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Crowdfunding: Frequently asked questions

agroBRIDGES Project



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This short guide explains what crowdfunding is and how agri-food businesses can use this alternative financing tool to find community support for business that is based on the concept of **Short Food Supply Chains**. The guide provides answers to the most common questions on crowdfunding.

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1. What is crowdfunding and who is it for?

What is crowdfunding?

Crowdfunding is a way of raising money to finance projects and businesses, enabling fundraisers to collect money from a large number of people via online platforms.

Who is it for?

It is for entrepreneurs, business people and companies, especially small and medium enterprises who are thinking of alternative ways of financing a new business or idea.





2. Why crowdfunding?

Alternative source of funding



Crowdfunding is an innovative way of sourcing funding for new projects, businesses or ideas. A successful crowdfunding campaign collects many small sums from a large group of individuals as opposed to traditional funding which collects large amounts from one, or a few, sources.



Proof of concept and validation

Crowdfunding gives you a reality check; it is a way to tell if others share the belief and value in your project or concept.

Help with other forms of financing



A successful crowdfunding campaign can not only be a proof of your concept, but also highlights that there is a market for your business. This is very useful when seeking additional finance from other types of financiers such as banks, venture capital and angel investors, as you might seem less risky to them, or get better terms and conditions.





2. Why crowdfunding?



Access to a crowd

You are addressing a large audience of individuals, some of whom may have valuable expertise and insights. Crowdfunding enables you to interact with them in a novel way, providing valuable feedback without cost.



Powerful marketing tool

Crowdfunding can be an effective way to present a new product or a new company by pitching directly to the people that are likely to be customers.



3. How does it work?

Crowdfunding types

There are various types of crowdfunding. The most popular type for pre-trading and pre-profit projects and ideas is **rewards-based crowdfunding**. With this type of crowdfunding, individuals donate to a project or business with expectations of receiving in return a non-financial reward, such as goods or services, at a later stage in exchange of their contribution.

Crowdfunding platforms

Crowdfunding platforms are websites that enable interaction between fundraisers and the crowd. Financial pledges can be made and collected through the crowdfunding platform. Fundraisers are usually charged a fee by crowdfunding platforms if the fundraising campaign has been successful. In return, crowdfunding platforms are expected to provide a secure and easy to use service.

Many platforms operate an all-or-nothing funding model. This means that if you reach your funding target, you are awarded the money, but if you don't, contributors are refunded, so that there is no financial loss.





Examples of international and European crowdfunding platforms, focusing mainly on rewards-based crowdfunding:

Kickstarter (International)

This is one of the bigger names in crowdfunding. It is known for helping tech and creative entrepreneurs fund their projects before getting a loan or raising money for venture capital. The company has raised over \$6.5 billion since its inception in 2009. Kickstarter is an all-or-nothing platform, which means that you don't get your funds unless you complete your campaign and reach your goal. It also means that the funder's credit card won't be charged unless you meet your campaign goal.

Indiegogo (International)

Indiegogo users usually create campaigns for tech innovations, creative works, and community projects. The crowdfunding platform works in a similar way to Kickstarter, with the exception that it doesn't have an exclusively all-or-nothing fundraising model. Users choose between two options: fixed or flexible funding. Fixed funding is suitable where the project needs a specific amount of money, while flexible funding is good for campaigns where there will be benefit from any amount of funding. With flexible funding, you will receive your funds irrelevant of whether you meet your goal; with fixed funding, all funds are returned to your donors if you do not meet the campaign goal.





Examples of international and European crowdfunding platforms, focusing mainly on rewards-based crowdfunding:

Ulule (Europe)

One of the pioneering crowdfunding platforms in Europe, Ulule, allows creative, innovative and community-minded projects to test their idea, build a community and grow it. Individuals, associations, and companies create their project, detailing its financial goal, duration, and non-financial rewards offered in exchange for support. If they reach their goal, they receive the funds collected and give their rewards to those who supported them. If not, those who supported, receive a refund without any fee. Ulule only takes a commission from funds transferred.

FundedByMe (Sweden, Europe)

Founded in Stockholm, Sweden. To promote cross-border investments that support both entrepreneurs and investors, and to help job creation and economic development, the platform has a major focus on European entrepreneurs.

WhyDonate (Netherlands, Europe)

This is a platform specifically designed for raising money for a cause. Here you can donate money or start fundraising for a charity yourself. It also supports private fundraising projects. If you are looking for a space to help you crowdfund in Europe, consider WhyDonate to start donating to your cause without any hassle.





4. Does crowdfunding work for agri-food?

Crowdfunding is a useful tool for any idea, including those in the agri-food sector.

Most crowdfunding platforms allow you to invest in projects related to various sectors: art, comics, crafts, dance, design, fashion, film & video, music, food, etc. This is the case for the most renowned international platforms, Kickstarter and Indiegogo, which include a generic Food category. Many other platforms do not distinguish projects by sector, but they still include food related projects (see examples below).

The application of crowdfunding in the agri-food sector can provide huge help to small businesses and can stabilise cash-flow for smaller farms. Because it reduces pressure on financing and sales, producers are able to make their products as they desire them to be. In addition, the relationship between producers and consumers grows during the funding process. This leads to interest and active participation of consumers that can result in additional purchases and popularity.





4. Does crowdfunding work for agri-food?

We can sort agri-food crowdfunding projects into three categories: **pre-sale**, **event**, and **funds for operational costs**.


- **Pre-sale** includes funding projects before the food production stage.
- **Event** includes funding for events related to agri-food, such as opening a market, launching a festival or making an educational event. Successful event funding campaigns have provided enjoyable opportunities which people can't normally experience.
- **Funds for operational costs** includes supporting essential operational expenses such as costs for setting up a company, equipment, research and development. These projects tend to have social benefits, such as helping to produce healthy food. Success is generally achieved by emphasising the sincerity and expected impact.

According to a recent study on “Financing agri-food business in the Mediterranean area through crowdfunding” that used a sample of crowdfunding campaigns launched in the Kickstarter platform in the agri-food sector, 96% of the total number of European crowdfunding campaigns come from the Mediterranean. From those, 93% come from Italy (39%), Spain (29%), and France (25%). Others are present in Greece (3%), and Croatia (1%).





5. Examples of agri-food crowdfunding campaigns



Crowdfunding in the agri-food field may take many different forms. Examples might include funding for starting a community farm, the foundation of a small business, pre-sale of products (cooking equipment, farm products, processed farm products, garden equipment, etc.), farm operational costs, facility costs, farming education, management costs, supporting events (market, party), or publishing a cookbook.

Below, we have provided some specific examples of crowdfunding campaigns that are available in your local language. Have a look at each to identify the one that best meets your needs:

- [Kickstarter Crowdfunding Campaigns in agri-food in Europe](#)
- [Indiegogo Crowdfunding Campaigns in agri-food](#)
- [Ulule Crowdfunding Campaigns in agri-food](#)
- [FundedByMe Crowdfunding Campaigns in agri-food](#)
- [WhyDonate Crowdfunding Campaign in agri-food](#)

You may search the above platforms for more agri-food crowdfunding campaigns in the future.





6. Crowdfunding options in your region

There are many available crowdfunding platforms that support business ideas from various sectors. There are also many options for international crowdfunding platforms that are available in your local language as well as local platforms that support your regional market.

Below you can find some examples from your region. Explore the platforms to find which best suits your needs:

- [Kickstarter](#)
- [IndieGoGo](#)
- [FundIt](#)
- [GoFundMe](#)
- [HeavyFinance](#) (Crowdfunding for heavy farming equipment)
- [WhyDonate](#)
- [Ulule](#)



7. Further information

Below is a list of resources where you can find more information and detailed answers to your questions about crowdfunding:

- [Guide on Crowdfunding, Internal Market, Industry, Entrepreneurship and SMEs, Official website of the EU](#)
- [Crowdfunding Platforms, The Balance Small Business](#)
- [10 Best Crowdfunding Platforms in Europe \(2022\), WhyDonate blog](#)
- Rosa Misso, Gian Paolo Cesaretti, "[Food sustainability and crowdfunding: the role of Internet](#)", Proceedings of the 8th International Conference on Information and Communication Technologies in Agriculture, Food and Environment (HAICTA 2017), Chania, Greece, 21-24 September 2017.
- Isidora Lj. Ljumović, Vladan D Pavlovic, Goranka R. Knežević, [Financing agri-food business in the Mediterranean area through crowdfunding: Do environmental issues matter?](#) New Medit, A Mediterranean Journal of Economics, Agriculture and Environment, 2021 n. 3.

