

ALAMOSA EMPLOYEE-OWNED MUSHROOM FARM

FEASIBILITY STUDY

Prepared by:

Rocky Mountain
Employee Ownership Center

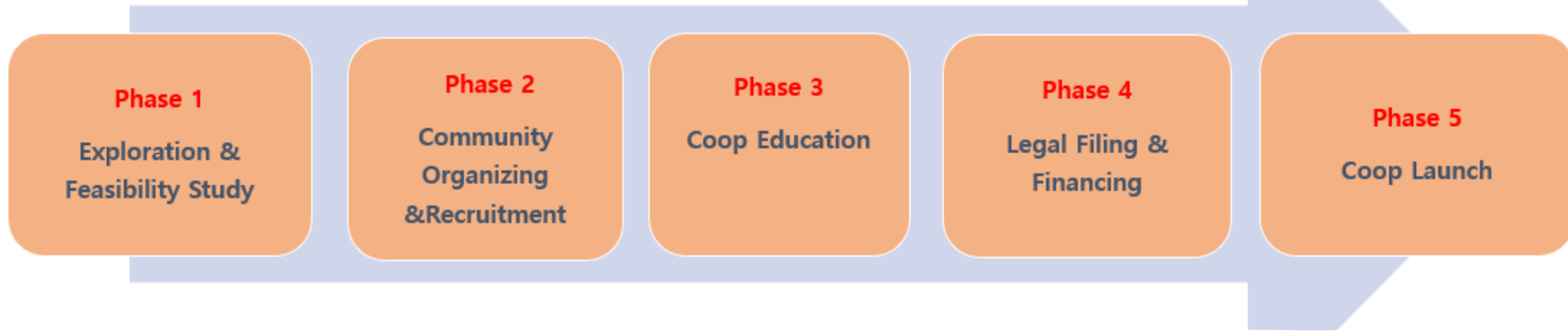


Feasibility Study: Colorado Mushroom Farm (CMF)

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Coop Incubation Process



Mission: Create a just and fair economic system by promoting employee ownership.

Programs:

- Coop Conversion
- Coop Incubation
- Education
- Research & Policy



Colorado Mushroom Farm (CMF)



Grew Agaricus Mushrooms

White, Cremini, and Portobello mushrooms (96.2%)



Six pounds of mushrooms per square foot (per harvest) & 15 million pounds of mushrooms annually.



Colorado Mushroom Farm LLC

Timeline

1980-81

The Farm

The farm located in 10719 County Road 5 S Alamosa, CO, was built through funding from Farmers Homeland Administration and EDA. Sold shortly after its opening.

1985

Rakhra Mushroom Farm Corp.

Baljit Nanda and his partners take over the farm and Rakhra Mushroom Farm Corp. is born.

1985-2010

15 Years Under Nanda

Nanda is highly involved in the farm through his engineering background. The farm make \$2M in profit per year.

2010

Nanda's Departure

In 2010, Baljit Nanda leaves the business to his partners to return to his family in Denver.

2012

Chapter 11 Bankruptcy

Within two years under the partner's control, the company collapses and files for chapter 11 bankruptcy. Over 200 employees lose their jobs.

Colorado Mushroom Farm Timeline

1981-2012

2014

Nanda's Return

Baljit Nanda borrows money and reopens the farm. Colorado Mushroom Farm LLC is born.

2014-2016

The Good Years

Colorado Mushroom Farm LLC does well under Baljit Nanda's sole ownership. By 2016, 140 workers were rehired

2019

Investments in New Equipment

The company gets involved with Rabo Bank through a \$5M investment to update the farm to the latest technology, the Dutch growing system

2020

Covid-19

The pandemic hits the company hard. Restaurant closures impact the company. New equipment can't be installed due to travel restrictions. Employees get Covid-19. Pickers don't go to work out of fear.

2022

The End

While the impact of the pandemic slows down, the difficulty in acquiring raw materials persists. After years of struggling, the farm shuts down in September 2022.

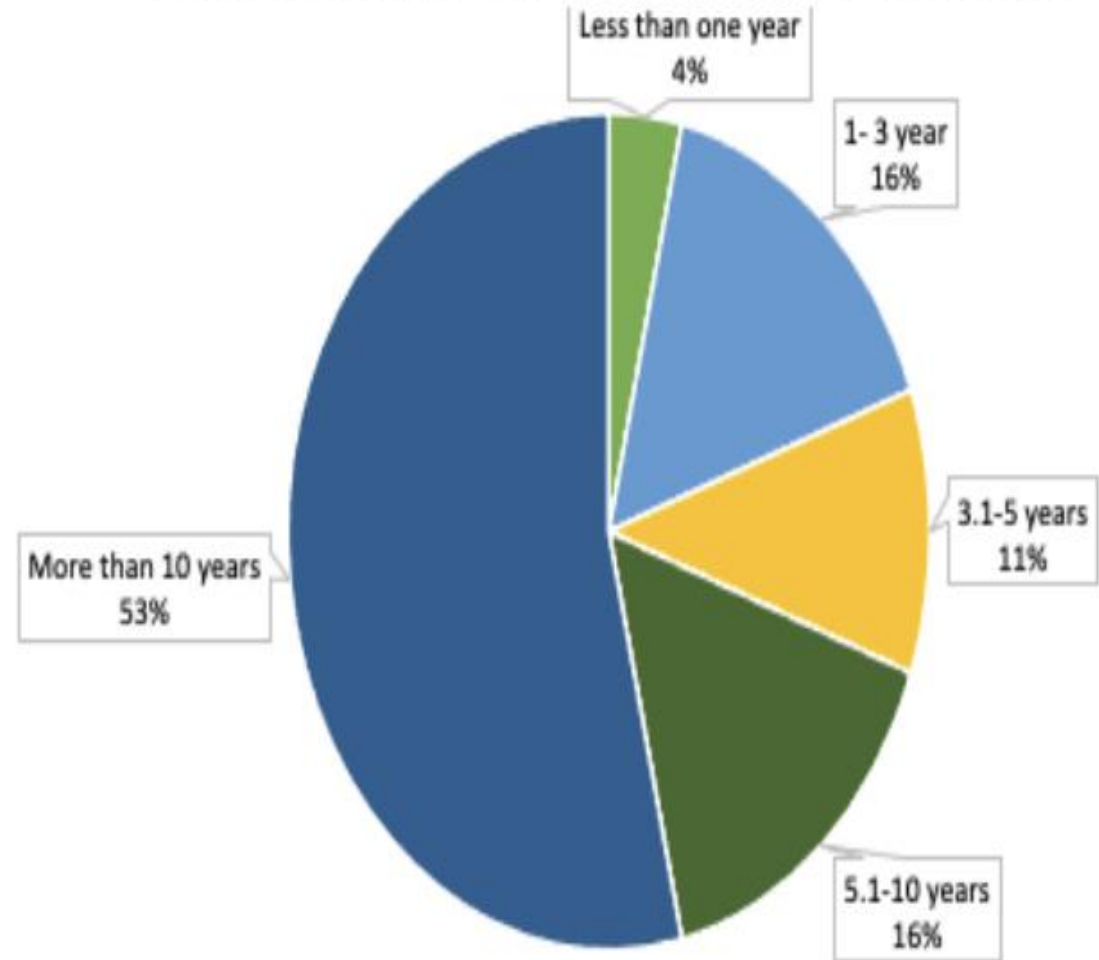
Colorado Mushroom Farm LLC Timeline

1981-2022

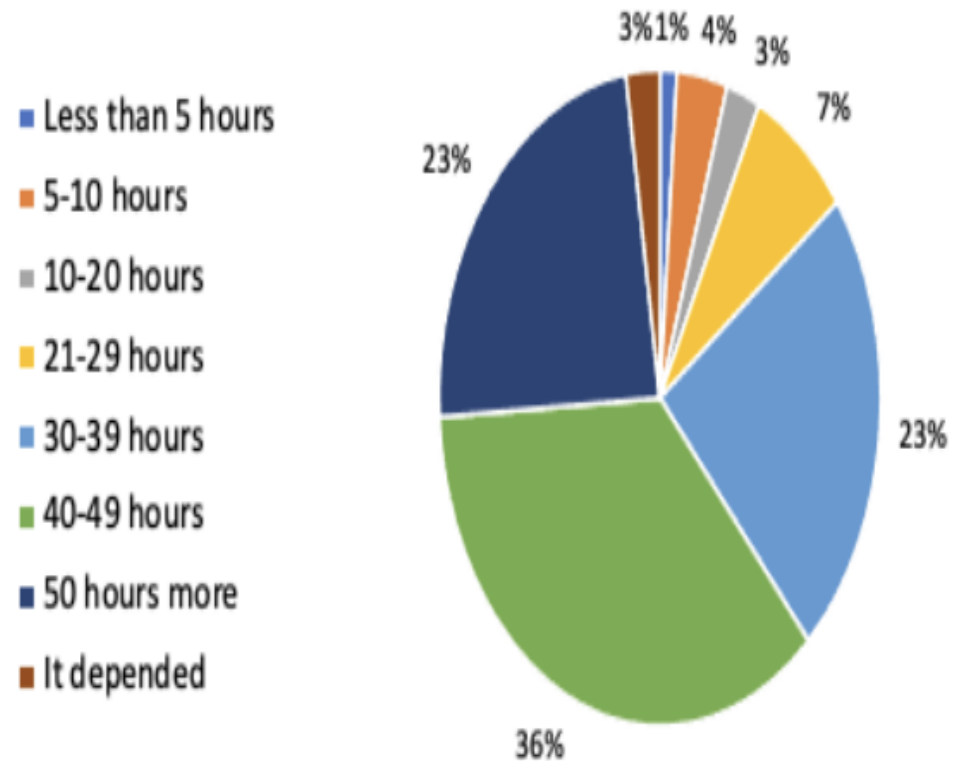
Mushroom Workers

- About 90% of farm workers are Guatemalan immigrants who are descendants of Mayan.
- They speak the Mayan Indian language (Q'anjob'al).
- 80% (immigrants) vs. 20% (Citizens)

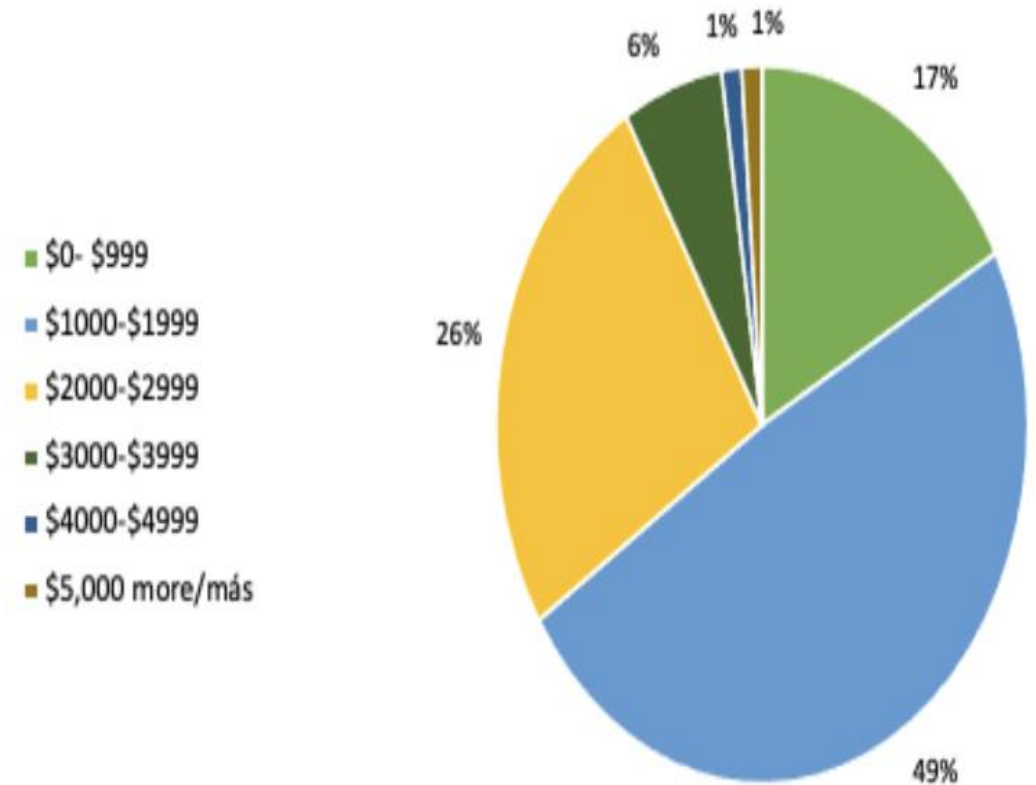
Years Working at Colorado Mushroom Farm LLC



Hours Worked Per Week (81 responses)

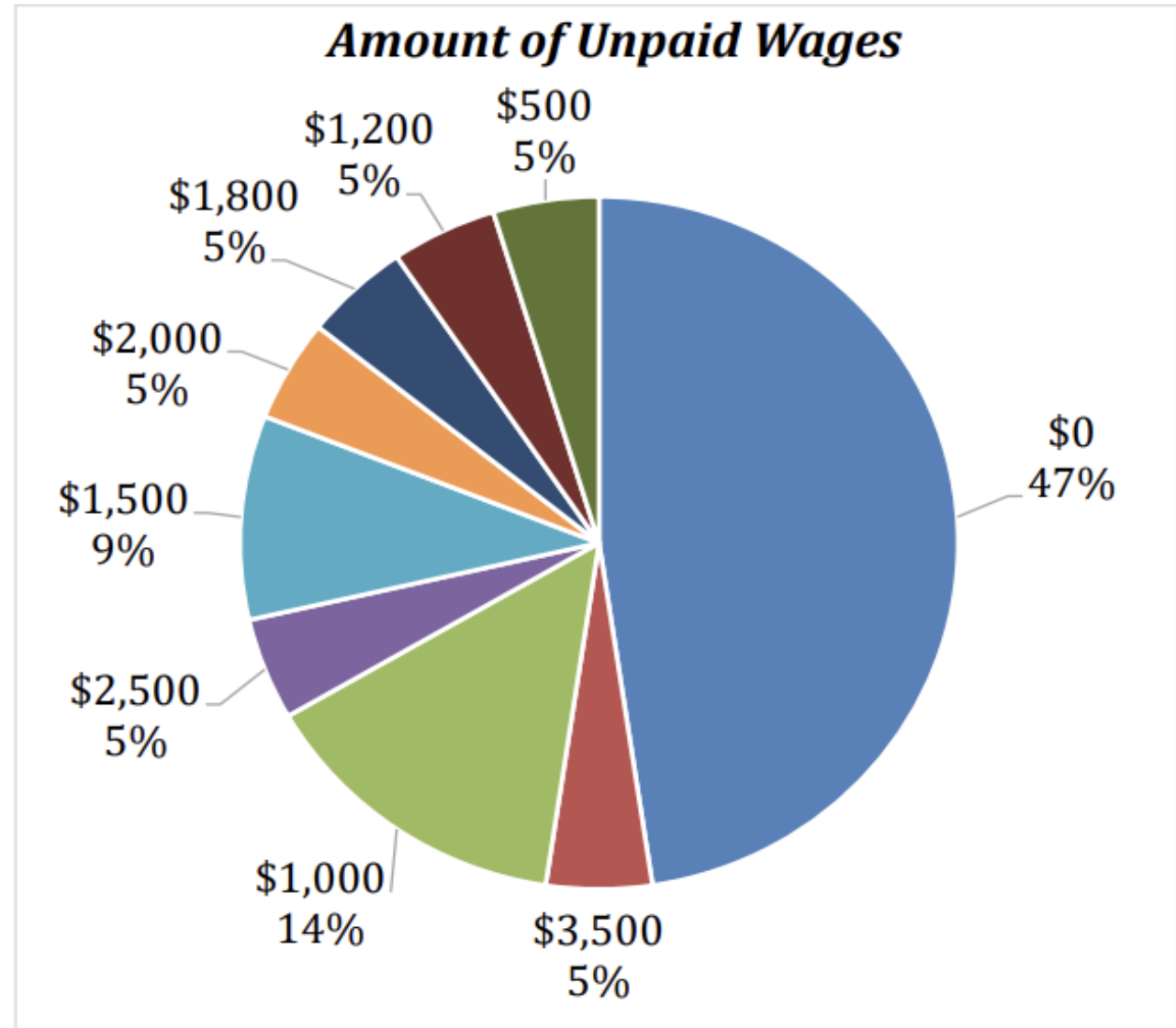


Monthly Salary of Employees



Nonpayment of Wages

- The total non-payment of wages for 44 CMF workers (53.5% of all workers surveyed) ranges from a minimum of **\$81,100** to **\$169,460** maximum.





Why Failed?

- **Outdated Technology**
- **Covid**

135,000 pounds/week to 39,000 pounds/week
52 batches of crops (before the pandemic) to 20 batches in 2020.
Declined Sales by 60%

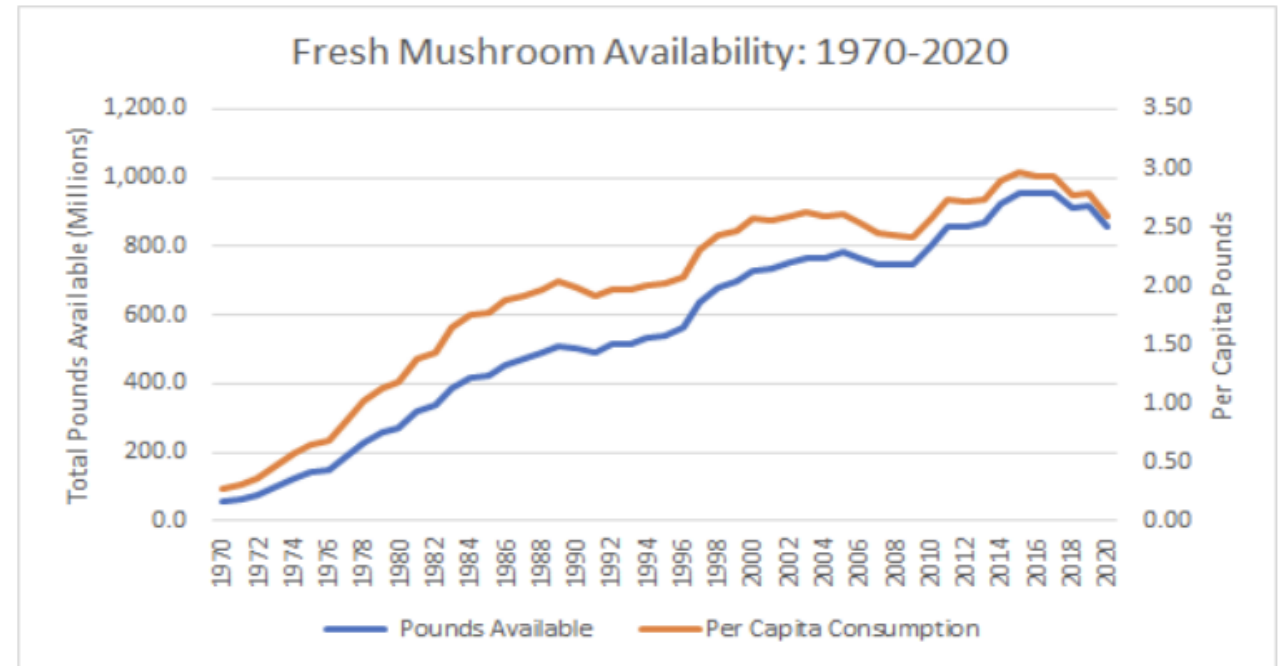
- **Labor Shortage**
- **Lack of professional management- water contamination**
- **Debts (20.5 mil)**

Industry Analysis

Table 3.3 States that Produce the most Mushrooms

States that Produce the Most Mushrooms (2022)			
United States Total Pounds: 679,887,701			
Rank	State	Pounds	% of U.S. Production
1	Pennsylvania	446,585,765	65.7%
2	California	73,780,193	10.9%
3	Texas	41,781,853	6.2%
4	Maryland	41,082,370	6.0%
5	Oklahoma	25,793,520	3.8%
6	Tennessee	21,068,000	3.1%
7	Florida	11,593,000	1.7%
Total of Top 7 States		661,684,701	97.4%

Fig. 3.3 Fresh Mushroom Production and Consumption: 1970-2020



Source: USDA, *Vegetables and Pulses Yearbook Tables*



Market Analysis

- **Growing the meat-substitute market:**

Will grow at a Compound Annual Growth Rate (CAGR) of 42.1% from 2022 to 2030, reaching \$234.7 billion in total value.

- **Eco-Conscious Consumers on the Rise**

-Does not require high levels of agricultural land, water, and pesticides (2 gallons to grow 1 pound of mushrooms/ 1.0 kilowatt hour (kwh) of electricity for 1 pound of mushrooms)

-Mushroom farming also emits far lower levels of greenhouse gasses than the farming of other plants and animals

Fig. 4.1 Target Market B: 500-Mile Radius around Alamosa, CO



Largest Counties by Population in 2021

County (Metro/City)	Size
Maricopa, AZ (Phoenix-Mesa-Scottsdale)	4,496,588
Salt Lake, UT (Salt Lake City)	1,186,421
Pima, AZ (Tucson)	1,052,030
El Paso, TX (El Paso)	867,947
Oklahoma, OK (Oklahoma City)	798,575
El Paso, CO (Colorado Springs)	737,867
Denver, CO (Denver-Aurora-Lakewood)	711,463
Utah, UT (Provo-Orem)	684,986
Bernalillo, NM (Albuquerque)	674,393
Arapahoe, CO (Denver-Aurora-Lakewood)	654,900

500-Mile Radius Report for Alamosa city, Colorado

Fig. 4.2 Target Market A: 300-Mile Radius around Alamosa, CO



Population in 2021:

8,378,556

10-Year Growth:

9.2%

Largest Counties by Population in 2021

County (Metro/City)	Size
El Paso, CO (Colorado Springs)	737,867
Denver, CO (Denver-Aurora-Lakewood)	711,463
Bernalillo, NM (Albuquerque)	674,393
Arapahoe, CO (Denver-Aurora-Lakewood)	654,900
Jefferson, CO (Denver-Aurora-Lakewood)	579,581
Adams, CO (Denver-Aurora-Lakewood)	522,140
Douglas, CO (Denver-Aurora-Lakewood)	368,990
Larimer, CO (Fort Collins)	362,533
Weld, CO (Greeley)	340,036
Boulder, CO (Boulder)	329,543

300-Mile Radius Report for Alamosa city, Colorado

FINANCIAL MODELS: ASSUMPTIONS

Farm is Sold to
Employee-Owned Business ☒

The financial models do not investigate the possibility of restructuring the existing debt and lending new capital that would allow the existing owner to continue farm operations.

Installation of Dutch Growing
System Ensures Robust Yields ☒

The financial models assume five months of no production and revenues at start-up, followed by slow growth towards full growing capacity in years 4-5.

Business expenses will Generally
Align with Previous Farm ☒

The financial models include the whole range of farm expenses: facility upgrades, costs of goods sold, direct and admin wages, maintenance/repairs, depreciation, interest, taxes, amortization, etc.

FINANCIAL MODELS: ASSUMPTIONS

Debt Levels Range from
\$6.5 Million to \$18.2 Million ☒

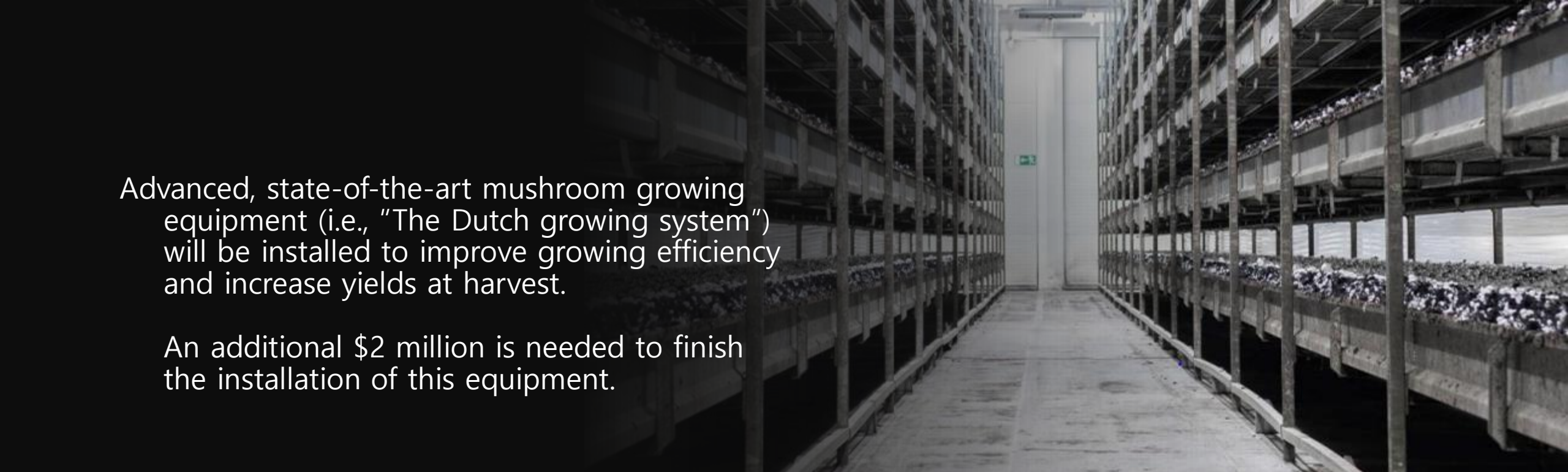
Precise debt levels determined by three key variables in the models; the price point of farm purchase, the level of grant support, and the assumed price point of sold mushrooms

Adequate Labor Force is
Recruited and Maintained ☒

Enthusiasm for the employee-ownership model and wealth-building opportunities is assumed to retain labor. With full harvest capacity, market share will grow.

Facilities are Remediated ☒

In addition to installing Dutch growing equipment, models assume \$1.5 million in initial costs to remedy on site public drinking water problems and do other facility upgrades.

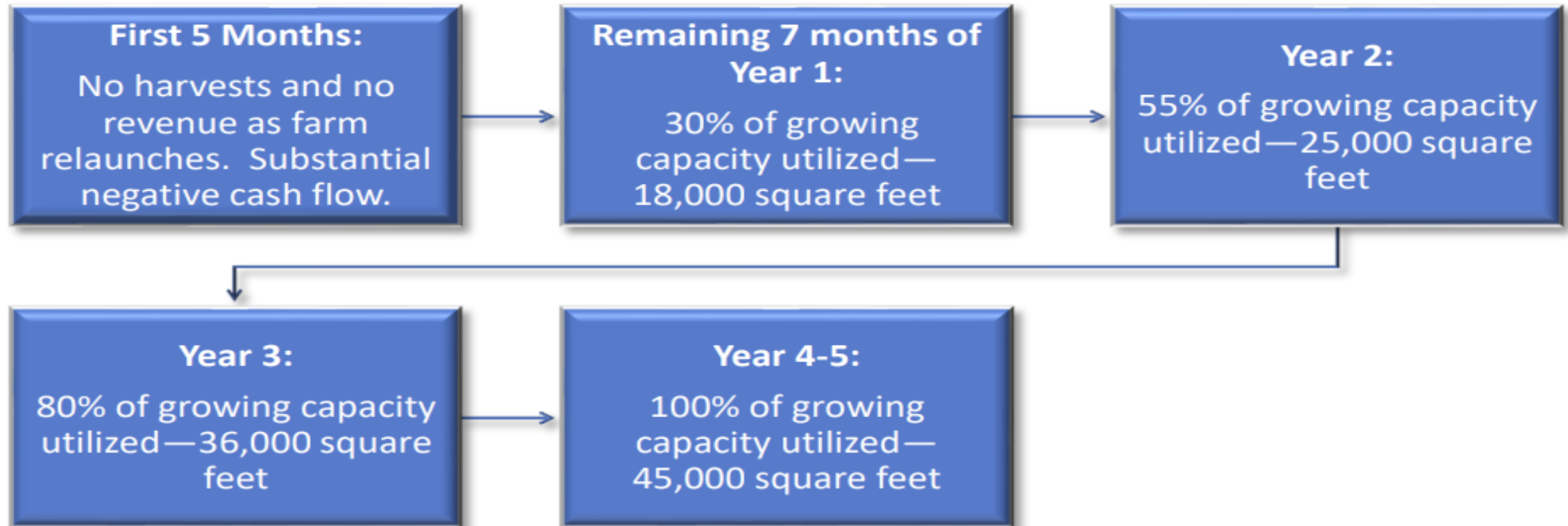


Advanced, state-of-the-art mushroom growing equipment (i.e., "The Dutch growing system") will be installed to improve growing efficiency and increase yields at harvest.

An additional \$2 million is needed to finish the installation of this equipment.

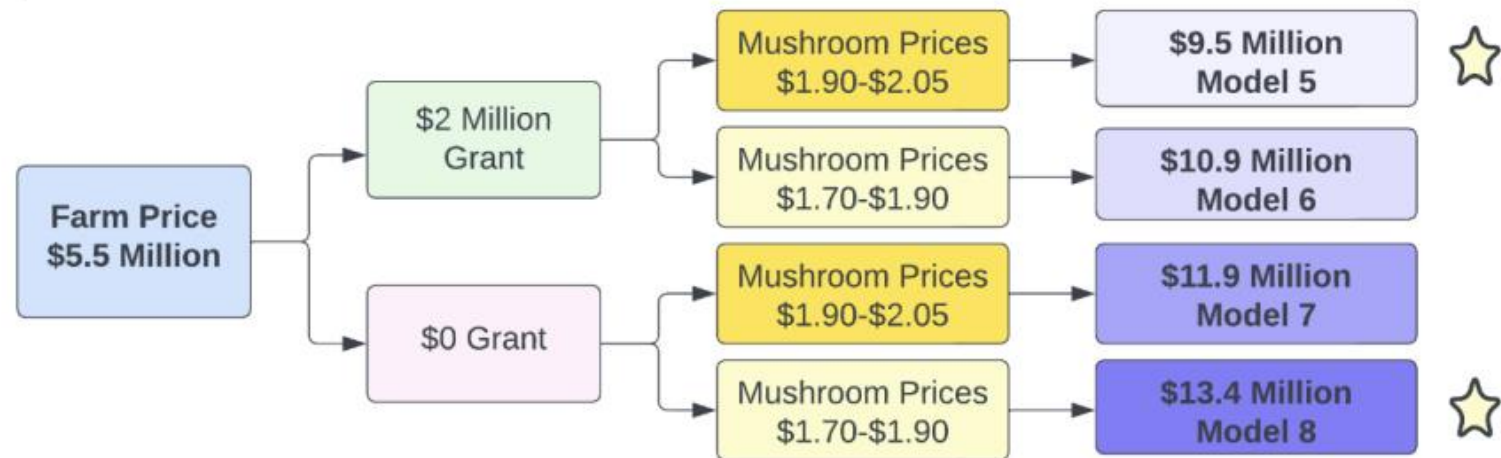
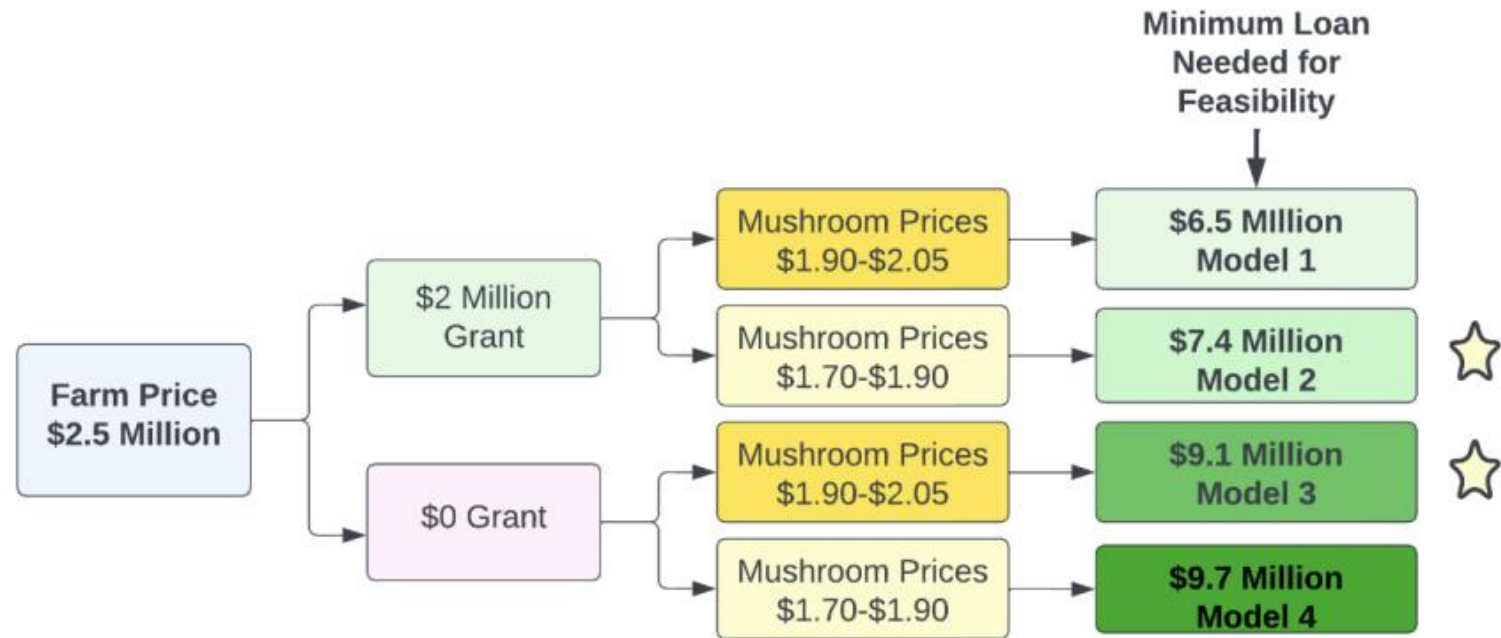
Dutch Growing System Installed

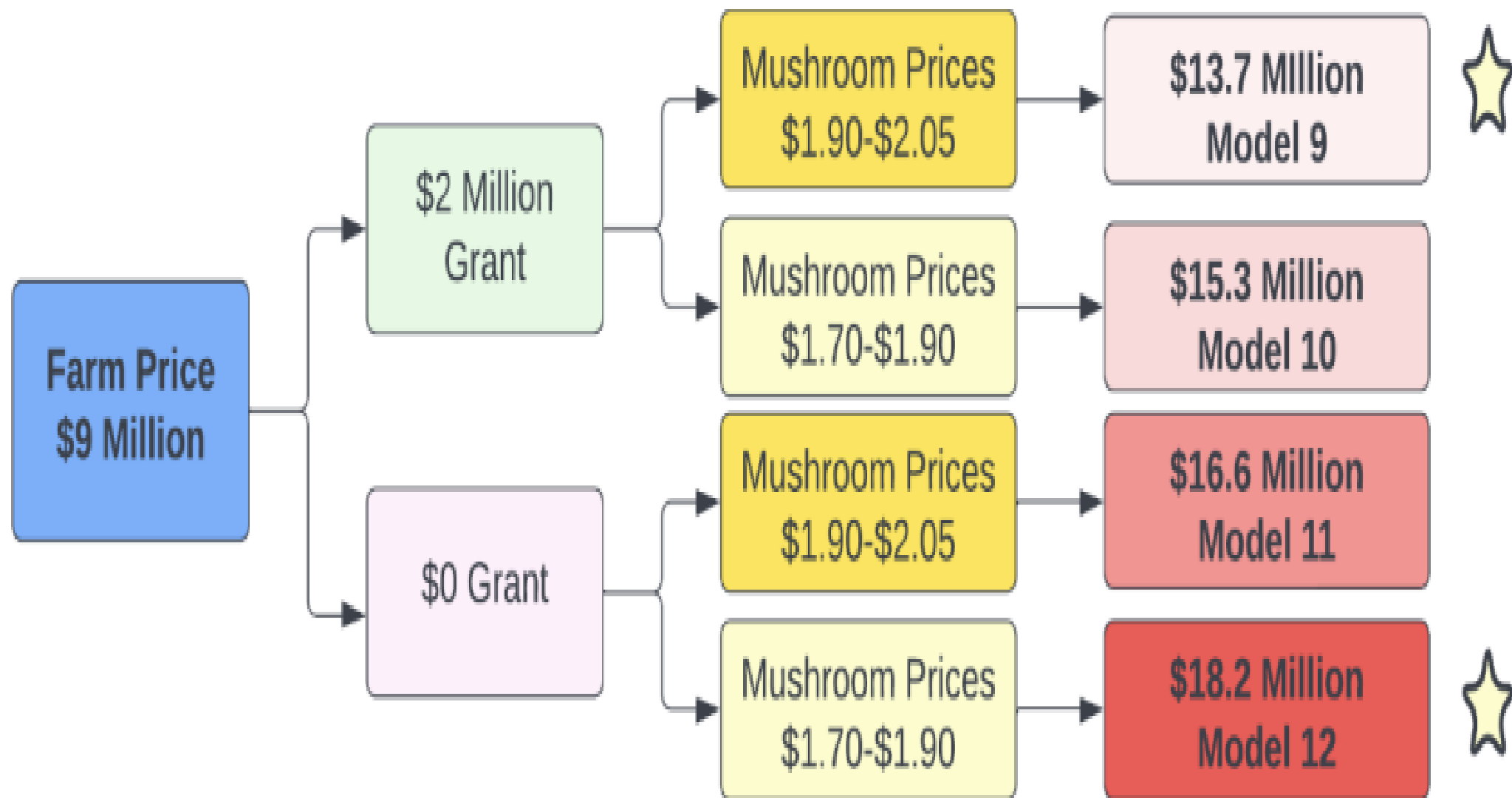
Figure 7.3 Annual Farm Progress Towards Full Growing Capacity



Farm Purchasing price scenarios

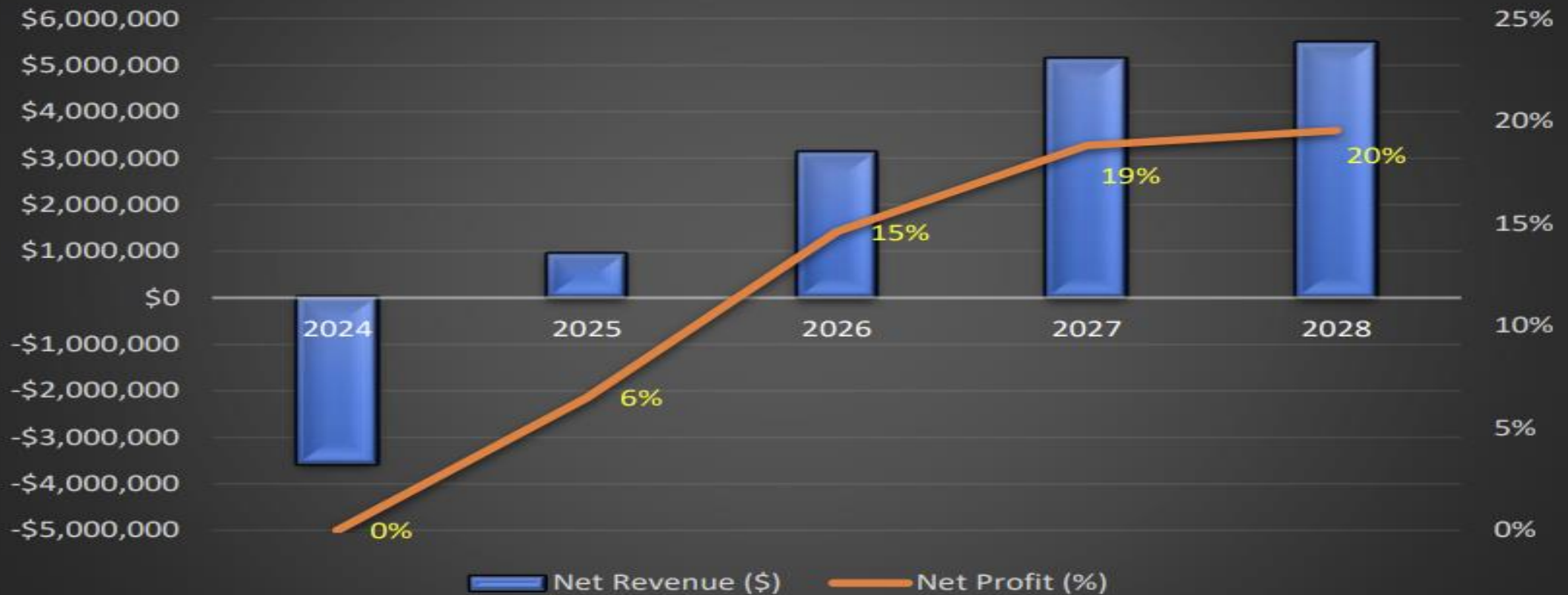
2.5 mil
5.5 mil
9 mil



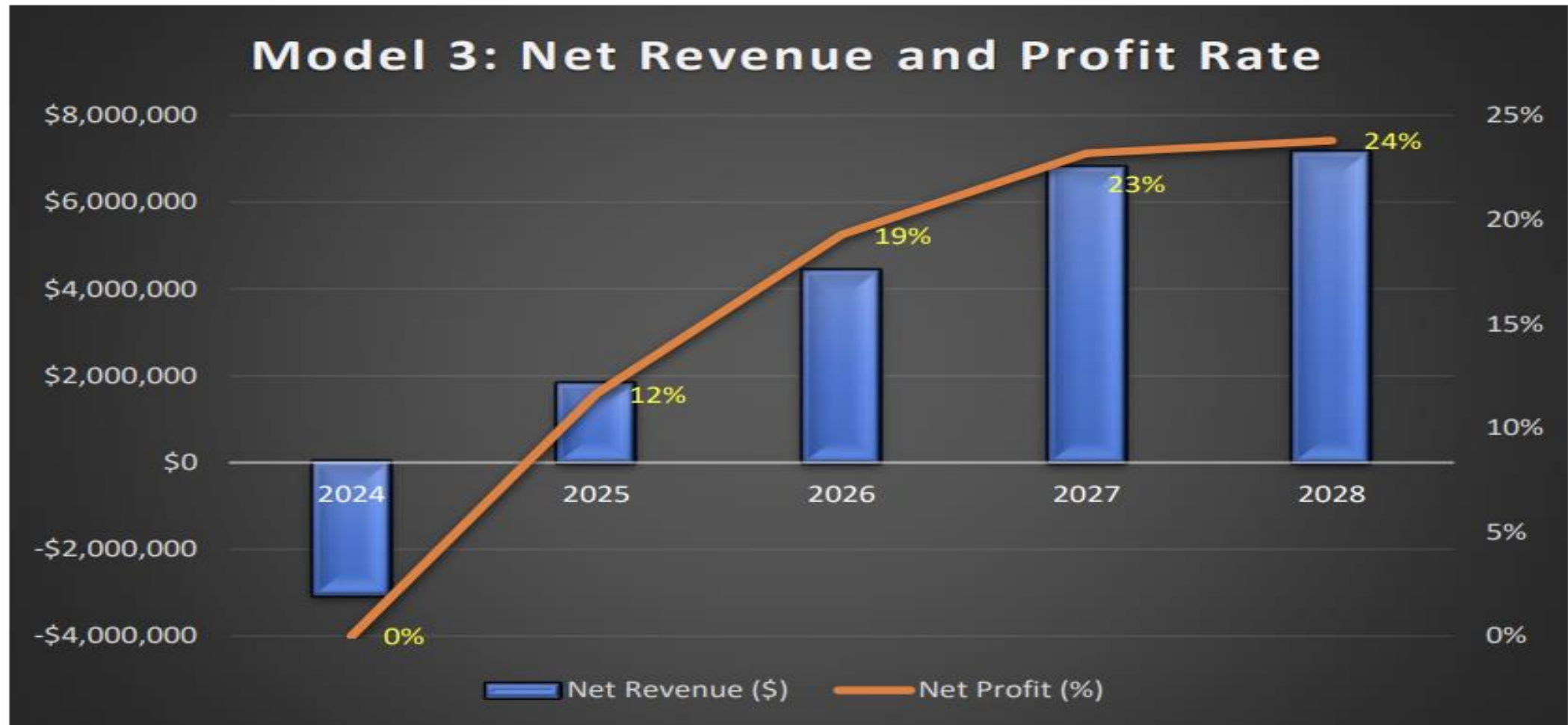


Model 2: \$2.5 M Purchase Price; \$4.9 M Capital Loan; \$2 M Grant
Mushroom Sales \$1.70-\$1.90 per pound

Model 2: Net Revenue and Profit Rate



Model 3: \$2.5 M Purchase Price; \$6.6 M Capital Loan; \$0 M Grant
Mushroom Sales \$1.90-\$2.05 per pound

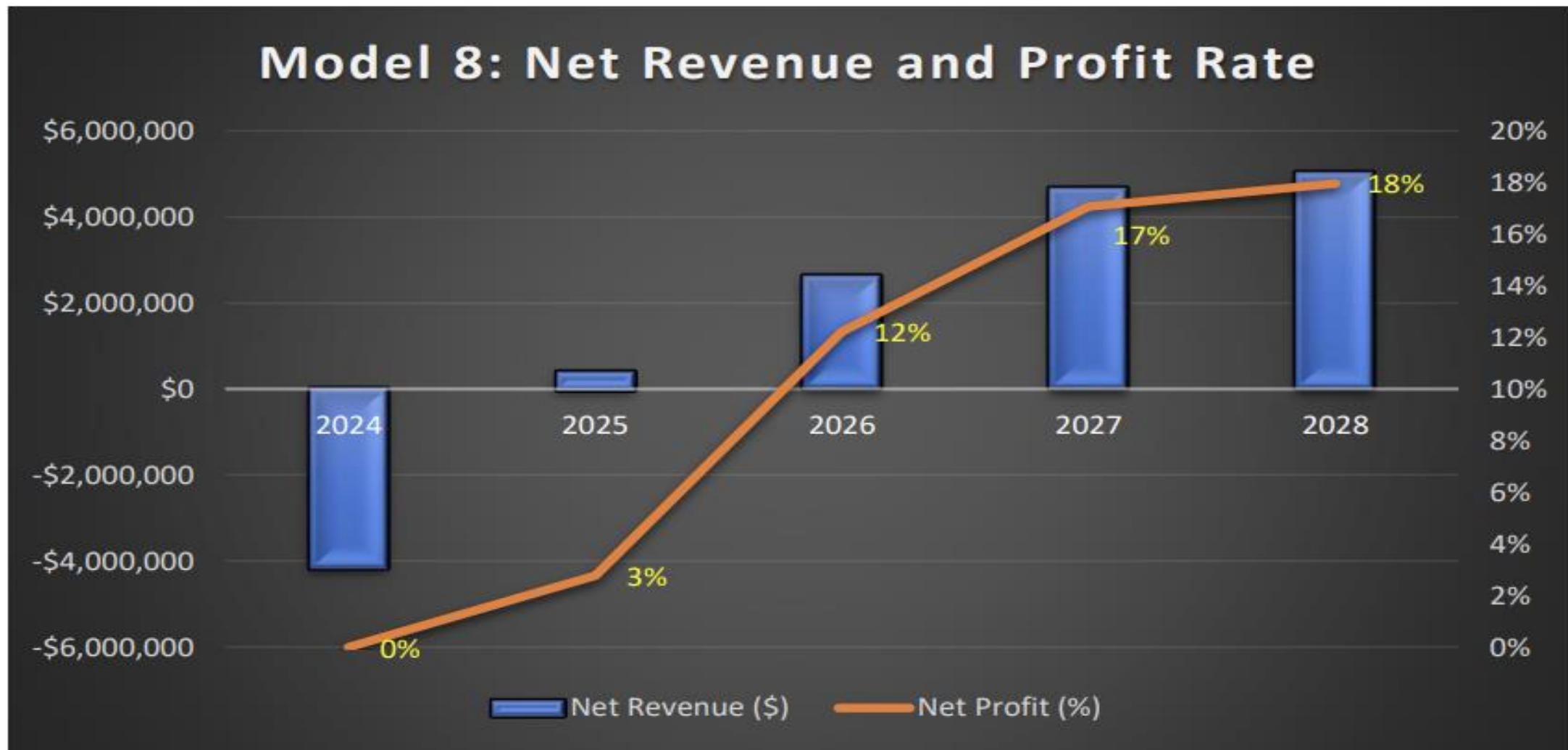


Model 5: \$5.5 M Purchase Price; \$4 M Capital Loan; \$2 M Grant
Mushroom Sales \$1.90-\$2.05 per pound

Model 5: Net Revenue and Profit Rate



Model 8: \$5.5 M Purchase Price; \$7.9 M Capital Loan; \$0 M Grant
Mushroom Sales \$1.70-\$1.90 per pound



Model 9: \$9 M Purchase Price; \$4.7 M Capital Loan; \$2 M Grant
Mushroom Sales \$1.90-\$2.05 per pound

Model 9: Net Revenue and Profit Rate

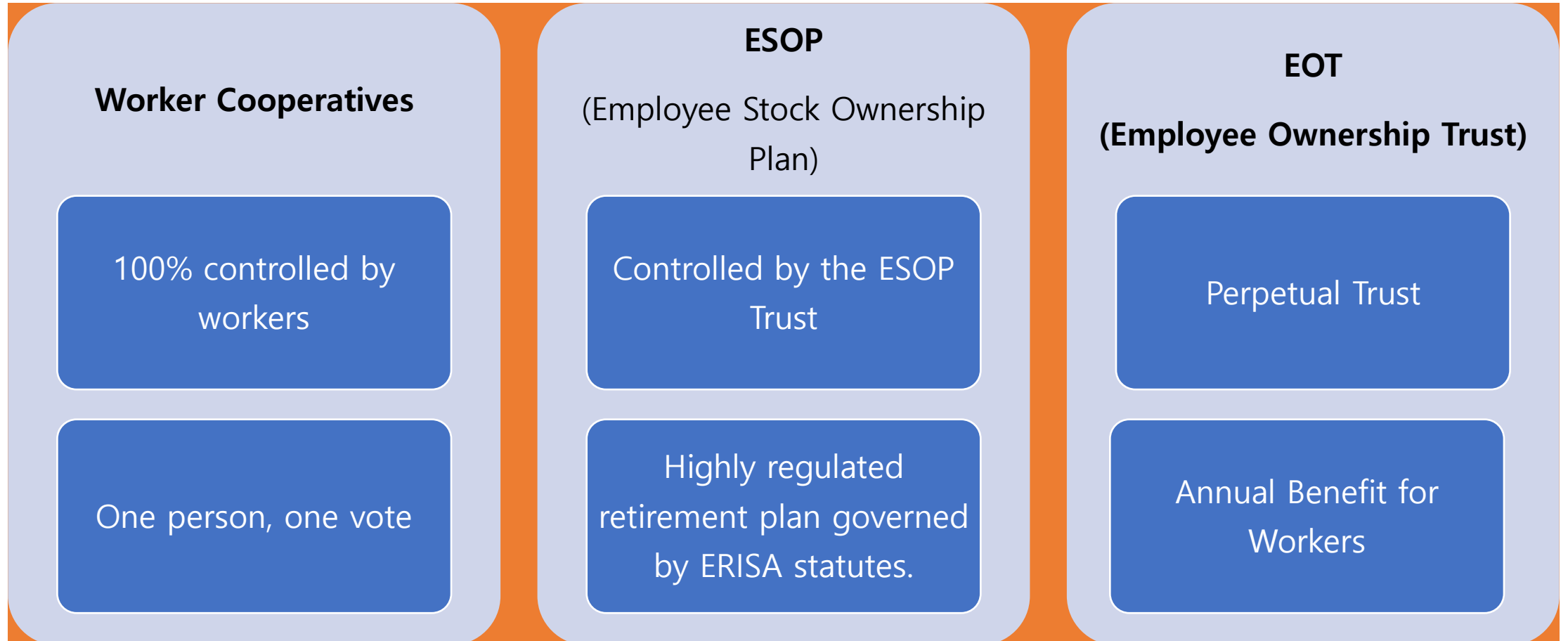


Model 12: \$9 M Purchase Price; \$9.2 M Capital Loan; \$0 M Grant
Mushroom Sales \$1.70-\$1.90 per pound

Model 12: Net Revenue and Profit Rate



Employee Ownership Models



Worker Coops:

LCA (Limited Cooperative Association) & LLC (Limited Liability Company)

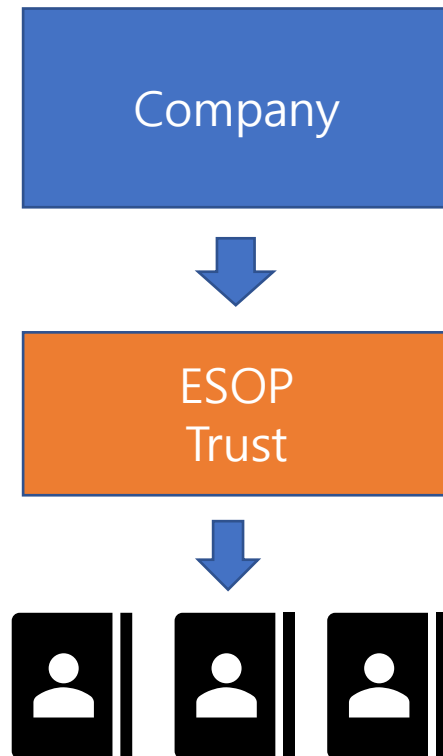
LLC

- Partners: Not employees
- Undocumented immigrants? YES

LCA

- Undocumented immigrants YES
- Investors can be the members of the Coop.
- The LCA would choose taxation as a partnership

ESOP (Employee Stock Ownership Plans)



Employee Ownership Trust (EOT)

Perpetual

Additional
Annual Benefits

Cheaper set-up
fee

Free for
Workers

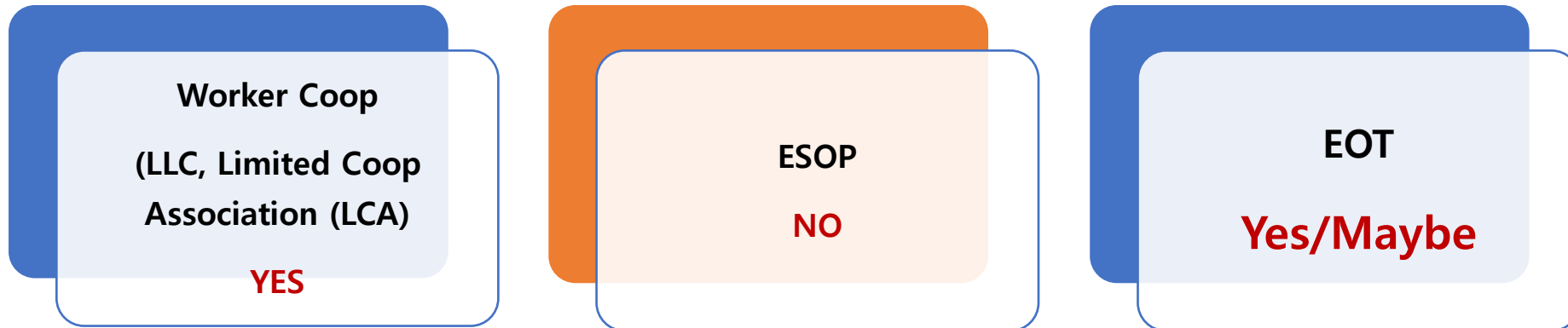
CALIFORNIA HARVESTERS

A FARM LABOR TRUST COMPANY



Things to Consider:

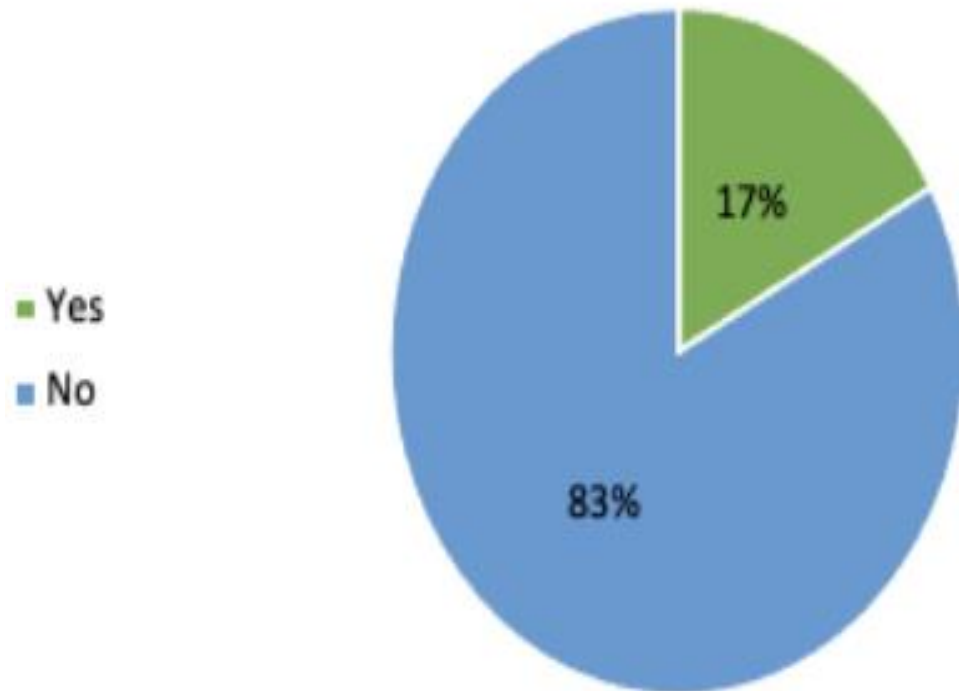
a. Which Model will include **EVERYONE** (including the Undocumented)?



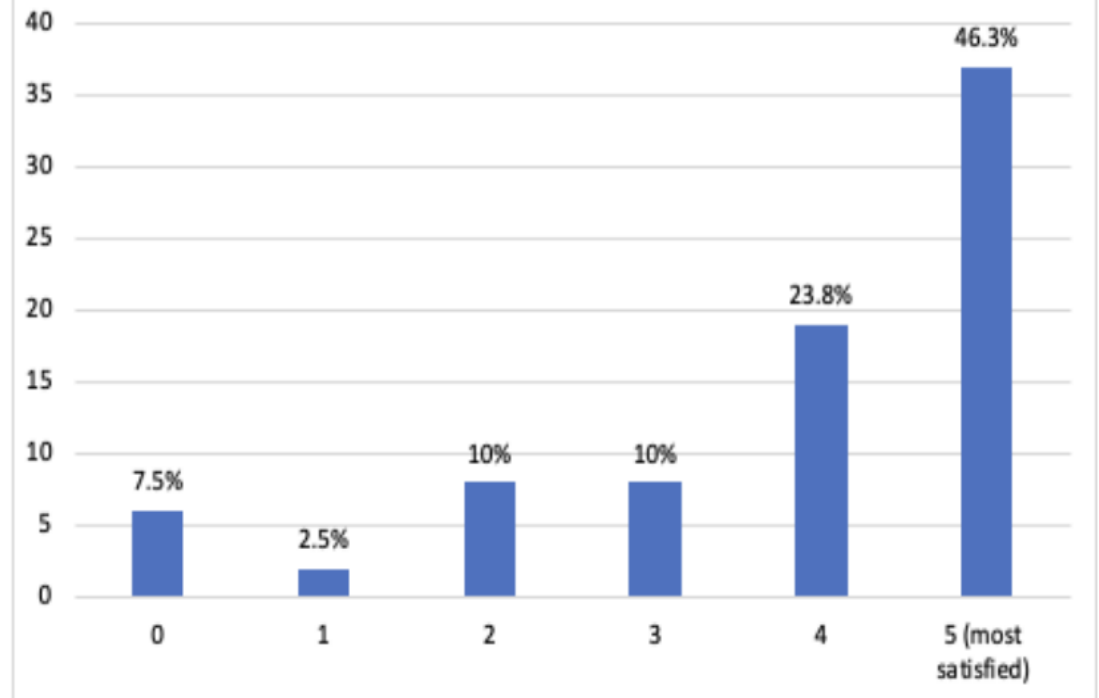
b. Which model will benefit workers better in the long run?

c. Which model is better in terms of raising capital?

Future Plans to Leave Alamosa



Employees' Satisfaction With the Company (80 responses)

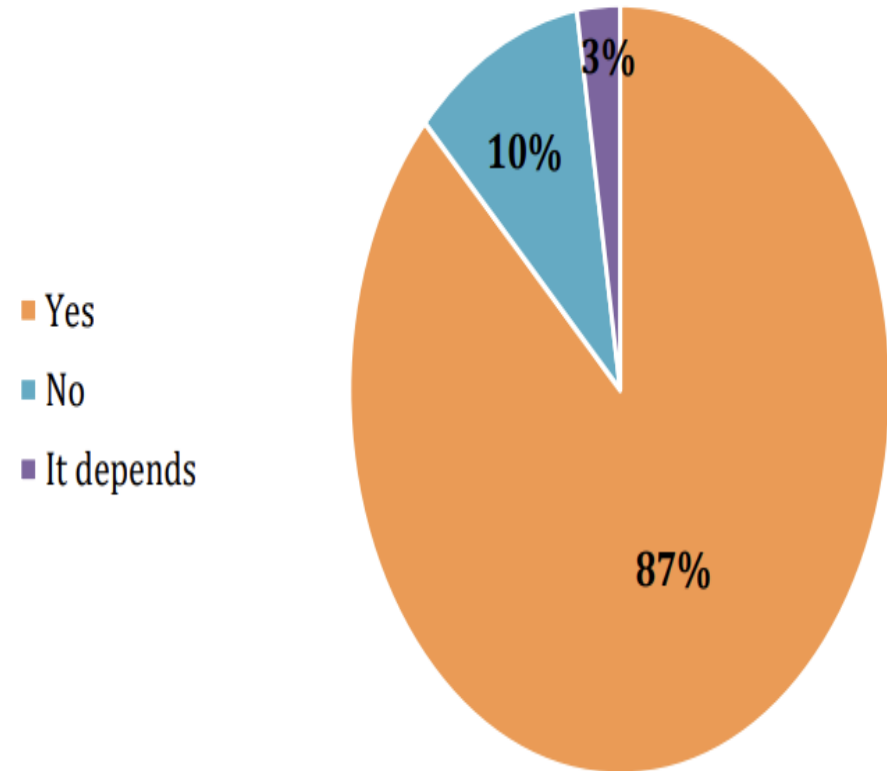


1 = Very Dissatisfied; 5 = Very Satisfied

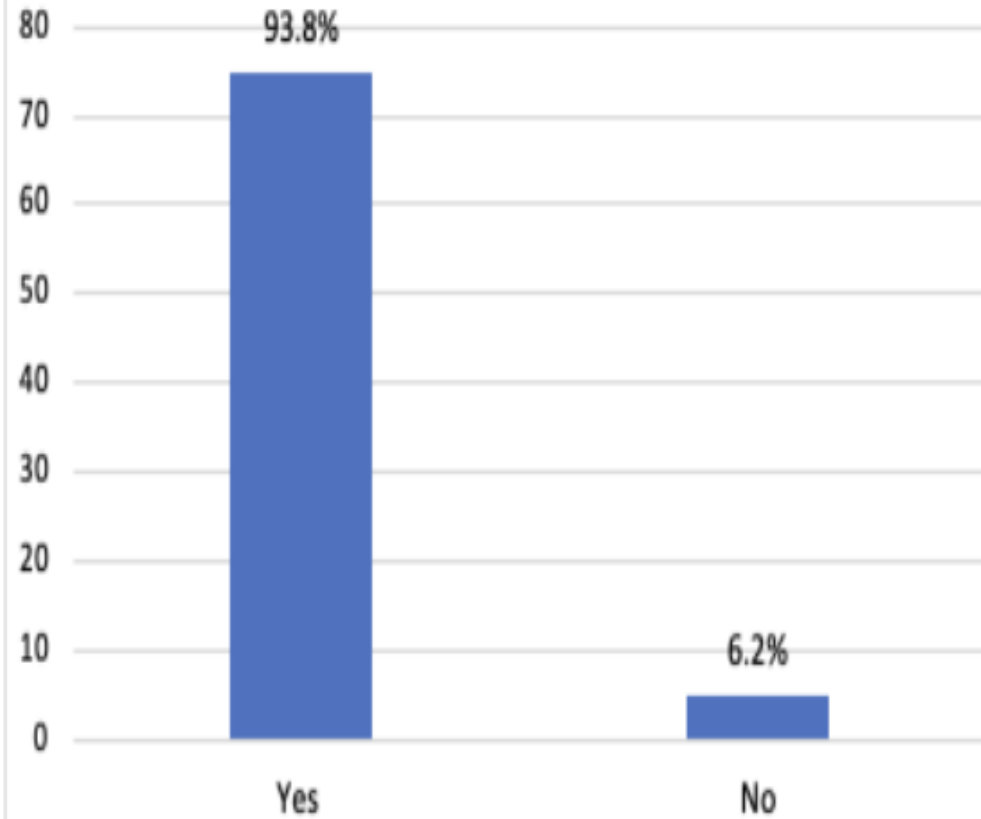
“We know how to operate the mushroom farm because we worked there for long years. This is what we were good at: growing and picking mushrooms.”

-- CMF Farm Worker, Dec. 2022

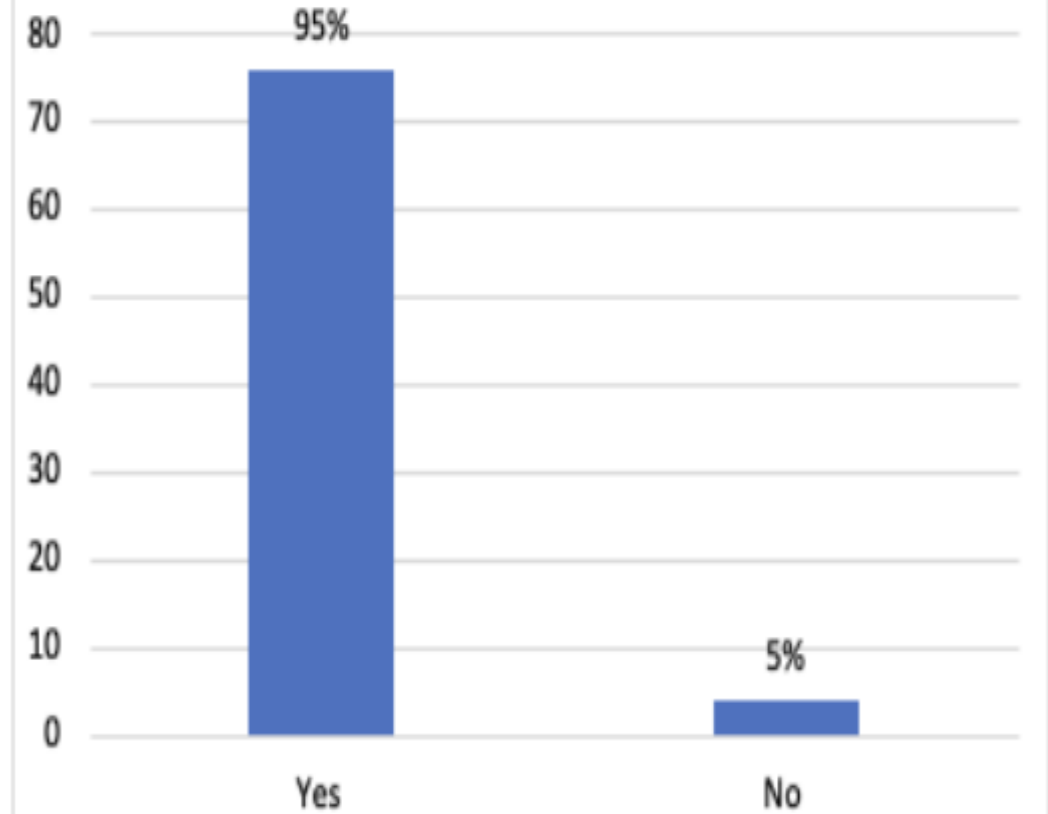
Would You Like to Continue Working at the Mushroom Farm?



Interest in Working in a Cooperative



Interest in Learning About Co-ops




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graph LR; A[Feasibility Study] --> B[Steering Committee]; B --> C[Launch];
```

Feasibility
Study

Steering
Committee

Launch

Done

Q. Who makes a decision?

Q. Who should be in the
Committee?

“The company gave us a life. We were undocumented, but [the farm] gave us a chance to live. My father could buy a house in Alamosa. That is why I hope it is reopened again in the future.”

-- CMF Farm Worker, Dec. 2022
