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Developing a taste for natural products

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Five years ago, Robbie Rech and a few of his friends sold their spicy avocado hummus at the Boulder farmer's market.

It was a hit.

Grocery stores in the state wanted it. Then, grocery stores in other states wanted it.

"It's a big challenge to go from making a batch every single week and selling it in person to scaling that into grocery stores locally to nationwide," Rech said.

The company, Louisville-based Hope Foods, uses a pressure process instead of a more common heat process to seal the packages, which Rech says keeps the product fresh. But the pressure packing machines are expensive. The startup company needed money.

"When you meet with a national bank, they are polite," he said. "They don't care about the product. It's more about commodity and money – they want to know, 'What's the bottom line?' It's very transactional."

But some bankers couldn't see the competitive advantage of using the pressure packaging machines, he said.

"The space is growing so much, [and] there is a lot of need for capital and investment," he said. "The challenge is finding someone comfortable with the business you have and the future potential you have."

Hope Foods got a loan with First National Denver, a division of First National Bank of Santa Fe which operates 21 branches across New Mexico and Colorado.

The company now employs 80 people and sells its hummus in every state in a variety of grocery and specialty-food chains.

Banker Gretchen Fapore Wahl said First National Denver has made the natural products industry one of its target markets.

"Financing a perishable item is not necessarily an easy thing to do," said Fapore Wahl, senior vice president of commercial



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Robbie Rech, president of Hope Foods, demonstrates the Avure 350L HPP, a machine that uses a pressure process instead of the more common heat process to seal packages.

banking at First National Denver's Boulder branch.

Industry experts have identified Colorado as an emerging powerhouse in the organic products market, according to the Colorado Department of Agriculture. It amounts to about a \$2.5 billion in organic products sales.

"I don't think anyone had taken a real strong run at the industry," Fapore Wahl said. "Nobody was saying 'I'm gong to be an expert in this industry.' We decided to do that."

That was three years ago and now First National Denver's Boulder branch spends 80 percent of its time targeting the natural products industry and is growing that sector of business in Denver, Fapore Wahl said.

It's not that natural product startups are more risky than other startups. It's about speaking the same language, said Andy Romanow, shareholder at Oklahoma-based

Hall Estill's Denver office, which opened in April with five attorneys. He is part of a firm-wide team that has formed a food and agribusiness specialty group. From his perspective, it's about speaking the same business lingo.

"It's about trying to figure out how to turn an oatmeal recipe into a business or talking with a wheat farmer about, 'How do I make this more attractive to a lender?'" he said. "It's having that ability to ask relevant questions and understand the metrics on a farming operation and how it translates to business that is important."

Fapore Wahl said there are many challenges with seasonal products, including how and when the companies are paid, how they have raised money, and how their products have been accepted in the market.

"We've shown our ability to bank these businesses," she said. "You've got to understand the nuances with those retailers."