

Managing for Stakeholders & Behavioral Design in the Agriculture Industry

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On my honor as a University Student, I have neither given nor received unauthorized aid on this assignment as defined by the Honor Guidelines for Thesis-Related Assignments

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Abstract

This project attempts to develop and implement a program to restructure the financial flows within the charitable food space. The operating team identified flaws in the existing systems in place, consulted with a variety of stakeholders and relevant experts, performed extensive research into potential solutions, and has begun implementing the necessary steps toward the goal of making food donations financially viable. Ultimately, the end target is to help more food reach charitable organizations and feed hungry individuals and families in America using this system, though the project is ongoing and has not been successfully completed yet. Work remains to be done in terms of the partnership acquisitions and internal data management necessary to finalize the program.

Problem Statement

Currently, there are a variety of ways that food donations are managed within the United States. In general, there are three parties: the donor (in this case, usually a farm/agricultural wholesaler), the recipient (a food bank or other distribution coordinator), and a facilitator (a group that handles transportation, logistics, and otherwise ensures that the food moves from the donor to the recipient smoothly).

Of course, money is needed to keep all of these organizations operational--donors are usually for-profit businesses, so they have their own revenue streams, but facilitators and recipients are usually nonprofit and do not have saleable products with which to generate income. Three models exist to solve this problem. One is for the facilitator to charge a fee to the donor for the service of picking up surplus goods and providing placement options, and subsequently to bring the food to the recipient free of charge. Copia uses this model. Another

option is to provide the pickup and logistics service free to the donor, then charge the recipient for the food before arrival, relying on the recipient to generate funds from external sources like grants and philanthropic foundations. Feeding America does this. These two options have benefits and drawbacks. They are scalable, in the sense that the facilitator's revenue is linked to the volume of food that it is responsible for moving--however, they both impose barriers to donating because of their reliance on other members of the charitable pipeline to cover costs. The third option is for the facilitator to generate its own funds from external sources and provide both services to the donor and the recipient for free. This system makes donation and receipt of goods as easy as possible, but by decoupling revenue from the volume of donated food, the facilitator has trouble scaling up operations as fundraising can't grow infinitely. Thus, a new option for financial viability must be added to the charitable food space.

Project Scope

The solution to this problem is tax benefits from the government. Using these to support donors (noncash donations to qualified nonprofits are tax deductible) creates a new revenue stream that is scalable with volume of food moved as well as plentiful enough to cover most of the logistics providers' costs.

The project surrounding this solution was two-fold. Step one is to understand the technical details of the relevant tax code well enough to claim tax benefits on behalf of donors who partner with The Farmlink Project, the nonprofit with which I managed this endeavor. What documentation is necessary during a deal? What documentation do we need afterward? How do we ensure that the amounts and types of items that donors say they are providing match what recipients say they received (a more common problem than it sounds, and one that would prevent

benefits from being available)? What legal stipulations do we need to make sure to get pen-and-paper signatures on from each party?

Step two was to build the partnerships with other members of the agricultural and charitable food spaces. Once we know how the taxes themselves work, what do we need to do to convince donors to work with us on this project? Who do we approach first? What information should we present to potential partners right off the bat? What other resources can we use as sources of information or guidance to help us? What role do our recipients need to play in this system and how to we approach them with these ideas?

Fall 2021

For the last several months' worth of updates and progress, see the Appendix for previous capstone reports and complexity analyses.

Spring 2022

Spring 2022 was the beginning of a 'slow and steady' approach to the project, contrasting with the full-steam-ahead mentality that characterized the efforts made in the Fall. Below is an outline of the main components that are making steps forward as of April, including why each is important to the tax program and how I specifically am leading/contributing to each. This was taken directly from a document I wrote and submitted to the Farmlink executive team's project review.

Current status

There are four main areas where the tax program has made steps forward in recent weeks: food bank partnerships, communication and data centralization, advertising, and policy advocacy. This section describes how each one contributes to the tax program.

Food Forward tax deal

- Proposal overview
 - Food Forward shares estimated data with us about loads donated from wholesalers that FLP does not already work with
 - Food Forward won't provide specifics until the donor gives consent
 - FLP and Food Forward jointly approach the donor to pitch the tax program
 - If the donor is interested, we begin collecting more specific data and consolidating documents needed for submittal to the IRS
 - We send compiled documents to the donor in time for tax season
 - Tax savings are divided among the donor, FLP, and Food Forward according to contract specifications
- If successful, this will provide us with broad access to new partners, a helping hand with introductions, and a bank of data to start the program with
 - Think of this as a tutorial for FLP to get the tax program right on the first try. It's much simpler to acquire new partners and to execute the tax program this way than it will be from scratch
- Long-term relationship building with Food Forward and its partners outside of FLP's current range

C&D centralization

- Launch of backend systems
 - Improved data management
 - Easier to consolidate data for bundling purposes
- Phone system
 - Streamlined data collection from donors
 - Currently blocking the advertising plan as we will use this as the method for potential donors to contact us

Advertising

- Provides an avenue for new partners to approach FLP with the tax program built into our standard partner onboarding process, so we can pitch this system to a variety of donors
 - Opt-out will likely increase our hit rate for landing partners, compared to the opt-in model we've been pitching so far
 - Entering conversations with new partners gives us a blank slate to start with, which will make the process easier to incorporate (as opposed to changing up our deals with existing partners, which has proven difficult)

Policy

- Further Incentivizing Nutritious Donations (FIND) Act introduced March 31, 2022
 - Not yet signed into law, but if it becomes law we are prepared to pounce on the opportunity to incorporate it into the tax program

- FIND Act language is very easy to understand given our expertise in existing law
- Additional requirements to claim FIND benefits are negligible
- Additional credits & deductions increase the value of tax program partnerships
- We don't even have to wait for it to become law in order to use it. Imagine pitching "we can get you XXX total tax savings, which could increase significantly based on legislation currently in the federal system..."
- Potential for additional opportunities for FLP to participate in legislative process
 - Given success of this first opportunity, policymakers may approach us in the future for feedback on drafts in the tax space or otherwise
 - A social media blast is in the pipes for this purpose

Current problems/blockers

- Rollout of phone system (blocking advertising)
 - On track to pilot in the coming weeks
- Resiliency - we have no way to predict what will happen when we roll out ads. Will we be overwhelmed with calls and interested partners? Will there be very little engagement? Or anywhere in between? Need to have a plan and a backup for any case
 - Currently being worked into the phone system (i.e., call-receiving hierarchy)
 - Potential need for additional fellows/staff to be onboarded to tax program - Alex on standby for this

- Finances - flesh out plan for fronting donors money when they agree to participate in tax program
- Time - tax program progress is generally very slow, especially when we are waiting on responses from external people/entities
- Food Forward negotiations - in progress, looking workable so far
 - Most recent development (April 5) is that they don't want to share specific data until we've gotten the green light to do so from donors
 - Ideally we'd want the data before approaching the donor because that way we can estimate their savings during the initial conversation
 - As a backup, Luis has plans to approach other food banks with the same proposal, or to approach Food Forward's donors directly

Future needs

- Donation receipt template
 - There are a number of legal clauses that need to be listed on the receipt in order for it to qualify for tax program purposes - normal FB receipts may not have them
 - Also useful because we can send itemized lists of donated goods to the food bank and just have them sign, rather than making them generate the list themselves
 - Easier to match up donor's list with FB's
- Are we prepared to help a donor through an IRS audit?
 - FDC has told us that this *will* when we start executing the tax program, even if we don't actually mess anything up
 - Full time tax program manager?

- This may happen sooner than the next tax season because some corporations pay taxes more than once per year (source: FDC)
- Structural planning
 - Next steps for Food Forward if we reach a complete agreement
 - Draft contract between FLP and Food Forward
 - Plan timeline for approaching donors
- Understanding of tax options for international growers
 - Based on what we know, we might be able to claim tax benefits for produce grown internationally, but with more effort and Q&A than domestic growers
 - Emily from HFLPC may be able to help with this (see below)
 - This is not a blocker (we have other avenues to pursue in the meantime) but would be a great extension project for the future

Team roles & partners

Alex

- Present
 - Negotiating tax deal with Food Forward (with Luis)
 - PMing the phone system

- Writing copy for ads, gathering feedback, acting as PoC for ad agencies (with Owen)
 - Spearheading tax-related policy advocacy
 - Onboarding FLP fellows/staff to the tax program team as needed
 - Future
 - Current roles + taking over tax program project management (at least for the time being)
 - Incl. team management
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*Some parts of this review have been removed/edited for privacy (such as the names of Farmlink-external people who are involved in some of the projects described).

Conclusion

As mentioned, the tax program is still very much in progress. There has not been an ‘end state’ or finalization yet, though I plan to continue building out the tax program and its corollary side projects through the spring, summer, and onward until that finalization has been realized.

Discussion & Learning

To say that I have learned a lot (so far) during this project would be an understatement. Not only did I absorb an immense amount of content-oriented material about corporate finance, taxes, and other technical details, but I also gained a huge amount of experience observing and participating product development, nonprofit management, project management, team-building, the federal policy-making process, and other intangible experiences. To be honest, I had thought

originally that the technical side of the tax program would be the hardest part--in other words, learning how the taxes actually work would take the most amount of time, and once we had figured that out, it would be easy to convince external entities to jump on board. The opposite was true--understanding the taxes was a breeze compared to the partner acquisition process and the product development that has become a central piece of the tax program's future. I think this knowledge will serve me extremely well in my career--as an engineer, all of these skills are important, especially when/if I make it further up the ladder than an entry-level position. Overall, I am very glad to have been as involved in this project as I have, and I'm excited to continue working on it in the months to come.

Appendix

Links to previous reports (order from oldest to newest):

- [Scope](#) (September 2021)
- [Proposed Schedule](#) (October 2021) - now outdated
- [Midsemester Report](#) (October 2021)
- [Fall Semester Report](#) (December 2021)
- [Spring First Report](#) (February 2022)
- [Complexity Report](#) (March 2022)
- [Spring Second Report](#) (April 2022)