



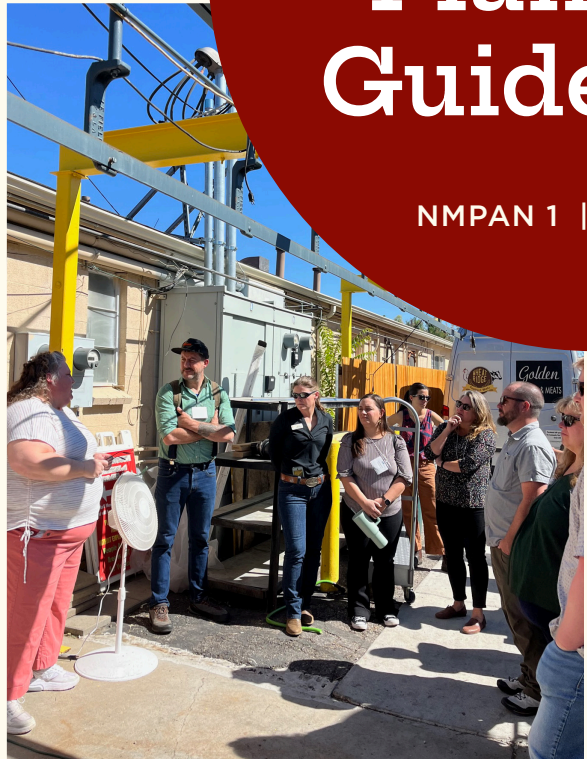
NICHE MEAT PROCESSOR  
ASSISTANCE NETWORK



SMALL MEAT  
PROCESSORS

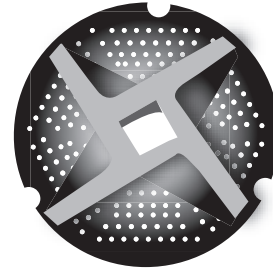
# Business Planning Guidebook

NMPAN 1 | REV. 2023



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**NICHE MEAT PROCESSOR**  
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# Executive Summary

As local food movements continue to gain popularity, many producers have opted to have their livestock custom processed at small meat processing facilities to capitalize on the potential markets that would increase producer income.

However, as more producers continue to seek processing at smaller facilities, many producers are left on a wait list and wondering if and when they will be able to find a space to get livestock processed. This all-too-common situation results in one of two scenarios for the producer: 1) hold the animal until a spot is available or 2) schedule the animal for slaughter months, if not a year, in advance to ensure a slaughter spot is available.

Many producers seeking slaughter services by small facilities have begun wondering if building a new meat processing facility is a viable business venture that can ease the necessity for additional local processing capacity. A processing facility can provide additional income for a producer, but the decision to enter into the meat processing industry requires an assessment of the potential revenue and operating costs. Meat processing facilities operate on small margins and require a lot of skilled labor to return a high-quality product to their customers. A new facility can cost upwards of \$5 million (~\$600 per square foot, inclusive of equipment). Add on top of that the cost to pay skilled labor and keep the plant in operation. It is critical that new and existing businesses justify building new or expanding a current facility with a solid business plan to attract funding opportunities.

As with all businesses, meat processors must sustain enough revenue to be able to pay expenses. The way to get more revenue is through increased input, and the way to increase throughput is to find producers able to commit enough livestock to fill your processing capacity. This guide will help you develop a business plan for a small meat processing facility, following the real life example of a 6,000 sq. ft. red meat processing facility. A business plan is critical for thinking through what you will process (species and volume), what kind of services you will offer and the products you will make, and where you might sell meat products and/or market your processing services. The business plan is where you will determine your operating capacity or your breakeven point, if you can't reach your operating capacity in the first few years.

This document will help you to think through and write your own business plan to determine if your proposed business idea will be financially viable and sustainable in your market.

# Introduction

This guidebook has been designed to help create a business plan for a small meat processing facility. The example used is a real business plan, written for a 6,000 sq. ft. red meat processing facility to obtain bank financing to build a new facility. The facility will serve to slaughter hogs and beef for local producers and offer a retail space for customers to purchase a variety of products. Names and other identifying details have been changed for confidentiality.

## WHAT IS A BUSINESS PLAN?

A business plan is a living document in which you clearly state the goals of your planned business venture, provide reasons that these goals are achievable, and outline your plan to achieve your goals.

## WHEN DOES A PROCESSOR NEED A BUSINESS PLAN?

To put it another way, when do you not need a business plan?

Answer: when you can afford to fail.

Unless you're planning a meat processing business as a hobby, you need a business plan. Whether you decide to finance using a lender, seek investors, or a combination of both, those willing to give you funds will require projections of revenue and cash flow with concrete information to support these numbers. At a minimum your business plan is for those funding your business. But your business plan is also for you.

It can be daunting to create a business plan. But the process of planning your business — trying to figure out how it will work and whether you're going to make money — is essential to the business's success. Admittedly, almost no business runs exactly as a business plan projects. But it is far better to lose money on paper than to lose money in real life.

What is your plant going to cost? How many employees do you need, and how much can you afford to pay them? What prices will you charge? Where will the livestock come from, and how do you know they're coming? Who is marketing the product: you or the customer? These are all questions you need to answer before you take out a multi-million dollar loan and start paying it back every month for 25 years. Writing a business plan shows you are serious about starting or expanding your business and have thought through the process.

## WHAT IS NOT COVERED IN THIS GUIDE?

This guide does not cover all the different regulations relevant to building and operating a processing facility. It is critical to understand the regulations at the local, state, and federal levels before you finalize your plans. You will need to comply with local, state, and federal regulations regarding zoning and local planning, water quality, waste management, environmental health, food safety records and documentation, humane handling, pest control, product labeling, employment law, and others. product labeling, and others.

## TO BUILD OR NOT TO BUILD?

Meat processing facilities – like many manufacturing facilities – are expensive to build and operate. Many start-up businesses fail financially in the first few years of production. Even when the closest inspected slaughter and/or processing facility seems too far away, building an entirely new plant may not be the most cost-effective solution. Livestock producers considering building a new meat processing facility may first want to evaluate the options and costs of aggregating livestock for shared transportation to existing inspected facilities and use less-than-load (LTL) shipping to get the meat back. Renovating an existing building may be a more cost-effective option than building a new facility, but the age of the structure, condition of the building, and the renovations to be completed will vary. The business plan in this guide can be adapted to renovation-type projects, as well. Still, in some cases – and more so in the future as older plants and buildings complete their useful lifespan – it will make sense to build a new facility.

## How to Use this Guide

### THIS GUIDE HAS THREE SECTIONS:

- 1 Brief introduction to business plan components
- 2 Business plan, piece by piece, from a real processor
- 3 Other business planning resources

**SECTION 1** lists and briefly describes the basic components of a business plan. **SECTION 2** walks through the business plan for a specific meat processing business, a new federally-inspected meat processing facility. In each part of this business plan, you will find questions you need to answer and suggestions for finding information to answer those questions.

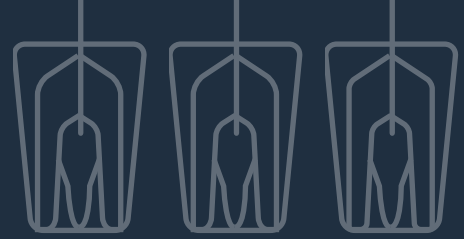
A busy small business owner can put together a simple business plan without putting in endless hours of extra work on the side. Simple and clear are just fine.

If you are planning a completely new business, it will help you to outline all the steps involved from receiving a live animal to sale of product to the final customer (e.g., slaughter, fabrication, value-added processing, packaging, labeling, marketing, sales, and distribution). While your business may handle only a small portion of that supply chain, it's a good idea to understand the full picture so you can see how you fit and the needs of your supply chain partners.

**SECTION 3** provides additional resources to help guide you as you write your business plan.

## SECTION 1

# Brief Introduction to Business Plan Components



Funders – whether a bank or an investor – want your business plan to answer these questions:

- Can the business be financially sustainable?
- Is there a sufficient market for the product or service?
- Are the financial projections realistic, and do they fit the funder's typical loan expectations?
- Is key management experienced and capable?
- What competition exists?
- Does the plan clearly describe how funders will get their money back?

In short, funders are looking to be convinced of two things: show me your business is feasible, and convince me that you (and your team) are able to execute the proposed plan. They are evaluating the business idea AND the people. The information you decide to include in your specific business plan may differ from your neighbor's business plan. **But most business plans have the sections listed below.** The order in which they appear is not set in stone. However, you want to write your business plan in an order that makes sense, not only to you, but to a lender, investor, or other outside entity.

**Executive Summary:** This is a concise (one page at most) summary of your entire business plan;

**Introduction:** Includes a description of the business, products, and services; and company location(s) and facilities;

**Sales and Marketing Plan:** Includes the overall marketing strategy, pricing strategy, target markets and market segments, promotion and distribution strategies, and competitive analysis;

**Operations Plan:** Includes where animals will be sourced from, how many will be processed, labor, and waste management;

**Management:** Includes key personnel that will make the business successful and the experience each has; and

**Financials:** Includes assumptions and summary of financial information, including capital costs, revenue, and operational costs.

Lenders or investors will typically look at your business plan in this order: Executive Summary, Financials, Management, and the Sales and Marketing Plan; some investors will want an exit plan that tells them how they will get their money back. Don't be offended by this: it is typical. Don't think that the rest of your plan is not important. It is. Remember, your business plan is not only for those from whom you are seeking funds. It also helps you organize your thoughts and vision so you can execute your plan.

## SECTION 2

# ABC Meats Business Plan, Piece by Piece

The following sections outline a sample business plan a meat processor could use to write a simple business plan. The sample business plan used in this document shows what a business owner should consider if they are looking to build a new facility.

The following business plan is an actual business plan for ABC Meats, a company looking to build a new USDA-inspected meat processing facility to provide processing services to local livestock producers. The processor is also looking to add a retail counter and provide wholesale products to local grocery stores. The business was financed with a combination of **equity** and a bank loan. The owner estimates just over \$3.6 million will be required to build the new plant. The owner plans to ask the local bank for a 20-year loan of \$2.9 million. The remaining \$728,000 will come from owner equity and, if possible, from private investors. The processor also needs to raise \$748,000 to use for working capital until the plant **cash flows**. One advantage of private investment capital is that it does not require monthly debt service, as will a bank loan; however, he must make sure that the cost of private capital does not compare unfavorably with the cost of bank financing.

For each piece of the following business plan, you will find a statement of what it should contain, guidance for the section, and what ABC's plan says. Side boxes throughout the guide define terms and additional information an existing business owner may want to consider including in the plan.

### EQUITY

Money you or others put into the business as business owners.

### UNSUBORDINATED DEBT

If you cannot pay your loan or file for bankruptcy, the loans that are considered the highest priority are considered unsubordinated debt.

If you cannot pay back your bank loan, the bank will be first in line to take your assets.

### CASH FLOW

Money in and out of your business checkbook, usually examined on a monthly basis. Cash flow is calculated before accounting for depreciation and revenue taxes (if any); it is real cash in-hand. You always want more cash coming in than going out.





# Executive Summary

The Executive Summary gives the high points of the plan and summarizes the key points in less than one page. It includes a brief description of the business (both current and proposed, if you are expanding your business); a brief summary of the market analysis and business opportunity; and a simple, clear statement of what the business seeks in financing along with what assets and equity or unsubordinated debt will be part of the financial package.

## Guidance for this section

This summary should only include information that is already in your plan - no new information. Think of this as the five-minute version. What are the highlights and important points in the plan that you'd want to tell someone - a lender, an investor, a potential management employee - if you only had five minutes with that person?

### **What the ABC Meats Plan Says: *Executive Summary***

To capitalize on rising interest in local meats, ABC Meats intends to build a new, USDA-inspected, red meat processing facility in Smalltown, OurState. The new facility will be 6,000 sq. ft., including retail space for specialty meat products. The new facility will process 8 head of beef or hogs per day.

ABC Meats recognizes the need to offer local livestock producers with processing services operating under USDA inspection. ABC Meats will develop a line of specialty jerky, hams, and small diameter cooked sausages that are manufactured for fee-for-service and retail customers under a variety of private labels.

Demand for local meats has increased, yet slaughter and processing options for local farmers and ranchers remain limited. More and more livestock producers are looking for alternatives to the commodity market by creating their own meat brands for wholesale and retail sales. Especially coming out of the COVID-19 pandemic, consumers have an increased interest in buying locally produced meat and supporting regional value chains. Of critical importance in any value-added local food market is sufficient infrastructure to meet demand.

ABC Meats intends to capture part of this local market trend by building a new USDA inspected slaughter and processing facility that will promote animal welfare, worker safety, and food safety.

ABC Meats seeks \$3.32 million in long-term financing to cover

start-up costs, equipment, building expenses, and working capital for the new facility. ABC Meats is willing to invest its own capital and use personal assets as collateral.

ABC Meats is expected to begin cash flowing in Month 16 of operations. When the plant is operating at capacity, the business will have an EBITDA of \$1,601,889 and a net income of \$1,202,181 per year.

## BUSINESS PLAN SECTION: Introduction

This part is where you want to describe why you are doing your project – whether it is a new facility or an expansion of an existing business. No funding institution or person is going to give you money “just because you want or need it.” This is a great place to state the problem and need for your project.

### Guidance for this section

Use this section to describe what you are planning to do with the facility. If you are an existing business looking to expand, include a brief description of the current business including history, location(s), facilities, and products and services. As an existing business, you will want to detail how the new facility will be different and/or expanded from the current business.

As you plan your business, make sure you understand the advantages and disadvantages of different types of inspection (federal, state, custom-exempt, and retail-exempt). The USDA defines each of these on their website ([www.fsis.usda.gov](http://www.fsis.usda.gov)) to help you select the right one for your business.

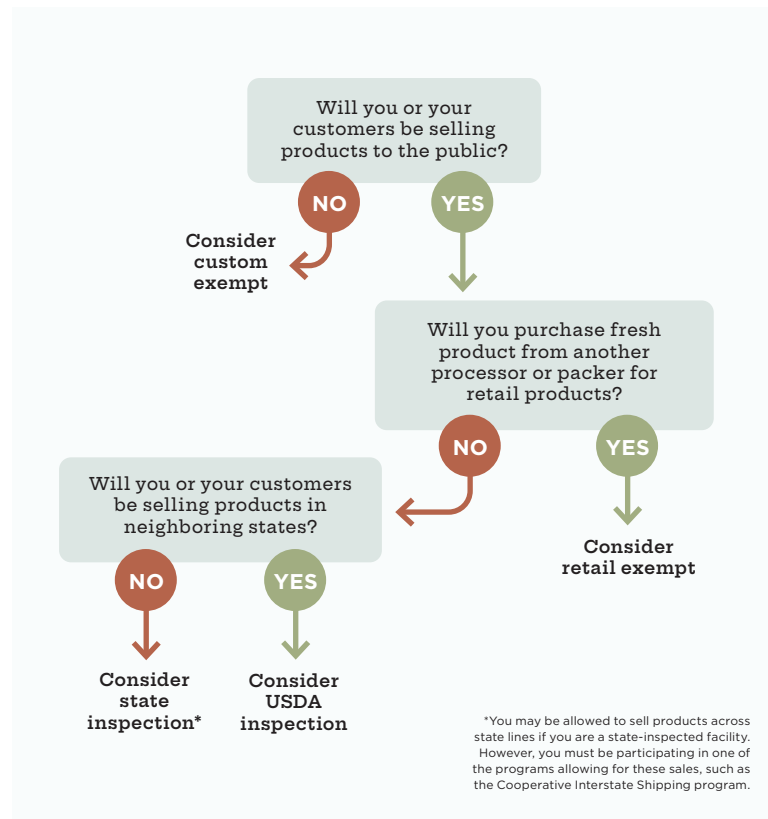
To the right is a flow chart of questions to ask to determine which type of inspection may be right for you. Although the flow chart focuses on where and how products will be sold, this may not be the only factor you need to consider when determining what type of inspection is right for your business.

### What the ABC Meats Plan Says: Introduction

Demand for local meat is at an all-time high, with consumers increasingly interested in knowing where their food comes from and how it was raised. Yet, access to processing remains limited. Small plants that offer fee-for-service processing remain limited, and those in operation are often booked up months in advance. In our own region, while there are a handful of small meat processing plants around Smalltown, they are not meeting the current demand for livestock processing. Most of these plants are completely booked leaving livestock producers traveling longer distances to get livestock processed or scheduling livestock several months to one year in advance.

Mr. Smith desires to develop a USDA-inspected meat processing and retail business to be located in Smalltown, OurState. This plant will provide processing services to livestock producers in the region and will further process beef and pork into many fresh and frozen retail cuts and further processed items, such as specialty hams, bacons, and cooked sausages, to sell to the local community.

This business plan will focus on the financial requirements of a new plant and the possible returns from meat sales and processing services.



An existing business will want to include verbiage similar to the following in the introduction:

ABC's current facility is located on Main Street in downtown Smalltown. The current facility is 2,000 sq. ft. in size. The planned new facility will be 8,000 sq. ft. and located outside the city limits to provide for greater livestock handling capacity with fewer disturbances to the local populace. This expanded capacity will be essential for increasing processing income through better customer service – for example, a larger cooling space to accommodate different hang times based on customer preferences.

# Sales and Marketing Plan

Your sales and marketing plan should address the overall marketing strategy, pricing strategy, **target markets** and strategies for both promotion and distribution. Also include a competitive analysis so your banker and/or investors can see who you are competing against and how you plan to be competitive in the marketplace.

You may decide to include a brief industry trends analysis to help validate why your new business is needed or why you need to expand your current business. It can be tempting to focus on “big picture” market trends to convince financing partners why your business or expansion is necessary, but keep that part short. Funders will buzz right through industry trends and analysis to see who the competitors are. Use these trends analysis to get an overall picture of market demand, but at the end of the day you need to sell chain space and/or meat in your market to your customers to bring revenue in the door. Keep your business plan grounded in that reality for the greatest chance of success.

## TARGET MARKET

A set of people, defined by specific characteristics (for example: their location, income level, family size), that you believe are your most likely potential customers.

### Guidance for this section

A well-designed sales and marketing plan is vital to the success of your business. You will want to consider the type of business you plan to conduct, the types of products you plan to sell, and to whom you plan to market your products.

There are four main market channels for selling meat processing services or meat. One, two, or all of them may fit your business goals. Your business type may change over time as demand for your services and/or products changes.

- **Fee-for-service** – Another term for fee-for-service is “Co-packing.” This is where the customer brings you an animal to process. The customer may also bring you carcasses or boxed primals for further processing. With fee-for-service, you are selling a service, not a tangible product, but you may produce the same products as those you market at retail, wholesale, or through e-commerce.
- **Retail Sales** – This includes having a service counter in which the customer comes to your shop to purchase product. This can be located at your facility or at another site: e.g., your processing facility is outside of the city limits, but you have a retail meat market in town or a local farmer’s market.
- **Wholesale Sales** – You sell products to another entity that re-sells those items. This could be a meat or grocery distributor, grocery stores, restaurants or institutions (schools, universities, hospitals). These wholesale accounts are the basis of the sales and marketing plan for most meat businesses.
- **E-commerce Sales** – E-commerce represents a growing market segment, with many producers and processors interested in marketing their own meat online. It often sounds very appealing – you control the sales of your product, and the price points look great. But there is a lot that goes into a successful e-commerce business that you must consider as you analyze the benefits and risks of e-commerce sales. How will you handle lost or delayed shipments? What is your plan for recovering costs to reship damaged or spoiled goods? How do you plan to recover shipping costs? Do you have a customer base willing to pay the costs to have product shipped? How will you drive shoppers to your website – what is your marketing plan to drive traffic and create sales?

Overall, you should consider multiple market channels to minimize risk. When one market is not doing great, you have another market you can sell product through.

Once you know the type of business you will run, you need to decide what types of products you plan to sell to satisfy your target markets. Will you sell only fresh product? Will some of it be sold frozen? Do you plan to make any further processed items, such as jerky, bacon, ham, and snack sticks? How do you plan to label your products? Will you offer quarters, halves, or whole animals as freezer meat? Most small processors process meat products to be sold under someone else's brand: you put your customer's name and logo on the package. This can either be for a farmer or rancher's meat brand, or a house brand (also known as a private label) for a distributor or a grocery chain. Some small meat processors will create their own **brand** to sell their product, identifying their products and attributes in the market place.

When determining your target market, consider the following information:

- **Customer** - Who wants or needs your products and services? Is your customer the producer? Distributors or wholesalers? Retailers (such as grocery stores)? Direct to the consumer?
- **Overall population size** - How many people live in the region where you will sell processing services and/or meat?
- **Household income** - This suggests how much money people in your target market may have at their disposal to spend on your product(s) and how much they may be able or willing to pay.
- **Population age** - What is the population age and demographics of your region? Do you have a lot of young families with children? Retirees? Vacationers? Different age groups often buy different cuts of meat and seek out different attributes. For example, families with children might buy more bulk-pack ground beef and retirees might be interested in steaks, two per package.
- **Local traffic flows** - How many people drive by your business location (or proposed location) every day? Your state Department of Transportation may have information about this for free.
- **What ethnic groups live in your area?** Carcass utilization (selling the whole carcass) is critical to the success of any meat business. If you live in an ethnically diverse region, it is well worth it to explore how you can sell every part of the animal (hint: this is exactly what the big meat packers do - nothing goes to waste). You might find opportunities for organ meats like tongue, heart and tripe in your region, or new or different ways to cut and market meat, like Korean short ribs or picanha.

Knowing this information can help you determine how and where to market your product, and how to message what you have to customers effectively.

A banker or investor will want to see evidence of demand for your products and services. For example, a strong piece of evidence for processing services would be letters of commitment from producers stating that they will bring in a certain number of livestock over the year. Speaking with livestock producers in your area can help you determine if your services are necessary and how much producers are willing to pay for your services. A third-party analysis of local demand for your products and services can be valuable and potentially more persuasive than anecdotal evidence.

Regarding retail sales, a good place to start looking for target market data (information about people living in your local area and/or region who would buy what you're selling) is the U.S. Census Bureau ([www.census.gov](http://www.census.gov)) and Sperling's Best Places ([www.bestplaces.net](http://www.bestplaces.net)); both are free and provide detailed demographic information for both cities and counties. Your local Chamber of Commerce or economic development organizations can also help with gathering this information. Try not to be overwhelmed by what could quickly be an information overload. Retail sales depend on the number of people who come to your busi-

### PRIVATE LABEL

Private label is co-pack for another company. This includes packaging and labeling the product with the customer's information and/or identifying marks, such as their logo.

### MEAT BRAND

A label identifying your business' product. Many livestock producers and small meat processors use a private label to signify product quality or a processing method (i.e. Halal, Kosher). It identifies the product quality with your facility name - conveys your story, attributes, and values to the consumer. Some examples are "Smart Chicken," "Niaman Ranch," and "Snake River Farms."

ness, so the number of people who live in your area or travel to your region will naturally affect this. It pays to do your homework here and spend time finding out what your customers want, how much they are willing to pay for it, and how far they are willing to travel for it.

You also can often find associations serving people who might be interested in your local, specialty meat products such as health and gym organizations and Community Supported Agriculture (CSA) groups. Your local Cooperative Extension agent can often be a good place to start to learn more about groups in your area that promote or support local foods. The existence of such local groups provides support for the idea that people in your area are interested in local and specialty food products.

Regarding wholesale marketing, what retail stores and restaurants exist in your area that might be good business partners for you? Who are the distributors that service these accounts, and are they interested in buying from you? Note all of these relationships in your plan, and include letters of support, if possible. It would also be good to include retail sales information for these establishments, as both competitors and as indicators of the types of food products people are buying in your area, and at what prices.

Lastly, you will want to address your competitors. Are other processors near you that offer similar services? This information often can be collected from a listing of meat plants in your state that is usually kept by the state department of agriculture. Many business plans refer to reports by industry associations or professional research companies. While helpful, these are usually not necessary. Once you find out who your competitors are, find out more about how they do business. Consider visiting their plants and/or websites. Finding information about a business helps you learn which products and services it offers and what it charges for those products and services.

You can also learn background information about prospective customers and suppliers. You can survey potential producers to assess the volume of livestock they send to other plants, who they use for their processing, and what opportunities they see for additional processing needs to accommodate their markets.

Keep in mind that small processors are usually all in the same boat. While you need to analyze nearby processors as competition for your business plan, day to day they may well be a source of help when you're in a pinch – for example, you run out of casings in the middle of the day or you need help with your smokehouse for a new product. Based on the experience of other small processors, it can be better to look at nearby processors as knowledgeable neighbors rather than competition. Even so, your funders will want to see how you will compete for business with them.

**Bottom Line:** This section provides a lot of information to your funders, but don't get bogged down with the information to go here. Do your best, and your lenders and/or investors will tell you if they need more information.

In the ABC Meats sales and marketing plan, note how subheadings are used to make the information easy to find.

### **What the ABC Meats Plan Says: *Sales and Marketing Plan***

**Overall Strategy:** The overall sales and marketing strategy for the next three years is to build a solid base of year-round revenue by selling both processing services and meat. We will offer USDA inspected slaughter and processing to local livestock producers and create our own meat brand for retail and wholesale sales.

**Target Markets:** ABC Meats primary market for the sale of processing services will be livestock producers seeking processing services for their own branded meat programs. Our

An existing business looking to expand may want to consider adding hard evidence of the business that has had to be turned away due to limited processing capacity. Monthly records would suffice as evidence. You could also share the volume of product the current plant makes and show the increased demand.

meat sales will first and foremost be to consumers willing to pay a premium for locally sourced meat sold at our retail butcher shop. A secondary market will be regional grocery stores with a desire to place local products on the shelves.

**Distribution Strategy:** Our slaughter and processing services will not require distribution - customers bring animals for slaughter and pick up finished cuts and further processed meat products.

Meat products will be sold primarily through the retail butcher shop at our new processing facility. We will self-distribute to regional wholesale accounts using our own truck and driver.

The new facility will be one mile off State Road 1, a heavily traveled road. The location will offer easy access for livestock delivery and make it convenient for customers to access our retail store.

**Products to be Marketed:** ABC Meats will produce fresh and frozen meat products such as roasts, pork chops, and steaks. Ground beef, ground pork, and sausage products will also be offered. A specialty line of value-added products, like ham, bacon, snack sticks, and beef jerky will be created to offer as premium products. All of these items will be available under the ABC Meats brand through our retail butcher shop. We will wholesale value-added items, as well as grinds and sausages to local grocery stores.

**Pricing Strategy:** Our pricing is based off of three things: our costs, competitive regional pricing, and the value of “local” as an attribute in meat sales. First and foremost, we price products so we can cover our costs and make a profit. We then balance these price points pricing in the region and the consumer demand for (and willingness to pay) for a local product. Wholesale and retail price points are differentiated accordingly to allow for retailer margins.

**Promotion Strategy:** Because this plant is completely new to the area, a higher marketing budget has been created for the first year of business to alert new, potential customers to its existence. An annual budget of \$47,000 has been allotted for annual marketing following the first year.

ABC Meats will promote our processing services and retail butcher shop through:

- Local newspaper, travel guide and “Buy Local” guide
- Social media (Facebook and Instagram)
- Blog posts by local food bloggers

We will promote wholesale sales by allocating 5% of revenue towards marketing spend: in store promotions and signage.

### Competitive Analysis

Because our region supports a large and vibrant livestock industry, there are a number of small meat processors in the area dedicated to providing USDA-inspected and custom-exempt slaughter services and specialty meat products in the region. Most of these plants normally have about a four to six months wait period for harvesting cattle, but the demand for local products has increased the wait time to up to one year. The need for processing exceeds the supply of plants able to provide this service. The table to the right shows our most likely competitors in the region.

Facility	Location
Smokehouse, Inc.	Southtown
The Meat Market	Smalltown
XYZ Meats	Nexttown

## BUSINESS PLAN SECTION: Operations Plan

Investors and lenders want to know how you anticipate obtaining the necessary livestock or meat supply to operate a successful business. You also need to state how you are going to get the work done – employees or equipment – and how you plan to get rid of waste products.

### **Guidance for this section**

This section should answer several questions regarding throughput, labor, waste management, and worker safety.

When determining throughput, consider the following questions:

- How many animals will each producer send to you in a year? Measure this in total number of head or total carcass pounds.
- How many animals do you plan to harvest each day/week/month/year?
- Do you have access to boxed meat products, if necessary?
- How long will you age carcasses?
- How long will you hold custom processing orders?
- How big is the plant? How much processing space do you have? How many square feet of cold storage do you have (chilled and frozen)?
- What kind of further processing services will you provide?
- What kind of packaging services will you provide?
- How much labor is needed in each area of the plant?
- Do you have access to all the labor you need to fully operate the plant?

Many small plants, and even large plants, find it difficult to staff a plant to the level they desire. Equipment and automation are replacing some employees. Finding, training, and retaining skilled labor is something you must address in your business plan. You may have a great idea, but if you do not have the people to do the work, your throughput will be less and margins smaller, putting you at risk for failing. For all the people working in the plant, be sure to address how you will provide a safe work environment.

For waste management, you will want to think about what will be left over, how it will be handled, and how it will be discarded.

- Is there a rendering service willing to pick up waste?
- How much of the waste can be sold instead of put into rendering? Can you add value to waste products somehow, such as selling organ meats to specialty markets?
- Is it feasible to compost, incinerate, or digest waste to create fertilizer for farmers?

## What the ABC Meats Plan Says: *Processing Plan*

**Introduction:** There is growing demand from local meat producers in our region for slaughter and processing services. These producers have finished beef cattle and hogs and developed markets for their meat products. We have requests from local producers to process approximately 500 head of beef cattle per year and 300 hogs per year.

**Plant Specifics:** The plant will be designed to slaughter, chill, fabricate, and portion cut whole muscle cuts, as well as grind and manufacture value-added products. The plant will be 6,000 sq ft, with enough space to process over 1,100 hogs and 1,500 head of beef cattle per year. Eleven employees will be needed to complete the work at operational capacity, and new equipment will be installed to improve worker ergonomics and food safety. Many of the new pieces of equipment will have safety features to minimize injuries.

**Animals to be Processed:** Locally fed, high-quality, grain-finished cattle and hogs will be purchased and processed into portion cuts and further processed items to sell at retail. ABC Meats will work with local producers to ensure livestock are of the highest quality at the time of slaughter. Multiple livestock producers in the region have committed to bringing livestock to the plant for fee-for-service processing. Sub-primals will be wet aged, with some space allotted for dry aging cuts or carcasses for customers desiring this service.

**Inspection:** The proposed meat plant will be USDA-inspected. As such, ABC Meats will be held to strict cleaning and sanitation standards as outlined by the plant's Sanitation Standard Operating Procedures (SSOPs) and Hazard Analysis Critical Control Points (HACCP) plan to prevent foodborne illnesses and other contaminants from entering the food supply.

### Waste Products

A significant portion of the carcass must be disposed of, including waste fat, most bones, inedible offal, and blood. Due to land restrictions, ABC Meats will be contracting with Rendering, Inc. to dispose of the inedible portions of the carcass. Rendering, Inc. will also be disposing of the hides.

Specified Risk Material (spinal columns, heads) will be properly disposed of in a landfill.

Our wastewater will be pretreated prior to entering the sewer. All process wastewater from the slaughter floor will pass through a screen to catch and separate solids. Screened effluent pumps and a pipe system will convey screened process wastewater to the municipal sewer system for additional treatment.

Rendering can be the biggest cost to a plant, next to labor and utilities. A new plant may want to consider the benefits of composting waste, using a digester, or incinerating the waste. Compost can be sold as fertilizer to local farms and can provide additional income to the plant.



## BUSINESS PLAN SECTION: **Management**

Every business is led by a team of employees to make day-to-day decisions regarding the plant. Lenders and investors want to see you have the people in place who will help make your business a success. You don't have to go hire someone with 30 years of experience just to help get the new business going or expand the current business. But, having a team with relevant experience will go a long way in convincing someone to give you money for your business. Be prepared to ask your current or future employees for resumes to provide to your potential lender as evidence of experience.

### **Guidance for this section**

Who will be overseeing the plant? What experience do employees have? What is the legal structure of the business? These are the questions you want to answer as you consider who should be listed in the business plan. Often, the owner(s), plant manager, accounting person, and food safety coordinator will be listed. It is not necessary to list all the employees, only those who will be making key everyday decisions (upper management).

If you do not yet have an employee identified for a position, list what qualifications you will be looking for in a potential candidate.

### **What the ABC Meats Plan Says: *Management***

ABC Meats will be formed as an LLC to help protect the owners from legal risk. The following personnel will be key to starting the plant:

#### **John Smith, President**

Mr. Smith held positions with retail and food processing companies for 25 years prior to starting ABC Meats. He gained valuable retail experience as Manager of Meat, Seafood, and Deli departments for three years at a WalMart Superstore. He has successfully managed sales and marketing responsibilities for major retail and wholesale food service companies.

Mr. Smith will provide the training, leadership, and direction to employees at ABC Meats and work with key personnel to develop the management team to carry the company to greater levels of revenue, profitability, and prosperity. He is dedicated to meeting and exceeding customer expectations. His commitment to developing new products and services is instrumental in attaining the goals he establishes for the company and the employees.

Mr. Smith is HACCP certified and will be responsible for compliance with food safety regulations.

#### **Jane Edge, Operations Manager**

Ms. Edge has been with Smoking Pig Meats for the past five years. She is a highly motivated manager, who is well versed in all functions of meat company operations. She will be responsible for scheduling activity in the processing department and assisting Mr. Smith with overseeing daily operations. Through the years, she has acquired experience in training, directing, and supervising personnel.

Ms. Edge understands the importance of maintaining high levels of efficiency and pro-

ductivity necessary to meet commitments made to customers. Through her leadership by example, the staff responsible to her is successful in meeting the challenges of demands made by customers for quality products and services and timely delivery of orders.

**Annie Accountant, Bookkeeper (contract)**

Ms. Accountant is going to provide bookkeeping services on a contract basis for ABC Meats. She has worked as a bookkeeper for the past 10 years with a variety of clients and is highly experienced in accounting and financial reporting. Working closely with Mr. Smith, she will provide information to all levels of management to assist them in the management of the company. Annie is prepared to join the staff of ABC Meats as soon as the facilities are available and the circumstances permit.

**Joseph Jones, Harvest Floor Manager**

Mr. Jones will be responsible for overseeing live animal receiving, handling and slaughter. He has 15 years of experience in meat processing and is trained in humane animal handling. Mr. Jones's expertise ensures the highest level of animal welfare leading to a calm, safe and humane slaughter environment.

**Jim Sharp, Fabrication Manager**

Mr. Sharp worked for The Butchery before retiring after 30 years. He has an interest in helping the plant start up. He is dependable and will play an integral role in providing excellent customer service and ensuring consistent quality.



## BUSINESS PLAN SECTION: Financials

**What goes here?** Include the assumptions underpinning the projected and historical financial statements. You will also want to include information about capital required and revenue. As a start-up business, you will not have historical financial statements, but the bank may look at other financial information to determine whether or not lend you the requested funds.

This is perhaps the most important section in your business plan. It is here you see if you are going to make money with the business you have proposed.

### **Guidance for this section**

Potential investors will closely examine your financial information. In this section, you must explain and defend every assumption you used to make the projections as well as anything in your historical data that could be a red flag. For example, an existing business may experience a decrease in profitability, implying poor management. However, it could be the result of several factors, including a sudden increase in production costs or strategic investments to upgrade areas of the business to increase efficiency or improve worker safety. Think of your assumptions as a summary of your financial statements that give enough detail to guide the reader through the statements.

If you are starting a new business, you have to make more assumptions than an existing business because you have no track record. You will want to take extra care in explaining your assumptions and providing concrete evidence as to why those assumptions were used to predict cash flows. It can be overwhelming to determine what needs to go into your financial tables. Working with experienced personnel will help ensure you have covered all the costs incurred with a meat business.

A summary table of your financials will be sufficient for banks and investors to begin assessing your business. However, be prepared to present monthly financial tables. You will have to create these to create a summary table, so just keep them on hand when you visit with potential funders.

You may also want to consider what the finances of the plant would look like if the plant is not operating at your predicted capacity. For example, how much money do you make or lose at 80% capacity? 50% capacity? Breakeven capacity?

#### **BREAK-EVEN**

Break-even is the point at which a business is not making a profit or a loss. It is the point at which revenue and total costs are the same.

## What the ABC Meats Plan Says: *Financials*

### ASSUMPTIONS

- Revenue
  - Revenue from processing services comes from prices of competitors
  - Revenue from processed meats was derived from production costs
- Prices for beef and pork subprimals are derived from USDA prices.
- Hog processing costs assume \$75.00 slaughter fee and an average \$1.53 per pound for processing
- Beef processing costs assume \$85.00 slaughter fee and an average \$1.04 per pound for processing
- Cost to build is approximately \$550 per square foot and a 6,000 sq. ft. facility
- Custom processing as a percentage of total throughput of each species
  - Hogs – 75%
  - Beef – 85%
- Head per year:
  - Year 1: Hogs – 274, Beef – 365
  - Year 2: Hogs – 855, Beef – 1,139
  - Year 3: Hogs – 1,152, Beef – 1,536
- All employees are hired at the start so they can all be trained simultaneously

The following tables show the necessary input to build a new facility and the expected revenue and net income.

**TABLE 1. FINANCING NEEDS (OR “EXPANSION COST” OR “START-UP SUMMARY”)**

Capital Expenditures	
Building and Cooler Facility	\$3,000,000
Sewer and Water	\$300,000
Site Work Allowance	\$200,000
Land	\$100,000
Equipment	\$550,000
Operating Capital	\$798,585
<b>Total Capital Expenditure</b>	<b>\$4,948,585</b>

### START-UP CAPITAL

Start-up capital is likely to be critical for a completely new business because your business will start with full expenses — full-time employees, full mortgage payment — but not full revenues. Start-up cash is needed to get you off the ground. Most new businesses lose money for a certain period of time as they build up sufficient business to achieve positive cash flow. One of your financial goals should be to have a positive cash flow within 6 to 12 months.

**TABLE 2. ANNUAL LABOR EXPENSES**

Direct Labor	
# of plant workers	11
Hourly rate, \$/hr	\$20
Tax and Benefits	\$88,480
<b>Total Direct Labor</b>	<b>\$480,480</b>
Indirect Labor	
President	\$120,000
Operations Manager	\$80,000
Accountant (contractual)	\$36,000
Harvest Floor Manager	\$65,000
Fabrication Manager	\$65,000
Tax and Benefits	\$77,020
<b>Total Indirect Labor</b>	<b>\$438,020</b>
<b>TOTAL</b>	<b>\$999,680</b>

**TABLE 3. BALANCE SHEET**

	Year 1	Year 2	Year 3
<b>Assets</b>			
Current Assets			
Cash On-Hand	25,000	523,868	1,581,999
Accounts receivable			
Other Current Assets	73,768	132,949	132,949
Total Current Assets	4,054,746	4,418,770	5,284,313
Current Liabilities			
Accounts payable	5,323	7,097	7,097
Operating Loan	39,812	-	-
Current Portion of Long-Term Debt	95,370	101,793	108,648
LTD	3,140,460	3,044,198	2,941,453
Total Liabilities	3,280,965	3,153,088	3,057,199
Equity	773,781	1,265,682	2,227,114
Total Liabilities and Equity	4,054,746	4,418,770	5,284,313
<b>Revenue</b>	840,953	2,366,495	3,190,780
<b>Cost Of Goods Sold</b>	111,145	347,084	467,978
Gross Margin	729,808	2,019,411	2,722,802
Expenses			
Plant Direct Costs	55,745	95,563	95,563
Direct Labor	336,996	539,194	539,194
General & Administrative			
Marketing Costs	57,600	32,600	32,600
Indirect Labor	438,020	438,020	438,020
Other G & A	9,704	15,526	15,526
<b>Total Operating Expenses</b>	898,065	1,120,903	1,120,903
Interest	(214,442)	(208,037)	(201,147)
Depreciation	(198,571)	(198,571)	(198,571)
Net Income (Loss)	(581,270)	491,901	1,202,181

**TABLE 4. STATEMENT OF CASH FLOW**

	Year 1	Year 2	Year 3
<b>Operating activities</b>			
Net income (loss)	(581,270)	491,901	1,202,181
Depreciation	198,571	198,571	198,571
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Accounts receivable	(73,768)	(59,181)	5,195
Inventory	(4,095)	(4,550)	(5,980)
Accounts payable	4,155	1,774	-
Net cash used in operating activity	(456,406)	628,515	1,394,773
<b>Financing activities</b>			
Payments on Long-term debt	(84,170)	(89,839)	(95,889)
Operating Loan, net	39,006	(39,812)	-
Other Contributions & Distributions	494,662	-	(240,749)
Net increase (decrease) in cash	6,908	498,864	1,058,135
Cash at beginning of period	31,908	25,000	523,864
Cash at end of period	25,000	523,864	1,581,999

**TABLE 5 (?). SAMPLE SCENARIOS OF THE THIRD YEAR OF PRODUCTION**

	Revenue	Cost of Goods	Total Operating Expenses	Net Income
100% slaughter capacity	\$3,190,780	\$467,978	\$1,120,903	\$1,202,181
80% slaughter capacity	\$2,552,624	\$374,382	\$1,071,885	\$706,638
50% slaughter capacity	\$1,595,390	\$233,989	\$711,602	\$250,081
Breakeven slaughter capacity*	\$1,299,696	\$187,656	\$711,602	\$720

\*Note in this scenario, the facility has to operate at 45% capacity to break-even. This may not be reflective of your situation, and your breakeven point may be much higher.

Samples of cash flow tables are available online as templates, with instructions. Go to: [www.nichemeatprocessing.org/business-plan-for-regional-meat-marketing-company](http://www.nichemeatprocessing.org/business-plan-for-regional-meat-marketing-company)

## How do I come up with all these numbers?

While overwhelming at first sight, this process is very do-able, and you don't have to be a math geek. Use the revenue, cost of goods (COGs), and expense categories used by ABC Meats as a starting place, and add or remove categories as needed.

These categories included:

- Raw Materials
- Ingredients
- Packaging
- Officer and Hourly Wages
- Payroll Expense
- Contract Labor
- Dues and Subscriptions
- Interest Expense
- Property Taxes
- Laundry
- License
- Legal and Accounting
- Vehicle Expense
- Replacement Tools
- Utilities (Phone, Internet, Water)
- Advertising
- Office Expense
- Insurance Expense
- Rent
- Travel
- Supplies
- Other Services
- Repairs and Maintenance
- Depreciation (as determined by the lifespan of the building and equipment)

If your plant will be bigger than about five employees, the following modifications are recommended:

1. With revenue, separate basic processing (slaughter and fabrication), from further processing (sausage and cured meat production). Put ground meat production into whichever work area holds the grinder and does the packaging.
2. The revenue categories for each work area, or "department," should also have a corresponding COGs category. You want to be able to track the money that comes in from each processing area versus the money that goes out.
3. Make sure that employee wages and associated expenses (taxes and benefits) are put under COGs in your chart of accounts AND are broken down according to the departments suggested above. For example, breaking down into departments would show you if you're making all your money from cutting beef and pork, and losing money on making bologna and curing ham. You will not see this if you have only one revenue category and one COGs category for your whole business. You will see whether or not you are making money, but you will have no idea where it is coming from.
4. Even if you have fewer than five employees, charting your accounts this way will allow you to better accommodate departments if/as you grow; this approach gives you a more realistic sense of "gross profit," profit before accounting for overhead costs.
5. If you have employees who work in more than one department, allocate their wages on an average percentage basis. For example, your employee Joe Sharp works on average, over the year, 50 percent of his time in cutting and 50 percent of his time making sausages. Count Joe's wages 50 percent in basic processing and 50 percent in further processing. An average for the year or every six months is fine, unless that employee's duties change significantly.

Don't let precision get in the way of accuracy.







6. Be sure to work some seasonality into your monthly modeling. Many plants in the northern parts of the United States run slower in the months of February through April or May and are really busy in the fall.

7. Not sure how much revenue to expect? Take your expected volume and multiply by the prices you hope to charge. If you're losing money on paper, rethink your plans. It's generally better to find more volume than to raise prices; raising prices tends to make volume go down. Of course, cutting costs is also an option, but cost cutting reduces what you can actually do, so be careful not to cut costs too much. Run your numbers by smart people and tell them to ask hard questions.

Remember, it is much less painful to lose money on paper than in real life. While no financial model will ever be 100 percent accurate, a model that is as realistic as possible, and a bit conservative, can help you avoid big mistakes with real money.

### **SO, WHAT IF I AM NOT MAKING MONEY?**

If, at the end of running the numbers, you see the business is barely profitable, or worse, not profitable, you will need to adjust your assumptions. Do you need to adjust the cost of your services and products? The most likely scenario will be to increase your throughput. As counter-intuitive as it sounds, increasing production capacity decreases the overhead costs per product. It is like purchasing a single serving of your favorite chips versus purchasing a large bag of the same chips. Volume diminishes production cost.

### **WHAT ABOUT OTHER POTENTIAL SCENARIOS?**

Investors will want to know what your finances will look like if the "ideal" scenario does not happen. What if cost of goods increases? What if cost of goods decreases? What if you operate at less than the desired capacity? Showing other scenarios and less income is not a bad thing - it shows you have thought your business through and understand there are other real possibilities to how the business will run after you are operating. It is a fact of doing business. Additional scenarios also show your investors that the plant will still be financially viable under different circumstances.

## SECTION 3

# Business Planning Assistance/ Resources


Many business planning guidebooks and courses are available to coach you through the steps of writing your own plan. An Internet search for “business planning guide” will kick up more than 1,000,000 hits. Don’t spend all your limited business planning time online looking at websites. But here are a few you might find useful, especially if they lead you to a real person with business planning expertise and experience who can review your plan objectively.

### **Small Business Administration** [www.sba.gov](http://www.sba.gov)

The SBA is a federal agency with local offices located throughout the country. The people in the office nearest you may or may not know anything about meat processing, but they can help walk you through the planning process and review your plan.

Sometimes it helps to have an experienced business planning professional ask you the right questions. The SBA has many web-based tools, for example, the “Small Business Planner”:

<https://www.sba.gov/business-guide>

Two SBA-related groups that regularly work with business planning are:

#### **Service Corps of Retired Executives (SCORE)**

<https://www.score.org>

SCORE is a nonprofit organization funded by SBA to provide counseling and training to small businesses, for free. SCORE volunteers are successful, retired businessmen and women. There are SCORE chapters in every state. Find yours on their website.

#### **Small Business Development Centers (SBDC)**

[www.sba.gov/local-assistance/resource-partners/small-business-development-centers-sbdc](http://www.sba.gov/local-assistance/resource-partners/small-business-development-centers-sbdc)

SBDCs are a cooperative effort by the SBA with state and local partners to support small businesses and their growth. As with most “free” help, some staffers are better than others. So if one place or person doesn’t seem like a good fit for you, try another. Some SBDCs may charge a small fee for certain services or help after a certain number of hours. Be sure to ask.

### **Agricultural Marketing Resource Center**

[www.agmrc.org/business\\_development](http://www.agmrc.org/business_development)

Keep in mind that many states have business development assistance offices, and some state agriculture departments have business development experts on staff.

### **University Cooperative Extension**

The university cooperative extension service in your state may include expertise in business planning and development. To see if your state has a similar resource, search for “Local Extension Offices Near You.” These will often be land-grant universities. Two examples listed at the right are:

#### **Pennsylvania State University Extension**

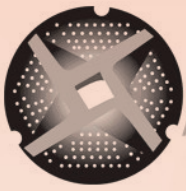
Ag Entrepreneurship

<https://agsci.psu.edu/entrepreneur/business>

#### **University of Nebraska - Lincoln**

Food Processing Center

<http://fpc.unl.edu>



NICHE MEAT PROCESSOR  
ASSISTANCE NETWORK

