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CASE STUDY CORPORATE MODEL

WHOLE FOODS LOCAL PRODUCER LOAN PROGRAM

Whole Foods | <http://www.wholefoodsmarket.com/mission-values/caring-communities/local-producer-loan-program>

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The Whole Foods Local Producer Loan Program (LPLP) provides loans ranging from \$1,000 to \$100,000 to help small, local, independent farmers and food artisans expand their businesses and support the development of products that Whole Foods would like to include in their stores. The loan can be used for capital expenditures like purchasing more animals, investing in new equipment, or expanding crop selection. The LPLP does not employ a typical application process. Rather, Whole Foods regional and store buyers recommend producers that are either already selling their product in a Whole Foods store and wish to expand or outside producers who meet Whole Foods quality standards and have developed a relationship with their local Whole Foods. As of August 2013, Whole Foods had made 165 Local Producer Loans to 142 different producers, totaling \$9.03 million.

KEY POINTS:

- Whole Foods makes loans to producers that already have a relationship with Whole Foods and want to expand their business or outside producers that meet Whole Foods quality standards and want to sell in Whole Foods.
- LPLP loans range from \$1,000 to \$100,000. The average loan amount is \$52,000.
- Both the regional and global offices will review applications based on income, cash flow, business plan, and return on investment.



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Whole Foods Market opened its first grocery store in Austin, Texas, in 1980 to sell natural and organic foods. As of June 2013, Whole Foods operates over 340 stores throughout North America and the United Kingdom. Whole Foods has regional distribution centers throughout the country that coordinate buying and implement initiatives. The warehouse serving the Mid-Atlantic is located in Landover, Maryland, and serves all of the stores in the Philadelphia area. Regional centers are increasingly emphasizing store purchasing, loans to producers, and the provision of space for producer-only farmers' markets.

Whole Foods began the Whole Foods LPLP in 2007, partially in response to criticism in Michael Pollan's book, *The Omnivore's Dilemma*. In an effort to act on the core values that Whole Foods espouses and support producers with similar values, Whole Foods developed the LPLP. The loan program is intended to help small, local, independent farmers and food artisans expand their businesses, strengthen producers' relationships with Whole Foods' regions, and support the development of specific products (including organic and animal-compassionate products) that Whole Foods would like to include in their stores. The LPLP provides loans ranging from \$1,000 to \$100,000 to eligible borrowers. The loan can be used for capital expenditures (e.g. buying more animals, investing in new equipment, or expanding crops).

Select Whole Foods regional and store buyers are empowered to recommend producers that are either already selling their product in a Whole Foods store and wish to expand or outside producers who meet Whole Foods quality standards and have developed a relationship with their local Whole Foods. The potential borrowers must be endorsed by the regional office. The region then sends their application to the global office for approval. Almost 100 percent of the applications submitted to the global office are approved since they have been vetted. Both the regional and the global offices will analyze the producer's income, cash flow, business plan, and return on investment when considering loan readiness. Whole Foods does not require collateral on their loans; however, they are fairly flexible with this requirement.



BeeWell Natural Foods from the LPLP Quarterly, Q3 2013

technical assistance. Additionally, Whole Foods has a low default rate in part because the producer is usually already one of their suppliers. Whole Foods recognizes that they are uniquely prepared to offer advice to their producers to help them grow and market their business.

The average Local Producer Loan is \$52,000 with a 5 percent interest rate over a loan period of five years. As of August 2013, Whole Foods had made 165 Local Producer Loans to 142 different producers, totaling \$9.03 million. The LPLP had a default rate of 7.1 percent. All of the loans that defaulted were given out prior to 2009, at the beginning of the program. Since then, Whole Foods has worked to refine their review process as well as provide borrowers who may be facing financial difficulty with