

# **Honoring Agriculture Diversity in Marin**

Dance Palace – Pt. Reyes, California

October 21, 2015

## Notes: Breakout Session 2b – “Scaling up to the Next Level”

**Facilitator:** Stephanie Larson, UCCE Sonoma

**Notes:** Vicki Jimenez, UCCE Marin

**Speakers:**

Dave Evans - Marin Sun Farms

Rick Lafranchi - Nicasio Valley Cheese Company

**1. Introductions**

**2. What scale is your business? Example: northern ca, national etc. What is the “sweet spot” for production?**

RL: Putting money into production, added a lot of stuff in the last five years. You should start with a facility big enough to grow into in ten years.

DE: Difficult to identify. Cash flow positive, profitable, facility close to or near capacity, full time work for employees. These have to coincide with each other. He doesn't have any of this at this time, he hopes as he gains one, he will gain the others.

RL: Maximize productivity. Times are good for organic milk in Marin county right now.

DE: Endless growth is not what he sees because you want to keep integrity. Grow within the region, not necessarily bigger. Build a model to replicate in another area.

**3. How did you approach finding capital in order to scale up?**

DE: Started with zero dollars and zero capital. Not a profit if it is reinvested into business. Back in the 1980's credit card companies were giving away easy money. He took advantage of 0% interest for one year with no fees on numerous credit cards. He had a giant spreadsheet to keep track of it all. He was revolving over \$100,000. Luckily he got it all paid off in the nick of time, but he worked it to his advantage. He would not recommend it, but it worked for him. Then he started a fence company until 2008. Intention was to take the money earned from the fence company and invest it into an agricultural venture.

**Question:**

Stephanie: DE – How did you scale up?

DE: Vulnerable to processing during a certain time. Angel investor put wind in his sale to purchase his own processing company in San Francisco.

Ralph Grossi: DE – Did you also have CSA’s?

DE: Yes, Farmer’s Markets allowed for immediate cash. CSA was a great model, helped out a lot. Wholesale was a big jump for him because he had to wait 30-45 days to get paid. Vulnerable position. Direct retail = immediate money. 50/50 strategy allowed him to wait for restaurants to pay him. Allowed him to scale up.

RL: Company was financed by he and his siblings who are now middle aged and established, plus took a line of credit out on the ranch. Four to five revenue sales (?). 50% distribution. He and brother Scott are full time. Brother Randy dabbles in the business. Three sisters are silent partners. Not great revenue profits at the time, only in business for 5-6 years. Just now getting recognition.

**Question:**

Al Ponica: Warren Webber, Star Route Farms (in audience) - What is the “sweet spot” for production?

WW: You know when you are losing money. Organic was growing so fast that conventional producers started doing it, premium dropped supper fast. He was naïve to hold on. Friends lost entire processing plants! When things become commodities and you are not, somebody bigger will take it from you.

**4. Where do you see diversification and growing in Marin?**

DE: Still so much land that is still single product. Lots of room to grow on existing land to diversify. We have not reached overload of diversity. There is still room for more cheese, more veggies, more processing. We are a community of family farms. We are smaller, high quality. We are not going to be industrial. Conventional dairies are not profitable like they used to be. Still lots to happen in dairy land – butter, hogs, etc. Lots of room for diversification. Scaling to feed others start to not make \_\_\_\_\_. Offset owned shared leased land. Individuals specialize allowing county to diversify.

**Question:**

Al Poncia: DE – Some are growing, making others uncomfortable. How far will you go/ Organic in plant? Pigs, poultry, sheep?

DE: Petaluma plant is cow and pig. They can also do lamb, sheep and goats, but producers have a cheaper opportunity for those animals down the road. Plant was certified organic 3-4 months ago. Poultry is the only thing they cannot do. They could

finish it, but it would take another building due to the way poultry has to be processed. Not a premium market right now. Not enough boiler production.

Stephanie: DE – how many birds would you have to process per day to make it work?

DE: Thousands!

Person: DE – are there enough producers to supply his production?

DE: Currently buying from around California. Relationship building. Quality, fat animals are needed. Most of the quality Marin organic beef is going to Oregon and coming back to Costco. We need finishing grounds for beef. Doesn't pencil out real well, lots of math and economics. Good condition older animals (4 years) are full flavored, full fat, good piece of meat. (long conversation . . .)

RF: Grass fed beef seems to be doing well. Opportunity for many diverse products being so close to San Francisco and the variety of people who come there. Optimistic to have old conventional dairies become organic. There are really good ranches out there. Great ranches at the National Parks too. It would be a disaster if they grow brush

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