



TFC Poultry Processing: A Case Study

This case study is excerpted from the report, "From Convenience to Commitment: Securing the Long-Term Viability of Local Meat and Poultry Processing" by Lauren Gwin and Arion Thiboumery, published June 2013. The central conclusion of the report is that stronger, more regular business commitments between small processors and livestock producers are essential to grow the local meat sector. The report includes twelve case studies: seven successful processors and five public-private collaborations to support local meats processing. The case studies and full report are posted here: www.nichemeatprocessing.org/research

*"We got into this business because of the endless opportunities, but the challenge is keeping busy."
– Darrin Froemming*

TFC Poultry Processing is a USDA-inspected poultry processor, primarily chicken but occasionally turkeys, ducks, and geese, located in Ashby, MN. TFC provides fee-for-service processing for small-scale, local farmers; this accounts for five percent of annual volume. Of the remaining birds, 35 percent are certified organic birds for two branded companies, and 60 percent are "spent" hens (past prime egg laying years) from a variety of sources.

TFC started in 2008 when brothers Darrin and Trent Froemming took over the local poultry plant. They knew little about the challenges of the industry when they got started. In fact, neither had ever processed a chicken, even at home. Yet the brothers, who started their business at the ages of 19 and 22, have grown it from fewer than 40,000 birds in 2008 to an expected 1.4 million in 2012. Central to this growth has been lining up steady business.

The Froemmings originally bought the plant intending to offer inspected processing on a fee-for-service basis to local farmers selling poultry into local markets, and focused exclusively on this in the first year. Yet there was not enough regular business to keep them afloat, Darrin explains. "The small, local thing was too seasonal and not really profitable."

But the brothers were determined to make it work. They had grown up in the area and knew there were millions of poultry raised there, by Jennie-O Turkey, Gold'n Plump Chicken, and extensive commodity egg laying operations. Large processors nearby were set up to handle the broiler chickens and eggs, but the Froemmings learned that these large companies had difficulty finding outlets to process the broiler-breeding hens and spent laying hens. The brothers saw a business opportunity.



To take advantage of it, TFC had to transition from a custom-exempt facility to a USDA-inspected facility. This required significant investment in the plant itself: \$45,000 of the brothers' own funds

and \$855,000 from private investors and a loan from the local bank. They raised the necessary funds largely on the strength of their business plan, along with the value of the original business, without contractual agreements or commitments from prospective customers or suppliers. “We sold ourselves and our idea to others,” says Darrin. “It was our only way.” Even with the extensive private investment, the brothers retained 100 percent ownership of the business.

Once they received their USDA grant of inspection, the brothers began working with a large poultry company to clear out spent hen houses, process the birds, and sell them through a marketing partnership with that company into conventional (“roasting bird”) and ethnic retail channels (e.g., head-on, feet-on roasters). This program has steadily expanded to include other companies’ spent hen houses and is now about 55 percent of TFC’s volume.

The growth in volume has allowed TFC to expand with new equipment and more people; they now have 50 employees. This required expanding the levels of management and eventually developing a crew of salaried working supervisors, who are well compensated. TFC has no seasonal labor: “That doesn’t work,” says Darrin. In early 2012, they added more shackle lines, completed a waste handling addition, installed an automatic cropper, purchased a larger ice machine, and put in a new stunning system.

Current capacity is 8,000 birds per day to slaughter and process whole carcasses, 4,000 birds per day if they cut the carcasses into parts. There still is much manual labor involved in TFC’s production, particularly in evisceration and cutting, but they have changed the operation significantly from the small, all manual, custom-exempt shop in which they started. To date, they have invested about \$1.5 million into the building and equipment. “We had a canoe and we put a 50 HP motor on it,” both brothers like to say. They estimate they are only at 50 percent of their potential volume with their current equipment, even in their relatively small facility. Because most product is shipped frozen, they will have to expand their freezer space to expand production, though they are currently using fee-for-service blast freezing and cold storage.¹

TFC’s stated goal is to be “big enough to do things, small enough to cater.” While they currently do not offer any cooked production or grinding, they recently purchased a mechanical deboning machine in response to customer demand. They hope to add marinating and cooking capabilities soon.

While the backbone of their business is spent commodity hens, the brothers are still committed to niche and local poultry. They process about 375,000 birds per year for two organic branded meat companies in MN and WI. These two customers account for about 40 percent of the business revenue, for three reasons. First, most of the birds are broilers and are more efficient – and therefore more profitable – to process than spent hens. Second, they charge a higher price per bird. Third, these customers often require fabrication and deboning, which requires considerably more labor from which to generate more revenue.

¹ Shipping frozen product helps because they aren’t subject to the short shelf life of fresh poultry. They also ship fresh whenever and however needed by the customer.

Most of the remaining 75,000 birds per year they process are raised and marketed by small-scale local farmers. TFC occasionally processes turkeys, ducks, and geese for these customers as well. As of this writing, TFC requires a 75-bird minimum processing batch size, and they anticipate this will rise. Darrin explains, "It's a lot of work to keep things segregated, and at \$2.50 a bird, you really need volume to make it worth your time."

Scheduling is another critical challenge of working with small, local farmers. TFC has to schedule dedicated days for duck and geese processing, because these species are a different size than chickens and require a different set up. There were only two duck and goose days in 2012. "The days will be more than full, but we can't get enough to justify a third day." Darrin advises small-scale farmers to book a processing day before they order chicks. "You can get chicks any week. Processing is limited."

The Future

The Froemmings estimate that 15-20 percent of TFC production stays within the local region, between the small-scale farmers and the niche branded customers. They like working with local people and appreciate the idea of local food for local folks. They also know that being too small did not work for them financially. Without the spent hens as the core of their business, they would have been unable to process for niche and/or small-scale farmers.

The brothers are glad to do fee-for-service processing for organic, local, and other niche poultry as long as the batch sizes are large enough and the volume is steady. "We see ourselves going wherever the business is," Darrin says. "We need the spent hens for volume and hope to expand that niche."

Key points:

- Inspected poultry processing on a fee-for-service basis is very difficult to make work;
- TFC survived and thrived after they found one large key customer;
- It took investment and planning to cultivate that anchor customer;
- Developing services for that anchor customer improved their abilities and attracted other customers but also made it more difficult to work with smaller volume farmers.

