

## **LITTLE SEED FARM**

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*James and Eileen Ray left New York City to provide a sustainable lifestyle for their young family on a farm in rural middle Tennessee. Through the twists and turns that can only accompany entrepreneurship, they ended up with a multi-million-dollar business. While they still maintain their sustainability mandate with the company, they must confront the cognitive dissonance of their success as they decide how to proceed into the future.*

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### **PLANTING THE SEEDS**

James Ray thought he was living his dream, starting a career as an investment banker in New York City. One day while walking past a deli, the dream got even better as he had a chance encounter with Eileen Caldwell. Eileen also was living her dream as a designer in the fashion industry. While both may have wondered if the seeds of love were planted that day, neither could have imagined that the seeds of a prosperous business also were planted - seeds that would change their dreams and lives!

In 2010, as their relationship grew, they began to discuss what they wanted for their future. Surprising to each, investment banking and fashion design were not central to their future selves. The lives they envisioned included career endeavors that they would enjoy doing, that were good for the planet, that could inspire others, and at which they could make a living and support a family. Neither of them had designs on being rich or attaining the world's standard of success. Success for them was to live a sustainable lifestyle while enjoying what they were doing. These discussions gave birth to the idea of sustainable farming.

### **GERMINATION**

Thus began a time of voracious reading, as neither James nor Eileen had hands-on experience in farming. Since both were avid learners, they dug in to discover what they didn't know. The first book they read was *The Omnivore's Dilemma* by Michael Pollan, but it would not be the last. Another favorite was *You Can Farm* by Joel Salatin. They also received invaluable support from the National Resources Conservation Service of the federal government.

Their personal lives advanced during this reading cycle. They were engaged in 2010 and married in August of 2011. But these two energetic people were multi-taskers, continuing to advance their personal and professional lives concurrently. While planning their wedding, they were conducting extensive research into farm specifics such as average rainfall amounts, land prices, surrounding market, etc. This research led them to focus on Tennessee, with the highest focus on the Nashville area due to its fast growth, affordable land prices, and the market they believed they would have in that area. Most of their research on available farms was done remotely, at 2011 levels of online advancement, so information was spotty at best. For over 6 months, they would research land during the week and fly to Tennessee on the weekends to look at property and talk with brokers. They eventually focused on an 84-acre site in Wilson County, Tennessee, and purchased it for \$325,000 in December 2011. They officially packed their belongings in a rented truck and went from New York City to rural Tennessee in February 2012.

Their original research-fueled plan was to raise cattle sustainably and produce and sell cheese. As they closed in on their eventual property, James' knowledge and research of native grasses told him clearly that the land would not be good for cattle, but in his words, "it screamed for goats." They also had been told repeatedly not to raise goats due to goats' intelligence and independence. However, James and Eileen believed that this was their property, so after some research into raising goats, they moved forward despite those concerns. They concluded that they would need to milk at least 100 goats to farm at the scale necessary to produce the revenue they desired. They chose the name Little Seed Farm (LSF) for their business since they planned to be an entirely grass-fed operation and "everything starts with a seed."

### **SHOOTS APPEAR**

Two weeks into moving to the farm, they were busy cleaning up the property and laying the groundwork. Anxious to get started, Eileen began looking for goats on craigslist. She found a possibility in a nearby town and contacted the owner. A caretaker who knew nothing about goats was watching the animal while the owner was out of town. Upon viewing the goat, it was evident to Eileen that the goat was sick. The goat's baby had recently died and no one had been milking the goat, so it had an infection in its udder. Eileen immediately milked the goat (she knew how to do this from their research trips to various dairies) and took it to the veterinarian at the owner's request. Eileen returned twice a day to milk the goat until the owner's return. In the interim, the owner gave the goat to Eileen, so the herd had begun! The goat was named Bridgett, and she remains a vital cultural element of the company.

James planned to finance the farm/business for three years by working remotely for his investment banking firm. This would give them plenty of time to get the land in the necessary condition and establish the herd they needed to do business. They

began with a collection of animals – pigs, cows, goats, and chickens – and planted some crops. It was a trial-and-error approach to see what would work best for them. The plan’s core remained to sell various food products – meats, cheeses, and vegetables. All the animals were grass-fed and the crops were organically grown, a key component of their sustainability focus that remains today. Their initial mission statement codified this focus:

- Create an environment that fosters creativity, promotes entrepreneurship, and welcomes new challenges.
- Have meaningful careers capable of providing financial and emotional stability.
- Restore land, biological communities, and other natural processes as a means of achieving a self-sustaining life for our family and the broader success of our business and livelihood of our community and world.
- Include qualitative factors in decision making processes and not view success in a purely quantitative sense.
- Live a lifestyle that other people can learn from and emulate and that makes us proud and fulfilled.
- Live in a manner that recognizes and avoids the false temptations and duties that are created and perpetuated by a consumer driven and material-oriented society.
- Create more than we take.
- Be known for our kindness, reliability, generosity, and integrity.
- Have high aspirations and goals and never yield to mediocrity.
- Wake up and go to sleep knowing that if we didn’t live another day we would be happy and satisfied with our contribution to and participation in the world.

In the Fall of 2012, Eileen’s grandmother visited the farm, and she had a dry patch on her skin that hadn’t gone away for months. As Eileen tells it, “She said, ‘I’ve heard that goat milk soap is really healing, hint, hint, hint.’ Growing up, we always used to do projects together, so I figured soap would be a fun project for us to do. Our first batch was with coconut oil and olive oil, which I had around to cook with. I didn’t have high expectations. In Vermont, I had been exposed to a lot of handmade bar soap, and I was left feeling itchy when I used it, but, to my amazement, the soap we made was really lovely to use. Goat milk is just really nourishing and soothing. We sent my grandmother home with some, and her dry patch cleared up.” Thinking she had done a nice thing for her grandmother, Eileen didn’t give it any more thought other than using the soap within her own family. They also shared the soap with some of their friends, to rave reviews. She then

began to experiment with making other natural beauty and skincare products, all for personal use.

Right after the goat milk soap discovery, the hedge fund James worked for went under in the Fall of 2012, only six months into their 36-month funding plan. Now they were going to need revenue to keep going, and they would need it fast. James had opportunities to take capital investment work in Nashville, but after deliberation, realized that simply was not what he wanted to do. Unable to speed up the process of raising animals and growing crops, they were forced to look for other options. James saw an opportunity in the goat milk soap, but Eileen was hesitant to deviate from their original vision. Specifically, she did not want to be a soap-making company. However, James was persistent, and the need was real, so she relented. They made the soap in their kitchen. James made soap molds out of wood, and they did everything without any new equipment purchases.

They had been blogging about their adventure and had followers who were interested supporters of their sustainable approach. They used the blog to build interest in the soap and, in early 2013, created a website prior to having product ready. They went back to their research-based approach and read books on soap making to ensure they did everything correctly, including rudimentary packaging. Through these efforts, they had immediate sales once they had product in early 2013. Along with the website, they sold their products – soap as well as eggs, cheese, and vegetables - through local farmer’s markets. Their total sales for 2013 were approximately \$28,000.

James and Eileen welcomed their first child in the Fall of 2013. Nothing changed with the business until their son began walking and became more active; then it was difficult for Eileen – the primary caregiver - to do all the things associated with the food side of the farm. They were forced to reconsider their business yet again and decided to transition fully to the skincare arena. Their food customers were unhappy to lose them, and there was confusion on whether they still were a sustainable farm. But James and Eileen had not abandoned their values; they simply were going to apply them to a different market. James admits to having to trust Eileen fully in this new arena as he had minimal knowledge of women’s skincare and beauty products! However, his impact on the new area was still to come.

## **THE FIELD**

The skincare industry consists of products that support skin integrity, enhance appearance, and relieve skin conditions. The size of the global skincare market was estimated between \$110 - \$150 billion in 2022, with an expected compound annual growth rate of 4.7 – 5.5% between 2022 – 28. Product segmentation by type includes creams, lotions, powders, and sprays. Creams and powders are the largest of the segments, followed by lotions then powders. Segmenting the industry by

product type four main categories; facial care, lip care, body care, and body wash/lotions. The skincare industry does not include personal care items such as deodorants, shaving creams, etc. For comparison, the men's personal care market is over \$200 billion in revenue annually.

The major industry trend is toward natural and organic products and environmentally friendly products and packaging. Customers are increasingly interested in skin nourishment and the industry firms are responding. Testing on animals also is a negative to the customer group, so most companies in the industry clearly state their aversion to animal testing. Products with ingredients derived from animals are also seen negatively. Most of the product ingredients are considered commodities.

Women comprise over 60% of the industry customer base, however some analysts report that the male segment is growing at a slightly faster rate as men become more concerned with sun protection and anti-aging issues. Both men and women are looking for natural products that will moisturize, cleanse, and hydrate their skin, all while being good for the environment.

Skincare products are sold through many channels. High-end brands are found in specialty cosmetics stores, such as Ulta and Sephora, as well as high-end boutiques. Mass market brands are found in supermarkets, discount stores, drug stores, and even convenience stores. Nearly all industry products can be purchased online as well.

While traditional marketing – print ads, broadcast ads, streaming ads, etc. – are heavily used, the emergence of influencers has had a big impact on the industry. As the younger demographic pays less attention to traditional marketing, these influencers become more important for skincare companies.

The skincare industry is highly fragmented, with thousands of manufacturers worldwide. The largest of these are L'Oreal, Unilever, Procter & Gamble, Estee Lauder, Beiersdorf AG, Shiseido, Coty, Natura, Kao Corp., Johnson & Johnson, and Avon. The thousands of smaller firms have been able to compete with the giants due to the all-natural, organic trend in the industry. While the large firms sell all-natural products, many consumers are skeptical to believe the claims and thus gravitate to the smaller, family-owned firms that tout sustainability and ethics as a way of life.

## **THE CROPS START TO GROW**

### Kroger

LSF had contacted the Jackalope brewing company in Nashville to make them some promotional soaps. They had seen this done by another soap company in

Atlanta and liked the idea. There were only a few craft brewers in Nashville at the time, and James liked Jackalope's beer and thought they had a fun brand that fit well with LSF. Soap was made that generated some sales, but more importantly, it generated PR when the partnership was the subject of a short news segment on the local CBS affiliate. An executive in the Nashville region of Kroger saw the segment and suggested to their Drug/General Merchandise manager that they contact LSF. The buyer offered James and Eileen space in one store in Franklin, Tennessee, with possible expansion to more stores if the experiment was successful. James and Eileen were still a two-person shop, so they made all the soap themselves, packaged it, labeled it, and stocked it in the store. The soap boxes were adorned with drawings Eileen made of actual goats from their farm, a practice that continues today. The soap was a success in Franklin, and the relationship grew approximately 15 stores a year to a total of 90 stores by 2020. They eventually hired multiple employees to service the Kroger accounts.

In late 2020 LSF terminated the Kroger relationship due to changes in how Kroger managed the LSF account. What began as a very supportive, partnership feel at the beginning, with Kroger wanting to help local small businesses, had eventually changed with Kroger personnel turnover. LSF began to feel disrespected by the new Kroger personnel, and the situation became one that was not mutually beneficial, as it had been. At the time LSF was making approximately \$300,000 a year in sales at Kroger. Since James and Eileen did not start LSF to get rich, ending this relationship once it did not conform to LSF's founding mission was not a difficult decision.

#### Deodorant

In early 2015, James asked Eileen to look into making an all-natural deodorant for him. She created a cream deodorant that was aluminum and baking soda free yet offered long-lasting odor protection. James loved it, as did the friends and family who tried it, so LSF added it to the product line. It was produced in multiple scents and quickly became a strong seller. It currently accounts for over 50% of LSF revenue!

Their product line includes soap, deodorant, moisturizers, elasticity serum, antioxidant serum, lip tint, lip treatment, hand cream, body oil, body butter, and even booty balm for babies! All products are cruelty-free (no animal testing), with natural and organic ingredients, and come in biodegradable or recyclable packaging. Even their packing peanuts are made from sorghum, so they biodegrade and dissolve in water. The entire operation runs on 100% solar power and the goats still are 100% grass-fed.

#### Target

James had placed a form for potential retailers on the LSF website, and it attracted interest from small retailers and boutiques. One day in 2016, an unusual request came through this avenue. James was working in the field when he received the notice on his phone that a new vendor had applied, but when he pulled up the form, he was surprised to see that it was from Target. He finished what he was doing and headed in to tell Eileen. They were aware of how Target did business from talking with other producers over the years, so they understood that this potentially was a significant change to their business. Target requested 35,000 bars of soap for 2300 stores and, per James' negotiating position, they would buy the soap outright rather than making LSF repurchase any unsold bars. James had refused to sell Target any product without this aspect of the deal.

They began Target production in May of 2016 to ship the following January. Up to this point, much of their production took place in a 900 square foot shed, which they had built out from a 400 square foot pole barn on the property. Knowing this would be insufficient to handle Target's volume, they began building a 2000-square foot facility to meet this demand and paid off the building when they received Target's first payment, which arrived 30 days after the initial soap shipment.

LSF's presence in Target lasted just over one year, which was not an unusual time frame for boutique products from smaller manufacturers. Changes in the Target buyer with whom they initially worked led to changes in the skincare and soap aisle, eliminating the fit of LSF with what Target was doing. Target gave LSF four-month notice for their removal from the stores, at which time LSF began placing inserts that directed customers to the LSF website into all Target products. The inserts were against the terms of their agreement with Target, but since they were already being removed from the shelves, it seemed like a low risk. Over their time in Target, they sold 50,000 bars of soap, and they believed they gained many loyal customers. LSF sales for 2016 (pre-Target) were about \$600,000, and for 2017 (one year of Target), they were about \$1 million.

#### Amazon

After the Target experience, James and Eileen focused on their website and online sales. In 2017, Amazon contacted them to offer a deal where Amazon would buy the product from LSF and then sell/ship. This was an excellent introduction to the Amazon world for LSF, but it wouldn't last. Amazon eventually changed this program to only apply to its top-selling vendors, which did not include LSF. Now James and Eileen would need to self-sell if they wished to remain on Amazon, so they hired an Amazon-specific consultancy that specialized in helping companies do just that. After the transition, they found that they could better sell their products than Amazon had done, so they considered it a win. Currently, Amazon sales comprise about 20% of LSF's sales.

### **THE SUNSHINE AND RAIN THAT GROWS THE CROPS**

They hired their first employee in April of 2014 to help with production and shipping. In 2015 the first Kroger-dedicated team member was hired. LSF currently has 12 employees, all of whom are shown on the LSF website. LSF is organized into four teams of 3-4 people per team, based on function (Skin Care and Soap Production, Dairy and Farming, Shipping and Receiving, and Marketing and Website). James and Eileen still run the company as the sole strategists/managers. James remains very hands-on with operations management, while Eileen focuses on R&D, website and packaging design, and all aspects of direct marketing and media management.

When hiring employees, James and Eileen look for candidates with good attitudes and someone who will fit in with the current team. Most candidates do not have the exact skills needed for the posted jobs - given the unique nature of the business - thus LSF hires for attitude and trains the skills. James feels the culture of LSF is proactive and high energy and that all their employees are interested in farming to some degree and fully committed to sustainability. This commitment helps drive reliability since they all feel like they are part of something important. Reliability matters since an absence is quite noticeable on a small team.

In the Summer of 2022, they completed construction of a 10,000 square foot facility that will be used for production. They will continue to use the 2000-square foot building to store materials and finished product. In September 2015, they installed solar panels on the farm. Two 44 panel arrays, each about 70 feet long, provide all the power the farm/business uses. The total cost of the panels was \$75,000 and was partially offset by a USDA grant, a 30% federal tax break, and a \$1000 reimbursement from the Tennessee Valley Authority. Their total out-of-pocket for the project was \$33,000. James calculates that the project will pay for itself in 3-5 years by selling excess energy back to the utility company.

It has become impossible to source all needed ingredients from their own farm as they have grown. When this occurs, they are careful to use highly reputable suppliers who can certify they don't do animal testing, provide certified organic ingredients, produce in large enough quantities to meet the demand, and meet LSF's own external and internal quality standards.

As for financing, James says, "From day one, we have never taken on additional debt or investors. We have cash-flowed the business entirely ourselves from the initial startup costs to all the incremental investment to keep the growth going. We don't grow beyond our means and, as we grow, we strategically invest in aspects of the business that are working." The only exception to this was a \$25,000 grant

they received in 2014 through winning a local *We love local small business* contest, and the solar panel grant.

This financing approach influences their marketing tactics. The only advertising they've done is Facebook and Instagram ads. James says, "We do (Facebook and Instagram) occasionally, although, in reality, we had to stop because it pushes word of mouth so much. We have to time it right in order to handle the response. If we don't want to take on additional debt or investors, we have to grow a little, reinvest, grow a little, reinvest. We are very cognizant of that, which is why we don't really advertise too much." Their main marketing is through their customer email list, where they promote products and offer occasional sales.

### **HARVEST**

Sales in 2021 reached \$5 million. James and Eileen are proud of LSF's growth, although it is not precisely what they set out to accomplish. They envisioned living a sustainable farm life with their family, growing their own food, and selling some to others. LSF remains a shining model of a sustainable business, but it is far from the original vision. The farm is now a full-fledged business with all the things that go with that designation. Thus, James and Eileen recently moved their family to Murfreesboro, Tennessee, to have some work/life separation and for school systems for their children.

The land they purchased for \$325,000 ten years ago is likely worth at least three times that now. Add in the buildings from the business, and it would rise even more. James and Eileen Ray have had a golden touch with Little Seed Farm, but they still mourn a bit for the initial vision that came about many years ago in New York City. James and Eileen face an issue with future growth.

- Do they allow LSF to become so big that they must abandon some or many of their sustainability ideals?
- Will the company grow so large that they are forced to cede leadership to more experienced executives?
- Would they ever consider selling LSF? Or do they continue to constrain growth so they can keep their dream alive?

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