

Executive Summary

Sitka Seedling Farms has a vision for a new and stronger food economy for Southeast Alaska. It wasn't that long ago that Southeast was food independent. Although that tradition lives on at sea, it's nearly been forgotten on land. Not too long ago, right here in Sitka, there was a goat farm on Pherson St, a functioning experimental farm growing barley and apples and a garden in almost every backyard. Sitka Seedling Farms, lovingly referred to as "the Farm" by its owners, is bringing this tradition back in a big new way. Southeast is demanding something more than the current baseline of barged in food-like-substances, and the Farm brings a compelling vision of a path to the future.

Sustainability and development have historically been at loggerheads with each other. While that may still be true of mining or road building, the seemingly new principles of organic agriculture mimic timeless natural patterns to grow business at the same time that they grow ecosystems. We believe that the Farm can create jobs for Sitkans and habitats for songbirds. We believe the Farm can turn muskegs into orchards and Southeast sunshine into a livelihood. The Farm faces the same challenges that all of Southeast faces; rugged land, a unique climate, scarce sunshine, and ravens in the trashcan. Rather than limiting us, we believe these challenges will shape the Farm into the best version of itself, like it has so many other enduring Southeast successes.

Looking down over the wing of a Cessna, or from a raven's eye view, Sitka Seedling Farms might look like any other farm; neat rows of crops, a patchwork of pasture, greenhouses here, a cluster of homes there. But take a closer look and a more dynamic picture comes into view. The Farm will grow more than food, it will grow food businesses. There is plenty of desire for local food in Southeast, but the same factors have inhibited business everywhere - the scarcity of land and the high cost of development. The Farm is tackling this challenge head on by pursuing private/public partnerships to develop accessible land and the facilities to make them useable.

By taking the leap and developing land and facilities we'll make it that much easier for the next generation of food businesses to germinate — it's like a seedbed for farms. Alongside our fields of salad greens and zucchini will grow fertile soils and ripe greenhouses for the leasing. By building a packhouse twice as big as we need for only one and a half times the cost we'll have plenty to share with other growers. The message is simple; prepare the fields and new businesses will sprout up like dandelions. The Farm is able to do this because it thinks differently about business. Here at the Farm, we believe a dozen small farms are better than two big ones, and we'd rather be one among peers than the leader of a rat race.

The business plan is simple in its essence. Develop the land, develop the facilities. Grow food. Grow new food businesses. Do it in a way that enriches the ecosystem. Do it in a way that allows the business to grow. Do it in a way that provides a livelihood for the owners and employees. Grow it in such a way that it all grows together.

Business Vision

Sitka Seedling Farms began as a shared vision between Matthew Jackson and Raymond Micklon. Jackson was born in Ketchikan, while Micklon has spent his life in the North Woods of New Hampshire. Both shared a desire to live an outdoor lifestyle, build community and grow a local food economy. Both agree that starting a farm is the best way for them to achieve these goals.

Sitka Seedling Farms will grow food for Sitkans and grow local food businesses for Sitka's economy. The Farm, as we have started referring to it, will solve two problems simultaneously and symbiotically. First, the Farm will grow food to meet the burgeoning demand for high value local produce. Second, the Farm will develop land and facilities for future food businesses, kickstarting a new food economy.

The Farm could start small-scale vegetable production as soon as next spring, with goat dairy operations beginning shortly thereafter.

Growing food and building community are not short term goals. Soil and relationships are nurtured over generations, not fiscal years. Jackson and Micklon believe in core values to guide us on this lifetime journey.

- **Grow Wiser, Not Necessarily Bigger** – We never want the farm to be bigger than the two of us can manage on a human scale. We believe in making a living, but we're not interested in making a killing. We want to see our model duplicated horizontally around the region. We would rather see a community of fellow farmers, bakers, fishermen, and fermenters than 6 figure incomes.
- **Grow the Best** - Our competitive advantage comes from the freshness, character and quality of our products. We will grow varieties adapted to our unique climate, harvested at the peak of ripeness, and rushed to the consumer for maximum freshness and satisfaction.
- **Be Net-Ecologically-Positive** – We aspire to more than just break-even sustainability. We want to sequester more carbon in our organic soils, turn muskeg into orchards, provide more habitat for songbirds in that orchard, generate more renewable energy than we consume, create more meaningful work for our community, build deeper relationships with our neighbors, provide better food for our customers and grow a more resilient community. And we believe we can earn a net-positive-income doing it.
- **Work at a Human Scale** – We don't believe in tractors or conveyor belts. We use big technology when we need to, but wherever possible we work at a human scale using mostly human power. Human scale is ecologically positive and wiser in the long run.

Our Market

The demand for fresh, organic and local produce is high. Nationwide, it has been the fastest growing consumer market of the last decade. Demand is high in Sitka too. Sitkans, like most Alaskans, have long had a strong affinity for local business of all kinds. Sitkans especially appreciate the high value of local seafood, and this appreciation has translated to local fruits and vegetables as well. High demand has resulted in the establishment of the Sitka Farmers

Market, the Sitka Food Co-op, Lori Adams' Down To Earth U-Pick Garden, Keith Nyitray's Finn Island Farm, and Bobbi Daniels' Sawmill Farm.

The recent development of all these businesses is proof of consumer demand for local produce, but it is also proof of local demand for agriculture space and food processing and storage facilities. Although several of these businesses identify themselves as farms, each is operated on urban backyards and small parcels of residential land. There is no convenient place for these businesses to process or store their goods. For some, such as Sawmill Farm, the lack of concentrated space is the single limiting factor to growth. These are our customers for agricultural services.

Our target customers for the produce end of the business are Sitkans who value quality and health; Sitkans who value Local. These are the same Sitkans who already buy their rain jacket downtown instead of on Amazon, who already fill their freezers with wild fish and game, who are already going to the Farmer's Market and the Food Co-Op. We will reach Sitka's many visitors through Sitka restaurants and small cruise lines. Many chefs in Sitka, such as Edith Johnson of Fly-In-Fish-Inn, Collete Nelson of Ludvig's Bistro, or Kathy Jones of Westmark, have expressed a desire for more local produce directly to the owners of the Farm.

Market Share and Long-Term Outlook

Data for produce sales in Sitka doesn't exist. What is certain is that large amounts of produce are sold that are of inferior quality, shipped in from far away, at high prices relative to down south. In this environment, the Farm is confident that it will be able to capture a large share of the market at profitable prices.

In the long range, local agriculture is only going to become more competitive. Drought, depleted aquifers, and the eventual and inevitable rise in the price of fossil fuels will raise prices in traditional agricultural states such as California, increase the cost of transportation and drive up food prices in Sitka. In contrast to these factors, the cost of production at Sitka Seedling Farms is likely to go down over time. Our human-scale and ecologically-positive principles insulate us from fluctuations to fossil fuel prices to a degree, and we are not reliant on expensive transportation systems. The food business the Farm will provide services to will also benefit from these factors, and as we grow, they will grow too.

Marketing Strategy

The high demand for quality local produce has led to many creative marketing arrangements. One such model is the Community Supported Agriculture or CSA model. The CSA model streamlines ordering, payment and distribution for the farmer, and passes on savings to the consumer. There are as many variations on the CSA as there are farms that use it, but the basic idea is simple. Customers buy "shares" of vegetables for a whole growing season, to be made available at agreed on times throughout the season. Customers pay once at the beginning of the growing season, and receive fresh, healthy produce from a place they know and trust. The Farmer gets a big lump payment at the beginning of the growing season when they need it, harvest and process on bulk scales, but capture near-retail value for their product.

CSA's demonstrate a key principle of successful small farms: Work in bulk and sell at retail! We believe in cutting out the middle man. Chefs and customers value getting their food directly from the farm, it's part of what local is all about. This allows the Farm to process relatively few unique orders in bulk (five or six chefs ordering for the week, 40 identical CSA

shares), but realizing the full retail value of the sales. This involves a little extra work — packing CSA boxes, driving to the restaurant ourselves. But Sitka's small size and tight community make cultivating these direct-sales relationships all the easier.

Growing farms typically go through several stages of marketing as they fill their niche in the market. In the first season as production is becoming dialed in, the Farm may sell mostly to restaurants, and the Farmer's Market, where inconsistent production isn't a big issue. As soon as the next season, when the Farmers are confident of producing consistent crops, a CSA could be launched. CSA's themselves often evolve through the seasons. The Farm may distribute its CSA on farm or at a location like the Sitka Food Co-op. It will probably start small at 10-20 shares, but will grow, possibly to 80-100 shares.

Products and Services

The Farm will sell one type of product and two types of services.

The Farm will sell Food. It's a diverse category, but it's our business. Farming isn't a single linear process, it's a whole food web woven into one place. Our farm food web begins with seeds planted in greenhouses early in spring. As these seeds grow, they're transplanted outside and valuable crops like zucchini, tomatoes and peppers are started in the greenhouses. This process continues into the summer until the greenhouses and fields are full, and then slowly reverses itself as winter approaches, the fields emptying, and the greenhouses transitioning into winter salad mixes, until it comes time to start seedlings again the following spring. In the meantime, a complementary cycle is underway - ducks patrol the fields for slugs, goats are shepherded through the woodlot, young are born in the spring and sold in the fall.

The Farm believes that it is important to the health of our community to raise a wide variety of food. We also believe it is good for business. Take potatoes for example. Potatoes are the most efficient use of cropland on a calorie per square foot basis. But the cost of production for potatoes in Sitka is probably around \$5/pound. Unfortunately, our market doesn't yet value food based on its nutritional content or its ecological impact — \$5/pound potatoes are a tough sell. But people eat a lot of potatoes, so having them around brings in customers, and those customers might buy highly profitable mesclun mix at \$16/pound. It might even be worthwhile to sell potatoes at a loss if it attracts enough mesclun customers. Only careful record keeping will tell.

Small organic farms typically market 50 or more different vegetable varieties, a slew of animals and half a dozen or more value-added products. Agriculture has always been a diversified operation, at least until the Monsanto Age. Sitka Seedling Farms plans to follow in this tradition of diversity, but that doesn't mean we're going to give turnips and tomatoes the same attention. The Farm will have a handful of flagship products, things that we're known for, bring in customers and build a reputation for excellence. It's worthwhile to give a rundown of a few of these here.

Mesclun Mesclun, or baby salad mix is a fast growing and highly profitable crop. With about a \$1000 investment in seeding and harvesting equipment, Mesclun can be produced at a cost of under \$3/pound. At retail in Sitka wilted mesclun harvested in California two weeks prior sells for \$16/pound. The Farm is going to dominate the mesclun market. Our favorite

thing about mesclun though is that it matures in about 21 days, a fast crop that we can fit into any gaps in our fields and can be grown even in the dead of Southeast's mild winters.

Goat Milk Goat Milk's cost of production is about \$6 dollars a gallon, but high demand and almost zero supply means prices can be \$6 a quart or higher. Goats add another dimension to farm management, but it's a synergistic relationship. Goat poop ends up in the soil and goats help manage the woodlot, turning unwanted alder brush into goat meat on our tables. It would probably make sense to keep goats only for the fertility and land management gains - milk is just icing on the cake.

Sauerkraut We mention sauerkraut not because we'll do it in year one but because it demonstrates a value added product. Sauerkraut turns overpriced \$3/pound retail cabbage into competitive \$12/pound sauerkraut and kimchi that can be sold year-round, marketed to tourists or shipped to Juneau. The value-adding process brings the cost of production to around \$4/pound, but it is more than worth it.

Services

The Farm will offer agricultural services to other food business and agricultural experiences to the public. Both services will grow organically alongside the physical farm. We don't plan on offering all these services right away. Some of them we may never offer. But we include them here because they are a part of our long term vision. Some of them we will definitely offer. We believe that a conscionable local farmer couldn't *not* invite school children on to their farm.

Agricultural services includes leasing equipment, land, facilities and expertise to other food businesses. This could mean leasing an acre to Sawmill Farms to house their rabbits and chickens, renting cold storage space and an Earthway Seeder to a fellow market gardener, or lending our experience to new food entrepreneurs. Agricultural Services helps the Farm spread the cost of development over multiple users, and it helps new and complementary food businesses start up, which means Sitkans have even more healthy local food choices. It's a win-win-win.

Agricultural experiences include agri-tourism and education. This could look like paid tours for cruise-ship visitors, vacation rentals and summer farm camps for local youth. We know this can be a profitable aspect of farm businesses because we've seen it done in Vermont. The limiting factors will be space, staffing and desire. Jackson has considerable experience as an educator and social worker, but might find hosting visitors from down south tiring. Giving hay rides to cruise-ship tourists could be the most profitable side of the business or a huge pain in the rear.

It also means free tours for locals and schools, or event space for a community harvest festival or pumpkin carving contest. We don't want to make money off locals on our Agricultural Experiences, there is plenty to make from tourists. We believe sharing the Farm with Sitka will pay dividends in stronger relationships with our community.

Through it all, the Farm will retain its focus on growing food and growing food businesses. Productive fields will be the foundation of any services offered. In the end, only services that complement this vision will be implemented.

Organization

Sitka Seedling Farms is organized as a partnership with Jackson and Micklon as equal partners and co-owners. Jackson holds a bachelor's degree in education from Sterling College, with years of experience in food and agriculture as well as social work and education. Micklon holds a bachelor's degree in human ecology from Sterling College, with decades of experience in logging, forestry, carpentry, heavy machinery, maintenance and repair, and recent experience in organic agriculture.

Jackson is the farm manager, responsible for crop planning, planting, orders, harvesting, washing, delivery and customer relations. Micklon is the operations manager, responsible for land development, construction, project management, equipment operation and maintenance, transportation, and physical plant.

Jackson and Micklon's skill sets are complementary and overlapping. We won't be confined to the roles listed above, rather they define the ways we will help each other to help the business grow. Both will share responsibility for financial management, strategic planning, risk management, and employee management.

Operations flow in an organic feedback cycle within the farm. The cycle begins with development of the land. Development leads to growth, which creates incentives for new development. When the Farm talks about "development" we're not necessarily talking about a bigger barn or a new access road. Building organic matter and fertility in the soil, fabricating a more efficient compost turner or additional training for our workforce are more likely areas for development.

Operations evolve over annual cycles and short-term sales cycles. Winter is a slower season for production, a time when big projects are completed and the year's plans are laid. Spring is the busiest time of year on the farm, when plans are enacted, crops are planted and any lingering projects are wrapped up for the growing season. Summer is the busiest time for sales. Restaurant and market sales are at their peak, and so is our harvest. Fall starts out hectic with big storage crop harvests, slowing down in the approach to winter as we lay our outdoor beds to rest and prepare for winter.

A typical sales cycle in the summer might begin on Monday with an early morning assessment of our crops for sale. Based on this assessment, an availability list is distributed to customers and a CSA box is designed. Monday and Tuesday are spent harvesting, filling orders and packing CSA boxes, with deliveries Tuesday afternoon. Wednesday is a day for odds and ends chores, little projects, and a crop assessment for the big weekend order. Availability sheets are out by end of day Wednesday. Thursday is a day to finish up chores and begin harvest for weekend markets and orders. Friday is busy, packing all our orders, delivering to restaurants and preparing for market. Saturday is devoted to market, and Sunday is a day of rest.

Social and Environmental Impact

Here at the Farm, we believe in having a big impact! In Sitka the weekly food costs for a family of four can be over \$200. That's money spent in addition to the large amounts of wild foods Sitkans harvest and consume. Currently, most of that \$200 is being funnelled down south, where all of our store-bought food is produced. Sitka Seedling Farms can change all that. By capturing even a fraction of that \$200 per week per family of four, the Farm recirculates it

through the local economy. A quick extrapolation shows how much money we could keep in Sitka's economy by growing local. Say there are 1,000 families of four in Sitka, and they each spend \$50 dollars a week on locally grown food. That translates to 50,000 extra dollars circulating in Sitka in any given week! Throughout a year that's 2,600,000 extra dollars! Any time we can shift primary production back to our communities, the community is going to be better off.

Food from down south isn't just economically expensive, it's also ecologically expensive. The world pays in the form of degraded environments down south, in increased greenhouse gas emissions, in pesticide run-off from anonymous farms. Yes, we're going to cut down trees and develop muskeg in order to start Sitka Seedling Farms. But the total environmental cost of the Farm will be accounted for right here in Sitka. When we import food from down south, we're exporting environmental degradation. If the Farm can grow Sitka's food at a lower environmental impact than our competitors down south, we're doing the world a favor.

We follow a couple of rules to make sure we're having an ecologically positive impact. We don't use anything that ends in 'cide. We use only natural soil amendments, preferably sourced from Sitka. We avoid things that run off of fossil fuels whenever possible. We think it's pretty simple.

Financial Possibilities

The Farm knows that it can be profitable if it is not burdened with too much start-up debt. The Farm believes that it offers benefits to the community that will be able to leverage favorable access to land that will minimize its start-up debt burden.

Our financial projections indicate that \$300,000 is about the most the Farm could go into debt without overcapitalizing the business. At this level of capitalization, the Farm would break an even cash flow in Year 3. Different business trajectories have different capital requirements. To grow vegetables requires only a few thousand square feet of land and less than \$5,000 in start up costs to be profitable. To provide agricultural experiences to the community and tourists just requires a space of our own (ie, not rented urban backyards). To provide space and facilities to other food business requires the capital to develop and build those capabilities. There are as many different scenarios as there are customers, partners and landowners in Sitka. Regardless of where the Farm ends up, a few core facilities will be developed.

In Southeast Alaska, soil almost always has to be improved in order to perform well. Luckily, Southeast is overflowing with natural soil amendments, from salmon to seaweed. But it will take a few years to build the soil up. The Sustainable Agriculture Research and Education branch of the USDA has grants for producers that the Farm expects to utilize in order to offset these costs.

Greenhouses, usually called "high tunnels" in the market gardening world, are very scalable. Professionally engineered and insured high tunnel kits are available in any size at costs from a few thousand to a few hundred thousand dollars. High tunnel manufacturers and distributors always offer financing for their high tunnels, and with good reason. It's a general rule of thumb that a grower can pay off a high tunnel within two seasons due to the increased profit realized from the improved growing space. Additionally, the National Resource

Conservation Service offers grants to reimburse the cost of building high tunnels on a dollar per square foot basis.

A longer term investment is washing, packing and storage space. This would likely take the form of a pre-fabricated building with a cold storage room, loading bay, and produce washing equipment such as barrel-rollers and dip tanks. An open sided pole barn could be build for less than \$20,000, a state of the art enclosed pack house could run upwards of \$500,000. The Farm will start out small and grow as it sees appropriate.

It is an industry best practice for farmers and their employees to live on the farm. When a bear tries to get into the goat pen or a windstorm threatens to blow the plastic off a high tunnel, it pays to be on site. Housing will start with a rustic cabin shared by Jackson and Micklon, but could grow into a handful of houses and cabins providing homes for farm owners and workers.

The biggest financial variable is the land that the Farm would start on. One of our first choices is a long-term low-cost lease through the city of Sitka. The Farm is already exploring a lease of the unused muskeg space on the north side of Jarvis St.

So for example, in one scenario the Farm could obtain a low-cost long-term lease for the Jarvis St area through the city of Sitka. In this scenario the Farm could purchase the necessary equipment, develop the muskeg and build a high tunnel for around \$100k, with owners living off-farm and with some sales occurring the first season (depending on what time of year development starts). Further development would happen incrementally as the business grew, with a long term goal (5-10 years) of developing excess capacity to lease and on-farm housing for owners, employees and lessees.

Several agencies provide competitive guaranteed financing for farm businesses. The USDA Farm Service Agency (FSA) of Alaska is very supportive of Sitka Seedling Farms. FSA Director Danny Consenstein advised us in the planning of Sitka Seedling Farms, and the FSA is supportive of our mission. FSA provides guaranteed low interest loans to starting farms up to \$300,000. Alaska Dept. of Ag. also provides guaranteed low interest loans to farmers. The Farm will utilize these supportive financing options for new farm businesses.

Attached are financial models for several projected paths to growth.