. The Farm School graduates inject their communities with the vital intellectual inputs required to generate lasting social, environmental, and economic wealth from locally available resources.”

## History & Drivers

In the early 1950s, the San Francisco Missionary Brothers, a small Franciscan congregation, founded La Escuela Agrícola San Francisco de Asis, a parochial boarding school for the area’s poor boys. By 1980, the school had 70 students, 62 hectares of partially-forested yet cultivatable land, and 7,000 square meters of facility and conference space. It had also run into the ground financially. The Congregation of the LaSalle Brothers, another local congregation, took over the school, but again became mired in money problems and prepared to shut it down in 2002.

Around this time, the leaders of Fundación Paraguaya met at their annual staff retreat. When they learned that the Farm School was on the verge of closing, they saw an opportunity. Why not reinvent the school as a model for teaching sustainable agriculture?

As a condition for buying the school, the foundation made a commitment to educate rural kids in a boarding school model; to develop new sustainable business programs for teaching purposes; and to rebuild the school’s finances, facilities, and training programs. And Fundación Paraguaya committed to weaning the Farm School back to financial health in five years or less.

Within the first year, Fundación Paraguaya rejected state subsidies, rewrote the curriculum and got it approved by the Ministries of Education and Agriculture and Livestock, transitioned to organic farming practices, and made the teachers more accountable to the financial health of the institution. In 2006 the school went co-ed. In 2007 it created a cluster of campus-based, revenue-generating enterprises so that the school could operate financially self-sufficiently. In 2008 the Ministry of Education granted the school permission to issue its graduates certificates in Hostelry and Tourism, in addition to the certificates in Agriculture and Training Technicians.

The school has recently begun attracting international attention. According to a 2008 report of the Inter-American Development Bank: “[The school] achieves its value proposition of making a systemic change in the educational system to offer high quality technical entrepreneurial education to underprivileged Paraguayan youth who graduate with usable skills they can immediately apply on their family farm, in a new business venture, as an employee in the agricultural industry, or in university while also having access to credit and follow-up services.” The school also placed second



Students of the World



Students of the World

in the 2008 BBC World Challenge, which highlights the world's best small businesses and enterprising projects.

## Key Challenges & Lessons

The Farm School understands that being enterprising means identifying and confronting challenges head-on. Here's what tops its list of current challenges:

- *Maintaining Self-sufficiency*—As the owner of the Farm School, Fundación Paraguaya still provides the school with support, both in-kind and financial, when needed. It remains committed to growing the school's self-reliance, to diversifying its revenue stream, and creating a model that can be transported to other impoverished rural areas worldwide.

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- *Teaching Teachers*—Currently, many of the school's teachers, instructors, and staff come from the surrounding communities. Many arrive with a good understanding of rural, agricultural Paraguay, but they still need to be trained by the foundation in how to best use experiential learning to develop entrepreneurial skills. "Before you can educate the children, you need to start educating the teachers," notes Nik Kafka.
- *Supplies*—Although the school has computers, internet access, and training software, basic classroom instruction is done with rudimentary supplies. Having only a limited supply of even pencils and paper makes it challenging to teach the latest approaches to business management.

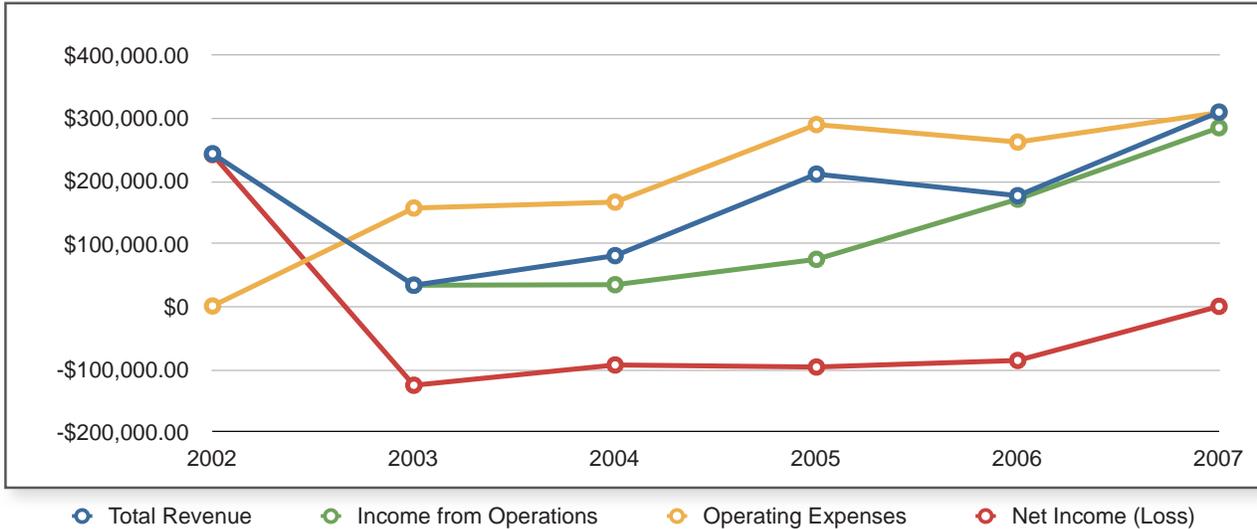
In 2005, Fundación Paraguaya created the sister organization Teach A Man To Fish (TAMTF) to help other communities, both regionally and internationally, develop similar educational institutions. Part of TAMTF's work is crafting a toolkit for each participating school, which has enabled parts of the Farm School to be effectively replicated at Escuela Agrícola San Isidoro Labrador in Paraguay as well as in seven other schools in Brazil, Nicaragua, Bolivia, and South Africa.

TAMTF emphasizes four elements: educate teachers about sustainable agriculture and entrepreneurship; focus the curriculum on both academic learning and business training; identify niches in the local market that teachers and students can use to create workable business plans; and engage all stakeholders—from students to teachers to families to the nearby residents—to position the school for success.

"The Financially Self-Sufficient Organic Farm School is not a pilot, it's a paradigm," says Nik proudly. "It's self-sufficient, which means it is endlessly replicable.... It's literally a revolution in the making and with potentially the same impact as the microfinance revolution. For the people who got in early on microfinance, they're the ones

with the biggest smiles on their faces today. And the people who get in early on education that pays for itself will be the people smiling very happily in twenty or thirty years, too."

## Financial Performance

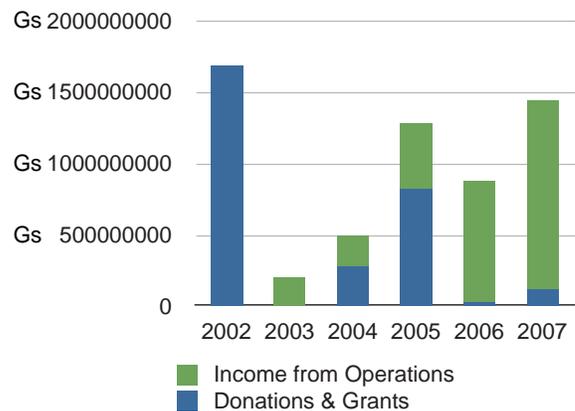


The Self-Sufficient Organic Farm School appears to be moving toward self-sufficiency. Income from operations has grown strongly each year since they began, and has gone from covering 20% of operating expenses in 2002 to 92% in 2007, a positive sign that they will be able to reduce and potentially eliminate their reliance on grant and contribution funding. This is fortunate given that revenue from grants and contributions has been somewhat erratic, which could complicate the financial health of the business over time. Balance sheets were not available for analysis.



Sarita Role Schaffer

## Balance Between Earned Income & Grant Income



## Social & Environmental Performance

### B Corporation Report Card Score: *Pass*\*

*\* According to the B Survey rating system, this enterprise qualifies as a "Beneficial Corporation"*

#### Additional Indicators

Category	Findings
<b>Social &amp; Labor Stewardship</b>	
Established mechanism for worker representation in decision making/management?	No established mechanism. Employees "sometimes" included in strategic management decisions.
Benefits provided to employees and their families?	<ul style="list-style-type: none"> <li>• Living wage to all part-time &amp; full-time employees</li> <li>• Retirement plan for full-time employees at least partially paid for by company</li> <li>• Health insurance</li> <li>• Dental insurance</li> <li>• Life insurance</li> <li>• Short-term disability</li> <li>• Paid sick leave</li> <li>• Paid vacation</li> <li>• Paid maternity leave</li> <li>• Paid paternity leave</li> </ul>
Membership in associations that foster labor, community, or societal stewardship?	None
<b>Environmental Stewardship</b>	
Are all sites of enterprise activity free of regulatory problems, liabilities, or fines for environmental issues?	Yes
Energy conservation or renewable energy practices?	<ul style="list-style-type: none"> <li>• Energy usage measured annually</li> <li>• Energy efficiency policies</li> <li>• 5-25% from renewable sources</li> </ul>
Membership in association(s) that foster environmental stewardship?	Not formally, but follows Grow Biointensive organic standards
<b>Local Economy Stewardship</b>	
Majority (over 50%) of enterprise ownership located in the same community as at least 2/3 of workforce?	No
Expenditures (other than labor) directed towards independent local suppliers?	<ul style="list-style-type: none"> <li>• Banking: Majority of services provided by a local institution</li> <li>• Supplies/services: 40-60% of expenditures (other than labor)</li> </ul>