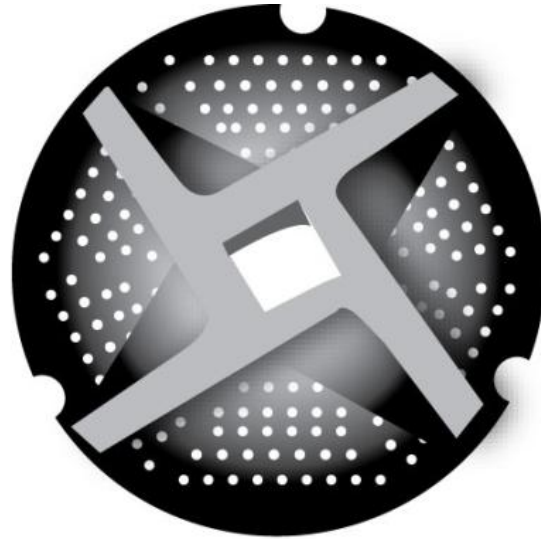


# The Business of Meat Processing – Planning and Profitability –



**NICHE MEAT PROCESSOR**  
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**ASSISTANCE NETWORK**

*June 2, 2011 Webinar*



*[www.nichemeatprocessing.org](http://www.nichemeatprocessing.org)*

# Managing Your Meat Plant for Profit

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# Problems??

- My people work too much overtime.
- Workers were not motivated.
- Skilled labor is hard to find and keep.
- The slow season gives me cash flow problems.
- The busy season gives me capacity problems.
- There is constant firefighting during the busy season.
- My customers are unreliable (cutting orders; pickup; drop off)
- I alternate between high stress overtime and high stress cash flow problems.

# Is there a way to improve?

- These problems are not simply a fact of life.
- It is possible to make significant improvements in your bottom line?
- It is possible to simultaneously improve your quality of life?

# Basic Low Capital Actions

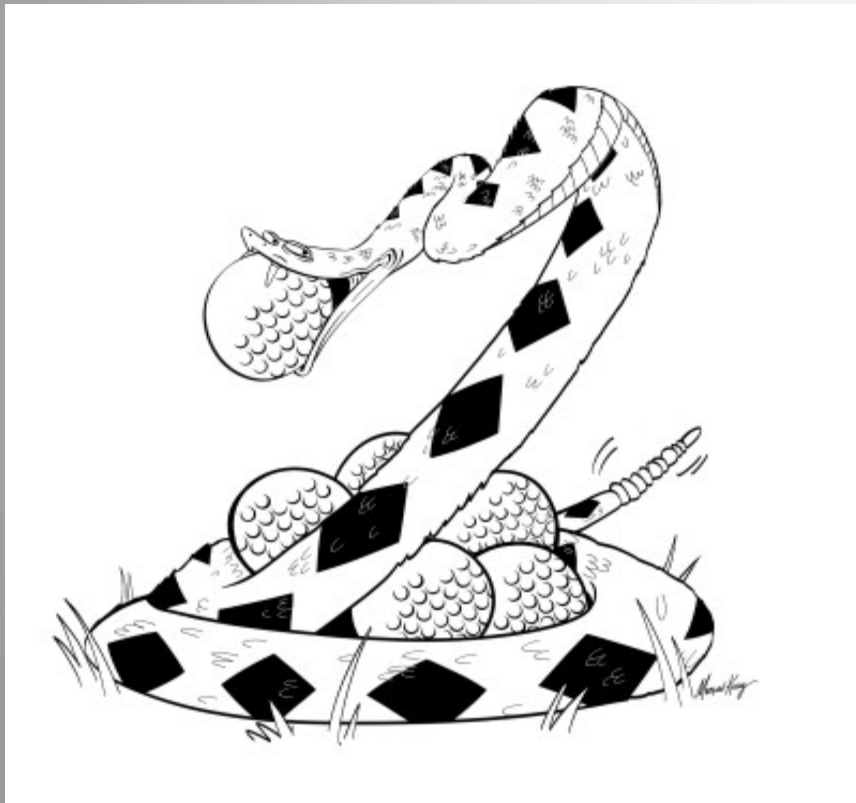
- Scheduling: Move to Slaughter Every Day
- Employee Placement: Keep it stable
- Retail Replenishment: Manufacture to Availability
- Delivery: A Value Added Opportunity
- Customer Management: Charge a Storage Fee for Slow Pickup

# Scheduling: Move Slaughter to Everyday

- Are you turning animals away during your busy season?
- Do you need more capacity, but feel that only high capital/high risk expansion is the only way to improve?
- Do you have significant overtime problems?

# Why Slaughter Everyday?

It's like a golf ball going through a snake.



**Why?**

- You overload one part of your system on each day.
- This policy causes panic and overtime!
- This policy reduces the productive capacity of your plant.

# Employee Placement: Keep It Stable

- Do you move people around to put out management “fires” in your plant?
- Do you notice that after you fight one fire, another fire appears somewhere else?
- Is it possible that moving employees around actually makes the problems worse?



# Why Keep It Stable?

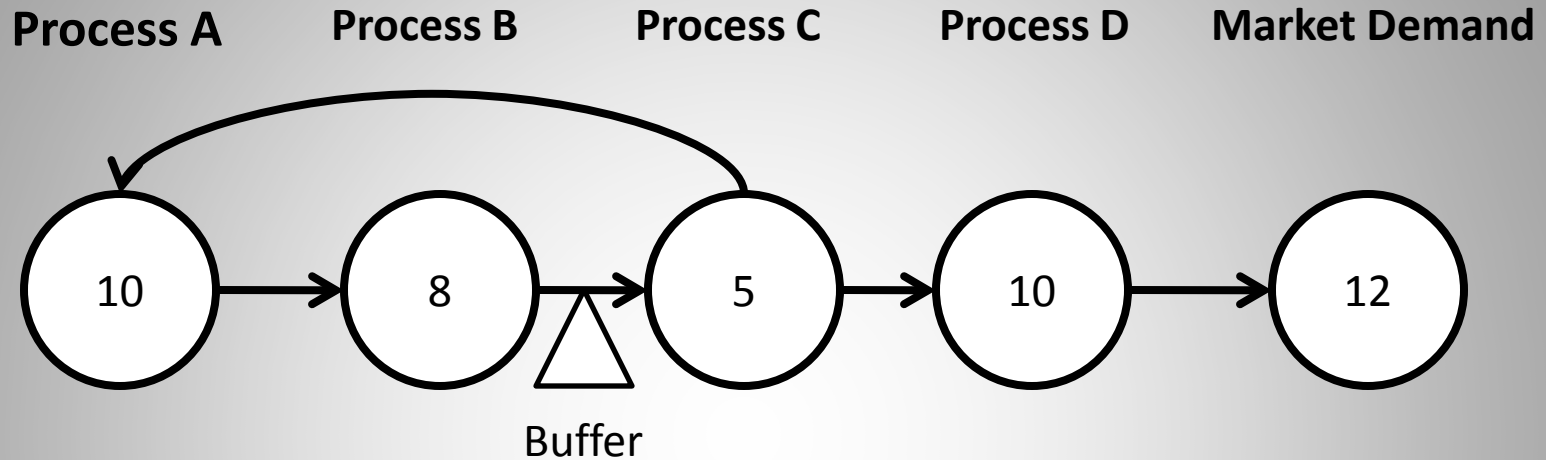
## Whack-a-Mole



## Why?

- Constant movement of your people actually makes the fires in your plants worse!
  - When you move people to one place, problems emerge somewhere else. It's like playing whack-a-mole.
- Constant movement of your people actually robs your plant of productivity!
  - Many plants lose productivity at their constraint, which causes lost productivity for the plant as a whole.

# Scheduling and Stability: a Visual



## QUESTION

What is the capacity of this system?

How should we schedule?

Why shouldn't we move our folks around?

## ANSWER

5

Never allow more to enter than the system can handle.

Every moment the constraint is idle, you lose productivity.

# Replenishment: Manufacture to Availability

- Are you ever out of stock for key products?
- Do customers sometimes travel a long way to buy your products?
- Are customers happy when you don't have what they want when they arrive at your store?
- Do you ever notice that you always run out of stock at the worst possible time? (i.e. When you are really busy with something else in the back.)
- Do you find it difficult to know what a customer will want and when they will want it?

# Why Replenishment?

Many plants have 100s-1000s of products.

Why?

Replenish not when you run out of a product, but weekly to maintain a certain stocking level.

- Reduces emergencies in the back
- Maintains stock to eliminate lost sales



# Other Findings

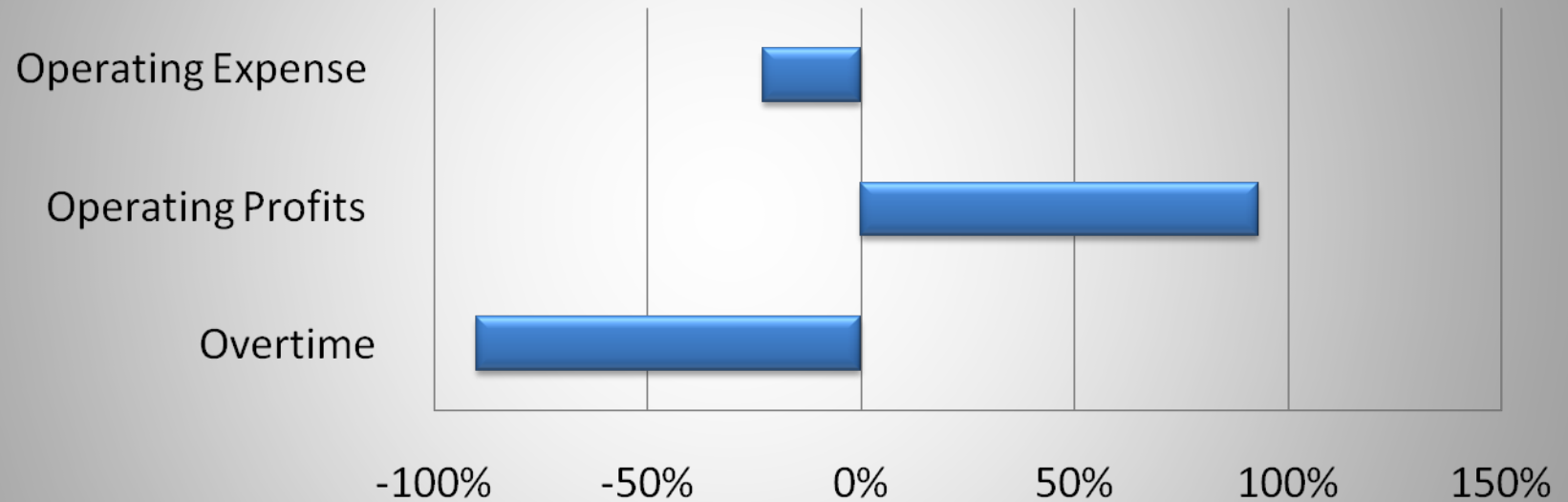
- Delivery: Consider this a value added opportunity
  - Delivery for a fee can be a way to stimulate demand for your locker services.
- Charge a Storage Fee for Slow Pickup
  - Some customers need an incentive (or a fire lit under their you know what)

# Other Findings

- How do we choose beef, hogs, deer, small ruminants, poultry?
  - Faster is usually better.
  - Beef vs. Hogs example...
  - Caveats...

# An example of one plant's results

**Change from 2008-2010**



	Overtime	Operating Profits	Operating Expense
■ Change from 2008-2010	-90%	93%	-23%

# Examples of one plant's intangible results

- Better quality of life for owner and employees
  - Less firefighting
  - Less overtime
  - Better pay for employees
- Employees are now proactive instead of reactive
- Customers are remarking on the quality
  - This is increasing sales



# Is this possible for me?

- Is there something in the water in Iowa?
- Are we especially brilliant?
  - We're sharp folks here in Iowa, but I suspect no sharper than anyone else.
- Did we have more capital?
  - Capital wasn't needed for initial changes and improvement.
- Does the size of the plant matter?
  - No, the basic principles apply to meat plants of all sizes.

# Conclusion

- It is possible to make small changes that can significantly impact the bottom line.
  - Yes! We have lived this reality in Iowa.
- Do you want to learn more?
  - Contact me with questions.

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