

Business and Marketing Models for Small Scale Meat Processing and Slaughterhouse Facilities

Deliverables IV and VI

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PREFACE – Description of Business Development Approach

The previous chapters of this project focused on meat plant processing deficiencies and opportunities in Curry and neighboring counties in southwestern Oregon; and a marketplace analysis of the same region. Discoveries through the process of these exercises lead to the plan of developing two businesses that work in concert with one another rather than a single business.

The two companies include

- A privately-owned meat processing company that charges processing services to its customers.
- A producer-owned marketing company that purchases livestock from its members; pays for their livestock to be processed into high quality meat products; and sells the products into the marketplace.

The advantages of developing two companies rather than a single one include

- Working capital needs are extremely high (financing inventory and receivables; financing operating costs), which would put a single company at a financial risk. Two companies working together dilute the capital requirements for the total project and could split funding into two separate, manageable sources.
- A producer-owned marketing company who raise their own products has appeal to most consumers.
- Processors who formerly had mostly producers as customers do not have to develop a detailed marketing program, a whole new customer base, and a sales staff. The processor can focus on what they do best, which is meat processing.

With this in mind, the progress of discovery will continue with an analysis of labor for both companies and further market analysis and planning. The following report is a compilation of this work.

IV Workforce Opportunities and Issues

Section 1 Introduction

The product of this project is the development of two small companies that, if managed correctly, could grow to be more substantial in Curry and neighboring counties and could be replicable in other parts of the country. Through the project's growth and replication come opportunities for more participating farmers and ranchers, greater income on the farm or ranch, and more employees for the marketing and processing company. However, to be successful, both the marketing company and the processing plant have to initially be low-cost, efficient, and flexible. The other two growing branded beef programs in Oregon (Country Natural and Painted Hills) started this way as do most successful programs. But, both of these companies were located closer to cooperating feedlots and large packing plants willing to accommodate them and their growth plans.

Section 2 Number of Jobs

The number of jobs initially will be small for both companies; but, it is expected that both companies will grow thereby allowing the creation of more jobs.

The following table predicts the number of full-time jobs created for this project:

Table 2.1 Jobs prediction

Company	Year 1	Year 2	Year 3
Meat Processing Plant	8	10	11
Marketing Company ^a	1	1	1
Distribution ^b	1	1	1
Total	10	12	13

^a It is anticipated several part-time jobs will be necessary to support the marketing company such as accounting and marketing.

^b It has not been determined if the full-time position delivering meat will be an employee of the marketing company or an already-established distribution company.

A whole host of supplementary work can potentially spring up from the establishment of these companies. The marketing company will need accounting and marketing assistance. Through the process of building a new meat processing plant, full-time labor will be engaged by local contractors and subcontractors for up to 12 months of construction. Even after the construction phase, the plant will still require help from welders, plumbers, refrigeration technicians, electricians, pest exterminators as well as accountants. Both companies will require legal assistance initially and perhaps with business expansion.

Section 3 Available Skilled Workforce and Workforce Training

The meat processing company already possesses skilled butchers and meat processors within the Bussmann family. Even if additional workers are required to be employed in the plant, the Bussmann's will train each prospective employee in the skill required. Skilled meat cutters and butchers are available at other USDA inspected plants, custom-exempt meat plants, and many retail grocers around the state of Oregon. However, there is limited to no training of these skills in a formal tuition-based educational venue.

The marketing company will have few employees but will require a manager that must possess a multitude of skills in such things as marketing, sales techniques, business, merchandising, and meat cuts and their uses. The successful candidate should have prior experience in all of these areas and should also have personal characteristics as good people, communication, and organizational skills. These skills are achieved through academic training and on-the-job experience. A person with the right credentials and experience is likely available in the area. As the marketing company grows, additional sales staff can be added and should be available in the area.

Transporting and delivery of meat will only likely require one to two people and would either be employed by the marketing company or an already-established distribution company. The size of the delivery trucks will determine the licensing requirements. It is not difficult to find drivers that are willing to deliver in mostly local routes. These drivers must also possess people and organizational skills because they are often a significant representation of the marketing company.

In summary, available of a skilled potential workforce and training for these two small companies should not be a concern.

Section 4 Salary Study

Curry and Coos Counties do need employment opportunities for their citizens (Brown, 2011). The following figure represents the number of employed and unemployed workers in these two counties. The number of unemployed workers is similar between the two counties (approximately 4,000 workers reported in 2009) and took a significant jump in 2009 compared to previous years.

Figure 4.1 Number of employed and unemployed workers in Coos and Curry County (OR Employment Dept., 2011)



According to the Oregon Dept. of Labor Statistics, the mean salary for butchers and meat cutters in Coos and Curry County is \$34,759. According to the Bureau of Labor Statistics (2010-11), the national mean salary for butchers and meat cutters is \$14.55 per hour or \$30,270 annually, whereas the salary for animal slaughter and processing is \$12.95 per hour or \$26,930 annually. Oregon's minimum wage is currently \$8.50 per hour.

There is not meaningful salary information for meat company general managers. Information in Section 2 showed the need for one to two truck drivers delivering meat to target markets in the region. The Oregon data did report a truck driver mean wage of \$32,916.

VI. A Proposed Marketing System

Section 1 Introduction

The focus of this project has been the development of two separate companies providing synergy to each other in anticipation of fueling the success of both. To accomplish this, each company will have a different market strategy. This chapter will be dedicated to planning marketing strategies for both companies.

Section 2 Target Markets

2.1 Meat Processing Plant

The plant's primary income is derived from selling processing services. The meat processing plant's primary customer doesn't change much from that of a previous custom-exempt plant, which is a livestock producer. It is presumed that the future marketing company will be the meat plant's largest and most significant customer. However, it is anticipated that the meat plant will continue to service other independent livestock producers just as it has done while performing as a custom-exempt plant.

Secondary customers of the meat plant are direct customers purchasing processed meat products described in the next section. The plant itself will welcome walk-in consumer business for merchandising plant-owned processed meats but these items could also be sold in several retail establishments in the area as long as the meat items were USDA inspected.

2.2 Producer-owned Marketing Company

As a great starting point, the primary marketing targets for the producer-owned marketing company are inclusive of the food distribution companies, restaurants, and retail grocers interviewed in the previously conducted market analysis. Other similar businesses that were not interviewed in Coos, Curry, and neighboring counties will be target markets as well. Part of the reason for selecting the interview targets was to familiarize these potential customers with the project and prospective new marketing company that is being planned. It is hoped that this strategy makes these companies feel like part of the planning process for the new company and would be incentive for them to feature the new company's meat products in their company or stores.

Section 3 Products to be Marketed

3.1 Meat Processing Plant

- Slaughter, boning, grinding, portion cutting, curing, processed meats manufacture, and packaging services.
- Sales of meat carcasses, sides, quarters and bundles.
- USDA inspection.
- Plant-owned processed meats
 - Beef jerky
 - Beef snack sticks
 - Ground beef chubs
 - Pork ham
 - Pork bacon
 - Pork sausage

3.2 Producer-owned Marketing Company

- Fresh and frozen beef subprimals (i.e., ribeye, strip loin, tip sirloin, inside round, etc.)
- Fresh and frozen pork subprimals (i.e., pork loin, spare ribs, etc.)
- Fresh and frozen lamb subprimals (i.e., rack, loin, leg)
- Fresh and frozen whole lamb carcasses
- Frozen beef, pork, and lamb offal (i.e., tongue, liver, tails, hocks, etc)
- Frozen portion controlled beef, pork, and lamb cuts and steaks individually packaged
- Various types of cured and smoked pork ham
- Various flavors of pork and beef bacon
- Fresh and cooked sausages (summer sausage, bratwurst, breakfast sausage, etc.)
- Fresh and frozen ground beef, ground pork and ground lamb in various portion weights
- Fresh and cooked beef, pork and lamb sausages of differing varieties and flavors
- Other types of processed meats as desired by customers (i.e., corned beef, jerky, precooked lamb shoulders, etc.)
- Cooked and pulled, barbeque pork and beef

Section 4 Features/Benefits to Products

4.1 Meat Processing Company

- Local family-owned business
- Experienced in meat processing and servicing customers in Coos and Curry Counties as well as neighboring counties since 1988. Have satisfied customers with processed meat products since 1988.

4.2 Producer-owned Marketing Company

- Locally grown in Siskiyou Coastal Region of Oregon and California

Locally grown is a powerful marketing tool. It represents “trust” with the products and farmers who raise them. It represents that products are fresh. Locally grown in the Siskiyou Coastal region conjures a beautiful scene of cattle, hogs, and lambs grazing or housed in lush pristine mountain meadows. Another feature to locally-grown products is the money stays locally resulting in a multiplication effect on the local economy and communities.

- All natural

According to USDA definitions, “All-natural” only refers to “minimally processed, no artificial ingredients”. In addition to the USDA definition, “All natural” typically means that the livestock were not fed antibiotics or were administered hormone implants. Also, when the animal becomes sick, it is removed from the natural market-place.

- Grass-fed

Cattle and lambs are life-time raised and fed on vegetative grass or harvested forages, not grain. Cattle are not confined to feedlot pens but rather left on land where they can graze. The cattle have more space to roam freely and can keep comparatively cleaner than feedlot cattle. Nutrition and health benefits from grass-fed cattle include the following:

- Lower fat/calorie content
- Higher Vitamin A and E content
- Omega-3 fatty acids. The most publicized nutritional benefit to grass-finished beef is the increased levels of omega-3 fatty acids and conjugated linoleic acid (CLA). Some beef marketers are attempting label claims for increased omega-3’s.
- The published benefits of CLA:
 - Anti-carcinogenic
 - Increased lean muscle mass and reduced body fat
 - Treating heart disease
 - Preventing onset of diabetes
 - Boosting immune system

- Commitment to customers

Attributes to the marketing company’s products is the genuine commitment to their customers of:

- Flavor
- Compassion (land and livestock)
- Food safety
- Source identification

Section 5 Marketing Concept Names and Branding

5.1 Meat Processing Plant

The Bussmann family is well-known in the southwestern region of Oregon as quality meat processors. Therefore, the new USDA meat processing plant should contain this name for the purposes of name recognition. Products produced by the plant for sale to consumers could be labeled a Bussmann product or the plant could develop a new brand name for these items that would also provide some local recognition.

5.2 Producer-owned Marketing Company

The choice of a brand name that will go on labels of food products sold to customers and on advertising and promotional literature should leave an impression on the customer and create a perceived level of value of the products. There is an art to selecting this name and should be short, descriptive, meaningful, and easy to say and remember.

The following names were a few of those suggested by several people involved in this project:

- Siskiyou Coast Foods
- Coastal Wild River's Foods
- Coastal Family Farmers
- Oregon South Coast Foods
- Azalea Foods

All of these names are a description of the region. A concern of the name "Oregon South Coast" is that it could possibly deter participation of producers in the northern coastal counties of California. The Siskiyou mountain range and forest encompasses southern Oregon and northern California and represents beautiful mountains, pristine rivers and river valleys, evergreen forests, and the gorgeous Pacific coast line. This name would be well-known and descriptive to the local and regional customers. Therefore, "Siskiyou Coast Foods" will be the unofficially chosen name of the company and its products. Logo development will be a future undertaking.

Section 6 Promotion and Marketing Budgets

6.1 Meat Processing Plant

Because the meat plant should be recognizable by the previous custom-exempt plant, promotion and marketing of the new plant will be simplistic. Print advertising in local newsprint would be advisable to let producers know of expanded services and USDA inspection.

If plant-owned processed beef and pork is to be marketed through retail stores in the area, an attractive label should be produced for them. To enhance sales, point-of-purchase promotional literature and signage may also be necessary.

To develop and print labels and to conduct some initial advertising that the plant is opening, an initial budget of \$10,000 with an annual budget of \$6,000 is assumed. One can get quite extravagant with label development and printing to where the budget could be doubled.

6.2 Producer-owned Marketing Company

The following table will be used as a guide for the first year's marketing budget.

Table 6.2 Example of first year marketing budget

Promotional literature/P-O-P Materials/Copies	\$25,000
Website development	\$4,000
Label development and stock	\$15,000
Samples	\$5,000
Total marketing costs	\$49,000

Annual budgets after the first year would be lower due to elimination of the website and label development fees.

Section 7 Distribution and Storage of Products

7.1 Meat Processing Plant

The meat processing plant is designed to have adequate refrigerated and frozen storage capacity for their customer's products. Refrigerated boxed storage should be adequate for up to 7 days beyond processing. Frozen storage is adequate for several weeks beyond processing.

In the past, much of the plant-owned processed meats were sold at the plant; however, products sold in other retail venues can be easily distributed with a pickup truck in large coolers.

7.2 Producer-owned Marketing Company

As determined through interviews conducted in the previous exercise of this project, there will be at least one commercial food distribution company willing to serve as a marketing partner, which includes the storage and distribution of the marketing company's products to their

customers. The customary approach by these companies is to take ownership of the products and then re-sell them to customers. However, it is possible for the marketing company to retain ownership of the products and pay the distribution company for providing a pick-up and drop-off service. It is estimated that the cost of picking up and dropping off will range between \$0.10 to \$0.15 a pound.

However, as previously discussed, storing and distribution as a cost center of the marketing company is also a possibility and the cost would be comparable to having a third party do the work. In reality, small customers may prefer the marketing company do their own distribution. The advantages to the customer come in the form of flexibility and being able to make small deliveries when needed. There could also be a premium for this type of service. The estimated cost for this service is detailed in the following table. The amount of meat to be sold and distributed was assumed based on what may be possible in Curry and Coos County.

Table 7.2 Estimated cold storage and freight expense

Cold Storage		Expense
Requirements		(\$)
25 x 12 refrigerator, (sq. ft)	300	
10 x 10 freezer, (sq. ft.)	100	
	400	
Cost (\$/sq. ft)	125	
Total cost		50,000
Annual amortization (7 years)		7,143
Utility cost (@ \$700/mo)		8,400
Total annual cold storage cost		15,543
Freight		
Requirements		(\$)
Small refrigerated truck (used)		50,000
Annual amortization (4 years)		12,500
Labor (\$/yr)		45,000
Insurance, license, tires, repairs		10,000
Fuel,	\$60/d	15,000
Total annual costs		82,500
Total combined annual cost		98,043
Total combined monthly cost		8,170
Margin	15%	1,226
Total monthly cost w/ margin		9,396
Lbs delivered per mo	80,000	
Cost per lb added		\$0.12

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