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Investment Tools & Food Systems



Angela Blatt

Director, Research & Technical Assistance
Council of Development Finance Agencies
Columbus, OH

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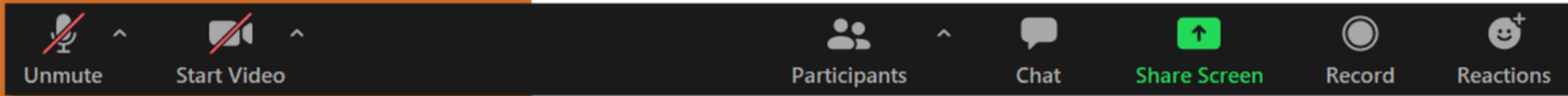
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Join the Conversation



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Defining the Food System Asset Class



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With support from the W.K. Kellogg Foundation, CDFA has been researching how development finance agencies can become more engaged in developing localized food systems through traditional finance approaches. The premise of this project is to suggest and then prove that, if organized and defined properly, the food system can become a defined asset class worthy of traditional investment. Through this work, CDFA aims to advance opportunities and leverage capital to scale local food systems, increase access to better food, and create new living wage jobs in communities across the country.

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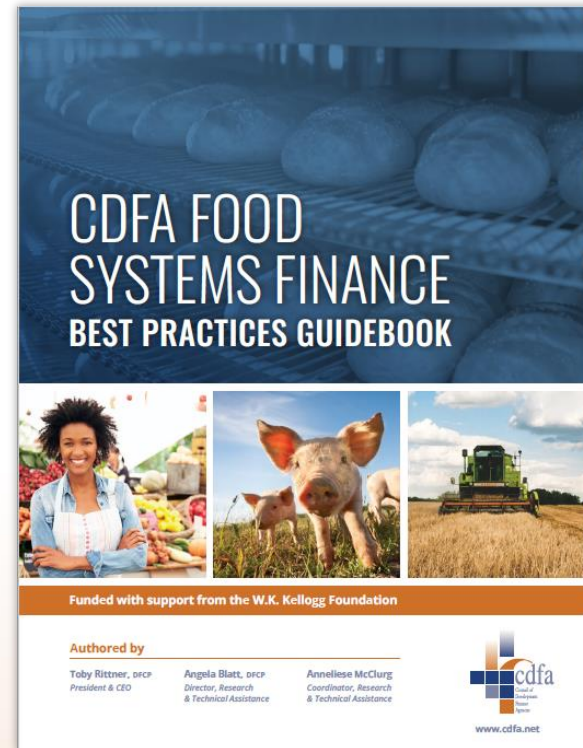
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Dan Miller

Founder & CEO
Steward

Sara Pietka

Director of Community Investments
Ecotrust

Kevin Morse

Co-founder & CEO
Cairnspring Mills

Henry Zhang

CEO, Everstar Consulting Group
Everstar Capital

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Investment Tools & Food Systems



Dan Miller

Founder & CEO
Steward
New York, NY



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CDFA FOOD SYSTEMS FINANCE **WEBINAR SERIES**



Equipping regenerative farms with the
capital they need to grow.



Background

Dan Miller | [Founder & CEO of Steward](#)



WESTERN DEVELOPMENT CORPORATION



FUNDRISE



Steward

Maternal family has been farming on the Eastern Shore of Maryland since 1884.

Western Development Corp, Washington DC-based family real estate company, has developed more than 20 million square feet.

Co-Founder, President, and Director of Fundrise, the first and largest US real estate crowdfunding platform with \$4bn AUM and 400,000 investors

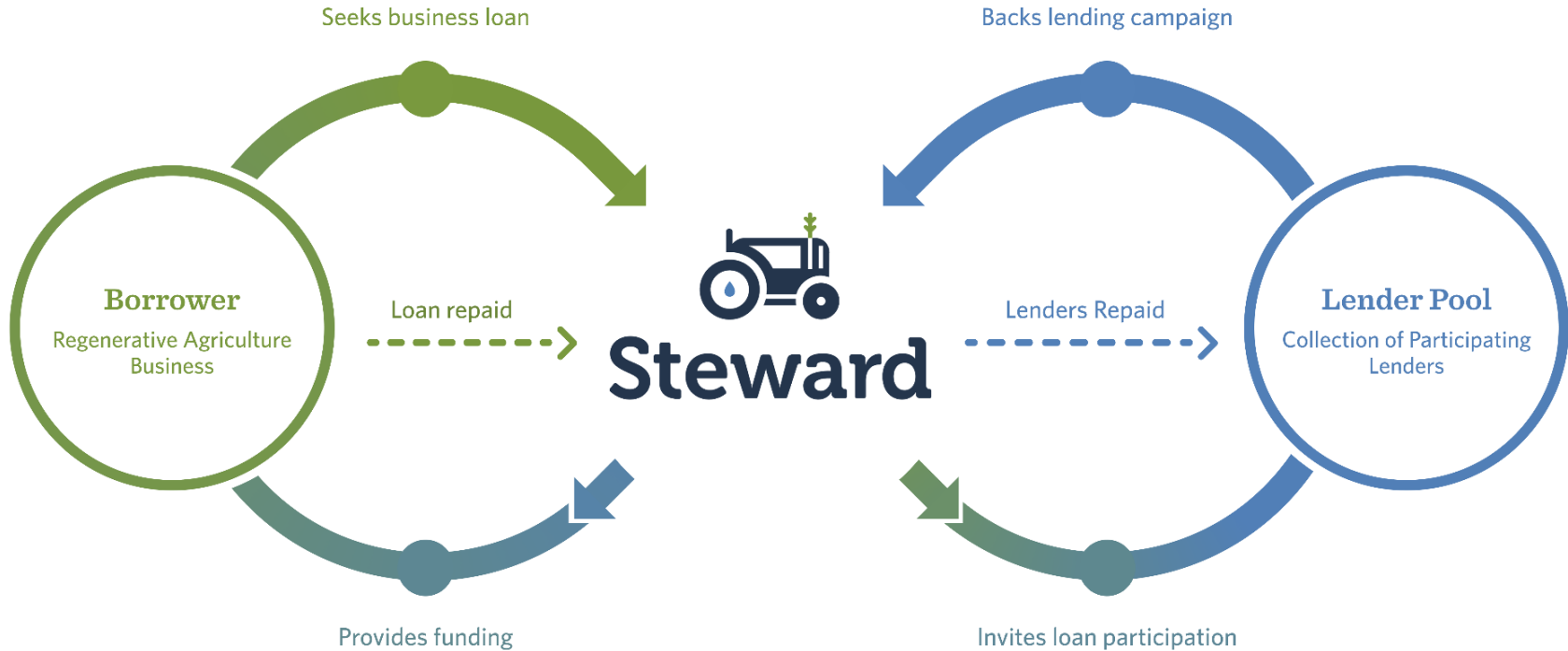
Founded Steward in 2017 to apply learnings from real estate crowdfunding to regenerative agriculture



“I am talking about the idea that as many people as possible should share in the ownership of the land and thus be bound to it by economic interest, by the investment of love and work, by family loyalty, by memory and tradition”

WENDELL BERRY - THE UNSETTLING OF AMERICA (1977)

The Steward Framework





CAIRNSPRING MILLS

Fresh Flour from Local Grains

CASE STUDY

Cairnspring Mills

Regional flour mill preserving the unique agricultural heritage of the Pacific NW and building markets for the amazing grain produced in the region

Location: Burlington, WA (Skagit Valley)

Loan Structure: Secured Loan (Bridge & Term Loans)

Loan Sizes: \$1.2m - \$2.5m (inventory – closed June 2023),

\$300k (equipment – closing December 2023)

\$20m (new mill facility – closing April 2024)

Interest Rate(s): 8.5% - 9.5%

Term: 1 year (inventory), 5 years (equipment), 7 years (new mill)

Use of Funds:

Comprehensive financing for all aspects of the business, including:

- (1) annual grain purchases directly from farmers
- (2) equipment to maximize efficiency and utilization of existing mill
- (3) construction and development financing for new \$30m flour mill near Pendleton, Oregon



dan@gosteward.com

202-489-7377

“The care of the earth is our most ancient and most worthy and, after all, our most pleasing responsibility. To cherish what remains of it, and to foster its renewal, is our only legitimate hope.”

- WENDELL BERRY



Investment Tools & Food Systems

Kevin Morse

Co-founder & CEO
Cairnspring Mills
Burlington, WA



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CAIRNSPRING MILLS

Creating the Craft Flour Market

MAGIC SKAGIT AGRICULTURE

- Skagit County maintains **one of the largest and most diverse agricultural communities** west of the Cascade Mountain range
- Today, in the northwestern corner of Washington state, **the region cultivates over 80 crops – including wheat**
- Bordered by Puget Sound, Skagit Valley is located between the booming metropolises of Seattle and Vancouver, BC, and nestled in the shadow of the Cascade Mountain range and the Olympic Peninsula



FRESH FLOUR FROM LOCAL GRAINS



Community based venture – Old fashion barn raising

Public Private Partnership with the Port of Skagit

- We believe that rebuilding local food systems, is one of the best way to **make communities healthier, more prosperous, and resilient**
- Spark a global movement to build **regenerative food systems that lift farmers out of a commodity system**
- Nourish our communities with clean, healthy flavorful flour
- Essential/Critical Infrastructure

What we do

- 100% unique, fresh, stone-milled flours from **identity-preserved grains**
- Ensuring **local farmers remain financially viable** while preserving the unique agricultural heritage of the Skagit Valley and the Pacific Northwest **by adding value** and lifting them out of the commodity system
- Improving health and **stewardship of the soil by using regenerative production practices**
- **Shortening the distance** between farmer and customer



Our Mill



- First in the US – back to the future
- Combines ancient craft of stone milling with modern computer technology
- Produces 28,000 to 30,000 lbs per day
- Estimated maximum capacity 7MM to 8MM lbs per year
- Industrial Mills product up to 6MM lbs a day





The Craft Opportunity in Flour

As consumer tastes have changed the majority of consumer categories in America have seen the emergence of robust craft segments with premium and super premium offerings. While third wave coffee and craft beer have grown significantly over the last two decades, consumer awareness and appreciation of craft flour has just begun to accelerate in the few years.





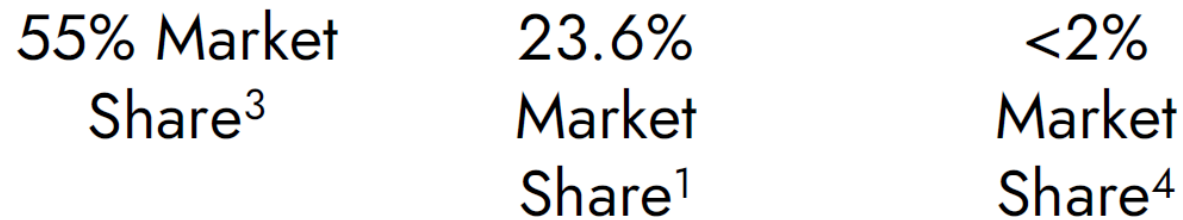
Significantly Underdeveloped Craft Market in Flour

While the craft and specialty segments of beer and coffee are much more mature after many decades of growth, the flour market is just beginning to develop a craft segment. We anticipate that the craft segment for flour will follow a similar trajectory and reach at least 10% market share by 2030 (representing over \$6b in annual sales).

Market Size



Specialty / Craft Market Share



Citations

1. <https://www.brewersassociation.org/press-releases/2020-craft-brewing-industry-production-report/>
2. <https://www.prnewswire.com/news-releases/with-market-size-valued-at-272-7-billion-by-2026--its-a-healthy-outlook-for-the-global-flour-market-301372686.html><https://sca.coffee/research/specialty-coffee-facts-figures>
3. <https://sca.coffee/research/specialty-coffee-facts-figures>
4. Internal company estimates based on knowledge of competitive landscape. Public estimates unavailable

PRAISE FROM LEADING BAKERS



"The flour from Cairnspring Mills is the best flour we have ever used. We use it almost exclusively."

Chad Robertson | Founder, **TARTINE**



"The brilliant thing about Cairnspring flour is its more European style. It's beautifully milled, and you have some of the bran and most of the germ, so it's got high nutritional value, too."

Mel Darbyshire | Head Baker, **GRAND CENTRAL BAKERY**



"The variety and the spectrum of flavors—it's mind-blowing. Cairnspring is finding different grains, and they're inspiring us to try new directions."

Leslie Mackie | Founder, **MACRINA BAKERY**

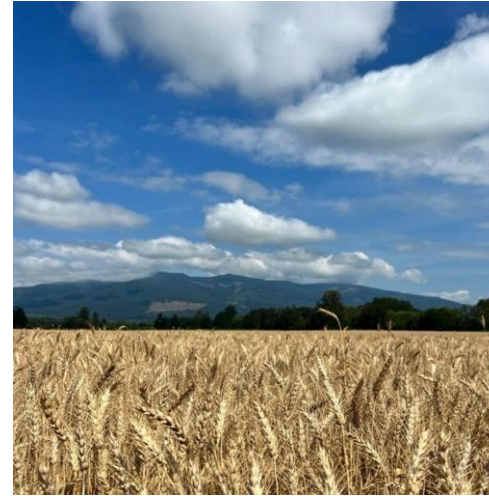
Cairnspring Sales in Pounds



IMPACT and RESILIENCE

Economic Impact

- 19 family wage FTEs
- Payroll and taxes > \$1/5MM/year
- Working with 14 Farms
- Farmers paid profitable price
- Supporting many local and regional restaurants and bakeries. Reducing their dependency on commodity flour and supply chains



Resilience during pandemic

- Fed our community – 300 to 400 cars every Friday
- Kept farms viable and animals fed in 3 county region with sale of millrun feed.
- Donated to food banks
- Ensured customers had flour ingredients to maintain business operations





CAIRNSPRING MILLS

New Mill to Be Located in Northeast Oregon

Ideal Milling Location in the Heart of the Northwest's Grain Hub

Current Mill location



New Mill location

Boasting one of the most fertile agricultural areas in the nation, Umatilla County in Oregon and the broader Walla Walla Valley produce everything from wheat to asparagus, strawberries, the famous Sweet Onions, and exquisite wine.

We already source from and have strong relationships with regenerative farmers in Eastern Washington and Northeast Oregon that have the ability to grow enough grain for max capacity of the new mill



Shovel-ready site has been selected in ideal location with favorable lease terms



The site for the New Mill is in the Coyote Business Park, a recently established business park on land owned by the Confederated Tribes of the Umatilla Indian Reservation.

Our leadership team spent months evaluating over two dozen possible site locations and selected the Coyote Business Park because it fulfilled 100% of our site development requirements related to utilities, access and building requirements.

We are in the final stages of negotiating a 50-year lease with the Confederated Tribes of the Umatilla Indian Reservation, that includes a grace period on lease payments until the Mill opens. Additionally, Cairnspring is granting 0.25% of the equity ownership of the company to the Confederated Tribes of the Umatilla Indian Reservation so that the tribe shares in the ownership and ultimate economic benefits of the Mill.

Challenges/Lessons Learned

- Traditional funding is not a good fit
- Public Private Partnerships
- Creative financing solutions e.g. Everstar and Steward
- Scale, unit economics, profitability
- Local ownership, value and support is key
- Power of community



Questions

Kevin Morse

Co-founder & CEO

kevin@cairnspring.com

(360) 333-9858

Order flour direct at

www.cairnspring.com

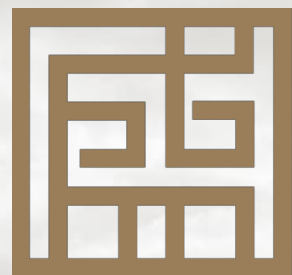


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Henry Zhang

CEO, Everstar Consulting Group
Everstar Capital



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📍 U.S.A | EverStar Capital LLC

波士顿 | 纽约 | 香港 | 上海

Boston | New York | HongKong | Shanghai



卷首语

FOREWORD

侨

行无界，贵乎通达，海阔天空。

盛

思致远，贵乎持久，厚积薄发。

侨盛之品

达观始于大境，恒远得之细节。

侨盛之道

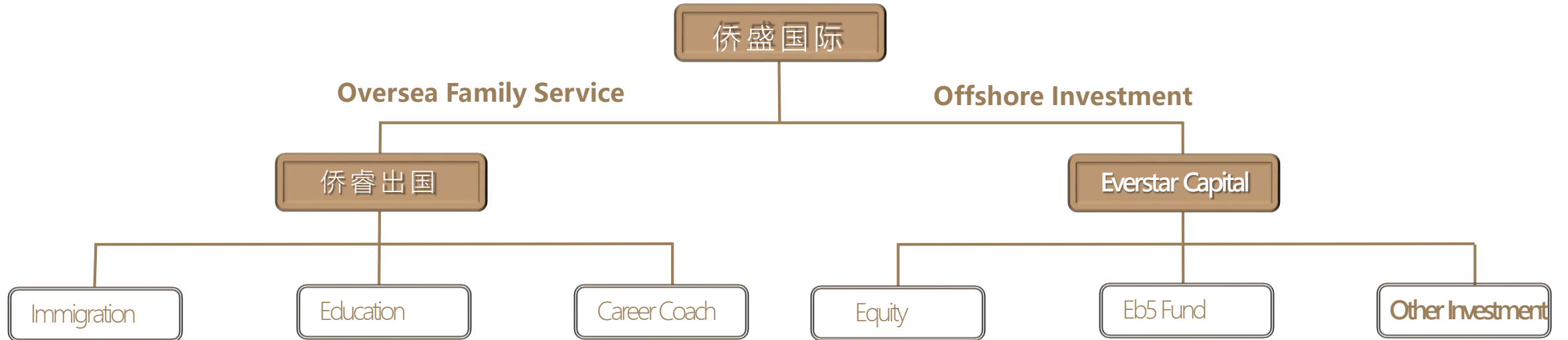
因传承而深远，

因用心而极致，

因坚持而历久弥新...



BUSINESS STRUCTURE





Sample Investment

Case A – 14M
Philly
Preferred Equity



Case A – 25M
NYC
Mezz Loan





EB5 Time Line

Timeline							
9-12Month	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Raise	Invest					Exit or extend	
							Exit

EB5 Capital Stack

	Deal Structure	
	Total Capital Stack	100M
A	Equity	20M
B	Preferred Equity or Mezz Loan	30M
C	Senior Loan	50M
Note	1. Usually Less than 40% of Total Capital Stack	
	2. Most common are Preferred Equity or Mezz	





Business Partners






Henry Zhang


MS in Real Estate Development, Columbia University

- Early career in USA - Real Estate Asset Management and Acquisition at BH Management in Dallas, TX, a real estate investment firm focus on multifamily acquisition with over 30k units then 2004 to 2008
- Transition to Asia - Responsible for Real Estate Investment China Operation for a New York Hedge Fund funded by Tishmen Speyer family 2008 -2009
- Work on Family business and tried one startup in factory mushroom production 2009-13
- Start Everstar Capital and focus on Wealth Management for international clients in 2013 and had raised about 200M Eb5 capital before 2018; tried to launch a bakery business franchise in NYC in 2018 to 2019.
- Shift focus to USA immigration fund and other alternative investment Management



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EVERSTAR CAPITAL

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Investment Tools & Food Systems

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Ecotrust

1

About Ecotrust

What we do

Since 1991, Ecotrust has worked in partnership from California to Alaska to restore lands and waters, foster economic development, practice relationship-based capacity building, & inspire through stories.

30

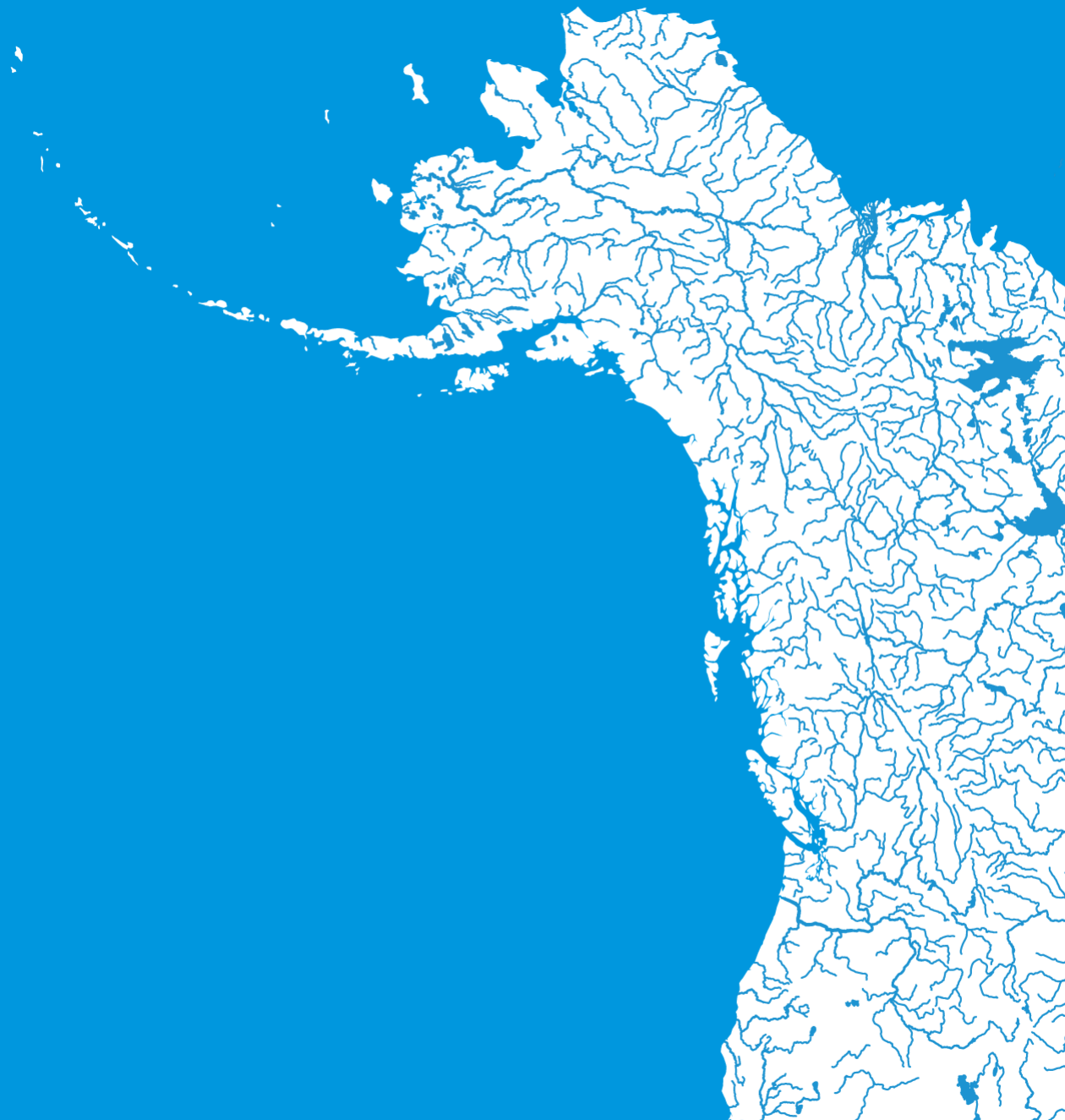
years

\$14M

annual budget

60

staff





Building a more just
and climate resilient
food system

About Ecotrust CDE



\$327m

**in NMTC allocation
awarded to Ecotrust CDE
since 2004**



35

**projects funded in nine
states since 2004**



79%

**rural investment in the
past ten years**

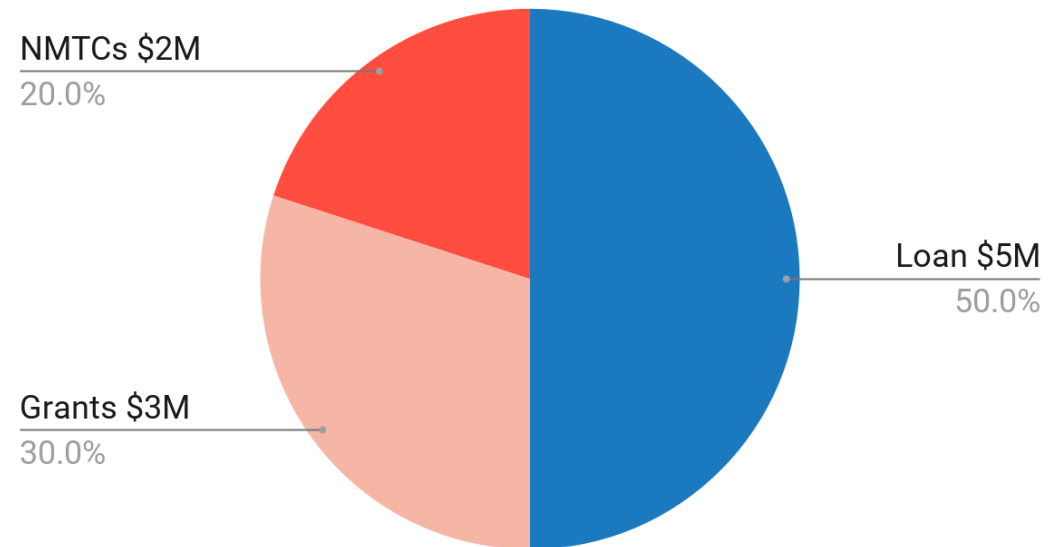
2

About the NMTC Program

What is the New Markets Tax Credit (NMTC) Program?

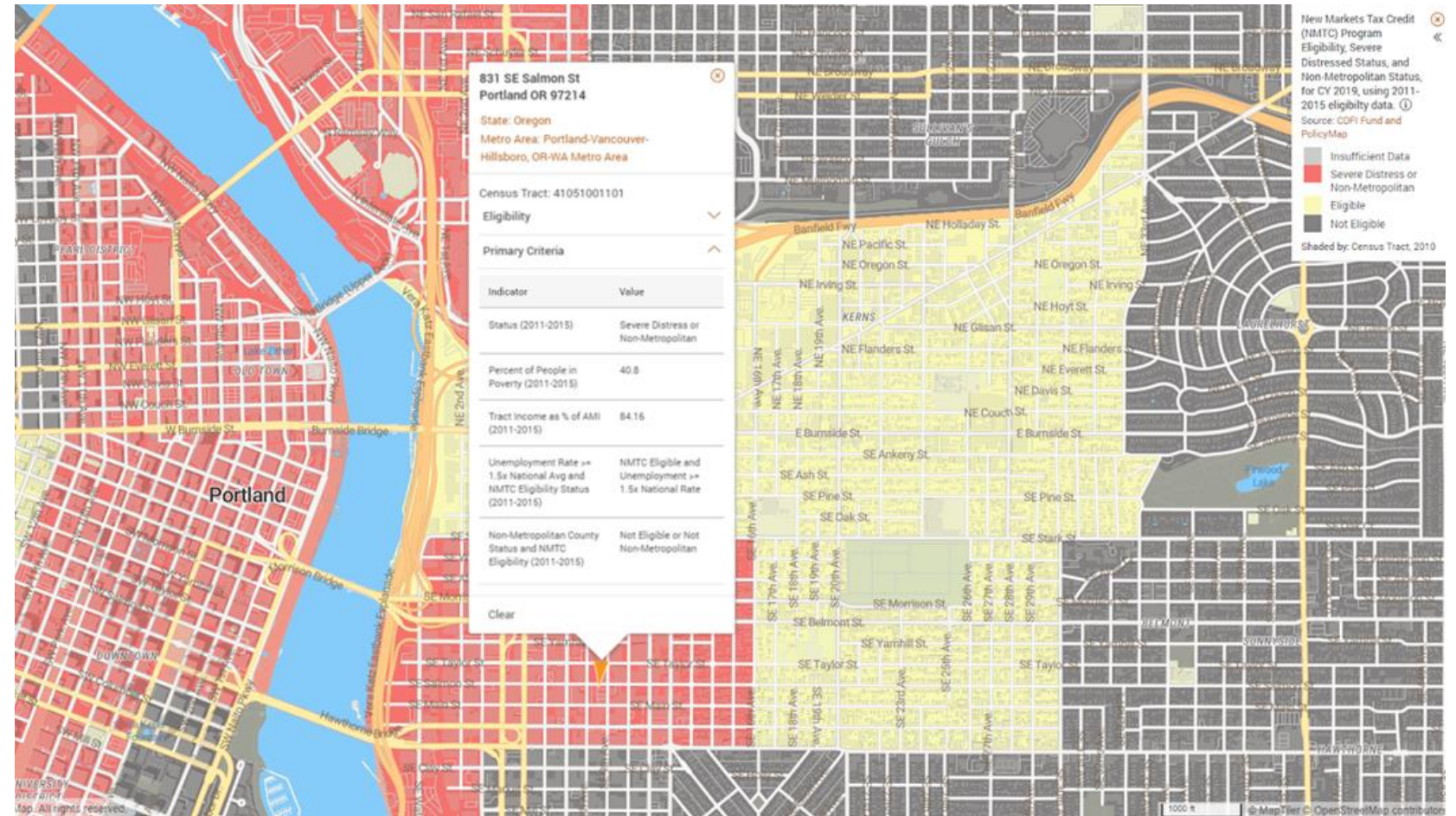
- Congress established the New Markets Tax Credit (NMTC) program in 2000 to help attract investment capital in Low-Income Communities (LICs)
 - The NMTC is a 39% investment tax credit claimed over seven years
 - Investors claim this tax credit by investing funds into a Community Development Entity intermediary (like Ecotrust CDE)
 - The CDE makes a forgivable loan to the project which, upon the completion of the compliance period, results in a 15-20% residual benefit

Illustrative Funding Sources for a \$10M Project



How do we determine NMTC eligibility?

- NMTCs must be deployed into Low-Income Communities
 - Poverty rate of more than 20%; median family income less than 80% of the surrounding area



What kinds of projects qualify for NMTC financing?

- Most types of capital projects are eligible for NMTC financing, including health care, education, manufacturing, infrastructure, energy, and more
- NMTC financing typically funds:
 - the acquisition, rehabilitation or construction of real estate
 - the purchase of equipment, or
 - the expansion of operating business in low-income communities (working capital)
- The projects are generally **larger than \$5 million** in total costs
- Must be a qualifying business, which is generally all business activities (including nonprofits) with the following exceptions:
 - so-called “sin” businesses
 - **most** farming
 - some residential property rental businesses

How do projects receive NMTC funding?

- Understanding industry dynamics and drivers is essential to closing this type of financing
- Applicant CDEs are committed to investing in projects in severely distressed census tracts
 - Examples of areas of higher distress can include brownfield sites, medically underserved areas, and food deserts
- CDEs will select projects based on alignment with business strategy, depth of quantitative and qualitative community impacts, and readiness to close
- 20% of all allocation must go to rural census tracts and some CDEs commit to more to receive a “Rural CDE” designation
- Innovative Investments, as defined by the CDFI Fund, includes:
 - Investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas
 - Providing QLICIs for non-Real Estate Activities, such as working capital, inventory, or equipment purchase

3

Food Systems NMTC Investment: The Redd on Salmon Street

The Redd on Salmon Street is a working hub for the regional food economy.



Redd West, Ecotrust offices and B-Line loading dock

THE REDD ON SALMON

Come Thru Market

NOAH THOMAS



The Redd Community includes 168 companies:

146

Value added companies
with products including
packaged good, prepared
foods, & beverages

5

Produce farms

5

Fisheries

1

Dairy

8

Ranches

32

BIPOC-owned
businesses

50

Women-owned
businesses

“Together we are building economic and ecological resilience in a region where hunting, gathering, and fishing are a way of life.”

MIAKAH NIX, Ecotrust Community Resource Strategist

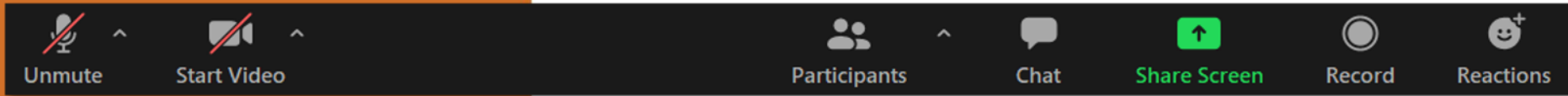


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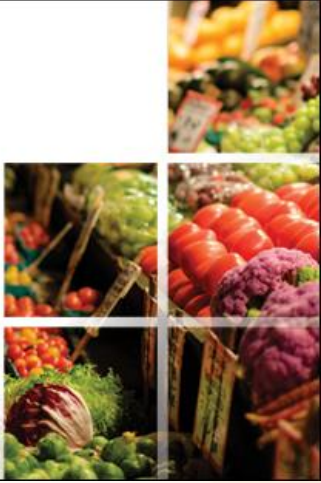
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Restoring Local Food Systems Through Finance

November 28, 2023 / 2:00 PM - 3:30 PM Eastern

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Intro Tax Credit Finance Course

September 27-28, 2023

Daily: 12:00 PM - 5:00 PM Eastern

2023 CDFA National Development Finance Summit

November 8-10, 2023

Philadelphia, PA

Intro Food Systems Finance Course

November 8, 2023

9:00 AM – 4:00 PM

Philadelphia, PA (at National Summit)

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