Final Link:
GETTING LIVESTOCK FROM FARM TO FORK

A Rural Business Enterprise Grant

Funded by USDA Rural Development
Administered by CalaverasGROWN
Published September 2012

Table of Contents

Purpose

Throughout California and the United States, ranchers are noticing a new market demand: the demand for locally produced, direct-marketed meat products. This market offers the potential for higher profits for ranches of all sizes through value-added products, yet currently the market demands are not being met.

While many ranchers are interested in breaking into this market, several hurdles exist. The most notable hurdle is the lack of infrastructure to provide for small ranchers looking to sell their product to restaurants, grocers, or customers.

In 2010, El Dorado, Amador, Calaveras, Tuolumne, and Mariposa counties sold 70,000 cattle[1], the vast majority at livestock auctions from which cattle are sent to feedlots, often in the Midwest. Capturing just a small percentage (less than 5 percent) of this market would provide 3,000 cattle each year to the local markets, helping to fill a need for grass-fed or natural meat that is currently mostly being filled with meat from Australia and New Zealand.[2]

CalaverasGROWN, a county-wide nonprofit which focuses on local food support and advocacy, was chosen to administer a Rural Business Enterprise Grant which funded a project called: Final Link: Getting Livestock from Farm to Fork. The project sought to address the lack of infrastructure and begin the process of building a vibrant microenterprise network for delivering local meats within and beyond the identified California Foothills region. The region identified for this project is El Dorado, Amador, Calaveras, Tuolumne, Mariposa, and Merced counties.

---

1 From 2010 crop reports by county

2 Market research done by previous RBEG grant into current grocery store and restaurant offerings

Goals of the Project

Task 1: Designate advisory committee through outreach; Press Releases, Newspaper Articles, Meetings (RCD's, Local Food Organization, Farm Bureau's etc.)

- Collaborators: Coordinator, CARC&DC, Center for Regional Change, UC Davis

Task 2: Identify potential regional harvesting locations with or without cut and wrap facilities

- Collaborators: Coordinator, Advisory Committee, Center for Regional Change, UC Davis

Task 3: Identify possible centralized processed distribution hubs.

- Collaborators: Coordinator, Advisory Committee, Center for Regional Change, UC Davis

Task 4: Identify distribution locations and transportation

- Collaborators: Coordinator, Advisory Committee, Center for Regional Change, UC Davis

Task 5: Inventory current harvesting/cut and wrap facilities studies, assess for costs, evaluate for accuracy and for California use.

- Collaborators: Coordinator, Advisory Committee, Center for ED, CSU Chico , Center for Regional Change, UC Davis

Task 6: Develop processing models with costs and potential regulatory restrictions.

- Collaborators: Coordinator, Advisory Committee, Community Colleges, Center of Excellence, Center for Regional Change, UC Davis

Task 7: Evaluate regional job opportunities and educational program to support processing, distribution, transportation, models.

- Collaborators: Coordinator, Advisory Committee, Merced County EDC Alliance for Workforce Development, Inc., Center for Regional Change, UC Davis

Task 8: Develop regional leadership marketing group for delivering a regional economic prosperity message.

- Collaborators: Coordinator, Advisory Committee, BALLE

Task 9: Develop business plan based on selected location(s), model, production, spatial statistics, and message.

- Collaborators: Coordinator, Advisory Committee, Pacific Community Ventures

Task 10: Develop funding opportunities/options for selected location.

- Collaborators: Coordinator, Advisory Committee, RSF Social Finance

Task 11: Develop a repository/website and resource guide, including flow charts, templates and models, identifying steps for development of new and/or existing niche meat harvesting/cut and wrap facilities.

- Collaborators: Coordinator, Advisory Committee, Center for ED, CSU Chico, Center for Regional Change, UC Davis

Acknowledgments

First and foremost, the advisory committee, CalaverasGROWN, and the Project coordinator thanks USDA Rural Development and its state director, Glenda Humiston, for funding and supporting this project. Without these funds, this valuable regional project could not have happened.

Thank you also to those who put in the most time, passion, and patience, the advisory committee, who tirelessly analyzed options for the region to determine what would be best and most feasible to get our local meat system up and running.

The CalaverasGROWN board of directors have also lent their support in words, encouragement, resources, publicity, and even potlucks throughout the process - thank you.

Special thanks goes to all the processors that are already out there who shared their knowledge without hesitation. These include: Wolf Pack Meats (Reno, NV), Cal Poly San Luis Obispo, Chase's Chop Shop (Madera, CA), Tollhouse High School, Tracy High School, and the new Yreka facility.

We would like to recognize those involved in the High Sierra RBEG grant that came directly prior to ours - your foundation helped immensly in leading us in the right direction.

Aaron Bausted and Keith DeHaan of Food and Livestock Planning, Inc, were an incredible help in compiling numbers and the common threads between facilities that succeed and facilities that fail.

A huge thanks goes to one of our most valuable resources - the Niche Meat Processors Assistance Network (NMPAN) - for providing a forum of support for all those struggling through the niche meat markets and specifically for supplying free webinars, business plans, and other resources which we found invaluable.

And to the producers, consumers, local food advocates, and experts who are too many to name but held a great role in getting accurate information about the local and regional meat markets - thank you.

Challenges

Lack of Continuity of Coordinator

A few months into the yearlong grant, the coordinator and CalaverasGROWN were unable to continue their relationship, and a new coordinator was hired. This set back progress on project goals by several months, and in the end the grant was extended for one quarter in order to finish the project.

Region

From the beginning, the project region posed a problem for coordinators and stakeholders. The original project region covered foothill counties from north to south: Amador, Calaveras, Tuolumne, Mariposa, and Merced. A few months into the grant El Dorado County was also added to the north.

These counties, while bordering each other, are not a cohesive region due to a lack of corridors between them. Roads are small and windy, and people do not regularly travel north-south, but instead travel east-west on major highways and to urban centers like Sacramento, Stockton, and Fresno. Travel from the north end of the region in El Dorado County to the south end in Mariposa County could easily take five or more hours on small, dangerous, windy two-lane roads.

It would have been extremely difficult to form a nadvisory committee to cover all the counties or to do meetings or outreach that would apply to the entire region. Infrastructure located in the central part of the project region would not have been reasonably accessible to the whole region.

The advisory committee and project coordinator decided to divide the project into a northern section, including El Dorado, Amador, and Calaveras counties, and a southern section, including Tuolumne, Mariposa, and Merced counties. Tuolumne County could foreseeably be in either section. However, Mariposa and Merced in particular have almost no contact with the foothill counties to the north.

Regional Involvement

While some of the regions had many ranchers and organizations that wanted to get involved, it was much harder to recruit help from other regions. It took the coordinator six months to build relationships in Mariposa County, at which point some progress was made but no one was really willing to take the project further. After repeated attempts, no successful contacts were ever made in Merced County, and that County was dropped from the project when it became apparent there wasn't enough interest from the community at this time (or that the project coordinator was unable to find those interested).

Risk Aversion

The advisory committee was composed mostly of livestock producers, and would have benefitted from the inclusion of some entreprenuerial types with more experience taking out loans and starting businesses. Livestock ranchers, as a group, are generally risk-averse. While this has benefits and prevents many doomed businesses from starting, it can also serve as a hindrance to progress if a group is too risk-averse. The committee continually balanced the natural risk-aversion of most of its members, often lobbying back and forth between larger, more regional facilities, and smaller local facilities that would be less viable but also lower risk. While in the end it created balance and reigned in the sometimes out-of-control plans, it also caused some frustration and took much longer to come to a conclusion as we kept revisiting lower-risk facilities. While we waffled between facility types, it was hard to move forward in creating models, presenting our findings to the community, seeking investors, or planning job and educational programs.

In the end the continual analysis of all the options led the committee to a few possible facility designs that we are all very excited to pursue, but some progress on other areas of the project was lost during the time it took to settle on the size and scope of a facility site and design.

The lack of entreprenuers on the advisory commitee may foreshadow another challenge - the lack of marketing entreprenuers in the region itself. This may prove a further challenge as plans move forward and it is necessary to take some risks to get the business started.

Current Cattle Market

Cattle market prices are much higher right now than

usual due to recent droughts in the midwest which forced many large ranchers to sell off their entire herds. Now there is a shortage of cattle coming out of the midwest, and prices for cattle in our region are higher than many ranchers have ever seen.

The high auction prices remove the monetary incentive for ranchers to get into direct marketing. Auction prices are projected to stay high for the next several years, making it a hard time to convince cattle ranchers to switch to a regional system of marketing their meat.

Consideration

While the project seeks to include all types of meat, the most prominent species raised for meat in the region is cattle. Much of the analyses throughout the research had a particular emphasis and potential bias toward beef, though throughout the process we have retained the desire to provide infrastructure for various types of local meat, including lamb, goats, pigs, cull cows, and potentially poultry and small game.

Accomplishments

Task 1

Designate advisory committee through outreach; Press Releases, Newspaper Articles, Meetings (RCD's, Local Food Organization, Farm Bureau's etc.)

Before the project began, Sean Kriletich of CalaverasGROWN had already done some work putting together a thoughtful committee to discuss the possibility of adding a meat processing facility to our area. Many of the advisory committee members for El Dorado, Amador, Calaveras, and Tuolumne counties started meeting before the beginning of the project, and when the current project coordinator took over the process, they decided to keep the same committee to retain continuity and vision while adding a few members to ensure well-rounded views.

The committee consists of the following individuals: Carina Bassin (staff, Amador County), Sean Kriletich (producer and CalaverasGROWN), Michael Kriletich (producer and CalaverasGROWN), Dan Port (producer, Amador County), Anonymous (producer, Calaveras County), Fred Hunt (El Dorado and Georgetown Divide RCDs, previous RBEG staff), Jim Dodge (producer with facility expertise, Calaveras County), Tim Saunders (staff, business plan, local value-added product developer, Calaveras County), and Felicity Lyons (UC Davis rural economic development grad student). For the majority of the duration of the project the committee also included two local business/economics experts.

The committee represents a well-rounded, knowledgeable, interested group of professionals from throughout the region. They meet monthly and communicate via email and phone conversations. They plan to continue to meet after the project has been completed and are committed to finding a practical and successful solution to the local processing bottleneck. The committee recognizes the need to add more business professionals to the group, but has so far been unsuccessful.

Graduate student Felicity Lyons did her masters' thesis report on the group and their project, researching community organizing and group dynamics. Appendix 1.1 is her paper detailing the process we went through, including group dynamics, individual visions, challenges, and successes in the process. The paper will provide insight and direction to other groups seeking to create local meat systems in their communities.

In addition to the advisory committee, the project put together a contact list of over 100 stakeholders from across the region, holding a few larger meetings for all and keeping them updated through periodic emails.

The committee for Mariposa County ended up being a fairly insular group – we did not get anyone from Tuolumne or Merced counties involved. That said, Mariposa County also formed a well-rounded group consisting of ranchers, local government officials, and restaurateurs, communicating mostly via email and holding three meetings. The energy and resources seemed lower than in the more northern counties, but at the

time of this report a renewed interested had formed in working with the fairgrounds to build a processing facility and food hub. For more about the process, see the next page.

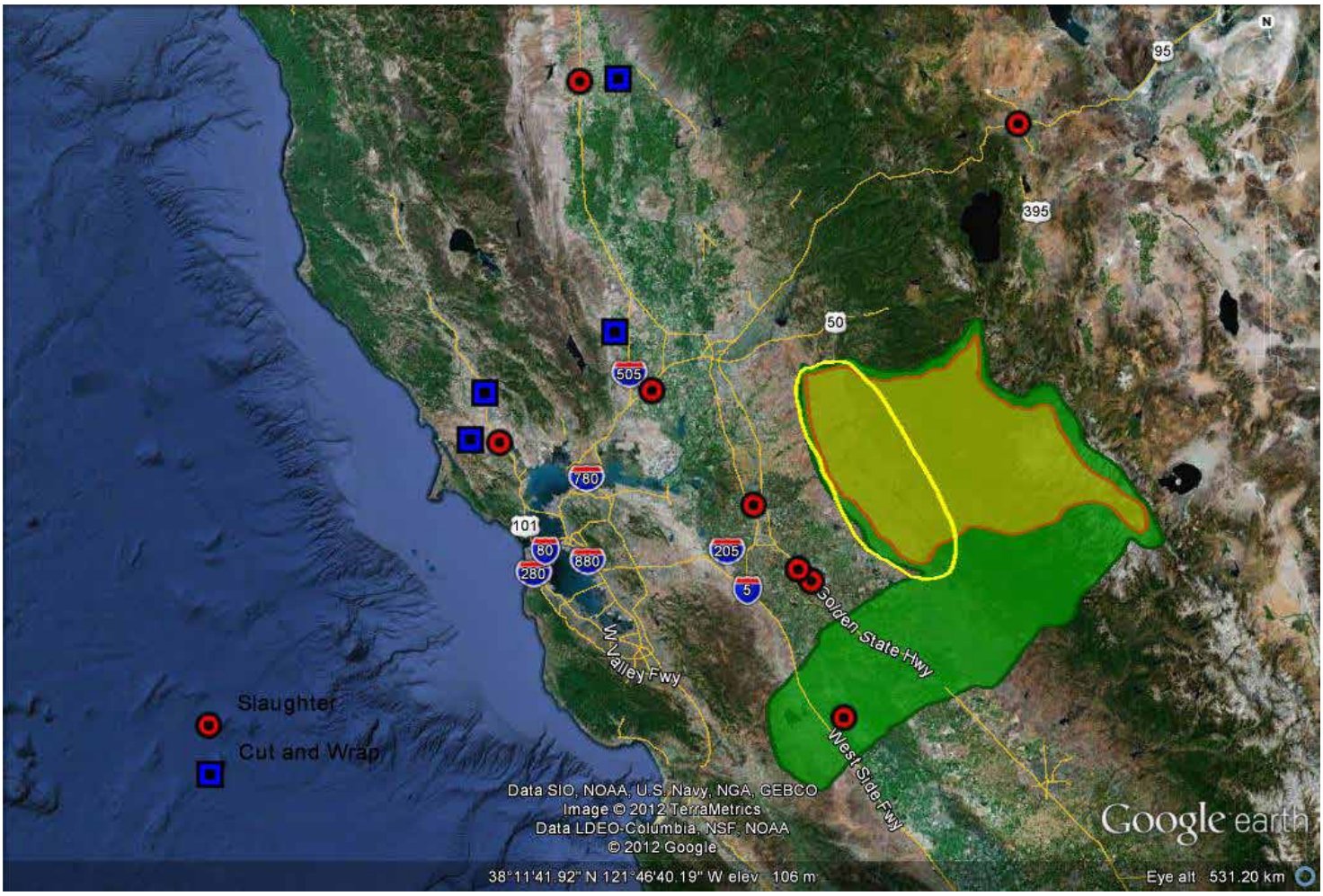
Task 2

Identify potential regional harvesting locations with or without cut and wrap facilities.

As soon as we began to look at the value chain (see appendix 1.2) and talk with local producers and consumers, the committee decided that the number one need in our region was for more accessibility to processing. USDA inspected processing is required by law if meat products are sold to consumers by producers who do not own a state-certified facilty. Current USDA processors are far away and booked up. So, in order to address the regional bottleneck, our priority became looking into building a local processing facility.

As a result of significant thought and research in El Dorado, Amador, Calaveras, and Tuolumne counties, an ideal zone for a facility was identified. This zone would provide fairly convenient harvest and/or slaughter to producers in these counties, while also allowing for accessibility to larger Central Valley meat producers who will bring needed business. The image below shows current USDA harvest facilities (red circles), USDA cut and wrap facilities (blue squares), the region of the grant (green area) and the region that would be well served with a facility in this zone (yellow area). The ideal zone for establishing a facility is within the bright yellow circle.

The advisory committee and Project coordinator worked together to analyze possible locations for processing facilities. Current state-certified cut-and-wrap shops were interviewed to determine their interest/potential for upgrading to USDA. The fairgrounds in four counties were considered for the possible addition of harvest and cut and wrap facilities or use as docking sites for a mobile facility. Several local vacant structures were looked at for conversion to harvest/cut-and-wrap, and some analysis has been done to determine the



We have made a number of key findings that we believe are important to share with anyone considering a similar process in their region or community.

by Felicity Lyons

1. **Project Facilitator**. Hiring a project facilitator with funds from USDA-RBEG has been critical to our progress. Without a paid facilitator, the volunteer committee members would have trouble keeping project momentum when more pressing obligations take priority.

2. **Facility Scale**. Developing anything smaller than a fully functional slaughter and cut and wrap facility is not likely to be profit generating. This means that we've ruled out a mobile unit as an option. Instead, we are looking at ways to maximize the capacity of the facility, especially through the production of value-added goods such as sausage, beef jerky, and pet treats.

3. **Challenges of a Slaughter Facility**. While slaughter is the most fundamental step in livestock processing, it is also the least likely to generate a profit and brings the most potential for community opposition.

4. **Common Barriers**. In the feasibility studies conducted elsewhere in California, the largest barriers to moving forward with facility development were ranchers' aversion to risk as well as the difficulty in attracting qualified facility managers.

5. **Committing Animals to a New Facility.** It is hard for ranchers to commit to a certain number of animals that they will have slaughtered at a new facility. This is partly due to the high price that ranchers can get at auction for animals, especially beef, compared to the unknown demand and value of direct marketed products (those sold directly to consumers from farms or at farmers' markets). Ranchers also can't commit if they don't know the price or the quality of the work of the yet-to-be-built facility.

6. **Competition**. There are other existing or new processors that could potentially compete with a new facility if developed. If we build a facility, we fear that we may not be able to keep costs as low as other processors outside of the region.

7. **Relationships**. Strong relationships have been key to gathering information and support. Various committee members have important relationships with elected officials, farmers' market managers, other larger ranchers from outside the region, animal transport providers, and of course, with processors.

8. **Local Officials**. Part of what makes our region distinct from a more urban region, and a good place to do business, is the support we have from local officials. Because of the small population, there is also a sentiment that officials are more responsive than their counterparts in urban areas.

9. **Regionalism**. Acting as a region is seen as a benefit among the advisory committee members. It is important for this project to serve the region as a whole, rather than focus on one community or county alone.

10. **Community acceptance**. Whatever site is chosen for the facility, the opinion of the community will play an essential role in ensuring its success. Providing education about the potential benefits to the economy is a way of encouraging support. However, it will be important not to exaggerate the benefits. For example, it is unlikely that a livestock processing facility will be a big jobs generator, and the community should know this, so that they are not surprised or disappointed once it is built and running.

11. **Demand**. The market for direct marketed meats is increasing steadily. Ranchers in our region that sell their product to Farmer's Markets have experienced tremendous growth in their business size in the last two years, and they struggle to keep adequate supply to satisfy their customers.

12. **Common Narrative**. Finally, a community or region's economic traits alone cannot explain its well-being. In fact, the creation of a "social infrastructure", that is, building relationships of community members within the organizations or institutions to which they belong, is actually the precursor to creating physical infrastructure. An integral part of our creation of this social infrastructure has been the development of a common narrative, or way of telling the story about the potential of this facility. This narrative binds the group together and continues to motivate us when we have disputes or when the project seems infeasible. Despite the committee's diversity in ideological backgrounds and varied reasons for being involved in the process of determining feasibility of developing a regional livestock processing facility, there are three common themes in our individual and group narratives.

- A livestock processing facility in our region can be a way to honor the practices of past generations.
- A livestock processing facility in our region can create opportunities for meaningful work for future generations.
- A livestock processing facility can reinvigorate the local rural economy through adding value to what the land produces, rather than relying on industrial or urban economic models.

With this common idea of success, we've started to create a vision to work toward, creating more opportunities for regional economic development and prosperity.

costs of buying a piece of property for the facility. Regional existing facilities have also been surveyed to help determine the need for facilities and ideal locations.

State-USDA Upgrade

After interviewing the owners of several state-certified cut-and-wrap facilities in El Dorado, Amador, and Tuolumne counties, it became apparent that there was little interest from owners. They are all currently running successful businesses, so they are unlikely to change their business plans. Prior research (citation – High Sierra RBEG) has shown that USDA upgrades are not easy or clear, and that the process can be long, confusing, and vague. The Project coordinator surveyed a national meat processing group for guidance, and most said that upgrades anywhere in the country are very time consuming and confusing. It has rarely been done anywhere in the nation, much less in California. No California facility has upgraded from state to USDA. There is one facility operating as dual state/USDA facilities, and it was built for that purpose. The manager of that facility has offered his help if we chose to upgrade or build a new facility.

Though they are reluctant to commit to the change, the state certified site owners have identified their biggest needs as being someone to write the HAACP plans and money to do the needed expansions and renovations. These sites are all also far from a harvest facility, so would need to start a transportation plan or build a harvest facility.

Due to the limited interest and large hurdles to doing this type of upgrade, the committee decided that unless a state-certified facility owner showed interest, pursuing this method would not be the most fruitful way to move forward.

Slaughter-Only or Cut-and-Wrap Only Facility

The advisory committee diligently went through each possible processing option, including slaughter or cut-and-wrap only facilities that would have partnerships with other facilities. There is a USDA cut-and-wrap shop in the Sacramento area that is expanding and had interest in a partnership, but financial models showed a slaughter-only facility of this small scale to be totally infeasible (see appendix 1.3). There are also several slaughter-only facilities in the Central Valley, but due to various constraints, the commitee wasn't comfortable with building a facility based on a relationship with a facility outside our region. In the end, it was decided that a full-service facility was the best model to follow.

Fairgrounds/Mobile Facility

The fairgrounds in Amador, El Dorado, Calaveras, and Mariposa counties have encouraged the possibility of hosting a harvest/cut-and-wrap facility. Fair managers are concerned with the cost and scope of the project, and also with preserving compatibility with many uses including events and weddings. The fairgrounds in Amador, Calaveras, and Mariposa counties are enthusiastic about the idea.

Regarding a mobile facility, feasibility studies and a meeting with the USDA have determined that mobile harvest facilities for large animals almost never pencil out and are no longer being supported by our local USDA FSIS offices. The huge cost of transporting the facilities, paying staff to break down and put the facility back together, and the limited number of animals they can process each day make the fee they have to charge prohibitive. When the facilities are being used as mobile units, they are unable to operate at an efficient scale.

There is still the possibility of a centrally-located fixed harvest facility with small cut-and-wrap facilities at fairgrounds throughout the foothills, however feasibility studies show that there is no money to be made at the slaughter level unless the scale is far beyond the size this group is looking at. In attachement 1.3, 7-30-2012 Scenario C, you can see that the slaughter-only option we chose to model was the only model that did not make any return on investment. A slaughter facility must either (a) be huge, or (b) be associated with a cut-and-wrap shop to provide revenue.

However, during the final few months of the grant period, a few advisory committee members decided to renew the investigation into the fairgrounds facilities, but to focus on fixed facilities rather than mobile. They focused on the Calaveras County Fairgrounds, and things began to fall together in a way they hadn't before. The option of a fixed facility at the fairgrounds that could process a few thousand animals a year has many advantages. The collaboration between local ranchers, the fairgrounds, and the USDA is an attractive and inno-

vative partnership. Fairgrounds have recently had to shoulder the burden of paying for their own operations, and so the idea of generating revenue while providing a community and regional service is attractive.

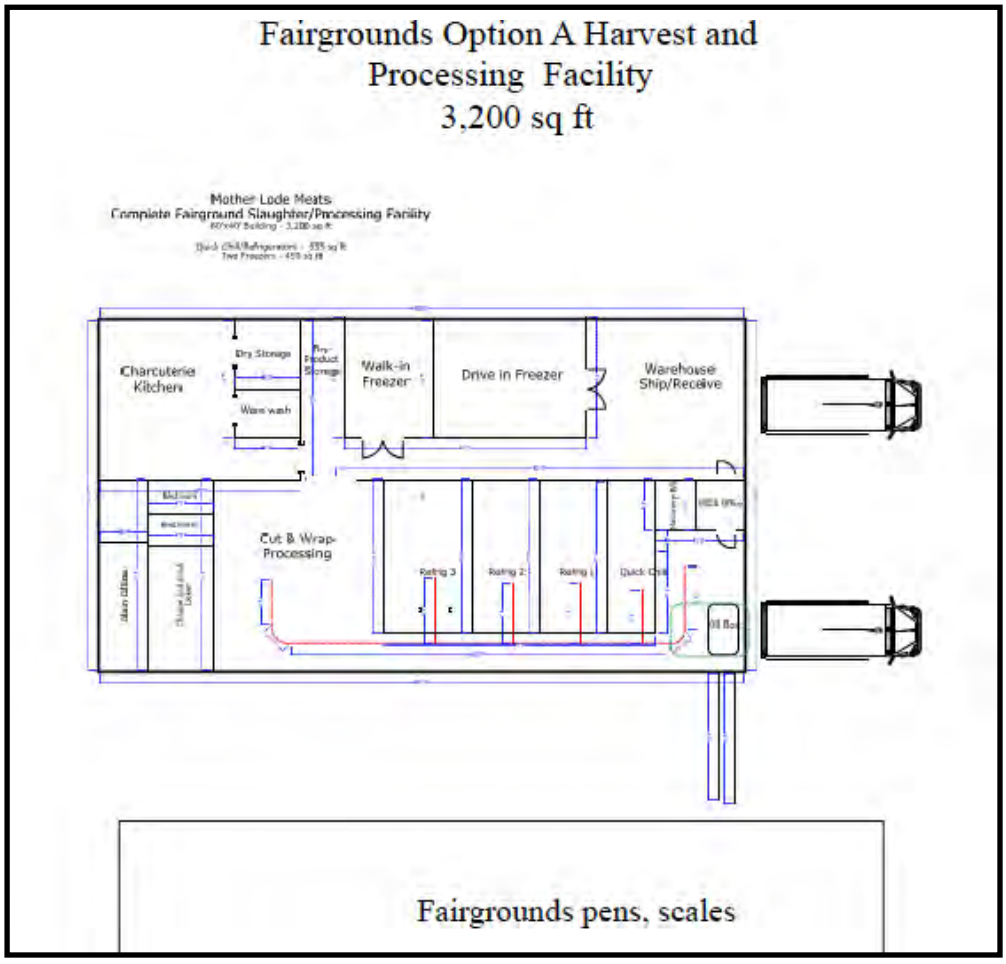
Some fairgrounds are state property, which negates or significantly shortens the need for long permitting processes and EIRs, while some have cheap utilities, water, and waste-water systems already set up. The facilities located on fairgrounds could also serve as a community educational tool, retaining transparency and providing training programs and exposure to another facet of meat production for local 4-H, Grange, and FFA programs. There are some drawbacks to a fairgrounds facility, most notably that the buildings themselves would be owned by the state, making the process of finding investors more challenging.

The fairgrounds facility at the Calaveras County Fairgrounds is the current front-runner for an ideal location. This facility could provide a model for other California fairgrounds to follow in building their own facilities, starting a network of accessible processing for local meat, and effectively changing the food landscape in California. There are at least two possible models to follow at the fairgrounds, both of which are detailed in appendix 1.4. The space available at the fairgrounds is small, so we have looked at both the option of a very small, self-contained facility onsite, and a slaughter facility onsite with the potential to work with a local abandoned warehouse (old Budweiser facility) as a processing plant. This processing facility could also serve as a hub where other food processing and distribution could occur. We also had Keith DeHaan of Food and Livestock Planning, Inc do a model based on a fairgrounds facility which can be found in appendix 1.3 under the 8-30-2012 Model C. The assumptions used for the modelling are numerous, and the resulting facility design is larger and more expensive than we had hoped, so we are still working under the assumption that we could create a smaller, more economically feasible facility on the fairgrounds site.

Existing Structure Upgrades

Vacant structures in Amador and El Dorado counties have been looked at for possible repurposing to harvest and/or cut-and-wrap facilities.

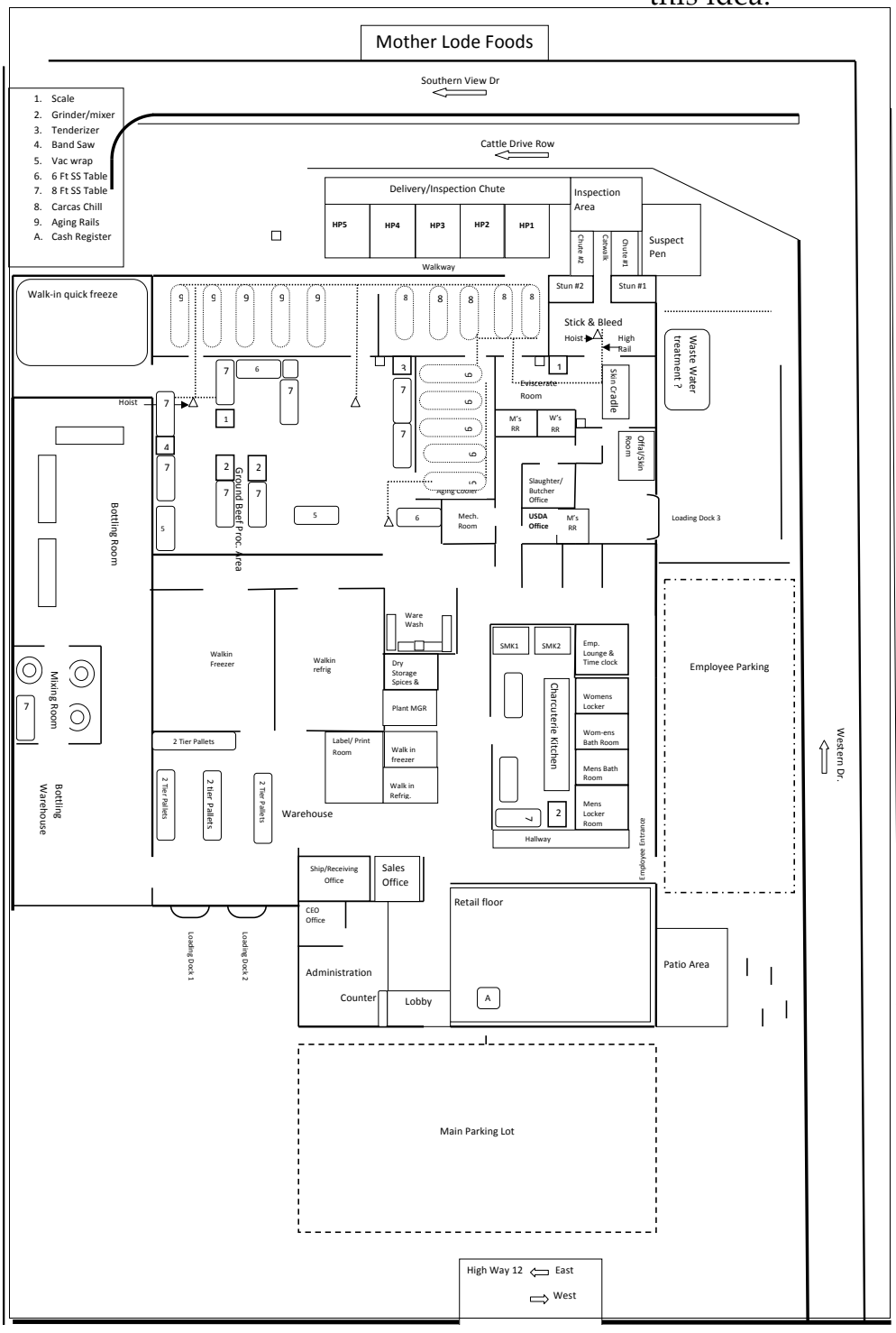
The first structure the committee looked at in depth was the Preston facility in Ione, CA. The facility was a youth detention facility until last year, when it was closed. Amador County is now suing CDCR for taking away the jobs, and the facility is looking for businesses to come in and repurpose the buildings on the site. A consultant that toured one building on the site said it was one of the best he'd ever seen for conversion to USDA harvest/cut-and-wrap, estimating the cost of upgrade at $1.25-1.5 million. After a second meeting with CDCR and a brief discussion with the Pres-



This facility layout shows one option for the Calaveras Fairgrounds site. For more details about possibilities to be considered at the fairgrounds and further diagrams, see appendix 1.4.

ton Foundation, a nonprofit that currently uses the historic castle on the site, it became apparent that the original building we looked at was too close to non-compatible uses for a harvest facility (though it could still work for cut-and-wrap). A second building, located at the very back of the site, was toured and found to be suitable and even larger than the first building.

Unfortunately, after we drew up plans and put together a proposal for the CDCR, they informed us that they were looking at another type of repurposing and wouldn't know what would happen with that until early 2013. So we were put on hold and eventually lost most interest in the property. Other hurdles with this property are that it is state property so may hinder investors who want ownership, and it is within city limits, which may pose problems for slaughter approval. If CDCR re-opens the possibility of using Preston in 2013, we may revisit this idea.



This proposed floorplan for Mother Lode Foods comes from the business plan for a ground-up, pie-in-the-sky faciity written by Tim Saunders. The business plan is appendix 1.4.

Purchasing Property for New Facility

Appendices 1.3 and 1.5 detail various options for purchasing property and building a facility on it. Appendix 1.3 is a summary of models that were put together by Keith DeHaan of Food and Livestock Planning, Inc. showing the input, costs, and profits of various types and sizes of facilities. These models were all put together assuming the facility would be located in Calaveras County. Appendix 1.5 is a business plan put together by Tim Saunders detailing an ideal facility to serve as a processing hub for both meat and other value-added products. This business plan details all the components necessary, including floor plans, cost analyses, and a narrative about the business.

Mariposa/South Foothills

Mariposa County and the foothill counties south of

them (Madera/Fresno) are fairly isolated and currently do not have any facilities that are open to the public and provide both harvest and cut-and-wrap. There are harvest facilities in the valley in both Madera and Fresno, but no cut-and-wrap. Currently Mariposa producers are going as far as Paso Robles (180 miles each way) to have their meat processed.

As in the northern region, there is considerable interest in a facility, but a lack of someone who wants to own/manage the facility and the funds to build it. However, the local advisory committee is enthusiastic and keeping its eyes open for an opportunity. The fairgrounds managers are closely following the progress in Calaveras to see if they may be able to replicate the efforts at another local fairgrounds facility.

There is, however, one very promising connection. Sierra Lands Beef is an LLC that was developed by the local Sierra Foothill Conservancy to create income and an incentive for ranchers to put their land into easements. The SLB brand seeks to build a local and regional clientele for their beef, then work with ranchers who have conservation easements with them to incorporate their cattle into the brand. They are following a model developed by Home Grown Meats in Paso Robles, CA. In addition, a local high school has a meat-cutting program that is interested in moving their facility and becoming USDA. The facility would have an estimated ability to process 200 animals per year if used only by students, which is about the number that SLB would like to process. Both programs have strong local and governmental support and there may be an opening for grassroots fundraising if someone is willing to take the project on.

Unfortunately, this facility is located too far from Mariposa and will be too small to be a feasible solution for other ranchers besides Sierra Lands Beef. So for now, the fairgrounds facility in Mariposa County and the school program in Fresno County are the most feasible locations for facilities in the southern part of the grant's region.

One option in Merced that was never adequatly analyzed is a USDA certified plant that opened in Newman, CA in the past ten years then promptly went out of business. Research into this facility and possibility of reopening it under new ownership could be a great next step for this region.

Task 3

Identify possible centralized processed distribution hubs.

Ideally, a processing facility will also serve as a distribution hub, providing a retail space and/or the ability to store and ship meat to local and regional sources. In order to maximize efficiency, it makes sense to keep all the pieces of the value-chain in one centralized location, eliminating costly transportation of products whenever possible.

Many of the producers that utilize a facility in this region will want to turn around and sell their own meat, only using the facility for processing. However, many ranchers are also daunted by this task and would rather not reinvent the marketing wheel over and over again. There is the possibility that these ranchers could sell their meat to the facility, helping to create one large, unified, local brand of meat.

If we were to put together an ideal facility that contained its own brand of local meats, it would be easier to work with regional and urban restaurants and grocery stores. One of the main hurdles (besides cost) to local meat availability is that certain cuts are only available in small quantities, while restaurants and grocers need high quantities of the same cuts. A local brand that was able to purchase meat from many ranchers would create a more saleable product. This type of facility would also serve as a distribution hub, with the possibility of opening small stores in towns throughout the region to serve as smaller distribution hubs.

The committee believes that a facility which does only custom processing is economically feasible, and that having a USDA inspected processing facility creates further opportunity for ranchers or other entrepreneurs to sell meat products region-wide.

Task 4

Identify distribution locations and transportation.

Most local stores and restaurants that were surveyed had an interest in adding a local meat option or two to their menu/shelves. However, at this early point, it was impossible to get commitments from individual retailers, as even in ideal circumstances it will be years before a facility like this is producing a product.

Working with local grocery stores and restaurants would be a priority for the business, however after much consideration and research the advisory committee came to the conclusion that the marketing side of the equation would most likely be a completely separate business from the processing side. This is due to the need for two very different personalities and skill sets to manage a processing facility versus a marketing business.

There are two existing models to study regarding regional distribution of a brand that encompasses the meat of many local producers. Those are Sierra Lands Beef (discussed above), which is in its beginning phases in the Mariposa/Madera/Fresno foothills, and Home Grown Meats, which is a much larger company out of Paso Robles, CA that provides meat to Whole Foods. The project coordinator met with Home Grown Meats to learn about their business structure. They pay a premium on top of the current market value for approximately 700-pound animals, then finish them out on a grass-only feedlot. They have their own dedicated slaughterhouse/processing in Los Angeles, where the meat is then directly shipped to Whole Foods. They are unable to keep up with the current demand, and are actively seeking out new ranchers to become a part of their brand. This marketing strategy is interesting, and their market experience strengthens our belief that the market is far from saturated, however there are aspects of this business that we cannot replicate. We are unable and unwilling to create a feedlot; so individual ranchers would have to finish out the animals on their own properties, at which point the brand could buy the finished animal.

Another component of this task is the transportation. Because any new facility we may build is a multi-year project, we looked into the feasibility of forming a transportation co-op to send several producers' animals to harvest at once. A transportation co-op would be efficient for fuel and time and also create "pull" with processors who are currently booked and only offer slots to producers who have a large number of animals or can provide regular animals throughout the year. Overall this may be a good option, but at this point only for very small producers, as producers who are able to take five animals at a time a processing plant (if they can get in) are currently operating about as efficiently as the transportation co-op could. The full transportation analysis can be found in appendix 1.6.

Task 5

Inventory current harvesting/cut-and-wrap facilities studies, assess for costs, evaluate for accuracy and for California use.

An inventory of the studies we consulted during this project can be found at http://motherlodemeats.com/additional-resources/ or in the References section of this report. We incorporated the studies' findings into our analyses of locations and business structures, as well as into our models and business plan (appendix 1.5).

In addition to surveying online resources, the Project coordinator also visited several operating and newly constructed facilities to learn about their processes, funding, successes, and failures. Visits to five facilities in California and Nevada revealed the following themes:

- The facilities ranged from 5,000-20,000 square feet, though all facilities had similar target capacities of about 20 animals per week. They ranged from very old (1965) to very new (not yet completed).
- About half of the facilities emphasized the importance of creating a retail business to add income to a facility. This business can include all types of meat, especially value-added products like marinated meats and sausages, and can include prod-

Section 3 Model Results

	Scenario A	Scenario B	Scenario C
# of beef cattle custom processed in 3rd year	3,000	2,000	1,920
# of lambs custom processed in 3rd year	500	500	300
# of cull cows processed and marketed in 3rd year	500	0	0
Approximate plant size, sq. ft.	9,000	6,000	Unknown yet
Approximate total plant, property and equipment cost	$3,060,000 ($2,660,000 without pond)	$2,160,000 ($1,860,000 without pond)	$745,000 ($495,000 without pond)
Total project cost (includes preoperational working capital)	$3,329,000	$2,380,000	$909,000
Revenue in 3rd year	$2,335,000	$1,228,000	$250,496
Total processing cost per beef processed in 3rd year (does not include depreciation and amortization)	$314	$342	$108

This excerpt from the models (Task 6) provided by Food and Livestock Planning, Inc shows some of the number the consultants were able to come up with. The rest of the models can be found in appendix 1.3.

ucts for the pet industry like snouts, ears, and ground pet food.

- The facilities that were newly constructed had construction/property budgets of $3-$7 million.
- All facilities were privately funded by individuals, except for the two associated with universities, the newer of which was still built with private donations given to the school to build the facility.
- All facilities emphasized the need for efficient product flow and plant design.
- All facility managers were free with information regarding construction, decisions they'd made in the process, business details, and challenges. Each manager offered to help the group in any way they could going forward, and several offered to review floor plans and help write HAACP plans when the time came. The committee was continually impressed with the forthcoming nature of the facility managers and their willingness to share information.

Task 6

Develop processing models with costs and potential regulatory restrictions.

Appendix 1.3 and 1.4 summarize the processing models developed for the group by Food and Livestock Planning, Inc and steering committee member Jim Dodge, respectively.

Appendix 1.3 includes an original set of models we had made to compare a larger facility that could process 3,500 animals per year to a smaller 2,000 animal/year facility and a slaughter-only facility. These three models gave the committee a great basis for moving forward and a better understanding of the potential costs and returns on each size

of facility. Appendix 1.3 also includes a follow-up model we had made with some adjustments and including a site at the fairgrounds. However, due to the high variability of the data and many assumptions made, we found the original models more useful as a tool for analysis and comparison. The financial models for appendix 1.3 are 35+ page excel documents, and can be obtained by contacting CalaverasGROWN. These models make many assumptions, and are being used by the advisory committee only to show that these facilities are, in fact, feasible. The models will change significantly as the project takes shape, however, the general numbers show that facilities in our area do have a high potential for profit.

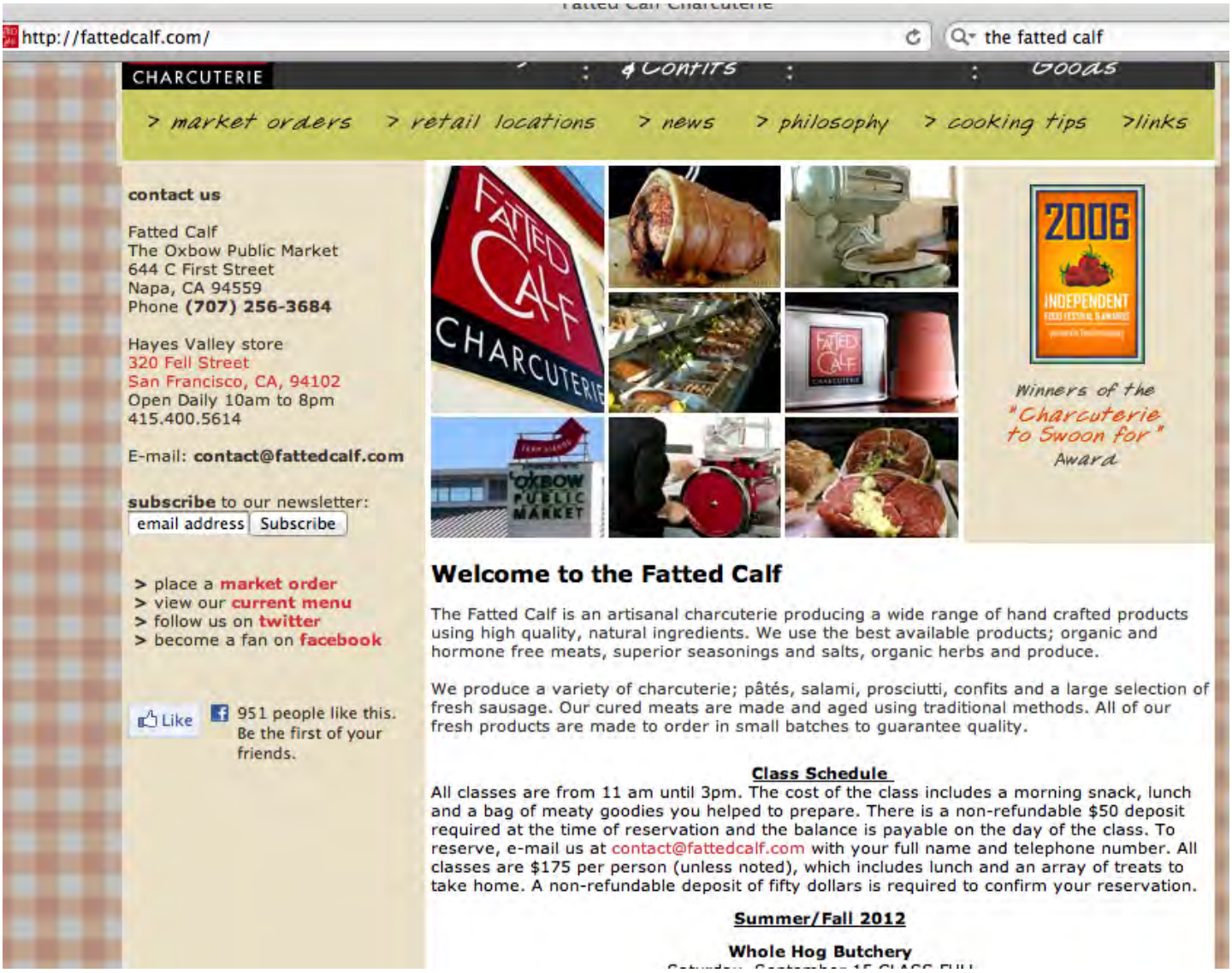
Appendix 1.4 consists of several models put together by Jim Dodge as we visited various potential facility sites. They are based on a facility in Kentucky (also in appendix 1.4) and the numbers from the models in appendix 1.3.

Task 7

Evaluate regional job opportunities and educational programs to support processing, distribution, transportation, models..

Job Creation

The projected number of jobs the facility would provide ranges from approximately 10-100. For a small-scale facility, and most facilities that run on a model similar to the one we would hope to pursue, the average employment is about 10 full-time positions. However, we hope to provide a more full-service location, including value-added products. These business additions could greatly increase the number of jobs available. Optimistic



predictions for the facility include up to 40 eventual jobs in a larger facility that also includes food processing for non-meat products (see appendices 1.3 and 1.5).

Additional jobs would be created as a result of this business. Livestock transporters would have more business and potential for refrigerated delivery of frozen and fresh meat products. Additional and associated businesses in the area could include cold storage facilities, local tanning of hides, associated storefronts in local towns, a restaurant, and more. There is also the hope that a facility like this would make ranching a more viable option and help create stability in that sector as well.

The facility could provide on-the-job training to its employees, who would then possess a vital and rare job skill that will become increasingly valuable as the local meat market expands and current meat cutters age out of the business. Though the number of jobs this facility creates may be lower than hoped for, the quality of these jobs will be high in their pay and the skills they provide when compared to other regional jobs.

Education

One of the most important priorities for the advisory committee is the educational components of a local facility. Educational opportunities range from for-credit classes at the high school and college levels, to work with local livestock groups like 4-H, FFA, and Grange, to for-profit classes for the public.

As part of this grant the project coordinator visited two high school meat-cutting programs to asses the possibility of using their ROP programs as a model for a facility in the Central Sierra Foothills. The two programs visited were in Tollhouse, CA and Tracy, CA and are thought to be the only two functioning high-school meat-cutting classes in Northern California.

The classes and facilities were very similar – both are state certified and do custom cutting at an extremely low price for local ranchers to consume themselves. They each have classes of approximately 20 students per year, though the Tracy class runs every year and the Tollhouse class only runs every other year. Both classes have been in existence for at least 30 years, and both instructors do not believe a class like this would be able to be started today due to liability. Both are thankful that their programs have been grandfathered in. While these visits were interesting and the classes that are currently running are phenomenal, the possibility of starting new ROP meat cutting classes today with education cuts and schools so afraid of liability is extremely low. This conclusion was supported when a advisory committee member began working with a local state-certified cut-and-wrap facility and their local high school, to start a program, only to find the red tape involved prohibitive and the school tentative at best.

One advisory committee member focused on working with the local community college satellite campuses to offer courses in meat cutting, internships, and apprenticeships. There is more potential here, as the students are of age and the liability is significantly lower than with underage students at a high school. While the potential of hosting community college courses is high and there is interest, the facility must be built and staffed before this is an option. Going much further than identifying interest from community colleges is not feasible at this point in the process. When a site is identified and a facility plan is moving forward, it would be beneficial to look into other community college courses like this and begin a further planning process.

While working with public K-12 schools does not appear to be an option, these students can still be reached by the facility through student programs like 4-H, Grange, and FFA. Students at the Tollhouse High School are a part of a meat-cutting FFA program in which they judge the quality of both carcasses and cuts and learn to identify all the cuts of various types of animals. They compete at state competitions and some have earned college scholarships for this unique skill. While getting students cutting at the facility may be prohibitive, running courses in teaching them about the process and the carcasses should be feasible. These programs could vary for different ages, culminating in an FFA program like the one in Tollhouse. When it comes to working with these youth groups, the facility at the fairgrounds becomes even more desirable because it would serve as a central location for 4-H, FFA, Grange, and other student groups to utilize in learning about farming and ranching.

Finally, education as a for-profit model cannot be overlooked in building a facility such as this. Fa-

cilities across California are hosting butchering classes to sold-out audiences who want to feel connected to their meat. These classes appeal to locals and tourists, and can range from slaughtering and cleaning a chicken to sausage making. One of the most successful models of for-profit classes like these is The Fatted Calf in Napa, CA (http://fattedcalf.com/), which has nearly weekly courses, charges $175 per person, and sells out months *in advance.*

Throughout this process we have been impressed by the transparency and openness of fellow processors, and would set up a facility to have that same transparency. This report and other documents can be seen on www.motherlodemeats.com, and we would hope to provide a resource and education to others looking to emulate this process once we are successful.

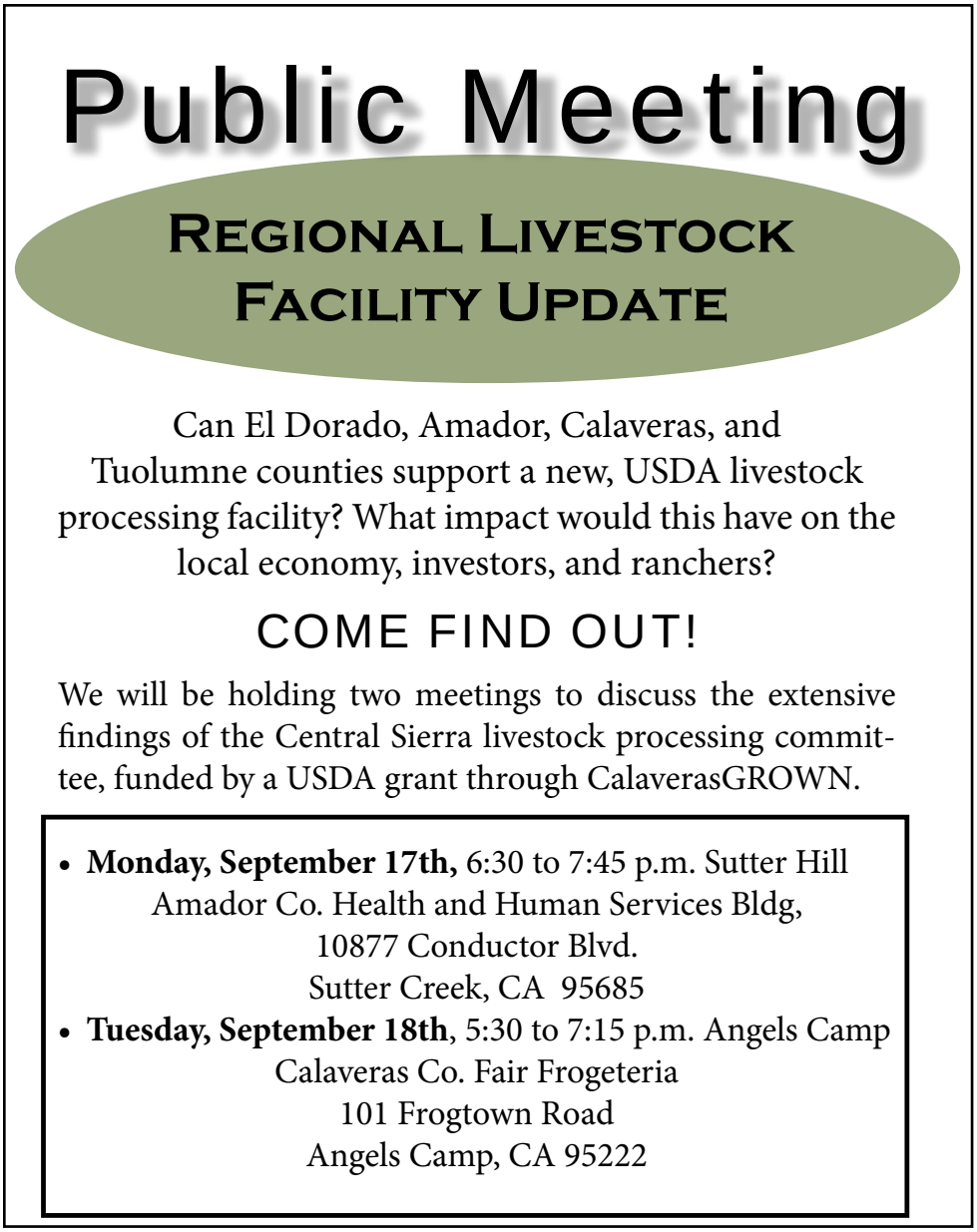
Task 8

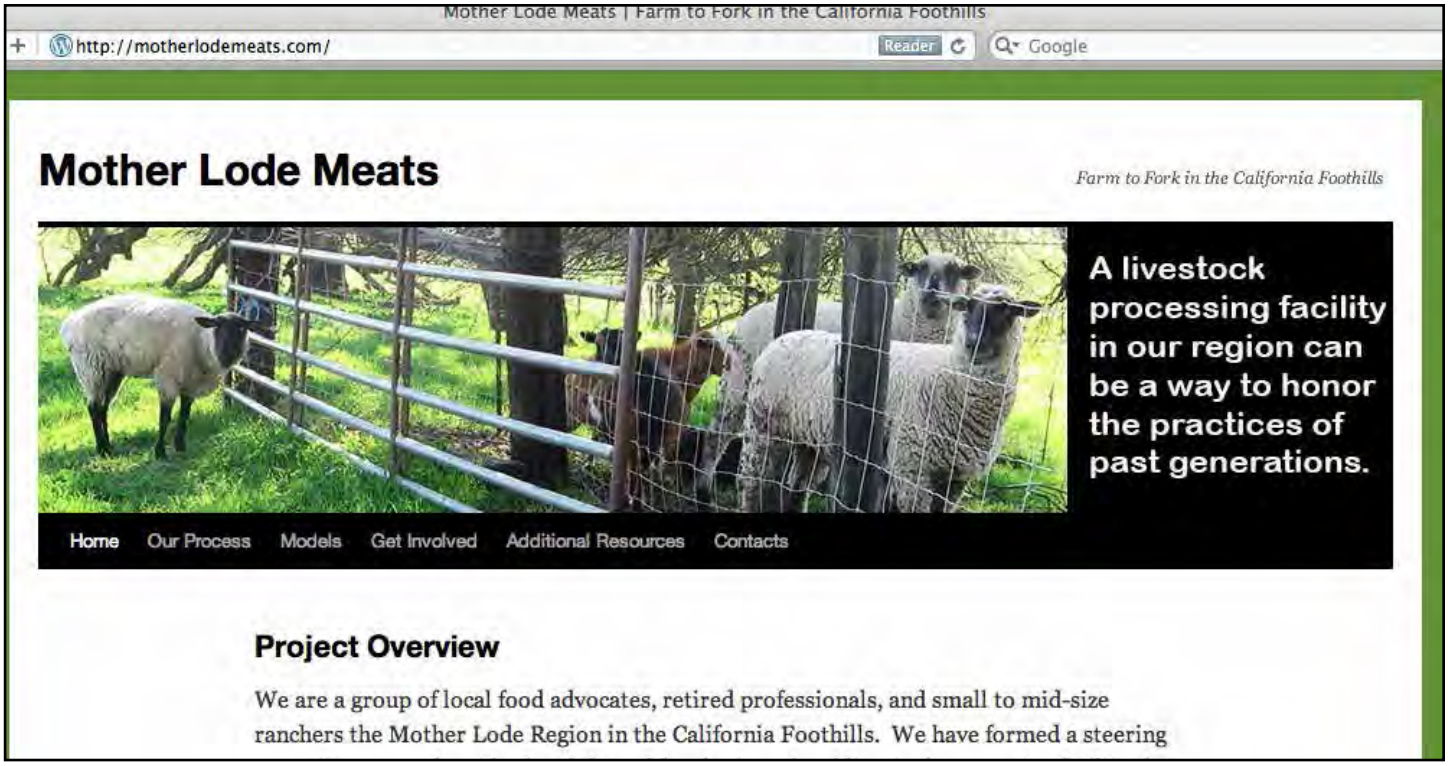
Develop regional leadership marketing group for delivering a regional economic prosperity message.

The advisory committee has served as the regional leadership marketing group as well, spreading the word within their communities, finding promising sites for the facility, and involving local elected government officials when they can be helpful.

The facility has been the subject of two newspaper articles, three TV interviews, and two radio interview as a result of the work of the advisory committee (appendix 1.7), and public outreach has included updates to the CalaverasGROWN members, several public meetings, and a public presentation on "How to Be a Project Proponent" by Felicity Lyons, graduate student (appendix 1.8). Lyons outlined the regional prosperity message and passed it along to the 35 meeting attendees. The presentation has also been available on www.motherlodemeats.com.

Overall, we have had extremely positive reactions from the community, ranging from "Fantastic, hope you are successful!" to "How can I help?" The community is convinced of the benefits and prosperity this facility can bring. As the plan moves forward, it will be integral to maintain positive relationships with the regional communities and, in particular, neighbors of a chosen site and local governments.





Task 9

Develop business plan based on selected location(s), model, production, spatial statistics, and message.

Appendix 1.5 is the business plan that was developed by Tim Saunders to represent an ideal, pie-in-the-sky facility. This facility would include a commercial kitchen to serve as a food hub for non-meat farmers, and an extensive value-added charcuterie kitchen for further meat processing. The facility would also be a hub for tourism and education, providing classes as well as a unified local brand of meat available for sale.

Task 10

Develop funding opportunities for selected location.

Various potential investors began presenting themselves to the committee near the beginning of the project, and have continued to surface throughout the process. Some are ranchers wanting to invest in a facility they could use, others are locals who are interested in helping create a food economy in the area. As we gathered the information necessary to move forward with a smart and successful facility, various investors encouraged our work and understood that the time to invest would come once a suitable facility site and design were settled.

While these types of investors are numerous, few have substantial amounts of money to give to move the project forward. We project that we have between 10-20 very interested investors, each of which are willing to give between $10,000-$50,000 toward the project. While this is a great start, it won't fund a $2-$5 million project. There are also a few very wealthy ranchers in the region, and some have reached out to voice their support. Now that we have an option that the entire committee is excited to pursue (Calaveras Fairgrounds), as well as several other feasible options, we look forward to presenting our findings to potential investors.

Our work with Food and Livestock Planning, Inc has led us to be very hopeful that we will be able to find the required funds within our region. If we are able to find a grant or investor to fund the next phase of the process, Food and Livestock Planning is available to work with the local community to find the necessary investments. In the past, they have worked with facilities that utilized innovative funding structures, such as selling processing

Next Steps

Task	Time Frame *	Key Personnel
Task 1 – Plant Conceptual Site Plan & Design: determination of the rooms and product flow, refrigeration requirements, size and scope of the plant. Estimate costs of plant, property and equipment, fee's, permits, type of agreements, general plan compliance and land use and zoning issues **Deliverable**: Sketch of plant design with dimensions that is engineer-ready, report on estimated cost for sketched facility based on local vendors, list of permits and fees necessary to build plant and any general plan or zoning issues.	October 31- November 14, 2012	Aaron Bausted (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee
Task 2 – Wastewater treatment options and requirements: Work with water districts and state offices. Work with city engineers to design a conceptual model. **Deliverable:** Wastewater treatment plan signed off by local authorities. Permit application to SWRCB/CVRWQCB if necessary.	November 15- November 29, 2012	Aaron Bausted and Keith DeHaan (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee
Task 3 – Conceptual marketing model. **Deliverable**: Organized marketing plan including working logo, branding material design, and advertising outlets/campaign.	November 30- December 14, 2012	Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee
Task 4 – Producer meetings to develop supply plan and investor plan **Deliverable:** Three or more meetings with 25+ producers. Report with estimated numbers for supply and investors.	October 31- April 30, 2013	Keith DeHaan (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee

space in the facility as shares. We are hopeful that an innovative funding structure like this, or even some work with Kickstarter.com-type fundraising could yeild results in which the community holds a stake in the facility.

On September 17 and 18, 2012, the committee will hold two community meetings, one in Amador County geared toward the north part of the region, and one in Calaveras County geared toward the south part of the region. These meetings will serve to update and excite the communities, as well as to act as a call for further funding.

When planning for the project, we assume that 50 percent of the capital will come from loans. We hope to acquire USDA guarantees on the loans, as well as low interest rates if possible. The remaining 50 percent must be raised from a variety of investors and grant funds. Appendix 1.9 details the grant and loan possibilities and what they might be used for. Our advisory committee has already applied for one USDA grant, and is in the process of applying for another. We will continue to apply for grants as they come available and are determined to see this project through its next steps.

Task 5 - Finalize processing plan (site plan, labor plan, operational plan) and estimate processing costs. Finalize comprehensive site plan including facility, WWTP, regulatory and environmental conditions. **Deliverable:** Final processing plan	December 14-December 28, 2012	Keith DeHaan (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee
Task 6 –Develop financial models of business enterprise complete with financial statements and receive CPA review and approval **Deliverable:** Financial model	January 2- January 16, 2013	Keith DeHaan (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee
Task 7 – Manuscript writing **Deliverable:** All above deliverables organized into comprehensive and complete business and marketing plan that will allow the business to move forward legally to get loans and establish the business.	January 17- February 7, 2013	Keith DeHaan (Food and Livestock Planning, Inc)
Task 8 - Finance strategy development: visioning and training with board of directors, assist in the set-up of the corporation and its bylaws, work with company's attorney on development of an offering document, call center for investors to answer all questions on the investment, development of a debt strategy, and work with future lenders on a USDA Loan Guarantee application. **Deliverables:** Board of Directors in place, corporation in place, offering document in place, written debt strategy, USDA Loan Guarantee application submitted, most or all investors in place.	February 7, 2013- April 30, 2013	Keith DeHaan (Food and Livestock Planning, Inc), Fred Hunt (El Dorado RCD), Project coordinator, Producer Advisory Committee

Task 11

Develop a repository/website and resource guide, including flow charts, templates and models, identifying steps for development of new and/or existing niche meat harvesting/cut-and-wrap facilities.

The website developed by the group is at www.motherlodemeats.com. It includes documents detailing our process and findings, models for this region and others to use in planning this and future projects, a list of all the resources we were able to find online, and contact information for further information.

Next Steps

Though the advisory committee and CalaverasGROWN feel confident in the work this grant has put forth and the accomplishments they have made, there are several steps that must now be taken to ensure that a successful facility is established, and that the local rural economies can benefit as a result.

The most integral next step is the identification of the two vital missing pieces: an owner and investors. The advisory committee has provided the community with the necessary research to show that this facility is warranted and has a good chance of being extremely successful. Now we must find someone to run with the models and contacts we can provide to get the facility built.

Over the past few months the committee has identified a consulting company that can provide all the necessary steps between where we are now and a functioning facility. This company is Food and Livestock Planning, Inc, and they provided the financial models in appendix 1.3. They have identified the necessary next steps, and the El Dorado Resource Conservation District has applied for a grant to complete the phase between now and the start of construction. For the details of the next steps, see above.

Food and Livestock Planning, Inc is available to help us put together an ownership structure, identify investors, provide construction oversight, and even provide start-up management if a qualified local manager is not found or the chosen manager needs to be trained by someone experienced.

While our recommended next steps are those on the previous page, we are willing to work with community members to determine the best site and strategy moving forward, and to provide all the information and support we can to the right individual, group, or business who is interested in moving forward with the ideal of a local, regional processing facility.

Conclusion

After an analysis of the regional meat processing system, it became apparent that there are serious holes in the current value chain. The market demands for local meats in our region are greatly outweighing the supply, which results from a lack of infrastructure for getting local meats from farm to fork.

The advisory committee identified a regional processing facility as the primary goal to address this bottleneck, and the components of an ideal facility were researched. Then came the process of trying to identify a site and gather numbers on what the facility might cost, investor potential, and debt.

At the end of the grant, we have analyzed each available site option we could find and are currently most interested in the idea of a facility at the Calaveras County Fairgrounds. A facility like this would cost approximately $1.8 million, but would be able to handle the region's need for livestock processing and pull in some business from outside the region as well. Our models show that if the facility is managed efficiently with a 50 percent debt structure, returns on investment could be as high as 33 percent in the third year. The high potential returns represent the high risk involved in a processing facility, as many of these facilities fail. However, the potential in our region is good, and the advisory committee believes that the facility would be viable and contribute to the regional economy while providing a new market for ranchers.

The next steps are to identify an owner and investors, whether an individual, group, or organization, and then to move forward on the pre-construction site scoping, design, and plans, most likely with the help of a consultant. The advisory committee will continue to meet and provide support as the process moves forward.

References

These references are also listed with active links at www.motherlodemeats.com.

National Study

Slaughter and Processing Options and Issues for Locally Sourced Meat (June 2012) (http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook/ldpm216-01.aspx)

Regional Feasibility Studies

Niche Meat Market Demand (2008), North Coast CA (http://cecentralsierra.ucanr.org/files/114197.pdf)

Processing Facility Feasibility Study (2009), North Coast, CA (includes a study from New Zealand) (http://cecentralsierra.ucanr.org/files/114193.pdf)

Small Facility Needs Feasibility Report (2007), Northern CA (http://cecentralsierra.ucanr.org/files/114198.pdf)

Del Norte Feasibility Assessment (2011), CA (http://www.jirwinconsulting.com/Del%20Norte%20Meat%20Processing%20and%20Retail%20Facility%20Feasibility%20Assessment-%20report.pdf)

Siskiyou Slaughter Facility Feasibility Study (2005), CA (http://calaverasgrown.org/wp-content/uploads/2011/12/Siskiyou-GOS-072105909.pdf)

Tuolumne County Feasibility Study (2005), CA (http://calaverasgrown.org/wp-content/uploads/2011/12/Tuolumne-County-Report.pdf)

Natural Livestock Feasibility Study (2009), Inyo and Mono Counties, CA (https://attra.ncat.org/attra-pub/summaries/summary.php?pub=202)

Feasibility of a Live Meat Goat Marketing Cooperative, (2010) Northern CA (http://calaverasgrown.org/wp-content/uploads/2011/12/Meat-Goat-FS-ALL-SECTIONS.pdf)

Local Livestock Producing and Marketing Feasibility Report (2006), Nevada (http://cecentralsierra.ucanr.org/files/114199.pdf)

Business and Marketing Models for Small Scale Meat Processing and Slaughterhouse Facilities (2011, OR) (http://www.extension.org/sites/default/files/Business%20and%20Marketing%20Models%20v1.pdf)

Slaughterhouse Feasibility Report (2005), Vermont (http://www.uvm.edu/~susagctr/Documents/SlaughterhouseFINALREPORT.pdf)

Southern Maryland Meat Processing Feasibility Study (2006), Maryland (http://www.shepstone.net/SouthernMD.pdf)

Northern Michigan Small Processing Plant Feasibility Study (2007), Michigan (http://www.michigan.gov/documents/mda/MDA_msu_feedlot_feasability_184592_7.pdf)

Meat Processing Facility Feasibility Study (2000), NY (http://agmarketing.extension.psu.edu/Processing/PDFs/meat_plant_feasability.pdf)

Processing

Methods for Disposal of Livestock Carcasses (2011) (http://cecentralsierra.ucanr.org/files/114191.pdf)

Where's the Local Beef: Rebuilding Small-Scale Meat Processing Infrastructure (2009) (http://cecentralsierra.ucanr.org/files/114201.pdf)

A List of Niche-Meat Processors and Case Studies (2010), USA (http://www.placesense.com/component/docman/doc_view/285-processor-case-studies)

Contemporary Producer-Owned Lamb Processing Ventures (1999), USDA (http://www.rurdev.usda.gov/rbs/pub/rr167.pdf)

Poultry-Specific

Poultry Slaughter and Processing in Marin County (2008), Marin CA (http://ucanr.org/sites/Grown_in_Marin/files/83622.pdf)

Mobile Units

Mobile Slaughter Compliance Guide A Modular Harvest Case Study (2010), NY (http://calaverasgrown.org/wp-content/uploads/2011/12/Compliance_Guide_Mobile_Slaughter.pdf)

Hawaii Mobile Unit Feasibility Study (2011), Specific to Hawaii (http://www.ctahr.hawaii.edu/oc/freepubs/pdf/FST-44.pdf)

USDA Rural Development Article on Mobile Units (2010) (http://www.rurdev.usda.gov/rbs/pub/nov10/going.htm)

A List of Mobile Units Currently in Operation (http://www.extension.org/pages/19781/mobile-slaughterprocessing-units-currently-in-operation)

Central Coast Mobile Unit Details (http://www.extension.org/pages/22054/central-coast-ca-mobile-harvest-unit)

Business Planning

Small Meat Processors Business Planning Guidebook (2011), NMPAN (http://calaverasgrown.org/wp-content/uploads/2011/12/NMPAN1_Business_Planning_Guide_20April2011.pdf)

Market Studies

The Power of Meat, An In-Depth Look at Meat Through The Shoppers Eyes (2011), USA (http://cecentralsierra.ucanr.org/files/114202.pdf)

Marketing

Selling Meat and Meat Products, University of California (http://calaverasgrown.org/wp-content/uploads/2011/12/Selling-Meat-and-Meat-Products.pdf)

USDA Regulations

Safe food guidelines for small meat and poultry producers (http://fsrio.nal.usda.gov/nal_web/fsrio/fseddb/fseddbsearchdetails.php?id=960)

Small and very small plant outreach materials (http://www.fsis.usda.gov/Science/Small_Very_Small_Plant_Outreach/index.asp)

Newspaper Articles

Grass-fed beef worth the wait for many, McClatchy News Service, 2006 (http://www.american-grassfed.org/wp-content/uploads/2009/02/Grass-fed%20beef%20worth%20the%20wait%20for%20many.pdf)

Grass-fed Natural Beef Niche for Farmers?, UC Davis, 1997 (http://www.sarep.ucdavis.edu/news/9701APR.htm)

Miscellaneous Resources

Eat Wild – A guide to small meat farms (www.eatwild.com)

Niche Meat Processor Assistance Network (www.nichmeatprocessing.org)

Appendices

Livestock Processing in the Mother Lode:

Evaluation of a Rural Economic Development Project

Prepared for the

Livestock Processing Steering Committee

of

Amador, Calaveras, El Dorado and Tuolumne Counties

By

Felicity Lyons

Community Development Masters Candidate

UC Davis

August 10, 2012

TABLE OF CONTENTS

I. INTRODUCTION

This is an evaluation of the project undertaken by a steering committee in the four county region of El Dorado, Amador, Calaveras and Tuolumne Counties (hereafter referred to as The Mother Lode) to determine the feasibility of developing a livestock processing facility.

To complete research on this project, I worked with the steering committee over a nine-month period. During that time I completed interviews with all ten steering committee members, two small scale grass-fed beef ranchers, one local retailer, one owner of a state inspected butcher shop, and one manager of a USDA inspected livestock processing facility. I conducted these interviews at the businesses, homes, farms, and ranches of interviewees. I also attended, observed, and served as note-taker at three months of steering committee strategizing meetings and attended and observed two stakeholder meetings open to all ranchers and other interested parties in the region. I accompanied the steering committee in their site visit to a potential facility location and served as note-taker and photographer. I also went on several tours: I toured an existing USDA inspected livestock processing facility that does both slaughter and packaging as well as a livestock auction yard, and the farms and ranches of five interviewees.

In this evaluation, I will synthesize the results of my research, draw conclusions, and evaluate the process undertaken thus far. To do this I will discuss the possibilities for facility design and scope and models for the organizational structure. I will also look at some of the challenges facing the project. Finally, I will discuss the characteristics of the steering committee and its members. I will explore their individual motivations and

attitudes, their relationships with each other, their roles in the process and how each of these contributes to the project.

I hope that this evaluation serves to demonstrate the strengths of the committee and to bring to light questions about feasibility of developing a livestock processing facility in the Mother Lode.

I am not an agricultural economist, a rancher, or a businessperson, and, therefore, I am not in a position to make recommendations for a facility design or a business model. However, I have experience in assisting with group processes, and that is where this evaluation is focused.

Rural development studies have shown that it is not just economics or marketing that make a project succeed or fail, but also a number of social factors. A community or region's economic traits alone cannot explain its well-being.[i] In fact, some argue that building "social infrastructure," that is, relationships of community members within the organizations or institutions to which they belong, is actually the precursor to building physical infrastructure.[ii] In examining the steering committee's "social infrastructure" I found that at its core is a common narrative, or way of telling the story about the potential for the facility, that binds the steering committee and other stakeholders together, and continues to motivate them when they have disputes or when the project seems infeasible. Despite the committee's diversity in political and professional backgrounds and varied reasons for being involved in the process, there are three common themes in how members conceive of the project.

These themes are discussed below. The use of the word “our” refers to the committee members and other regional stakeholders:

- **A livestock processing facility in our region can be a way to honor the practices of past generations.**

Steering committee members feel that they can learn from the ways that generations past related to the land and to each other, and the way that they conducted business. For example, they find value in using the whole animal, in being more locally and regionally connected economically, and in understanding what the land can and can’t yield.

- **A livestock processing facility in our region can create opportunities for meaningful work for future generations.**

  This value is expressed in terms of creating meaningful vocational opportunities for young people that help them to stay in the region, and have jobs that connect them to the past and to the land, while also generating a business model for the future.

- **A livestock processing facility can reinvigorate the local rural economy through adding value to what the land produces, rather than relying on industrial or urban economic models.**

Committee members feel pride in living in a rural community and enjoy being distinct from urban places. They express that economic development should reflect rural values of local control, health, and valuing the land for what it can produce. They wish to capture some of the value in the processing of raw material in a manner that gives their region more control and more potential for economic well-being.

It is these common values that continuously reinforce the group's ability to work toward the goal of developing a livestock processing facility, even as the committee struggles to determine organizational structure, research the number of incoming animals ranchers can commit, debate the merits of various scales and models for the facility, and, ultimately, decide if building a facility is feasible at all.

Using the common narrative shared by the steering committee as a foundation, I completed this evaluation on two levels that serve different purposes, and different audiences.

1. The first level is that of documentation. This piece serves to record the process undertaken by the steering committee so that future stakeholders in this project learn the history of the project, and are able to use it as an entry point. This assists the steering committee in conveying consistent and complete information to newcomers.

2. The second level is reflection. This piece compiles the conclusions drawn by the steering committee members in interviews and allows them to look back on what their process has accomplished so far and what next steps are necessary. This part of the process will also assist others engaging in this kind of process in other regions.

II. Facility Scale, Scope, and Features

To understand toward what end the steering committee is motivated to work, I will start by describing the various elements of the facility that have been envisioned and discussed. In so doing, it is important to note that, however inconvenient the existing outlets for processing are, ranchers are making them work. There are multiple options for USDA processing, but they are outside of the immediate region. While there are only two facilities that can do slaughter and cut and wrap under one roof, ranchers have

generally worked out arrangements with slaughterhouses and cut and wrap facilities to transport carcasses. While these are not ideal set ups, they are working to meet the current demand, except in busy periods, when these facilities get overbooked.

Ranchers generally feel that if they could process locally, they would likely increase the size of their business by building their herds and acquiring additional leased land if necessary. But building a new facility is a big investment and a risky endeavor. There is some fear that if a new facility is developed, the demand for the service will not be enough for a profitable business model, since direct marketed meat is a growing, but still very small niche market. (Direct marketed meat includes meats identified as natural, grass-fed, or which are simply sold outside of the dominant value-chain.)

Looking for options that would require less of an upfront investment, the group has investigated a number of models. They looked into the possibility of building a mobile unit, discussed the options of organizing a transportation cooperative, or developing more local freezer storage space in lieu of the major capital investment required by a full scale livestock processing facility.

In steering committee meetings, there has been a general conclusion that anything smaller than a fully functional slaughter and cut and wrap facility will not be profit-generating. According to research done by the steering committee members, and case studies reviewed by the project facilitator, a mobile unit will lose money when it is in transit, and to remain in operation, will have to charge a fee that would be cost prohibitive to most producers according to financial and logistical analysis completed by the project facilitator. Based on data collected from ranchers and facility managers,

transportation cooperatives appeared to have little value except for the smallest of ranchers, who are often reluctant to undergo the inconvenience of coordinating transport anyway. In my interviews, building freezer storage was revealed to have little value, because most ranchers of a medium- to large-scale were likely to invest in an on-ranch freezer to avoid having to travel to pick up their product.

The group has concluded that the most viable business models are also those that require the most investment. This makes some steering committee members hesitant to proceed, because a failure could mean a huge loss.

> In steering committee meetings, there has been a general conclusion that anything smaller than a fully functional slaughter and cut and wrap facility will not be profit-generating.

To determine what elements will work best for the industry and the region, the group has started to collect information and weigh the pros and cons for various conceptions of facility scale, scope and features. These elements include slaughter, cut and wrap, value-added processing, centralized storage, ordering and shipping, agri-tourism, and vocational training. The group will likely include some or all of these elements in their final facility concept.

A. Slaughter

Slaughter is the element of the facility that brings the most potential for community opposition. It also would require a very specific building design and expensive equipment. This would mean extensive remodeling of an existing facility, or a high-cost

design and construction of a new facility. Discussion at steering committee meetings has indicated an understanding that there is no profit in slaughter, despite it being an essential element of processing the animal. The profit is in the value-added products.

B. Cut and Wrap

Another possibility that has been discussed has been the development of a cut and wrap facility without a slaughter facility. This would require forming a partnership with an existing USDA slaughter facility, all of which are more than a few hours away from the Mother Lode region. Some have mentioned the possibility of starting with cut and wrap and adding slaughter at a later date, although they wonder at the feasibility of getting community support for this idea.

The group has discussed the possibility of starting two businesses simultaneously. Marketing might help bring in the needed profit, and support the livestock processing facility while it is getting established.

C. Value-added Processing

Producing products such as sausage, smoked meats, jerky, and dog treats for retail sale has been discussed. Concern about this model is that there isn't a big retail market locally. The market would be in the nearby urban regions of Sacramento and the Bay Area, so products would have to be transported. Also, there is not currently a plan to have a unified marketing plan or brand. These products could be sold under the various labels of the farmers who produce them. Developing a marketing plan would be a very different business than developing a processing facility. The group has discussed the possibility of starting two businesses simultaneously. The idea would

be that the marketing might help bring in the needed profit, and therefore be able to support the livestock processing facility while it is getting established.

D. Centralized Storage, Ordering, & Shipping

As mentioned previously, storage space alone seems to have little value for ranchers that are increasing their business size because most are looking into buying their own freezers to store meat. However, it might be valuable for very small scale ranchers. Additionally, some interviewees are interested in the possibility of combining storage freezers with a shipping service. One interviewee envisions that each rancher would maintain his/her independent ranch label, but pay for a centralized ordering and shipping system. Clients could order meat from a rancher's website, and meat would be boxed and shipped and inventoried from a shared central location. Each ranch would have a separate account and separate locker, but would pay a fee to have ordering, payment processing and shipping done by the facility.

E. Agri-tourism

The idea is that not only could this model create income for the facility, but also for surrounding wineries, hotels or bed and breakfasts, gas stations, and coffee shops.

One interviewee envisions that the facility could not only process livestock, but could also attract those interested in learning about charcuterie and gourmet cuts of meat. He envisions a kind of agri-tourism in which customers would come attend classes in the day, attend a dinner in the evening that paired local meats with local wines, and perhaps stay the night in local lodging. The idea is that not only could this model create income for the facility, but also for surrounding wineries, hotels or bed and breakfasts, gas stations, and coffee shops.

F. Vocational Training

A few members of the committee see the opportunity that this facility could create in providing training, not only for butchers, but also for those interested in retail, tourism and business management. This model has been explored by the committee. The group facilitator visited two high school sites that have vocational training programs in meat processing. One steering committee member has been working on making connections at the local community colleges. Because of the cyclical nature of livestock processing, one rancher pointed out that using students who are on a school schedule could correlate well with the supply cycle of animals to be processed. During the fall, a slow season, students would be in training. By the spring, when they had learned the trade, volume would pick up. And in the summer, when volume diminishes again, they would be out of school.

G. Assessment

Based on the opinions and experiences revealed in interviews and participant observation at steering committee meetings, it is apparent that the ranchers in the steering committee are particularly interested in the slaughter and cut and wrap elements of the facility. Value-added processing, storage and shipping services, agri-tourism and vocational training are innovative elements that are generally supported by all group members, but are more actively discussed by the community activists, who envision this project as meeting various economic development goals beyond those that serve ranchers.

The innovate elements, particularly agri-tourism and vocational training, should certainly be considered from the beginning when design the facility. (Location, size, capacity for expansion will all be important considerations). However, these elements are more likely to be successful after the facility has gained a reputation for high quality

work, professionalism, and concern about the community in which it is located. It is more likely that a local community will provide the support the facility will need to gain funding (and students!) for a vocational training program, and the political will to invest in infrastructure that will support an agri-tourism effort (e.g. façade improvements, road repairs, and signage) once facility operators have gained its trust. Facilitating realization of a long term vision that may include some or all of the elements described above will require good leadership and strategic direction. The organizational structure will be crucial to laying this groundwork.

I. Organizational Structure

The steering committee has discussed various organizational and ownership structures. One of the steering committee members knows two local corporate attorneys who have been providing some initial advice to the group. No model has emerged as the most desirable. However, based on advice from the attorneys, the group has ruled out sole proprietorship.

A. Cooperative Model

Some members hesitate at the idea of a cooperative model because there are so few successful examples, but many examples of failure. One interviewee pointed to the fact that successful cooperatives are usually very large, and thereby able to exert some control over market prices. This facility would not have the input volume needed to do that. The advising attorneys are not experts on cooperatives and so have not been able to give them direction on this possibility. However, at the time of this writing the project facilitator had made contact with an attorney specializing in cooperatives who volunteered to create a cooperative business plan so that the group might continue to vet this option.

B. Partnership Model

One example that the committee members have been looking at with interest is a small state-inspected operation in the region that is co-owned by four ranchers who are also restaurant owners. They are able to process animals and sell them to their restaurants. One interviewee speculated that the reason for their success has to do with the vertical integration of their businesses. Also, because they are restaurant owners, these ranchers are perceived by the steering committee as being more entrepreneurial than the ranchers on the steering committee. While this model is successful for the four ranchers involved, it seems unlikely that the steering committee will choose this option because it does not accomplish the goals they have of scaling up and accessing bigger markets.

C. Unified Label

One interviewee feels strongly that the only way to successfully generate enough consistent incoming livestock for the facility is to form a unified brand. He believes that the profit is in adding value to the meat through slaughter, cut and wrap and marketing, and so facility owners must plan on making their profit by having some kind of ownership in the final product, rather than solely providing a service to individual ranchers for which they pay a fee. While ranchers like the idea in theory, they struggle with the fact that they won't have direct control over the quality of the meat, risking inconsistency in their product, and thereby a risk to their reputation with customers.

Additionally, a livestock facility consultant that has provided some advice to the group expressed that when a plant buys the meat from the rancher, it becomes the plant's responsibility to market and sell the product, and that it can be hard to move this much product. If it does not sell soon after it is packaged, it often ends up having to be severely

discounted, and this doesn't generate income for the facility. According to the facility consultant, product moves more quickly when individual ranchers own it and are responsible for selling it.

D. Investor-owned Corporation

The most commonly discussed possibility is that the facility should be owned by a corporation. The attorneys have advised the formation of a limited liability corporation or similar business structure because it entails the least amount of risk to individual investors. There is debate about whether the ranchers themselves should form that corporation, or whether the investment needs to come from an outside entrepreneur. At steering committee meetings, participants have expressed a general sentiment that ranchers are a conservative group, and are particularly risk adverse. This sentiment has been confirmed by the committee facilitator who relayed to the committee that in the feasibility studies conducted elsewhere in California, one of the largest barriers to moving forward with facility development was ranchers' aversion to risk.

Per the advice of the attorneys, the steering committee is considering creative options that might give them access to investors. One possibility is becoming a subsidiary to a large scale meat packing business (like IBP). The attorneys said that this model has been used before and that the big meat packers generally have a somewhat "hands off" approach to ownership, allowing the locals to run the facility. Another idea is to get sponsorship from a Silicon Valley company like Google or Apple, which might be interested in some kind of partnership that allows them to provide local meat at their employee restaurants. The attorneys have advised that, as they explore these options, the

committee request a non-disclosure agreement from potential partners and investors in order to protect their interests.

E. Assessment

A limited liability corporation appears to be the favored organizational structure. Currently the steering committee members are eager to find an outside investor who will take on the brunt of the risk. However, because this is being promoted to both ranchers and the communities as locally generated project, with a potential benefit to the local and regional economy, I argue that it is important that the committee consider the feasibility of the facility based on their own investment coupled with financing from a local bank or Community Development Financial Institution (CDFI). If the steering committee themselves are comfortable making an investment, this indicates sufficient confidence in their business model to approach potential investors. An outside investor may be more willing to match a local investment, as it not only demonstrates that the local stakeholders have faith in the business potential, but also reduces the risk for any one party. However, there are still a number of impediments that need to be overcome before the steering committee will feel comfortable soliciting investors or making their own investments in a new facility.

II. Impediments to Facility Feasibility

There are a number of impediments resulting from economic and social factors that need to be addressed in order for the committee to make key decisions about the project. Most of these consist of circumstances that are hard to predict, or are due to lack of some key information.

Recently, the steering committee facilitator worked with a facility development consultant to develop financial models for three different facility sizes. Scenario A was for a facility that slaughters and processes 3,500 head of cattle per year. Scenario B was for slaughter and processing of 2,000 head of cattle, and Scenario C was for slaughter only of 1,000-2,000 head of cattle. (In any scenario, the facility will likely be multi-species, processing pork, goat, lamb, and beef, but the volume is discussed in head of cattle for consistency and because most of the animals processed will be beef). The consultant determined that Scenario C was not feasible because it would not be able to compete with existing facilities. Scenario A had the best profit margins, and Scenario B was also feasible. The committee now has a target number of 2,000-3,500 head of cattle per year and will likely factor this number into their decision making process(i.e. can the facility attract this kind of volume?).

A. High Auction Prices in a Changing Market

Currently, conventionally raised livestock, particularly beef, is selling at auction for more than they would by finishing on grass. This means that conventional ranchers are unlikely to make a switch to selling through direct marketing, unless they are motivated by factors other than price. While in the long run some steering committee members argue that a switch to direct marketed meat allows ranchers to avoid the unpredictability of the historically volatile auction market, current auction prices are high enough that the effort to switch to an alternative system is not worth the marginal difference in profit.

According to one interviewee, until the mid-2000s, the cattle market fluctuated on a 10 year cycle as herds grew and shrank depending on demand. However, this cycle appears to be changing. One rancher attributed this change to an increasing global

demand for meat, especially in China and other quickly developing nations.

Additionally, many ranchers are retiring, but there are fewer and fewer replacements, due to low numbers of newly starting ranchers. Because the industry is shrinking with less and less beef on the U.S. market and an increase in beef importation, demand remains higher than supply. Until something alters in this pattern, it will remain difficult for conventional ranchers to justify switching to direct marketing, which usually entails having animals on a natural or grass-fed program. This requires significantly more time and more investment in feed and water, since animals are finished on the farm, rather than sold to a feed lot.

Note: It is possible that the drought that occurred at the time of this writing in the Midwest will elevate the price of corn to the degree that conventional beef prices will go up further, but profit margins will decrease. This may serve as an economic driver to push more ranchers into the grass fed market. However, in the Mother Lode region there is little irrigation available, which makes finishing cows over the summer difficult without buying a lot of alfalfa or other grass feed, or investing in the construction of irrigation ponds.

B. Unknown Input

In part due to high auction prices, it is hard to get ranchers to commit to a solid number of animals they could have slaughtered at a new facility. Most are unwilling to commit if they know that there is a possibility that they could make more money in selling animals at auction than by finishing them themselves. Additionally, ranchers can't commit if they don't know the price for the service or the quality of the work to be done by the new facility. Not having these input numbers is problematic because without knowing income

to the facility, attracting investors or getting bank loans will be difficult, if not impossible.

A survey was distributed early in the grant period to interested ranchers in the region to ask how many animals each could commit to bringing to the facility if it were open. However, the survey response rate was very low. Even some steering committee members did not respond. Part of this low response rate was due to the survey being distributed by mail. The committee has discussed the possibility of conducting the survey again over the phone or face-to-face. However, the reasons for non-response are complex. Some ranchers feel that until they know what the facility is going to be like and whether it will do a good job, it is very risky to commit animals.

Ranchers have strong relationships with current processors, and if they were to commit animals to be processed in the new facility, it would likely be only during the busiest times of the year, when their existing processors are overbooked, at least until they saw that the new facility was reputable and likely to stay open. Also, some ranchers believe that they'll be able to grow if a new facility comes to their region. However, without having the facility in place, they can't commit future animals that they don't yet have.

Ranchers believe it is important that a new facility would complement the services of existing providers, not compete with them.

C. Loyalty to existing processors

Those interviewed also expressed sentiments of loyalty to existing livestock processors, both USDA and state inspected. These ranchers believe it is important that a new facility would complement the

services of existing providers, not compete with them. Ranchers expressed that if they take their business elsewhere, they risk burning a bridge with the original service provider that could not be rebuilt if the new local facility were to fail. In addition to these economic reasons, one steering committee member said that it is important to recognize the key role existing processors have had in building the industry. He explained that a particular USDA slaughter and cut and wrap facility in the northern part of the state was key in allowing the Northern California grass-fed beef industry to take off the way that it did. He said that before the influx of additional customers from new grass-fed beef producers, the facility was not doing very much business. Although this facility is more than a few hours outside of the Mother Lode region, it was having this facility available in the first place that allowed producers to gain access to the farmers' markets and test the demand for the product.

"Although we know it is an expanding market, it is also a very small market, and so, it doesn't take very many competitors to flood the market with processing capacity."

D. Potential Competition

Another related factor that makes the facility income difficult to project is the fact that there are other existing or new processors that could potentially compete with a new facility if developed. The committee fears that even if they build a facility, they will not be able to keep costs as low as other processors outside of the region. The processors currently being used by local ranchers are reasonably priced. They are able to keep costs low because they generally have been in business a long time, and have low overhead. One rancher said, "Although we know it is an expanding market, it is also a very small

market, and so, it doesn't take very many competitors to flood the market with processing capacity." So, while there are currently too few processors, it won't take much for there to be too many. One processor in the nearby Sacramento region that currently only processes lamb is looking at expanding into beef processing. If it does so, competition in the region would increase. The response of the group is that perhaps the Mother Lode facility could counteract the impact of this competition by diversifying their products and services, but this unknown seems to be a significant hindrance in moving forward.

On a positive note, the committee did get some numbers from the local county fairs that show 4-H project animals and other livestock. These animals are processed after they are shown at the summer fairs. Having the business of the fairs could possibly provide income in the slow summer months. However, the number of animals would be between 21 and 45 beef per month, approximately 17-30% of the monthly total needed for the facility size range recommended by the facility consultant (2000-3,500 head per year). This means that the slaughter and processing volume would have to be higher in the Spring and Fall to make up for the summer deficit. Part of the work that still lies ahead for the steering committee will be to understand the cyclical nature of the industry, and determine how to handle the peaks and valleys in processing. While the facility will be multi-species, beef is likely to contribute much of the volume. While it is possible for beef ranchers to stagger when their animals finish, developing such a schedule takes time. Currently, most grass-fed beef is slaughtered in early summer. It may be possible to fill in the slow months with other livestock such as lamb, goats, or hogs. Developing the facility as a poultry plant would also avoid some of these peaks and valleys. However,

this would add to the capital outlay needed as poultry processing requires very different equipment.

E. Community Acceptance

Perhaps the least examined, but important potential impediment to moving forward in this process is community acceptance. Consumer demand for direct marketed meats has increased in recent years. Some interviewees spoke about the changes in consumption patterns, stating that consumers were becoming increasingly interested in "organic and alternative foods" because of concern about food safety, health, food security, and perhaps even labor rights. However, despite these changes in consciousness among consumers generally, interviewees recognized that not everyone could afford to eat alternative meat, or would be willing to eat less meat in order to afford it. While some on the steering committee discussed the role of food in bringing communities together, especially in the form of community gardens and farmers' markets, all agreed that building a slaughterhouse in or near a community has the potential to be a contentious issue, rather than a community builder.

All agreed that building a slaughterhouse in or near a community has the potential to be a contentious issue, rather than a community builder

The group was able to start thinking through the process of informing and educating the public during a site visit at a potential facility location, a government facility, located within the city limits of a community of approximately 7,500 residents. At this particular site, land tenure would be secured through a long term lease to the facility business owner (yet to be determined). The representative of the site owner expressed that the committee would need to get approval of the local government elected

officials and the community at large before doing any serious considerations of costs or logistics. The representative pointed out that when someone outside of the industry hears the word “slaughterhouse” or “livestock processing facility”, they think “feedlot”- a highly concentrated, large scale operation where animals are kept in close quarters and fed a processed diet for a few months before being slaughtered. Committee members have been discussing the need for community education about what a small scale facility looks, smells, and sounds like. The group has also discussed the importance of site design features that minimize the appearance and sound of animals. Of most concern to the group is the noise made by hogs. They are generally noisy, whether they are at a slaughterhouse or not.

The committee recognizes that community acceptance will play an essential role in ensuring the success of the facility. Providing education about the potential benefits to the economy is a way of encouraging their support. However, it will be important not to exaggerate the benefits. For example, it is unlikely that a livestock processing facility will be a big jobs generator itself although it has the potential to indirectly create numerous jobs. The community should know this, so that they are not surprised or disappointed at the number of people employed once a facility is built and running.

F. Assessment

While the external impediments to the process certainly present a challenge, the work that the group has done with the facility consultant over the last month will likely give them some more substantial numbers to work with. Now that they know that the plant must process between 2,000 and 3,500 animals per year in order to be a viable business model, they can work on determining if they can get support for this number from ranchers in the

region. They can also present a model to communities in potential site locations that adequately depicts the scale of the facility and scope of activities to be performed. Until know, despite warranted skepticism, what has allowed the group to move forward with visioning and information gathering has been the leadership and acceptance of group roles, accompanied by diversity in motivation and business philosophy and types of supporting relationships within the steering committee.

III. Group Dynamics

By their own acknowledgement, the steering committee brings together a diverse group of stakeholders, with varying political ideologies and reasons for being involved. These differences are not reason for conflict within this group, however. In fact they are viewed with humor and expressions of gratitude for the diversity of perspectives.

One interviewee said that the variety of political values and professional backgrounds allows the group to think better about what impacts each member and his interests, rather than addressing only one set of needs. Others recognized that their opinion might be different than others in the group, and understood that different players had different levels of risk associated with proceeding. For example, members of the committee were sensitive to the fact that ranchers had more to lose if they committed animals to a facility that turned out to be unreliable, or closed after a year of operations than did non-ranchers, who wouldn't be making this kind of commitment.

A. Leadership

Leaders in the steering committee fulfill their roles by bringing a thoughtful group of people to the table and allowing a process to occur, rather than by taking charge and

giving direction. There are two key leaders of this sort in the group. One was mentioned by more than 75% of steering committee members as the person who connected them to the project. This person's leadership philosophy is to focus on solutions, rather than on problems, emphasizing the importance of communication. He believes that identifying problems is important. But rather than pointing fingers at who is to blame, he believes in ascertaining what will work to make all parties feel they will benefit. The other leader has a role in keeping people at the table when they feel discouraged or when the process loses momentum by maintaining strong relationships that exist both inside and outside of the formal meeting setting.

B. Roles

Along with leaders, there were other roles in the group. In addition to the parts played because of the skills endowed by their current or former occupation, group members also have roles that relate more to their outlook about the project.

There are only two full-time ranchers in the group. Four others are involved in agriculture: one in free-range egg production; one in vegetable plant sales and honey production; one in produce sales, honey production and farm design consulting; and one is starting up a livestock transportation business. Another member does soils consulting for a local agency and one has a small business producing and selling a value-added food product. The remaining two group members had lived and worked in rural places as professionals, and have a genuine interest in the industry. One is a retired county assessor who had also worked in real estate development and finance, and the other is a retired agricultural economist. The assessor sees his role as ensuring that the group thoroughly considers and understands their potential profits and losses thoroughly and to

assist with property acquisition once the group reaches that stage. The agricultural economist believes that he can contribute by making sure the group's vision and business plan make sense, and also by helping with research design. Specifically, he helped to design the rancher survey mentioned earlier.

In terms of non-professional roles, the group recognizes the value of those who serve as voices of enthusiastic optimism when the group is weighed down by barriers. On the other hand, they also recognize the benefit in having committee members who balance the group by serving as a voice of caution and skepticism. Both the optimists and skeptics seem aware of these dynamics, and of the balance that is achieved by the interplay between various personalities. This generates a sense of respect for each other among committee members.

C. Members' Motivations and Business Philosophies

Each interviewee, including both steering committee members and non-committee members, discussed their business philosophy. Many are motivated in their daily lives and in their business decisions, not only by the immediate economic outcomes of their work, but also by a longer term vision, by their business and family relationships, and by a desire to leave a legacy for future generations. For example, one steering committee member, a rancher, was motivated to sell the development rights on his property to a land trust, meaning that the property has to stay in agricultural use in perpetuity. This interviewee said that the reason for doing this was based on the value he and his family place on keeping the land in agriculture. Another steering committee member, a retired professional, who grows vegetables for a local farmers' market, discussed his dedication to helping community members learn about and choose healthy foods. He said that to

help consumers with this choice he often has to "subsidize" their purchase by deducting the cost of his labor from the price of the food, so that they will pay for it. Another steering committee member, also a retired professional who is starting a livestock transportation business, discussed the importance of reinvesting money into his business rather than "cashing out" in order to increase its size and hire more employees, providing meaningful and well-paying work to fellow community members.

These business philosophies are tied to the value of self-reliance, not just individually, but collectively, as a region. Some within the group believe that an economy that is more self-reliant will respond better to market pressures, be more economically sustainable in the long run, and contribute to local job growth. To promote changes in practices that would increase self-reliance, some committee members are eager to look at models for better use of the local land, such as improving irrigation practices and encouraging more ranchers to choose a grass fed program, rather than selling animals at auction.

D. Regionalism

Acting as a region is seen as a benefit among the steering committee members. Some see the importance of the project because of its potential for reducing market concentrations among large corporations. In particular, they are interested in alternatives to uniform mass production. One interviewee sees regionalism as a necessity for increasing local control over politics and economic well-being.

Some steering committee members discussed the role they have in promoting the facility in their counties, whether or not it is to be physically located there. One

committee member in particular actually believes the ideal location is in the county to the south of his own, due to its proximity to Sacramento. He is committed to getting ranchers from his county to commit livestock to the new facility and helping to develop training for employees needed to run it. These sentiments demonstrate connection to the region as a whole, rather than loyalty solely to one's community or county.

The group recognizes that the Mother Lode region does not quite have the same cache as the Napa Valley, but what it lacks in celebrity can perhaps be made up with affordability.

At steering committee meetings, when discussing the idea of agri-tourism, the group recognizes that the Mother Lode region does not quite have the same cache as the Napa Valley, but what it lacks in celebrity can perhaps be made up with affordability. While the group usually discusses this reality with a sense of humor, it seems to be important part of forging an identity for the region. Interviewees also said that part of what makes their region distinct from a more urban one and a good place to do business is the support they have from local officials. Local officials tend to support local control over spending and regulation. Because of the small population, there is also a sentiment that officials are more responsive than their counterparts in urban areas.

It is important to note that while steering committee members identified regional cohesion, such cohesion is not felt by all of the non-committee members interviewed. One rancher in particular laments the idea of having a livestock processing facility located in another county, especially because he would have to travel a significant distance on windy roads to have his animals processed. He said that he would prefer to continue going to his existing processor unless the facility is built in his county.

E. Relationships

Relationships were at the core of many conversations I had with interviewees. Interviewees generally discussed the importance of trusting relationships developed with others in the industry, along the value chain. Various interviewees have important relationships with elected officials, farmers' market managers, larger ranchers who are able to advise them on how to build up their businesses, animal transport providers, and of course, with processors.

The ranchers interviewed are well connected to other small and medium-scale ranchers in the larger region. They know details about their operations, particularly those related to processing. It seems that mid-sized ranchers in other regions are happy to share their practices and offer assistance both to individual ranchers and to the livestock processing facility project. Additionally, various committee members have relationships with processors and regulators who have offered to provide technical assistance during facility development.

Important relationships are not just limited to those formed out of business arrangements. In fact, interviewees discussed the relationships with people from their churches, from connections made through a spouse, through employers and former employers and with people in political offices. These relationships are important for a variety of reasons, the two most obvious being the ability to get good information about a political or economic situation, and the ability to connect to business opportunities.

Within the steering committee, new relationships have been easily forged. A core group of four steering committee members knew each other from long-term friendships

and business relationships before engaging in this process. The remaining members were connected through relationships with one of the core members. While a core group of four steering committee members knew each other before engaging in this project, not everyone involved in the steering committee knows each other through a longstanding relationship. For example, one member had been involved in similar discussions through a grant that served his county and those to the North. He felt that his county was better connected to those to the south because of geographical divisions and so he became involved in the work of the steering committee. He connected to it through a business contact who knew one of the core group members and he has since become an important part of the group.

F. Interactions with Funders and Regulators

The perceptions that the committee and other interviewees have about funders and regulations are important parts of this analysis. They demonstrate the degree to which the group feels empowered to move forward with the project. They are also an indication of the degree to which they are dependent on grant funding and are constrained or encouraged by the guidelines set by regulation.

1. USDA Regulations

While some steering committee members have a strong desire for local control and limited government, all of them see compliance with USDA regulations as a necessary hurdle to expand their businesses. One interviewee explained that it is important to understand the impact of regulations on a business plan and integrate that knowledge into the factors affecting the business.

Interviewees who were not steering committee members are much more resistant to the role of the USDA in regulating commerce that is not across state lines. They believe that control over meat inspection should be done by the state inspectors, and that legislation should be changed to remove USDA from the process.

Some of the steering committee members seem to think that the California Department of Food and Agriculture (CDFA) may be considering the possibility of taking over federal inspection, but this is currently speculation only. The interplay between state and federal regulations varies from state to state. Some states have taken on the federal responsibility of performing meat inspection to USDA standards, whereas others rely on the federal inspectors. According to one interviewee, in the previous Jerry Brown administration, the state gave up the USDA inspection in an effort to save costs. However, this resulted in a two-tiered system in which the state still inspects custom processing and the USDA controls retail sales. The state still has to employ inspectors. This interviewee argued that perhaps the state could actually generate some revenue by returning to a fee-based USDA inspection service managed by CDFA.

There is a preference among ranchers, both on and off the steering committee, for the state regulatory system, claiming that it is less bureaucratic and more practical. However, some wonder if moving from federal inspection to state inspection could mean an increase in regulatory requirements that are stricter than USDA. Generally, California regulations are much more stringent than federal regulations, even if meat processing inspection is currently an exception to that rule.

2. USDA Grant and Staff

Having access to the USDA Rural Business Opportunities Grant (RBOG) and Rural Business Enterprise Grant (RBEG) has certainly been beneficial to the project, in that the grants have allowed the process of determining feasibility of a processing facility to start in earnest. In particular, the ability to hire a paid facilitator has been crucial. The committee generally agrees it is the only way that momentum can be maintained. If a paid facilitator is not present, the volunteer committee members have trouble keeping the project going when more pressing obligations take priority.

One member, who had worked under a previous RBEG grant that addressed some of the same issues, got involved in the new grant with the explicit interest in avoiding duplication of efforts and sharing knowledge. The grant itself did not stipulate that duplication of effort was to be avoided and so he wanted to be sure that the new efforts were continuing to build the body of research and relationships that would lead to facility development.

Some interviewees said that having the presence of USDA staff in the region really has drawn attention to the process and has been positive overall. In particular, a presentation done by Glenda Humiston on a report completed by the USDA on the state of the rural economy of California really brought stakeholders out to begin discussing the possibility of a local processing facility. However, at times, the sense is that USDA staff has one vision for the facility that doesn't leave enough room for adaptation to the specific needs of the region, and may be off-putting to some of the business associations that have been brought to the table by local stakeholders. Others expressed the sentiment that, while a USDA grant does allow for some initial studies of feasibility that wouldn't

otherwise be done, the impact that government programs can have on economic development is limited. One interviewee said, “You have to look at this as a business person, and you have to pursue it in that way because if you get wrapped up in doing all of these studies and grants, you’ll never get anything accomplished.” Most believed that the RBOG and RBEG grant is allowing groundwork to be done that is needed for the project to attract an entrepreneur.

G. Assessment

The group dynamics and attitudes of project stakeholders toward external influences on the project including funders and regulators are important at helping them to manage the ambiguity present in their decision making process. Because they value control over the economic development process, they are cautious about how to move forward with project design, and respectful of the various motivations and philosophies of the process participants.

IV. Reasons to Proceed

Although there are significant impediments to the process of developing a livestock processing facility, there are compelling reasons to proceed. In addition to a well-functioning steering committee, not only is there demand, but there is likely to be local political support for a facility.

A. Demand

If one thing is clear in the process of determining feasibility of a livestock processing facility, it is that demand for direct marketed meats is increasing steadily. The ranchers interviewed that sell their product to Farmer’s Markets discussed how their business has

tripled in the last two years, and that they can never keep adequate supply to satisfy their customers. A study conducted by Lauren Gwin and Shermaine Hardesty in 2008[iii] indicated the market for niche red meats (including certified organic, grass-fed, naturally raised, local, Halal and Kosher) is increasing in volume as well as value, and most of it is sold directly to consumers by producers.

B. Support from Local Officials

The general consensus was that local government officials have been very supportive of the principle of developing a livestock facility. While some committee members say it is impossible to predict the support of officials until a site location is determined and they are asked for something specific, it seems that they will be willing to provide political goodwill because of their desire for local control, support of the local food movement, and because of the potential for job creation. Committee members want to be cautious about overpromising in terms of jobs creation. An example of support provided thus far can be found in one of the counties involved; the Board of Supervisors passed a local food ordinance, stating that the Board would not enforce state or federal law that negatively impacted local food production. An assistant superintendent of schools in the same county has been enthusiastic about supporting a facility, and has built a relationship with one of the steering committee members who is working on a proposal to add butchering to the curriculum of the Regional Occupational Program (ROP) which offers vocational training to young adults.

C. Assessment

Given the demand from consumers and the potential for strong support from local elected officials, the steering committee and other stakeholders have reason to be inspired about the project's potential.

V. The Importance of a Vision

Some of the steering committee members have said that the group needs a united vision to bring the project to fruition. Even if the vision changes along the way, establishing a common set of goals is one of the first steps in attracting an investor.

According to rural development scholar, Dave Campbell, a vision may never be fully realized, but can be considered successful if it has been articulated, and links to the narrative of a community's past, present, and future. A vision, when accompanying practical planning and research, can inspire group leaders and the community-at-large tangible ways to act incrementally both individually and collectively to reach long-range goals for increased community vitality.[iv]

Therefore, in moving forward with this project, it will be helpful for the steering committee to keep their shared narrative at the forefront:

- **A livestock processing facility in our region can be a way to honor the practices of past generations.**
- **A livestock processing facility in our region can create opportunities for meaningful work for future generations.**

- **A livestock processing facility can reinvigorate the local rural economy through adding value to what the land produces, rather than relying on industrial or urban economic models.**

With these shared ideals, they may be able to create more opportunities for regional economic development and prosperity.

VI. Conclusion

This depiction of a community based effort was compiled to both document the process of the Livestock Processing Steering Committee so that new stakeholders can understand the work accomplished so far, and to organize and evaluate the information about the process in a way that allows committee members to look back on progress made and challenges faced in their continued efforts to build a local facility that both meets the immediate needs of ranchers, and also contributes to the economic sustainability of a rural region.

This evaluation demonstrates not only the importance of recognizing external economic and political factors, but also the importance of the motivations, skills, relationships and attitudes that stakeholders bring to a process. These are valuable considerations for any business person or community development professional engaging in a rural project that attempts to capture economic leakage by adding value to raw products within their region of origin.

[i] Buchecker, M. &Hunziker, M. (2006) The effects of consensus building processes. *Agricultural Economics Review*, *7*(1), 67-78. Retrieved July 8, 2011, from www.eng.auth.gr/mattas/eng.htm

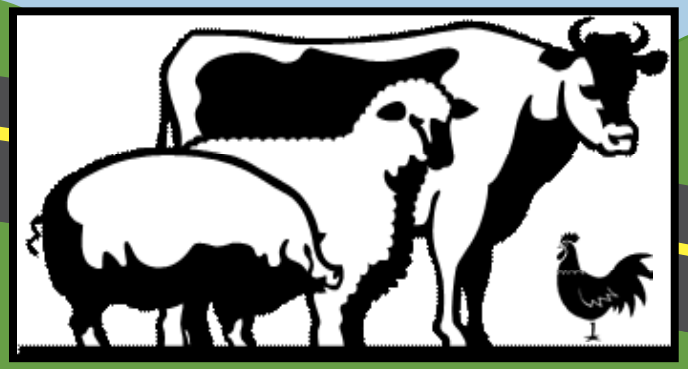
[ii] Flora, C. B., Flora J.L., et al. (1992) Chapter 10: Social Infrastructure. *Rural communities: legacy & change* (pp. 231-247). Boulder: Westview Press.

[iii] Gwin, L., & Hardesty, S. (2008) Northern California Niche Meat Market Demand Study. University of California Cooperative Extension.

[iv] Campbell, D. (1997) Community-controlled economic development as a strategic vision for the sustainable agriculture movement .*American Journal of Alternative Agriculture, 12*(1), 37-44

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork



Producer Farms Raise Livestock cattle, goats, lambs, pigs, poultry

Livestock Transport to Slaughter Facility

Slaughter

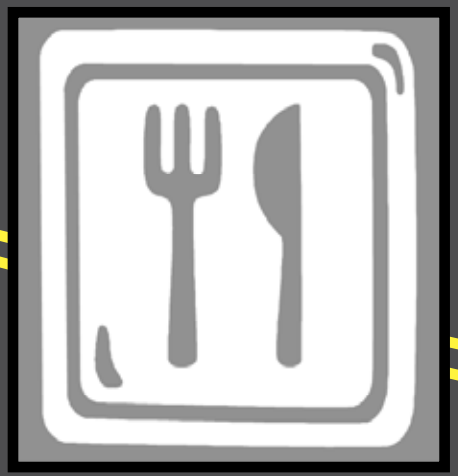
Carcass Transport to Cut and Wrap (if unavailable at slaughterhouse)

Cut and Wrap and Aging (cattle only)

Meat Transport to Cold Storage

Cold Storage

Distribution (farmers' markets, grocery stores, buying clubs, etc)



A project of CalaverasGROWN

Producer Farms Raise Livestock
cattle, goats, lambs, pigs, poultry

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

Livestock by County (from 2010 Crop Reports)

Amador - 12,900 cattle, 150 pigs, 1,800 sheep, 200 goats
Calaveras - 11,400 cattle, 1,000 sheep
Tuolumne - 7,790 cattle, 1,220 sheep
Mariposa - 31,400 cattle, 1,475 sheep
Merced - 320,884 cattle, 29,650 sheep, 38,735 goats

Total (Amador, Calaveras, Tuolumne, Mariposa): 63,490 cattle, 150 pigs, 5,495 sheep, 200 goats

The majority of all these animals are sold at auction, not finished locally or sold locally. In order to have enough product to run a 1,500 beef equivalents/year facility, we would need to capture 2.4% of all animals produced locally, or pull in business from outside these communities.
Merced county is not included in these numbers.

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

USDA Slaughter Facilities

Amador - none

Calaveras - none

Tuolumne - none

Mariposa - none

Merced - Los Banos Abbatoir

Surrounding

Superior, Dixon, (currently only lambs, beef coming fall 2012)
Islamic, Stockton
Stagno's, Modesto
Yosemite, Modesto
Johansen's, Orland
Rancho, Petaluma
Wolf Pack Meats, Reno, Nevada

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

USDA Cut and Wrap Facilities by County

Amador - none

Calaveras - none

Tuolumne - none

Mariposa - ?

Merced - ?

Surrounding

Johansen's, Orland
Golden Gate Meat Company, Santa Rosa
Sonoma Direct, Petaluma (out of business?)
Manas, Esparto

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

Cold Storage by County

Amador - none

Calaveras - none

Tuolumne - none

Mariposa - ?

Merced - ?

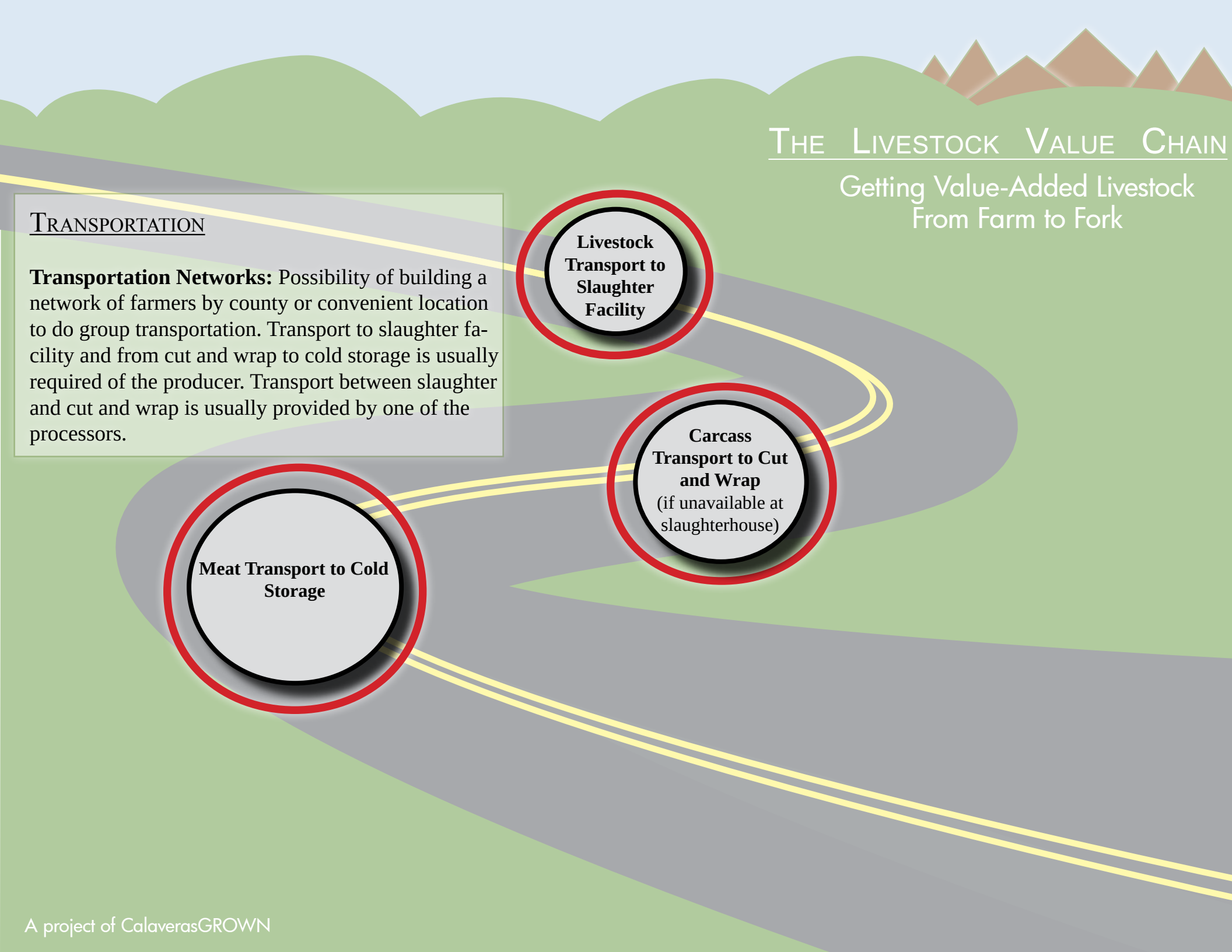
Surrounding
Roseville Meats

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

Transportation

Transportation Networks: Possibility of building a network of farmers by county or convenient location to do group transportation. Transport to slaughter facility and from cut and wrap to cold storage is usually required of the producer. Transport between slaughter and cut and wrap is usually provided by one of the processors.



The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

Current Distribution Options by County

Amador
- Farmers' markets
- Motherlode Harvest
- Gold Trails Natural Foods
- Gold Country Produce

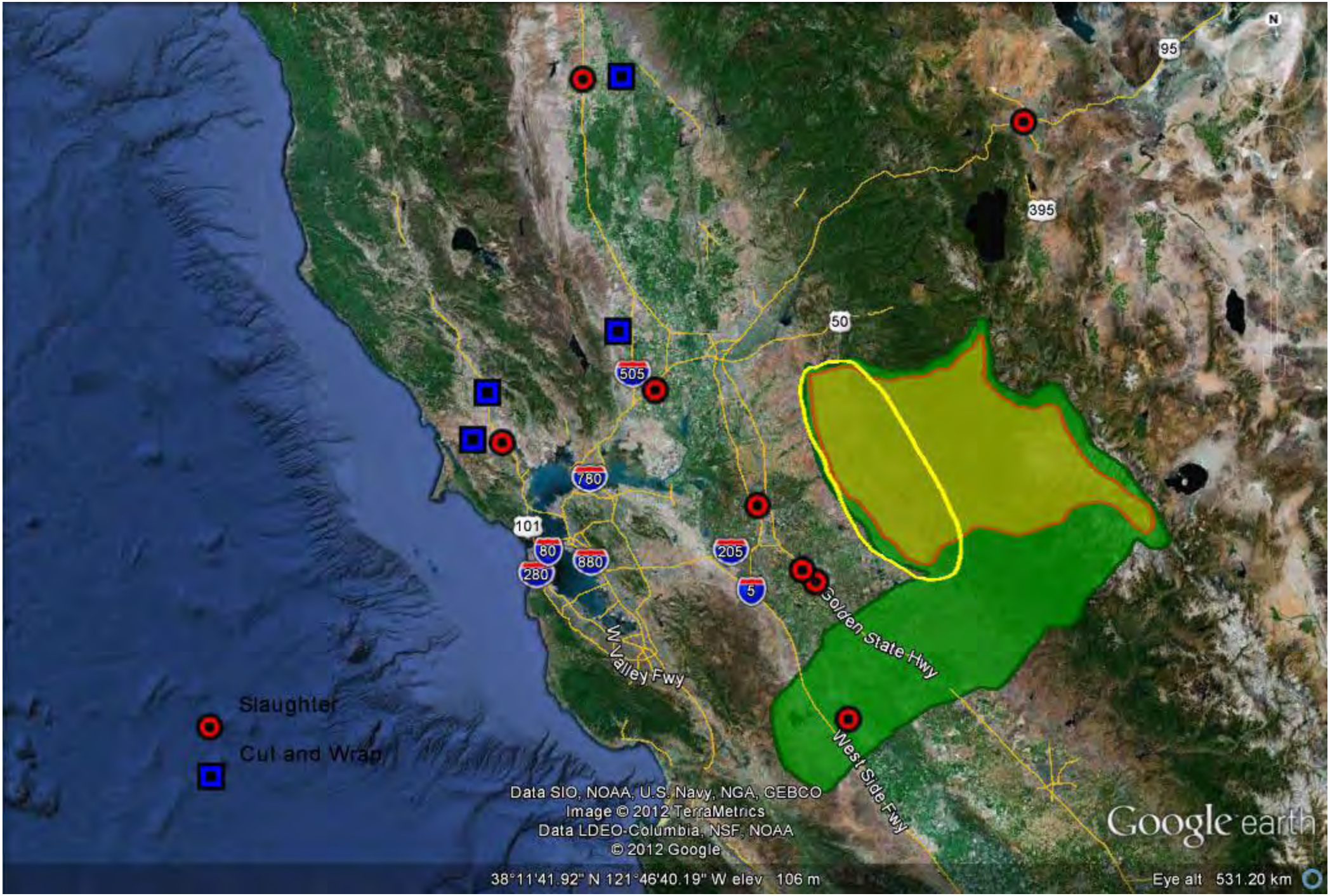
Calaveras
- Farmers' markets
- On-farm sales

Tuolumne
- Farmers' markets
- Nature's Whole Food Depot

Mariposa - ?

Merced - ?

Surrounding
- Urban farmers' markets


N
95
395
50
505
780
101
80
880
280
205
5
Golden State Hwy
W Valley Fwy
West Side Fwy
Slaughter
Cut and Wrap
Data SIO, NOAA, U.S. Navy, NGA, GEBCO
Image © 2012 TerraMetrics
Data LDEO-Columbia, NSF, NOAA
© 2012 Google
38°11'41.92" N 121°46'40.19" W elev 106 m
Google earth
Eye alt 531.20 km

The Livestock Value Chain

Getting Value-Added Livestock From Farm to Fork

What We need

USDA wants us to have a plan to fill in every gap in the value-chain.

Producer Farms: no obvious gaps, may be gap in getting producer to use local facility/sell direct

Slaughter: Need a facility, possibility of using Stagno, Yosemite, or Islamic

Cut and Wrap: Need a facility

Cold Storage: Need several facilities

Transportation: Possible transportation arrangment if using outside slaughterhouse

Distribution: Need agreements with local grocery stores, marketing plan

HOW DO WE ACCOMPLISH THIS?

Modeled Size and Scale of Beef and Lamb Processing

Preliminary to Business Planning

Conducted for:

CalaverasGROWN

August 2012

Conducted by:

Food & Livestock Planning, Inc.

9534 N. Myrtle Ct. Kansas City, Missouri. 64156
www.foodandlivestock.com

Section 1 Introduction

CalaverasGROWN is a county-wide cooperative marketing program designed to assist agricultural producers market their products. One of the goals for the organization is to develop an expanded demand for locally grown and processed foods. Because there are many livestock producers in Calaveras and surrounding counties in California, beef is a locally produced food targeted for this project. Small marketing efforts by local beef producers in selling their home-grown beef products have been successful. But, because there are no nearby, affordable harvest and processing plants in the region, there is little opportunity to expand beyond the small amount being done.

Food and Livestock Planning, Inc., a food industry technical firm based in Kansas City, MO experienced in the meat packing business, was engaged to help develop enterprise and financial models evaluating different size and scale of beef harvest and processing facilities to be located in the county. The outcomes of these models are reported in this manuscript.

DISCLAIMER:
The models developed in this project were based on similar-sized meat processing plants in the industry of which the author is familiar. Estimated costs of construction, materials, equipment, and costs of processing are based on the author's experience only and have not been vetted by architects, engineers, or builders. The outcomes of these models are for the purposes of deciding to proceed to professional business planning for a certain size and scale of operation only and are not intended to be used to make actual investment decisions.

Section 2 Meat Processing Scenarios Evaluated

2.1 Description of Processing Scenarios

Three enterprise and financial models were developed covering three different size and scale scenarios:

A. Harvest and process for 3,500 cattle per year (and some lambs) inclusive of both custom beef processing and the marketing and processing of meat from cull beef cows.

B. Custom harvest and process for 2,000 cattle per year (and some lambs).

C. Custom harvest only for 1,000 – 2,000 cattle per year (and some lambs). Processing occurs at separate facility. This plant will be a facility using shipping containers configured into a harvest and carcass chilling plant.

2.2 Model Assumptions

2.2.1 Plant siting location

It is assumed all three scenarios are located in Calaveras County located outside the city limits of a municipality.

2.2.2 Structure

Scenario A and B will be steel structures and Scenario C will be configured with shipping containers designed by Systainable Foods, LLC of Wala Wala, WA. The plant structure for Scenario A and B is depreciated over 30 years, whereas Scenario C depreciation covers 10 years. Equipment is depreciated over 7 years.

2.2.3 Wastewater

It is assumed that screened wastewater will be contained in an evaporative pond with a synthetic liner. The pond size will differ according to plant size. The cost of building an evaporative pond is highly speculative at this point. Environmental laws in California vary greatly by region. Some regions within California prohibit any type of discharge; so, evaporative ponds may be the only alternative other than having a municipality treat the plant's wastewater.

2.2.4 Revenue Determination

Revenue from custom processing was determined by a set margin above total processing cost. Margins account for depreciation, amortization plus the profit. The margins in each model are adjustable in order to predetermine financial return and were set to achieve a particular end point processing fee.

Even though each model is broken into monthly cost and revenue projections, the results in Year 3 will be used for actual processing fees determination for

each year. The first year processing animals is typically very inefficient and charging actual processing costs plus a markup will not be competitive with other processors in the state. By the third year in production, the plant should be running efficiently and close to processing capacity.

2.2.5 Cost estimates

The cost estimates for plant structures, site development, utility hookups, equipment, labor, and plant overhead expense are determined by Food and Livestock Planning, Inc.' professional experience with similar-sized facilities.

The amount and cost of labor is highly speculative at this time. The author was aggressive with the total numbers of direct workers so as to not under estimate the cost of processing.

2.2.6 Debt assumptions

All models assume 50% of the plant, property and equipment to be covered with bank long term debt and interest at the rate of 6%. The models allow for a bank line-of-credit for short term debt to finance operating costs.

2.2.7 Rendering and byproducts

It is assumed in all models that rendering material (blood, bones, inedible offal, heads, feet, and waste fat) will be either delivered to or picked up by Northern State Rendering, Oroford, CA. A fee will be assigned to each carcass for this service.

It is assumed that hides will be kept by the packing company for revenue generation, stored in a separate building, salt cured, palletized and sold to a hide company. For price determination, a discount for being a small supplier was added to the USDA 2011 average hide price. For all models it was assumed the mix of hides at 70% steer hides and 30% cow hides with a $10 discount for being a small supplier.

2.2.8 Custom processing charges competition or comparison

Plant = Johansen's, Orland, CA

Harvest fee = $75 per animal

Boning and packaging fee = $0.75/lb

Assuming a 750 lb beef carcass = $75 + (750*0.75) = $637.50/ beef

Assuming a 65 lb lamb carcass = $75 + (65*0.75) = $123.75/lamb

Section 3 Model Results

	Scenario A	Scenario B	Scenario C
# of beef cattle custom processed in 3rd year	3,000	2,000	1,920
# of lambs custom processed in 3rd year	500	500	300
# of cull cows processed and marketed in 3rd year	500	0	0
Approximate plant size, sq. ft.	9,000	6,000	Unknown yet
Approximate total plant, property and equipment cost	$3,060,000 ($2,660,000 without pond)	$2,160,000 ($1,860,000 without pond)	$745,000 ($495,000 without pond)
Total project cost (includes preoperational working capital)	$3,329,000	$2,380,000	$909,000
Revenue in 3rd year	$2,335,000	$1,228,000	$250,496
Total processing cost per beef processed in 3rd year (does not include depreciation and amortization)	$314	$342	$108
Margin applied to beef processing costs in 3rd year	75%	70%	57.5%
Total processing charge with margin applied = beef custom processing fees in 3rd year.	$549	$581	$124
Total processing cost per lamb processed in 3rd year (does not include depreciation and amortization)	$60	$73	$52
Margin applied to lamb processing costs in 3rd year	75%	70%	57.5%
Total lamb processing charge with margin applied = lamb custom processing fees in 3rd year.	$104	$124	$76
Earnings before interest, taxes, depreciation, amortization (EBITDA) in 3rd year	$748,000	$470,000	$111,000
% return on sales in 3rd year	21%	24%	2%
% return on equity in 3rd year	28%	24%	1%
Total direct and indirect workers in 3rd year	29	19	4

Section 4 Discussion

4.1 Model Comparisons

Based on data generated from the enterprise and financial models, Scenario C is not feasible. Competing custom packing plants charge around $75 per beef cattle for harvest. Based on results of this model, charging $75 per beef carcass will result in financial losses every year. Competing custom plants are likely to be older, with less depreciation expense, and a more stable labor and cost structure. The combination of a harvest fee generated in Scenario C and the further processing costs plus freight to deliver carcasses to another facility will make this combined processing strategy cost prohibitive.

Scenarios A and B are considered feasible. Scenario A costs more but has more profit potential and will allow the entrance into a separate profit center by adding value to the cull cows produced in the region.

Is it possible to build a smaller plant and then add additional carcass and boxed cooler space if the need arises to expand the plant. However, it is much more cost effective to build as much capacity the first time. If you take Scenario B and double the plant capacity, the processing costs for beef decline from $342 to $234 and lambs from $73 to $57. Obviously, this drop in overhead costs per animal results in much greater margin potential.

In summary, there is an approximate $1 million capital requirement difference between Scenario A and B. If CalaverasGROWN is able to raise the difference using both equity and debt, there should be a good return on the investment.

4.2 Cull Cows

The presence of cull cows in Scenario A does complicate the comparison with Scenario B. Information generated in Scenario A demonstrates that there is currently more margin generated from custom processing cattle than purchasing cull cows, processing them into beef products, and marketing the meat. The reason for this is the current high cost of purchasing cows. Because of reduced supply, and increased demand for ground beef, cull cows are priced at a premium. Although beef supplies will be very short for several more years, the USDA's Cattle Report indicates that the very early stages of beef cattle expansion have begun as heifer retention has increased a modest 1 percent (Hurt, 2012). Therefore, it is expected that cull cow prices will remain high for at least another year. Seasonally, cow prices are typically lower in the late fall and early winter when their availability is always greater. The decision of whether to process and market the meat from cull cows needs to be made on the basis of developing a successful meat program in future years and not on current market conditions.

4.3 Lambs

Lambs represent a small (14 – 20% or total animals) percentage of custom processing in each scenario. At this point, the demand for custom processing capacity for lambs is not known. However, based on the large number of lambs produced and the scarcity of processing capacity in the region, there is expected to be some demand. Equipment to process lambs will not be a significant cost addition to capital requirements. Based on Scenarios A and B, lambs could be harvested and either packaged as a bone-in carcass or processed into boneless cuts for net margins above $40 per lamb.

4.4 Beef Hides

Most small custom processors charge harvest fees under their cost of processing because they make up for it by taking ownership of beef hides and some offal. There is a reported hide market by both the USDA and the Jacobsen Report. Year ending 2011 reported prices (USDA) for butt branded steer hides and cows were $81 and $50 per piece, respectively. However, these are reported prices for the average of the trade, which largely represents larger beef packers. Small processors receive large discounts to the reported trade due to the small volume they represent and large variations in quality and type. For the basis of this modeling, it is assumed that attempts to salt cure, manage and sell high quality hides will be the goal so as to achieve high quality hide revenues with only a modest discount. The likely destination for selling these hides is Southwest Hides at Modesto, CA.

Section 5 Information Sources

Bassin, Carina. 2012. Personal communication

www.CalaverasGrown.org

Food and Livestock Planning, Inc. 2012. Personal data.

Hurt, Chris. 2012. Cattle producers show surprise interest in expansion. in “Cattle Trade Center”. Jan. 30, 2012.

USDA. 2011. National Carlot Meat Trade Review. Livestock and Grain Market News Service. Des Moines, IA.

Keith DeHaan, Ph.D.
Managing Principal

Food & Livestock Planning, Inc.

Modeled Size and Scale of Beef and Lamb Processing

Preliminary to Business Planning

Conducted for:

CalaverasGROWN

August 30, 2012

Conducted by:

Food & Livestock Planning, Inc.

9534 N. Myrtle Ct. Kansas City, Missouri. 64156
www.foodandlivestock.com

Section 1 Introduction

CalaverasGROWN is a county-wide cooperative marketing program designed to assist agricultural producers market their products. One of the goals for the organization is to develop an expanded demand for locally grown and processed foods. Because there are many livestock producers in Calaveras and surrounding counties in California, beef is a locally produced food targeted for this project. Small marketing efforts by local beef producers in selling their home-grown beef products have been successful. But, because there are no nearby, affordable harvest and processing plants in the region, there is little opportunity to expand beyond the small amount being done.

The Calaveras County Fair has an active fair and fair board who would also like to see a local livestock harvest and meat processing facility to service county fair participants. The fairgrounds are being investigated as a possible location for the plant site because of the possibility of shared infrastructure that would reduce construction costs (livestock pens, roads, utility hookups, etc.). Differing ownership scenarios of the plant, equipment and operating entities are currently being investigated. .

Food and Livestock Planning, Inc., a food industry technical firm based in Kansas City, MO experienced in the meat packing business, was engaged to develop enterprise and financial models evaluating different scenarios of plant size and scope of beef harvest and processing facilities to be located in the county. The outcomes of these models are reported in this manuscript.

DISCLAIMER:
The models developed in this project were based on similar-sized meat processing plants in the industry of which the author is familiar. Estimated costs of construction, materials, equipment, and costs of processing are based on the author's experience only and have not been vetted by architects, engineers, or builders. The outcomes of these models are for the purposes of deciding to proceed to professional business planning for a certain size and scale of operation only and are not intended to be used to make actual investment decisions.

Section 2 Meat Processing Scenarios Evaluated

2.1 Description of Processing Scenarios

Three enterprise and financial models were developed and include:

A. Harvest and process for 3,300 cattle per year and some lambs and hogs from the fair. This model is inclusive of both custom animal processing and the marketing and processing of meat from cull beef cows.

B. Custom harvest and process for 2,000 cattle per year (and some lambs and hogs from fair).

C. The same as B except the facility would be located on the Calaveras County Fairgrounds and owned by a separate entity.

2.2 Model Assumptions

2.2.1 Plant siting location

It is assumed scenario A and B are located in Calaveras County outside the city limits of a municipality. Scenario C is located on the Calaveras County Fairgrounds.

2.2.2 Structure

All three scenarios will be steel structures with subterranean floors. These plant structures will be depreciated over 30 years and equipment over 7 years.

2.2.3 Wastewater

It is assumed that screened wastewater will be contained in an evaporative pond with a synthetic liner for Scenario A and B. The pond size will differ according to plant size. The cost of constructing an evaporative pond is highly speculative at this point. Environmental laws in California vary greatly by region. Some regions within California prohibit any type of discharge; so, evaporative ponds may be the only alternative other than having a municipality treat the plant's wastewater.

The plant in Scenario C will construct some type of wastewater pretreatment strategy with the residual wastewater extracted to the city sewer.

2.2.4 Revenue Determination

Revenue from custom processing was determined by using competitive processor rates.

Plant = Johansen's, Orland, CA
Harvest fee = $75 per animal
Boning and packaging fee = $0.75/lb

Assuming a 675 lb cold weight beef carcass (which has shrunk 10%) = $75 + (750*0.75) = $581.25/ beef
Assuming a 165 lb skinned hog carcass = 165 * $0.75 + $75 = $198.75
Assuming a 65 lb lamb carcass = $90 straight fee

2.2.5 Cost estimates

The cost estimates for plant structures, site development, utility hookups, equipment, labor, and plant overhead expense are determined by Food and Livestock Planning, Inc.' professional experience with similar-sized facilities.

The amount and cost of labor is highly speculative at this time. The author was aggressive with the total numbers of direct workers so as to not under estimate the cost of processing.

2.2.6 Debt assumptions

All models assume 50% of the plant, property and equipment to be covered with bank long term debt and interest at the rate of 6%. The models allow for a bank line-of-credit for short term debt to finance operating costs.

2.2.7 Rendering and byproducts

It is assumed in all models that rendering material (blood, bones, inedible offal, heads, feet, and waste fat) will be either delivered to or picked up by Sacramento Rendering Company. A fee will be assigned to each carcass for this service.

It is assumed that hides will be kept by the packing company for revenue generation, stored in a separate building or basement of the plant, salt cured, palletized and sold to a hide company. For price determination, a discount for being a small supplier was added to the USDA 2011 average hide price. For all models it was assumed the mix of hides at 70% steer hides and 30% cow hides with a $10 discount for being a small supplier.

2.2.8 Harvest and processing of fair animals

All models use the month of May (Fair month) for harvest and processing of primarily animals used in the county fair. It is assumed that additional part-time workers would be hired to assist in the processing of these animals. Standard processing fees will be assessed owners of these livestock.

2.2.9 Dry aging assumptions

It is assumed that 50 percent of the beef carcasses will hang in the carcass coolers for a period of 21 days for the purpose of dry aging. It is understood that this requires additional cooler capacity and railing equipment but that a $25 fee will be charged for this service.

Section 3 Model Results

	Scenario A	Scenario B	Scenario C
# of beef cattle custom processed in 3rd year	3,300	2,000	2,000
# of lambs custom processed in 3rd year	790	790	790
# of cull cows processed and marketed in 3rd year	500	0	0
Approximate plant size, sq. ft.	10,300	7,300	7,300
Approximate total plant, property and equipment cost	$3,266,00 ($2,866,000 without pond)	$2,373,500 ($2,073,500 without pond)	$1,643,500
Total project cost (includes preoperational working capital)	$3,541,000	$2,600,000	$1,810,000
Revenue in 3rd year	$2,648,236	$1,452,847	$1,452,847
Total processing cost per beef processed in 3rd year (does not include depreciation and amortization)	$328	$346	$346
Processing cost margin over competition fees (Johansen's) in 3rd year	77%	68%	68%
Total processing cost per lamb processed in 3rd year (does not include depreciation and amortization)	$40	$49	$49
Processing cost margin over competition fees in 3rd year	123%	83%	83%
Earnings before interest, taxes, depreciation, amortization (EBITDA) in 3rd year	$1,069,109	$664,304	$664,304
% return on sales in 3rd year	30%	33%	n.a.[a]
% return on equity in 3rd year	43%	15%	n.a.[a]
Total direct and indirect workers in 3rd year	29	19	19

a. Not applicable because it is not known who owns the plant and what the debt service would be.

Section 4 Discussion

4.1 Model Comparisons

Scenarios A, B and C are all considered feasible with good net income potential. Because Scenario A has the greatest throughput, it has a lower projected cost of processing, a higher net income, and a higher percent return on equity compared to smaller plants.

Elimination of the land cost, cost of constructing an evaporative pond, the cost of livestock pens, and some of the site development work saves between $700,000 and $800,000 in equity requirements for the fair site. It is uncertain how the building ownership and business management would work, but cost savings is considerable. The footprint of available space for plant construction at the fairgrounds is small and there would not be much opportunity to expand the building later, but the cost savings and business synergy with the fair would be great.

4.2 Cull Cows

The presence of cull cows in Scenario A does complicate the comparison with Scenario B. Information generated in Scenario A demonstrates that there is currently more margin generated from custom processing cattle than purchasing cull cows, processing them into beef products, and marketing the meat. The reason for this is the current high cost of purchasing cows. Because of reduced supply, and increased demand for ground beef, cull cows are priced at a premium. Although beef supplies will be very short for several more years, the USDA's Cattle Report indicates that the very early stages of beef cattle expansion have begun as heifer retention has increased a modest 1 percent (Hurt, 2012). Therefore, it is expected that cull cow prices will remain high for at least another year. Seasonally, cow prices are typically lower in the late fall and early winter when their availability is always greater. The decision of whether to process and market the meat from cull cows needs to be made on the basis of developing a successful meat program in future years and not on current market conditions.

4.3 Lambs and hogs

Lambs represent a small (14 – 20% of total animals) percentage of custom processing in each scenario. At this point, the demand for custom processing capacity for lambs is not known. However, based on the large number of lambs produced and the scarcity of processing capacity in the region, there is expected to be some demand. Equipment to process lambs will not be a significant cost addition to capital requirements. In all three scenarios, lambs could be harvested and either packaged as a bone-in carcass or processed into boneless cuts for net margins above $40 per lamb.

Hog processing was only modeled during the fair month. It is unlikely that there would be much hog processing outside the fair month. It is assumed that hogs would be skinned rather than scalded to save additional equipment costs.

4.4 Beef Hides

Most small custom processors charge harvest fees under their cost of processing because they make up for it by taking ownership of beef hides and some offal. There is a reported hide market by both the USDA and the Jacobsen Report. Year ending 2011 reported prices (USDA) for butt branded steer hides and cows were $81 and $50 per piece, respectively. However, these are reported prices for the average of the trade, which largely represents larger beef packers. Small processors receive large discounts to the reported trade due to the small volume they represent and large variations in quality and type. For the basis of this modeling, it is assumed that attempts to salt cure, manage and sell high quality hides will be the goal so as to achieve high quality hide revenues with only a modest discount. The likely destination for selling these hides is Southwest Hides at Modesto, CA.

Section 5 Information Sources

Bassin, Carina. 2012. Personal communication

www.CalaverasGrown.org

Food and Livestock Planning, Inc. 2012. Personal data.

Hurt, Chris. 2012. Cattle producers show surprise interest in expansion. in “Cattle Trade Center”. Jan. 30, 2012.

USDA. 2011. National Carlot Meat Trade Review. Livestock and Grain Market News Service. Des Moines, IA.

Keith DeHaan, Ph.D.
Managing Principal

Food & Livestock Planning, Inc.

Presentation on
Local Considerations and
Potential for Regional Mother Lode USDA Meat Processing Facility

The Need:

- No local USDA processing facility for Mother Lode meat producers.
- Limited community access to locally produced products.

The Objective:

- Identify Mother Lode site(s) with regional potential for:
- - USDA inspected, locally produced meat for local distribution and consumption.
- - Local USDA processing for County Fair/show animals.
- - Additional food processing to generate added revenue to motivate investment in the business.

The Products:

Multi-Species Meat Processing

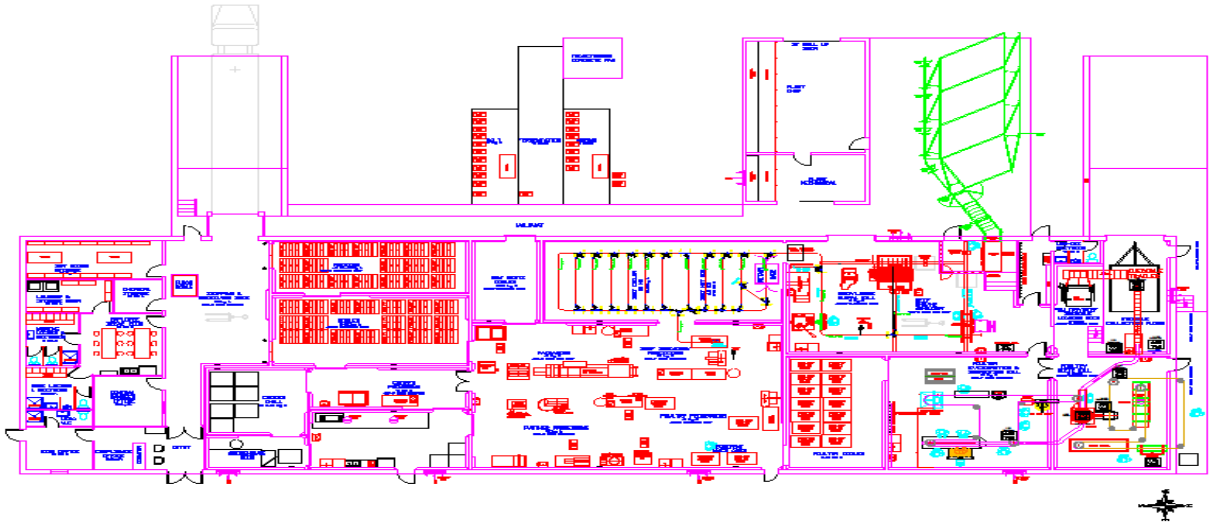
- BEEF: Primary meat product– Min. processing of 24-36 head per week (2-3 kill days/wk). Capacity to dry age some producer beef carcasses for producer resale.
- HOGS/GOATS - Secondary meat product: Develop plant capability for 1 kill day per week (40 animals/day). Unknown producer capabilities or market demand.
- POULTRY - Consider potential for poultry, although USDA processing locally available in Stockton & Modesto. Producer rqmts and market demand unknown.
- FOOD PRODUCTS: Expansion potential for Charcuterie: BBQ Sauces, Marinades, Dressings— 5,000 cases per month based on draft business plan.

The Benefits:

- Locally produced meats (including fair animals) and related food products for local and regional consumers.
- Reuse/redevelop existing infrastructure where possible and use of public water/sewer to reduce costs.
- Generate up to 30 local jobs

Kentucky Multi–Species Plant
Baseline Facility

Below example of a generic USDA Multi Species Processing Facility. Example is a 60'x180' facility—10,800 sq ft.



- Multi-species facility requires 10,000-12,000 sq ft building.
- If no long term animal finishing planned, minimal additional acreage required for short term animal holding pens.
- 400 amp electric service
- USDA certifiable source of fresh water
- Environmentally approved waste water disposal
- Off-site disposal of animal waste products (rendering plant).
- Minimal impact on surrounding community
- Site meets land use and zoning requirements

Above Kentucky multi-species facility cost $3.2 million, including land purchase costs. This is inline with contractor est.

Toyon Industrial Park
Commercial acreage

3 625 Double Springs Rd., Valley Springs, CA 95252

21.37 acres
$565,000
$26,439/acre
Z– Industrial M4

Description

MOTIVATED SELLER! This propertiy is listed below the appraised value of 1.2 million. Some maps of this property show 24 acres, advertising the lowest confirmed acreage. This is Bare land of 21+- acres. Zoned M-4, and M1-PD for the corner next to Toyon Middle School. Water hook up nearby. Adjoining propertyes have been perced and water is available.
In between Highway 12 and Highway 26, next to Toyon Middle School. Other business in the area. East of Valley Springs down town.

Highlights

- 22 acres Zoned M-1 and M-4.
- Zoning will permit many uses from industrial to professional offices.
- Starts at Corner of Highway 26 & Double Springs RD.
- In a partially developed business park.
- East of Valley Springs and midway to the county seat.

M4 Zoning permits things like—day care center, vet clinic, food processing (canning) ...but not live animal slaughter. Title 17 Municipal Code

Preston Commissary Site

- 8,800 sq ft facility with 1,200 sq ft refrig/freezer space
- Only has 50 amp power
- Next to CYA Chapel & Auditorium (no slaughter pot.)
- CDCR recommended: find another site

For Sale or Lease Climate controlled former Beverage dist. facility

THE OFFERING: Lee & Associates – Central Valley, Inc. is pleased to present this former Anheuser-Busch beverage distribution building for Sale or Lease in San Andreas, CA.

LOCATION: This property is well located just west of State Highway 49 (St. Charles Street) in the unincorporated town of San Andreas approximately 40 miles from Sacramento.

SALE PRICE: $975,000

Address: 709 Pool Station Rd
San Andreas, CA
Total Bldg. Area: 14,000± SF
Land Area: 1.4± Acres

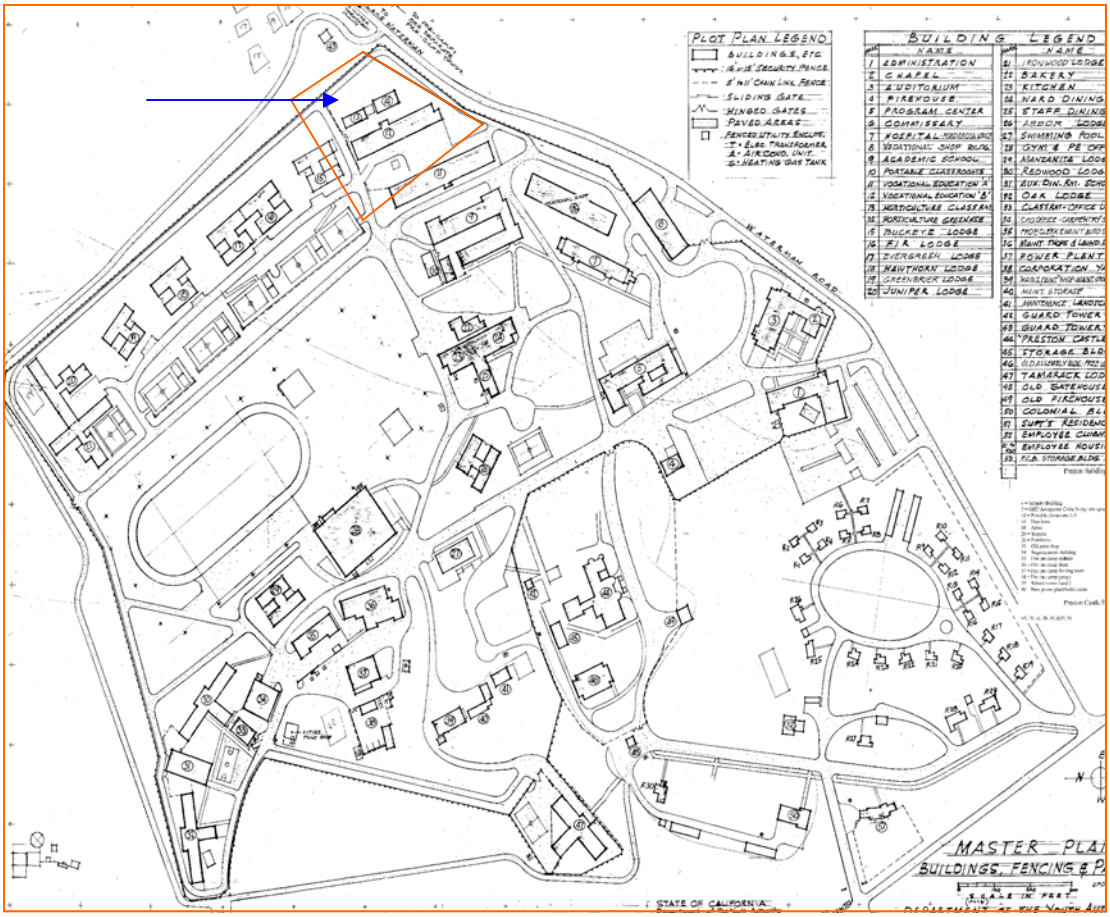
***Building A:* 4,000± SF (50' x 80")**
- Office Area: 1,572± SF
- Min. Ceiling Clear: 16'±
- Construction: Block-Insulated metal ceiling
- Grade Level Door: One

***Building B:* 10,000±SF (80' x 125')**
- Min. Ceiling Clear: 20'±
- Construction: Insulated Metal
- Grade Level Door: One (12' x 14')
- Climate Control: 33º - 37º

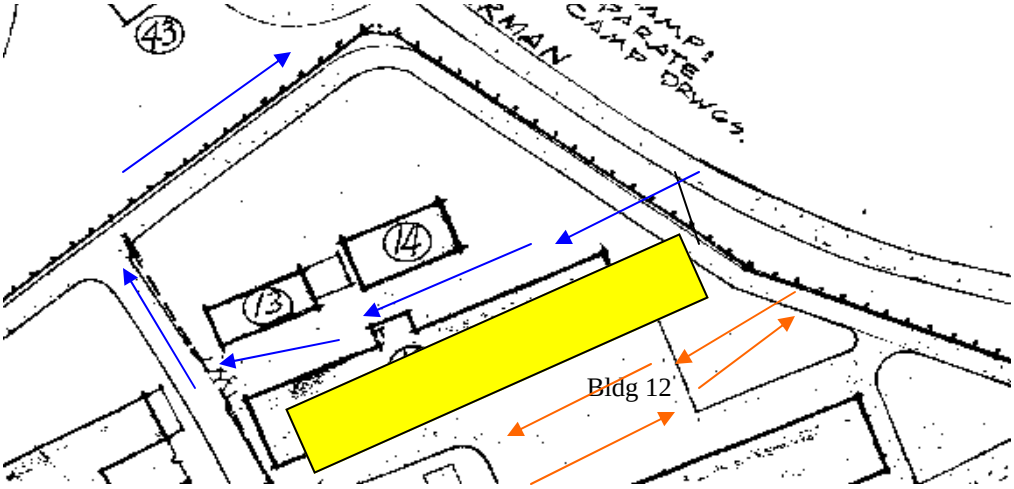
LEASE PRICE: $0.45 PSF NNN

Project Features:
- **Two (2) spot truck well, Bonus 3,500± SF awning, 800 Amp 120 / 240V, 3 Phase• Free span Buildings, • Extremely clean condition,• Fully fenced and surfaced yard,• Municipal Utilities**

Preston Site Plan with area of interest highlighted



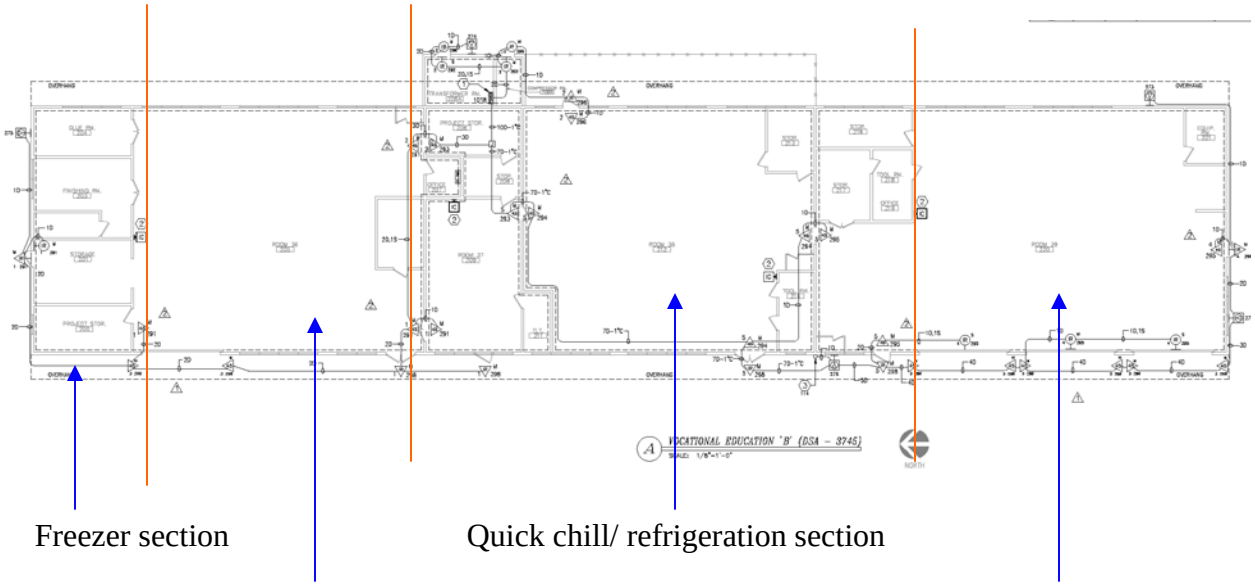
Below: Bldg 12 highlighted. Area behind building includes bldgs 13 & 14 (Greenhouse/Nursery) which could be retained for growing food products. Area more than suitable for animal holding pens.



Preston Bldg 12

Suitability

- Building contains 12,480 sq ft (exceeds rqmt)
- 400 amp electric service (meets rqmt)
- Structural integrity (acceptable)
- Location: Most remote location on Preston campus
- Water/waste water disposal (to be determined)
- Potential for about 4,000 sq ft of refrigeration/freezer space



Freezer section

Quick chill/ refrigeration section

Cut/wrap & food processing section

Live animal processing section

Development Considerations

- Estimated cost to renovate facility—$1.5-2.0 million
- Live animal processing section can accommodate some holding pens. Remainder on north side of building.
- Site is inside IONE city limits
- CDCR would concur with City/County decision on live animal harvest within City limits.
- Project planning shelved when CDCR advised of one year delay on any decision due to State long range planning for prisoner housing.

Calaveras County Fairgrounds - Meat Harvest Site

Proposed Mobile Processing site 120'x120' 14,400 sq ft

Existing Fairground pens, loading chute and scales

Site concept of operations

This 1/4 acre site is located adjacent to and across a paved drive from the loading/offloading pens for fair animals. Utilities on the site include electricity, water, sewer and storm drains. The fairgrounds are state owned property and thus do not require permitting or Conditional Use typical of private property. Permanent infrastructure would become state owned property. This makes a portable or mobile facility more attractive than a permanent one. Advantages for this site include: no permit fees or property taxes; low utility costs, existing animal holding pens and a scale. Key issues include the collection and disposal of blood and offal waste products from a slaughter operation and limitations on operation of the facility during fair activities. Other issues, both positive and negative, are applicable depending on the type of operation developed. Those issues are addressed in the separate operation concepts.

Concept Paper

Issues involving

A Complete Fairground Slaughter/Processing facility,

compared with

A High Production Fairground slaughter-only facility with offsite expanded processing at the

San Andreas Budweiser facility

A. Fairgrounds Slaughter-Processing Facility

1. Overview of Fairground site
2. Draft layout for Fairgrounds slaughter- processing facility
3. Draft elevation plan for Fairgrounds slaughter-processing facility
4. Issues germaine to the Fairground slaughter-processing facility

B. Fairgrounds Slaughter Only – Processing at Bud Facility in SA

1. Draft layout for Fairgrounds slaughter only facility
2. Draft elevation plan for Fairgrounds slaughter only facility
3. Real estate listing detail on Budweiser facility (2 pages)
4. Overview of Budweiser site
5. Draft layout for meat and additional processing in Budweiser facility
6. Summary of Issues & Goods/Others for combined fairground/slaughter – Bud/ processing facility

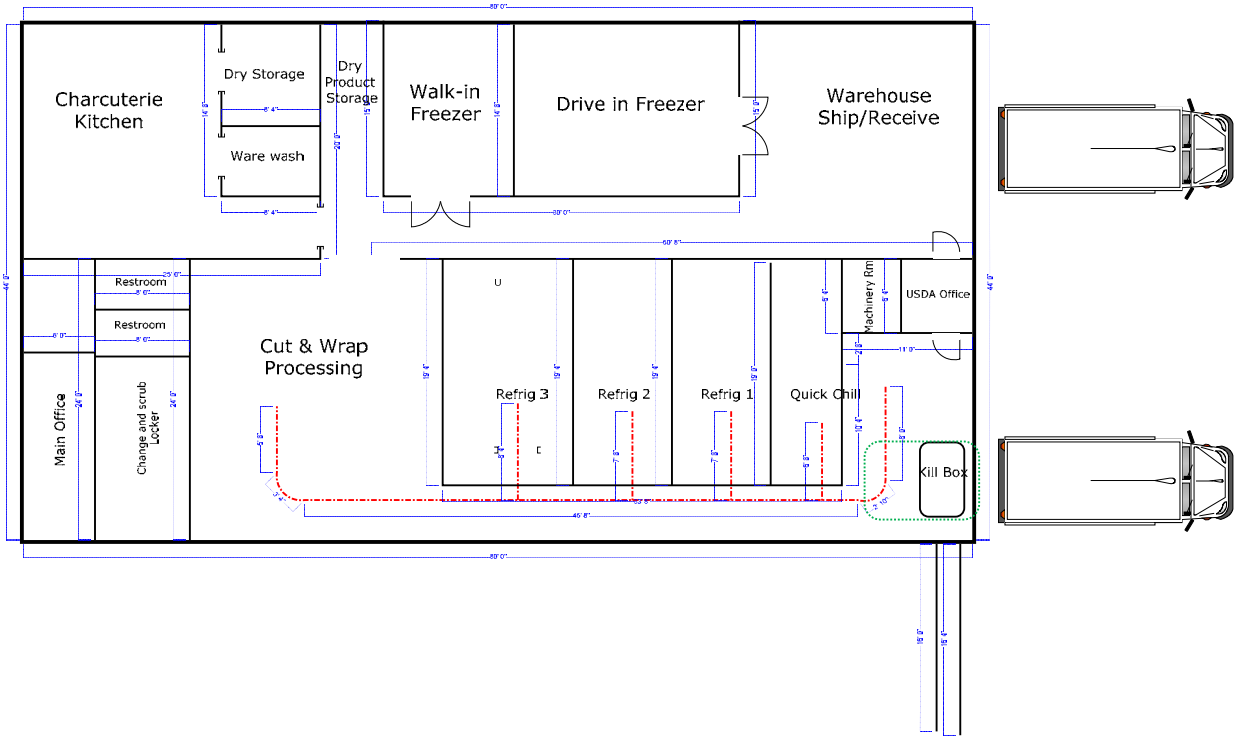
Comparative Data

	A. Fairgrounds	B. Fairgrounds / Bud = Total
Infrastructure size	3200 sq ft	1200/ 13,000 sq ft = 14,200 sq ft
Refrigeration capacity	670 sq ft	400/ 2,500 sq ft = 2,900 sq ft
Freezer capacity	400 sq ft	0/1,300 sq ft = 1,300 sq ft
Dry storage capacity	300 sq ft	0/ 3,000+ sq ft = 3,000 sq ft

Fairgrounds Option A Harvest and Processing Facility
3,200 sq ft

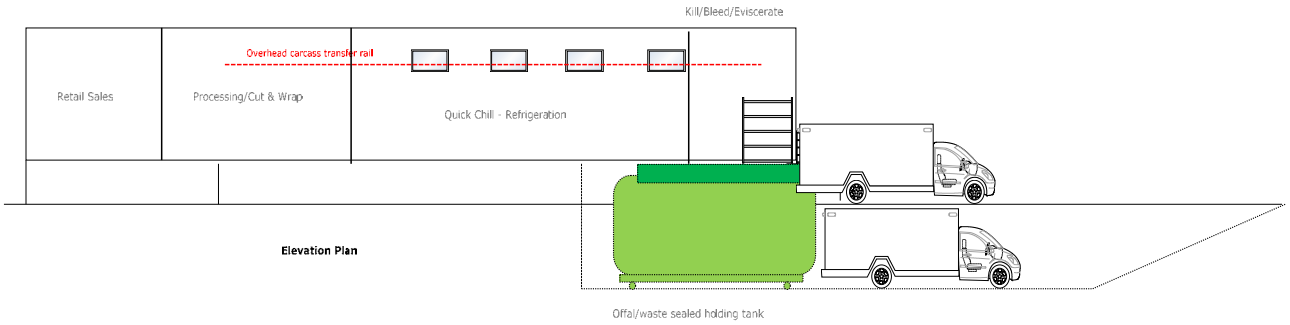
Mother Lode Meats
Complete Fairground Slaughter/Processing Facility
80'x40' Building - 3,200 sq ft

Quick Chill/Refrigerators - 655 sq ft
Two Freezers - 450 sq ft



Fairgrounds pens, scales

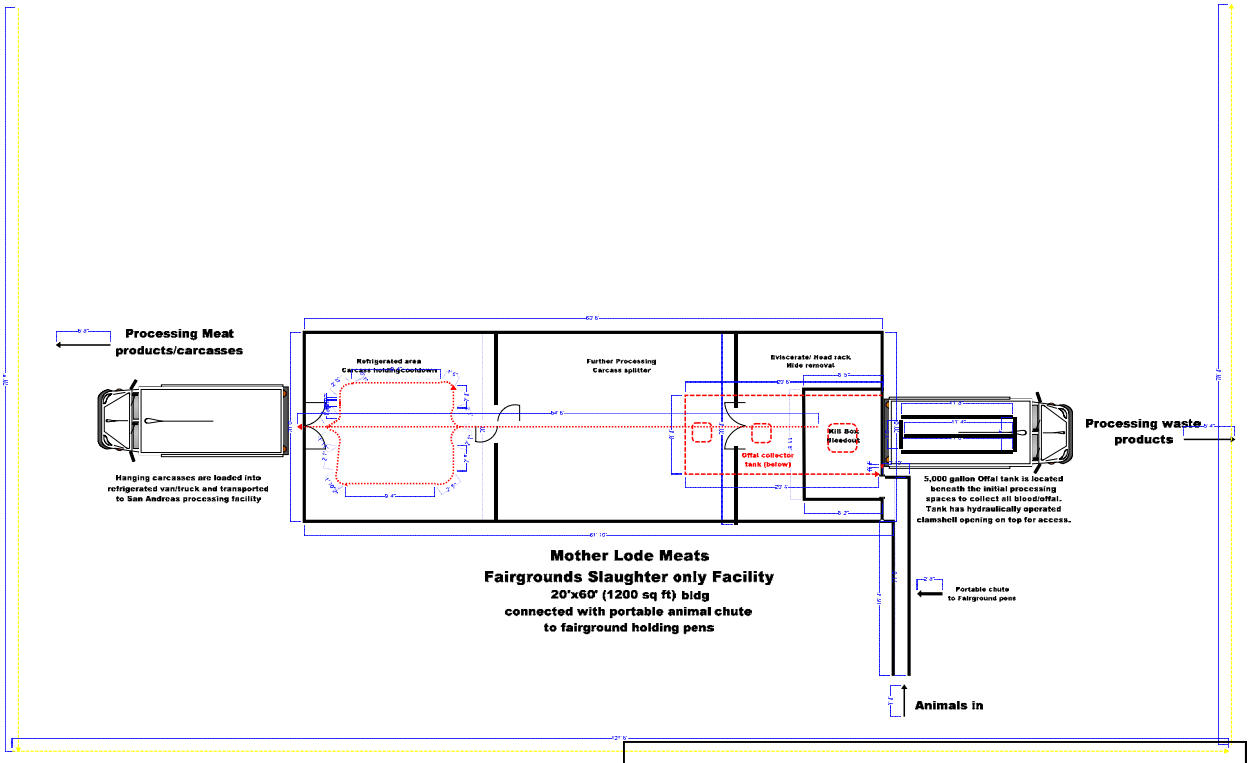
Fairgrounds Option A - Elevation plan



Mother Lode Meats
Complete Fairgrounds Slaughter/Processing Facility

- Single site harvest and processing in 3,200 sq ft facility
- Offal transported offsite
- Waste water screened/drained to fairgrounds pond
- Low cost utilities
- ISSUES
- State owned land (ownership of infrastructure?)
- Facility size limits throughput, dry-aging capacity and limits charcuterie option
- Retail sales would be offsite
- Investor interest unknown if company only owns equipment

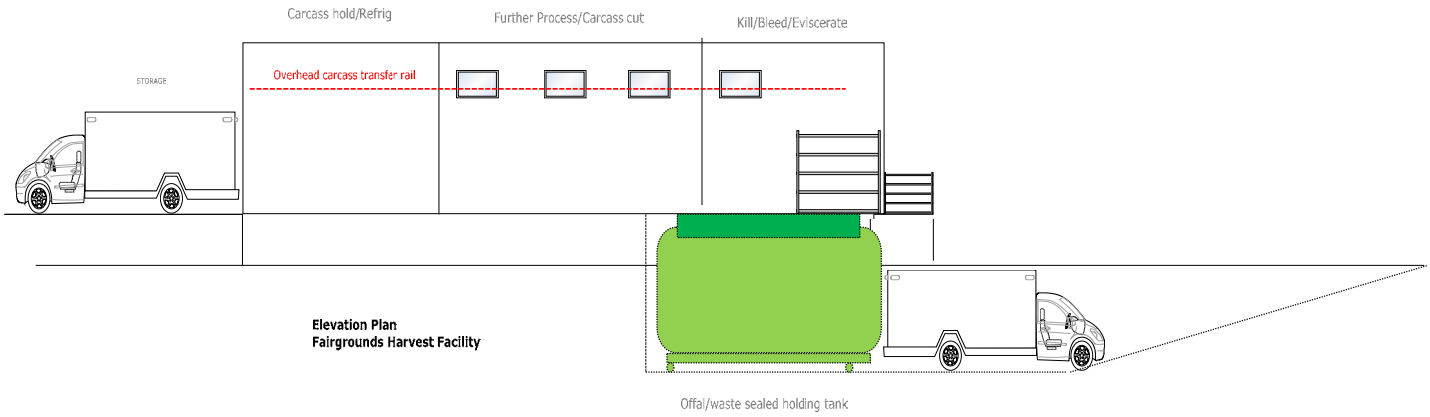
Fairgrounds Harvest Only Facility
Option B
1200 sq ft bldg



Features

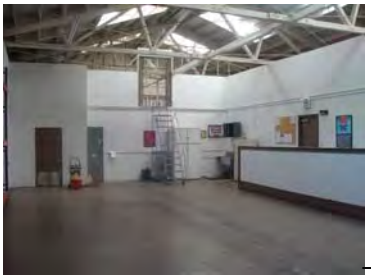
- Small infrastructure footprint on State land
- Designed for high volume harvest with carcasses transported off-site via refrigerated container for further processing
- Offal disposed of via subfloor collection container and regularly transported to offsite rendering facility
- High throughput (rent rate based on throughput) generates more revenue for fair
- Minimal fairground infrastructure more attractive to investors

Fairgrounds Harvest Only Facility
Option B - 1,200 sq ft
Elevation Plan



1. Compartmented Offal collection tank to separate blood/eviscerate from fat, bone, gristle and other animal waste products
2. On-site refrigeration section capable of holding one day's harvest.
3. Refrigerated van transports carcasses to off-site processing facility

San Andreas Budweiser Plant as a post-slaughter processing facility



Six refrigeration units in the warehouse can cool entire building to mid 30's. Keg room was maintained at a constant 35 degrees.

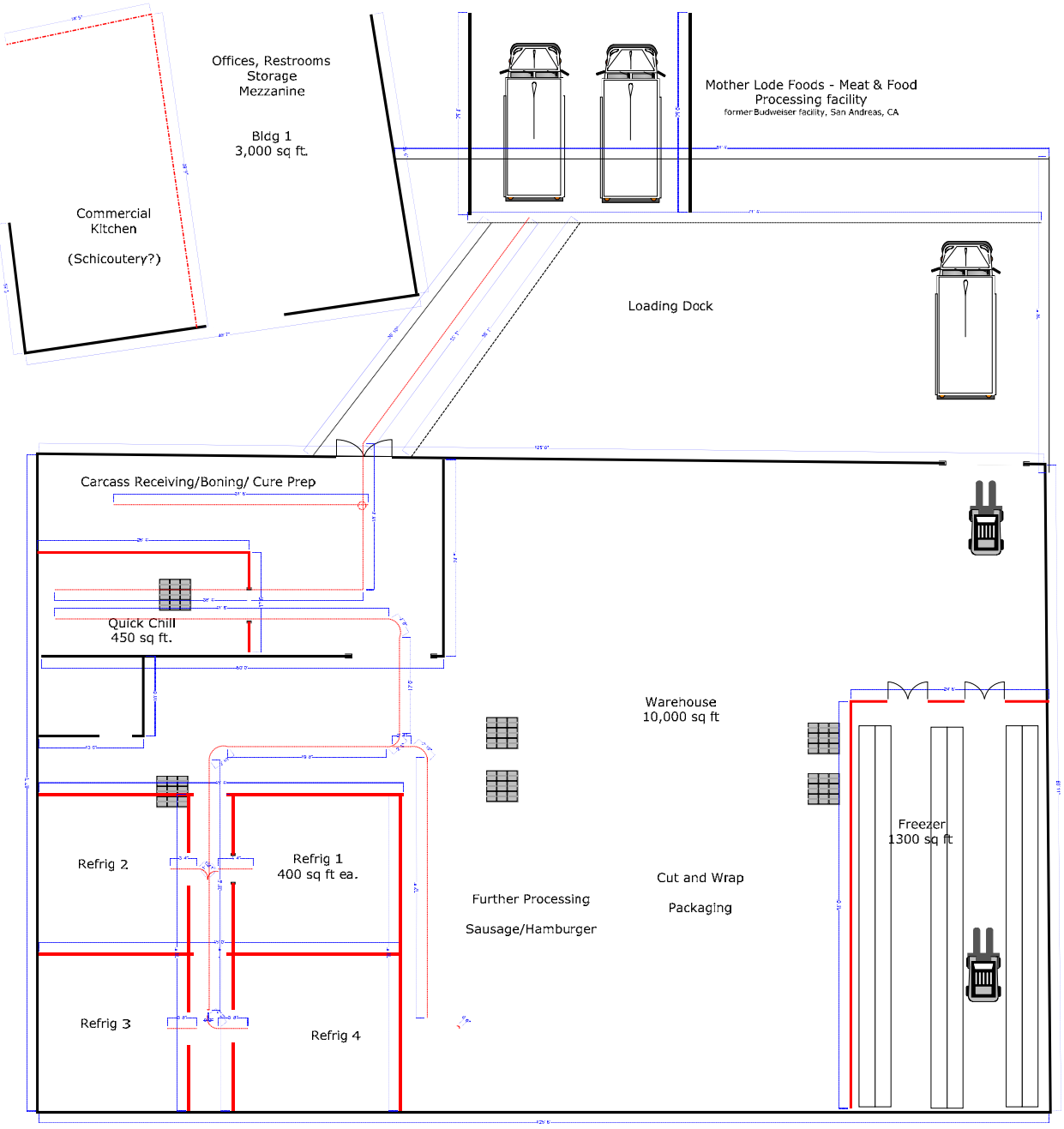
Bldg A
4,000 sq ft

Offices,
Dry storage

Loading dock

Processing Facility
80'x125'
10,000 sq ft.

Offsite Processing & Distribution at SA Bud Plant
Fairground Option B



- 14,000 sq ft facility with minimum of 3,000 sq ft of refrigeration /freezer capacity
- Minimal relative cost to modify existing facility.
- Ample capacity for dry aging carcasses, Charcuterie, refrigerated storage, retail/ wholesale sales and more.
- Significant infrastructure (if owned) and production potential to attract investors

Mother Lode Foods

USDA Inspected Slaughter/Meat Production

Specialty Foods Production

Business Plan Prepared By:

R. Timothy Saunders

For:

Calaveras Grown Steering Committee

Forward

The concept for Mother Lode Foods was conceived out of a need to provide the ranchers and farmers of the Mother Lode region of California with a quality focused processing plant that will provide USDA inspection for meats harvest/processing services. Further, there are many agricultural products being raised and harvested in this region that it is time to create value added consumer ready products to compete in the grocery stores as “Locally Grown” and “Locally Made” products. Our goal is to reach into every grocery store of California where Mother Lode Foods will become the consumer’s choice when selecting what brand to buy!

Many critical factors are involved in the preparation of this business plan that necessitates some explanation before venturing into details. The goal of this plan is to put into context what it will cost to build, own, and operate a full service facility that can handle the harvesting/processing of cattle, hogs, sheep, and goats. Additionally, a food production facility is planned that will produce sauces, niche meat products, as well as dressings, marinades and other products. These facilities will have to be profitable and will require strict controls on labor and operating costs while creating innovative products that will increase revenues to the company. Every aspect of this operation will need to be developed in a manner that conforms to USDA, FSIS, FDA, State of California and County health codes. Through this development process there will be many topics to be discussed in brief but not detailed in this document. Further development of integral operation plans will come later in the planning stage.

The magnitude of work details, food handling procedures, sanitation, animal handling, Human Resources needs, public relations, local and state political associations, business networking, marketing and distribution, accounting, inventory control and animal tracking are critical topics needing consideration and planning. In order to create a viable business of this magnitude it is imperative that the stakeholders that will be responsible for ownership and management be prepared in advance with the knowledge and education that is absolutely mandatory in operating a facility of this type. It is also recommended that the principle owners of this business begin forging contractual agreements with ranchers to provide the forecasted amount of beef needed to maintain a steady supply of product.

This business is not just about having a facility approved for local animal processing. No. There are many more benefits and positive consequences of this business. Here are the top 10!

10. Ranchers of Calaveras County and surrounding counties have a USDA inspected facility that is able to handle their animal slaughter/cutting needs and will be looking to

purchase whole animals for MLF's sales and distribution. This will lower the cost to ranchers in; time, cost of transportation, and incentivize them to raise more animals.

9. Ranchers will put on extra help as needed which will add to local employment numbers.

8. The building of the plant and other aspects of the business will employ construction contractors, sub-contractors, and their crews from our local area. This will put local money into our economy that will be dollars spread around to other businesses.

7. The resultant effect of more money being spent locally will increase the needs of other businesses thereby requiring them to hire more people.

6. Mother Lode Foods will itself generate 20-30 jobs in its first year of operation.

5. As business needs increase more jobs will be created.

4. The products that will be produced will be of gourmet quality and priced so that a wide range of consumer groups will be able to afford these quality products.

3. This business along with the many other outstanding businesses such as wineries, restaurants, destination activities and lodging will see an increase in activity because of name recognition to "The Mother Lode," "Calaveras County," and other advertising/marketing concepts that can be employed. Drawing more visitors to our area brings in revenues to be shared in many ways.

2. By taking risks, managing through experienced training and educating we reinforce the work ethic for our youth who are looking for jobs so they can lead positive and productive lives here at home.

1. We help start to reverse the trend of negative economic conditions in our county, state and country. We once again prove that American craftsmanship, workmanship, ingenuity, creativity and innovation are attributes that are alive and well in America!

Many more positive consequences are surely to occur which strengthens our resolve to get this project developed. As stated above, this business plan will always keep its goals of showing a viable projection of how this business can succeed in the present and in the future. Let us begin now to explain this business concept in greater detail.

Table of Contents

Section 1. Executive Summary

Mother Lode Foods

Providing you gourmet meats and foods from California's Mother lode!

This business plan represents an enterprise to be built and developed in Calaveras County as a USDA inspected multi species harvest and processing meat plant. The plant is designed to house other activities which are described below. Mother Lode Foods will be located in the Valley Springs area of Calaveras County at 3525 Double Springs Rd and Highway 26 intersection. The proposed 22 acre campus will be home to our main plant and corporate headquarters.

1.2 Plant and Facilities

Total plant size equals 20,000 square feet with 20 ft high ceilings. Water will be supplied from local water district with a back up supply from a drilled well. A commercial septic system for wastewater treatment, and a compost station for decomposition of waste tissues from the plant. The plant houses the following:

- Slaughter/kill room
- Quick chill locker
- 2 Walk-in refrigerated hanging/aging rooms.
- Full service cut and wrap room.
- A Charcuterie kitchen for smoked & cured meats and sausage making room.
- Ware washing room.
- 2 Walk-in Storage freezer.
- Warehouse storage
- Shipping and receiving terminal.
- A graphic design office with label production printers.
- Various administrative offices.
- Retail sales floor with will call pick up.
- Food production mixing room for sauces, dressings and other products, with a fully integrated bottling line.
- Employee restrooms.
- Locker Rooms.

1.3 Mission Statement

The purpose for which Mother Lode Foods has been created is to optimize the usage of locally grown and raised agricultural products in the production of our own high quality product lines. Our support of local and regional ranchers and farmers creates new revenue flowing into our communities and perpetuates a positive business atmosphere.

1.4 Business start up

- The business structure and ownership is still yet to be determined. In order for Mother Lode Foods to evolve this will be the first priority for the Calaveras Grown Steering Committee members. Once this is decided they will file for the new business license from the County of Calaveras, California, as soon as possible. It can be assumed that Mother Lode Foods (MLF) will adopt a corporate business structure. Also, an individual who has access to necessary capital resources may step up to take ownership as well. Such is the case with a new facility being built and developed in Yreka California.
- It is strongly recommended that a consultant/opening plant manager be considered in this process. Aaron Baustad is the current consultant/PMGR at the new Yreka facility and has vast experience with these operations.

1.5 Company founders:

- The following people are members of the Calaveras Grown Steering Committee or independent contractors who have researched and written the documentation for the Mother lode Foods project.

Calaveras Grown Steering Committee:

Sean Krilitich
Michael Krilitich
Jim Dodge
Bob Garamendi
Dan Port
Fred Hunt

Independent Contractors:
Carina Bassin
Tim Saunders.

1.6 Planned Management/hourly positions

- During the year zero which will be referred to as “Construction Stage” the following management positions will be filled first in order to accomplish all of the planning requirements this business demands.

1. Chief Executive Officer/Owner
2. Plant operations Manager
3. Human Resources Manager
4. Sales and Marketing Manager
5. Food Production Manager
6. IT Systems Manager
7. Head Butcher
8. Chef/Garde Manger

Prior to full start up of operations the HR Manager and department managers will begin the hiring and training process. There are a total of 26 hourly jobs planned at this time. Through the strategic planning process more may be added. For detailed list of positions see management and labor section of the financial projections section in the appendix.

1.7 Services rendered/Products manufactured

- Full service USDA inspected livestock slaughter/cut & wrap services.
- Livestock to include cattle, sheep, hogs and goats.
- The plant is designed to harvest 12 t0 15 head of cattle per day/4 days per week. During peak months of animal harvesting, a second shift may be brought on to handle overtime operating hours.
- These services are open to all producers and ranchers. Calendar scheduling is required and guidelines are asked to be followed.
- Cattle and Hogs purchased by MLF will be picked up at producer's farm and will be transported back to main plant for processing.
- Transportation services of producer livestock intended for processing for producer pickup is the responsibility of the producer. This service may be offered at a later time.
- Niche meats such as sausages, hams, bacon, corned beef and pastrami, prosciutto, beef salami. Beef to be sold wholesale as primal cuts by the case, bulk ground beef, ground beef patties. Retail sales to the public will be handled by our in-house retail sales counter.
- Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas.

1.8 Banking and investor relationship information:

Mother Lode Foods has to be creative in its quest to be profitable and sustainable. Private investment is the most desired type of funding. This can be accomplished through several types of organizational structure. The most likely options are a standard C corporation, Sub-chapter S corporation, or limited liability company (LLC). A typical C corporation is a simple structure which can accommodate many owners but has complications when solicitation for the selling of stock to those investors and requires securities registration. The latter two are the most logical because of elimination of double taxation. A business law firm in the area should be engaged to guide this process. Another possibility is sole proprietor; however this puts the burden of ownership on one person. The new plant being built in Yreka California is owned by a sole proprietor and is financed completely by this one individual.

Should outside funding be sought there are several ways to accomplish this. Some private investment will be required by lending institutions.
(More information to be added here when available)

1.9.1 Funding Requirements

Need:	Source of funds:	Amount	Int. Rate	Terms
Land purchase 21 acres just off hwy 12 in Valley Springs area	Bank/USDA/SBA Financed	$450,000	3.9 %	240 months
Land grading and road paving, parking areas.	Bank/USDA/SBA Financed	$1 million	3.9%	
Building 20,000 sq ft facility @ $200 per sq ft	Bank/USDA/SBA Financed Private capital	$4 million $2 million	3.9 %	240 months
Capital Equipment	Private capital	$2million		
Start up management costs	Private capital	$450,000		
Startup expenses	Private capital	$400,000		
Working capital yr 1	Private capital	$600,000		

Mother Lode Foods is seeking funding of $5.5 million to be applied to the purchase of 22 acres of land described herein. This also covers land grading and road/parking lot construction. This amount also covers 67% of building costs.

Private investment for this project will total an equal amount of $5.5 million.

Cash flow projections for the first three years show profitability through maintaining a continual flow of products and services. During construction phase it is imperative to build relationships with cattle producers to assure the supply of beef needed to create revenue from services offered. Also, contractual agreements need to be put into place for supplying MLF with certified grass-finished beef/organically raised beef to meet supply agreements with wholesale accounts. Achieving a balance of supply to meet demand will require a strong marketing plan. Strategic planning by the ownership and management team will provide detailed scheduling and lead times needed by producers.

The following link is to the web page for Solamere Capital. I am including this here because it represents what is possible in this industry.

http://www.solameregroup.com/bio/item/3/index.html

1.9.2
3 year financial model projection:

SOURCE	Startup year	Year 1	Year 2	Year 3
Cash on hand	**$400,000**	**$600,000**	**$1,604,526**	**$2,885,052**

Cash on hand	**$400,000**	**$600,000**	**$1,604,526**	**$2,885,052**
EBITDA[a]		**$5,936,000**	**$6,085,000**	**$6,044,000**
Total Expenses		**$4,331,474**	**$4,324,974**	**$4,324,974**
Annual estimated Profit/Loss		**$1,604,526**	**$1,760,026**	**$1,719,026**

Red depicts private/owner investment capital

a. **Earnings before interest, taxes, depreciation, amortization.**

The success of Mother Lode Foods will rest on an ability to build a cooperative arrangement with cattle producers in the seven county areas that surrounds Calaveras County. They are: Amador, El Dorado, Sacramento, Tuolumne, Stanislaus, San Joaquin, and Merced.

This region will serve as the primary focus for marketing the harvest/processing services, and where MLF will seek to build its contracted supply of certified grass fed beef. “Local” is a concept that has become a value to the consumer. Consumers are paying more attention to where products come from while considering whether a product is a healthier choice.

Future marketing decisions will follow and pursue this trend as it grows and becomes the normal thinking of the consumer.

Section 2. Market Analysis

In 2010 and the decade prior, cattle and calves were the No. 1 agricultural commodity for Calaveras County. The annual value of this agricultural product was valued at just over 7 million dollars. According to the 2010 Agricultural Report, this is a significant increase of 21% from the previous year. Analysis of the numbers for the previous decade shows a fluctuation in total crop output value ranging from $33 million in its peak year of 2004 to 20 million in 2009. These fluctuations occur when any one industry is affected for a variety of reasons. In 2010, severe weather conditions played a significant role in the wine/grape industry in our county. Market values for timber decreased creating a dip in the value of that product even though more was produced than the previous year. The cattle industry has seen prices for beef rise due to the drought in Texas and the Midwest United States. These market fluctuations can and will happen throughout each segment of the agricultural industry and must be planned for accordingly.

Review of the county’s agricultural report reveals a startling revelation. Livestock and poultry values totaled nearly 12 million dollars for 2010 yet there was only $22,000 reported as livestock and poultry products being produced. This is a huge disparity of under usage of local commodities being used to create value added products for resale to consumers. Most likely, our agricultural and livestock are being shipped out of our county to other processors giving them the opportunity to generate revenues from our products. This fact brings forth the greatest reason to consider building, operating, and

developing the Mother Lode Foods brand of products. Through the development of this business, the creation of new revenues will be spent by local workers at local businesses creating a greater cash flow within this county.

As a USDA inspected facility we become qualified to be suppliers of locally grown and raised livestock and poultry products to the grocery and restaurant industry. Additionally, the plant will be equipped to produce value added niche meats. These will include sausages, pastrami and corned beef, marinated cuts of meats, salami, etc.

2.1 Industry Description and Outlook

2.1.1 Beef/Livestock

The food production industry can never have enough quality suppliers of food products. At the present time a shortage of USDA inspected harvest/processing facilities exists in California. However, demand from producers is increasing and customer demand for grass fed beef and organically raised beef is steadily rising in most population areas throughout the state. The concept of “buy local” has become a very popular concept for much of the consuming public. Many consumers now are adamant about knowing where their food has come from, and specifically shop for locally produced products. By purchasing locally produced agricultural products as well as other locally made products for consumption, the consumer participates in helping to sustain local farmers, ranchers, and businesses that otherwise would not have a market to sell in.

There are other niche meat processors who operate and sell locally. One of these is Lockeford Meats. They have an outstanding reputation for quality and unique products. However, they only do sausage and a few other niche products and only sell out of their small retail outlet.

The livestock industry in Calaveras County and its regional neighbors is vibrant and growing. Beef cattle remain one of California's most important agricultural products, ranking fifth in 2001 at $1.35 billion in value of production, behind dairy, grapes, nursery products and lettuce. In June of 2010, the following inventory numbers of beef cattle were released through the California Department of Agriculture. The eight counties that represent the regional area we predict would welcome the opportunity to have their beef harvested and processed at the MLF plant are:

1. Calaveras- 9000
2. Amador- 8000
3. El Dorado- 3000
4. Tuolumne- 7000
5. Sacramento- 12000
6. Stanislaus- 38000
7. San Joaquin- 21000
8. Merced- 21000

Total= 119,000 head of beef cattle

10%= 12,000 head of beef cattle.

With a projected annual capacity of 2400 to 3000 cattle for harvest and processing, MLF should have no problem operating at capacity year round. By capturing 4% of available cattle MLF would be operating above capacity. This is a promising statistic for future years expansion and may justify extra harvest shifts where carcasses are then shipped back out for processing elsewhere.

2.1.2 Food products, bottled

The food production department will face other considerations during the year as seasonality of crops has a wider effect on production runs and the products that are produced for our product line. These will include; barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas. Gourmet jams and preserves featuring locally grown berries, grapes, and other commodities. Other possible products can include olive oil production. The possibilities are very exciting as more research and development will be an ongoing mission.

The main thrust of our marketing of these products will be into grocery stores throughout California and the West Coast. This will be accomplished through building demand for these products through store demonstrations, sampling, and targeted advertising campaigns. Forming an alliance with a food brokerage firm such as “The Sturdivant Company” could be a key component to the MLF marketing plan. Here is a description of what services a food brokerage can offer:

2.1.3 Food Brokerage Services

- The role of a food broker is to act as a selling agent for food manufacturers and producers. They work on behalf of their clients to negotiate sales of their products to wholesalers and retailers.
- A broker has extensive knowledge about local markets and has strong connections with food businesses that can prove invaluable to their clients.
- Food brokers provide marketing services as well. Primarily food brokers are sales people, and a good food broker knows how to market your product to potential buyers and work towards getting maximum sales volumes for your product.
- Food broker services aren’t limited to sales and marketing, however. They provide additional service to help increase their clients’ sales volumes such as keeping them up to date on local market conditions. This is in both their interest and their clients’ interest, as the more sales their clients get the more commission they get.
- If a customer has a complaint about your product then you don’t have to deal with it directly, instead they will deal with your food broker. This food broker service can be very beneficial and it can be helpful having someone else sorting out all the problems while you concentrate on what you do best.

- In some cases, food broker services can also include developing and maintaining inventories of their clients' stock as well as large marketing campaigns for new products.
- In addition a food broker may also help in moving stock, rearranging product displays and preparing reports on market conditions for their clients.

2.1.4 Who Needs Food Broker Services?

- Food broker services can be very beneficial, but are not the best choice for every food producer or manufacturer. Depending on where you want your product to be sold as well as what expectations and goals you have for the product will determine whether food broker services will be beneficial to you.

- One of the main reasons why people use food broker services is because it's more cost effective than having a dedicated sales person to sell and market the product. However, large food manufacturers and producers may find that it is much more profitable to have permanent sales staff working for them as their large sales volumes can justify it. Food brokers get paid a commission of their clients sales, so if you are selling significant amounts of your product then food broker services can work out less financially beneficial.

- Food broker services are best suited to those running a small to medium sized business as their services and expertise can help you break into the market and get your product on the shelves at a minimum cost. Food brokers have several clients so they can charge a lower rate than having a dedicated sales person as their overheads are shared by other manufacturers and producers.

2.1.5 Cost of Food Broker Services

- Food broker services vary in their costs, however almost all work in a commission basis whereby they are paid by percentage of sales. If they fail to sell your products then you do not pay them.
- Food brokers generally charge between three to ten percent commission, however this will vary depending on the volume of products being sold and the amount of labor required to sell them.
- When you meet with food brokers they will negotiate a commission fee and also discuss the option of paying for additional food broker services such as organizing promotion schemes and market research.
- In most cases, the smaller your business and the less reputation you have the higher your commission rates will be. This is because the food broker will have to put in additional work to be able to market and sell it to wholesalers and retailers.
- Sometimes your food broker will charge you an up-front fee of around $1000 for the first six months, however this is sometimes deducted from future commission payments.

2.2 Target Market

The target market for MLF depends on which service or product we are describing. For instance, our slaughter/cut and wrap processing of livestock targets local and regional livestock ranchers who desire to have their cattle processed in a USDA facility. Our target market for wholesale and retail sales will include direct sales to grocery and restaurant businesses and bulk sales of primal cuts of meats and specialty niche meats. Additional markets will include the private consumer who wants to purchase grass fed beef in bulk and will either pickup at our will call, or pay for shipping to their location.

The food processing segment will seek a larger distribution channel into a higher volume of grocery stores. The target markets for these products are every consumer who enters and shops in those grocery stores. The thrust of our marketing strategy is to build on the concept of “Buy Local”. Consumers like to know that the products they are using are made in their local community, county, and state. They understand that this is a way to help support the local economy and also purchase products that have not traveled thousands of miles to get to a retail store shelf.

The distinguishing characteristics of the major/primary market we will target are consumers who have a love for great quality beef products but want a healthier choice. They have become self educated through the latest media efforts and know that grass fed beef locally grown is a much better choice when comparing against animals that are corn fed and corn finished.

Grass-Fed—According to the United States Department of Agriculture, this means that the cattle ate only grass and forages (leafy plants), never grain or grain by-products, and had continuous access to pasture during the growing season. Grass-fed cattle may or may not be organic.

Corn-Fed—Most cattle are fed grain—usually corn—towards the end of production to increase their size and marble their meat. Corn-fed cattle may or may not be organic.

2.2.1SWOT Analysis

Internal	External
Strengths	**Opportunities**
USDA Harvest/processing of livestock is a major advantage over State inspected facilities. Custom processing by experienced butchers. Ability to expand services with added shifts for workers.	Grass fed/Organically grown beef is in more demand according to market surveys. Due to shortage of USDA facilities in California, MLF will lead central California in beef, pork, lamb processing. USDA inspection allows MLF to pursue the grocery and restaurant industry with a steady supply of product.
Weaknesses	**Threats**
Business is brand new and requires that new strategic alliances be developed with	Drought! Lack of water can have an adverse affect on cattle prices and

producers. This will require strong negotiation skills. Availability of skilled workers to handle plant positions.	availability. Grass fed beef takes longer to raise and requires more grass and hay than grain finished beef. Ranchers going out of business.

2.2.2 Competition

Due to the apparent need for more USDA-inspected meat processing plants to serve farmers, it is assumed there is little to no competition for USDA-inspected custom processing services in the region. At the present time Johannes's Meats in Orland Ca. is the only USDA inspected Slaughter/processing facility. This is a two to four hour one way trip for the ranchers of the region MLF will target. Johannes's is currently operating at capacity. Coming online in September 2012 is the Yreka facility which will service mainly the plant owner's cattle, approximately 1000 head per year. Yreka will also provide services to a few producers in the Northern Ca. and Oregon region. This plant is too far north to have any impact on harvest/processing business at MLF.

For customers that do not require USDA inspection, MLF would have competition from several regional custom-exempt small plants. These include Stagnos of Modesto, Rawhide Meats in Jamestown, and a few other small butcher shops.

For processed meat items, most products produced outside the region that would be similar to those produced by this plant would be considered competition.

Once again, because USDA harvest and processing is so limited in California, the demand for locally raised grass finished beef is higher than what is being supplied.

See "Making the case for Grass Fed Beef" in appendix.

Section 3. Business Description

3.1 Mission Statement

Preamble

The management of Mother Lode Foods here set forth our belief as to the purpose for which the company is established and the principles under which it should operate. We pledge our effort to the accomplishment of these purposes within these principles.

Purpose

The purpose for which Mother Lode Foods has been created is to optimize the usage of locally grown and raised agricultural products in the production of our own high quality product lines. Our support of local and regional ranchers and farmers creates new revenue flowing into our communities and perpetuates a positive business atmosphere. These efforts create a viable and important link in developing a sustainable regional food chain of highly desired products.

3.2 Planned Operations-Products and Services

- Full service USDA inspected livestock slaughter/cut & wrap services.
- Livestock to include cattle, sheep, hogs and goats.
- The plant is designed to harvest 12 t0 15 head of cattle per day/4 days per week. During peak months of animal harvesting, a second shift may be brought on to handle overtime operating hours.
- These services are open to all producers and ranchers. Calendar scheduling is required and guidelines are asked to be followed.
- Cattle and Hogs purchased by MLF will be picked up at producer's farm and will be transported back to main plant for processing.
- Transportation services of producer livestock intended for processing for producer pickup is the responsibility of the producer. This service may be offered at a later time.
- Niche meats such as sausages, hams, bacon, corned beef and pastrami, prosciutto, beef salami. Beef to be sold wholesale as primal cuts by the case, bulk ground beef, ground beef patties. Retail sales to the public will be handled by our in-house retail sales counter.
- Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas.

We work with and contract with local and regional ranchers to provide them a USDA inspected slaughter/cut and wrap facility where they can bring their livestock to

be professionally processed. Mother Lode Foods will acquire, process, and wholesale/retail “Certified Grass Fed Beef” and “All Natural Organic Beef” which can be grain finished for producing USDA Prime, Choice, and Select grades of beef products.

These services will be offered to local and regional livestock producers who are in need of USDA inspection and certification of their meat products. The need for this type of facility is verified through the input of local ranchers who are hamstrung in their abilities to realize a profit on their livestock. Shipping livestock to a USDA facility is a costly and time consuming effort that when everything is paid for, there is very little profit to be realized by the producer. By providing an in county slaughter/cut and wrap facility we become the only USDA inspected facility within several hours drive of Calaveras County. Demand for this type of service is high in respect to the amount of opportunity that is currently being wasted in the county and from surrounding counties.

MLF will also purchase cattle through producer contractual agreements for the company’s own wholesale and retail sales, and production of niche meats.

The Foods Production Division will use locally raised fruits, vegetables, nuts, and other food products from the area in the further development of consumer based products such as sauces, marinades, dressings, and more. To accomplish this, strategic planning will design a road map of activity that takes into account the growing seasons and harvest times, as well market demand for these products. Some ingredients will have to be purchased to fulfill recipe requirements. These may or may not be produced locally. Research and development will be a key factor in developing new and innovative uses for our products. At MLF, a strong commitment must be maintained to developing outstanding products and services that will keep MLF ahead of the competition.

3.3 Business Location

Mother Lode Foods will be located in the Valley Springs area of Calaveras County at the Double Springs Rd and Hwy 26 intersection. The address is 3525 Double Springs Rd. The proposed 21 acre campus will be home to our main plant and corporate headquarters. Because the main plant will only require 25% of the land initially, the balance of acquired land will be used for expansion and further development business operations.

Lot 1

- Price: **$565,000**
- Lot Size: **21.37 *AC***
- Price/AC: $26,438.93
- Lot Type: Industrial (land)
- APN / Parcel ID:

040-002-014
- Commission Split:
  3%
- Borders Highway 26 and Double Springs Rd. Bare land.

3.4 Strategic Objectives

- Obtain long term financing for purchase of land, building, capital equipment, and begin construction of main facility by November 1st, 2012.
- Contract with local and regional ranchers to provide Grass fed/ organically raised grain finished cattle per slaughter schedule of plant. These contracts should be written as 3 to 5 year commitments.
- Grand opening of plant for food production services by Jan 1st 2014.
- Slaughter and cut and wrap services to begin by Nov 15th, 2013.
- Obtain necessary contracts to supply “Grass Fed Beef” and “organically raised grain finished beef” to restaurant and grocery distributors.

3.5 Strategic Goals

- Acquire USDA inspection for slaughter and meat cutting.
- Develop niche meat products such as sausages, salami, pastrami, marinated cuts of meat.
- Market our services to local and regional ranchers to create a continuous flow of business for slaughter, aging, and processing for customers.
- Operate our own finishing herd of cattle and the raising of hogs to supply MLF the necessary meat products for sale and distribution.
- Create and develop food production capabilities using locally grown produce, nuts, and vegetables.

Section 4 Meat Processing Requirements in California

It is anticipated that MLF will harvest animals four days per week with a volume of 12 to 15 head of beef per day. Two days are for MLF cattle that supply wholesale and retail needs of the company. Two other days will be for ranchers who desire USDA inspection and processing. Scheduling can be adjusted to accommodate other species such as hogs, lambs, and goats. Poultry has not been figured into the operation as of this time. However, this activity may be added at a later time. Two to three people will be required to work the harvest floor while three people will be working the processing room. Workers will be cross trained to work in either area and will be closely evaluated and trained.

The three scenarios for slaughter and processing of cattle, swine, sheep, and goats, depending on ownership and sales status, are outlined below.

Scenario #1 *Meat for Personal Consumption*. Livestock producers may slaughter their own animals or contract with mobile custom slaughterers for on-farm slaughter of animals to be consumed within their household as described above. Meat from animals slaughtered on-farm cannot be sold.

Scenario #2 *Live Animal Sales.* Live animals may be sold then transported to either a USDA or a CDFA slaughterhouse for slaughter, and a USDA or Custom Exempt processing facility for post-slaughter processing. This meat is intended for consumption in the owner's (the person who purchased the animal) household and must be consumed by the owner or members of the owner's household, which can include the owner's non-paying guests and employees.

Scenario #3 *Meat Sales.* All meat sold in California must be slaughtered at a USDA-inspected slaughter facility and, in most cases, processed[1] at a USDA-inspected processing plant. The only cases in which USDA-slaughtered meat can be processed at other than USDA facilities and sold are:

1. USDA-slaughtered animals are processed at a County Environmental Health Services (EHS)-inspected retail facility, such as a restaurant, grocery store meat department, or specialty meat market, and sold retail on-site.
2. USDA-slaughtered animals are smoked, dried, cured, or rendered at a California Department of Food and Agriculture (CDFA)-inspected facility and sold retail on-site.

4.1 Byproducts/Waste Products

The greatest liability to a new meat plant is disposal of waste products. Materials such as waste fat, most bones, blood, and inedible offal represent a significant percentage of the animal's carcass that must be disposed of. In the U.S., these are often picked up by rendering companies who process them into animal supplements. However, there are often no rendering companies close to these plants, which results in costly "pick-up" charges by companies many miles and in some cases, many states away. Therefore, the following is a discussion of various materials and their target market opportunity or disposal options.

4.1.1 Hides

Fresh "green" hides would be picked up routinely by a hide company. The plant will have to manage hides to prevent their deterioration. Salt curing is the most effective method of preventing deterioration and increasing the flexibility of marketing hides to a variety of customers. Initially, hides will be laid out salted and stored in a facility adjacent to or in a subterranean portion of the plant.

4.1.2 Offal

Initially, the tongue, liver, and oxtail from cattle and the heart and hocks from hogs

will be cleaned, frozen, and packaged for specific customers. The remaining offal (kidney, lungs, stomach and some hearts) would be considered waste material for disposal.

4.1.3 Bones/ Fat/ Tissue

The heads, hooves, bones, waste fat, and soft tissue of inedible offal will be disposed of utilizing the strategies outlined in the next section (Section 4.2).

4.1.4 Blood

Fresh blood will be collected at the plant. Some of it can be collected in stainless steel receptacles and sold if the price justifies it. Some of the blood could be used by farms for fertilizer. However, most of the blood will be disposed of along with the other waste materials as discussed in the next section (Section 5.2).

4.1.5 Paunch

Paunch is the material left in the rumen of cattle and lambs when the animal is harvested/slaughtered. This material can be used for fertilizer and can be fed back to animals as a small percentage of the diet. Also, this material can be disposed of in the same manner as other waste materials discussed in the next section (Section

4.2)

4.2 Disposal of Waste Materials

There are typically three options for disposal of waste tissues from a small meat plant:

- Pick up by a rendering company for a fee. The fees depend on volume and distance from the rendering plant. A common pricing strategy is to charge by volume ($x per 55 gallon drum or barrel). Many rendering companies will take blood as well as bones, inedible organs, meat scraps, fat, hooves, and heads. Some companies will pick up hides and debit the value from the cost of the rendering pick-up.

- Incineration. There are commercially-available incinerators for burning all unwanted tissues. The disadvantage to this strategy is the energy cost to fuel the incinerator and the emission concerns from neighbors if the plant is located near other businesses or residences.

- Composting. Stockpiling waste tissues (fat, bones, inedible organs, heads, hooves, and blood) is becoming increasingly popular with small plants as rendering pick-up costs increase and composting experience improves. A concrete pad is poured in a selected area close to the plant and often curbed to prevent run-off of leachette. Dry ground wood chips or other forms ground organic matter is required for mixing with the waste materials from the plant for

proper microbial growth in the compost pile. The grinding of long bones and head bones is often necessary to reduce partial size. Inedible offal soft tissue, bones, inedible fat, blood and paunch will be added daily to the compost pile and covered with the ground organic matter and the piles turned with a loader at least once per week. After the compost has had adequate time to fully decompose, the resultant material can be used for organic fertilizer. Financial models in this business plan assume that composting will be the strategy used to dispose of waste materials. Due to state restrictions, small plants in California are not Allowed to compost.

4.3 Treatment of Specified Risk Materials

Due to issues with Bovine Spongiform Encephalomyelitis (BSE), the heads and small intestines of beef cattle (cows or cattle under 30 months) will not be sold for human consumption and will be composted. The only Specified Risk Materials (SRM's) of beef carcasses that need disposal are the spinal column and tonsils (when selling beef tongues). For beef cows over 30 months, the entire head, the vertebral bone, and dorsal root ganglia must also be removed and disposed of. These materials will be composted or land-filled. Sheep heads should be handled in the same way as cow heads.

4.4 Effluent and Water Use

4.4.1 Water use

Beef will require approximately 300 – 450 gallons of water per animal carcass per day. Therefore, this is also the approximate volume of wastewater produced. The water should be potable, good quality (low nitrates and sulfates), and have high volume per gallon. Small stock uses less than 100 gallons per animal. If the source of water is an on-premise well, water tests for water quality should be conducted.
It is anticipated that the plant would use city supplied water with a well system backup.

4.4.2 Wastewater

The most sensitive and critical part of planning a new slaughter plant or expanding an existing plant is the effluent or wastewater system. All process wastewater (effluent) from the slaughter floor should pass through a screen to catch and separate solids. Screened effluent pumps and pipe system will convey screened process wastewater to the proposed effluent treatment system.
A five-day Biological Oxygen Demand (BOD) value is used to measure the level of treatment needed to discharge effluent safely. The BOD for all food-processing effluent is relatively high compared to other industries. A high BOD level indicates that effluent contains elevated amounts of dissolved and suspended solids, minerals and organic nutrients containing nitrogen and phosphorus. The following is assumed for a small multi-species plant:

- Average daily process flow of 2,500 gallons per day of wastewater based on a 7-day average. The peak daily flows = 6,000 gallons per day when harvesting cattle. It may be necessary to utilize a surge tank to collect daily wastewater effluent to be released at an even prescribed rate into a municipality or into the plant's own treatment system.
- Incoming BOD into treatment – maximum of 1,600 mg/l
- Total suspended solids – 300 to 500 mg/l
- Total nitrogen = 140 to 160 mg/l

The simplest strategy for handling effluent is accessing a municipal sewage line and allow the municipally to treat the effluent if there is the capacity to do so. If the municipal plant is not accessible or does not have the capacity, the plant will have to treat their own effluent. There are several options for the plant to treat its own effluent and a licensed wastewater engineer should be engaged to design a system specific for the plant and its own area of the country. For the purposes of this business plan, a commercial water treatment system should be fully investigated.

4.4.3 BioDyne Systems and Services

BioDyne provides biological wastewater treatment systems and services for a wide range of applications. The company has presence in Canada and USA. BioDyne's technology has major advantages and economies, including compact plant footprint, outstanding performance specs, lower capital costs, lower maintenance costs, lower operating costs, much less sludge generation, remote monitoring and control facilities, as well as co-treatment of solids and liquids and removal of harmful nutrients.

http://www.biodynegroup.com/index-1.html

For more information on the Biodyne technology please visit the website above.

4.5 Regulatory Restrictions

4.5.1 Offal Disposal

California does not permit on-ranch composting of offal (or any mammalian tissue; see California Environmental Protection Agency statute Section 17855.2), and so a processor must dispose of it off-site. To do this requires an “inedibles” permit from the California Department of Food and Agriculture (CDFA) Meat, Poultry, & Egg Safety branch. The permit establishes an approved rendering plant, pet food plant, or collection station where the processor may take the offal.

Sacramento Rendering Company
11350 Kiefer Boulevard
Mather, CA. 95830

Designed into the building construction plan should be an under-main floor refrigerated disposal room. Disposal drop shoots are built in to dispose quickly and cleanly of offal into roll able tanks that are supplied by the rendering company. This system of removal eliminates the need for the rendering company to enter into the plant operations area risking any outside contamination.

4.5.2 HACCP

MLF will prepare a written Hazard Analysis Critical Control Point (HACCP) program for each department of food handling. Specifically, Animal slaughter room, meat hanging rooms, meat processing room, Charcuterie kitchen, mixing and bottling rooms, refrigerated walk-in rooms, dry storage and warehouse storage, and retail sales room. Also, the prerequisite programs that accompany the HACCP including:

- Sanitation Standard Operating Procedures (SSOP)
- Good Manufacturing Practices (GMP’s).

These programs should be written by a food industry professional that is HACCP certified.

5.1 Marketing and Sales

Within the context of business operations there are numerous aspects that need to be considered and thoroughly planned. 98% of all information gained will most likely come from internet research. Other information may come from trade journals, or gleaned from industry professionals. The future success of Mother Lode Foods will be determined by an aggressive approach to marketing and sales. Each service or product must be examined and planned out so as to maximize time, materials, and labor.

1. USDA Slaughter services.

This service is to be scheduled on the plants ability to process 12 to 15 head of beef per day. The head butcher is responsible for managing kill room schedule, aging rooms, and processing rooms.

Q. Does customer request dry aging?

Q. Will customer ship carcass to another processing facility or have the beef aged and processed by MLF?

2. USDA Processing of meat.

   Q. Type of processing requested by customer?

   Q. Does customer want vacuum sealed portions to be picked up fresh or frozen?

3. MLF wholesale/retail sales of beef products.

   Wholesale of grass fed beef/organic grown beef will be sold by boxed primal cuts, roasts, ground beef chubs, ground beef patties, and special ordered steaks. All are vacuum sealed, boxed, and weighed.

   Retail sales will take place in house in the retail outlet. All wholesale items above will be available in the retail outlet.

4. Charcuterie products will also be available for wholesale and retail sales. These will include: Several varieties of sausages, pastrami, prosciutto, ham, smoked bacon, liverwurst, salami, etc.

5. Food products such as Barbecue sauces, grilling sauces, marinades, sauté sauces, dressings, and salsas. Will be produced at the MLF plant and available for wholesale and retail sales.

6. All production items in #4 & 5 must be appropriately labeled including UPC symbols, nutritional facts, ingredients, etc. See Ca State labeling laws.

7. It is highly recommended that Mother Lode Foods contract with an established food brokerage firm in order to facilitate sales and distribution of products.

8. Label design and printing will be done in house as well. This should save considerable time and money.

5.2 Pricing

Pricing strategies have to be evaluated often to ensure MLF products are competitive and profitable. Particular attention needs to be paid to the competition and what they are pricing their similar products at. Quality and cost are considerations as

well. Products might be similar but quality of product or ingredients can raise the price above the competition. One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Furthermore, pricing affects other marketing mix elements such as product features, channel decisions, and promotion.

While there is no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product:

1. **Develop marketing strategy** - perform marketing analysis, segmentation, targeting, and positioning.
2. **Make marketing mix decisions** - define the product, distribution, and promotional tactics.
3. **Estimate the demand curve** - understand how quantity demanded varies with price.
4. **Calculate cost** - include fixed and variable costs associated with the product.
5. **Understand environmental factors** - evaluate likely competitor actions, understand legal constraints, etc.
6. **Set pricing objectives** - for example, profit maximization, revenue maximization, or price stabilization (status quo).
7. **Determine pricing** - using information collected in the above steps, select a pricing method, develop the pricing structure, and define discounts.

These steps are interrelated and are not necessarily performed in the above order. Nonetheless, the above list serves to present a starting framework.

6.1 Organization and Management

The following positions are listed as a proposed staffing plan. Further develop of companies business structure may add or eliminate some of these positions. Each position has been considered as an integral function within the operational dynamics of this business. Only brief job descriptions are given here. More detailed areas of responsibility will be designed later by Human Resources. For further list of hourly employees see labor and management page of Financials.

Chief Executive Officer-

- The Chief Executive Officer (CEO) is the highest ranking executive manager in a corporation or organization. The CEO has specific responsibilities depending on the needs of his or her organization. The job description of a CEO varies by organization.
- The CEO may also own the business, and may have founded the business, so his or her commitment to the business is significant. In these cases, a Board of Directors may exist, but its authority is nominal and advisory.

Plant Operations Manager-

- Plant operations managers maximize manufacturing processes. Plant operations managers plan, lead, organize and control the production of manufactured goods and assume responsibility for ensuring effective and efficient business operations. They manage the industrial processes that convert materials, labor and energy into marketable products. Operations managers also coordinate with sales, marketing, warehousing or other departments that support or depend on the manufacturing function.

Human Resources Manager-

- Develop the Human resources department
- Advising managers about issues relating to managing people
- Employee orientation, development, and training
- Performance management and improvement systems
- Organization development
- Employment and compliance to regulatory concerns
- Policy development and documentation

Sales/Marketing Manager

- Responsible for the development and performance of all sales activities in assigned market. Staffs and directs a sales team and provides leadership towards the achievement of maximum profitability and growth in line with company vision and values. Establishes plans and strategies to expand the customer base in the marketing area and contributes to the development of training and educational programs for clients and Account Executives.

Food Production Manager

- A production manager is involved with the planning, coordination and control of manufacturing processes.
- A production manager ensures that goods and services are produced efficiently. They ensure the correct amount is produced at the right cost and at the right level of quality.
- The scope of the job depends on the nature of the production system: jobbing production, mass production, process production, or batch production. The job role is also sometimes referred to as an operations manager.
- Many companies are involved in several types of production, adding to the complexity of the job. Most production managers are responsible for both human and material resources.

IT Systems Manager-

- Accomplishes information systems staff results by communicating job expectations; planning, monitoring, and appraising job results; coaching, counseling, and disciplining employees; initiating, coordinating, and enforcing systems, policies, and procedures.
- Maintains staff by recruiting, selecting, orienting, and training employees; developing personal growth opportunities.
- Maintains safe and healthy working environment by establishing and enforcing organization standards; adhering to legal regulations.
- Sustains information systems results by defining, delivering, and supporting information systems; auditing application of systems.
- Assesses information systems results by auditing application of systems.
- Enhances information systems results by identifying information systems technology opportunities and developing application strategies.
- Safeguards assets by planning and implementing disaster recovery and back-up procedures and information security and control structures.
- Accomplishes financial objectives by determining service level required; preparing an annual budget; scheduling expenditures; analyzing variances; initiating corrective action.
- Maintains professional and technical knowledge by attending educational workshops; reviewing professional publications; establishing personal networks; benchmarking state-of-the-art practices; participating in professional societies.
- Contributes to team effort by accomplishing related results as needed.

Accounting Department Manager

- The Accounting Manager is responsible for all areas relating to financial reporting. This position will be responsible for developing and maintaining accounting principles, practices and procedures to ensure accurate and timely financial statements.
- The Accounting Manager supervises five staff accountants and is responsible for managing the team to ensure that work is properly allocated and completed in a timely and accurate manner.
- This position addresses tight deadlines and a multitude of accounting activities including general ledger preparation, financial reporting, year end audit preparation and the support of budget and forecast activities.
- The Accounting Manager will have contact with senior-level Attorneys and the firm’s Executive Director and Controller which requires strong interpersonal communication skills both written and verbal.

Head Butcher

- Work in slaughtering, meat packing, or wholesale establishments performing precision functions involving the preparation of meat. Work may include

specialized slaughtering tasks, cutting standard or premium cuts of meat for marketing, making sausage, or wrapping meats.

- Works under the supervision of the Plant Operations Manager. Coordinates with Sales and Marketing Manager to schedule production needs.

- Supervises and works kill room and processing room activities.

- Schedules and trains hourly personnel personnel.

- Works directly with the Charcuterie Chef

Charcuterie Chef

- Production:
- Self-starter: internally driven by a desire to be successful in the food service business.
- Work closely with USDA inspector to accommodate requirements
- Implement and enforce HACCP
- Take a proactive approach to inspections, product quality and production
- Understand, manage and be accountable for production projections.
- Production of fresh items according to sales demands
- Effectively control the ageing process and timeliness of dry cured products
- Regularly conduct product testing
- Conduct product research and development
- Motivate sales of new products to sales representatives
- Monitor daily sales activities
- Monitor daily inventory
- Monitor quality assurance programs
- Safety and Sanitation
  Sanitation manager will report directly to this position
- Maintain a clean, organized and sanitary working environment
- Maintain perfect sanitation scores
- Work closely with USDA and FDA to ensure a wholesome production environment
- Enforce a safe working environment for employees

7.1 Assumptions

This being a brand new business venture there is no financial history on which a track record might be examined. Cash flow projections are based upon volume of sales estimated by demand MLF expects to realize from market share of population.

Revenue streams from products and services fluctuate due to seasonality. However, because of the shortage of USDA harvest/processing for livestock in Central California a high demand for services is predicted and planned for. Revenue streams for

MLF: USDA slaughter and aging, Cut and wrap processing of beef, Wholesale sales of Grass Fed Beef, Retail sales of Grass Fed Beef, Niche meat sales, Food product sales.

Because of projected demand for these services, four kill days per week are scheduled. At the present time only beef have been used for calculating slaughter and processing numbers. It is estimated the plant will harvest and process 48 to 60 head of beef per week. See revenue streams page of financial pages.

The final construction design should include any possible expansion needed to be added later. The vision for the MLF plant and business operations is very similar to the Yreka plant that is nearly finished. Contracting with the consultant on the Yreka plant would be a favorable step in proceeding forward with this project.

Labor wages and management salaries have been estimated to reflect the best industry estimates. 30 % of wages and salaries have been estimated to cover taxes and vacation earnings. Unknown is the effect of health care legislation and what a business of this size can expect.

Section 8 Appendices:

8.1 Financial Information

8.1.1 Projected Cash Flow Statements for Year 1,2,3
8.1.2 Projected Management salaries and Hourly wages
8.1.3 Revenue streams and assumptions
8.1.4 Annual Balance Sheet-To be added later
8.1.5 Personal Balance Sheets of Principle Stakeholders-To be added later

8.2 Proposed layout for Mother Lode Foods

Year 1 Monthly Cash Flow	January	February	March	April	May	June
Cash on hand	600000	668,836	753,671	850,507	942,342	1,039,178
Mother Lode Foods						
Revenue streams:						
USDA Slaughter/aging service	13,000	13,000	13,000	13,000	13,000	13,000
Cut/Wrap service	75000	75000	75000	75000	75000	75000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000
Niche meat sales	30,000	30,000	30,000	30,000	30,000	30,000
Food Product sales	50000	50000	50000	50000	50000	75000
Total Revenues	423,000	423,000	423,000	423,000	423,000	538,000
Fixed Expenses:						
Food Broker Commission 10%	33500	33500	33500	33500	33500	45000
Mortgage-Land&Buildings (25yr)	18334	18334	18334	18334	18334	18334
Capital equipment loan (7yr)	25335	25335	25335	25335	25335	25335
Interest expense	16433	16433	16433	16433	16433	16433
Property Taxes						60000
Legal Expense	20000					
Licenses/association dues	3000	2000				
Producer irrigation assistance	5000			5000		
Trade show events		10000				10000
First year bonus Pool						
Total Fixed Expenses	121602	105602	93602	98602	93602	175102
Labor/Management	29,000	29000	29000	29000	29000	29000
Labor/Hourly	55125	55125	55125	55125	55125	55125
Labor expense (30% of Labor cost	25,238	25,238	25,238	25,238	25,238	25,238
Total labor Cost	109,363	109363	109363	109363	109363	109363
Utilities/General expenses						
Electrical	5000	5000	5000	5000	5000	5000
Water	2000	2000	2000	2000	2000	2000
Cell Phones/Phone/Internet	1000	1000	1000	1000	1000	1000

July	August	September	October	November	December	Annual Total
1,156,513	1,363,849	1,596,184	1,818,520	1,987,855	2,039,691	
13,000	13,000	13,000	13,000	13,000	13,000	156,000
120000	120000	120000	80000	80000	75000	1045000
120000	120000	120000	100000	100000	120000	1200000
225000	225000	225000	225000	225000	225000	2450000
30,000	30,000	30,000	30,000	30,000	30,000	360,000
75000	75000	75000	75000	50000	50000	725000
583,000	583,000	583,000	523,000	498,000	513,000	5,936,000
45000	45000	45000	43000	40500	42500	473500
18334	18334	18334	18334	18334	18334	220008
25335	25335	25335	25335	25335	25335	304020
16433	16433	16433	16433	16433	16433	197196
						60000
20000						40000
						5000
5000			5000			20000
		10000				30000
				100000		
130102	105102	115102	108102	200602	102602	1449724
29000	29000	29000	29000	29000	29000	348,000
55125	55125	55125	55125	55125	55125	661500
25,238	25,238	25,238	25,238	25,238	25,238	302,850
109363	109363	109363	109363	109363	109363	1,312,350
5000	5000	5000	5000	5000	5000	60000
2000	2000	2000	2000	2000	2000	24000
1000	1000	1000	1000	1000	1000	12000

Cost of Goods Sold/Beef	27500	27500	27500	27500	27500	27500
Propane/Nat Gas	500	500	500	500	500	500
Offal Disposal	5000	5000	5000	5000	5000	5000
Waste water treatment	3000	3000	3000	3000	3000	3000
Misc. Expenses:	1000	1000	1000	1000	1000	1000
packaging supplies	12000	12000	12000	12000	12000	20000
corrugated boxes	1000	1000	1000	1000	1000	1000
spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000
Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
Total Utilities/General Expenses	123200	123200	123200	123200	123200	136200
Total expenses	354,165	338,165	326,165	331,165	326,165	420,665
Repay beginning Cash on Hand						
Cash Forward	668,836	753,671	850,507	942,342	1,039,178	1,156,513

Year 2 Monthly Cash Flow	**January**	**February**	**March**	**April**	**May**	**June**
Cash on hand	1,604,526	1,645,862	1,702,197	1,768,533	1,834,868	1,901,204
Mother Lode Foods						
Revenue streams:						
USDA Slaughter/aging service	15,000	15,000	15,000	15,000	15,000	15,000
Cut/Wrap service	80000	80000	80000	80000	80000	80000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000

27500	27500	27500	27500	27500	27500	330000
500	500	500	500	500	500	6000
5000	5000	5000	5000	5000	5000	
3000	3000	3000	3000	3000	3000	36000
1000	1000	1000	1000	1000	1000	12000
20000	20000	20000	20000	20000	20000	200000
1000	1000	1000	1000	1000	1000	12000
3000	3000	3000	3000	3000	3000	36000
20000	20000	20000	20000	20000	20000	215000
800	800	800	800	800	800	9600
400	400	400	400	400	400	4800
5000	5000	5000	5000	5000	5000	60000
200	200	200	200	200	200	2400
20000	20000	20000	20000	20000	20000	240000
12000	12000	12000	12000	12000	12000	144000
4000	4000	4000	4000	4000	4000	48000
800	800	800	800	800	800	9600
4000	4000	4000	4000	4000	4000	
136200	136200	136200	136200	136200	136200	1569400
375,665	350,665	360,665	353,665	446,165	348,165	4,331,474
					600000	
1,363,849	1,596,184	1,818,520	1,987,855	2,039,691	1,604,526	1,604,526

July	August	September	October	November	December	Annual Total
1,976,039	2,140,875	2,335,710	2,514,546	2,651,381	2,759,717	
15,000	15,000	15,000	15,000	15,000	15,000	180,000
120000	130000	130000	90000	80000	80000	1110000
120000	120000	120000	100000	100000	120000	1200000
225000	225000	225000	225000	225000	225000	2450000

Niche meat sales	35,000	35,000	35,000	35,000	35,000	35,000
Food Product sales	50000	50000	50000	50000	50000	75000
Total Revenues	435,000	435,000	435,000	435,000	435,000	550,000
Fixed Expenses:						
Food Broker Commission 10%	34000	34000	34000	34000	34000	45500
Mortgage-Land&Buildings (25yr)	18334	18334	18334	18334	18334	18334
Capital equipment loan (7yr)	25335	25335	25335	25335	25335	25335
Interest expense	16433	16433	16433	16433	16433	16433
Property Taxes						60000
Legal Expense	20000					
Licenses	3000					
Association Dues	2000					
Trade show events		10000				10000
Management/Labor Bonuses	42000	42000	42000	42000	42000	54000
Total Fixed Expenses	161102	146102	136102	136102	136102	229602
Labor/Management	29,000	29000	29000	29000	29000	29000
Labor/Hourly	55125	55125	55125	55125	55125	55125
Labor expense (30% of Labor cost	25,238	25,238	25,238	25,238	25,238	25,238
Total labor Cost	109,363	109363	109363	109363	109363	109363
Utilities/General expenses						
Electrical	5000	5000	5000	5000	5000	5000
Water	2000	2000	2000	2000	2000	2000
Cost of Goods Sold/Beef	27500	27500	27500	27500	27500	27500
Cell Phones/Phone/Internet	1000	1000	1000	1000	1000	1000
Propane/Nat Gas	500	500	500	500	500	500
Offal Disposal	5000	5000	5000	5000	5000	5000
Waste water treatment	3000	3000	3000	3000	3000	3000
Misc. Expenses:	1000	1000	1000	1000	1000	1000
packaging supplies	12000	12000	12000	12000	12000	20000
corrugated boxes	1000	1000	1000	1000	1000	1000

35,000	35,000	35,000	35,000	35,000	35,000	420,000
75000	75000	75000	75000	50000	50000	725000
						6,085,000
590,000	600,000	600,000	540,000	505,000	525,000	7,689,526
45500	45500	45500	43500	41000	43000	479500
18334	18334	18334	18334	18334	18334	220008
25335	25335	25335	25335	25335	25335	304020
16433	16433	16433	16433	16433	16433	197196
						60000
20000						40000
						3000
						2000
		10000				30000
54000	54000	60000	54000	50000	51000	587000
179602	159602	175602	157602	151102	154102	1922724
29000	29000	29000	29000	29000	29000	348,000
55125	55125	55125	55125	55125	55125	661500
25,238	25,238	25,238	25,238	25,238	25,238	302,850
109363	109363	109363	109363	109363	109363	1,312,350
5000	5000	5000	5000	5000	5000	60000
2000	2000	2000	2000	2000	2000	24000
27500	27500	27500	27500	27500	27500	330000
1000	1000	1000	1000	1000	1000	12000
500	500	500	500	500	500	6000
5000	5000	5000	5000	5000	5000	60000
3000	3000	3000	3000	3000	3000	36000
1000	1000	1000	1000	1000	1000	12000
20000	20000	20000	20000	20000	20000	200000
1000	1000	1000	1000	1000	1000	12000

spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000
Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
Total Utilities/General Expenses	123200	123200	123200	123200	123200	136200
Total expenses	393,665	378,665	368,665	368,665	368,665	475,165
Cash Forward	1,645,862	1,702,197	1,768,533	1,834,868	1,901,204	1,976,039

Year 3 Monthly Cash Flow	**January**	**February**	**March**	**April**	**May**	**June**
Cash on hand	2,885,052	2,923,388	2,976,723	3,040,059	3,103,394	3,166,730
Mother Lode Foods						
Revenue streams:						
USDA Slaughter/aging service	17,000	17,000	17,000	17,000	17,000	17,000
Cut/Wrap service	75000	75000	75000	75000	75000	75000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000
Niche meat sales	35,000	35,000	35,000	35,000	35,000	35,000
Food Product sales	50000	50000	50000	50000	50000	75000
Total Revenues	432,000	432,000	432,000	432,000	432,000	547,000
Fixed Expenses:						
Food Broker Commission 10%	34000	34000	34000	34000	34000	45500
Mortgage-Land&Buildings (25yr)	18334	18334	18334	18334	18334	18334

3000	3000	3000	3000	3000	3000	36000
20000	20000	20000	20000	20000	20000	215000
800	800	800	800	800	800	9600
400	400	400	400	400	400	4800
5000	5000	5000	5000	5000	5000	60000
200	200	200	200	200	200	2400
20000	20000	20000	20000	20000	20000	240000
12000	12000	12000	12000	12000	12000	144000
4000	4000	4000	4000	4000	4000	48000
800	800	800	800	800	800	9600
4000	4000	4000	4000	4000	4000	48000
136200	136200	136200	136200	136200	136200	1569400
425,165	405,165	421,165	403,165	396,665	399,665	4,804,474
2,140,875	2,335,710	2,514,546	2,651,381	2,759,717	2,885,052	2,885,052

July	**August**	**September**	**October**	**November**	**December**	**Annual Total**
3,238,565	3,405,401	3,592,236	3,763,072	3,935,407	4,045,743	
17,000	17,000	17,000	17,000	17,000	17,000	204,000
120000	120000	120000	80000	80000	75000	1045000
120000	120000	120000	100000	100000	120000	1200000
225000	225000	225000	225000	225000	225000	2450000
35,000	35,000	35,000	35,000	35,000	35,000	420,000
75000	75000	75000	75000	50000	50000	725000
592,000	592,000	592,000	532,000	507,000	522,000	8,929,052
45500	45500	45500	43500	41000	43000	479500
18334	18334	18334	18334	18334	18334	220008

Capital equipment loan (7yr)	25335	25335	25335	25335	25335	25335
Interest expense	16433	16433	16433	16433	16433	16433
Property Taxes						60000
Legal Expense	20000					
Licenses	3000					
Association Dues	2000					
Trade show events		10000				10000
Management/Labor Bonuses	42000	42000	42000	42000	42000	54000
Total Fixed Expenses	161102	146102	136102	136102	136102	229602
Labor/Management	29,000	29000	29000	29000	29000	29000
Labor/Hourly	55125	55125	55125	55125	55125	55125
Labor expense (30% of Labor cost	25,238	25,238	25,238	25,238	25,238	25,238
Total labor Cost	109,363	109363	109363	109363	109363	109363
Utilities/General expenses						
Electrical	5000	5000	5000	5000	5000	5000
Water	2000	2000	2000	2000	2000	2000
Cell Phones/Phone/Internet	1000	1000	1000	1000	1000	1000
Cost of Goods Sold/Beef	27500	27500	27500	27500	27500	27500
Propane/Nat Gas	500	500	500	500	500	500
Offal Disposal	5000	5000	5000	5000	5000	5000
Waste water treatment	3000	3000	3000	3000	3000	3000
Misc. Expenses:	1000	1000	1000	1000	1000	1000
packaging supplies	12000	12000	12000	12000	12000	20000
corrugated boxes	1000	1000	1000	1000	1000	1000
spices/sausages and niche meats	3000	3000	3000	3000	3000	3000
Sauce/dressing ingredients	15000	15000	15000	15000	15000	20000
Laundry	800	800	800	800	800	800
Office supplies	400	400	400	400	400	400
Labels	5000	5000	5000	5000	5000	5000
Carcass labeling	200	200	200	200	200	200
Advertising	20000	20000	20000	20000	20000	20000
Store Demonstration	12000	12000	12000	12000	12000	12000

25335	25335	25335	25335	25335	25335	304020
16433	16433	16433	16433	16433	16433	197196
						60000
20000						40000
						3000
						2000
		10000				30000
54000	54000	60000	54000	50000	51000	
179602	159602	175602	114102	151102	154102	1879224
29000	29000	29000	29000	29000	29000	348,000
55125	55125	55125	55125	55125	55125	661500
25,238	25,238	25,238	25,238	25,238	25,238	302,850
109363	109363	109363	109363	109363	109363	1,312,350
5000	5000	5000	5000	5000	5000	60000
2000	2000	2000	2000	2000	2000	24000
1000	1000	1000	1000	1000	1000	12000
27500	27500	27500	27500	27500	27500	330000
500	500	500	500	500	500	6000
5000	5000	5000	5000	5000	5000	
3000	3000	3000	3000	3000	3000	36000
1000	1000	1000	1000	1000	1000	12000
20000	20000	20000	20000	20000	20000	200000
1000	1000	1000	1000	1000	1000	12000
3000	3000	3000	3000	3000	3000	36000
20000	20000	20000	20000	20000	20000	215000
800	800	800	800	800	800	9600
400	400	400	400	400	400	4800
5000	5000	5000	5000	5000	5000	60000
200	200	200	200	200	200	2400
20000	20000	20000	20000	20000	20000	240000
12000	12000	12000	12000	12000	12000	144000

Vehicle Leases:	4000	4000	4000	4000	4000	4000
Vehicle insurance	800	800	800	800	800	800
Workers Comp INS.	4000	4000	4000	4000	4000	4000
Total Utilities/General Expenses	123200	123200	123200	123200	123200	136200
Total expenses	393,665	378,665	368,665	368,665	368,665	475,165
Cash Forward	2,923,388	2,976,723	3,040,059	3,103,394	3,166,730	3,238,565

4000	4000	4000	4000	4000	4000	48000
800	800	800	800	800	800	9600
4000	4000	4000	4000	4000	4000	
136200	136200	136200	136200	136200	136200	1569400
425,165	405,165	421,165	359,665	396,665	399,665	4,760,974
3,405,401	3,592,236	3,763,072	3,935,407	4,045,743	4,168,078	4,168,078

Management/Labor Positions	sal/wage	January	February	March	April	May	June
Chief Executive Officer	60K yr	5000	5000	5000	5000	5000	5000
Plant Operations Manager	48K yr	4000	4000	4000	4000	4000	4000
Human Resources Manager	48K yr	4000	4000	4000	4000	4000	4000
Sales/Marketing Manager	48K yr	4000	4000	4000	4000	4000	4000
Food Production Manager	48K yr	4000	4000	4000	4000	4000	4000
IT Systems Manager	48K yr	4000	4000	4000	4000	4000	4000
Accounting Dept Manager	48K yr	4000	4000	4000	4000	4000	4000
Total Management	12mth/yr	29000	29000	29000	29000	29000	29000
Hourly Labor							
Head Butcher (40 + hrs per wk)	18.00 hr	3120	3120	3120	3120	3120	3120
Charcuterie Chef	18.00 hr	3120	3120	3120	3120	3120	3120
Butcher III (40 hrs per wk)	14.00 hr	2427	2427	2427	2427	2427	2427
Butcher III	14.00 hr	2427	2427	2427	2427	2427	2427
Butcher II (40 hrs per wk)	12.00 hr	2080	2080	2080	2080	2080	2080
Butcher II	12.00 hr	2080	2080	2080	2080	2080	2080
Butcher I/Apprentice	8.00 hr	1386	1386	1386	1386	1386	1386
Butcher I/Apprentice	8.00 hr	1386	1386	1386	1386	1386	1386
Butcher I/Apprentice	8.00 hr	1386	1386	1386	1386	1386	1386
Butcher I/Apprentice	8.00 hr	1386	1386	1386	1386	1386	1386
Animal yard tender	10.00 hr	1734	1734	1734	1734	1734	1734
Plant maintenece	14.00 hr	2427	2427	2427	2427	2427	2427
Shipping/receiving	14.00 hr	2427	2427	2427	2427	2427	2427
Cashier/Retai	14.00 hr	2427	2427	2427	2427	2427	2427
Outside sales/Farmers Markets	10.00 hr	1734	1734	1734	1734	1734	1734
Outside sales/Farmers Markets	10.00 hr	1734	1734	1734	1734	1734	1734
Outside sales/Farmers Markets	10.00 hr	1734	1734	1734	1734	1734	1734
Outside sales/Farmers Markets	10.00 hr	1734	1734	1734	1734	1734	1734
Inside sales/willcall/retail	10.00 hr	1734	1734	1734	1734	1734	1734
Reception/Office	10.00 hr	1734	1734	1734	1734	1734	1734
Graphic design/Label Printing	12.00 hr	2080	2080	2080	2080	2080	2080
Food Production worker	10.00 hr	1734	1734	1734	1734	1734	1734
Food Production worker	10.00 hr	1734	1734	1734	1734	1734	1734
Food Production worker	10.00 hr	1734	1734	1734	1734	1734	1734

July	August	September	October	November	December	Annual Total
5000	5000	5000	5000	5000	5000	60000
4000	4000	4000	4000	4000	4000	48000
4000	4000	4000	4000	4000	4000	48000
4000	4000	4000	4000	4000	4000	48000
4000	4000	4000	4000	4000	4000	48000
4000	4000	4000	4000	4000	4000	48000
4000	4000	4000	4000	4000	4000	48000
29000	29000	29000	29000	29000	29000	348000
3120	3120	3120	3120	3120	3120	37440
3120	3120	3120	3120	3120	3120	37440
2427	2427	2427	2427	2427	2427	29124
2427	2427	2427	2427	2427	2427	29124
2080	2080	2080	2080	2080	2080	24960
2080	2080	2080	2080	2080	2080	24960
1386	1386	1386	1386	1386	1386	16632
1386	1386	1386	1386	1386	1386	16632
1386	1386	1386	1386	1386	1386	16632
1386	1386	1386	1386	1386	1386	16632
1734	1734	1734	1734	1734	1734	20808
2427	2427	2427	2427	2427	2427	29124
2427	2427	2427	2427	2427	2427	29124
2427	2427	2427	2427	2427	2427	29124
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
2080	2080	2080	2080	2080	2080	24960
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808
1734	1734	1734	1734	1734	1734	20808

Cleaning & sanitation	8.00 hr	1386	1386	1386	1386	1386	1386
Cleaning & sanitation	8.00 hr	1386	1386	1386	1386	1386	1386
Truck Driver/Livestock	16.00 hr	2774	2774	2774	2774	2774	2774
Truck Driver/Bobtail	12.00 hr	2080	2080	2080	2080	2080	2080
Total Hourly Labor		55125	55125	55125	55125	55125	55125
Total Salary and Wages	12mth/yr	84125	84125	84125	84125	84125	84125

1386	1386	1386	1386	1386	1386	16632
1386	1386	1386	1386	1386	1386	16632
2774	2774	2774	2774	2774	2774	33288
2080	2080	2080	2080	2080	2080	
55125	55125	55125	55125	55125	55125	661500
84125	84125	84125	84125	84125	84125	1009500

Revenue Steams	January	February	March	April	May	June	July
USDA Slaughter/aging service	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Cut/Wrap service	75000	75000	75000	75000	75000	75000	120000
Wholesale Sales/GF Beef	80000	80000	80000	80000	80000	120000	120000
Retail Sales/GF Beef	175000	175000	175000	175000	175000	225000	225000
Sausage/Pastrami/other	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Food Product sales	50000	50000	50000	50000	50000	75000	75000

Assumptions:
2 Kill days per week at 15head per day for MLF Production
24 head @ 1100lb hot weight, avg Cwt.

(REF Line 3) 2 Kill day per week for ranch producers 12 head
(REF Line 3) 24 Head per week:slaughter $125 per head.
(REF Line 4)Cut and wrap -$1.65 lb Hot weight.
Income based on avg of 1100 lb per head.
(REF Line 5)avg of 700 lb per head of salable product.
(Ref Line 5) $4.95 lb avg X 700 lb X 12
(REF Line 6) Retail sales to avg 7.99 per lb

(REF Line 8) BBQ Sauces, Marinades, Dressings
(REF Line 8) Based on sales of 1250 Cases per month

August	September	October	November	December	Annual Total
13,000	13,000	13,000	13,000	13,000	156,000
120000	120000	80000	80000	75000	1045000
120000	120000	100000	100000	120000	1200000
225000	225000	225000	225000	225000	2450000
30,000	30,000	30,000	30,000	30,000	360,000
75000	75000	75000	50000	50000	725000
					5,936,000

Mother Lode Foods

1. Scale
2. Grinder/mixer
3. Tenderizer
4. Band Saw
5. Vac wrap
6. 6 Ft SS Table
7. 8 Ft SS Table
8. Carcas Chill
9. Aging Rails
A. Cash Register

Southern View Dr

Cattle Drive Row

Delivery/Inspection Chute

HP5 HP4 HP3 HP2 HP1

Inspection Area

Chute #2 Catwalk Chute #1

Suspect Pen

Walkway

Walk-in quick freeze

Stun #2 Stun #1

Stick & Bleed

Hoist High Rail

Waste Water treatment ?

Skin Cradle

Eviscerate Room

M's RR W's RR

Offal/Skin Room

Hoist

Aging Cooler

Slaughter/ Butcher Office

USDA Office M's RR

Loading Dock 3

Bottling Room

Ground Beef Proc. Area

Mech. Room

Ware Wash

Walkin Freezer

Walkin refrig

Dry Storage Spices &

Plant MGR

Mixing Room

SMK1 SMK2

Emp. Lounge & Time clock

Charcuterie Kitchen

Womens Locker

Wom-ens Bath Room

Mens Bath Room

Mens Locker Room

Employee Parking

Western Dr.

2 Tier Pallets

Label/ Print Room

Walk in freezer

Walk in Refrig.

Bottling Warehouse

2 Tier Pallets 2 tier Pallets 2 Tier Pallets

Warehouse

Hallway

Employee Entrance

Ship/Receiving Office

Sales Office

CEO Office

Retail floor

Patio Area

Loading Dock 1 Loading Dock 2

Administration

Counter Lobby

Main Parking Lot

High Way 12 East

West

8.3 Making the Case for Grass Fed Beef

May 3 2010 -- The demand for grass fed beef is strengthening in the US, according to an analyst.

Gerard Brickley, Manager, Meat Division, at the Irish Food Board, Bord Bia, told Feedinfo News Service: "Since the 1950's, when a system of grain feeding cattle in feedlots developed on a widespread basis in the US, consumers there have come to know and love a special flavour and extra tenderness in their heavily marbled beef. However, over recent year's health, environmental and animal welfare concerns are converging and speeding up a return to grass fed beef."

Mr Brickley added: "Health benefits are expected from the leaner grass fed beef, which has twice the levels of omega 3s, lower levels of dietary cholesterol, and higher levels of vitamin A, E and cancer fighting antioxidants such as GT and SOD activity, as compared to grain-fed beef. For consumers, grass fed beef is considered slightly tougher and has a different flavour.

Mr Brickley said that the entire "natural beef" segment of the US market, which includes grass-fed and organic, is valued at approximately $400 million, some 3% of the US beef market. He added: "The sector has been growing at a rate of over 20% for the last five years, and double digit growth is predicted to continue for the coming years, with sales growing both at retail and foodservice. Price is higher for the grass fed, which also trades on a "local" image. There are no official reported prices to verify the exact differential, but some restaurants report paying as much as three times normal price, at $25/lb for steaks." (Food Alert, http://www.bordbia.ie.)

The following paragraph is taken from a Winrock International report titled: Expanding Grass-Based Animal Agriculture in the Midwest: The Pasture Project

> The grass-fed meat industry is part of a growing market in the United States, accounting for an estimated 3% of total beef consumption, and expanding at 20% annually.1 Double digit growth has been predicted in the demand for ground meat from grass-fed beef, as hamburger chains vie for consumers that prefer the taste and health profile of grass-fed meats.2 According to a study by USDA's Economic Research Service, grass-based meat production is on the rise in the Upper Midwest. For example, Thousand Hills Cattle Company markets 1,300 cattle annually from 40 producers located in Minnesota, Wisconsin, Iowa and South Dakota.3 This same study estimates there are 25,000 beef ranchers in Minnesota alone engaged in some aspect of production.4 Wisconsin boasts several large dairy operations that have significant or solely grass-based operations. A visit to most farmers markets in the Upper Midwest will usually find multiple producers selling meat from grass-fed animals. Many are engaged only in direct marketing but are looking at options for expansion into wholesale. On the other hand, branded programs such as Thousand Hills cannot find enough product to meet demand. This gap between supply and demand represents both a problem and an opportunity. (http://www.wallacecenter.org/our-work/current-initiatives/pp/Pasture%20Project%20Final%20Report%20Phase%20I%20for%20WEBSITE.pdf)

This report listed above was compiled for the Midwest region however it contains vital information that can be studied and utilized in developing Mother Lode Foods operational capabilities and its partnership relations with ranch producers and farmers.

California raised grass fed beef is a growing market as consumers invest in healthier eating choices and expand their understanding of nutritional values in the foods they eat. Consumers are very aware now of industry related problems occurring due to the use of antibiotics in animals. The livestock industry has been accused of poor feeding practices that translate into problematic circumstances that ultimately affect the consuming public. Much has been documented to bring to light a troubled industry whose continual practices have damaged their reputations in other regards as well. MLF's must place significant importance on standard operating procedures and ethical humane practices that place their reputation for business practices above the competition.

Distribution of products throughout California is accomplished through contractual agreements with food brokers or grocery distributors to grocery chains that will carry our product line. The population of California is approximately 38 million people. If 10% of the population is practicing a purchase plan of higher quality, leaner grass fed beef; this translates to 3.8 million possible customers. IF MLF can compete

and capture at least 10% market share of this group then we are planning to reach a minimum of 380,000 customers annually. This goal for sales should be increased in annual sales projections and serve as an incentive to our livestock producers to plan on increasing their production to meet the demand.

Whole Foods Markets inc. has already established they will only sell meats and poultry products that meet their 5 step animal welfare rating. They state: “We've chosen to partner with Global Animal Partnership to certify our producers' animal welfare practices. We're rolling out their 5-Step™ Animal Welfare Rating Standards in every Whole Foods Market store in the United States and Canada.

Global Animal Partnership is a non-profit organization dedicated to continually improving the lives of farm animals. They have developed the 5-Step Animal Welfare Rating Standards that rate how pigs, chickens and cattle are raised for meat. Standards for other species (turkeys, lambs and others) are in development, so stay tuned and be sure to look for Global Animal Partnership 5-Step ratings the next time you stop by our meat department.” (http://wholefoodsmarket.com/meat/welfare.php).

It is only logical that other supermarket chains will follow this course to offer their customers healthier choices as well. In fact, this trend is happening right now in every grocery chain and the demand is rising. Competition for the consumer dollar is high and with health issues being so closely tied to nutritional considerations, healthier products are much in demand.

The size of our primary target market should increase annually as demand for this type of quality grows. Consumers pay close attention to labeling these days. Misleading the public has already occurred in supermarkets and strict labeling procedures must be followed to ensure proper and honest representation is given to the consumer. MLF should see a growth in sales of 5 to 7% annually in order to stay competitive. Currently, market information that is published concerning beef products shows increased demand is not being met for grass fed and organically grown beef. This kind of demand is a promising trend that does not show any sign of reversal. People will always want and need beef products while desiring to purchase a healthier quality product.

Possible competitors may arise in the future and create further supply of quality beef products. Factors such as price, product line, and consistency will determine competitive advantage.

8.4 California County Map Depicts area of Focus

June 4, 2010

The black box on the state map represents a regional section to include beef cows inventory in the following counties:

1. Calaveras- 9000
2. Amador- 8000
3. El Dorado- 3000
4. Tuolemne- 7000
5. Sacramento- 12000
6. Stanislaus- 38000
7. San Joaquin- 21000
8. Merced- 21000

Transportation Co-op Analysis (all prices are estimates)

After visiting J and R meats and learning that they do weekly pickups at Yosemite in Modesto, I began to wonder if they might be a short-term option for our group. While having a more local processor is the long-term goal, even in ideal circumstances that will take a few years. In the meantime, I decided to analyze the potential of a transportation co-op.

Possible processors are:

- Johansen's in the off season or with regularity and plenty of advance notice ($75 slaughter, $.75/lb cut and wrap)
- Yosemite Meats slaughter with J and R (Paso Robles) processing ($50 slaughter, $1.05/lb cut and wrap)
- Los Banos Abattoir slaughter with J and R (Paso Robles) processing ($75 slaughter, $1.05/lb cut and wrap)

Sacramento-based Joe hauls cattle full-time and charges $2 per mile only when loaded (distance of travel from Sacramento to pick-up is negotiable, he said he wouldn't charge extra for Amador County, but maybe a bit for Calaveras). He is able to haul 1,200 lbs, or 9-10 cattle equivalents per trip.

We used Ryder truck rentals in Rocklin to get our refrigerated truck cost estimate.

Assumptions for this model are that livestock would be picked up by the hauler at the Calaveras County Fairgrounds. Assumed 500 miles for refrigerated truck to travel – probably usually an overestimate, but we don't know where cold storage will be or whether it will be delivered back to the fairgrounds.

To Johansen's – about $112 per animal

- Hauler takes livestock to Orland: $300
- Refrigerated truck rental ($200)+500 miles($147)+gas($212): $559
- Payment for driver of refrigerated truck: $150
- Total=$1009/9= $112.11 per animal

To Yosemite Meats, Modesto and J and R, Paso Robles – about $135 per animal

- Hauler takes livestock to Yosemite: $150
- J and R picks up halves at Yosemite: $300
- Refrigerated truck rental: $559
- Payment for driver of refrigerated truck: $200
- Total=$1209/9= $134.33

To Los Banos Abattoir, J and R, Paso Robles – about $150 per animal

- Hauler takes livestock to Los Banos: $300
- J and R picks up halves at Los Banos: $300
- Refrigerated truck rental: $559

- Refrigerated Truck Driver: $200
- Total $1,359/9= $151

Current Winterport Farm estimate per animal - $125-$157/animal
(taking loads of 4-5 animals to Johansen's once per month)

- Delivery to Johansen's (gas plus truck depreciation): $225
- Pickup meat at Johansen's, van rental ($100)+ gas ($60): $160
- Rancher's time (16 hours*$15/hr): $240
- Total: $625 for 4-5 animals

Winterport estimate for J and R – $145-$185/animal

- Delivery to Yosemite: $225
- Pickup meat at J and R, van rental ($100) + gas ($100): $200
- Rancher's time (20 hours*$15/hr): $300
- Total: $725 for 4-5 animals

Conclusions:

- It does not appear to be significantly cheaper to use a transportation co-op than to haul it up individually, IF individuals are hauling a full trailer load (4-5 beef) and going to Johansen's. A more distinct advantage would be for people who are currently hauling 1-2 animals to processing at a time. When meat pickup is further away (J and R) it also becomes more advantageous to use a co-op.
- All these estimates are related to beef. Adjustments would have to be made to account for other species. Could multiple species go in the same trailer? Unlikely, unless goats and lamb.
- There would be an advantage in being able to leverage the number of animals and regularity to be able to get in with processors who are currently turning people away. This would not likely work in the high season, but for the off-peak months would allow some producers who currently cannot get in to leverage their community pull. J and R has committed that they could take 10-15 beef per month from a transportation co-op, even in the high season.
- The ranchers' time under the transportation co-op options is not accounted for. Ranchers would still have to load and haul their animals to some common ground where the hauler would pick them up. This could be 2-4 hours per rancher.
- The logistics behind the co-op could turn into a nightmare if not fiercely organized. Arranging how many animals are coming from many different producers and what months, getting all the ranchers to be organized and drop off animals on time, keeping animals separate before loading, keeping track of whose animals are whose for the slaughter and processors, and concerns about disease transfer would all need to be considered.
- The lack of cold storage is not addressed here. So we all get our meat processed – where do we store it?

Where’s the beef? How an old business can create new jobs

Cattle Grazing

A local livestock processing plant would save ranchers time and money

Posted: Tuesday, January 24, 2012 8:45 am | *Updated: 9:42 am, Fri Jan 27, 2012.*
Alex George | 2 comments

Posted on January 24, 2012
by **Alex George**

Despite Calaveras County's high unemployment, Paloma resident Sean Kriletich is bullish on the local economy. The goat and pig rancher sees greener pastures ahead. Kriletich and his father, Michael, are drawing up plans that would bring a meat processing plant to the Mother Lode. As an agricultural and natural resources representative at Calaveras Grown, Sean is well-versed on the challenges facing area ranchers.

"The whole issue is essentially we can't eat meat we see grazing on the side of the road," Sean said. "There is a dearth of local livestock, slaughter and processing facilities."

Currently, ranchers looking to process and wrap meat must transport their livestock to Orland - three hours north of Calaveras. However that could change within the year, Sean said, as the Krileticheses are assessing "promising locations" in Toyon, near Valley Springs, and Ione in Amador County.

Sean said the county's current livestock slaughtering process is expensive and time-consuming. Local ranchers must employ a ranch butcher - a professional who comes to your farm and slaughters livestock. The ranch butcher then takes the carcass to a traditional butcher, where the animal is sliced into prime cuts. However, a federal law states that meat from cattle, swine, sheep, goat and poultry can only be sold if they are slaughtered in a USDA-inspected facility. Sean said these slabs of meat would be permitted for resale at the proposed meat processing plant.

"Local butchers cannot sell meat for resale," Sean said. "We are not interested in cutting into their businesses and in fact can help butchers. Our facility has the ability to resell the prime cuts of meat from these butchers."

In addition to propping up area butchers, Sean said a meat processing plant could create between 15 to 30 jobs. The Krileticheses believe a plant could provide cost-effective alternatives to ranchers while concurrently laying the groundwork for a regional food

system.

"Most beef, goat, and lamb go to auctions and are sold live on hoof to feed-lot buyers," Sean said. "Part of the reason for a smaller facility that handles 10 animals is that you don't get meat from 1,000 animals in a single hamburger."

Sean attributes most recalls to mixing meat sources; making it nearly impossible to identify which cow or steer supplied the contaminated beef. The USDA estimates that foodborne diseases sicken 76 million people, cause 325,000 hospitalizations, and kill 5,000 Americans every year.

"If this were to ever become an issue at our local plant, it would make it very easy to identify the contamination source," Sean said.

The father-son duo is not limiting itself to meat. The Krileticheses envision shifting into fruit and vegetable processing during the summer; thereby providing a one-stop plant capable of converting raw materials into finished goods.

"This facility would buy tomatoes from the tri-county and then process it for sauce," Sean said. "It would incentivize local small-scale farming."

While the economic impact on the county has not been measured, Sean said ranchers would likely embrace a plant that would slash their transportation costs.

"The average bite of food you take has traveled 1,200 miles and we would like to see that be 100 miles," Sean said. "When food travels that far, a lot of additional costs are added."

If the plant comes to fruition, food-processing costs spent outside the region could find their way to Calaveras, Amador and Tuolumne counties. In 2010, cattle and calves accounted for more than $7 million of Calaveras' agricultural economy - nearly one-third of total farm commodities.

"We are losing money outside of our region," Sean said. "Instead of creating a better source of income in this region, we are creating income for people in other regions with lesser quality goods."

The Krileticheses say the facility would cost about $3 million, but are confident it would take only two years to recoup the money. Sean admits that while he has a great deal of expertise on the subject, he is searching for investors who possess greater "business savvy."

"We would really like to see this funded by a local investment network," Sean said. "We are encouraging people to buy in at different levels."

Contact Alex George at ageorge@calaverasenterprise.com

Can farming, ranching be life blood again?

By Scott Thomas Anderson

What if Amador County could move back toward having sustainable economies while increasing local jobs, keeping the region's heritage alive and preventing its young adults from having to move away in order to survive?

That's the question Carina Bassin has often asked as she settles back into life in Ione and continues to remind herself that she is part of the area's smallest demographic — people under 30 years of age. Bassin is part of a group of farming and ranching enthusiasts who are trying to find ways to make agriculture boom from Amador to Tuolumne County.

Bassin is a 6th-generation Amadorian. Her parents, Dan and Susan Port, own Winterport Farm on the sprawling ranch lands north of Ione. After graduating from Argonaut High School in 2001, Bassin joined a mass exodus of most people her age leaving Amador. For her, the move was about going to college; though in many cases it was simply the area's daunting lack of jobs that pushed the younger blood out. Bassin spent a decade working in Sacramento before she started to feel like something was missing in her life.

"One of my best friends and I decided to spend a year on my parents' farm," she remembered. "It was one of those times when you've been sitting in an office feeling uninspired, and really wanting to be inspired by something."

After 12 months of tromping through meadows under the sunshine, handling her family's grass-fed cattle, Bassin knew she wanted to stay in Amador. Her fiancé, Elia Bassin, moved to Ione from Sacramento to be with her. The two were soon married. So far, the Bassins mainly sell their grass-fed beef through Mother Lode Harvest and the Sacramento farmers' markets.

"My husband and I spend a lot time talking about whether farming and ranching is viable," Bassin explained. "We look at what the options are. Is it realistic? And we haven't decided yet."

One possibility that has the Bassins and a number of other ranchers excited is a U.S. Department of Agriculture Rural Development Grant that is being administered by CalaverasGROWN. The specific money CalaverasGROWN received was for a Rural Business Enterprise Grant; and part of its function is to explore whether bringing a new, local, meat-processing system to the region could help the central Gold Country flourish.

According to Bassin, few ranchers are able to actually keep the beef they produce in their own communities. One major reason is that, in order to legally land on any consumer's dinner plate, cattle must be slaughtered at a USDA slaughterhouse and then prepared at a USDA cut-and-wrap facility. The nearest major USDA slaughterhouse is more than 150 miles from the Mother Lode. Local ranchers incur not only the cost of trucking cattle that distance, but then the additional expense of having the meat shipped to a USDA cut-and-wrap facility. Bringing beef back for Amador or Calaveras customers also involves shipping products to a cold storage facility, before transporting it to the actual buyers. The result of this current USDA system means that time, space, complexity and high financial overhead have forced most Gold Country ranchers to simply raise cattle to the

age of one and then sell them at auction to feedlots.

Bassin has written about her frustrations in a blog called chicksonafarm.com, observing, “We reminisce on the beauty of our surroundings, we mention those lazily grazing cows ... but it’s a sham. We go to the grocery stores and buy corn-fed beef from Kansas. We eat out at our favorite restaurants and enjoy a steak from some animal raised in Minnesota, or Montana, or Texas. A hamburger might even include beef from two different states, but neither of them is likely to be California, that is, unless they come from Harris Ranch, the stench we pass on 1-5 on the way to Disneyland.”

From the perspective of CalaverasGROWN, one possible solution to the problem would be to bring a large-scale USDA butcher shop — and possibly a cut-and-wrap facility — to Amador, Calaveras or Tuolumne County. The USDA Rural Business Enterprise Grant is helping fund studies and surveys to see if the regional ranching industry can support such a project, as well as what locations might work for it. Several existing butcher shops and slaughterhouses from El Dorado County to Tuolumne County are being approached about their potential interest in expanding to a larger-scale, USDA facility. Bassin says either scenario would not only help ranchers get their beef into local stores, but also make it easy for local farmers to safely get their lambs, goats and pork to area customers.

One person who agrees is Amador County District 1 Supervisor John Plasse, who grew up in a ranching family. Working with Bassin, Plasse recently arranged a tour of the now-dormant Preston Youth Prison for one of the largest builders of USDA slaughterhouses and cut-and-wrap facilities in the nation. “When we were battling with the state over closing down Preston, it dawned on me, thinking about the buildings and the grounds, that this was a place that might work for a USDA meat processing plant,” Plasse recalled. “We brought this expert in building those types of facilities out and toured him around Preston, basically asking him how viable of a location could it be. He told us that, out of all the potential locations he’d seen so far in the Mother Lode, it was by far the most viable. In fact, it’s almost an ideal scenario for the size and scope of what the ranching community envisions.”

The California Department of Corrections and Rehabilitation has so far been cooperating with Amador County officials in exploring the possibility of making Preston a USDA facility. “Part of the settlement for the lawsuit that the county filed against CDRC over closing Preston says they have to take measures to help determine a re-purposing for the Preston grounds,” Plasse observed. However, for the moment, Amador leaders and CalaverasGROWN will have to take a wait-and-see approach to the issue of Preston becoming the new USDA plant, as CDRC has not yet officially determined the fate of the Preston property.

Plasse pointed out that other options might also be floating around out there. Mule Creek State Prison currently has a USDA cut-and-wrap facility, run by inmates, that provides finished beef products for every prison in California. “They’re already providing beef to all of the inmates in the state,” Plasse said. “I’d like to explore the possibility of seeing if there is a way to get a contract for Amador County ranchers to provide them their beef, and maybe in the process expand what they’re doing in a way that could make it easier for local ranchers to get their products to local customers.”

In the meantime, Bassin is helping CalaverasGROWN collect the information it needs to determine the best course of action. All local producers of livestock, including beef, pork,

lamb, goats and poultry, are being asked to fill out an anonymous online survey at http://ucce.ucdavis.edu/survey/survey.cfm?surveynumber=7243. Livestock producers who would prefer to give their information in a person-to-person survey by phone, rather than online, can call Bassin directly at 304-2844. Members of the community who want to support the efforts to bring a USDA facility to the Gold Country can stay informed by getting on Bassin's e-mail list at livestockcarina@gmail.com.

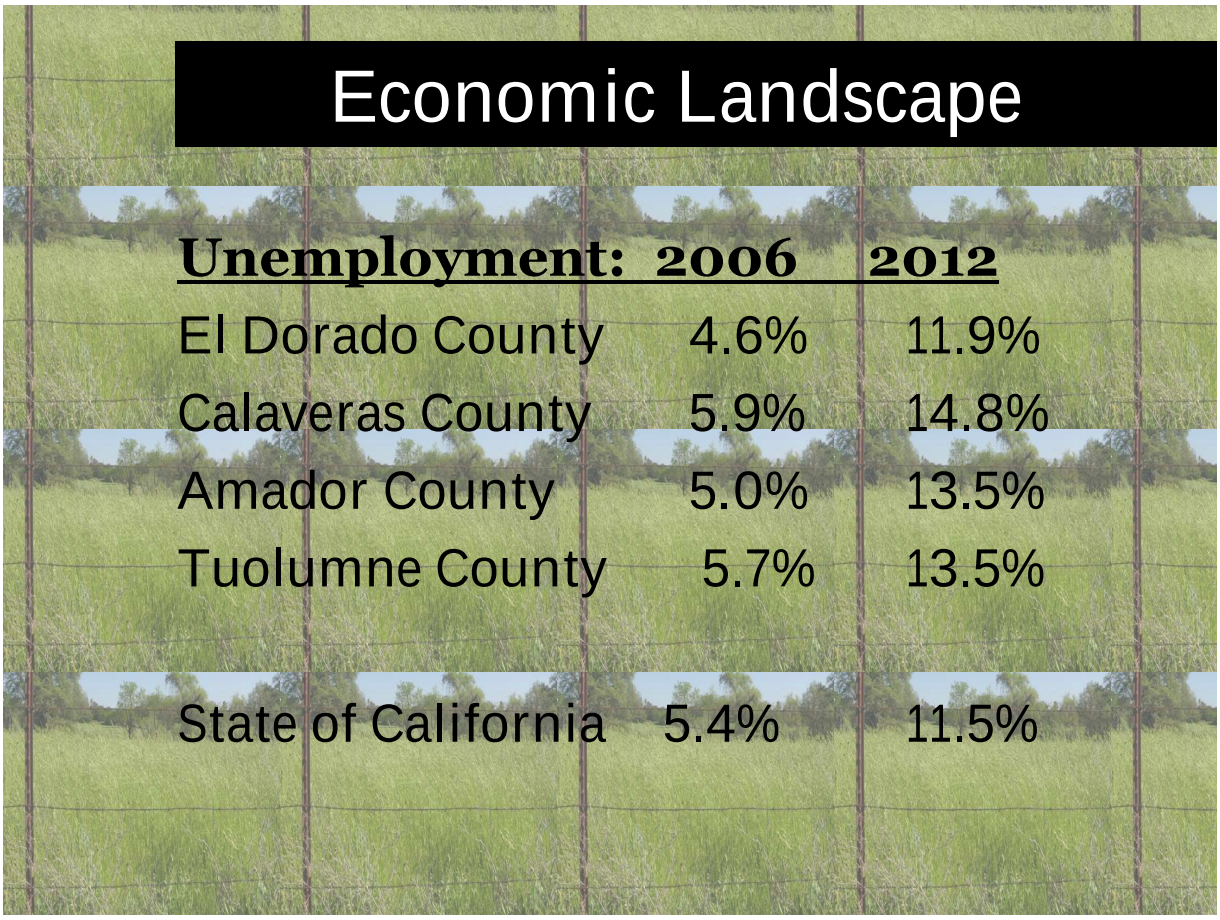
"We need support from the community, and we need information from those who work here in agriculture," Bassin concluded. "This is a project that could create jobs, keep our money local, give us a bigger industry that's still part of our past, and maybe even help keep some of the 20-somethings like me living here. Every time we drive away from our communities with a load of cattle, whether they are headed to the feedlot auction or the USDA slaughterhouse, we are driving our dollars right out of our neighbors' pockets."

The New Mother Lode: Local Community and Economic Benefits of a Livestock Processing Facility in the Region

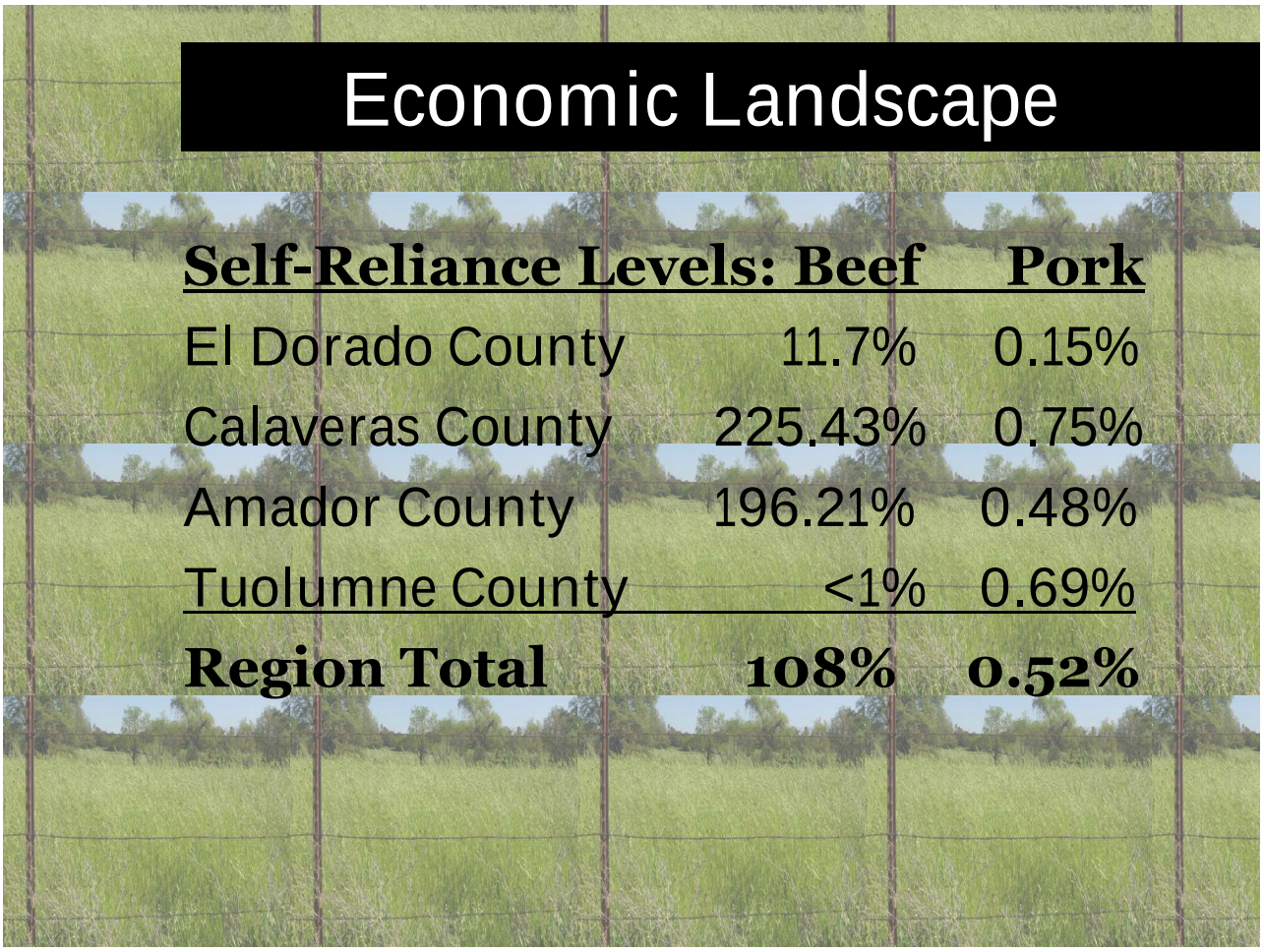
In order for us to have the energy and investment we need to build this facility, we need to gain broad community support for the vision we have. There is certainly much more to a good business model than what I'm going to share with you here. But this is a good start, especially for increasing community interest.

It's not just in rural places or among farmer's market shoppers that sustainable meat production is a topic of conversation. This image is from the most recent issue of Women's Health Magazine and this article is from the April 12th New York Times. The New York Times article actually argues that small scale production of meat is NOT sustainable because ranchers will eventually start cutting corners and wind up like the factory farms from which they distanced themselves. The article attracted a slew of rebuttals and the resounding message seems to be the same across the board: *Livestock raised in a humane and natural way takes longer and costs more to produce. But this is how it should be. Because of the higher cost, you will eat a little less and the cost will better reflect a balance between ranchers, the environment and health.*

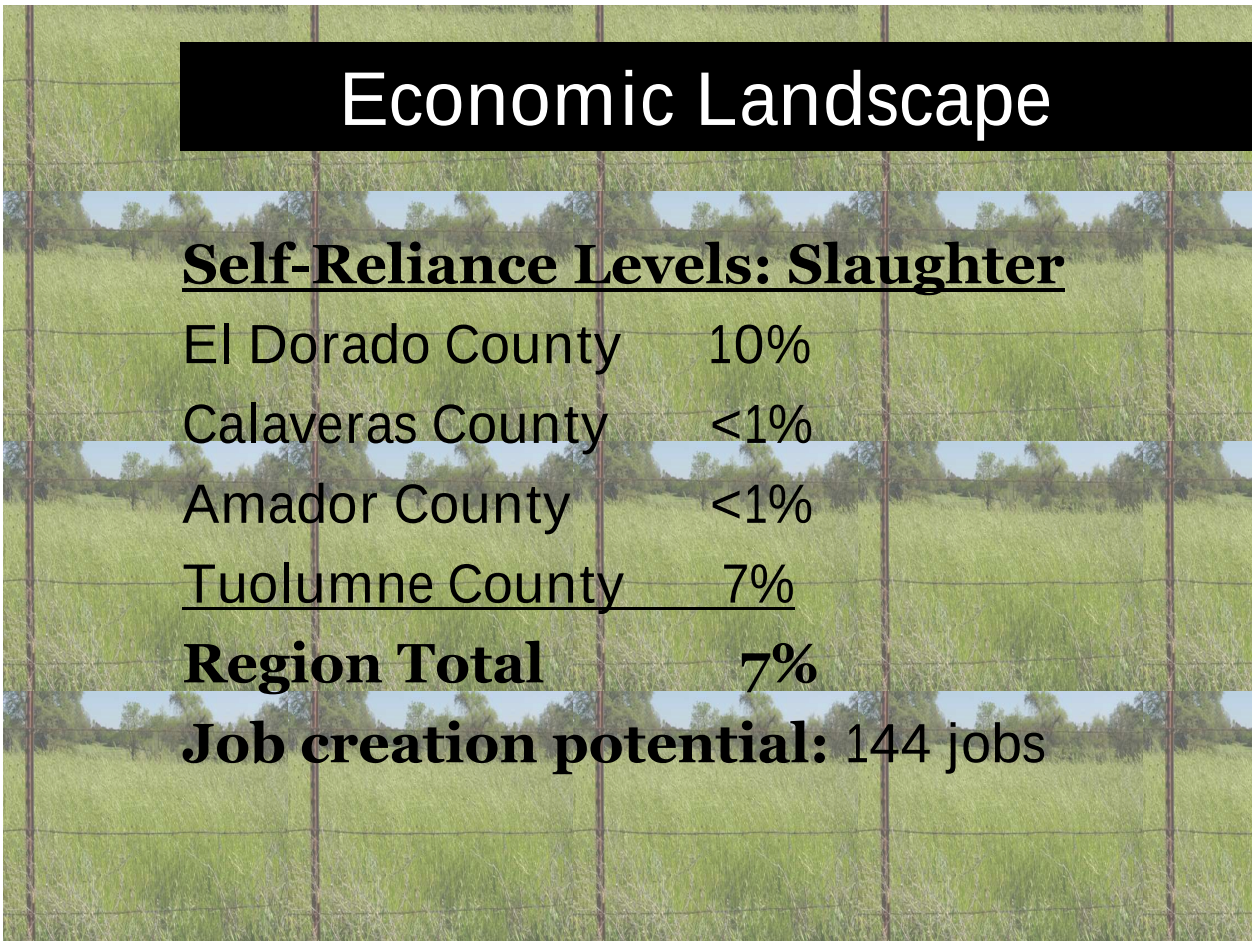
So, it is unquestionable that there is demand for this product, as you know from having trouble keeping up with demand and because Farmers' Market customers have doubled or tripled in this region in recent years.



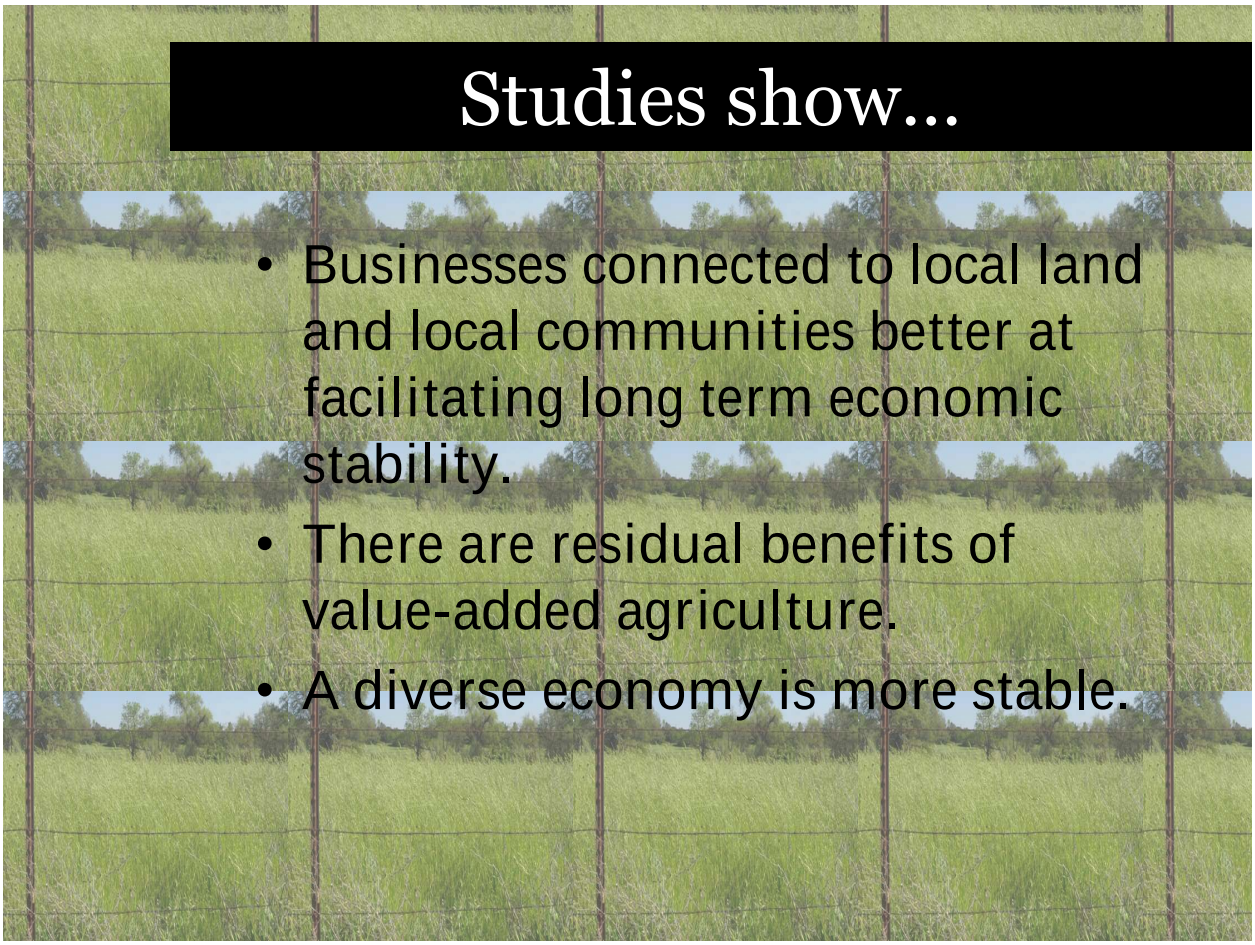
Unemployment rates are much higher than before the recession, and higher in our region than in the state as a whole. We need job growth in our communities.



Using what is called a leakage calculator designed by an organization called Business Alliance for Local Living Economies (or BALLE), the above numbers were generated for this region. They mean that we produce more than 100% of the livestock needed to serve our local market, meaning we have enough for ourselves and to export. But we know from experience that although we produce this much, we still import meat to our grocery stores, and we send a lot of our livestock elsewhere for finishing or processing – to livestock auctions, or to processors outside of the region, even when we bring meat back to sell to locals. Building a local livestock processing facility could potentially capture some of this leakage.



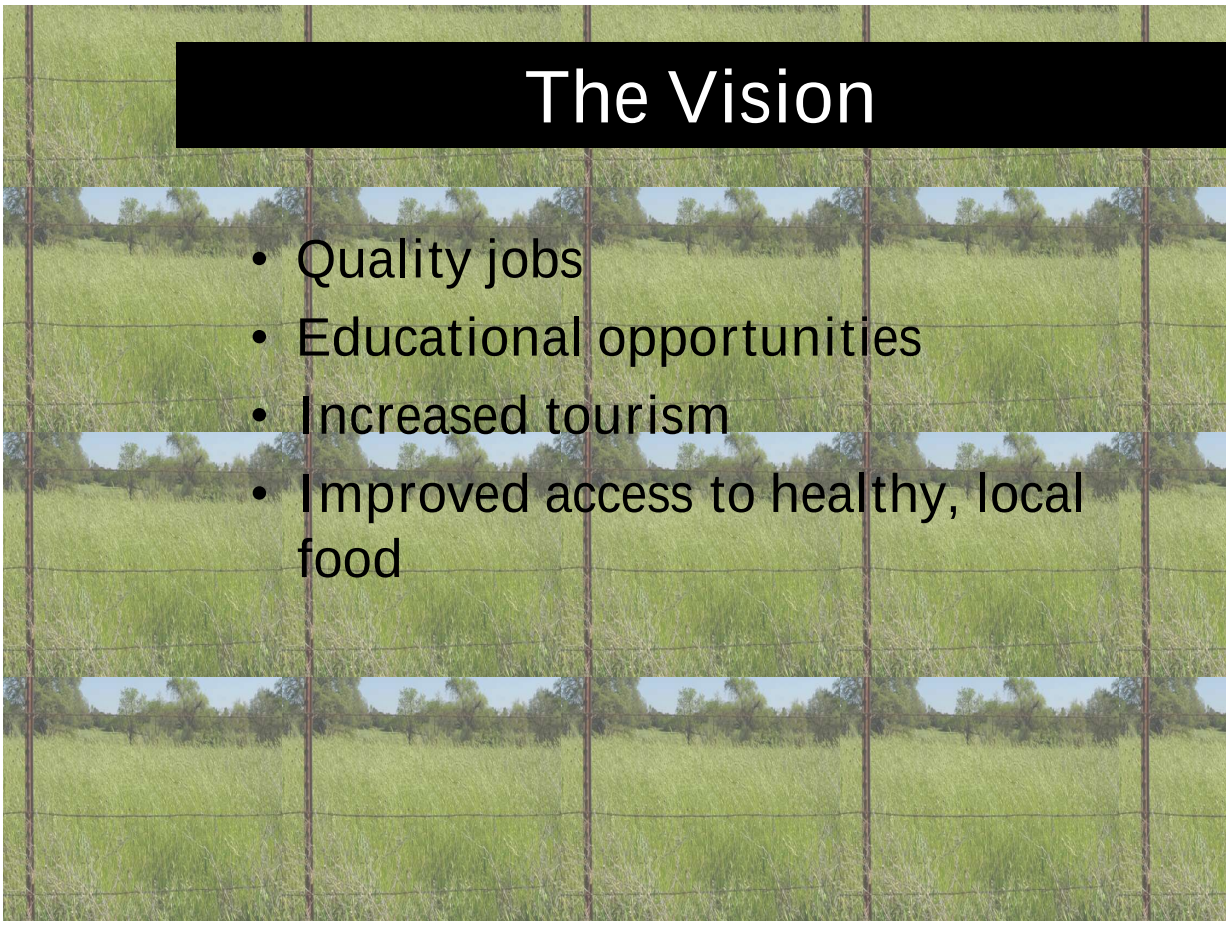
This is the information for the slaughter done locally. As you can see, while we produce more animals in our region than we can eat ourselves, most of them are sent elsewhere for processing.



Businesses connected to the local land are more faithful to the region because proprietors are invested fully here. Industrial jobs have fled rural California and gone to other states and overseas. Much of this is due to high levels of environmental regulation and a preference for urban firms, as well as enticing offers, like tax incentives, to relocate. However, those businesses closely tied to agriculture have stayed in California.

When value-added production comes to a community, not only does it tend to generate more profit at the local level, but this money stays in the community, creating jobs and more revenue for business--- which generates more taxes for local government --- and in the case of this facility brings healthy food to residents.

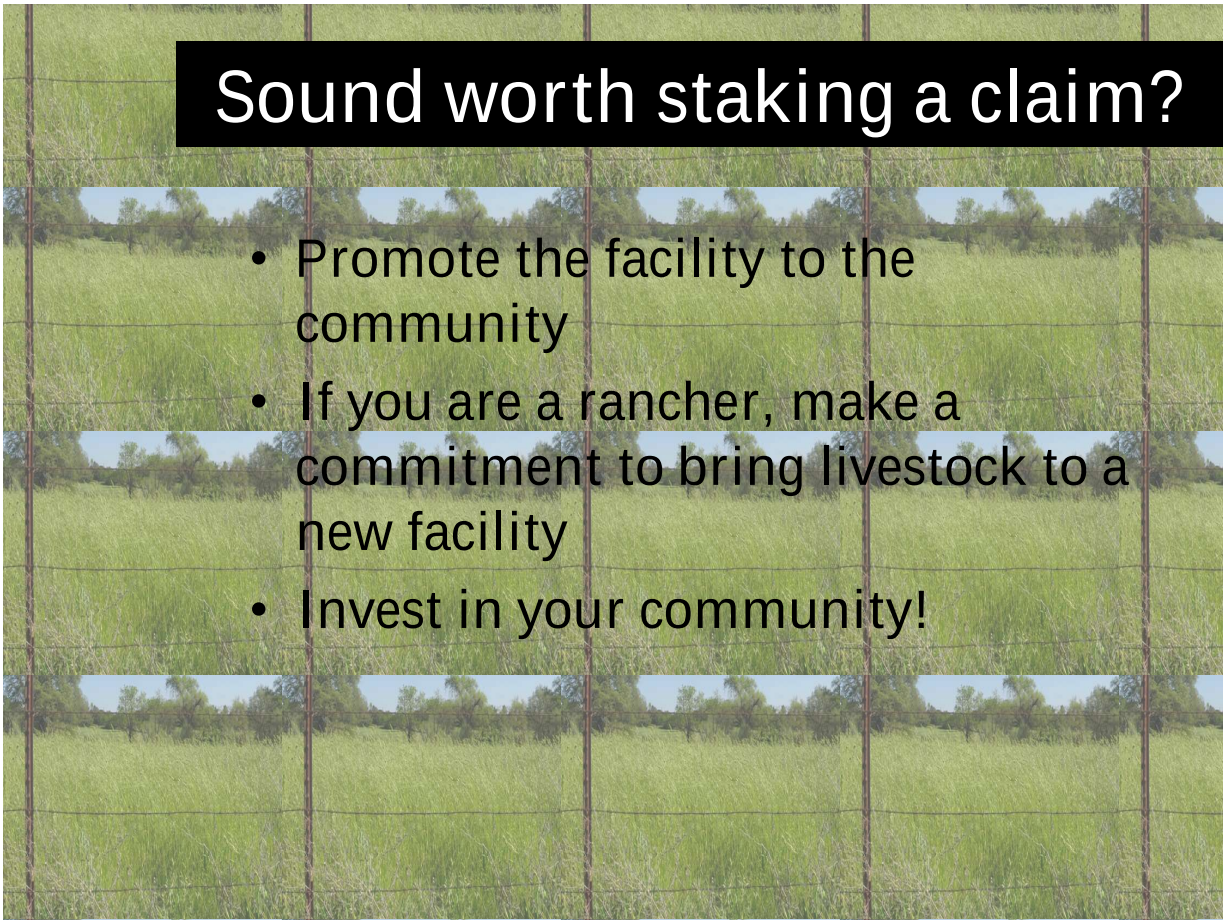
An economy that relies solely on agriculture or tourism or industry will struggle with economic downturns. A diverse rural economy is most likely to remain stable over the long term. This facility has the potential to tap into various aspects of the rural economy, as we'll see in the next slide.



The steering committee has a real vision for better ways to capture the growth in demand for locally produced natural foods. Again – these may not be new visions, but they are ideas about what the steering committee and other stakeholders believe a livestock processing facility could accomplish in this region:

- Diverse processing options for ranchers
- Potential cost savings for ranchers
- Education opportunities
    - Vocational training in butchering, business management, customer and food service
    - Boutique charcuterie classes which could also boost tourism
- Value added retail sales: everything from making doggie treats, to smoking meats, to operating a restaurant that serves locally produced foods. Some have even mentioned creating a facility that not only processes meat, but is a hub for all kinds of food processing, packaging and labeling.

Ideas like these, if brought to fruition, would create new quality jobs and create local meaningful vocations for young people so they choose to stay in the region and build a future here.



So if you are interested in ways to turn this vision into interest and investment from the community, get in touch with us!

List of Possible Loans and Grants for Livsestock Steering Committee

Name, Type, Funder	Amount	Terms	Details	Contact	What We Might Use it For
Rural Energy for America, Grant, USDA/Farm Bill	up to 25% of rennovation	only for rennovations to existing businesses that increase energy efficiency	If a company applies for a grant and a loan guarantee, the decision to allocate funds can be made at the local level, and in a rapid manner to assure that the loan guarantee funds are used. A company is virtually assured a grant if all of their paperwork is in order and if funds are available when they apply for both a grant and a loan guarantee.	Philip Brown, USDA Rural Development 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	upgrade of state facilities to USDA
Rural Business Enterprise Grant, Grant, USDA	$10,000-$500,000 (smaller given higher priority)	towns, communities, and nonprofits are eligible	very broad based: can be used for land acquisition, construction, machinery, and many others	Philip Brown, USDA Rural Development 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	land acquisition, construction, etc
Rural Business Opportunity Grant, Grant, USDA	maximum of $50,000	rural public bodies, rural cooperatives and rural nonprofits are eligible	The RBOG program is primarily a training and technical assistance program. Funds may be provided for development of export markets; feasibility studies; development of long term trade strategies; community economic development planning; business training and business based technical assistance for rural entrepreneurs and business managers; establishment of rural business incubators; and assistance with technology based economic development.	Philip Brown, USDA Rural Development 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	job training, educational/appreticship programs, further community development

Value-Added Producer Grants, Grant USDA	not listed	Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.	Grants may be used for planning activities and for working capital for marketing value-added agricultural products and for farm-based renewable energy.	Philip Brown, USDA Rural Development 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	production of value-added products, smoking equipment, recipe development, etc
Rural Cooperative Development Grant, Grant USDA	not listed	Rural Cooperative Development grants are made for establishing and operating centers for cooperative development for the primary purpose of improving the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives.		Philip Brown, USDA Rural Development 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	developing a cooperative ownership structure for a facility
Community Food Projects Grants, Grant, USDA	up to $500,000	matching required	To increase the self-reliance of communities in providing for their own food needs, and/or promote comprehensive responses to local food, farm, and nutrition issues; and/or meet specific state, local, or neighborhood food and agriculture needs for (A) infrastructure improvement and development; (B) planning for long-term solutions; or (C) the creation of innovative marketing activities that mutually benefit agricultural producers and low-income consumers.	philip Brown, USDA Rural Development, http://www.csrees.usda.gov/fo/communityfoodprojects.cfm 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	facility and related programs - concerns are that we aren't really addressing low-income and we'd need matching

Kickstarter, Private Investors, Individuals with Small Amounts	largest ever funded was $500,000, many as small as $1k	You only get the money if you reach a goal you set in a time period you set.	You build a campaign online, then individuals pledge any amount of money to you. Most campaigns offer incentives like handwritten Thank Yous, tours of a facility, beef?	no contact, online form www.kickstarter.com	probably wouldn't want to go so big as to try to build the facility using it...possibly for things like architects help, marketing materials, smaller things like a smoker, etc.
Community Development Block Planning Grant, Grant, State Department of Housing and Community Development	75000	must go through the county board of supervisors, so must have the location identified and county support	Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons.	Department of Housing and Community Development Financial Assistance Division Jon Diedesch 1800 Third Street, Room 390 Sacramento, CA 95811 Telephone: (916) 552-9398 Fax: (916) 319-8488	feasibility study, architects plans, EIR process
Community Development Block Implementation Grant, Grant, State Department of Housing and Community Development	$35,000 for every job created	these do not go through County (I believe, more research pending)	Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons.	Department of Housing and Community Development Financial Assistance Division Jon Diedesch 1800 Third Street, Room 390 Sacramento, CA 95811 Telephone: (916) 552-9398 Fax: (916) 319-8488	construction, job training, facility needs
Economic Development Assistance Grant, Grant, Department of Commerce	more details pending contact	more details pending contact	have been used to develop large, expensive facilities, particularly for agriculture or industry	Central Sierra Economic Development District:Larry Busby cspc@mlode.com, (209) 532-8768	

Water and Waste Disposal Direct Loans and Grants, Loan, USDA	not listed	To develop water and waste disposal systems in rural areas and towns with a population not in excess of 10,000. The funds are available to public bodies, non-profit corporations and Indian tribes.	To qualify, applicants must be unable to obtain the financing from other sources at rates and terms they can afford and/or their own resources. Funds can be used for construction, land acquisition, legal fees, engineering fees, capitalized interest, equipment, initial operation and maintenance costs, project contingencies, and any other cost that is determined by the Rural Development to be necessary for the completion of the project.	philip Brown, USDA Rural Development http://www.rurdev.usda.gov/UWP-dispdirectloansgrants.htm 430 G Street, #4169 Davis, CA 95616 (530) 792-5811 Phil.brown@ca.usda.gov http://www.rurdev.usda.gov/ca	possibility of using this for waste water, though unlikely we qualify
Small Business and Commercial Real Estate Loans, Loan, California Economic Development Lending Initiative	for Small Business Loans, up to 50% in 2nd position.	maturity up to 7 years, amortization up to 10 years, 10 year maturity rate and 25 year amortization for Real Estate Loans secured by a Deed of Trust; origination fee 3%	lends in partnership with member banks, up to 50% of total capital needed	CEDLI 1333 Broadway, Suite 604, Oakland, CA 94612, Phone: 510-267-8990, Fax: 510-835-1332, Ray Mendoza CEO, Clinton Etheridge, VP www.cedli.com	real estate acquisition
Small Business Loans, Loan, Clearinghouse CFI	up to $3 million	Short Term - interest only pamyments up to 24 months, Long Term - 5.25% interest, up to 15 years, amortized up to 30 years, 1.5% origination fee plus $500 loan doc fee, and $1,200 flat fee	real estate collateral required	23861 El Toro Road, Suite 401 Lake Forest, CA 92630, 949-859-3600, Douglas Bystry, CEO www.clearinghousecdfi.org	acquisition, construction/rehab
Loans to cooperatives, Loan, Local Enterprise Assistance Fund (LEAF)	not provided	5 year average loan term	secured debt, subordinated debt, lines of credit, equity financing for community based and employee owned businesses, works with ICA Group- a consultant to cooperative businesses to provide technical assistance along with financing	1330 Beacon Street, Brookline, MA 02446, Phone: 617-232-1551, Gerardo Espinoza, Executive Director www.leaffund.org	line of credit, acquisition, construction

SBA 504 Loans and other loans, Laon, CDC Small Business Finance	40% of project cost up to $5 milliion, for SBA 7 loans up to $2 million, for non-SBA loans up to $250,000	10 or 20 years fully amortized, SBA loans 7 to 10 years	Lender of SBA 504 loans, SBA 7 loans and other small loans	1545 River Park Dr., Ste.530, Sacramento, CA 95815, 916-565-8100 www.cdcloans.com	Predevelopment, Working Capital, acquisition, construction
SBA Microenterprise Loan, Ag-Express Loan, Rural Revolving Loan, Loan, Sierra Economic Development Corporation	from $5,000 to $150,000	4%-6% Interest Rate, Short Term: 5-6 years, Long Term: Up to 30 Years		560 Wall Street, Suite F, Auburn, CA 95603, (530) 823-4703, Brent Smith, Director www.sedcorp.biz	Working Capital, Equipment purchase, Supplies/Inventory, Acquisition (USDA Rural Revolving Loan only)
Slow Money Northern California, Loan, Sierra Economic Development Corporation	Varies	Varies	Slow Money is an organization that connects investors who want to invest in local food production with entrepreneurs	through website, www.slowmoneynocal.org	Predevelopment
504 Loans, Loan, Small Business Administration		funds up to 50% of a project in subordinate position, with local bank in senior position, amortized over 10 or 20 years, fees are 3%	Generally loan program accessed via a lender and a Small Business Development Center	409 3rd Street, SW, Washington, DC 20416, 800-827-5722 www.sba.gov	acquisition, construction/rehab, working capital
Tax Increment Financing, Loans and Grants, Local Government	varies	bonds acquired based on the increased tax revenue expected over 10-20 years resulting from the project			infrastructure, construction
Tax Abatement, Counties/Cities	varies	abated taxes for new or expanding businesses	up to the discretion of supervisors or councilmembers	contact county of project	reduction of project costs
Rural Economic Development Loan and Grant, Loan or Grant, Electric and Telephone Co-ops	max of $750,000	zero percent interest loan for 10 years accessed through a local rural electrical or telephone cooperative through a lien on its own assets which allows it to borrow federal money. Generally finances 5-17 percent of project costs.	Applications from communities of less than 2,500 are favored.		partial start-up costs