

## **Rusted Gate Farm Mobile Slaughter Unit Business Plan Final Draft 6.28.2022**

### **Executive Summary**

Across the nation, farmers and ranchers have felt the pinch of consolidated meat packing and reduced slaughter capacity during the 2020-2022 Coronavirus pandemic. There are long wait times to schedule slaughter slots, with some facilities booking out 12 months in advance. In a 2020 (unpublished) survey of red meat processors in Oregon, slaughter bookings were averaging around 6 months in advance. Western Oregon had longer wait times than Eastern Oregon facilities. This bottleneck can be felt all over the country, but especially in the West where there are fewer inspected abattoirs that do custom processing for meat producers. It is with this in mind that Rusted Gate Farm endeavored to be part of the solution to this bottleneck for Southern Oregon and Northern California meat producers.

Rusted Gate Farm, a non-profit organization in the Rogue Valley of southwestern Oregon, is planning to launch a USDA inspected mobile slaughter unit (*hereafter referred to as a MSU*) in 2023 to provide more accessible slaughter services to area farmers and ranchers, reduce the miles driven and costs to transport livestock to plants 3-4 hours away, and to strengthen local meat supply chains. Operating a MSU will also help RGF humanely slaughter their own livestock and scale their beef business. RGF intends to partner with local inspected cut and wrap facilities where further processing of the livestock will occur. The authors of this business plan conclude that the following strategies will help RGF meet those goals and create a business model consistent with their mission.

#### *Strategic Goals for Rusted Gate Farm MSU Business:*

1. Offer more accessible livestock slaughter services to farmers and ranchers in the SW region of Oregon.
2. Fund, purchase, and launch the operation of a USDA inspected mobile slaughter unit to be parked initially on the RGF headquarters in Central Point, OR. Operate the MSU under the non-profit corporation with RGF employees.
3. Build strategic partnerships with regional USDA inspected cut and wrap facilities to offer them livestock slaughter services and to bring them inspected carcasses for further processing.
4. Enhance the local meat value chain by partnering with area retailers to feature local USDA inspected meat products.
5. Add a retail exempt butcher shop, subject to Exclusive Farm Use Zoning, to the new RGF multi-purpose building that is under development.

### **Company Description/Ownership Model(s)**

Rusted Gate Farm (RGF) is a nonprofit demonstration farm located in the Rogue Valley of southwest Oregon. Rusted Gate Farm's history began in 2014 with the first purchase of a farm

property in Central Point. Over the next seven years six additional properties were purchased. In 2019, Rusted Gate Farm officially incorporated as a nonprofit, 501c3 charitable organization and receives substantial operating support from the Alumbra Innovations Foundation, Inc. The multiple agricultural properties that now make up Rusted Gate Farm have a long, rich history in the Rogue Valley as farmland and will be preserved as working lands. Many of the parcels are still referred to by the names of the families who worked this land for many years: Castor Farm, Hanson Farm, and Straus Ranch, and the Wampler Ranch. RGF also owns an historic ranch in the upper Klamath basin.

Rusted Gate Farm continues this agricultural legacy by rotationally grazing cattle on their various pasture lands. In addition, they launched a new RGF beef brand in late 2021. They now have both grass-finished and grain-finished beef for sale on their website and in their farmstand.

Through sharing outcomes of experimentation with traditional, alternative, and innovative farm practices, Rusted Gate Farm (RGF) intends to identify a mix of income-producing activities that will increase average farm income and ensure long term financial security for small farms of the region. Their work also includes agricultural demonstration trials to increase gross farm income while maintaining or decreasing costs and tackling the barriers that challenge those goals. Launching a mobile slaughter unit will not only be in line with that mission, it can help their own beef business to reduce costs, improve animal welfare, and grow to a more sustainable scale.

### **Programs**

Rusted Gate Farm has several early-stage demonstrations and trails initiated to test alternative agricultural crops and translate what they learn about them to the larger farming community.

*Apple Orchard Trials*- two apple orchards with a diverse mix of fresh eating apples as well as heritage cooking and cider apples.

*Truffle Trials*- Truffles can command a significant price but can be especially difficult to grow and may take many years before any crop is produced. So RGF is testing a crop of truffle spore-inoculated oak and hazelnut trees with two varieties of truffles. It will take 7-10 years before any crop may be realized.

*Dryland Perennials*-Rusted Gate Farm will be one of the first commercial users of the trademarked Kernza seed for a trial as a forage and hay crop. The 12' tap root provides a promising characteristic for an increasingly drought plagued climate and reduces tillage. RGF is planning a fall 2022 planting on 25 acres.

*Traditional Agricultural Crops*- RGF continues the tradition of raising and cutting hay from their various farms, while working to improve the quality and quantity of the hay crop. They are also raising cattle using rotational grazing methods on the most suitable fields, while improving the quality of the forage crops.

*Youth Agricultural Education-* in 2019, RGF hosted a kid's camp for 4<sup>th</sup> to 7<sup>th</sup> graders that was organized by the local conservation district. Plans for this camp had to be canceled in 2020 and 2021 due to the pandemic, but RGF hopes to resume youth agricultural education opportunities going forward.

## **Mission and Vision**

*Mission:* The mission of Rusted Gate Farm is to support small and family farms by researching and conducting trials on new income-generating products and practices and sharing this information through a free education and outreach program with the local farming community.

*Vision:* Through sharing outcomes of experimentation with traditional, alternative, and innovative farm practices, Rusted Gate Farm intends to identify a mix of income producing activities that will increase average farm income, promote environmental health, and insure long term financial security for small farms.

## **Services/Products Description**

The proposed RGF Mobile Slaughter Unit will be selling the service of inspected livestock slaughter, as well as custom-exempt slaughter if that is the desire of the customer (a unit can do both, just requires different recordkeeping). The slaughter customers will include RGF's own beef business as the core customer, and other farmers and ranchers in the region within a 1-2 hour radius of the unit. According to anecdotal data gathered from RGF staff, there will be approximately 500 beef to slaughter in Year 1, 700 beef to slaughter in Year 2, and 1,000 beef to slaughter in Year 3. This could vary considerably and is unlikely to be evenly spaced throughout the year. There may also be some demand from sheep, goat, and hog producers in the region, but those numbers are less known. Nationally as well as regionally, most livestock are slaughtered during the fall. So the RGF MSU might be heavily booked in the fall and have less frequent bookings in winter and spring.

Farmers and ranchers will book slaughter slots in advance with the RGF unit, transport their animals to the MSU docking site, unload their animals into the on-site pens, and leave the premises. After RGF staff slaughters the animal(s), the carcasses will be hung in the MSU drip cooler for approximately 24 hours until they will be delivered to a local cut & wrap partner. The farmers/ranchers will then go and pick up their packaged meat at the cut & wrap partner location. Or in some cases, they will pick up their carcasses directly from the RGF drip cooler and bring to their own retail exempt butcher shop or to their home kitchen to butcher for personal consumption.

The unit will be able to offer USDA inspected slaughter services as well as custom-exempt slaughter services (licensed by Oregon Department of Agriculture). Inspected slaughter will allow that carcass to be processed under inspection (either state or federal) and the resulting meat can be sold into commerce. Custom-exempt slaughtered animals cannot be sold as meat, but can be returned back to the owner of the animal. For farmers/ranchers that sell custom

halves and quarters to a limited customer base, this is a reasonable option for them as well. Due to the proximity of the unit to the California border, it is suggested that the unit be inspected by USDA Food Safety and Inspection Service (FSIS) as opposed to Oregon Department of Agriculture’s new state red meat inspection program. That will allow the carcass or the resulting meat (if cut & wrapped under USDA FSIS inspection) to be sold anywhere in the country, crossing both state lines as well as being export-ready. This will open up more doors for area producers to be able to sell to other states as well as consider e-commerce sales.

### Market Analysis

The RGF MSU will sell USDA inspected slaughter services to their ranching customers. Producers will bring live animals to the RGF MSU for USDA inspected slaughter. RGF will transport chilled carcasses to a local cut and wrap for further processing into sub-primals, portion cuts, grind, value-added products and more.

As a seller of USDA inspected slaughter services, RGF’s competition will be other USDA inspected slaughter and processing facilities in the region. These include:

**Table 1: USDA Inspected Slaughter Facilities Near Medford, OR, from closest to furthest**

<b>Plant Name</b>	<b>Location (roundtrip miles from Medford, assumed cost to producer)</b>	<b>Services Offered</b>	<b>Kill Fee (beef cattle)</b>
Masami Foods <sup>1</sup>	Klamath Falls, OR (160 miles, or ~\$480 for loaded trip)	USDA inspected slaughter and processing	\$200/hd (kill only fee, need to bring at least 30 head for cutting)
Crystal Creek Meats	Roseburg, OR (194 miles, or ~\$582 for loaded trip)	USDA inspected slaughter and processing	\$128/hd
Mohawk Valley Meats <sup>2</sup>	Springfield, OR (328 miles, or ~\$984 for loaded trip)	USDA inspected slaughter and processing	\$80/hd
Kalapooia Valley Grassfed Processing	Brownsville, OR (386 miles, or ~\$1,158 for loaded trip)	USDA inspected slaughter and processing	\$100/hd (slaughter), \$1.00/lb (cut and wrap)
Redwood Meats	Eureka, CA	USDA inspected	\$150/hd

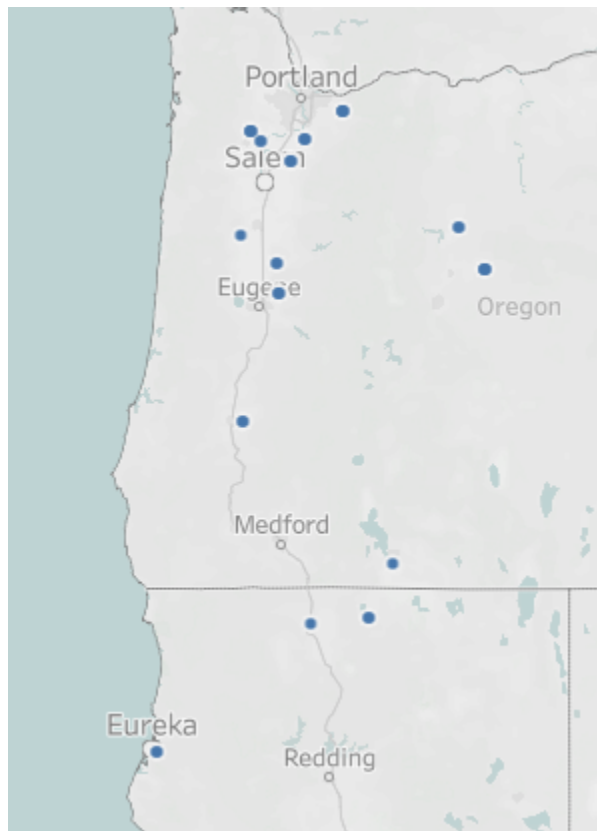
	(386 miles, or ~\$1,158 for loaded trip)	slaughter and processing	
Mt. Angel Meat <sup>4</sup> Co.	Mt. Angel, OR (490 miles, or ~\$1,470 for loaded trip)	USDA inspected slaughter and processing	\$120+/hd
Dayton Natural Meats	Dayton, OR (500 miles, or ~\$1,500 for loaded trip)	USDA inspected slaughter and processing	\$100/hd
Revel Meat Co. <sup>3</sup>	Canby, OR (514 miles, or ~\$1,542 for loaded trip)	USDA inspected slaughter and processing	\$120/hd (slaughter), \$1.10/lb (cut and wrap)
Carlton Packing Co.	Carlton, OR (516 miles, or \$1,548 for loaded trip)	USDA inspected slaughter and processing	\$205/hd (slaughter), \$1.50/lb (cut and wrap)
<b>Other Mobile Slaughter Units (MSUs) on the West Coast</b>			
Bay Area Farmers Cooperative (MSU)	Marin County, CA	USDA inspected fixed mobile slaughter unit	\$260/hd
Island Grown Farmers Cooperative (MSU)	Island County, WA	USDA inspected mobile slaughter unit	\$159/hd non-member price
Heritage Meats (MSU)	Stanwood, WA	USDA inspected fixed mobile slaughter unit	\$216/hd

1. See attached Masami fee sheet
2. AWA approved and organic certified. Additional pricing can be found here:  
<https://brightoakmeats.com/about-us-%26-pricing>.
3. AWA approved, organic certified and GAP4 certified.
4. See <http://mtangelmeat.com/usdaprocessing.html> for additional pricing information.

If the RGF MSU charges a \$175 kill fee for inspected slaughter, it will be cost-competitive with the plants listed above. Kill fees for inspected slaughter plants range from \$80 on the low end to \$205 on the high end, with an average of \$134. Mobile slaughter units typically charge even more because they have higher overhead that they have to spread out over a lower volume of animals, with kill fees ranging from \$159 - \$260 and above. With the advantage of being located

closer to the producers, lower transportation costs, and ample availability of slaughter dates (at least in the first few years of operation), the RGF MSU could probably charge up to \$200/head and still be competitive in the marketplace of livestock slaughter providers. Using RGF's own transport costs as an example, it is possible that producers would realize significant savings utilizing the RGF MSU. For example, RGF estimates their transport costs (mileage, plus wages and payroll expenses for the driver) to be approximately \$540 round trip to the slaughter facility they currently use in Eureka, CA. It is another \$250 for the return trip to pick up the finished product, thus \$790 total for two beef. That equates to an additional \$395 per animal just for processing transport. While RGF could lower that per head cost by bringing larger loads of animals at a time, the particular processor in Eureka said they can only take loads of two animals at a time, therefore per head costs are quite high. If having access to the RGF MSU can save producers \$100-\$200 per head in transport costs, then a kill fee of \$175-\$250 is still cost competitive. Additionally, shorter hauling distances are a way to reduce stress and weight loss on livestock.

**Map: USDA Inspected Slaughter Facilities Near Medford, OR (USDA FSIS MPI Directory)**



One of RGF's competitive advantages in marketing their services to local ranchers will be that the producer will not have to drive their cattle as far for slaughter. Each rancher might account for their cost to haul live cattle differently, but a good estimate is ~\$3/loaded mile (Western States average flatbed rate, per [DAT Trendlines](#) as of 4/7/22). From Table 1 above, it could cost between \$500 to \$1,500 in gas and wear & tear on the vehicle to haul a loaded trailer to one of the other inspected slaughterhouses in Oregon from Medford. This does not account for the rancher's time being away from the farm, which could be several hundred dollars more in time value. A competitive disadvantage for the RGF MSU is that the carcasses will then have to be transported from their slaughter trailer to a cut and wrap facility somewhere else - all of the competitors above offer slaughter *and* processing services, all under one roof.

After slaughter, RGF would need to transport chilled beef carcasses from their USDA inspected slaughter facility to a USDA inspected cut and wrap. \$3.33 per loaded mile is the current average freight rate for refrigerated trucking ([TCI Capital](#), as of 3/7/22). Carcasses will need to be quartered and placed in a cardboard tote with a poly liner (~\$20 each, depending on volume ordered) and placed on a pallet (~\$12 each, depending on volume ordered) before transport.

RGF will need to market their services to local producers in an effort to gain steady throughput for their facility. One possible roll out of a marketing strategy is:

**Year 1:** While still in the start up and build out phase, help local producers develop their supply of year round, slaughter ready animals. Build this supply chain at other processing plants while you construct your own. Work with farmers and ranchers to finish animals in the “off season” (January - June) and have a consistent supply of animals. Eventually this demand for slaughter services can transfer from a regional plant to RGF’s MSU.

**Year 2:** Promote and highlight your new MSU. Conduct outreach with farming and ranching groups in the area, breed associations, input suppliers (feed stores, etc) and others. Use social media to get the word out about your processing facility. Host 1-2 “demo” days a year where people can come see the unit in action doing a custom-exempt slaughter.

**Year 3:** Refine and expand. Look at your calendar for where there are holes in the processing schedule - at what time of year do you need more animals coming in the door? Schedule your own beef business to finish animals in the slow months and work with area producers to build demand for animals year round. If necessary, help producers with marketing technical assistance and workshops. Consider forming a regionally-branded meat company to build year-round demand for local meat.

It should be noted that with increased demand for USDA inspected slaughter and processing *and* significant federal funding for expansion, many regional meat processors are looking to increase their processing capacity and/or go from custom-exempt to USDA inspection. For example, Masami Foods (a USDA inspected processing facility listed above) plans to offer more fee-for-service beef processing in the future, essentially doubling the number of local farmers they will work with (from 5-10 to 10-20). Diamond S Meat Co. in Klamath Falls, is currently custom exempt, but plans to come under inspection (at least state, probably Federal) in the next 12 months. They recently purchased a larger facility to support their processing expansion. These two entities, if their plans come to fruition, will significantly expand the availability of USDA inspected slaughter and processing in the region.

Demand for USDA inspected slaughter and processing services has increased significantly in the COVID-19 global pandemic. Many, if not all, of the facilities listed above will have long lead times, with certain months being booked solid a year or more in advance (highlight at the beginning). For example, the months of July and August are very busy as many small scale processors fabricate local 4-H animals purchased at state and county fairs. It is possible that RGF could quickly fill up their slaughter schedule during the busy late summer and early fall months. RGF will need to work closely with their cut and wrap partners to make sure those facilities have the time, space and labor to bring in additional carcasses for processing in the summer and fall. If at all possible, it would be advantageous to work with local ranchers to slaughter “off-peak” to ensure a smooth flow of product from slaughter to cut and wrap.

## Organization & Management

RGF will own and operate the MSU. They will hire a lead butcher and two assistant butchers to operate it on their main farm property in Central Point, OR. RGF will also provide administrative support to operate the MSU, such as scheduling, record-keeping, regulatory compliance, submitting required pathogen tests, and ordering supplies. RGF farm staff will be responsible for managing the various liquid and solid wastes generated from the MSU. If permitted, the liquid wastes will be spread onto hay fields and the solid waste will be hot composted in windrows on the farm property. The resulting compost cannot be sold, unless RGF applies to be a commercial composting site. However, the compost can be used on the hundreds of acres of RGF lands and could provide a significant nutrient resource for the RGF lands. RGF staff will also transport the cooled beef carcasses to nearby cut & wrap partners, unless the producer has an approved refrigerated vehicle that can transport their own carcasses to their processing partners.

Since our projections show that the volume of livestock to be slaughtered will only require the MSU 1-2 days a week in the first couple years of operation, the MSU could regularly travel to another qualified location to process their animals. This could include other meat processors or potentially tribal partners who seek to have their own animals processed for on-site consumption. For example, the MSU could be leased to a USDA slaughterhouse in Roseburg, OR (Crystal Creek Meats) for 2-3 days a week in order to allow them to increase their slaughter capacity and to generate some revenue to cover the overhead costs of owning the MSU. There is also an opportunity to partner with Diamond S Meats in Klamath Falls, OR that is planning to transition to Oregon state meat inspection for their cut and wrap but will require inspected slaughter of the livestock in order to do so. Further conversations will be necessary with cut & wrap partners.

Non-profit corporations are allowed to have for-profit enterprises (that follow certain monetary requirements) under the 501c3 corporation entity. The MSU will likely not be profitable for many years, if ever, so will need to be subsidized by other RGF enterprises, private foundation funds, or other donations. RGF is in a much better position than a for-profit business to operate the MSU due to the difficulty in generating a profit from normal MSU throughput. It is unlikely that another entrepreneur could sustain several years of losses and extremely small profit margins that are typical for inspected mobile slaughter services. Eventually, RGF may consider a more formal partnership with a cut & wrap partner, such as leasing the unit (or lease-to-own) to that cut & wrap facility so that it may be able to increase their own throughput and cover the full staffing. This would reduce the need for RGF to continue subsidizing the unit to the tune of \$25-50K plus a year as projected.

### *RGF Board of Directors*

Christy Walton- Founder

Christy is a committed philanthropist through the Walton Family Foundation and [Alumbra Innovations Foundation, Inc.](#), her personal charity. She is a long-term supporter of renewable energy, actively involved in aquaculture, participates in land and sea conservation, and is



passionate about making beautiful, high quality, and functional contributions to the built environment. Christy Walton's long-term commitment to Rusted Gate Farm will ensure its mission of supporting small farming in the Rogue Valley for years to come.

#### Matt Borman- President

Matt manages 2,000 acres of peach and pear orchards as Orchard Manager for Harry and David right here in the Rogue Valley where he resides with his family. His love of growing plants finds its roots in his upbringing, where he grew up working as a farmhand on his grandfather's walnut orchards in California. Matt's commitment to farming aligns with the goals of Rusted Gate Farm and he has provided support since the very beginning. Matt served on the interview committee for selecting Rusted Gate Farm's first Farm Manager and Farm Operations Coordinator.

#### Martin Goebel- Secretary

Martin has nearly 35 years' experience in natural resources management and sustainable development. Throughout his career, he has served in and founded many organizations developed to natural resource conservation around the world. Martin is a longtime collaborator with the Founder, Christy Walton on environmental matters. Martin also brings considerable expertise in advising nonprofits and philanthropies. As a startup nonprofit facing the challenges of managing its resources, Rusted Gate Farm will benefit greatly from Martin's guidance and advice. He resides in Portland, OR.

#### Mike Finley- Treasurer

Mike's long career included Supervisor of many national parks in the U.S. including Yosemite, Yellowstone and the Everglades. He was also President of the Turner Foundation funding efforts to improve conservation and stewardship of our natural wonders. He continues to actively participate in conservation efforts and is currently Chairman of the Oregon Department of Game and Fish. Mike is a native Southern Oregonian and currently resides in Medford. Mike's extensive high-level management experience will greatly benefit Rusted Gate Farm as it develops its business plan for the next several years.

#### *RGF Staff*

#### Jo Ann Shannon- Executive Director

As Rusted Gate Farm's first Executive Director, Jo Ann is leading the effort to implement its mission and set the course to ensure the vision set forth by its founder, Christy Walton. For the past 15 years Jo Ann has worked with Christy to ensure her individual projects reached their intended goals. Jo Ann grew up in New England where strong small farming tradition is woven into the fabric of the community. She also brings over three decades of business experience including founding a nonprofit in her hometown. Jo Ann's life-long commitment to a quality built environment led her to a Bachelor's degree in Environmental Design from the University of Massachusetts and a Master's Degree in City and Regional Planning from Harvard University.

#### Dave Picanso- Farm Manager

Dave has enjoyed a life-long career in agriculture and has managed thousands of acres of farm land and ranches and dozens of personnel in Nevada, California and Southern Oregon. He comes from a family of dairymen and before launching out on his own, obtained a degree in Animal Science from Fresno State University. Dave's vast experience, business savvy, and never ending search for 'best practices' make him the perfect Farm Manager to implement Rusted Gate Farm's vision. Dave lives on the Farm with his wife Dodie and they are active members of the community.

#### John Souza- Program Manager

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Patrick Collins- Consultant

Patrick is a DC-based advocate representing non-profit entities. On behalf of clients, he works with Congress and across U.S. government agencies to assist them in achieving their objectives. He has worked in the U.S. House, the U.S. Senate, and served at the Department of Agriculture during the Clinton Administration.

#### *Current and Future Staffing Needs*

While the RGF MSU will not employ a significant number of people, it can provide good living wage jobs for a couple of individuals living in the area. The average per capita income of Jackson County is \$32,044 (2020 Census data), and the proposed butcher salaries are significantly higher than that once full time. It is expected (and shown in the financials) that the butcher positions will be .5FTE in Years 1 and 2 and move to full-time in Year 3.

*Lead Butcher*- in charge of operating the MSU, humanely dispatching of each animal, HACCP, SOPs, sanitation, staff training, quality assurance, liaison with USDA inspectors. It may be difficult to find this person, as there is not enough livestock in the first few years of MSU operation to offer this person full-time work. One potential option is to co-employ a person working at one of the other slaughterhouses in the region part-time.

*Assistant Butcher*- in charge of animal handling, skinning, evisceration, breaking, sanitation, etc. It may be difficult to find this person, as there is not enough livestock in the first few years of MSU operation to offer full-time work. One potential option is to co-employ staff working at one of the other slaughterhouses in the region part-time.

*Administrative Assistant*- in charge of scheduling, record-keeping, regulatory compliance, mailing in pathogen tests, and ordering supplies. This position will be covered by Rusted Gate Farm.

*Tractor Driver/Waste Manager*- in charge of moving and managing liquid and solid wastes generated from the MSU. Could also be the driver of the carcasses to the cut & wrap facility. This position will be covered by Rusted Gate Farm.

*Meat Processing/HACCP Consultant*- to help with site considerations, licensing with ODA, and obtaining a grant of inspection from USDA FSIS, including assisting with the development of a slaughter HACCP plan. The authors of this plan can recommend several highly qualified individuals that do offer this consulting. Alternatively, if RGF decides to purchase a Friesla Mobile Harvest Unit, they offer these services as part of their complete package.

### **Financial Plan:**

See Appendix B & C for the complete financials.

### **Key Financials:**

Total build out cost (with the Friesla unit): ~\$550,000

Start-up operating capital needed: ~\$280,000 (depending on financing)

Appendices B, C and D include start-up and operational costs for the first three years.

Appendix B assumes 80% conventional debt financing for the start-up costs, along with \$280,000 in start-up operating capital to cover monthly cash flow for the first three years. At the end of three years, the RGF MSU is not profitable in this scenario.

Appendix C assumes grants and donations will cover the start-up costs and therefore only \$55,000 in start-up operating capital is needed to cover monthly cash flow for the first three years. At the end of three years, the RGF MSU is not profitable in this scenario.

Appendix D assumes grants and donations will cover the start-up costs AND the slaughter fees increase to cover the operating costs of the unit, from \$200/head in year 1, to \$240/head in year 3. At the end of three years, the RGF MSU is a breakeven business in this scenario, and even achieves a small profit. We ran this scenario in order to discover what a breakeven pricing structure would look like.

Tables 2, 3 and 4 below shows the potential net profit (loss) that can be realized in each scenario. Scenarios are based on two .5 FTE employees in Year 1 and 2, moving to two 1.0 FTE positions in Year 3 based on the projected slaughter volume.

**Table 2: Financial Summary for Years 1-3 with financing (Appendix B)**

	Year 1	Year 2	Year 3
gross profit	\$87,500	\$122,500	\$175,000
total expenses	\$144,599	\$151,239	\$254,227
<i>Net Profit</i>	<i>- \$57,099</i>	<i>- \$28,739</i>	<i>- \$79,227</i>

**Table 3: Financial Summary for Years 1-3 with grants and donations (no financing, Appendix C)**

	Year 1	Year 2	Year 3
Total Revenue	\$87,500	\$122,500	\$175,000
Total Expenses	\$127,828	\$134,468	\$237,456
<i>Net Profit</i>	<i>- \$40,328</i>	<i>- \$12,563</i>	<i>- \$62,456</i>

**Table 4: Financial Summary for Years 1-3 with grants and donations, plus increased slaughter fees (Appendix D)**

	Year 1	Year 2	Year 3
Total Revenue	\$100,000	\$154,000	\$240,000
Total Expenses	\$127,828	\$134,468	\$237,456
<i>Net Profit</i>	<i>- \$27,828</i>	\$17,310	\$2,544

The RGF Financials in Appendices B, C and D show start-up costs, cash flows (Years 1 - 3) and P&L statements (Years 1 - 3). Two different mobile slaughter units are shown: Friesla out of Washington state and Mobile Processing Trailers & Supply out of Colorado. The cost differences (and what is included) between the two units are significant. One could think of the Colorado outfit as providing a “bare bones” solution for USDA inspected slaughter and the Friesla units as being more turnkey. For the purposes of this business plan, the Friesla unit was selected for analysis.

The RGF Processing Facility will need at least three years of operating capital support to cover monthly cash flow. The most significant costs are in salaries, wage, payroll taxes and benefits. Utilizing that labor efficiently and effectively will be critical in driving cost savings and maximizing throughput. The next highest costs are depreciation, interest on loans, and offal disposal. If RGF is able to secure grants and donations to cover start-up costs, that will improve the business financials and reduce start-up capital requirements. Lastly, it should be noted that without grants, donations and increased slaughter fees, the business will not breakeven.

### **Proposed Strategic Goals for RGF Livestock Slaughter Business**

Based on conversations with board and staff members, as well as the data above, the following strategies are being suggested in this plan. Following each strategy is an explanation of why it is important.

1. **Offer more accessible livestock slaughter services to farmers and ranchers in the SW region of Oregon.** This is important because there are limited inspected slaughter options for SW Oregon, as elaborated upon in the market analysis section above. ODA survey data from 2021 also showed that producers in SW Oregon (and NE Oregon) had to travel the farthest for inspected meat processing services as compared to other parts of the state. In addition, since the pandemic, many plants have limited their fee-for-service processing to more commercial scale producers, which leaves a processing gap for smaller and start-up producers. The RGF MSU can help fill that gap.
2. **Fund, purchase, and launch the operation of a USDA inspected mobile slaughter unit to be parked mainly on the RGF headquarters in Central Point, OR. Operate the MSU under the non-profit corporation with RGF employees.** Rusted Gate Farm has the unique advantage of having long-term financial support, competent staffing, and several hundred acres of land in which to site a mobile slaughter unit. Their mission includes supporting small farmers through demonstration, trails, and innovation. Raising the funds to purchase and operate a MSU falls within that mission.
3. **Build strategic partnerships with regional USDA inspected cut and wrap facilities to offer them livestock slaughter services and to bring them inspected carcasses for further processing.** This is important for several reasons. Some of the facilities are limited in their slaughter capacity or do not have a kill floor at all. Slaughter is also the riskiest and least-profitable part of most meat processing businesses. RGF can take some of that risk and divert some of that volume to their MSU site and help bring more locally-raised livestock carcasses to these cut & wrap partners. Several are looking to incorporate more locally-raised animals into their programs as well, but have lacked the slaughter partner who can provide that service.
4. **Enhance the local meat value chain by partnering with area retailers to feature local USDA inspected meat products.** This strategy will help to build a more resilient local meat supply chain from farm through consumer, build regional brand identity, and support local ranchers with markets.
5. **Add a retail exempt butcher shop, subject to Exclusive Farm Use Zoning, to the new RGF multi-purpose building that is under development.** Operate the butcher shop with fixed hours, such as weekends, to capture the local and tourist markets of the region looking for high-quality, fresh local meat. Use carcasses slaughtered by the inspected MSU for a truly farm-to-table butcher shop experience. Use the retail exempt butcher shop to power the RGF beef business, as well as support other area ranchers with livestock sales. This strategy is important not only for the growth of the RGF beef business, but it will also draw customers to the RGF Farm Stand. Buying animals from other producers in the region will build goodwill with the farming community, help them improve their economic viability, and help to strengthen the regional meat supply chain.



## **Appendix A: SWOT Analysis**

As part of this business plan, a team of three RGF staff members compiled a Strengths, Weaknesses, Opportunities, and Threats to the RGF livestock slaughter enterprise. We limited our discussion to the MSU enterprise and not the RGF organization as a whole. A SWOT analysis can help point out key challenges and opportunities for the proposed venture. Below is a summary of that discussion. A few additional points were added by the authors based on more research.

### *Internal Strengths:*

RGF's mission to support local ag community by identifying means to have more opportunity to increase income is consistent with making this initiative happen. RGF is in it for the long term. Donor funds can be used to fund studies and hire needed expertise. Staff time can be allocated to the effort. In other words, purposeful resources for this effort.

RGF's property has capacity for housing the MSU and accommodating a yet to be determined number of other infrastructure (water, parking, drive access, office, restroom).

RGF's property is ideally located to access existing butchers, cold and freezer storage facilities, and major roadways.

RGF Staff members have experience running businesses including managing finances, insurance, payroll, hiring, purchasing equipment. In addition, Farm Manger has 50 years experience as a cattle rancher. Program Manager has years of experience taking on new initiatives all the way to retail sales. Executive Director adds years of experience working in complex regulatory environments, working with a myriad of experts on a common goal, legal and contracts, financial feasibility and analysis.

RGF has a 100 head herd of cattle with annual calving. The cattle, beef and meat businesses at RGF are no different than what other producers are doing and experience the same challenges.

RGF successfully created an inspected USDA retail meat business in its Farmstand in less than a year.

### *Internal Weaknesses:*

RGF has no hands on experience with a MSU and neither has any of the staff.

Likely some skepticism of our intentions and our chance of success from ranching community.

### *External Opportunities:*

There are others interested in developing a regional inspected meat supply system.

Figuring out how to develop a boxed beef supply system of local meat to area grocers.

Private sector provides support by building out more cold storage, freezer storage and hanging space.

Rogue Community College continues to push for a meat sciences/meat cutting/butchering training program, ie, supportive workforce development.

RGF has access to potential funding partners to contribute to workforce development.

Partnership with Southern Oregon University (SOU) extends influence of RGF's purpose and initiatives

*External Threats:*

Obtaining Liability Insurance for this initiative when it includes other producers coming to the property.

Other experienced slaughter facilities are increasing capacity in the region.

Shortage of meat cutters and labor more broadly.

Finding enough direct-to-consumer outlets or retail store partners to accommodate the increased inspected cut and wrapped product for sale.

Identifying and funding an entity to promote regional meat in SoWest Oregon/Northern Cal.

Not enough committed slaughter contracts.

Cannot leverage sufficient funds to purchase the unit.

Smaller producers can't figure out how to access markets or have limited marketing skills..