# Hudson Valley Livestock Marketing Task Force

# Meat Processing Facility Feasibility Study

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**Thomas J. Shepstone, AICP**

January 31, 2000

Hudson Valley Livestock
Marketing Task Force
PO Box 387
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Re: Feasibility Study - Regional Meat Processing Facility

Dear Task Force Members:

I am pleased to present the results of the study we conducted on your behalf to assess the feasibility of a regional meat processing facility.

We have concluded that a slaughter/processing plant is feasible at the volumes of business anticipated by the Task Force. Such a plant would enjoy an average annual rate return on equity of 20.8%. A plant is also feasible at half these volumes of business if grants-in-aid or other additional non-returnable equity investments are made to cover the capital expense. A slaughter-only plant is feasible if grant funding can be secured to cover 77% of capital expenses.

Summarizing, all three projects are financially feasible, but the last two both require substantial grant funding. It is critical, therefore, to organize producers and document, through production agreements, the supply of animals available. This is the next step we recommend the Task Force take to ensure the consistent availability of slaughtering and processing services for the region.

Thank you for thinking of us!

Sincerely,

THOMAS J. SHEPSTONE, AICP

## Ackowledgements

The contributions of the following were instrumental in producing this study:

### Hudson Valley Livestock Marketing Task Force

Mark Doyle - Rocky Beef Farm

Eve Felder - Culinary Institute of America

Tracy Frisch - Regional Farm and Food Project

Tom Gardener - New England Heritage Breeds Conservancy

Paul Herrington - First Pioneer Farm Credit

Ted Johnson - Almar's Country Road Meat Market

Stephen Kaye - Columbia-Dutchess Chapter NOFA-NY

Lisa Lafferty - Cornell Cooperative Extension of Columbia County

### Sponsors

Cabbage Hill Foundation

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Dutchess County Farm Bureau

Regional Farm and Food Project

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# Hudson Valley Meat Processing Facility
# Feasibility Study

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# Executive Summary

The Hudson Valley Livestock Marketing Task Force employed Shepstone Management Company to help it evaluate the feasibility of developing a single, USDA-inspected facility that would offer the region greater slaughter capacity in combination with other services so producers would be able to market their products profitably. The following is a summary of the results:

## The Market

The Task Force has concentrated on the needs of the small and moderate sized producers found throughout the region. The primary market, from which 50% to 70% of a new facility's business would be expected to come, is estimated at 30 miles in radius. This takes in all of Columbia County, a substantial portion of Greene County and smaller sections of other surrounding counties. The secondary market (30-45 miles), from which 30% to 40% of business would arise, takes in major portions of Albany, Dutchess, Rensselaer and Berkshire (MA) Counties. There is also a tertiary market 45-60 miles away representing perhaps 10% to 20% of business and encompassing parts of Schoharie, Ulster, Litchfield (CN) and Schenectady Counties.

The Census of Agriculture statistics, adjusted for reduced market penetration rates as one moves further away from the Hudson area and verified by surveys conducted by the Task Force, indicate as many as 1,937 beef animals could be available to a new facility to process, plus up to 2,198 hogs, 714 lambs and 100-200 other miscellaneous species animals (not including small animals such as poultry and rabbits).

The success of a meat processing facility depends not only on livestock available, but also the capacity to sell products. A small processor will only be able to compete with larger far more efficient players (e.g., Taylor) if it is able to carve out a niche in selling to populations demanding unique products at higher prices. There are numerous examples. Coleman Natural Products is one and there are large numbers of direct marketers using the Internet to sell natural meats.

This growth in niche market meat businesses is a response to products making specific environmental safety and health claims. Such claims resonate with wealthier households. A 1996 nationwide market survey indicated.

- 82.8% were concerned about the safety of meat products they purchased.
- 70.2% felt over-use of antibiotics in livestock was a serious concern.
- 71.2% preferred to purchase products from animals that have been humanely treated.
- 55% believed hormones and antibiotics were unnecessary in meat production.

Niche marketing of this sort has achieved significantly higher prices in at least some instances. Marketers are receiving prices of as much as $2.74 per pound on the rail for Highlands beef, for example. The demand also appears to be growing. Locust Hill Farms of Argyle, New York, for instance, has experienced substantial growth in servicing direct marketers of niche products. Some 25 such marketers now use its services. These include growers of Scottish Highlander cattle, buffalo, beefalo, deer and other special product animals.

The one absolutely essential means of adding value is a credible certification program. A quality control program, therefore, is critical. There is no natural meat certification program at the USDA level but the agency does offer a Prior Approval Label Process used by companies such as Coleman Natural Products to effectively certify their products. The process Coleman uses to qualify for this label involved USDA analysis of their "audit trail" to verify accuracy and completeness of record keeping from birth to slaughter. It also included third-party verification by other agencies. There are no specific regulations governing this process but all claims must be verifiable from a paperwork trail subject to review by others. The Hudson Valley Livestock Marketing Task Force needs to employ such a program if it is to be successful in attaching added value to its grower's products sufficient to help pay for a new slaughter/processing facility. This will require some form of cooperative both from a quality management perspective and for the purpose of owning and operating the plant. Such a cooperative could also do marketing.

## Existing and Proposed Processing Facilities

An inventory of existing slaughterhouses within the region was made for the purposes of evaluating the supply of services available to Hudson Valley growers. All non-poultry facilities within 75 miles of Hudson listed in the July, 1999 USDA Meat and Poultry Inspection Directory were identified. Investigations were also made with USDA and State officials to determine if any new processing facilities were planned or in development within the region.

A new facility planned near Ellenville faced considerable community opposition and was recently dropped. A Western Massachusetts group is, however, being organized as the Northeast Livestock Producers Association and plans to reopen a slaughter/processing facility located east of Hartford, Connecticut (the “Stafford” or “Home Pride” plant). The Stafford Facility is in excellent condition and should have capacity to service Hudson Valley needs. The Hudson Valley Task Force should consider affiliation with this new cooperative on a group basis. This would allow it to economically support the establishment of additional slaughterhouse/processing capacity in the region while preserving the options of its own members to use or develop competitive services as may be appropriate or necessary.

There were, as of July, 1999, a total of 23 USDA inspected slaughtering facilities within or just outside the 75 miles market area previously discussed and mapped. One of these has since closed and two more are rumored to be shutting down operations soon. Two others offer no commercial services. Those plants with at least some capacity to provide the range of services and volumes required by Hudson Valley growers include Schaller's Packing, of Bridgewater, New York, approximately 80 miles from Hudson. This plant is for sale and could be an ideal situation because it would allow the Hudson Valley group to develop as a cooperative and grow its business prior to taking the step into ownership. Though located a significant distance away, the travel route is relatively easy via the NYS Thruway.

Most growers in the Hudson Valley are already familiar with the Meiller facility in nearby Pine Plains, Dutchess County. It is a small but very well run plant with a heavy demand on usage. It is an immaculately clean operation that delivers high quality services. The plant is located in the middle of a small hamlet on a relatively small property, but the owner indicates there is some room to expand. The Meiller facility is especially convenient, enjoys an excellent reputation and could offer additional capacity to serve the needs of the Task Force if expanded. This would require a partnership of some form between the Meillers and the Task Force. It will not, however, be possible to effectively negotiate with this owner, or any other, if producers are not organized and in a position to deliver a documented flow of business.

Other options include the Adams Farm in Athol, Massachusetts, and the Locust Grove Farm plant located in Argyle, Washington County, New York approximately 65 miles north of Hudson. The latter operation is HACCP compliant and capable of being expanded. Moreover, the owner is interested in additional contract business provided there is a regular demand for it. These could be appealing options for the Task Force to consider as a means of getting a cooperative up and running, documenting the supply of business available and laying the foundation for a processing operation of its own. A contractual relationship with a reliable processor could also easily lead to a future joint venture in developing a new operation more convenient to Hudson Valley growers.

These various possibilities offer the Hudson Valley Livestock Marketing Task Force a number of different options for getting up and running as a marketing cooperative in the short-term. If approached in a deliberate manner, this will provide the guarantees of business required to justify investment in a new plant, whether that investment comes from the private or the public sector. Financial analyses indicate such a plant is feasible at the level of approximately 1,500 steers plus 2,500 other animals per year without any substantial grants or other governmental assistance. With such assistance it is feasible with as little as half those volumes, well within the capacity of such a marketing cooperative to attract business from what is already known to be available.

## Facility Requirements and Costs

Determining the feasibility of a new meat packing facility for the Hudson Valley demands sizing information relative to the market. Given the range of projected volumes discussed earlier, and allowing for some growth over the years, such a plant must be able to process as many as 2,000 beef, 2,200 hogs and a comparable number of other species. These rates can easily be accommodated with a 1,000-1,200 square feet slaughter department. Additional building space and equipment is necessary for coolers, employee areas, fabricating operations, offices and utilities. It is, therefore, reasonable to assume a new slaughter and processing plant would require a building of approximately 5,000 square feet in size. The cost of constructing this space is estimated to be approximately $75 per square foot, not including land and site work.

These costs do not include a retail sales area the assumption being that a Hudson Valley facility would be direct marketing to metropolitan area restaurants and retailers. The total capital costs associated with a Hudson Valley facility are estimated at $330,000 for a slaughter-only facility and $605,000 for a slaughter/processing facility. These numbers form the basis of the cash flow analyses found in the full report.

Locating a new facility when and if the Hudson Valley Livestock Marketing Task Force decides to proceed with one will not necessarily be easy. The first option to be considered should be location in a structure previously occupied by a slaughterhouse. This will permit some exercise of “grandfather rights.” Public opposition is also typically lessened by familiarity with a previously well-run operation. Such facilities include the Hillsdale Plant, located on the Edward Herrington Lumber property. It is now used as part of the lumber operation. The 6 acres on which it lies is a prime piece of commercial real estate and is not for sale at the present time. Acquiring it now would very likely require payment of a substantial premium.

There is also a plant located in the Town of Montgomery, near Walden, New York (west of Newburgh). It was associated with a livestock auction but is now closed and for sale. It includes 2.5 acres of land and an 18,000 square feet, 2-story building. The suitability of the facility for the Task Force’s purposes is unclear but it is close enough to Hudson (less than 40 miles) to warrant some consideration.

The availability of infrastructure is also a critical location factor if a new facility is to be developed. A slaughter plant generates wastes that are often difficult to deal with using subsurface means. Moreover, the cost of a package treatment facility relative to the size of the slaughter plant that would be involved makes that option unrealistic. A reliable supply of potable water is also essential. Finally, the availability of public infrastructure provides a significant cost saving on the capital side, a minimum of $20,000 and as much as $70,000.

Zoning is still another critical factor for the reasons discussed earlier. A new slaughterhouse is likely to prompt "Not in MY Backyard" reactions. Location within an industrial or agricultural district, where slaughter and processing operations are permitted uses, will put the burden of proof on municipal officials and opponents to halt a project. The key to securing local approvals is a combination of sound site planning, presentation and persistence. A properly zoned site makes it easier, however, and provides continuing protection from incompatible uses.

Location away from residences that can pose conflicts, and downwind from other businesses that can generate odors, smoke or dust is also a practical necessity. The latter is, in fact, a USDA requirement. A lot of sufficient size to buffer all the on-site activities (including pens and unloading areas) from adjoining uses, is therefore, appropriate. A 2-acre site should suffice.

These factors are not exclusive but they do suggest a certain type of site - a planned industrial development. The Columbia County Commerce Park offers potential and should be considered. It is largely undeveloped but served with the proper infrastructure, unlimited by inappropriate zoning and located in area away from potentially conflicting uses.

## Alternatives/Recommendations

There are three basic action alternatives available to the Task Force at this juncture. They include; 1) contracting with an existing slaughter/processing company, 2) purchasing an existing facility, and 3) constructing a new facility. Each offers advantages and disadvantages but there is also a natural progression to follow in decision-making. The appropriate steps are as follows:

A. Assessing volume is the first step and this has been done. It should be possible, following a start-up period, to secure volumes of 1,500 beef, 1,250 hogs, 1,000 sheep and 250 other animals per year to process.

B. The next step is for the Task Force to form an organization of growers. The first challenge is to establish a clear and succinct definition of the product (e.g., "meat from animals grown with no hormones or antibiotics on grass-fed diets, using humane methods"). USDA approval will be required. This must be followed by identification of the specific markets to whom these products can and will be marketed. This should not be difficult as individual members are already selling to these markets. A marketing and distribution framework must also be developed. Initially, this might well involve no more than a common label with the Task Force acting as a clearinghouse for market contacts. Promotion would also be involved. It could later include pick-up of animals for transportation to slaughter facilities and the distribution of product to processors, retailers and restaurants. Once these challenges are met, the group will be in a position to aggressively recruit members and further expand. It may also wish to incorporate as a farm cooperative at this point.

C. Following the establishment of a more formal producers group, quality program, label and marketing/distribution framework, the organization should consider whether it needs to actually develop or purchase its own slaughter and processing capacity. Some growers may wish to continue with their own slaughter and processing arrangements or individually join the Northeast Livestock Producers Association. Assuming a majority wish to work through a Hudson Valley producers group (hereinafter referred to as "HVP") to secure more reliable service, the availability of transportation and/or better pricing, the group should initially seek to purchase slaughter and processing services from existing providers. Alternatively, HVP might simply want to invest in the Northeast Livestock Producers Association's Stafford operation to guarantee certain levels of service.

D. Should HVP determine that none of these options are satisfactory it should consider purchasing an existing closed facility that could be reopened. The Hillsdale plant is the best alternative. Costs, however, are critical in determining if this approach makes economic sense. If the property cannot be purchased and rehabilitated for a cost at or below a new facility, the risks of gaining approval for a new plant are probably well worth taking.

E. If it is not possible to find and renovate an existing facility, then HVP should pursue the development of its own plant. The cash flow analyses indicate it is financially feasible to invest private capital in a slaughter/processing operation serving those numbers of animals the Task Force believes it can capture as business. It is also financially feasible to operate such a plant at half those levels of business with 70% public funding of the capital expenses in land, building and equipment. A slaughter-only facility is feasible at 77% grant funding of capital expenses. The analysis, in fact, indicates that a plant would return 100% of an estimated $100,000 in equity in the 7th year of operation. No more than $50,000 of working capital would have to be borrowed.

## Financing Required and Potential Sources

Financing needs associated with a new meat processing facility include up to $480,000 of long-term financing for land and buildings, as much as $180,000 in equipment financing and $50,000 of working capital. The cash flow analyses do not address the need for seed money to cover the costs of organizing producers, forming a cooperative or developing a labeling and distribution system. It is estimated this would require $25,000 to $50,000 in grant money to support the work of hired staff or marketing consultants. This expertise could potentially be secured through Task Force members or by working through existing organizations. The amount of loan and grant money required will vary depending on the project scope. Conventional financing will suffice in some cases while others will demand low-interest loans, second-position financing or grants.

Potential sources of financing include USDA Business and Industry Direct Loans, Rural Cooperative Development Grants, Rural Business Enterprise Grants, Rural Business Opportunity Grants, the Resource Conservation & Development Program (RC&D), the Small Business Administration 504 Loan Program, the Economic Development Administration Facilities Program, the Farmer/Grower Grant Program, the Federal-State Marketing Program, the Catskill Watershed Corporation Economic Development Program, New York State Empire Development Corporation and the Community Development Block Grant Program. There are also numerous other financing programs available through county industrial development agencies, local and regional economic development organizations and private foundations.

## 1.0 Overview - Starting a Meat Business

The Hudson Valley Livestock Marketing Task Force has determined that many local agricultural producers are "marketing their livestock through auction-houses where the only buyers are representatives of large packers and low prices the norm. Additionally, dairy farmers are receiving very low prices for cull calves and are not taking advantage of a strong market demand for locally-raised veal. Local slaughterhouses offer limited capacities and few options for the aging, processing and packaging of meats. This lack of infrastructure limits the options of most producers who wish to market products and many lack the knowledge and resources to distribute their products independently. Accordingly, the Task Force seeks to evaluate the feasibility of developing a single, USDA-inspected facility that would offer the region greater slaughter capacity in combination with options for aging, processing and packaging services so producers would have flexibility for marketing their products profitably." [1]

Starting a meat business is an appealing thought for many livestock producers, especially when they consider the ever-widening farm to retail margins. Press articles regarding successful marketing programs for products in "niche markets" indicate many consumers are looking for products not found in the traditional supermarkets to meet their needs. A healthy economy has given many consumers disposable income far beyond basic needs and many appear willing to pay the price for products they "feel good about."

The meat industry, like most other industries, is consolidating. Each month, acquisitions and mergers are reported in trade magazines showing the consolidations continue. Large corporations such as ConAgra, Cargill and IBP dominate the primary processing area for livestock. These three corporations, along with Smithfield on the pork side, process approximately 80 percent of all cattle and hogs marketed. Supermarket consolidation has occurred at a similar rate, making it difficult for small and mid-sized packers to offer product in sufficient quantity to enter these markets today.

Small packers and processors are constantly barraged by more stringent regulations for food safety and environmental protection. Costs of maintaining and operating small plants continue to escalate faster than profits. Each year a

1 Source: Request for Proposals for Feasibility Study

few more of these small family operations give in to the economic realities and go out of business. Smaller plants tend to be less labor efficient and have a lower return from by-products. Today that difference in "drop" value (the net value of all by-products) can be as much $85 per head between small and large packers on a 1,200 pound steer. Uneven demand for product mix (steaks, roasts and ground beef) tends to make it difficult for small processors to sell all products in an orderly manner.

Yet, there are increasing numbers of successes in the "niche markets." Branded products today are a force in the market beyond expectations from only ten years ago. Nationwide, consumers seem more interested in eating quality than in perceived safety (high marbling vs. "natural") but the New York City market, as an example, is very environmentally conscious and sensitive to health and safety issues. Retail chains that did not acquire the Certified Angus Beef franchise for their area have, in some cases, found themselves at a considerable disadvantage insofar as consumer perceptions of their beef products. Although generally characterized by smaller sales, companies that offer environmental, health and safety claims (e.g., no hormones, no antibiotics, humane treatment, grass fed) have done well. Coleman's, Maverick, Manning and Laura's Lean, have all found niches in which to market their product. Most consumers are not willing to pay the price, but enough are to keep these companies in the market. Indeed, Coleman's had $55,000,000 in sales in 1997 and was the 126th largest meat company in the U.S.

An eastern Pennsylvania supermarket chain was recently marketing Coleman's ground round at $4.99/lb., nearly double the price for Certified Angus Beef ground round. Trips to California and New York City supermarkets show that consumers "want what they want" and are willing to pay for it. Manning boneless strip loins sell in California for $19.95 and aged (in the store) bone-in loin steaks retail in New York as much as for $15/lb., demonstrating this point. Consumers don't want it as often, but when they do, they want the perceived top quality small scale producers can often deliver. Consumers also perceive smaller products from "smaller" producers as being safer. Relating the product all the way along the line to an individual producer gives a great deal of consumer confidence.

There are, as a result, many small plants that have flourished and grown. Third and fourth generations are taking over some profitable meat processing operations and new ones are springing up. Some of the food safety short-courses Pennsylvania State University has conducted for the very small plants have been attended mostly by "twenty-something," new-generation managers, a sign that they see a future in this industry.[2]

Like most all of agriculture today, the difference between success and failure is success in marketing, not the ability to process or produce a certain type or quality of product. It should not be difficult to find a processor with the necessary technology who is willing to process or produce a product for a reasonable charge so as to allow the Hudson Valley Livestock Marketing Task Force to get started in business. Finding such a "partner" is the key to allowing for the primary early efforts to be put into a marketing plan.

If this marketing is done correctly, it should not be difficult to later finance a plant expansion or even a new operation, but beginning under a contract relationship with an existing processor will permit the business to begin without such severe demands on time and capital. It will also allow for the production of many types of products, using the expertise of an experienced processor without the commitment for adequate salaries and benefits. It also gives much more flexibility to make different or new products as the market establishes the demand for a product or products. The priority for the Hudson Valley Livestock Marketing Task Force, therefore, must be to document what it has to sell and then develop a comprehensive marketing plan. Such a plan should build upon the successes of individual Hudson Valley growers already selling to the metropolitan markets. It can be informally developed but needs to address the issues of how products will be certified and sold, probably under some form of cooperative structure. Once that step is taken and a market is documented and proven, finding ways to process the products more efficiently and increase capacity will be relatively easy, using the information provided herein.

The purpose of this report is, indeed, to assist the Hudson Valley Livestock Marketing Task Force in evaluating the feasibility of a slaughterhouse/processing facility and, given the results of that analysis, to develop an appropriate business plan for such a facility. It is intended to enable the Task Force to secure investors/partners, develop a financial proposal and obtain funding for purchase of

2 Source: William Henning, Professor of Meat Science at Penn State and member of the consulting team for this study.

a site and the construction of a new building or retrofitting of an existing facility, to the extent these approaches are feasible. It is anticipated the study will also be used to guide site selection, establish management, hire personnel, create a marketing program and initiate a promotional and educational effort to train interested farmers as well as sales and distribution personnel.

# 2.0 Market Analysis

## 2.1 Market Area Definition

The size of the market for a meat processing facility is governed by the distance a livestock producer is willing to travel for slaughtering or fabrication services and, more specifically, by the economic feasibility of transporting animals to the facility. That travel distance is probably not more than an hour, or 60 miles, for most farmers transporting less than 5 animals and perhaps 120 miles for those with 6-10 beef. A large scale processor dependent upon having a steady volume of animals (e.g. Taylor Packing) will, however, find it economical to assemble bigger loads from further away, as far as 200 miles. Defining the market, therefore, depends on the nature of the customer.

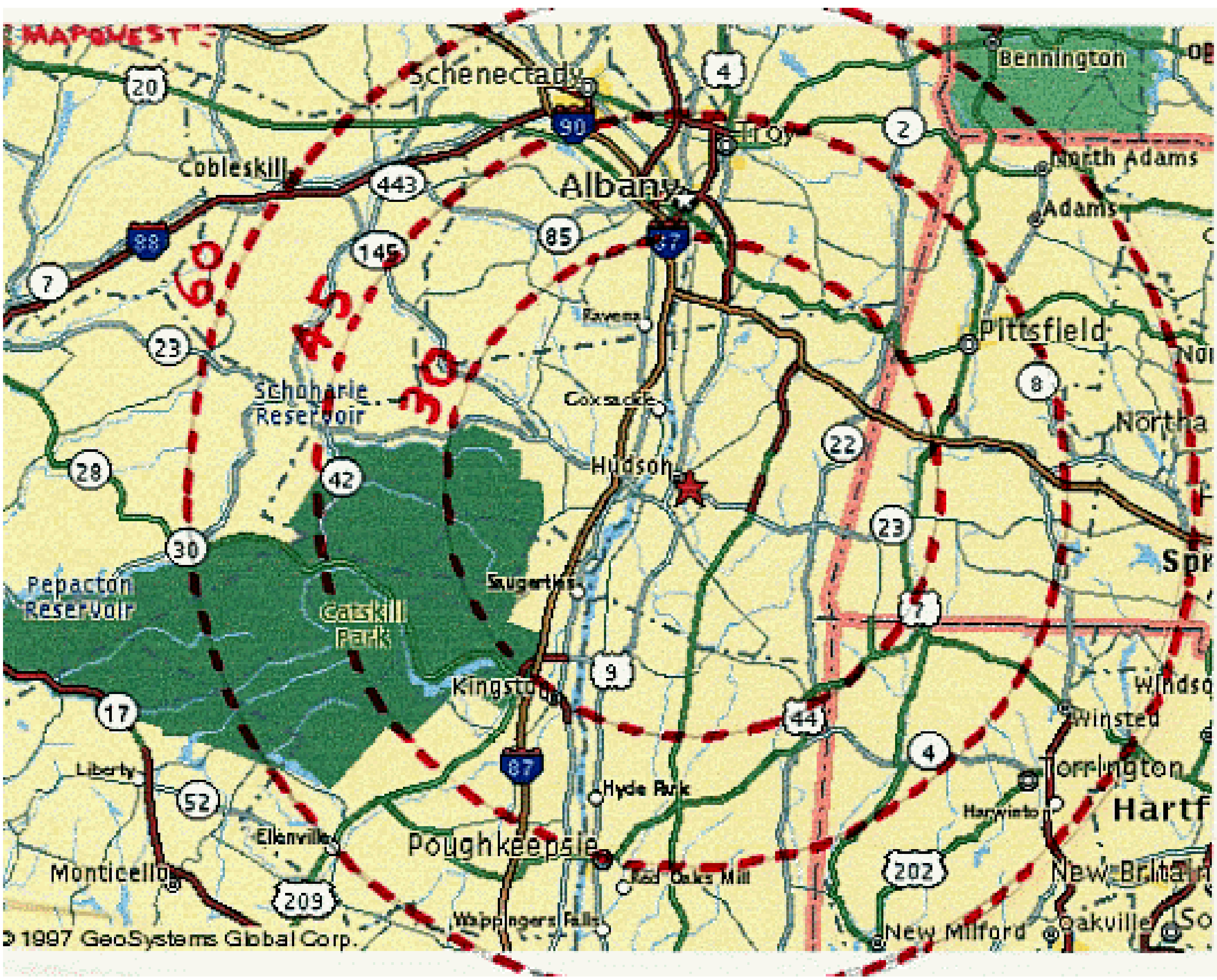
The Hudson Valley Livestock Marketing Task Force has largely, though not exclusively, directed its efforts toward meeting the processing needs of the relatively small and moderate sized producers typically found throughout the region. Larger meat packers do assemble loads within the area and serve the needs of the larger producers. Therefore, it is safe to assume the market in this instance consists of relatively small scale producers who will, more often than not, be transporting their own animals to a processing facility.

Given this circumstance, the primary market, from which 50% to 70% of a new facility's business would be expected to come, is estimated to be approximately 30 miles in radius. This range was confirmed in the course of this study by consultations with other USDA and State-inspected plant operators and, if one further assumes Hudson as a base of operations, this would take in all of Columbia County, a substantial portion of Greene County and smaller sections of other surrounding counties. The secondary market is gauged to be that area 30-45 miles away, from which 30% to 40% of business could be expected to arise, and it takes in major portions of Albany, Dutchess, Rensselaer and Berkshire (MA) Counties. This leaves a tertiary market 45-60 miles away representing perhaps 10% to 20% of potential business and encompassing parts of Schoharie, Ulster, Litchfield (CN) and Schenectady Counties. These market areas are mapped out on the page following.

# Hudson Valley Livestock Marketing Task Force

## MARKET AREA DEFINITIONS

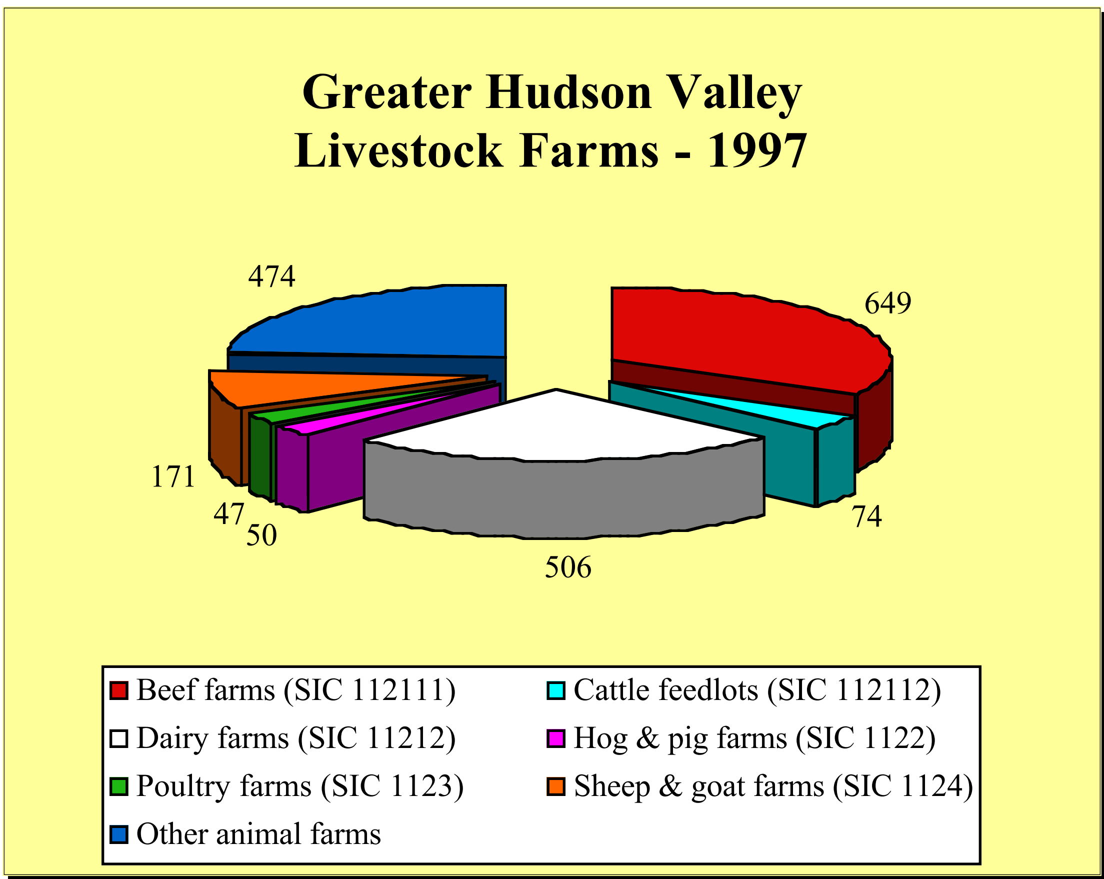
Primary Market = 0 to 30 Miles
Secondary Market = 30 to 45 Miles
Tertiary Market = 45 to 60 Miles



## 2.2 Market Area Description

There are approximately 1,216,450 acres of farmland within the 10 counties constituting the greater market area. There are approximately 4,256 farms and about 1,971 of these are in some form of livestock industry. Altogether, these farms produced some $283,435,000 in sales in 1997, of which $162,478,000 or 57.0% was livestock-related.[3]

The following chart and table provide illustrations based on data from the 1997 Census of Agriculture:




3 Source: 1997 U.S. Census of Agriculture.

# Table 2.2.1 Greater Hudson Valley Region Agricultural Statistics

| | Columbia County | Albany County | Berkshire County | Dutchess County | Greene County | Litchfield County | Renssalaer County | Schenectady County | Schoharie County | Ulster County | Totals |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Crop sales | $18,923,000 | $6,730,000 | $8,294,000 | $16,473,000 | $3,198,000 | $10,495,000 | $9,612,000 | $4,386,000 | $5,847,000 | $36,998,000 | $120,956,000 |
| Cattle & calf sales | $3,314,000 | $4,937,000 | $846,000 | $2,581,000 | $766,000 | $1,450,000 | $2,227,000 | $147,000 | $2,665,000 | $525,000 | $19,458,000 |
| Dairy sales | $26,606,000 | $3,703,000 | $9,578,000 | $9,198,000 | $2,848,000 | $13,124,000 | $16,376,000 | $958,000 | $17,976,000 | $2,094,000 | $102,461,000 |
| Hog & pig sales | $59,000 | $100,000 | $94,000 | $57,000 | $9,000 | $323,000 | $192,000 | $25,000 | $32,000 | $462,000 | $1,353,000 |
| Poultry/egg sales | $1,685,000 | $12,000 | $1,159,000 | $520,000 | $1,587,000 | N/A | $60,000 | N/A | $30,000 | $81,000 | $5,134,000 |
| Sheep, lamb & wool sales | N/A | $41,000 | $27,000 | $130,000 | $34,000 | $104,000 | $75,000 | N/A | $83,000 | $34,000 | $528,000 |
| Other livestock sales | N/A | $248,000 | $727,000 | $5,005,000 | $339,000 | N/A | $158,000 | $64,000 | $339,000 | $2,084,000 | $8,964,000 |
| **TOTAL SALES** | $72,675,000 | $15,771,000 | $20,725,000 | $33,964,000 | $8,781,000 | $27,461,000 | $28,700,000 | $6,108,000 | $26,972,000 | $42,278,000 | $283,435,000 |
| Farms | 464 | 396 | 387 | 539 | 244 | 689 | 459 | 151 | 518 | 409 | 4,256 |
| Farm acres | 114,883 | 56,782 | 62,833 | 106,749 | 48,770 | 90,538 | 98,965 | 18,168 | 110,773 | 68,989 | 777,450 |
| Beef farms (SIC 112111) | 50 | 77 | 61 | 60 | 51 | 100 | 93 | 18 | 103 | 36 | 649 |
| Cattle feedlots (SIC 112112) | 6 | 8 | 5 | 14 | 5 | 12 | 8 | 3 | 10 | 3 | 74 |
| Dairy farms (SIC 11212) | 74 | 26 | 38 | 45 | 30 | 61 | 75 | 8 | 134 | 15 | 506 |
| Hog & pig farms (SIC 1122) | 4 | 7 | 5 | 8 | 0 | 6 | 4 | 3 | 3 | 10 | 50 |
| Poultry farms (SIC 1123) | 4 | 3 | 6 | 6 | 4 | 8 | 4 | 1 | 3 | 8 | 47 |
| Sheep & goat farms (SIC 1124) | 21 | 18 | 16 | 24 | 13 | 23 | 19 | 3 | 21 | 13 | 171 |
| Other animal farms | 51 | 32 | 43 | 115 | 24 | 72 | 42 | 16 | 31 | 48 | 474 |

Source: 1997 Census of Agriculture.

The relatively large "other livestock" category is attributable to some significant sheep operations (including a 500+/- head dairy sheep farm), the trout and carp farm in Hillsdale and a smattering of hog, specialty poultry, rabbit, llama and other farms that don't fit into traditional categories. There is also a large number of dairy goats in Columbia County (1,977 animals in 1997) and this includes an operation of 600+/- head.

Columbia County is the heart of the market area. Its farm economy enjoys several strengths or marketable advantages shared with its surrounding Hudson Valley neighbors. Among these is a unique geographic position with Albany to the northwest, New York City to the south and Connecticut to the east. This allows local producers, with the means to do so, the opportunity to market directly to these urban centers.

Likewise, good access from New York City and Connecticut has attracted new wealthier residents to the County who have invested in some novel farm enterprises and created demand for the fresh fruits and vegetables offered at area farm stands. These are the same persons investing in antique shops and similar attractions in the City of Hudson. There are, significantly, also some high end delicatessen type operations in Dutchess County and meat markets in Columbia County where “natural” meat products are being sold at premium prices to these households.

While there is a critical mass of most agri-businesses in the region, certain key facilities are unavailable within a reasonable proximity. The best example is the lack of a slaughterhouse that will consistently accommodate the needs of smaller livestock enterprises. The nearest such operation is now located in Pine Plains in northern Dutchess County and it is mostly oriented toward larger commercial growers as opposed to the types of livestock operations typically found in Columbia and most of the Hudson Valley. (See Section 3.0 hereof for a more detailed discussion on this point.)

Low profitability has, to no surprise, been as much of a problem for Columbia County's farmers as others throughout the country. The 57 regional dairy farms surveyed by Cornell, in fact, received a return on total capital of only 0.46% before asset appreciation and this is without deducting what the farmer should have received in labor and management income. The average dairy farmer only received $1,398 in such income after deducting unpaid family labor. Many existing farmers, dairy and others, unfortunately, have been living off their equity.

Addressing the low-profitability issue demands capturing a larger share of the retail price. This can be accomplished by diversifying, specializing, adding value at the farm and engaging in more direct marketing. The experience of adjacent Catskills farmers in growing unique products under contract with New York City restaurants suggests there is significant potential in these areas.

The key to survival for many small businesses in today's very competitive environment is in finding their own niches. Natural beef, pork and lamb are distinct possibilities given the availability of grazing land. Rotational grazing, in particular, has the potential to yield excellent results in the Hudson Valley both in terms of quality and in lowered costs of inputs for farmers desperately in need of greater profits.

## 2.3 Inventory of Livestock

Livestock numbers are essential to evaluating the potential supply available to a meat processing facility and to the sizing of such an operation. One can also assume the supply will expand to some extent to meet the demand created by an effective marketing program. Attempts to finance an enterprise on the basis of such speculation, however, are not likely to be successful. Existing supplies of animals available within the market area must form the foundation of any business plan.

The extent of these existing supplies have been assessed using two methods; 1) an analysis of Agricultural Census and Agricultural Statistics Service data, and 2) a survey of producers from within the market area, including presently underserved areas of the lower Hudson Valley. Both sets of information are important. The first helps to establish the upper limits with respect to the supply available while the second assists in assessing how much of that supply could be expected to utilize a new Hudson Valley processing facility or marketing program.

The 1997 Census of Agriculture and the New York State Agricultural Statistics Service's annual estimates provide detail on animal inventories. The data is organized and presented in several ways but, in the case of beef and lambs, there are no actual slaughter numbers. The numbers of feeder pigs sold, all of which can be assumed to go to slaughter, are available, however.

Beef slaughter figures have been estimated based on the inventory of steers, steer calves, bulls and bull calves. It is reasonable, based on the statewide ratio of cattle fattened for slaughter to steer inventories, to expect that up to 35% of that inventory will be available for slaughter in any one year, the remainder consisting of either growing stock or feeder calves exported out of the region for finishing.

Lambs slaughtered have been calculated using the numbers of sheep sold with an adjustment for the relatively high number of live market sales to nearby ethnic markets. Slaughter of miscellaneous animal species (e.g. deer, goats and ostriches) have been simply estimated to be 10% of the major species.

Table 2.3.1 following provides a summary of these slaughter estimates for the 10-county market area. Columbia County, as the heart of the primary market area was counted at 100%, meaning that all of the County's supply would be reasonably available for a Hudson Valley processing facility to service. No business can, however, be expected to capture all of the potential business available to it within a given market area. This is because existing producers are already obtaining processing services and many of them will be reluctant to change providers. This will even be true if they are not completely satisfied with the service they presently receive. Most will logically not want to break off relationships with an existing facility until the new player is established and proven. Otherwise, they run the risk of losing their product outlet if the new plant should fail. Other producers may not want to do business with a new processor for reasons of convenience, cost, standards or personality.

This is why it is difficult, though certainly not impossible, for any new business to capture more than 25% of that business that is potentially available to it at the outset. Such a rate has been applied in this instance to establish the likely number of animals a new processing facility could, in the real world, be expected to receive when it opened. The operator can and should, clearly, pursue all of the market but for purposes of a feasibility determination, a market penetration rate of 25% provides a reasonable foundation for starting business.

## Table 2.3.1 Hudson Valley Livestock Market Area Inventory

| County | % of County in Market | Inventory of Steers, Steer Calves, Bulls & Bull Calves | Estimated Annual Slaughter | H. Valley @ 25% Market Penetration | Feeder Pigs Sold | H. Valley @ 25% Market Penetration | Sheep and Lambs Sold | Estimated Annual Slaughter | H. Valley @ 25% Market Penetration | H. Valley Sub-total Major Species | Estimated Other Species |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Columbia** | 100% | 1,183 | 414 | 104 | 679 | 170 | 2,644 | 1,322 | 331 | 604 | 60 |
| **Greene** | 75% | 420 | 147 | 37 | 50 | 13 | 359 | 180 | 45 | 94 | 9 |
| **Albany** | 50% | 1,409 | 493 | 123 | 50 | 13 | 372 | 186 | 47 | 182 | 18 |
| **Dutchess** | 50% | 643 | 225 | 56 | 117 | 29 | 729 | 365 | 91 | 177 | 18 |
| **Renssalaer** | 50% | 517 | 181 | 45 | 470 | 118 | 593 | 297 | 74 | 237 | 24 |
| **Berkshire** | 50% | 296 | 104 | 26 | 573 | 143 | 222 | 111 | 28 | 197 | 20 |
| **Schoharie** | 25% | 481 | 168 | 42 | 17 | 4 | 361 | 181 | 45 | 91 | 9 |
| **Ulster** | 25% | 287 | 100 | 25 | 114 | 29 | 103 | 52 | 13 | 66 | 7 |
| **Litchfield** | 25% | 280 | 98 | 25 | 118 | 30 | 320 | 160 | 40 | 94 | 9 |
| **Schenectady** | 10% | 17 | 6 | 1 | 10 | 3 | 6 | 3 | 1 | 5 | 0 |
| **TOTALS** | **N/A** | **5,533** | **1,937** | **484** | **2,198** | **550** | **5,709** | **2,855** | **714** | **1,747** | **175** |

**NOTES:**

1) Feeder pig sales for Greene, Albany and Schnectady Counties are estimated.
2) Primary market is assumed as 30 miles and is factored at 100% before applying 25% penetration rate.
3) Secondary market is assumed as 30-45 miles and is factored at 50% before applying 25% penetration rate.
4) Tertiary market is assumed as 45-60 miles and is factored at 25% before applying 25% penetration rate. Schenectady County adjusted to 10% for small portion included.
5) Beef slaughter rate estimated at 31% based on
5) Sheep and lamb sales market penetration rate is reduced by half to account for heavy live market sales to ethnic markets, etc..

Outside of Columbia County the numbers also have been adjusted for the increased distances producers have to travel, their resulting higher costs and the availability to them of competitive processing facilities. Producers from Greene County, for example, can probably be enticed to come to Hudson to process their animals because the facilities immediately available to them are of relatively low quality. A plant in Columbia County with superior services would be attractive. The availability of SUNY-Cobleskill's processing facility to the west of them, however, reduces this appeal as one moves further in that direction. Obviously, greater distances will result in greater costs in time and money that can quickly exceed the value of the services a Hudson Valley facility might offer.

Greene County numbers, for this reason, have been adjusted to 75%. The existing plant in Greenville has a very uncertain future and a Hudson Valley facility should be able to tap most of that market. Albany, Dutchess, Rensselaer and Berkshire Counties have been reduced to 50% and other Counties have been similarly adjusted downward to 10% or 25% of their base numbers, before applying the 25% market penetration rate. This is a very conservative approach, but warranted when one is considering investing in a new facility that could easily cost as much as $500,000 to $1,000,000 to construct.

The resulting numbers, as detailed in Table 2.3.1, indicate between 484 and 1,937 beef animals could be available to a new facility to process, with the lower number being a starting point. Likewise, 550 to 2,198 hogs and an estimated 714 lambs are available, plus 100-200 other miscellaneous species animals (not including small animals such as rabbits).

## 2.4 Markets for Products

The success of a meat processing facility depends not only on the inventory of livestock available, but also on the capacity to market products. A small plant will only be able to compete with larger far more efficient players (e.g., Taylor) if it is able to carve out a niche in selling to populations demanding unique products at higher prices. As the "Overview" section of this report indicates, there are numerous examples of success in meat marketing by smaller companies who have targeted particular customer bases. Coleman

Natural Products is, perhaps, the most prominent but there are also now large numbers of direct marketers using the Internet to sell natural meats.[4]

This growth in niche market meat businesses is a response to products making specific environmental safety and health claims. Such claims resonate with wealthier households. The Hartman Report - Food and the Environment: A Consumer's Perspective, summarized the results of a 1996 nationwide market survey validating this conclusion.[5]

- 82.8% of respondents were concerned about the safety of the beef and poultry products they purchased.
- 70.2% felt over-use of antibiotics in livestock was a serious concern.
- 71.2% preferred to purchase products from animals that have been humanely treated.
- By a 55% to 14% margin, those surveyed believed that hormones and antibiotics were unnecessary in meat and poultry production.

A 1997 update of the study found 74% of those surveyed preferred that producers making claims about environmental performance be certified. Similar results have been obtained in conjunction with other studies. The Food Marketing Institute, in a 1996 study entitled "Consumer Attitudes and the Supermarket" Trends in the United States, indicated 42% of shoppers surveyed felt antibiotics and hormones used in poultry or livestock constituted a "serious hazard." Organic sales (which are not the same as "natural") are growing as much as 20% per year in the U.S.[6]

Most of these studies focused on consumer interest in products free of antibiotics and hormones from humanely treated farm animals, items important to Coleman's marketing program. There are, though, other factors of interest to consumers that can be broadly construed as fitting into the "natural" category. These include pastured (aka, "grass-fed” or "free-range")

4 See Appendix 7.1 for examples.
5 Conducted by the Hartman Group, a Bellevue, Washington research institute - Phase I and Phase II reports.
6 "Organic Farming: Facing Choices at the Crossroads" conference report by Dr. Charles Benbrook, 1998.

animals and "hand-raised" beef. Avoidance of animal by-product feeds, synthetics, steroids and wormers is also used to market meat in many instances. Such information is often combined with other related claims of low-fat, low-cholesterol meat. Use of rare breeds with genetic characteristics along these lines (e.g., Scottish Highlanders, Belgian Blues, etc.) is also an effective promotional device. Family operations, small farms and geography are still other features that are employed to niche market meat.[7]

Niche marketing of this sort has achieved significantly higher prices in at least some instances. Marketers are receiving prices of as much as $2.74 per pound on the rail for Highlands beef, for example. The demand also, from anecdotal evidence, appears to be growing. Locust Hill Farms, for instance, is a slaughterhouse and processing located in Argyle, New York approximately 65 miles north of Hudson. It has experienced substantial growth in servicing direct marketers of niche products. Some 25 such marketers now use its services. These include growers of Scottish Highlander cattle, buffalo, beefalo, deer and other special product animals.

Other pricing data found in the Overview section and Appendix 7.1 confirms that it is possible to secure higher prices for the types of products the Hudson Valley Livestock Marketing Task Force wishes to offer. Geography is also a factor in that the Hudson Valley has convenient access to the New York City metropolitan market where wealthier "green" buyers represent a relatively greater portion of the market. Members of the group are already successfully marketing natural beef to this customer base. Indeed, the demand from this market has exceeded the supply insofar as the ability of growers to find reliable processors. This is what has driven this Task Force to consider the feasibility of establishing its own slaughter processing facility. The experience of the neighboring Watershed Agricultural Council in selling to New York City restaurants provides still further evidence that this is no fluke - that it is possible with proper packaging to sell natural meat products to the metropolitan market at a premium.

The question is: How much of a premium? The answer is not entirely clear. There is debate regarding just how deep the interest in natural products really

7 An excellent example of a web site using all these concepts, the Canfield Valley Cattle Company, is found in Appendix 7.1 hereof.

goes. Some research suggests a large shift in attitudes toward "socially responsible" purchasing. Others indicate consumer concerns are, at best, superficial. This confusion is attributable to a combination of failed expectations and poor marketing. The Hartman Report referenced earlier suggests there is a large latent demand for green-labeled food. Its surveys indicate that 52% of consumers "would buy earth-friendly foods that taste good, are easy to find and do not cost a bundle." [8] However, the entry of larger players into the market with misleading claims of being "natural" has made many consumers skeptical of what is natural and what is not, blurring the distinctions between natural and organic. This, in turn, has reduced the prices they are willing to pay for these qualities.

Simultaneously, consumers see larger companies shifting toward higher quality products as a matter of course. This reduces their level of concern as buyers. Moreover, as the higher quality item becomes standardized, prices drop back to more normal levels. The "Certified Black Angus" program is an excellent example of this. It has become the standard and, therefore, no longer commands the price advantage it once offered. Now Coleman's is purchasing "Certified <u>Red</u> Angus" feeder cattle. This type of continual adaptation is essential in niche marketing as is the need to offer a bona fide certified product.

Many consumers have been turned off by inferior quality products making "green" claims and this is a major challenge for the Hudson Valley Livestock Marketing Task Force. There is, in reality, no major "green market" - only a quality market.[9] [10] Marketing efforts, therefore, must be targeted at those aspects of meat that convey quality, integrity and value, recognizing that environmental attributes can convey certain of these qualities. Those aspects clearly include meat that is free from growth hormones and antibiotics. Some 17% of those consumers surveyed in the Hartman Report, for instance, indicated they actually <u>purchased</u> such products. Pasture-raising of animals may also add value as evidenced by successful employment of this concept in

8 "Growing the Green Market," American Demographics, August, 1977.

9 The Green Gauge Report by Roper Starch Worldwide indicates "True-Blue Greens" make up 10% of the American adult population, down from 11% in 1990,and are only willing to pay an average of 7% more for ecologically friendly products.

10 The Hartman report indicates organic and other "earth-sustainable" methods represent only 2% of overall food sales.

various national marketing programs (particularly in the poultry industry), although the documentation of this is hard to come by. Linking of grass-feeding to low fat and low cholesterol meat is certainly the best way to ensure the "pastured" message conveys real consumer value.

The one absolutely essential means of adding value is a credible certification program. Consumers will not for long be willing to pay premiums for products that taste poorly or are found to be less than represented. A quality control program and meaningful certification, therefore, is critical. There is no natural meat certification program at the USDA level but the agency does offer a Prior Approval Label Process that has been used by companies such as Coleman Natural Products to effectively certify their products. The company's label makes the following claim:

> **"Our animals never receive antibiotics or growth hormones from the time they are born. Any animal requiring therapeutic treatment is treated and removed from the herd. No antibiotics were ever added to the feed. Only vitamins and minerals are added to these feeds."**

Most significantly, this label also says "U.S. inspected and passed by the Department of Agriculture."

The process Coleman used to qualify for this label involved USDA analysis of Coleman's "audit trail" to verify accuracy and completeness of record keeping from birth to slaughter. It also included third-party verification by other agencies. There are no specific regulations governing this process but the most basic requirement is that all claims be verifiable from a paperwork trail subject to review by others. The Coleman pre-birth certification program remains, however, largely self-regulated. Growers who are company suppliers sign and submit a pre-approved supplier form indicating that they understand and accept Coleman's antibiotic and hormone policy. To enter cattle in the program they must complete a "Natural Affidavit" prior to each change of ownership of the animal. Slaughter facilities are also subject to unannounced inspections by Coleman to verify the use of humane techniques.

The Hudson Valley Livestock Marketing Task Force needs to employ a similar program if it is to be successful in attaching the added value to its grower's products sufficient to help pay for a new slaughter/processing facility. The experience of members indicates the market is there to tap but consistent quality will be the key ingredient to developing a brand image worthy of investing in a plant to process those products. This will require some form of cooperative both from a quality management perspective and for the purpose of owning and operating the plant. Such a cooperative could also do marketing. The group's informal efforts in this regard (an impressive brochure, an appearance at the Culinary Institute of America and penetration of the New York City restaurant market) are, indeed, quite impressive. A cooperative could also obviously choose to simply contract out for slaughter and processing services. This would allow it to verify the market as an interim step to establishment of its own slaughter/processing facility.

Regardless which options the Task Force pursues in regard to marketing and the development of processing capabilities, the foundation for long term success must include some form of certification program on the order of Coleman's. Individual growers delivering high quality can tap markets without the benefit of such a program but they will be always at the mercy of their processors. Their capacity to grow will be limited without working together to ensure that their processors and their customers are both guaranteed consistent volumes of constantly high quality product. This can only be accomplished long-term through some form of a cooperative relationship combined with a quality certification program. This must be one of the first orders of business for the Task Force.

# 3.0 Inventory of Existing Processing Facilities

## 3.1 Existing Slaughterhouse Facilities

An inventory of existing slaughterhouses within the region was made for the purposes of evaluating the supply of services available to Hudson Valley growers. This information is important from a competitive standpoint in ascertaining the feasibility of a new meat processing plant for the area. It also serves to identify alternatives to such a plant.

It was decided to consider all plants within 75 miles of Hudson as potentially competitive. The market area for animals was previously defined as extending up to 60 miles from Hudson. Growers on the periphery, however, will have choices outside these boundaries and, therefore, the supply side market was estimated to extend another 15 miles. All facilities within this region that were listed in the July, 1999 USDA Meat and Poultry Inspection Directory were identified.

Background information on each plant was gathered by contacting various agency personnel, or more often, direct communications with operators. Poultry facilities were not included except for Pellah Poultry in Sullivan County, a Kosher slaughter facility recently expanded to do lambs. Certain known facilities within reasonable proximity to the 75 miles boundary were also considered if they appeared to have significant capacity, were known to be used by market area producers or were of high quality.

The results of this inventory follow:

# USDA Plants

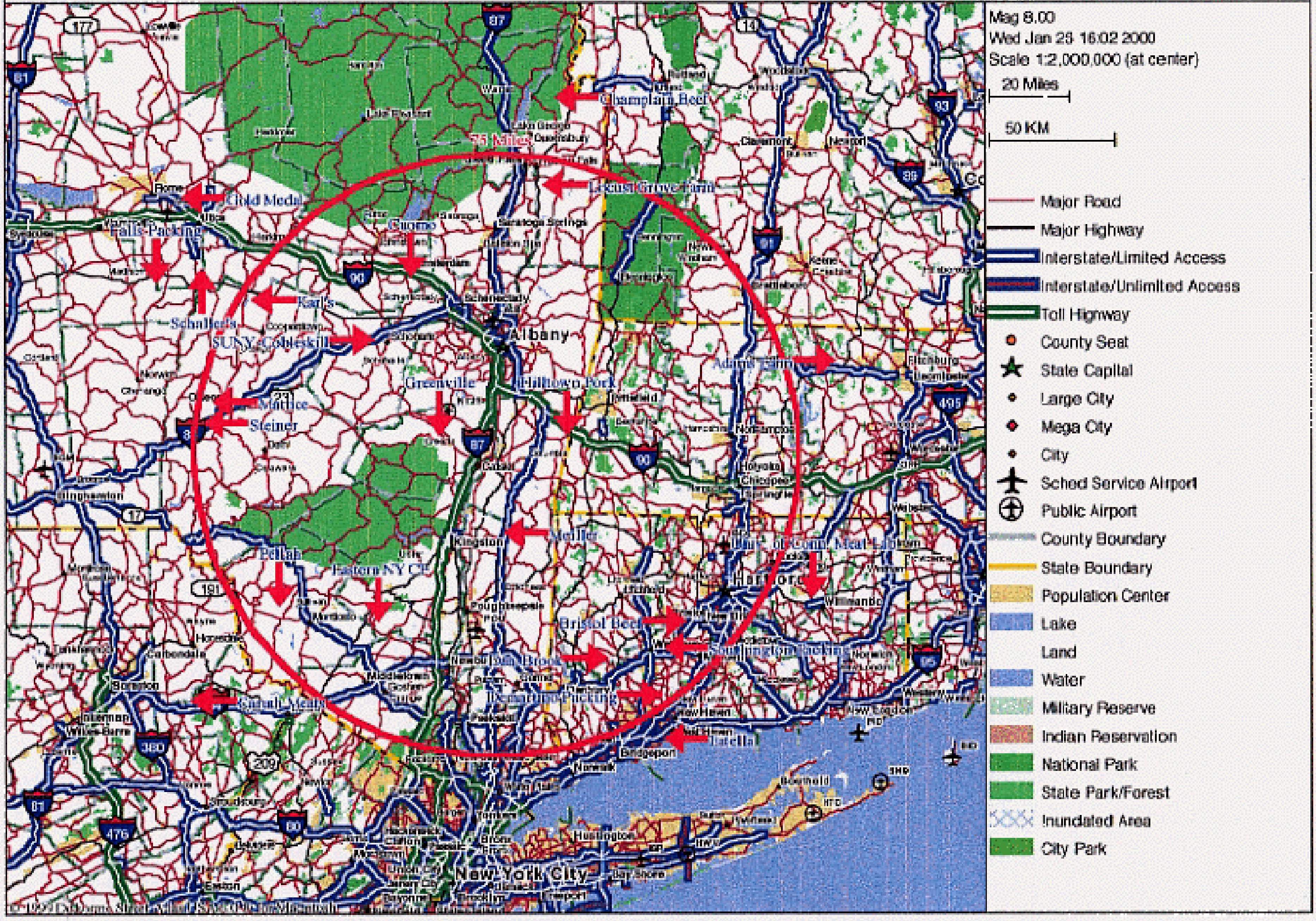

Mag 8.00
Wed Jan 26 16:02 2000
Scale 1:2,000,000 (at center)
20 Miles
50 KM
Major Road
Major Highway
Interstate/Limited Access
Interstate/Unlimited Access
Toll Highway
County Seat
State Capital
Large City
Mega City
City
Sched Service Airport
Public Airport
County Boundary
State Boundary
Population Center
Lake
Land
Water
Military Reserve
Indian Reservation
National Park
State Park/Forest
Inundated Area
City Park
75 Miles
Champlain Beef
Locust Grove Farm
Gold Medal
Falls Packing
Schaller's
Karl's
SUNY Cobleskill
Albany
Greenville
Hilltown Pork
Adams Farm
Mattice
Steiner
Meller
Hartford
Bellah
Eastern NY CP
Bristol Beef
New York City

**Table 3.1.1 Regional USDA Slaughter Facilities (Non-poultry) - Part 1**

| USDA No. | Name | Location | Services | Description |
|---|---|---|---|---|
| 5497 | Adams Farm | Athol, MA | Slaughter<br>Processing<br>Boning | Does up to 30 beef, 120 hogs & 150 lambs/goats weekly. Plans to expand. HAACP in effect. Custom/direct = 2/3 of business. |
| 9776 | Caruth Meats | Moscow, PA | Slaughter<br>Processing<br>Boning | Small fairly modern facility with a large volume and a wholesale/retail meat business. Does all large animals. High quality. |
| 4473 | Cuomo Meat Packers, Inc. | Amsterdam, NY | Slaughter<br>Processing<br>Boning | Older facility. Small operation. No younger generation to take over the business and expand capacity. |
| 4707 | Demartino Packing | Seymour, CT | Slaughter<br>Processing<br>Boning | No information available. Rumored to be closing. |
| 8872 | Eastern New York Correctional Facility | Napanoch., NY | Slaughter<br>Processing<br>Boning | State prison facility processing animals raised on prison farms. Not available for commercial processing. |
| 4481 | Falls Packing | Oriskany Falls, NY | Slaughter<br>Processing<br>Boning | A cull dairy cow facility. Does 30-50 per week for ground beef only. Has market with NYC fabricator but not for steers. |
| 17965 | Gold Metal Packing | Rome, NY | Slaughter<br>Processing<br>Boning | A veal-only facility with no interest in doing other slaughter or processing. |
| 9956 | Greenville Packing | Greenville, NY | Slaughter<br>Processing<br>Boning | Old and poorly maintained facility reportedly about to go out of business. Does both large and small animals and Halal. |
| 4018 | Hilltown Pork, Inc. | Canaan, NY | Slaughter<br>Processing<br>Boning | 1978 plant specializing in hogs, sheep and oats. Good operation focused on the pork industry. No room to expand. |
| 4477 | J Meiller Slaughterhouse, Inc. | Pine Plains, NY | Slaughter<br>Processing<br>Boning | Very active operation located on small property in-town. High quality. Does large animals. Limited capacity to expand. Long waiting list. |
| 4418 | Karl's Slaughter House | Richfield Springs, NY | Slaughter<br>Processing<br>Boning | No information available. Appears to be small family operation. |
| 4265 | Locust Grove Farm | Argyle, NY | Slaughter<br>Processing<br>Boning | Does 60-80 beef per week, hogs, sheep, buffalo, beefalo, deer, etc. Works with 25 direct marketers now with capacity for more. |
| 4728 | Mattice Packing, Inc. | Oneonta, NY | Slaughter<br>Processing<br>Boning | Very small operation working out of rented space. Only limited capacity to expand because of rental restrictions. |
| P20589 | Pelleh Poultry | Swan Lake, NY | Slaughter<br>Processing<br>Boning | Small poultry facility doing Kosher processing. Recently expanded to do lambs as well as chickens. |
| 9955 | Schaller's Packers | Bridgewater, NY | Slaughter<br>Processing<br>Boning | Underutilized facility presently for sale. Does large animals including emu's, etc.. Has significant processing equipment. |
| 7832 | Southington Packing | Plantsville, CT | Slaughter<br>Processing<br>Boning | Very small. Does only beef and a few calves. No room for exapnsion but has capacity for another 10 per week. |
| 4486 | Steiner Packing | Otego, NY | Slaughter<br>Processing<br>Boning | Very small operation but high quality. Does all animals other than poultry. Has room to expand but no younger generation to take over. |
| 4266 | SUNY Cobleskill Meat Lab | Cobleskill, NY | Slaughter<br>Processing<br>Boning | Modern student staffed facility that processes all animals. Limited capacity with long waiting list. Quality generally high, but inconsistent. |

| Table 3.1.1 Regional USDA Slaughter Facilities (Non-poultry) - Part 2 | | | | |
|---|---|---|---|---|
| 8547 | Champlain Beef Co. | Whitehall, NY | Slaughter Processing | Does cull dairy cows and some steers. Might be able to take 30-50 steers per week |
| 5998 | Bristol Beef | Bristol, CT | Slaughter | Very small operation in leased facility. Does veal and pork. Hilltown purchasing capacity. |
| 5297 | Joseph Latella & Sons | West Haven, CT | Slaughter | Does no beef but about 300 pigs, goats and lambs per day. Could take new business. |
| 4709 | Dan-Brook Packing | New Milford, CT | N/A | Recently closed. |
| 4717 | University of Connecticut Meat Lab | Storrs, CT | N/A | USDA inspection not being renewed. |

## 3.2 Other Processing Facilities

So as to gain a fundamental understanding of the extent of the meat business within the region, an inventory was also made of selected USDA inspected processors. This inventory was also conducted using the USDA Meat and Poultry Inspector Directory for July, 1999. Only New York State processors were considered and most are confined to the 75 mile market area discussed above. This inventory is found on the next page as Table 3.2.1.

## 3.3 Proposed Facilities

Investigation were also made with USDA and State officials, as well as others, to determine if any new slaughter processing facilities are planned or are in development within the region. There are two such facilities, both of which are in the planning stages. They are as follows:

- Gottlieb - Wawarsing

  This is a proposed new facility to be located near Ellenville, New York in the Town of Wawarsing, Ulster County. Mr. Andreas Gottlieb is the proposer. He has made application to USDA and the Town for approval to construct a new Glatt Kosher facility with a capacity to handle 100 beef, sheep or goats per week. This type of killing is in demand by Orthodox communities. However, it results in approximately 60% of the animals necessarily being sold as non-Kosher production. The owner is potentially interested in providing contracted slaughter and processing services to entities such as the Hudson Valley Livestock Marketing Task Force. He may also construct additional facilities if the venture is successful.

**Table 3.2.1 Selected Regional USDA Processing Facilities**

| USDA No. | Name | Location | Services |
|---|---|---|---|
| 17268 | Albany Pork Store | Schenectady, NY | Processing/Boning |
| 593A | Cohoe's Meat Packers, Inc. | Albany, NY | Processing/Boning |
| 7835 | Connecticut Meat Suppliers | Dansbury, CT | Processing/Boning |
| 5052 | Dandy Distributors | Dansbury, CT | Processing/Boning |
| 8829 | Edelweiss Veal Company, Inc. | Albany, NY | Processing/Boning |
| 5244 | Emil Meister | Albany, NY | Processing/Boning |
| 4584 | Finest Maid Food Distributors | Broadalbin, NY | Processing/Boning |
| 4620 | Fischer & Miller, Inc. | White Plains, NY | Processing/Boning |
| 17892 | Food From Home, Inc. | Hudson, NY | Processing/Boning |
| 4278 | Frank Jeraci | Troy, NY | Processing/Boning |
| 7524 | Fritz Helmbold, Inc. | Troy, NY | Processing/Boning |
| 4282 | Geno's Italian Sausage | Watervliet, NY | Processing/Boning |
| 4595 | Grand Union Co. | Newburgh, NY | Processing/Boning |
| 4507 | Greenville Frozen Food Lockers | Greenville, NY | Processing/Boning |
| 4611 | Gulinello's Towne & Country | Hudson, NY | Processing/Boning |
| 4437 | Hobart Meat & Provision | Hobart, NY | Processing/Boning |
| 4369 | Jack Toney Wholesale Meats | Warrensburg, NY | Processing/Boning |
| 18537 | Latham Meat Market | Latham, NY | Processing/Boning |
| 5985 | Litchfield LKR & Processing | Litchfield, CT | Processing/Boning |
| 5058 | M. Pellegrino Importing Co. | Albany, NY | Processing/Boning |
| 8876 | Nat Kagan Meat & Poultry | Woodridge, NY | Processing/Boning |
| 4703 | New Skete Farms | Cambridge, NY | Processing/Boning |
| 4673 | New Windsor Royal Food Service | New Windsor, NY | Processing/Boning |
| 5295 | Newburgh Packing Co. | Newburgh, NY | Processing/Boning |
| 2769 | Omaha Beef Company | Dansbury, CT | Processing/Boning |
| 4257 | Oscar's Hickory House | Warrensburg, NY | Processing/Boning |
| 4609 | Polacsek Farms, Inc. | Saratoga Springs, NY | Processing/Boning |
| 4608 | Reliable Brands, Inc. | Albany, NY | Processing/Boning |
| 4799 | Sahr's Poultry Farm | Schenectady, NY | Processing/Boning |
| 19800 | Schneller's Meats Inc. | Kingston, NY | Processing/Boning |
| 5338 | Schonwetter Enterprises, Inc. | Cohoes, NY | Processing/Boning |
| 4359 | Troy Pork Store | Troy, NY | Processing/Boning |
| 4585 | Veteran Pork Store | Saugerties, NY | Processing/Boning |
| 4280 | White Eagle Packing Co. | Schenectady, NY | Processing/Boning |
| 4619 | White Front Meats, Inc. | Sleepy Hollow, NY | Processing/Boning |
| 7831 | Wilton Foods, Inc. | Goshen, NY | Processing/Boning |
| 8771 | Wohrle's, Inc. | Pittsfield, MA | Processing/Boning |
| 4672 | Woodridge Meats | Woodridge, NY | Processing/Boning |

Significantly, the proposal faces considerable community opposition. It may well, in fact, have led to a change in Town elected leadership. It has brought numerous residents in opposition to it out to public meetings, demonstrating just how difficult it is to build a new slaughter house in developed communities. It appears, however, that Wawarsing's zoning law does permit this use. A permit will, therefore, most likely be issued - eventually. The cost in delays and legal fees will, nevertheless, be substantial.

The Hudson Valley Livestock Marketing Task Force can expect to face the same type of opposition with the best of sites. Therefore, it is critical to pick the best site (one zoned for such a use with the requisite infrastructure). It would be even better to locate in an existing facility where some rights to continue the non-conforming use are preserved.

Contact: Andreas Gottlieb - (914) 647-6318

- Stafford Facility (aka "Home Pride")

A Western Massachusetts group presently being organized as the Northeast Livestock Producers Association (a cooperative) has secured an option and plans to close, this February, on the purchase of a out-of-business slaughter/processing facility located east of Hartford, Connecticut. A dearth of facilities serving western Massachusetts livestock growers resulted in several feasibility studies regarding the potential of developing a new facility serving that region.

Lack of organization and capital prevented realization of any of these plans until recently. However, the availability of the former Stafford Slaughterhouse (aka "Home Pride") prompted renewed efforts that now appear to be coming to fruition with acquisition of this plant. It will, it is hoped, reopen for whole carcass business as soon as March of this year. Only minimal renovations are necessary as the facility is fully equipped and in good condition. Additional capabilities will be added beginning in April.

The Stafford Facility is in excellent condition and should have capacity to service Hudson Valley needs. The plant has been secured at a very reasonable price with the aid of a private investor. Additional financing has been obtained from various grant sources. Therefore, the operation should be sufficiently capitalized to initiate operations on a successful basis, although a final business plan has yet to be prepared. The expectation is that the Northeast Livestock Producers Association will eventually both own and operate the facility. It will also assume responsibility for organizing producers, setting quality standards (no antibiotics or hormones, etc.) and marketing product. Pick-ups of cattle may be offered, but drop-offs are preferred. Capacity for holding penned animals will be limited.

The cooperative will not be restricted to Western Massachusetts farmers. It intends, in fact, to pursue Hudson Valley participants as a group or individually. It will be offering shares of stock for what may be a limited period of time. The Hudson Valley Task Force should consider affiliation with this new cooperative on a group basis. This will allow it to economically support the establishment of additional slaughterhouse/processing capacity in the region while preserving the options of its own members to use or develop competitive services as may be appropriate or necessary.

The formation of a Hudson Valley cooperative is probably also warranted as a basis for taking advantage of the branding opportunities the name offers. It will provide local growers with the ability to arrange their own transportation, develop their own unique markets, maintain their own quality controls and pursue the development of their own facility if demand warrants the same.

It will be important for the Task Force to supply the Northeast Livestock Producers Association with data regarding its prospective volumes throughout the year, fabrication needs and transportation requirements to aid in the development of their own business plan. This type of documentation will require some level of organizational development on the part of the Task Force. This will be valuable in the exploration of other opportunities as well.

Contact: Shannon Rice - (413)-549-0155

## 3.4 Analysis of Regional Capacity

The inventories of existing and proposed facilities indicate there is significant unused slaughtering and fabrication capacity within the larger region. Unfortunately, most of this capacity lies on the periphery of the market area. It is not especially convenient, though it is accessible.

There were, as of July, 1999 a total of 23 USDA inspected slaughtering facilities within or just outside the 75 miles market area previously discussed and mapped. One of these has since closed and two more are rumored to be shutting down operations soon. Two others offer no commercial services. Those plants with at least some capacity to provide the range of services and volumes required by Hudson Valley growers include the following:

- <u>Schaller's Packing - Bridgewater, New York</u>

  This operation has existed for some 40 years. Located south of Utica and I-90, it lies approximately 80 miles from Hudson. The plant is a concrete block building rebuilt in 1975. It has been renovated and expanded several times then. A HACCP plan is in effect. The company enjoys a good reputation for quality. The facilities include a top-of-the-line double-cage smoker with 2000 lbs. capacity per cage and 5 coolers (2 for beef, 1 for hogs, etc.). Beef, lambs, goats, calves and various exotics are slaughtered. The smoking facilities also attract large amounts of hog business.

  Schaller's is for sale. It had killed as many as 30-40 beef, 70 hogs and 20 lambs per week, but operates at about half that level now. A significant amount of the business in recent years has related to processing. The company manufacturers a variety of hot dog and sausage products. It has had a relationship with the Texas Longhorn Association to produce these items for resale at as much as $7.50 per pound. A sale of the plant to the Association was also planned until recently. Over-pricing by the Longhorn group has apparently reduced the market for its products, however. This is a lesson for the Hudson Valley group not to become too high-priced. The principals also suffered health problems that put plans on hold.

The facility has physical capacity to accommodate another 50-60 beef per week. It is located on 19 acres with an artesian well water supply. The owners are willing to break off 12-14 acres with the plant. They are asking $500,000 for the land, building and equipment. The company would be interested in contracting with the Hudson Valley Livestock Marketing Task Force to handle its business with a transition to a purchase at a later date.

This, of course, could be an ideal situation because it would allow the Hudson Valley group to develop as a cooperative and grow its business prior to taking the step into ownership. Though located a significant distance away, the travel route is relatively easy via the NYS Thruway. Because it lies to the west it would also complement the Stafford option to the east, giving growers choices and ensuring capacity long-term to produce a consistent supply of quality meat for their customers.

Contact: Betty Schaller - (315) 822-3924

- J. Meiller Slaughterhouse

Most of the growers who are part of the Hudson Valley Livestock Marketing Task Force are already familiar with the Meiller facility in nearby Pine Plains, Dutchess County. It is a small but very well run plant with a heavy demand on usage. Operated by Joseph Meiller and sons, it is an immaculately clean operation that delivers high quality services. The plant is located in the middle of a small hamlet on a relatively small property, but the owner indicates there is some room to expand. He has developed some preliminary plans along this line.

This operation serves the needs of the Task Force well, except for one major limitation - the difficulty in securing a place on the waiting list for services. The Meiller operation was, as of December, 1999 already booked until March. This places the owner in the enviable position of picking and choosing customers, leaving the Task Force with no assurance of future services on a consistent basis and no flexibility to meet special order demands.

Nevertheless, the Meiller facility is especially convenient, enjoys an excellent reputation and could offer additional capacity to serve the needs of the Task Force if expanded. This would require a partnership of some form between the Meillers and the Task Force. A contract for purchase of a given amount of services might well entice the owner to move ahead with expansion plans in the interest of providing opportunities for a younger generation of family members who have entered the business. It will not, however, be possible to effectively negotiate with this owner, or any other, if the local producers are not organized as a cooperative, or in some similar fashion, and in a position to deliver a documented flow of business.

Contact: J. Meiller - (518) 398-7711

- <u>Locust Grove Farm</u>

This plant is located in Argyle, Washington County, New York approximately 65 miles north of Hudson. William Tripp is the owner. The facility processes 15-20 beef each day, 3 to 4 days per week. Hogs are also slaughtered by the stunning method along with sheep, deer, buffalo and beefalo. Interestingly, as mentioned earlier, this processor has developed his own niche business serving the needs of approximately 25 direct market growers. His facilities include a smokehouse and cryovac equipment. He produces packaged meats for direct marketers, applying their own labels for them and preparing it to specification at a cost of 55¢ per lb. hanging weight on the carcass for everything.

The operation is HACCP compliant and capable of being expanded.

Moreover, the owner is interested in additional contract business provided there is a regular demand for it. This offers still another appealing option for the Task Force to consider as a means of getting a cooperative up and running, documenting the supply of business available and laying the foundation for a processing operation of its own. A contractual relationship with a reliable processor could also easily lead to a future joint venture in developing a new operation more convenient to Hudson Valley growers.

Contact: William Tripp - (518) 638-8591

- Adams Farm

Owned by Rich Adams, this family operation is located in Athol, Massachusetts, approximately 80 miles from Hudson. It is not especially convenient but kills 25-30 beef, 120 hogs and 50-150 lambs and goats per week. Two-thirds of its business is custom work and it is running at close to capacity. It is HACCP compliant and employs 12 persons. The property is 130 acres in size and the owners raise both Charlois beef and hogs. They also purchase a load of animals from the New Holland auction each week for slaughter, processing and resale. The operation serves the Moslem market as well as various public institutions and includes a retail trade. Significantly, Adams is already processing organic beef for Freeman Farms. The product is labeled under the latter's brand name and marketed to New York City customers.

While this operation has no excess capacity at present, it is approved to expand. The owner has been looking to secure financing for this purpose. Once expanded, he would be interested in providing contract services to the extent of 10-15 beef per week plus other animals. Although this is probably one of the least appealing of the viable options available, it does offer some distinct possibilities. A contract with a Hudson Valley growers group would clearly make it more feasible for Adams to expand and be mutually beneficial. Once again, it would offer the Hudson Valley

Task Force the opportunity to get up and running as a marking organization and establish the base for a plant closer to home in the future.

Contact: Rich Adams - (978) 249-9441

These four possibilities (Schaller's, Meiller, Locust Grove and Adams) combined with the two prospective new plants (Wawarsing and Stafford) offer the Hudson Valley Livestock Marketing Task Force a number of different options for getting up and running as a marketing cooperative in the short-term. If approached in a deliberate manner, this will provide the guarantees of business required to justify investment in a new plant, whether that investment comes from the private or the public sector. As the financial analyses contained in Section 6.0 indicate, such a plant is feasible at the level of approximately 1,500 steers plus 2,500 other animals per year without any substantial grants or other governmental assistance. With such assistance it is feasible with as little as half those volumes, well within the capacity of such a marketing cooperative to attract business from what is already known to be available.

Summarizing, there is significant slaughter capacity presently available to Task Force members. It is not especially convenient, but it is available. The challenge is developing an organization that can take advantage of this capacity and thereby creating a foundation for a new plant that would be more convenient. Such an organization can in the meantime reduce costs by pooling the efforts of its members to negotiate processing arrangements and secure cost efficient transportation. It can also increase revenues by developing a brand image that assures customers of consistent quality, professionally marketing its products to targeted consumers willing to pay for that quality.

# 4.0 Facility Requirements

Determining the feasibility of a new meat packing facility for the Hudson Valley demands sizing information relative to the market. Given the range of projected volumes discussed earlier, and allowing for some growth over the years, such a plant must be able to process as many as 2,000 beef, 2,200 hogs and a comparable number of other species. The USDA's Guide to Construction and Layout for "U.S. Inspected Meat and Poultry Plants" and Pennsylvania State University's Planning a Small Meat-Packing Business provide guidance in this regard.[11] These rates can easily be accommodated with a 1,000-1,200 square feet slaughter department. Appendix 7.2 offers a "Sample Slaughtering Department Layout" from the USDA guide depicting such a department. An equipment schedule is also included. Additional building space and equipment is necessary for coolers, employee areas, fabricating operations, offices and utilities.

The Penn State handbook provides additional examples of layouts. Appendix 7.3 includes the following:

A. Layout for Small Processing Only Plant
(3,575 square feet)

B. Layout for Small Customer Only Plant
(1,472 square feet)

C. Layout for Small Slaughtering and Processing Plant
(2,560 square feet)

D. Layout for Slightly Larger Slaughtering and Processing Plant
(4,225 square feet)

The last of these is designed to accommodate approximately 30 cattle and 30 hogs per week, about the same amount of business a Hudson Valley facility might have. It includes freezer locker space that could alternatively be used for additional processing functions such as beef stick production or to make

11 Both published in 1984.

room for other types of slaughter (e.g., poultry, or scalding and dehairing of hogs). It does not include outbuildings for such purposes as hide storage, however. Consequently, it is reasonable to assume a new slaughter and processing plant would require a building of approximately 5,000 square feet in size. A slaughter-only plant would require about half this area considering the need for office, cooler and other space shared among the two operations. The cost of constructing this space is estimated to be approximately $75 per square foot, not including land and site work.[12]

The major items of equipment required in each instance are listed at the bottom of the layouts. Table 4.1 following provides a detailed listing of equipment items by type of facility. Altogether, equipment costs are expected to average about $15 per square foot (not including coolers), assuming the employment of as much used equipment as possible. The Penn State guide, adjusted for inflation, suggests $20 per square foot for new equipment.

12 It is assumed a 2 acre site with public sewer and water services would be required at a cost of approximately $25,000/acre, including site work, sewer and water connections, etc.. The R.S. Means catalog estimates the median cost of such a structure in the Poughkeepsie market is $62.40 per square foot.

## Table 4.1 Slaughter and Processing Facility Equipment Checklist

| | Slaughtering | | | Processing | |
|---|---|---|---|---|---|
| | | Pork | | | |
| **Item** | **Beef** | **Skin** | **Scald** | **Beef** | **Pork** |
| Meat saw (band) | | | | * | * |
| Sink: double | | | | * | * |
| Sink: step | * | * | * | * | * |
| Meat saw, splitting | * | * | * | | |
| Grinder | | | | * | * |
| Tables: utility | | | | * | * |
| Slicer | | | | * | * |
| Cuber | | | | * | * |
| Sterilizer: knife | * | * | * | * | * |
| Sterilzer: splitting saw | * | * | * | | |
| Scales: platform | | | | * | * |
| Scales: overhead track | * | * | * | | |
| Stuffer: sausage | | | | | * |
| Table: ham pumper with pump and scale | | | | | * |
| Kettle: steam, 30 gal. | | | | | * |
| Smoker (electric or steam) | | | | | * |
| Mixer, steam and water | * | * | * | | |
| Hoist, 1-ton (32 ft./min. bleeding) | * | * | * | | |
| Rack, head-inspection | * | * | * | | |
| Restrainer (hogs) | | * | * | | |
| Truck, inspection (edible offal) | * | * | * | | |
| Cabinet, head flushing | * | * | * | | |
| Tank, scalding | | | * | | |
| Truck, gut inspection | * | * | * | | |
| Hide stripper | * | | | | |
| Platforms, hi-low | * | | | | |
| Spreader, carcass | * | | | | |
| Hi-low lift, carcass (for eviscerating) | * | | | | |
| Transfer unity shackle | * | | | | |
| Lander, beef | * | | | | |
| Compressor, air | * | | | | |
| Cradle, skinning | | * | | | |
| Platform. shrouding | * | | | | |
| Pen, knocking (beef) | * | | | | |
| Pistol, knocking (beef) | * | | | | |
| Stunner, electric | | * | * | | |
| Singer, gas fueled | | | * | | |
| Rollers (suspend carcasses) | * | * | * | * | * |
| Boiler, steam hi-pressure | * | * | * | * | * |
| Heater, hot water | * | * | * | * | * |
| Rail lowerator (hind quarters) | * | | | * | |
| Scales (utility) | | | | * | * |
| Saw (brisket splitting) | | | | | |
| Dehairer | | | * | | |
| Knife sharpener (electreic) | * | * | * | * | * |
| Lugs and tubs | | | | * | * |
| Mixer | | | | | * |
| Vacuum packing equipment | | | | * | * |

These costs do not include a retail sales area the assumption being that a Hudson Valley facility would be direct marketing to metropolitan area restaurants and retailers.

Given the above numbers it is expected the following would be the total capital costs associated with a Hudson Valley facility:

| | **Slaughter Only** | **Slaughter/Processing** |
|---|---|---|
| Building size | 2,500 sq. ft. | 5,000 sq. ft. |
| Cooler/freezer area | 250 sq. ft. | 500 sq. ft. |
| Land and site costs | $50,000 | $50,000 |
| Building/costs | 187,500 | 375,000 |
| General equipment cost | 37,500 | 75,000 |
| Refrigeration equipment cost[13] | 25,000 | 50,000 |
| Sub-Total Costs | $300,000 | $550,000 |
| Contingency | 30,000 | 55,000 |
| Total Costs | $330,000 | $605,000 |

These numbers form the basis of the cash flow analyses, found in Section 6.0 hereof.

13 Refrigerated area costs are estimated at $100/sq. ft. (in addition to building costs) based on Penn State guide adjusted for inflation.

# 5.0 Facility Options

## 5.1 Locating a New Facility

Locating a new facility when and if the Hudson Valley Livestock Marketing Task Force decides to proceed with one will not necessarily be easy. The preconceived, and usually erroneous, images the general public often has of such enterprises make it difficult to locate them. The previously discussed experience of the Wawarsing group in securing local approval for their proposed slaughterhouse is instructive in this regard. Even properly zoned sites can face enormous opposition. Some guidelines for selecting a site are, therefore, in order. The following are the recommended criteria:

A. The first option to be considered should be location in a structure previously occupied by a slaughterhouse. This will permit some exercise of "grandfather rights." Public opposition is also typically lessened by familiarity with a previously well-run operation. There are such facilities within the greater Hudson Valley area. They include the following:

- Hillsdale Plant

  This plant, located on the Edward Herrington Lumber property in Hillsdale, was closed 10 or more years ago. However, it is of a reportedly good design and processed as many as 80-100 cows per day. Some of the basic equipment remains but other pieces including compressors and rail have been removed and new coolers and significant building work would be required. Drains would also have to be reopened. The owner has invested approximately $400,000 in the property including some environmental remediation. It is now used as part of the lumber operation but is not well-suited to that purpose. The 6 acres on which it lies is a prime piece of commercial real estate. However, it is not for sale at the present time. It may become available at a later date if the lumber operation should be consolidated onto a new site, at which point the owner indicates the price would be negotiable. Acquiring it now would very likely require payment of a substantial premium.

Contact: Edward Herrington - (518) 325-3133

- Walden Plant

  This facility is located in the Town of Montgomery, near Walden, New York (west of Newburgh). It was associated with a livestock auction but is now closed and for sale. The property is listed for $750,000. It includes 2.5 acres of land and an 18,000 square feet, 2-story building. Very little additional information is available. However, others indicate the kill floor may need work. Also, the price appears to be negotiable. The suitability of the facility for the Task Force's purposes is unclear but it is close enough to Hudson (less than 40 miles) to warrant some consideration.

  Contact: Win Morrison - (914) 339-1144

Other closed facilities also exist within the region including the Chester plant (far too large and expensive), the Bloomville plant (too far and designed for veal) and Dan-Brook (too close to some new condominiums) but none appear to offer much potential.

B. The availability of infrastructure is a critical location factor if a new facility is to be developed. A slaughter plant generates wastes that are often difficult to deal with using subsurface means. Moreover, the cost of a package treatment facility relative to the size of the slaughter plant that would be involved makes that option unrealistic. A reliable supply of potable water is also essential. More than 125 gallons per beef can be necessary. This, too, is much easier to provide from a public system where both quantity and quality are relatively assured. Finally, the availability of public infrastructure provides a significant cost saving on the capital side, a minimum of $20,000 and as much as $70,000.

C. Zoning is still another critical factor for the reasons discussed earlier. A new slaughterhouse is likely to prompt "Not in MY Backyard" reactions. Location within an industrial or agricultural district, where slaughter and processing operations are permitted uses, will put the burden of proof on municipal officials and opponents to halt a project. The key to securing local approvals, however, is still a combination of sound site planning, presentation and persistence. A properly zoned site make it all easier and provides a continuing protection from incompatible uses.

D. Location away from existing residences that can pose conflicts, and downwind from other businesses that can generate odors, smoke or dust is also a practical necessity. The latter is, in fact, a USDA requirement. A lot of sufficient size to buffer all the on-site activities (including pens and unloading areas) from adjoining uses, is therefore, appropriate. A two-acre site should be adequate.

These factors are not exclusive but they do suggest a certain type of site - a planned industrial development. The Columbia County Commerce Park offers potential and should be considered. It is largely undeveloped but served with the proper infrastructure, unlimited by inappropriate zoning and located in area away from potentially conflicting uses. Other sites in the Town of Greenport may also work, particularly those with previous industrial or commercial activity. Additional information on the County Commerce Park is attached as Appendix 7.4.

## 5.2 Mobile Slaughterhouse Potential

An additional option that may warrant further investigation is the mobile slaughterhouse. This is not an entirely new concept. Mobile units have been employed since the 1960's for the slaughter of reindeer. They are being manufactured by Sandstroms Transportprodukter AB ("STAB"), a Swedish firm linked with Humas, Ltd., a British company responsible for world-wide marketing of the units. The joint venture is know as SANMO.

SANMO has sold at least one unit in the U.S. - to the Pte Hca Ka company. The name means "buffalo herd." Pte Hca Ka is associated with the Intertribal Bison Cooperative, an organization of 38 Native American tribes, and the Cheyenne River Sioux. It slaughters and processes wild buffalo, selling the retail cuts to New York City markets.

The Pte Hca Ka unit cost approximately $1,500,000. It is specifically designed for buffalo, which can be quite difficult to handle. It does not include a docking station but most of the SANMO units are designed to be moved from site to site and "docked" with a permanent complex where animals are collected, rested, fed, watered and inspected prior to slaughter. The units weigh about 32 tons each and are built to fit on a truck-trailer. They are designed to expand hydraulically on site to provide all the facilities needed for slaughtering. Electricity and water are supplied from the units themselves. They can operate at virtually any temperature. There are two different units available, one for cattle and one for smaller animals. The former can slaughter about 5 animals per hour. The carcasses can be held in cold storage for transport or off-loaded.

The Pte Hca Ka unit design was approved by USDA. However, the regulations applicable to wild buffalo are akin to those for other game. The standards for conventional slaughterhouses do not provide for mobile units. Therefore, an exception would be necessary to accommodate one in the Hudson Valley. There is room for variations in the rules but the process is likely to be time-consuming and the outcome uncertain. The approval for wild buffalo would, however, be an important precedent likely to give impetus to an eventual approval. A factor in support of this concept is that it allows for more humane treatment of animals by avoiding long distance transports. Canadian authorities have also approved the mobile design. Units are reportedly being prepared for use there for use with buffalo, wild boar and ostriches.

There are also mobile units in use within the U.S. for non-USDA custom work. An example is Gene's Meat Market in Mehama, Oregon. Mobile units are relatively common throughout Oregon and Washington as a means of doing custom-exempt work. They are typically mounted on trucks or trailers. Gene's Meat Market, for example, uses a 5th wheel trailer pulled by a pick-up truck. It cost approximately $35,000 (truck chassis models can go as high as $50,000). It is all stainless steel inside and holds 6-7 beef animals, allowing 2 men to slaughter the same number of animals in about 5-6 hours (including time spent moving from farm to farm). The carcasses are split into halves or quarters in the field and then brought back to the processing shop for chilling and/or fabrication.

Each unit is completely enclosed and typically equipped with hot and cold water, an electric winch or hydraulic boom, air compressor, generator and inside rails, but no refrigeration. The Northwest Meat Processors Association reportedly has an older video comparing the benefits of fixed and mobile processing units. They can be used for beef, hogs, sheep and goats, but there appears to have been no attempt to gain USDA approval for such units and it is unclear how they will fare under HACCP. One would expect chilling to become an issue, for example, although it is possible this could be addressed with a refrigerated storage area. Would USDA approval be possible with the proper precautions? No one can say until someone attempts it. If it is possible, the costs will certainly be higher.

This is an area where the New York State Department of Agriculture and Markets needs to get involved. The Department could at a minimum emulate Oregon and Washington and make way for and/or promote mobile customer slaughter units. It could also be an advocate with USDA in defining the requirements for mobile units to do resale meat. It may very well be that the cost becomes prohibitive but it is possible to design acceptable units. The European Union, which has relatively high standards, has approved them. This indicates it should be possible in the U.S. as well.

The overall potential for employment of mobile units within the Hudson Valley region appears limited by the combination of high costs and relatively low number of animals to be found in any one location. It would provide some locational advantages and arouse far fewer public concerns, however. If costs could be brought down and USDA approval be obtained in other situations, it might well bear further consideration.

There is also a New Zealand company known as "Proand" that manufactures a "Meatek Modular Abattoir System." This is a completely enclosed and modular type unit designed to provide modern slaughter technology at a reasonable price. A USDA approved slaughter module capable of killing 20 to 25 beef per hour costs approximately $750,000. Additional modules are required for other species and further processing.

Contacts:

(1) Pte Hca Ka company ("Buffalo Program")
Fred DuBray - (605) 733-2547

(2) Gene's Meat Market
Jim Dolby - (503) 859-2252

(3) MEATEK Modular Abattoir System
www.proand.co.nz/meatek-01.html
Dr. Keith Dehaan - (701) 663-1116

# 6.0 Business Plan

## 6.1 Analysis of Alternatives

There are three basic action alternatives available to the Task Force at this juncture. They include; 1) contracting with an existing slaughter/processing company, 2) purchasing an existing facility, and 3) constructing a new facility. Each offers advantages and disadvantages but there is also a natural progression to follow in decision-making. The appropriate steps are as follows:

A. The information provided in this report and gathered through the survey of growers provides a basis for documenting what the Task Force potentially has to market. It consists roughly of 500 to 2,000 beef, 600 to 2,200 hogs and 900 to 2,600 other animals. A review of these numbers against survey data suggests it may be possible, following a start-up period, to secure volumes of 1,500 beef, 1,250 hogs, 1,000 sheep and 250 other animals per year. This, therefore, is the basis on which plant investment decisions should be made. The cash flow analysis that follows employs these figures. So as to better evaluate risk and identify the potential need for public investment, a cash flow analysis at half those rates has also been prepared (Tables 6.2.1, 6.2.2 and 6.2.3) along with one for slaughter-only.

B. The next step is for the Task Force to form an organization of growers. It will probably wish to constitute itself as a cooperative but that can evolve as the group refines its mission (see Section 6.4 below). There are several challenges involved:

- The first challenge is to establish a clear and succinct definition of the product (e.g., "meat from animals grown with no hormones or antibiotics on grass-fed diets, using humane methods"). The Coleman label language is a good example and might serve as a starting point for creation of the Hudson Valley label. This language then needs to be extrapolated into a certification program. Once again, the Coleman program can serve as a model. USDA approval will be required.

- This must be followed by identification of the specific markets to whom these products can and will be marketed. This should not be difficult as individual members are already selling to these markets, but new members will have to be convinced by seeing the documentation.

- A marketing and distribution framework must also be laid out for prospective new members. Initially, this might well involve no more than a common label with the Task Force acting as a clearinghouse for market contacts. Promotion would also be involved. It could later include pick-up of animals for transportation to slaughter facilities and the distribution of product to processors, retailers and restaurants.

- Once these challenges are met, the group will be in a position to aggressively recruit members and further expand its services. It may also wish to incorporate as a farm cooperative at this point.

C. Following the establishment of a more formal producers group, quality program, label and marketing/distribution framework, the organization should consider whether it needs to actually develop or purchase its own slaughter and processing capacity. Some growers may wish to continue with their own slaughter and processing arrangements or individually join the Northeast Livestock Producers Association.

Assuming a majority wish to work through a Hudson Valley producers group (hereinafter referred to as "HVP") to secure more reliable service, the availability of transportation and/or better pricing, the group should initially seek to purchase slaughter and processing services from existing providers. Locust Grove Farm, Schaller's and Meiller's all offer potential in this regard. If such a contract can be effectuated, it will allow the organization and the market to both mature to where other options can be considered.

These include purchase of an operating facility (e.g., Schaller's) or joint venture to expand one (e.g., Meillers). Alternatively, HVP might simply want to invest in the Northeast Livestock Producers Association's Stafford operation to guarantee certain levels of service. Such an investment could take the form of cash, stock or simply a long-term contract.

D. Should HVP determine that none of these options are satisfactory and that additional local capacity is necessary, the next option that should be considered is the purchase of an existing closed facility that could be reopened. The Hillsdale plant is the best alternative in this case and it could well become available in the future. If purchased at a reasonable price, it would present an opportunity to get up and running relatively quickly. Costs, however, are critical in determining whether this approach makes economic sense. If the property cannot be purchased and rehabilitated for a cost at or below a new facility, the risks of gaining approval for a new plant are probably well worth taking.

E. If it is not possible to find and renovate an existing facility, then HVP should pursue the development of its own plant. The cash flow analyses found in Section 6.2 hereof are designed to evaluate whether or not this is a viable option. It is financially feasible to invest private capital in a slaughter/processing operation serving those numbers of animals the Task Force believes it can capture as business. It is also financially feasible to operate such a plant at half those levels of business with 70% public funding of the capital expenses in land, building and equipment. A slaughter-only facility is feasible at 77% grant funding of capital expenses.

This step by step approach to decision-making is key for the Task Force to arrive at an economically logical point of conclusion. It may well determine that formation of a cooperative (or investment in the Northeast Livestock Producers Association) now rather than later is appropriate. It may have to adjust plans to otherwise adapt to circumstances. Nevertheless, this is the proper sequence of activities for successfully laying a foundation for a new facility, should one be appropriate. The process of identifying and even soliciting funds for a new or renovated facility can begin anytime on the basis of this study, but no final decisions should be made until this foundation is securely established.

## 6.2 Cash Flow Analysis for New Facility

Three cash analyses follow. They include:

A. Table 6.2.1 - An analysis of a combined slaughter and processing facility with volumes of 1,500 beef, 1,250 hogs, 1,000 lambs and 250 other species (e.g., goats, ostriches) per year. It is assumed under this option that land and site work plus $50,000 in cash would be contributed as equity to the project.

B. Table 6.2.2 - An analysis of a combined slaughter and processing facility with volumes of 750 beef, 625 hogs, 500 lambs and 125 other species per year. It is assumed in this instance that land and site work plus cash of $555,000 would be contributed as equity to the project or in the form of governmental grants.

C. Table 6.2.3. - An analysis of a slaughter-only facility with volumes of 1,500 beef, 2,250 hogs, 1,000 lambs and 250 other species per year. It is assumed that land and site work and all cash required (other than working capital) would be contributed.

Each of the three analyses examines the feasibility of establishing a new slaughter/processing facility by net present valuing net cash flows after debt service. Rates of return both of equity and on equity are also provided. Assumptions used in developing the three analyses include the following:

A. Two acres of land at $25,000 per acre for acquisition and site work are expected to be required. It is anticipated this would be contributed equity - donated or acquired with down payment money.

**Assumptions:**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1) Land and site work costs per acre | = | $25,000 | 11) Manager's salary & fringes (annual) | = | $55,000 | 21) Freezing charges (hogs |
| 2) Building cost per square foot | = | $75 | 12) Average cost of plant labor (per hou | = | $14.00 | 22) Marketing charge (per l |
| 3) Equip. cost/sf (over $25,000 base) | = | $20 | 13) Bookkeeper salary (1/2 time - annua | = | $12,500 | 23) Drop income (per beef) |
| 4) Man-hours to process beef | = | 10.0 | 14) Beef slaughter charge | = | $31.00 | 24) Smoking charge (per lb |
| 5) Man-hours to process hogs | = | 3.5 | 15) Hog slaughter charge | = | $25.00 | 25) 1st year revenue % |
| 6) Man-hours to process lambs, etc. | = | 2.5 | 16) Lamb/other slaughter charge | = | $20.00 | 26) 2nd year revenue % |
| 7) Beef processed per year | = | 1,500 | 17) Basic fabrication charge (per lb.) | = | $0.31 | 27) 3rd year revenue % |
| 8) Hogs processed per year | = | 1,250 | 18) Extra charge for beef patties (per lb. | = | $0.20 | 28) Annual growth rate (ye |
| 9) Lambs processed per year | = | 1,000 | 19) Extra charge for sausage (per lb.) | = | $0.50 | 29) Annual growth rate (ye |
| 10) Other animals processed per year | = | 250 | 20) Freezing charge charge per beef | = | $10.00 | 30) Building size (square f |

| FISCAL YEAR | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **DESCRIPTION** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** |
| Beef animals processed | 875 | 1,400 | 1,575 | 1,750 | 1,750 | 1,785 | 1,821 | 1,857 | 1,894 | 1,932 | 1,951 |
| Other animals processed | 1,250 | 2,000 | 2,250 | 2,500 | 2,500 | 2,550 | 2,601 | 2,653 | 2,706 | 2,760 | 2,788 |
| REVENUE | | | | | | | | | | | |
| Beef slaughter/processing | $162,750 | $260,400 | $292,950 | $325,500 | $325,500 | $332,010 | $338,650 | $345,423 | $352,332 | $359,378 | $362,972 |
| Hog slaughter/processing | $44,688 | $71,500 | $80,438 | $89,375 | $89,375 | $91,163 | $92,986 | $94,845 | $96,742 | $98,677 | $99,664 |
| Lamb slaughter/processing | $18,525 | $29,640 | $33,345 | $37,050 | $37,050 | $37,791 | $38,547 | $39,318 | $40,104 | $40,906 | $41,315 |
| Other slaughter/processing | $4,631 | $7,410 | $8,336 | $9,263 | $9,263 | $9,448 | $9,637 | $9,829 | $10,026 | $10,227 | $10,329 |
| Beef patty charges | $7,500 | $12,000 | $13,500 | $15,000 | $15,000 | $15,300 | $15,606 | $15,918 | $16,236 | $16,561 | $16,727 |
| Smoking charges | $5,625 | $9,000 | $10,125 | $11,250 | $11,250 | $11,475 | $11,705 | $11,939 | $12,177 | $12,421 | $12,545 |
| Sausage charges (average) | $12,500 | $20,000 | $22,500 | $25,000 | $25,000 | $25,500 | $26,010 | $26,530 | $27,061 | $27,602 | $27,878 |
| Freezing charges | $6,875 | $11,000 | $12,375 | $13,750 | $13,750 | $14,025 | $14,306 | $14,592 | $14,883 | $15,181 | $15,333 |
| Marketing charges | $10,063 | $16,100 | $18,113 | $20,125 | $20,125 | $20,528 | $20,938 | $21,357 | $21,784 | $22,220 | $22,442 |
| Drop | $13,125 | $21,000 | $23,625 | $26,250 | $26,250 | $26,775 | $27,311 | $27,857 | $28,414 | $28,982 | $29,272 |
| TOTAL REVENUE | $286,281 | $458,050 | $515,306 | $572,563 | $572,563 | $584,014 | $595,694 | $607,608 | $619,760 | $632,155 | $638,477 |
| OPERATING EXPENSES | | | | | | | | | | | |
| Manager's salary | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 |
| Bookkeeper's salary | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 |
| Plant labor | $130,620 | $225,120 | $256,620 | $288,120 | $294,420 | $300,846 | $307,401 | $314,086 | $320,905 | $327,861 | $331,409 |
| Supplies | $11,530 | $18,448 | $20,753 | $23,059 | $23,059 | $23,521 | $23,991 | $24,471 | $24,960 | $25,459 | $25,714 |
| Utilities | $12,000 | $15,600 | $16,800 | $18,000 | $18,000 | $18,240 | $18,485 | $18,734 | $18,989 | $19,249 | $19,381 |
| Waste removal | $6,000 | $9,600 | $10,800 | $12,000 | $12,000 | $12,240 | $12,485 | $12,734 | $12,989 | $13,249 | $13,381 |
| Insurance | $23,062 | $32,512 | $35,662 | $38,812 | $39,442 | $40,085 | $40,740 | $41,409 | $42,091 | $42,786 | $43,141 |
| Maintenance/contingency | $12,536 | $18,439 | $20,407 | $22,375 | $22,721 | $23,122 | $23,530 | $23,947 | $24,372 | $24,805 | $25,026 |
| TOTAL OPER. EXPENSES | $263,247 | $387,218 | $428,542 | $469,866 | $477,142 | $485,553 | $494,131 | $502,881 | $511,806 | $520,910 | $525,553 |
| OPERATING MARGIN (CASH) | $23,034 | $70,832 | $86,764 | $102,697 | $95,420 | $98,461 | $101,563 | $104,727 | $107,954 | $111,245 | $112,924 |
| DEVELOPMENT COSTS | | | | | | | | | | | |
| Land and site work | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Building construction costs | $375,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment costs | $125,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| SUB-TOTAL | $550,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Contingency | $55,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEVELOPMENT COSTS | $605,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| FINANCING & EQUITY | | | | | | | | | | | |
| Equity in land value | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash equity contribution | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL EQUITY | $100,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Financing/organizational costs | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan proceeds | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan repayments | $0 | $12,000 | $25,000 | $13,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan balance | $50,000 | $38,000 | $13,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan interest | $2,250 | $3,420 | $1,170 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Mortgage proceeds | $375,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment financing proceeds | $130,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Amortization | $56,942 | $56,942 | $56,942 | $56,942 | $56,942 | $56,942 | $56,942 | $56,942 | $34,888 | $34,888 | $34,888 |
| TOTAL DEBT SERVICE | $59,192 | $60,362 | $58,112 | $56,942 | $56,942 | $56,942 | $56,942 | $56,942 | $34,888 | $34,888 | $34,888 |
| CASH FLOW | $3,842 | ($1,530) | $3,652 | $32,755 | $38,478 | $41,519 | $44,621 | $47,785 | $73,065 | $76,357 | $78,036 |
| CUMULATIVE CASH | $3,842 | $2,312 | $5,965 | $38,719 | $77,198 | $118,717 | $163,338 | $211,123 | $284,189 | $360,546 | $438,581 |
| DISCOUNTED RATE OF RETURN OF EQUITY IN CASH @ 9% | 3.53% | 2.24% | 5.06% | 28.26% | 53.27% | 78.03% | 102.44% | 126.42% | 160.06% | 192.31% | 222.55% |
| DISCOUNTED RATE OF RETURN ANNUALLY @ 9% ON EQUITY | 3.53% | -1.29% | 2.82% | 23.20% | 25.01% | 24.76% | 24.41% | 23.98% | 33.64% | 32.25% | 30.24% |
| PROJECT PRESENT WORTH: | | | | | | | | | | | |
| @7% DISCOUNT RATE | $3,591 | $2,254 | $5,236 | $30,224 | $57,659 | $85,325 | $113,113 | $140,924 | $180,667 | $219,483 | $256,557 |
| @8% DISCOUNT RATE | $3,558 | $2,246 | $5,145 | $29,221 | $55,409 | $81,573 | $107,609 | $133,426 | $169,977 | $205,345 | $238,813 |
| @9% DISCOUNT RATE | $3,525 | $2,237 | $5,057 | $28,262 | $53,270 | $78,027 | $102,436 | $126,418 | $160,059 | $192,313 | $222,554 |
| @10% DISCOUNT RATE | $3,493 | $2,228 | $4,973 | $27,345 | $51,237 | $74,673 | $97,571 | $119,863 | $150,850 | $180,289 | $207,640 |

| | | |
|---|---|---|
| s) | = | $5.00 |
| lb.) | = | $0.02 |
| ) | = | $17.50 |
| b.) | = | $0.45 |
| | = | 50% |
| | = | 80% |
| | = | 90% |
| ears 5 to 10) | = | 2% |
| ears 11 to 20) | = | 1% |
| eet) | = | 5,000 |

# Table 6.2.1
# Hudson Valley Livestock Processing Facility
# Rate Of Return Analysis

## Alternative 1 - Basic

| 2011<br>12 | 2012<br>13 | 2013<br>14 | 2014<br>15 | 2015<br>16 | 2016<br>17 | 2017<br>18 | 2018<br>19 | 2019<br>20 | 2020<br>21 | TOTALS |
|---|---|---|---|---|---|---|---|---|---|---|
| 1,971 | 1,991 | 2,011 | 2,031 | 2,051 | 2,072 | 2,092 | 2,113 | 2,134 | 2,156 | 39,211 |
| 2,816 | 2,844 | 2,872 | 2,901 | 2,930 | 2,959 | 2,989 | 3,019 | 3,049 | 3,079 | 56,016 |
| | | | | | | | | | | |
| $366,602 | $370,268 | $373,971 | $377,710 | $381,487 | $385,302 | $389,155 | $393,047 | $396,977 | $400,947 | $7,293,331 |
| $100,661 | $101,667 | $102,684 | $103,711 | $104,748 | $105,795 | $106,853 | $107,922 | $109,001 | $110,091 | $2,002,585 |
| $41,728 | $42,146 | $42,567 | $42,993 | $43,423 | $43,857 | $44,296 | $44,739 | $45,186 | $45,638 | $830,163 |
| $10,432 | $10,536 | $10,642 | $10,748 | $10,856 | $10,964 | $11,074 | $11,185 | $11,296 | $11,409 | $207,541 |
| $16,894 | $17,063 | $17,234 | $17,406 | $17,580 | $17,756 | $17,933 | $18,113 | $18,294 | $18,477 | $336,098 |
| $12,671 | $12,797 | $12,925 | $13,055 | $13,185 | $13,317 | $13,450 | $13,585 | $13,720 | $13,858 | $252,074 |
| $28,157 | $28,438 | $28,723 | $29,010 | $29,300 | $29,593 | $29,889 | $30,188 | $30,490 | $30,795 | $560,164 |
| $15,486 | $15,641 | $15,798 | $15,956 | $16,115 | $16,276 | $16,439 | $16,603 | $16,769 | $16,937 | $308,090 |
| $22,666 | $22,893 | $23,122 | $23,353 | $23,587 | $23,822 | $24,061 | $24,301 | $24,544 | $24,790 | $450,932 |
| $29,565 | $29,860 | $30,159 | $30,461 | $30,765 | $31,073 | $31,383 | $31,697 | $32,014 | $32,334 | $588,172 |
| $644,862 | $651,310 | $657,823 | $664,402 | $671,046 | $677,756 | $684,534 | $691,379 | $698,293 | $705,276 | $12,829,149 |
| | | | | | | | | | | |
| $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $1,155,000 |
| $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $262,500 |
| $334,991 | $338,610 | $342,265 | $345,957 | $349,685 | $353,451 | $357,254 | $361,095 | $364,975 | $368,893 | $6,614,584 |
| $25,971 | $26,231 | $26,493 | $26,758 | $27,026 | $27,296 | $27,569 | $27,845 | $28,123 | $28,404 | $516,681 |
| $19,515 | $19,650 | $19,787 | $19,925 | $20,064 | $20,205 | $20,347 | $20,490 | $20,635 | $20,781 | $394,879 |
| $13,515 | $13,650 | $13,787 | $13,925 | $14,064 | $14,205 | $14,347 | $14,490 | $14,635 | $14,781 | $268,879 |
| $43,499 | $43,861 | $44,227 | $44,596 | $44,968 | $45,345 | $45,725 | $46,110 | $46,497 | $46,889 | $871,458 |
| $25,250 | $25,475 | $25,703 | $25,933 | $26,165 | $26,400 | $26,637 | $26,876 | $27,118 | $27,363 | $504,199 |
| $530,242 | $534,978 | $539,762 | $544,593 | $549,473 | $554,401 | $559,379 | $564,406 | $569,484 | $574,613 | $10,588,180 |
| | | | | | | | | | | |
| $114,620 | $116,332 | $118,062 | $119,809 | $121,573 | $123,355 | $125,155 | $126,973 | $128,809 | $130,663 | $2,240,970 |
| | | | | | | | | | | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $375,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $125,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $550,000 |
| | | | | | | | | | | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $55,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $605,000 |
| | | | | | | | | | | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $100,000 |
| | | | | | | | | | | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $6,840 |
| | | | | | | | | | | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $375,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $130,000 |
| $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $909,083 |
| $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $34,888 | $915,923 |
| | | | | | | | | | | |
| $79,731 | $81,444 | $83,173 | $84,920 | $86,685 | $88,467 | $90,266 | $92,084 | $93,920 | $95,775 | $1,315,047 |
| | | | | | | | | | | |
| $518,312 | $599,756 | $682,929 | $767,850 | $854,534 | $943,001 | $1,033,267 | $1,125,352 | $1,219,272 | $1,315,047 | |
| | | | | | | | | | | |
| 250.90% | 277.47% | 302.36% | 325.67% | 347.50% | 367.95% | 387.08% | 404.99% | 421.75% | 437.43% | |
| | | | | | | | | | | |
| 28.35% | 26.57% | 24.89% | 23.31% | 21.83% | 20.44% | 19.14% | 17.91% | 16.76% | 15.68% | |
| | | | | | | | | | | |
| $291,959 | $325,755 | $358,011 | $388,790 | $418,153 | $446,159 | $472,866 | $498,328 | $522,599 | $545,730 | |
| $270,475 | $300,422 | $328,739 | $355,510 | $380,812 | $404,722 | $427,311 | $448,648 | $468,798 | $487,824 | |
| $250,902 | $277,467 | $302,356 | $325,670 | $347,503 | $367,945 | $387,081 | $404,991 | $421,749 | $437,427 | |
| $233,045 | $256,636 | $278,538 | $298,867 | $317,732 | $335,235 | $351,470 | $366,527 | $380,487 | $393,429 | |

**Assumptions:**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1) Land and site work costs per acre | = | $25,000 | 11) Manager's salary & fringes (annual) | = | $55,000 | 21) Freezing charges (hogs) |
| 2) Building cost per square foot | = | $75 | 12) Average cost of plant labor (per hour | = | $14.00 | 22) Marketing charge (per lb.) |
| 3) Equip. cost/sf (over $25,000 base) | = | $20 | 13) Bookkeeper salary (1/2 time - annual | = | $12,500 | 23) Drop income (per beef) |
| 4) Man-hours to process beef | = | 10.0 | 14) Beef slaughter charge | = | $31.00 | 24) Smoking charge (per lb.) |
| 5) Man-hours to process hogs | = | 3.5 | 15) Hog slaughter charge | = | $25.00 | 25) 1st year revenue % |
| 6) Man-hours to process lambs, etc. | = | 2.5 | 16) Lamb/other slaughter charge | = | $20.00 | 26) 2nd year revenue % |
| 7) Beef processed per year | = | 750 | 17) Basic fabrication charge (per lb.) | = | $0.31 | 27) 3rd year revenue % |
| 8) Hogs processed per year | = | 625 | 18) Extra charge for beef patties (per lb.) | = | $0.20 | 28) Annual growth rate (years 5 to 10) |
| 9) Lambs processed per year | = | 500 | 19) Extra charge for sausage (per lb.) | = | $0.50 | 29) Annual growth rate (years 11 to 20) |
| 10) Other animals processed per year | = | 125 | 20) Freezing charge charge per beef | = | $10.00 | 30) Building size (square feet) |

| FISCAL YEAR<br>DESCRIPTION | 2000<br>1 | 2001<br>2 | 2002<br>3 | 2003<br>4 | 2004<br>5 | 2005<br>6 | 2006<br>7 | 2007<br>8 | 2008<br>9 | 2009<br>10 | 2010<br>11 | 2011<br>12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beef animals processed | 438 | 700 | 788 | 875 | 875 | 893 | 910 | 929 | 947 | 966 | 976 | 985 |
| Other animals processed | 625 | 1,000 | 1,125 | 1,250 | 1,250 | 1,275 | 1,301 | 1,327 | 1,353 | 1,380 | 1,394 | 1,408 |
| REVENUE | | | | | | | | | | | | |
| Beef slaughter/processing | $81,375 | $130,200 | $146,475 | $162,750 | $162,750 | $166,005 | $169,325 | $172,712 | $176,166 | $179,689 | $181,486 | $183,301 |
| Hog slaughter/processing | $22,344 | $35,750 | $40,219 | $44,688 | $44,688 | $45,581 | $46,493 | $47,423 | $48,371 | $49,339 | $49,832 | $50,330 |
| Lamb slaughter/processing | $9,263 | $14,820 | $16,673 | $18,525 | $18,525 | $18,896 | $19,273 | $19,659 | $20,052 | $20,453 | $20,658 | $20,864 |
| Other slaughter/processing | $2,316 | $3,705 | $4,168 | $4,631 | $4,631 | $4,724 | $4,818 | $4,915 | $5,013 | $5,113 | $5,164 | $5,216 |
| Beef patty charges | $3,750 | $6,000 | $6,750 | $7,500 | $7,500 | $7,650 | $7,803 | $7,959 | $8,118 | $8,281 | $8,363 | $8,447 |
| Smoking charges | $2,813 | $4,500 | $5,063 | $5,625 | $5,625 | $5,738 | $5,852 | $5,969 | $6,089 | $6,210 | $6,273 | $6,335 |
| Sausage charges (average) | $6,250 | $10,000 | $11,250 | $12,500 | $12,500 | $12,750 | $13,005 | $13,265 | $13,530 | $13,801 | $13,939 | $14,078 |
| Freezing charges | $3,438 | $5,500 | $6,188 | $6,875 | $6,875 | $7,013 | $7,153 | $7,296 | $7,442 | $7,591 | $7,666 | $7,743 |
| Marketing charges | $5,031 | $8,050 | $9,056 | $10,063 | $10,063 | $10,264 | $10,469 | $10,678 | $10,892 | $11,110 | $11,221 | $11,333 |
| Drop | $6,563 | $10,500 | $11,813 | $13,125 | $13,125 | $13,388 | $13,655 | $13,928 | $14,207 | $14,491 | $14,636 | $14,782 |
| TOTAL REVENUE | $143,141 | $229,025 | $257,653 | $286,281 | $286,281 | $292,007 | $297,847 | $303,804 | $309,880 | $316,078 | $319,238 | $322,431 |
| OPERATING EXPENSES | | | | | | | | | | | | |
| Manager's salary | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 |
| Bookkeeper's salary | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 |
| Plant labor | $51,870 | $99,120 | $114,870 | $130,620 | $133,770 | $136,983 | $140,260 | $143,603 | $147,013 | $150,491 | $152,264 | $154,056 |
| Supplies | $5,765 | $9,224 | $10,377 | $11,530 | $11,530 | $11,760 | $11,995 | $12,235 | $12,480 | $12,730 | $12,857 | $12,986 |
| Utilities | $9,000 | $10,800 | $11,400 | $12,000 | $12,000 | $12,120 | $12,242 | $12,367 | $12,495 | $12,624 | $12,691 | $12,758 |
| Waste removal | $3,000 | $4,800 | $5,400 | $6,000 | $6,000 | $6,120 | $6,242 | $6,367 | $6,495 | $6,624 | $6,691 | $6,758 |
| Insurance | $15,187 | $19,912 | $21,487 | $23,062 | $23,377 | $23,698 | $24,026 | $24,360 | $24,701 | $25,049 | $25,226 | $25,406 |
| Maintenance/contingency | $7,616 | $10,568 | $11,552 | $12,536 | $12,709 | $12,909 | $13,113 | $13,322 | $13,534 | $13,751 | $13,861 | $13,973 |
| TOTAL OPER. EXPENSES | $159,938 | $221,924 | $242,585 | $263,247 | $266,886 | $271,091 | $275,380 | $279,755 | $284,217 | $288,769 | $291,091 | $293,435 |
| OPERATING MARGIN (CASH) | ($16,797) | $7,101 | $15,068 | $23,034 | $19,396 | $20,916 | $22,467 | $24,049 | $25,663 | $27,308 | $28,148 | $28,996 |
| DEVELOPMENT COSTS | | | | | | | | | | | | |
| Land and site work | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Building construction costs | $375,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment costs | $125,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| SUB-TOTAL | $550,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Contingency | $55,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEVELOPMENT COSTS | $605,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| FINANCING & EQUITY | | | | | | | | | | | | |
| Equity in land value | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash equity contribution | $555,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL EQUITY | $605,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Financing/organizational costs | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan proceeds | $30,000 | $0 | $0 | $0 | $0 | $0 | | $0 | $0 | $0 | $0 | $0 |
| Working capital loan repayments | $0 | $5,000 | $13,000 | $7,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan balance | $30,000 | $25,000 | $12,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 |
| Working capital loan interest | $1,350 | $2,250 | $1,080 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 |
| Mortgage proceeds | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment financing proceeds | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Amortization | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEBT SERVICE | $1,350 | $2,250 | $1,080 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 |
| CASH FLOW | $1,853 | ($149) | $988 | $15,584 | $18,946 | $20,466 | $22,017 | $23,599 | $25,213 | $26,858 | $27,698 | $28,546 |
| CUMULATIVE CASH | $1,853 | $1,704 | $2,692 | $18,276 | $37,222 | $57,688 | $79,705 | $103,304 | $128,517 | $155,375 | $183,073 | $211,618 |
| DISCOUNTED RATE OF RETURN OF EQUITY IN CASH @ 9% | 0.28% | 0.26% | 0.39% | 2.21% | 4.25% | 6.26% | 8.25% | 10.21% | 12.13% | 14.01% | 15.78% | 17.46% |
| DISCOUNTED RATE OF RETURN ANNUALLY @ 9% ON EQUITY | 0.28% | -0.02% | 0.13% | 1.82% | 2.04% | 2.02% | 1.99% | 1.96% | 1.92% | 1.88% | 1.77% | 1.68% |
| PROJECT PRESENT WORTH: | | | | | | | | | | | | |
| @7% DISCOUNT RATE | $1,731 | $1,602 | $2,408 | $14,297 | $27,805 | $41,443 | $55,154 | $68,889 | $82,602 | $96,256 | $109,415 | $122,089 |
| @8% DISCOUNT RATE | $1,715 | $1,588 | $2,372 | $13,827 | $26,721 | $39,618 | $52,465 | $65,215 | $77,827 | $90,268 | $102,147 | $113,483 |
| @9% DISCOUNT RATE | $1,700 | $1,575 | $2,337 | $13,377 | $25,691 | $37,894 | $49,938 | $61,782 | $73,390 | $84,736 | $95,470 | $105,618 |
| @10% DISCOUNT RATE | $1,684 | $1,562 | $2,304 | $12,948 | $24,711 | $36,264 | $47,562 | $58,571 | $69,264 | $79,619 | $89,327 | $98,423 |

| | |
|---|---|
| = | $5.00 |
| = | $0.02 |
| = | $17.50 |
| = | $0.45 |
| = | 50% |
| = | 80% |
| = | 90% |
| = | 2% |
| = | 1% |
| = | 5,000 |

# Table 6.2.2
# Hudson Valley Livestock Processing Facility
# Rate Of Return Analysis

## Alternative 2 - Half the Business

| 2012 13 | 2013 14 | 2014 15 | 2015 16 | 2016 17 | 2017 18 | 2018 19 | 2019 20 | 2020 21 | TOTALS |
|---|---|---|---|---|---|---|---|---|---|
| 995 | 1,005 | 1,015 | 1,026 | 1,036 | 1,046 | 1,057 | 1,067 | 1,078 | 19,606 |
| 1,422 | 1,436 | 1,451 | 1,465 | 1,480 | 1,494 | 1,509 | 1,524 | 1,540 | 28,008 |
| $185,134 | $186,985 | $188,855 | $190,744 | $192,651 | $194,578 | $196,523 | $198,489 | $200,473 | $3,646,666 |
| $50,834 | $51,342 | $51,855 | $52,374 | $52,898 | $53,427 | $53,961 | $54,501 | $55,046 | $1,001,293 |
| $21,073 | $21,284 | $21,496 | $21,711 | $21,928 | $22,148 | $22,369 | $22,593 | $22,819 | $415,081 |
| $5,268 | $5,321 | $5,374 | $5,428 | $5,482 | $5,537 | $5,592 | $5,648 | $5,705 | $103,770 |
| $8,532 | $8,617 | $8,703 | $8,790 | $8,878 | $8,967 | $9,056 | $9,147 | $9,238 | $168,049 |
| $6,399 | $6,463 | $6,527 | $6,593 | $6,658 | $6,725 | $6,792 | $6,860 | $6,929 | $126,037 |
| $14,219 | $14,361 | $14,505 | $14,650 | $14,797 | $14,945 | $15,094 | $15,245 | $15,397 | $280,082 |
| $7,821 | $7,899 | $7,978 | $8,058 | $8,138 | $8,219 | $8,302 | $8,385 | $8,469 | $154,045 |
| $11,446 | $11,561 | $11,677 | $11,793 | $11,911 | $12,030 | $12,151 | $12,272 | $12,395 | $225,466 |
| $14,930 | $15,079 | $15,230 | $15,383 | $15,536 | $15,692 | $15,849 | $16,007 | $16,167 | $294,086 |
| $325,655 | $328,912 | $332,201 | $335,523 | $338,878 | $342,267 | $345,689 | $349,146 | $352,638 | $6,414,575 |
| $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $1,155,000 |
| $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $262,500 |
| $155,865 | $157,693 | $159,538 | $161,402 | $163,285 | $165,187 | $167,108 | $169,047 | $171,007 | $3,025,052 |
| $13,115 | $13,247 | $13,379 | $13,513 | $13,648 | $13,784 | $13,922 | $14,062 | $14,202 | $258,340 |
| $12,825 | $12,893 | $12,962 | $13,032 | $13,102 | $13,173 | $13,245 | $13,318 | $13,391 | $260,439 |
| $6,825 | $6,893 | $6,962 | $7,032 | $7,102 | $7,173 | $7,245 | $7,318 | $7,391 | $134,439 |
| $25,587 | $25,769 | $25,954 | $26,140 | $26,329 | $26,519 | $26,711 | $26,905 | $27,101 | $512,505 |
| $14,086 | $14,200 | $14,315 | $14,431 | $14,548 | $14,667 | $14,787 | $14,907 | $15,030 | $280,414 |
| $295,803 | $298,195 | $300,611 | $303,051 | $305,515 | $308,004 | $310,517 | $313,056 | $315,621 | $5,888,690 |
| $29,852 | $30,717 | $31,590 | $32,472 | $33,363 | $34,263 | $35,172 | $36,090 | $37,017 | $525,885 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $375,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $125,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $550,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $55,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $605,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $555,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $605,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $30,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $25,000 |
| $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | $5,000 | |
| $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $12,780 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $450 | $12,780 |
| $29,402 | $30,267 | $31,140 | $32,022 | $32,913 | $33,813 | $34,722 | $35,640 | $36,567 | $508,105 |
| $241,020 | $271,287 | $302,427 | $334,449 | $367,362 | $401,175 | $435,897 | $471,537 | $508,105 | |
| 19.04% | 20.54% | 21.95% | 23.29% | 24.54% | 25.73% | 26.84% | 27.90% | 28.88% | |
| 1.59% | 1.50% | 1.41% | 1.33% | 1.26% | 1.18% | 1.12% | 1.05% | 0.99% | |
| $134,290 | $146,028 | $157,315 | $168,162 | $178,581 | $188,585 | $198,186 | $207,396 | $216,228 | |
| $124,294 | $134,598 | $144,415 | $153,762 | $162,658 | $171,119 | $179,165 | $186,811 | $194,076 | |
| $115,209 | $124,266 | $132,815 | $140,880 | $148,486 | $155,654 | $162,407 | $168,766 | $174,752 | |
| $106,939 | $114,909 | $122,364 | $129,333 | $135,845 | $141,926 | $147,604 | $152,901 | $157,843 | |

**Assumptions:**

| | | | | | | |
|---|---|---|---|---|---|---|
| 1) Land and site work costs per acre | = | $25,000 | 11) Manager's salary & fringes (annual) | = | $55,000 | 21) Freezing c |
| 2) Building cost per square foot | = | $75 | 12) Average cost of plant labor (per hour) | = | $14.00 | 22) Marketing |
| 3) Equip. cost/sf (over $25,000 base) | = | $20 | 13) Bookkeeper salary (1/2 time - annual) | = | $12,500 | 23) Drop inco |
| 4) Man-hours to process beef | = | 1.25 | 14) Beef slaughter charge | = | $31.00 | 24) Smoking c |
| 5) Man-hours to process hogs | = | 0.60 | 15) Hog slaughter charge | = | $25.00 | 25) 1st year re |
| 6) Man-hours to process lambs, etc. | = | 0.50 | 16) Lamb/other slaughter charge | = | $20.00 | 26) 2nd year r |
| 7) Beef processed per year | = | 1,500 | 17) Basic fabrication charge (per lb.) | = | $0.31 | 27) 3rd year re |
| 8) Hogs processed per year | = | 1,250 | 18) Extra charge for beef patties (per lb.) | = | $0.20 | 28) Annual gr |
| 9) Lambs processed per year | = | 1,000 | 19) Extra charge for sausage (per lb.) | = | $0.50 | 29) Annual gr |
| 10) Other animals processed per year | = | 250 | 20) Freezing charge charge per beef | = | $10.00 | 30) Building s |

| **FISCAL YEAR** / **DESCRIPTION** | **2000** / **1** | **2001** / **2** | **2002** / **3** | **2003** / **4** | **2004** / **5** | **2005** / **6** | **2006** / **7** | **2007** / **8** | **2008** / **9** | **2009** / **10** |
|---|---|---|---|---|---|---|---|---|---|---|
| Beef animals processed | 125 | 200 | 225 | 250 | 250 | 255 | 260 | 265 | 271 | 276 |
| Other animals processed | 1,250 | 2,000 | 2,250 | 2,500 | 2,500 | 2,550 | 2,601 | 2,653 | 2,706 | 2,760 |
| REVENUE | | | | | | | | | | |
| Beef slaughter/processing | $23,250 | $37,200 | $41,850 | $46,500 | $46,500 | $47,430 | $48,379 | $49,346 | $50,333 | $51,340 |
| Hog slaughter/processing | $15,625 | $25,000 | $28,125 | $31,250 | $31,250 | $31,875 | $32,513 | $33,163 | $33,826 | $34,503 |
| Lamb slaughter/processing | $10,000 | $16,000 | $18,000 | $20,000 | $20,000 | $20,400 | $20,808 | $21,224 | $21,649 | $22,082 |
| Other slaughter/processing | $2,500 | $4,000 | $4,500 | $5,000 | $5,000 | $5,100 | $5,202 | $5,306 | $5,412 | $5,520 |
| Drop | $13,125 | $21,000 | $23,625 | $26,250 | $26,250 | $26,775 | $27,311 | $27,857 | $28,414 | $28,982 |
| TOTAL REVENUE | $64,500 | $103,200 | $116,100 | $129,000 | $129,000 | $131,580 | $134,212 | $136,896 | $139,634 | $142,426 |
| OPERATING EXPENSES | | | | | | | | | | |
| Manager's salary | $27,500 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 |
| Bookkeeper's salary | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 |
| Plant labor | $9,310 | $9,520 | $14,070 | $18,620 | $19,530 | $20,458 | $21,405 | $22,371 | $23,356 | $24,360 |
| Supplies | $514 | $822 | $925 | $1,028 | $1,028 | $1,048 | $1,069 | $1,090 | $1,112 | $1,134 |
| Utilities | $7,500 | $8,400 | $8,700 | $9,000 | $9,000 | $9,060 | $9,121 | $9,184 | $9,247 | $9,312 |
| Waste removal | $3,000 | $4,800 | $5,400 | $6,000 | $6,000 | $6,120 | $6,242 | $6,367 | $6,495 | $6,624 |
| Insurance | $10,931 | $10,952 | $11,407 | $11,862 | $11,953 | $12,046 | $12,140 | $12,237 | $12,336 | $12,436 |
| Maintenance/contingency | $3,563 | $5,100 | $5,400 | $5,700 | $5,751 | $5,812 | $5,874 | $5,937 | $6,002 | $6,068 |
| TOTAL OPER. EXPENSES | $74,817 | $107,094 | $113,402 | $119,710 | $120,761 | $122,044 | $123,352 | $124,686 | $126,048 | $127,436 |
| OPERATING MARGIN (CASH) | ($10,317) | ($3,894) | $2,698 | $9,290 | $8,239 | $9,536 | $10,860 | $12,209 | $13,586 | $14,990 |
| DEVELOPMENT COSTS | | | | | | | | | | |
| Land and site work | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Building construction costs | $187,500 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment costs | $62,500 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| SUB-TOTAL | $300,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Contingency | $30,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEVELOPMENT COSTS | $330,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| FINANCING & EQUITY | | | | | | | | | | |
| Equity in land value | $50,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Cash equity contribution | $280,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL EQUITY | $330,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Financing/organizational costs | $10,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan proceeds | $25,000 | $5,000 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Working capital loan repayments | $0 | $0 | $1,000 | $7,000 | $6,000 | $9,000 | $7,000 | $0 | $0 | $0 |
| Working capital loan balance | $25,000 | $30,000 | $29,000 | $22,000 | $16,000 | $7,000 | $0 | $0 | $0 | $0 |
| Working capital loan interest | $1,125 | $2,700 | $2,610 | $1,980 | $1,440 | $630 | $0 | $0 | $0 | $0 |
| Mortgage proceeds | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equipment financing proceeds | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Amortization | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| TOTAL DEBT SERVICE | $1,125 | $2,700 | $2,610 | $1,980 | $1,440 | $630 | $0 | $0 | $0 | $0 |
| CASH FLOW | $3,558 | ($1,594) | ($912) | $310 | $799 | ($94) | $3,860 | $12,209 | $13,586 | $14,990 |
| CUMULATIVE CASH | $3,558 | $1,964 | $1,052 | $1,362 | $2,161 | $2,067 | $5,927 | $18,136 | $31,722 | $46,713 |
| DISCOUNTED RATE OF RETURN OF EQUITY IN CASH @ 9% | 0.99% | 0.58% | 0.37% | 0.44% | 0.59% | 0.58% | 1.22% | 3.07% | 4.97% | 6.89% |
| DISCOUNTED RATE OF RETURN ANNUALLY @ 9% ON EQUITY | 0.99% | -0.41% | -0.21% | 0.07% | 0.16% | -0.02% | 0.64% | 1.86% | 1.90% | 1.92% |
| PROJECT PRESENT WORTH: | | | | | | | | | | |
| @7% DISCOUNT RATE | $3,325 | $1,933 | $1,188 | $1,425 | $1,995 | $1,932 | $4,336 | $11,442 | $18,832 | $26,452 |
| @8% DISCOUNT RATE | $3,294 | $1,928 | $1,204 | $1,432 | $1,975 | $1,916 | $4,168 | $10,765 | $17,561 | $24,505 |
| @9% DISCOUNT RATE | $3,264 | $1,922 | $1,218 | $1,438 | $1,957 | $1,901 | $4,013 | $10,140 | $16,396 | $22,728 |
| @10% DISCOUNT RATE | $3,234 | $1,917 | $1,232 | $1,444 | $1,940 | $1,887 | $3,867 | $9,563 | $15,325 | $21,105 |

| | | |
|---|---|---|
| charges (hogs) | = | $5.00 |
| g charge (per lb.) | = | $0.02 |
| ome (per beef) | = | $17.50 |
| charge (per lb.) | = | $0.45 |
| revenue % | = | 50% |
| revenue % | = | 80% |
| revenue % | = | 90% |
| rowth rate (years 5 to 10) | = | 2% |
| rowth rate (years 11 to 20) | = | 1% |
| size (square feet) | = | 2,500 |

# Table 6.2.3
# Hudson Valley Livestock Processing Facility
# Rate Of Return Analysis

## Alternative 3 - Slaughter Only

| 2010<br>11 | 2011<br>12 | 2012<br>13 | 2013<br>14 | 2014<br>15 | 2015<br>16 | 2016<br>17 | 2017<br>18 | 2018<br>19 | 2019<br>20 | 2020<br>21 | TOTALS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 279 | 282 | 284 | 287 | 290 | 293 | 296 | 299 | 302 | 305 | 308 | 5,602 |
| 2,788 | 2,816 | 2,844 | 2,872 | 2,901 | 2,930 | 2,959 | 2,989 | 3,019 | 3,049 | 3,079 | 56,016 |
| $51,853 | $52,372 | $52,895 | $53,424 | $53,959 | $54,498 | $55,043 | $55,594 | $56,150 | $56,711 | $57,278 | $1,041,904 |
| $34,848 | $35,196 | $35,548 | $35,903 | $36,263 | $36,625 | $36,991 | $37,361 | $37,735 | $38,112 | $38,493 | $700,205 |
| $22,302 | $22,525 | $22,751 | $22,978 | $23,208 | $23,440 | $23,674 | $23,911 | $24,150 | $24,392 | $24,636 | $448,131 |
| $5,576 | $5,631 | $5,688 | $5,745 | $5,802 | $5,860 | $5,919 | $5,978 | $6,038 | $6,098 | $6,159 | $112,033 |
| $29,272 | $29,565 | $29,860 | $30,159 | $30,461 | $30,765 | $31,073 | $31,383 | $31,697 | $32,014 | $32,334 | $588,172 |
| $143,851 | $145,289 | $146,742 | $148,210 | $149,692 | $151,189 | $152,700 | $154,227 | $155,770 | $157,327 | $158,901 | $2,890,445 |
| $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $55,000 | $1,127,500 |
| $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $12,500 | $262,500 |
| $24,873 | $25,390 | $25,913 | $26,441 | $26,974 | $27,513 | $28,057 | $28,606 | $29,161 | $29,721 | $30,287 | $485,936 |
| $1,146 | $1,157 | $1,169 | $1,181 | $1,192 | $1,204 | $1,216 | $1,228 | $1,241 | $1,253 | $1,266 | $23,023 |
| $9,345 | $9,379 | $9,413 | $9,447 | $9,481 | $9,516 | $9,551 | $9,587 | $9,623 | $9,659 | $9,695 | $193,220 |
| $6,691 | $6,758 | $6,825 | $6,893 | $6,962 | $7,032 | $7,102 | $7,173 | $7,245 | $7,318 | $7,391 | $134,439 |
| $12,487 | $12,539 | $12,591 | $12,644 | $12,697 | $12,751 | $12,806 | $12,861 | $12,916 | $12,972 | $13,029 | $258,594 |
| $6,102 | $6,136 | $6,171 | $6,205 | $6,240 | $6,276 | $6,312 | $6,348 | $6,384 | $6,421 | $6,458 | $124,261 |
| $128,144 | $128,859 | $129,582 | $130,311 | $131,048 | $131,792 | $132,544 | $133,303 | $134,070 | $134,844 | $135,626 | $2,609,472 |
| $15,707 | $16,430 | $17,161 | $17,898 | $18,644 | $19,396 | $20,157 | $20,925 | $21,700 | $22,483 | $23,275 | $280,973 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $187,500 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $62,500 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $300,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $30,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $330,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $50,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $280,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $330,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $10,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $30,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $30,000 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $10,485 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $10,485 |
| $15,707 | $16,430 | $17,161 | $17,898 | $18,644 | $19,396 | $20,157 | $20,925 | $21,700 | $22,483 | $23,275 | $260,488 |
| $62,420 | $78,850 | $96,010 | $113,909 | $132,552 | $151,949 | $172,105 | $193,030 | $214,730 | $237,214 | $260,488 | |
| 8.73% | 10.50% | 12.20% | 13.82% | 15.37% | 16.85% | 18.26% | 19.61% | 20.89% | 22.10% | 23.26% | |
| 1.84% | 1.77% | 1.70% | 1.62% | 1.55% | 1.48% | 1.41% | 1.34% | 1.28% | 1.22% | 1.15% | |
| $33,914 | $41,209 | $48,330 | $55,272 | $62,029 | $68,599 | $74,980 | $81,171 | $87,171 | $92,982 | $98,603 | |
| $31,241 | $37,766 | $44,076 | $50,169 | $56,047 | $61,708 | $67,156 | $72,392 | $77,420 | $82,244 | $86,868 | |
| $28,815 | $34,656 | $40,253 | $45,609 | $50,728 | $55,613 | $60,271 | $64,707 | $68,927 | $72,939 | $76,749 | |
| $26,610 | $31,845 | $36,816 | $41,529 | $45,992 | $50,213 | $54,201 | $57,965 | $61,513 | $64,855 | $68,000 | |

B. Building costs are estimated at $75 per square foot, significantly above the $62.40 median for the Poughkeepsie region as estimated by the RS Means company. A 5,000 sq. feet building is projected.

C. Equipment costs are estimated at $15 per square foot (not including coolers). This is consistent with 1984 Penn State guidelines adjusted for inflation, discounting by 25% to account for employment of used equipment. There is also a 10% contingency line item in the capital budget.

D. It is anticipated that 10.0 man hours per beef, 3.5 man hours per hog and 2.5 man hours per lamb or other species are required to slaughter and process the animals. These numbers include cleaning, maintenance and other miscellaneous activities. Also, the Manager is expected to be a working Supervisor. The Manager's salary plus fringes is estimated at $55,000 and the labor rate (including fringes) is expect to be $14 per hour. A part-time bookkeeper at $12,500 per year is also assumed.

E. Slaughter charges of $31 per beef, $25 per hog and $20 per other species are anticipated. Other charges include 31¢/lb. for basic fabrication, 20¢/lb. for beef patties, 50¢/lb. for sausage, $10 per head for freezing beef, $5 per head for freezing pork, 2¢/lb. for marketing and 45¢/lb. for smoking. Carcass weights of 600 lbs. per beef, 150 lbs. per hog and 55 lbs. per other species. are assumed. It is further assumed that each beef will produce an average of 50 lbs. of ground beef to be made into patties, that each hog would generate an average of 40 lbs. of ham and/or bacon to be smoked (plus 20 lbs. of sausage) and that half of all animals would be subject to freezing charges.

F. Revenue from the "drop" is estimated $17.50 per beef, primarily for the hides. Salting is not anticipated.

G. Start-up volumes are projected at 50% for the first year, 80% for the second year and 90% for the third year. Annual growth in volume of 2% per year is expected for years 5 through 10 with

1% per year growth thereafter.

H. Supply expenses are expected to equal 5% of basic slaughtering/processing costs. Utility costs are estimated to be $6,000 per year plus $4 per beef and $2 per hog or other animal. Waste removal costs are also expected to be $4 per beef and $2 per hog or other animal. Insurance expense is based on $10,000 for basic coverage plus 10% of plant labor expense. A line item for maintenance and contingencies is also included at 5% of other operating expenses.

I. Financing and organizational costs associated with start-up and initial borrowing are estimated at a flat $10,000.

J. Working capital interest costs are based on a 9% borrowing rate on a line of credit with no clearing requirement. A mortgage rate of 7% over 20 years on 100% of the building costs is assumed based on a contributed site as a down payment. Equipment financing is based on an 8% interest rate and 8 year term, using the cost of equipment less each equity as principal.

Applying these assumption leads to the conclusion that a slaughter/processing plant is feasible at the volumes of business anticipated by the Task Force. Table 6.2.1 indicates that such a plant would return 100% of the $100,000 in equity, discounted at a 9% rate, in the 7th year of operation It would, from the 9th year on, enjoy an average annual rate return on equity of 20.8% (437.43% over 21 years), recognizing that some of this would, in the real world, go into salary increases for the Manager or plant improvements. The projected cash flows over 21 years would have a net present value of $437,427 at a 9% discount rate, meaning that another $337,427 of equity investment in the project would be economically justified at this rate of return. No more than $50,000 of working capital would have to be borrowed and the line of credit could be cleared in the 4th year.

A plant is also feasible at half these volumes of business if grants-in-aid or other additional non-returnable equity investments are made to cover the capital expense. Table 6.2.2 demonstrates that a project with no borrowing for other than working capital would be able, nonetheless, to return 29% of the equity over 21 years at a 9% discount rate. While this is only a 1.4% annual return, it does demonstrate that such a facility would more than break even on operations if State, Federal or private grants could be secured to finance 71% of the capital expense at the outset. Such a project would also require less working capital, only $30,000 worth, due to the lack of a mortgage payment to cover during the start-up period.

A slaughter-only plant is feasible if grant funding can be secured to cover 77% of capital expenses. Table 6.2.3 demonstrates this. Revenues from processing are eliminated from the equation, a half-time manager is assumed for the first year and variable costs associated with utilities and supplies are reduced in this analysis. The result is a project that returns 23% of equity after 21 years and achieves an average rate of return of 1.1%. It, too, requires borrowing of $30,000 of working capital that can be paid back in full in 7 years.

Summarizing, all three projects are financially feasible but the last two both require substantial grant funding. This is why it is so critical to organize producers and document, through production agreements, the supplies of animals. This will be necessary for any constructive steps the Task Force takes from here on out to ensure the consistent availability of slaughtering and/or processing services for its members.

## 6.3 Financing Required and Potential Sources

Financing needs associated with a new meat processing facility include the following:[14]

- $267,500 to $480,000 of long-term financing for land and buildings.

- $62,500 to $180,000 in equipment financing.

14 The numbers are ranges that take into account the difference among possible types of operations and the possibility, for instance, of all the contingency budget being required for equipment.

- $30,000 to $50,000 of working capital in the form of a line-of-credit with no annual clearing requirement.

- Real property mortgage and sales tax abatements. No provision has been made in budgets for real property taxes on the assumption that such a facility would be public/semi-public in nature and should be able to secure full abatement of such taxes for at least the first 5 years of operation. Equipment costs are likewise based on the assumption that sales tax abatement would be available to the enterprise. These benefits do not come automatically, however. Application to the respective County Industrial Development Agency must be made to secure them.

- The cash flow analyses do not address the need for seed money to cover the costs of organizing producers, forming a cooperative or developing a labeling and distribution system. It is estimated this would require $25,000 to $50,000 in grant money to support the work of hired staff or marketing consultants. This expertise could potentially be secured through Task Force members or by working through existing organizations.

The amount of loan and grant money required will vary depending on the scope of the project. Conventional financing will suffice in some instances while others will demand low-interest loans, second-position financing or outright grants. There are several sources for all of these. They include the following:[15]

## USDA Business and Industry Direct Loans

USDA Rural Development offers a Business and Industry Direct Loan Program that provides loans to public entities and private parties who cannot obtain credit from other sources. Loans to private parties can be made for improving, developing, or financing business and industry, creating jobs, and improving the economic and environmental climate in rural communities. Eligible applicants include any legally organized entity, including cooperatives, corporations, partnerships, trusts or other profit or nonprofit entities, municipalities, counties, any other political subdivision of a State, or individuals. Loans are available to those who cannot obtain credit elsewhere and for public bodies.

15 Descriptions are taken directly from program guides and this list is intended to be representative in nature, not comprehensive.

The direct loan program was authorized on the premise that it would be targeted to rural areas of the country that were suffering fundamental physical and economic stress. In New York the EZ/EC Champion Communities have been identified as the target areas for use of direct loan funds. While Albany Schenectady and Troy are EZ communities, they are not rural. It is possible, nevertheless, that additional areas could be designated and some of the adjacent counties (e.g. Delaware or Greene) might qualify. Most provisions of the guaranteed business and industry loan program (see below) also apply to the direct loan program. Application forms and information about the program can be obtained by contacting Lowell Gibson (315) 477-6425, or Kathy Klossner (607) 272-3023 at USDA Rural Development.

This program is distinctly “long-shot” in nature but could be used to help finance a project in certain areas of the State or within the region with additional designations of EZ/EC Communities.

## USDA Business and Industry Loan Guarantees

USDA Rural Development also joins together with local banks and other commercial lenders to provide financing for businesses located in rural areas. Lenders are able to offer larger loans and better terms with a guarantee which may cover up to 80% of the lenders exposure on the loan. Guarantees are available in all parts of New York except for cities of more than 50,000 population and the urbanized areas surrounding them. Eligible lenders include all State or Federally chartered banks, savings banks, savings and loan associations, credit unions and Farm Credit System. Eligible applicants include individuals, corporations, partnerships and cooperatives. Loans can be used to finance real estate purchases, equipment, rolling stock, working capital, expansions and new locations. Purchase of an existing business is included only if it is necessary to preserve jobs or will result in new jobs being created.

The lender determines the repayment term of the loan and the interest rate. Rural Development allows maximum terms of 30 years for loans for real estate purposes, 15 years for machinery and equipment and 7 years for working capital. Revolving credits cannot be guaranteed. Interest rates are not subsidized by the Government and are usually the prevailing commercial rates. Variable or fixed rates are allowed and separate rates can be charged on the guaranteed and unguaranteed portions of the loan. There is no minimum loan size, but applicants eligible for guarantees through the Small Business Administration program are encouraged to also explore the possibility of obtaining assistance through that program. Guarantees of 80% are available for loans up to $5 million.

A test for other credit is not required. The program seeks to promote long-term job development through guarantee of quality loans to businesses which have the resources to survive and prosper. All applicants must have a positive tangible net worth of at least 10% of tangible assets (20% to 25% for new businesses), adequate collateral to secure the loan, cash flow based on either historical results or well supported projections which is adequate to repay the debt, and good management. Personal guarantees are usually required of the owners. Feasibility studies may be required for new businesses or when past results do not support the projections. A one-time only guarantee fee is charged to the lender and may be passed on to the borrower. The fee is equal to 2% of that portion of the loan which is guaranteed and is payable when the guarantee is delivered.

The guaranteed portion of the loan is considered to be an investment and does not have to be included in determining the bank's maximum loan. Guaranteed loans often help the bank to meet its CRA requirements. The guaranteed portion of the loan can be sold to investors providing more liquidity to the bank. Banks can also participate out part of the unguaranteed portion as long as they retain at least 5% of the loan, all unguaranteed. Application forms and information about the program can be obtained by contacting Lowell Gibson (315) 477-6425, or Kathy Klossner (607) 272-3023 at USDA Rural Development.

## USDA Rural Cooperative Development Grants

The 1996 Farm Bill revised the Rural Technology and Cooperative Development Grant program to make it available only for cooperative development. The program provides grants for establishing and operating centers for cooperative development. The primary purpose is to improve economic conditions in rural areas. Grant funds can pay up to 75% of the costs for establishing and operating such centers. Grants may be made to public bodies or not-for-profit institutions. The nearby Watershed Agricultural Council used such a grant to help set up the Catskill Family Farms Cooperative.

The Cooperative Services branch of the USDA Rural Business-Cooperative Service also provides a wide range of assistance for people interested in forming new cooperatives. This help can range from an initial feasibility study to the creation and implementation of a business plan. Cooperative Services staff includes cooperative development specialists who do everything from identifying potential cooperative functions through the development of bylaws and business plans. They also provide training for cooperative directors. The overall goal of Cooperative Services is to provide a realistic view of what it will take to make a new cooperative succeed. Recent examples of rural cooperatives. New York Rural Development now has a Cooperative Development Specialist on staff. Mr. Robert Pestridge (315) 477-6426 is headquartered at the Rural Development State Office is Syracuse and is available to provide assistance to any rural group in New York State that is interested in forming a cooperative organization.

## Rural Business Enterprise Grants ("RBEG")

Rural communities can receive assistance in promoting the development of small and emerging businesses through the RBEG program. Grants are made to public bodies or not-for-profit organizations. Grantees use the funds to promote the development of small and emerging private businesses which are defined as having 50 or fewer new employees, less than $1 million in projected gross revenue, or will use innovative technology to produce/manufacture new products in rural areas. Rural communities include cities with up to 50,000 population and cannot be within the urbanized area of a larger city. Eligible applicants for RBEG grants include public bodies and private not-for-profit corporations.

Funds can be used to acquire property such as land, buildings, machinery or equipment which will be owned by the grantee, but will be made available for use by the private business or businesses. Grantees can also use funds to provide technical assistance to private business enterprises, make loans for startup operating costs or working capital or to establish a revolving loan fund. Reasonable fees for professional services necessary for planning and development of the project and training in connection with technical assistance can also be eligible uses of grant funds. Agricultural production is not an eligible type of business to benefit from a grant.

Interested applicants file a preliminary application with the USDA-Rural Development office serving their area. Rural Development will analyze applications and determine their priority score based on the factors in the program regulations. If funds appear to be available for an application the applicant will be notified and requested to complete the full application. Application forms and information about the program can be obtained from any Rural Development office, or from Lowell Gibson (315) 477-6425, or Kathy Klossner (607) 272-3023.

## Rural Business Opportunity Grants

Rural Business Opportunity Grant funds provide for technical assistance, training, and planning activities that improve economic conditions in rural areas. Applicants must be located in rural areas.

Nonprofit corporations and public bodies are eligible. A maximum of $1.5 million per grant is authorized by the legislation. RBS is designing the program to promote sustainable economic development in rural communities with exceptional needs.

## Resource Conservation & Development Program (RC&D)

The purpose of the Resource Conservation and Development (RC&D) program is to accelerate the conservation, development and utilization of natural resources, improve the general level of economic activity, and to enhance the environment and standard of living in authorized RC&D areas. It improves the capability of State, tribal and local units of government and local nonprofit organizations in rural areas to plan, develop and carry out programs for resource conservation and development. The program also establishes or improves coordination systems in rural areas. Current program objectives focus on improvement of quality of life achieved through natural resources conservation and community development which leads to sustainable communities, prudent use (development), and the management and conservation of natural resources. Authorized RC&D areas are locally sponsored areas designated by the Secretary of Agriculture for RC&D technical and financial assistance program funds. NRCS can provide grants for land conservation, water management, community development, and environmental needs in authorized RC&D areas.

The local RC&D is the Hudson Mohawk Resource Conservation and Development Project, 24 Hetcheltown Road, Scotia, NY 12302. The South Central New York Resource Conservation and Development Project also serves nearby Delaware, Otsego, Schoharie and Sullivan Counties. Its main priorities include "retention and expansion of the number of farms, farmers, and acres of farmland." The partnership of federal, state, local and private organizations/agencies results in dollars brought into the region and the empowerment of rural residents. Funding and support for RC&D projects typically is obtained from the Natural Resource Conservation Service, Appalachian Regional Commission), Empire State Development, counties and private organizations supporting similar objectives.

Importantly, the South Central New York Resource Conservation and Development Project's specific objectives include the following:

- Marketing education and assistance for all types of livestock products to increase sales and prices received;
- Providing animal husbandry technical assistance to producers;
- Educating the general public and students on the importance of livestock agriculture in our region, and accompanying environmental issues;
- Promoting performance evaluations of all classes of livestock to ensure uniform quality for greater industry acceptance;
- Supporting the grass fed and natural livestock product option.

## Small Business Administration 504 Loan Program

The SBA's 504 loan program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. It relies upon the use of Certified Development Companies (CDC) which are nonprofit corporations set up to contribute to the economic development of a community or region. Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped. The maximum SBA debenture generally is $750,000 (up to $1 million in some cases). The CDC's portfolio must create or retain one job for every $35,000 provided by the SBA.

Proceeds from 504 loans must be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.

Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

## Economic Development Administration Facilities Program

This U.S. Department of Commerce agency provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term, private sector jobs. Among the types of projects funded are water and wastewater facilities, primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; business incubator facilities; technology projects; sustainable development activities; export programs; brownfields redevelopment and other infrastructure projects. The program is primarily intended to benefit low and moderate-income populations, unemployed and underemployed residents and to help stop out-migration as well as to assist areas experiencing long-term economic distress due to industrial restructuring and business relocation.

Priority is given to projects that:

- improve opportunities for the successful establishment or expansion of industrial or commercial facilities;
- assist in creating or retaining private sector jobs in the near term, as well as providing additional long-term employment opportunities, provided the jobs are not transferred from other labor market areas;
- benefit the long-term unemployed and members of low-income families residing in the area served by the project;
- fulfill a pressing need of the area and can be started and completed in a timely manner; and
- demonstrate adequate local funding, with evidence that such support is committed.

The average grant is about $850,000. The EDA regional office serving Columbia County is located in Philadelphia (215) 597-4603 and this is the suggested first point of contact for eligible applicants.

## Farmer/Grower Grant Program

The Farmer/Grower Grant Program is an initiative of the Northeast Region Sustainable Agriculture Research and Education (SARE) program. Its goal is to develop, refine, and demonstrate sustainable techniques, and to help farmers shift to production and marketing practices that will enhance the viability of agriculture in the region. Proposals may address any food, production or marketing issue. Project activities may involve small research trials, demonstrations, farmer/grower workshops or surveys. Proposers must show that the problem is one faced by other producers and that the project results will be of general benefit. Grant recipients are required to share information about their projects, including all results, with other farmers and members of the agricultural community. To this end, each proposal must include an outreach plan. Successful applicants must submit a final report summarizing the project upon its completion.

It is requested that proposals address ways to:

- reduce environmental and health risks in agriculture
- prevent agricultural pollution
- reduce costs and increase net farm income;
- conserve soil, improve water quality, and protect natural resources;
- increase employment opportunities in rural areas; and/or
- enhance the quality of life for farmers and society as a whole.

The local contact for this is the Northeast Region SARE office at the University of Vermont (802) 656-0471. This program could be a source of financial support for marketing and, in particular, crafting a natural certification program.

## Federal-State Marketing Program

The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to State Departments of Agriculture and other State agencies for 20-30 projects per year. These funds have been used by States to conduct marketing studies or assist in developing innovative approaches to the marketing of agricultural products. FSMIP funds can be requested for a wide range of marketing research and marketing service activities, including projects aimed at:

- Developing and testing new or more efficient methods of processing, packaging, handling, storing, transporting, and distributing food and other agricultural products;

- Assessing customer response to new or alternative agricultural products or marketing services and evaluating potential opportunities for U.S. producers, processors, and other agribusinesses, in both domestic and international markets; or

- Identifying problems and impediments in existing channels of trade between producers and consumers of agricultural products and devising improved marketing practices, facilities, or systems to address such problems.

USDA encourages the State department of agriculture or equivalent agency to assume the lead role for FSMIP activities, using cooperative or contractual linkages with other agencies, organizations, and institutions, including producer or industry organizations, as appropriate. Federal funds requested for FSMIP projects must be matched, at least equally, from non-Federal sources. Matching requirements may be met in the form of cash or properly valued, in-kind resources. FSMIP funds are most commonly allocated to projects of approximately 1-year duration. Priorities include:

- Increasing the base of marketing research and marketing services of particular importance to small-scale, limited-resource farmers and rural agribusinesses.

- Identifying and evaluating opportunities for producers to respond directly to new or expanding consumer demands for products and value-adding services.

- Encouraging the development of marketing channels and methods consistent with maintaining or improving the environment, with emphasis on projects aimed at expanding consumers' choices with regard to the environmental impact of alternative production and marketing technologies.

## Catskill Watershed Corporation (CWC) Economic Development Program

The CWC covers parts of the adjoining counties of Delaware, Greene, Schoharie, Sullivan and Ulster. Its Economic Development Program is intended to correct some of the imbalances in the Catskills economy due to the imposition of New York City Watershed regulations, and the city's anticipated acquisition of thousands of acres of land in the region. The cornerstone of the CWC's efforts in the West-of-Hudson Watershed is the Catskill Fund for the Future (CFF), an economic development fund capitalized by a $59.7 million appropriation by New York City. This fund will be used to make loans and grants to businesses and organizations proposing environmentally responsible projects.

Some $7.5 million has thus far been allocated for the REDI loan revolving fund to provide low-interest loans to watershed businesses, both existing and new. A loan committee of four business and banking people, along with representatives of the CWC and the NYC Department of Environmental Protection, review applications and forward recommendations to the full CWC Board of Directors. Among the economic sectors the CWC has identified as important is agriculture. Moreover, a specific need identified in their Economic Development Strategy is "investment in new meat processing facilities" including a regional slaughterhouse.[16]

This program could be used for various aspects of funding if the facilities were to be located within the watershed area covered by the CWC.

## New York State Empire Development Corporation

An Empire State Development office is located in Fishkill, New York (914) 896-0478. Its purpose is creating jobs and encouraging economic prosperity by strengthening and supporting New York State businesses. Specific programs include:

**Linked Deposit Program:** Created to encourage and assist businesses to make investments and undertake projects that work in conjunction with banks to reduce the cost of capital through an interest rate subsidy. Eligible businesses apply directly to a bank for a loan. The bank in turn, having first provided their commitment to providing a loan, applies to the state for an interest rate subsidy of two to three percent to be used to offset the finance rate for a two year period. To access this program businesses should first ascertain from their bank if it is a participating institution.

**Mid-Hudson Bankers Small Business Loan Fund (SBLF):** Encourages business development with several banks creating a $4.5 million loan pool. Business loans are reviewed that have been turned down by a bank's regular underwriting standards. Loans can be used for short term working capital, lines of credit and equipment purchases. The loan range is from $50,000 to $250,000 and an applicant must be sponsored by a participating bank, i.e. a bank that has contributed funds to the loan fund.

**Team Hudson Valley Revolving Loan Fund (RLF):** Provides financial below market interest rate assistance to small businesses who cannot secure adequate financing through normal lending channels. The RLF will lend up to 50% of an eligible project, up to a maximum of $75,000. The highest priority is given to projects which require no more than $4,000 in RLF dollars for each job created. Additionally, applicants must provide at least 10% cash equity for the project.

These programs can be used to finance buildings and equipment, plus the regional Empire State Development office is an excellent resource for help with training, exports and access to other

16 Report 2: Market Sector Assessment & Program Issues Analysis, pages 41 and 42.

programs.

## Community Development Block Grant (CDBG) Program

New York State will soon administer CDBG funds from HUD under this Federal program for non-entitlement areas. Non-entitlement areas include those units of general local government which do not receive CDBG funds directly from HUD as part of the entitlement program (Cities and urban counties). The State will award grants to units of local government that carry out development activities. Local governments have the responsibility to consider local needs, prepare grant applications for submission to the State, and carry out the funded community development activities.

The primary statutory objective of the CDBG program is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income. The State must ensure that at least 70 percent of its CDBG grant funds are used for activities that benefit low and moderate-income persons. Communities receiving CDBG funds from the State may use the funds for many kinds of community development activities including, but not limited to:

- acquisition of property for public purposes;
- construction or reconstruction of streets, water and sewer facilities, neighborhood centers, recreation facilities, and other public works;
- rehabilitation of public and private buildings;
- planning activities;
- assistance to nonprofit entities for community development activities; and
- assistance to private, for profit entities to carry out economic development activities (including assistance to micro-enterprises).

This program has been used in Sullivan County to establish an Agricultural Revolving Loan Program to be used to help finance new meat processing facilities (for poultry). It could have applicability to a project in Sullivan or, if similar funding were secured by other counties, to one elsewhere.

There are also numerous other financing programs available through county industrial development agencies, local and regional economic development organizations and private foundations.

## 6.4 Marketing Recommendations

Section 2.4 above describes a number of the market factors that must be considered by the Task Force in developing its slaughter, processing and distribution systems. The Task Force has already achieved some success in marketing natural beef products. Moreover, the greater New York City metropolitan is so huge in comparison to others that it is safe to say virtually any quality product Task Force members are capable of producing can be sold there with proper marketing and an efficient distribution system. The challenge is delivering a consistently high quality product that warrants the higher prices needed to sustain the smaller operations found in the Hudson Valley.

Meeting this challenge demands the following:

**A. Defining high quality in measurable terms.**

Quality, of course, means different things to different consumers. Quality differentiation in the case of small producers, however, necessarily means focusing on those characteristics larger producers cannot address due to limitations of cost, risk time or management capacity. The Task Force has, appropriately, moved toward "natural" products as an area where it can deliver a level of quality that larger producers are generally unwilling to tackle simply for the reason that the market segment is too small for them to bother with. However, the Task Force has not yet defined quality in any measurable terms and its ability to grow its market will necessarily be limited until it does so. This does not mean a slaughter/processing facility should necessarily be limited to handling only grass fed animals, for example, but, rather, that the marketing effort undergirding these operations concentrate on a particular line of quality products that can produce future growth in business.[17]

Defining and measuring quality is not a simple matter. It must be done in ways that relate directly and objectively to consumer wants. There is no room for pursuit of causes or other non-economic factors. It is also important to achieve distinctiveness that cannot be easily replicated. The Certified Black Angus program demonstrates the problem. While excellent for the industry as a whole, it no longer serves to deliver particularly high prices. Instead, it has been widely adopted as the de facto industry standard. There are indications this is also happening within the "natural" segment of the industry. The Internet includes numerous web sites promoting beef raised with no hormones or antibiotics.

17 All of the cash flow analyses and business planning herein, in fact, assumes a facility would be soliciting all available business - natural and other.

There are programs throughout the country promoting "Piedmont Beef," "Certified Keystone Beef" and many others offering the same thing. Plus, Coleman Beef has been in this market for over 20 years already and is well-positioned to grow. Paradoxically, the "natural" market runs as much risk of being taken over by bigger players as any others if it is successful and it is becoming so. Such is the nature of agriculture.

Nevertheless, there are ways to define quality in measurable terms that are not easily reproduced by others. We recommend that the Task Force define quality not only in terms of antibiotic use, hormone use and humane conditions but, also, grass-feeding, lower fat, family-owned farmers and Hudson Valley heritage. The grass-feeding is essential to taking advantage of the region's production advantage - its capacity to grow excellent forage grasses. It can also play a role in delivering the lower fat meat aging baby-boomers now want in their diets. The use of selected breeds can also assist in this regard and could be promoted but restricting the choices of breeds would have have to be done with great caution and may not be appropriate at all. It should only be done, in any case, with a view toward delivering lower fat meat and not on breed alone.

Family farms and the Hudson Valley go together in creating a regional image of unique value in the greater New York City metropolitan area. All New Yorkers are well aware of what the Hudson Valley represents. It has a special relationship to the City. It conveys certain images of old historic farms, pastures and idyllic settings that City residents can identify with. They can also visit these areas and directly partake of the environment in which the meat they buy is grown. Regional cuisines are gaining popularity across the country and here there is a special opportunity to put it all together with a brand image of the Valley as a whole. The experience of the Catskills verifies this and the Task Force can tie itself to that effort as well.

The greater opportunity, however, is in linking to the various

"Hudson Valley Harvest" programs.[18] New York State has approved a program (§ 156-h of the Agricultural and Markets Law) that specifically provides for regional labeling. There is also the "Pride of New York" program. These provide a basis for the Task Force or a new HVP cooperative to tag onto the Hudson Valley image in a meaningful way. Further defining this image in terms of small family farms will also help to relate to consumers' interest. Experience elsewhere has shown time and again that consumers like to identify with family values. They want to feel they are a part of something when they buy certain types of products. Creating a small family farm image helps to do this and also conveys a sense of quality and "tender loving care" with which they wish to associate.

Finally, consumers, however health conscious they may be, still want products that taste good. Flavor and tenderness, therefore, remain important. They are aspects of value that fall into the "necessary but not sufficient" category in terms of the Task Force's marketing objectives. Meat needs to be lean but not tough. It must be tasty. These attributes can be produced with careful handling, use of selective breeds and proper feed programs. The challenges can be greater if other objectives essential to product differentiation are to be met but can be addressed with careful management designed to product consistent results.

Each of these various characteristics is measurable. The Task Force needs to review this list, refine it and determine the appropriate measures. It also needs to fit the answers in one concise statement of quality that can then become the basis of a prior label request for approval from the USDA. An example might be as follows:

18 See http://www.dutchesstourism.com/agri.htm for example.

> "Our meat products come from animals raised under humane conditions with no use of antibiotics or growth hormones. Our Hudson Valley family farms raise only pasture-fed animals chosen and managed so as to produce flavorful, tender, low-fat meats."

The Task Force brochure moves in this direction and is an excellent start.

### B. Assuring and Monitoring Quality.

If language such as that offered above is to be approved by USDA, and by New York State for use on regional brand labels, there must be a quality assurance program backing it up. The need for certification was discussed earlier. How should it be done? The answer lies in emulation of other quality assurance programs used throughout business and industry. Documentation is the key. The Indiana IQ+Beef program provides one model.[19] Standard Performance Analysis ("SPA"), an approach developed for the beef industry, offers another.[20] Although neither are "natural" certification programs, they both involve standardized record-keeping and performance analysis based on preset standards in regard to selection of animals, feeding and management. These standards must be defined carefully, forms must be developed and monitoring procedures using third party verification need to be created.

The standards used by the Task Force must, of course, relate directly to the quality factors discussed above. This means clarifying what will be done with an animal that has to be treated with antibiotics, how animals will be tracked from birth to slaughter, what geographic area will be considered "Hudson Valley," what size farms will be considered family operations, how much fat will be allowed on a carcass, what feeds are acceptable,

19 See http://www.ansc.purdue.edu/IQBEEF for description.
20 Texas A & M University has heavily promoted this concept for cow-calf operators, fish farmers, wheat growers and others.

when an animal can be slaughtered, etc.. Each feature must be documentable and a method for this developed. A means of verifying the documentation must also be established.

The Task Force should collect further information on the standards employed by Coleman, in the various State natural beef programs and in SPA programs. Texas A&M Extension and Colorado State University Extension both offer software, reports and worksheets that can be used as starting points for defining the appropriate standards for a Hudson Valley Natural Meat program.

### C. Communicating and Promoting Quality.

The Task Force or cooperative to be formed must be in the position of being able to effectively communicate information on quality to New York City customers and otherwise promote its products. The early efforts in this regard are quite impressive (the brochure, appearances at CIA, etc.) but more need will need to be done. The key will be focusing on the benefits to consumers and not so much on the objectives of the Task Force, however. All communications must convey detailed information relating to those factors influencing buying decisions, that is to say the value in the products. Each of the websites found in Appendix 7.1 do that by focusing on health benefits, lack of hormones, family farm involvement, etc..

There are any number of methods of reaching these consumers. It is well to remember, however, that the types of consumers likely to be interested in natural meats are generally going be wealthier, eat out more and be very busy. Reaching these individuals, therefore, requires use of direct contact in quality settings (e.g. the various regional cuisine events) and new technology such as websites. Networking by Task Force members can help to make those contacts. Existing organizations (e.g. the Regional Farm and Food Project, CADE, etc.) can help develop promotional devices designed to be accessed by potential buyers on their own time.

Missing, however, are the facts. The Task Force needs to assemble useful buyer facts on its membership, its products and its program. Restaurant chefs and other buyers will want to know the details of the certification program, for instance. They will want to know how low-fat claims can be substantiated, what grass-feeding does for quality and the nature of other quality assurances. Also needed is a linkage with the regional branding program discussed above, so as to convey a consistent regional theme recognizable to consumers over several venues. Finally, professional graphics and writing are required on the order of Milton Glaser's Catskill Family Farms "cat with a carrot" theme.

**D. Pricing for Quality and Value.**

Clearly, there is no purpose to developing a regional cooperative marketing program or, a slaughterhouse and processing facility to serve it, if significantly higher prices cannot be achieved. Experience indicates it is possible to do so. Individual Task Force members, in fact, are already obtaining significant premiums. There are two cautions that must be exercised, however. First, pricing too high can quickly dry up a market as the novelty wears off. The Texas Longhorn Association's experience in overpricing hot dogs is indicative of what can happen. Too much success can also bring in new competitors and weaken the value of the product from that perspective. More modest premiums are likely to achieve longer-lasting success.

Secondly, pricing must relate to value. The Task Force will probably not be doing the actual selling of product and, therefore, won't be in a position to set prices. Nonetheless, it can suggest the basis on which prices are established through its labeling program, promoting certain aspects of quality over others. The degree to which it does an effective job in quality assurance will help ensure higher prices. The experience of the Vermont and Maine beef marketing programs demonstrate that consistent quality animals brought through an auction will produce higher prices. Both States train their producers, insist on preconditioning of cattle and pregrade the animals so buyers know what they're bidding on. They also monitor carcass data by producer so that buyers have still another of consistency before they bid. The results are animals essentially priced "in the meat" where real value earns extra income. The Task Force needs the controls in place to do the same thing. Consistency is everything.

## E. Distributing the product.

The methods of distributing product will vary depending on the market. Initially, the Task Force or cooperative may simply act as a clearinghouse and promoter, leaving selling and distribution t individual members. However, if slaughter and processing capacity are not located together or there becomes a need to move partially processed meat to other processors it may become advantageous for the Task Force to purchase a refrigerated truck and establish a distribution system for final product at the same time. More likely to be successful, however, is a contractual relationship with an existing transporter (the method used by Catskill Family Farms) or a distribution outlet.

There are a number of companies who can provide distribution services. One example, for instance, is RLB Food Distributors, a specialty food distributor providing very high quality produce, deli and bakery products to the retail industry. The following is an excerpt from that company's website:

> "Founded by Robert L. Bildner in 1985, the firm initially supplied a handful of customers with specialty foods. Today, RLB goes beyond distributing to partnering with more than 300 high-end and gourmet supermarket chains, independent stores and conference centers located from Boston and Albany to New York City, New Jersey and Washington DC. Clients range from D'Agostino Supermarkets and the Gourmet Garage in New York City to Kings Super Markets and the Hamilton Park Conference Center in New Jersey. RLB's sales are in excess of $80 million annually."

> "RLB goes beyond the norm of a typical distributor in terms of the added-value, flexibility and service that each client receives. In fact, the company's representatives actually work as an extension of the client to become partners in many aspects of their business. Completely unique to the industry, each member of RLB's merchandising team holds a minimum of 10 years experience as a store department manager or merchandiser."

> "For example, in the case of one supermarket chain, RLB provides a wide variety of services above and beyond procuring and delivering produce and deli, including: assisting in the development of advertisement circulars, arranging merchandising displays, recommending seasonal product selections, as well as advising on specific sales and marketing strategies."

Other companies distribute to the restaurant industry. These include SYSCO, the largest marketer and distributor of food service products in North America. Operating from 78 distribution facilities, including one in nearby Albany, the company provides products and services to nearly 325,000 restaurants and other food service operations. Significantly, "representatives of 14 regional SYSCO houses from nine states converged on the Culinary Institute of America at Hyde Park in January to discuss the cattle industry's new product development efforts." The following is an excerpt from the news release by the New York Beef Industry Council (NYBIC), a producer-directed and funded organization representing all segments of the beef industry and responsible for programs of promotion, information and research on behalf of the beef industry of the Empire State:[21]

> "Six manufacturers showcased nearly a dozen appetizer and center-of-the-plate beef and veal items sourced from underutilized primals. The New York Beef Industry Council (NYBIC), in conjunction with the National Cattlemen's Beef Association (NCBA), coordinated the SYSCO New Beef & Veal Products Forum January 14 and 15 at the Culinary Institute of America. The one-of-a-kind event capped off over a year's development work with SYSCO Corporation based in Houston, Texas. Realizing the new product concepts had potential for the food service industry, SYSCO requested NCBA's assistance in developing and bringing the new products to the marketplace. Now, each of the product lines are available to SYSCO's individual operating units. The new beef and veal lines include Oven Ready Roasts, Specialty Beef Steaks, Smart Cut Veal, Veal Bacon, and beef and veal appetizers. SYSCO, which sells more than two percent of the nation's total beef, expects the new beef and veal product lines to have a positive impact on its total sales, which hit nearly $15 billion in the 1997 calendar year."

The fact that SYSCO has a location in Albany, access to all the North American markets and is already familiar with the Hudson Valley and the CIA (which, in turn is familiar with the Task Force), makes it a logical choice to approach for help in distribution. It certainly will serve well as a starting point, even if

21 See NYBIC's website for further details.

it becomes necessary to work with smaller company to get the price and access to the choicest markets. It is also well to remember that the larger companies do understand the appeal of "natural" meat products. Alliant/Atlantic Food Service, for example, makes the following statement on its website:

> "Chef's Ultimate provides all the quality and consistency of a single-breed or 'natural' beef program, but at a substantially lower cost. But most important, our high quality means you'll become known for your beef. And that means more business."

Obviously, Atlantic is trying to meet the demand with non-natural product. This indicates an opportunity to sell them on the real thing, but only if prices are at least somewhat competitive. This is where the value of a standardized performance system and certification come in, assuring the distributor of quality and consistency in products.

A smaller New York State distributor on a fast growth curve is the Maines Paper & Food Service. Located in Conklin, New York, near Binghamton, it is the 11th largest broadline food service distributor in the nation. The company serves restaurants, hospitals, schools and universities, business and industry, camps, and multi-unit groups throughout the East Coast. Its products include fresh poultry and meat and it could be another possible partner with the Task Force in marketing and distribution. There are also many other purveyors serving the New York City restaurant market who could play similar roles.

However the Task Force determines to approach the marketing of its products it is, quite clearly, the foundation for a successful meat processing facility. The facility can and should serve all producers, natural and otherwise but, to achieve the business base and the rates capable of supporting an operation convenient to Hudson Valley producers, a natural program will be essential as a device for organizing producers, substantiating volume and delivering high quality products that will bring higher prices.

## 7.0 Appendices

Attached are the following Appendices:

**7.1 Examples of Natural Beef Marketing**

**7.2 USDA Sample Slaughterhouse Department Layout**

**7.3 Sample Plant Layouts from Penn State Handbook**

**7.4 Information Regarding County Commerce Park**

# Appendix 7.1
# Examples of Natural Beef Marketing

# Canfield Valley

Beef The Way Nature Intended It To Be

CATTLE COMPANY

Canfield Valley
Belgian Blue
All Natural Beef

At Canfield Valley we raise only the world's best beef naturally. NO ANTIBIOTICS, NO ADDED HORMONES, NO SYNTHETICS, EVER!

You see, we wouldn't want our family to have anything less than the healthiest beef there is.

Belgian Blue Beef Cattle were originally brought ot this country from Belgium. The breed was developed to yield the lowest, most nutritious beef anywhere. At Canfield Valley Farm we've taken this one step further with the natural way we care for and feed our livestock.. No confinement, Free range on pasture, and fed only our certified organically produced grains.

Yes, it costs more to produce beef this way. But, there really is no comparison with any other method.

### *Minnesota Grown*

Canfield Valley Farm is located in what is known as the best agricultural area in the U.S.A... This country was meant for farming and the quality of all farm products is acclaimed as the best bar none. You can always count on Minnesota quality.

## Cooking and Preparing The Best There is...

Natural beef may surprise you in that it takes less time to cook. The knowledge you have regarding the lack of hormones and and antibiotics will make the real difference at first taste. Canfield Valley Beef. We stake our name on it.

## *A Quality Home Grown Product...*

At Canfield Valley Farm we raise our Belgian Blue Cattle with the same concern we would show our own family. We really care about our product.

All of our Belgian Blue Beef cattle are bred and raised on our farm. No middle men that could affect the high quality standards we've set for ourselves.

Two of the most difficult problems in the beef industry are eliminated with our natural method. There are no antibiotics and no growth hormones ever.

Canfield Farm Belgian Blues... Consumer driven quality. Lean, Tender, Low Fat & Low Cholesterol ready for your enjoyment and to your good health.

## *Belgian Blues A Success Story*

# The Choice For Better, Naturally Grown Beef...

At Canfield Cattle Company and Farm, we recognized the consumers need for a higher quality, very lean type of beef. It had to be low in fat and cholesterol. A big plus for healthier diet.

Belgian Blue beef has less cholesterol than skinned chicken. Also, because of our natural method of production... NO HORMONES OR ANTIBIOTICS are EVER used. PASTURE RAISED BELGIAN BLUES... Canfield Farm brings you what we think is the healthiest beef possible. Not to mention the best tasting.

# A Bit About Canfield Valley Farm

The Love family like many american immigrants journeyed from Scotland to the U.S. in the late 1840's. They proceeded west from New York. After temporary stops in Wisconsin and Illinois, Robert and Agnes Love decided to settle in the fertile valley of the Root River.

The original homestead was constructed of logs by robert Love in 1854. Today, the fourth generation of Loves, Robert Love and his family, farm the place that has become known as the beautiful Canfield Valley of the Root River. The farm has expanded, the land improved over the years, but, the Love family's understanding of nature shows and is now being passed along to the fifth generation.

Our production of organic feed grains and our open pasture practices with our Belgian Blues continues the family tradition of love and stewardship of the land.

## To Find Out More Call Us Today!

1-507-937-3445
Fax: 1-507-937-3445
Canfield Valley Farms
Box 238
Harmony, MN
55939

## E-mail us today at

belgianblueinc@pcis.net

Belgian Blue's Home Page

Mill Iron "Natural" Beef

Hand raised just for you!

# Hand Raised Natural Beef

Farm raised and pampered for perfect beef.
We use Highland and Highland/Miniature Hereford cattle.(There are a limited number of them.)
We also raise requested breeds.

- It is Great Beef.
- We use small animals so it will fit in your freezer.
- It is lean well marbled beef.
- Highland beef and Highland crosses have graded top in their classes for over 25 years at the National Western Stock Show in Denver Colorado.
- The British Royal family keeps a large herd of Highlands at Balmoral Castle, near Braemar, Scotland and considers them their beef animal of choice.

**What's "Natural" fed?**

- It has NO antibotics
- It has NO growth promotants
- It has NO hormones

We feed nothing but minimally processed oats, barley and corn mixed with molasses and top quality alfalfa hay on the side.
Pricing and terms
Order form
What some of our Customers have to say
e-mail

last edited 3.17.2002

# Price and Information

We sell half and whole beefs on the rail. Which means that when you buy it, it is hanging at the butchers. We then have it cut and wrapped the way you want it and you can pick it up here in Bovina or we do ship from Oct. to May. We feel that the hot summer months are questionable on shipping.

Our price is **2.69** per pound for Highland or Highland/Hereford beef (not including shipping and handling) on the rail at this time, but may change with the market. The price that you put your down payment on will lock in that price. We have **"Visa, Mastercard and Discover"** available and you may want to pay in monthly installments.

When you order your beef, we bring a steer off pasture and tag it with your name. If you order a half then we may have to wait for another order. Your steer is then put on the feeding program and will be ready in about 100 days. It takes that long to finish a steer for butcher.

We feed out our steers from 700 to 780 pounds on the hoof. That will give you about 400 pounds on the rail for a whole beef. 200 pounds for a half, that may vary a little as the it depends on how the steer feeds out.

In the order form we have shown the cuts of meat that are available.We have also shown you a chart of where the cuts come from.

Main page

# LOEB FARMS
## Natural Beef

Grass Fed ... No Hormones ... FDA Inspected

Email Us! leper1@aol.com

Buy Beef | Buy Cattle | Contact Us

| Buy Beef | Buy Cattle | Contact Us |

## Buy Beef

Our meat is the absolute **BEST** for tasty and healthy modern living!
Happy Charlevoix Highland beef, raised on Loeb Farm, will never be confined to crowded dirty feed lots.
No growth stimulants are used.
Fields have naturally grown grass without the addition of commercial herbicides.
Highland beef is low in fat and cholesterol content compared to other cattle and buffalo.

Products include: ground beef, sirloin, tenderloin, rib steak, New York strip, sirloin tip roast, chuck roast, arm roast, heel of round roast, rolled rump roast, stew meat, soup bones, beef liver, beef tongue, ox tail, and 1/4 side (100 lbs to 150 lbs). Call for prices and availability.

| Item | Est. Cost per Lb. |
|---|---|
| ground beef | $2.50 |
| sirloin | $4.75 |

| | |
|---|---|
| tenderloin | $9.00 |
| rib steak | $6.50 |
| new york strip | $6.50 |
| sirloin tip roast | $3.00 |
| chuck roast | $3.00 |
| arm roast | $3.00 |
| heel of round roast | $3.00 |
| rolled rump roast | $3.50 |
| stew meat | $1.50 |
| soup bones | $1.00 |
| beef liver | $1.00 |
| beef tongue | $1.00 |
| ox tail | $1.00 |
| 1/4 side 100-150 lbs. | $2.50 |

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## Buy Cattle

We know it can be hard to imagine eating something with a face like that, so why not raise some Highland cattle on your farm?
Below are excerpts from an article about Loeb Farms. It was written by Laurie Lounsbury and appeared in the March 4, 1992 Charlevoix Courier.

### "No, they aren't buffaloes
## Scotch cattle enjoy Charlevoix highlands"

"...What has the hair of an English Sheepdog, the horns of a Spanish bull, and can clear the bristly burdock plants off a piece of property with amazing speed and efficiency? It's the Scotch Highland breed of cattle, and the hair, horns and grazing habits of these animals are just a few of their interesting characteristics..."

> "...The Scotch Highlanders are the oldest registered breed in America, with the first herd being established in 1884. American cattlemen recognized the desirable, hardy qualities of the animal and brought them over to improve the bloodlines of the western herds. As a result, the Scotch Highlanders contributed to the success of the American cattle industry..."

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## Contact Us

If you are interested in purchasing beef or cattle, please get in touch with us!

Gina & Dick Lepman
Loeb Farms
P.O. Box 552, Charlevoix, Michigan 49720
(231)547-6646 or (847)272-1898
Email Us! leper1@aol.com

(All photos from the American Highland Cattle Association)

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Member of the Charlevoix Area Chamber of Commerce

# Natural Lean Gourmet Galloway Beef

The sustainable agriculture movement has been very successful in developing economically viable and environmentally sound alternatives to large conventional livestock production systems. Livestock fulfill critical roles in a diverse, environmentally sound farming system. Animals provide manure, a resource for crop production, and a use for forages that help to diversify crop rotations. Animals also stabilize the economy of farms and rural communities by adding value to crops through meat, milk, and egg production.

Intensively managed rotational grazing like that practiced at Malabar farm, mimics natural prairie ecosystems, eliminates the risk of water contamination, and reduces the need for feeds from row crops that may contribute to soil erosion and increased use of pesticides, herbicides and petroleum based fertilizers. The natural lean, gourmet Galloway beef produced at owner-operated Malabar Farm is produced from cattle which are raised in ways that may enhance personal health, rural communities, and the natural environment. The beef is directly marketed to health and fat conscious consumers who are looking for a high quality beef to serve to their families. Our cattle do not receive antibiotics or hormones to stimulate their growth, and because they are finished using a maximum amount of diverse forage and limited grain, our beef is lean and contains a minimal amount of unsaturated fat. They are raised in sanitary conditions and because Galloways are naturally hardy and disease resistant, minimal medications are required to maintain their health.

We subscribe to the ethical treatment of animals raised for human consumption.

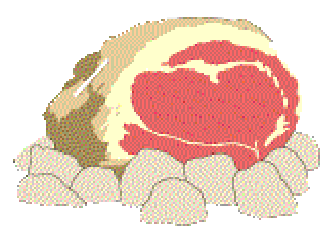
Our meat is processed locally in an inspected plant, and is sold in "split quarters," meaning that each quarter contains meat from the front quarter as well as some of the premium cuts from the hind quarter. Price is determined by hanging weight, per pound, cut, wrapped and frozen. Because the meat is trimmed and de-boned prior to wrapping, the take-home weights are approximately 25% less than the hanging weight. Our price for a quarter of beef is about 10% less than supermarket prices.

To enhance the rich, natural meat flavor, we recommend cooking the beef a little longer and at a slightly lower temperature.

In season, we also have available naturally raised lamb, and pasture raised poultry.

Below are a couple of our favorite low fat recipes for Malabar beef:

## RUMP ROAST MALABAR



A 4- TO 5-pound boneless beef rump roast
10 garlic cloves, quartered
5 medium onions, halved
6 cups water
1/3 cup plus 2 tablespoons all-purpose flour
1/4 cup vegetable shortening

Season roast with salt and pepper. Press garlic all over roast and wrap well in plastic wrap. Chill roast at least 12 hours and up to 1 day.

Preheat oven to 325-350 degrees F. Let roast stand at room temperature 30 minutes.

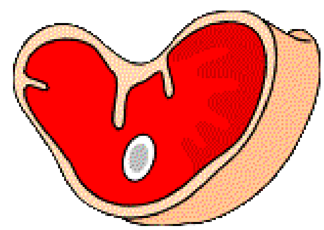
While roast is standing, in a large saucepan simmer onions in water, covered, until tender, about 20 minutes. Pour mixture through a large sieve into a bowl, pressing on solids, and reserve onion broth.

Unwrap roast and discard garlic. Dredge roast completely with 1/3 cup flour, shaking off any excess flour. In a large Dutch oven heat shortening over moderately high heat until hot but not smoking and brown roast on all sides. Add 1/2 cup reserved onion broth and braise for two hours, covered, in oven, turning roast every 40 minutes. Add 2 cups onion broth and braise, covered, 45 minutes to 1 hour more, or until roast is very tender.

Transfer roast to a cutting board, reserving braising liquid in Dutch oven, and let it stand, covered loosely, while making gravy. In a small bowl stir together with a fork remaining two tablespoons of flour and 1/3 cup onion broth until smooth. Bring reserved braising liquid to a boil and add flour mixture in a stream, stirring until smooth. Simmer gravy until thickened, adding enough onion broth to thin to desired consistency.

Serve rump roast with gravy. Serves 8.

## PRONTO SPICY BEEF & BLACK BEAN SALSA



(1993 Winner - National Beef Cook Off)

Total preparation and cooking time: 1 hour

1 well-trimmed beef tri-tip (bottom sirloin) roast or top sirloin steak, cut 1 1/2 inches thick (approximately 1 1/2 to 2 pounds)
1 can (15 - 16 ounces) black beans, rinsed, drained
1 Medium tomato, chopped
1 small red onion, finely chopped
3 tablespoons chopped fresh cilantro

**Seasoning:**
1 tablespoon chili powder
1 teaspoon ground cumin
1 teaspoon salt
1/2 teaspoon ground red pepper

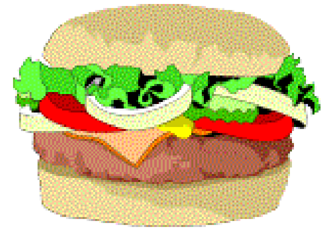
Combine seasoning ingredients; remove and reserve 2 teaspoons for salsa.

Press remaining seasoning mixture into surface of beef roast. Place roast on grid over medium ash-covered coals. Grill tri-tip, uncovered, 35-45 minutes (top sirloin 25-30 minutes) for medium rare to medium doneness, turning occasionally. Transfer roast to carving board; loosely tent with aluminum foil. Let stand 10 minutes.

Meanwhile in medium bowl, combine beans, tomato, onion, cilantro and reserved seasoning mixture; mix until blended.

Carve roast across the grain into thin slices; serve with bean salsa.

Makes 6-8 servings.



## JANE FAUL'S BEST EVER MEAT LOAF

1 1/2 lbs. lean ground beef
1 1/2 cups bread crumbs
1 egg, beaten
1/2 onion, chopped
1/4 cup lemon juice
1 tsp seasoned salt

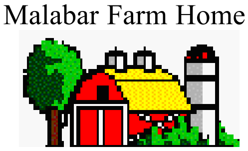
Mix the above ingredients thoroughly, shape into loaves.
Bake at 350 degrees for 20-25 minutes.
Pour off drippings, if any.

1 cup ketchup
2/3 cup brown sugar
2 tsp dry mustard
1/2 tsp ground allspice
1/2 tsp ground cloves
2 tsp lemon juice

Stir above ingedients together, and pour half over loaves and
bake an additional 30 minutes.
Heat remaining sauce and serve with meat loaves.

To send us an e-mail message, click on the mailbox. 

To return to the Malabar Farm Home Page, click here:



# Wilson Beef Farms

**Great Beef Jerky and Snack Sticks, Directly from the Farm!**

Toll-Free: 877-286-9706 | E-Mail: Info@wilsonbeeffarms.com



## About Us

You'll find **Wilson Beef Farms** on our 350-acre beef and crop farm in a small community in Upstate New York.

Here we raise our own beef and grow our own feed and that's how we know what good beef products really are.

Also at this location you will find our retail store thru which we sell all our own home grown and fed beef.

In our U.S.D.A. inspected plant we make our high quality Jerky and Snack Stick products, package them in vacuum pouches and send them directly to you.

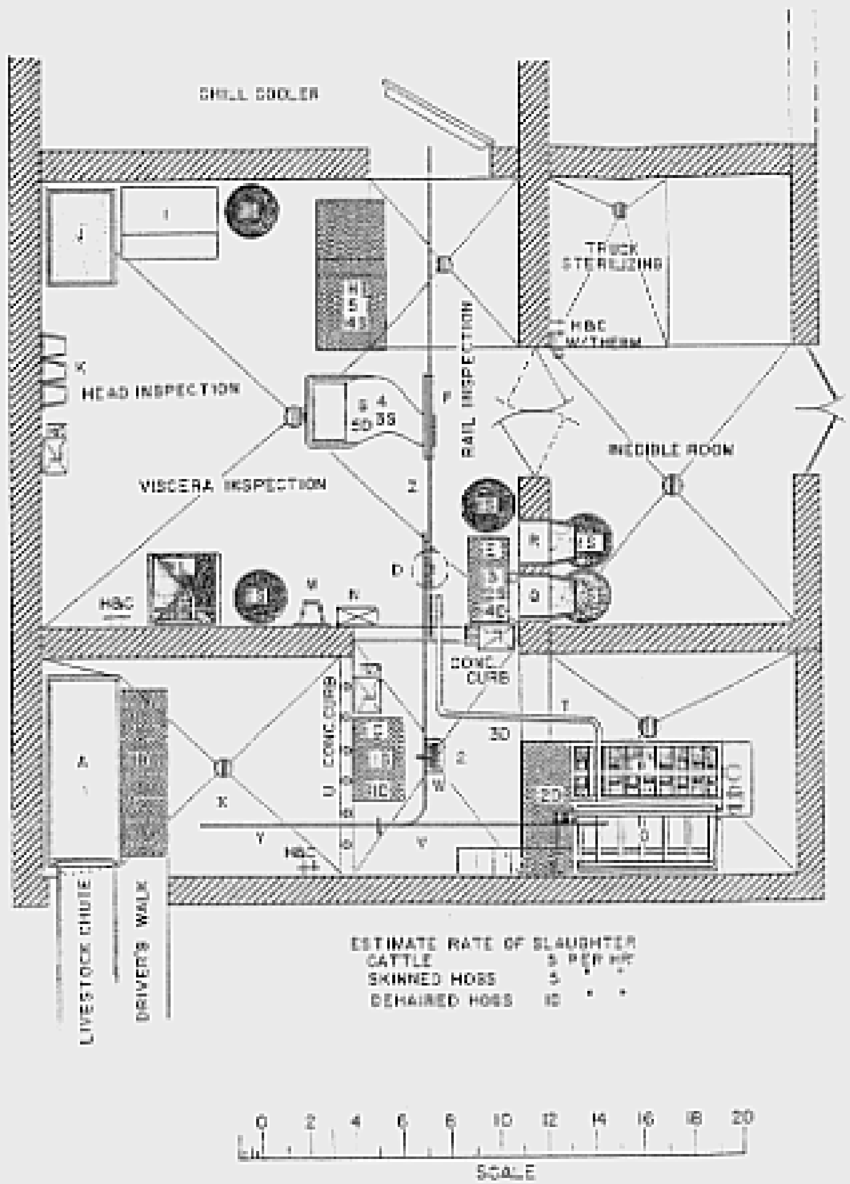
Down here on the farm we eat what we sell and we only eat what's good. So we may not have hundreds of products like the big boys, but what we sell is like nothing you've had before!

**NEXT: Our Products**

# Appendix 7.2
# USDA Sample Slaughterhouse Department Layout

# Sample Slaughtering Department Layout

## Small On-the-Rail Layout for Cattle and Hogs




OPERATIONS

CATTLE

1......DRIVE, STUN, SHACKLE & HOIST.
2...{ STICK, SCALP, REMOVE HEADS, SAW HORNS. FLUSH HEADS & PLACE ON RACK.
3...{ REMOVE HIND FEET, TRANSFER, RUMP, REMOVE UDDERS & PIZZLES, CUT AITCH BONE, RIM OVER, CUT OFF FRONT FEET, CLEAR FRONT LEGS & SHOULDERS, REMOVE HIDE
4......SAW BRISKET, EVISCERATE, TRIM BRUSIS ON MEDIAN LINE, SPLIT
5......TRIM BRUISES, WASH & SHROUD

SKINNED HOGS

1......DRIVE, STUN, SHACKLE & HOIST
1S STICK
2S...{ REMOVE HIND FEET, TRANSFER, DROP BUNG, OPEN, REMOVE PIG BAGS & PIZZLES, RIM OVER, CUT OFF FRONT FEET, REMOVE HIDE, REMOVE HEAD, WASH & PLACE ON RACK
3S......SAW BRISKET, EVISCERATE, SPLIT, TRIM BRUISES
4S......WASH HOGS

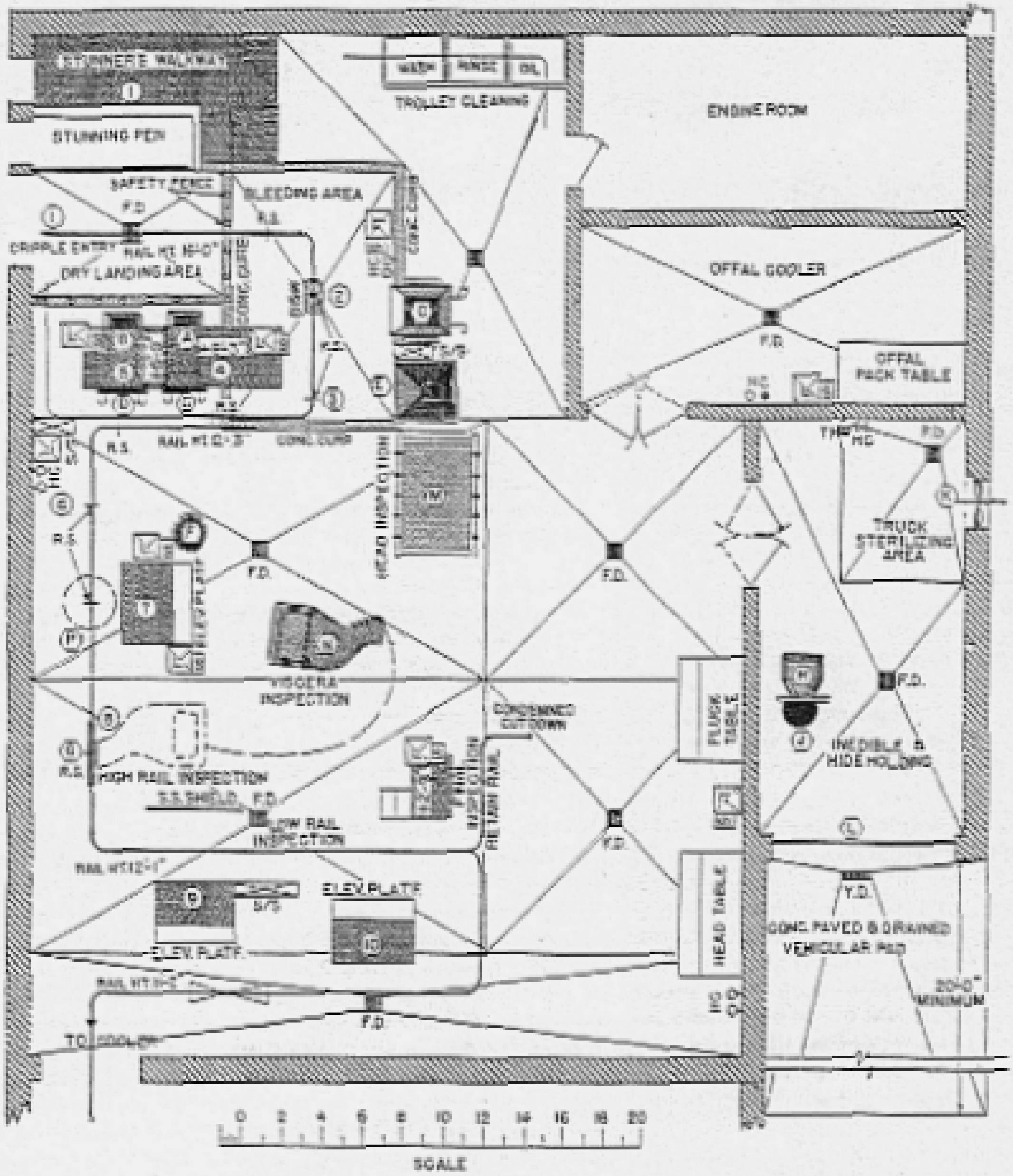
DEHAIRED HOGS

1......DRIVE, STUN, SHACKLE & HOIST
1D......STICK
2D......OPERATE SCALDER & DEHAIRER, SHACKLE & HOIST
3D......RESHAVE, WASH, REMOVE HEADS & PLACE ON RACK
4D......TRANSFER, OPEN, REMOVE PIG BAGS & PIZZLES, SPLIT BRISKET
5D......EVISCERATE, SPLIT, TRIM BRUISES

EQUIPMENT SCHEDULE

A......STUNNING PEN
B......STUNNERS PLATFORM (MOUNTED ON GATE)
C......STICKERS PLATFORM
D......TURN-AROUND
E......ELEVATING PLATFORM
F......DROP RAIL SECTION
G......VISCERA TRUCK
H......TWO LEVEL PLATFORM
I......HEAD WORK-UP TABLE
J......OFFAL TRUCK
K......HEAD RACK
L......HEAD FLUSH BOOTH
M......HORN SAW RACK
N......SAW STERILIZER
O......SCALDING TUB
P......DEHAIRING MACHINE
Q......FEET CHUTE
R......UDDER, PIZZLE, PIG BAG CHUTE
S......INEDIBLE DRUM
T......MONORAIL WITH BUDGIT HOIST
U......PIPE SAFETY FENCE
V......BLEEDING AREA
W......BLOOD & WATER DRAIN
X......DRY LANDING AREA
Y......BLEEDING RAIL, HEIGHT 16'-0"
Z......DRESSING RAIL, HEIGHT 11'-0"

## On-the-Rail Layout for Cattle with Slow Slaughtering Rate (1)




**KEY TO OPERATIONS**

1. DRIVE & STUN, SHACKLE & HOIST
2. STICK, SKIN HEAD, REMOVE FRONT FEET & ROD & TIE WEASAND
3. TAG, REMOVE HEAD, SAW HORNS, FLUSH HEAD & REMOVE TONGUE
4. REMOVE HIND FEET, BUTT, RUMP, DROP BUNG, TRANSFER
5. REMOVE UDDER & PIZZLE, FLANK, RIP OPEN & SPLIT AITCH BONE
6. RIM OVER, CUT PATTERN, SKIN SHANKS, CLEAR NECKS & SAW BRISKETS
7. SIDE, BACK, REMOVE HIDE, TURN CARCASS
8. EVISCERATE, TRIM GRUBS
9. SPLIT, TRIM BRUISES
10. WASH & SHROUD

**KEY TO EQUIPMENT**

A. FEET CHUTE
B. UDDER & PIZZLE CHUTE
C. FEET TRUCK
D. UDDER & PIZZLE TRUCK
E. HEAD FLUSH CABINET
F. HIDE DRUM
G. DROP RAIL SECTION
H. SKIP HOIST
J. INEDIBLE DRUM
K. EXHAUST FAN
L. DOOR EQUIPPED FOR USDA SEAL
M. HEAD & TONGUE TRUCK
N. VISCERA INSPECTION TRUCK
P. CARCASS TURNAROUND
S/S. SAW STERILIZER
TH. THERMOMETER
HC. HOSE CONNECTIONS
L. HAND WASHING FACILITY
S. KNIFE STERILIZER
FD. FLOOR DRAIN
B&W BLOOD & WATER DRAIN
RS. RAIL STOPS

# Appendix 7.3
# Sample Plant Layouts
# from Penn State Handbook

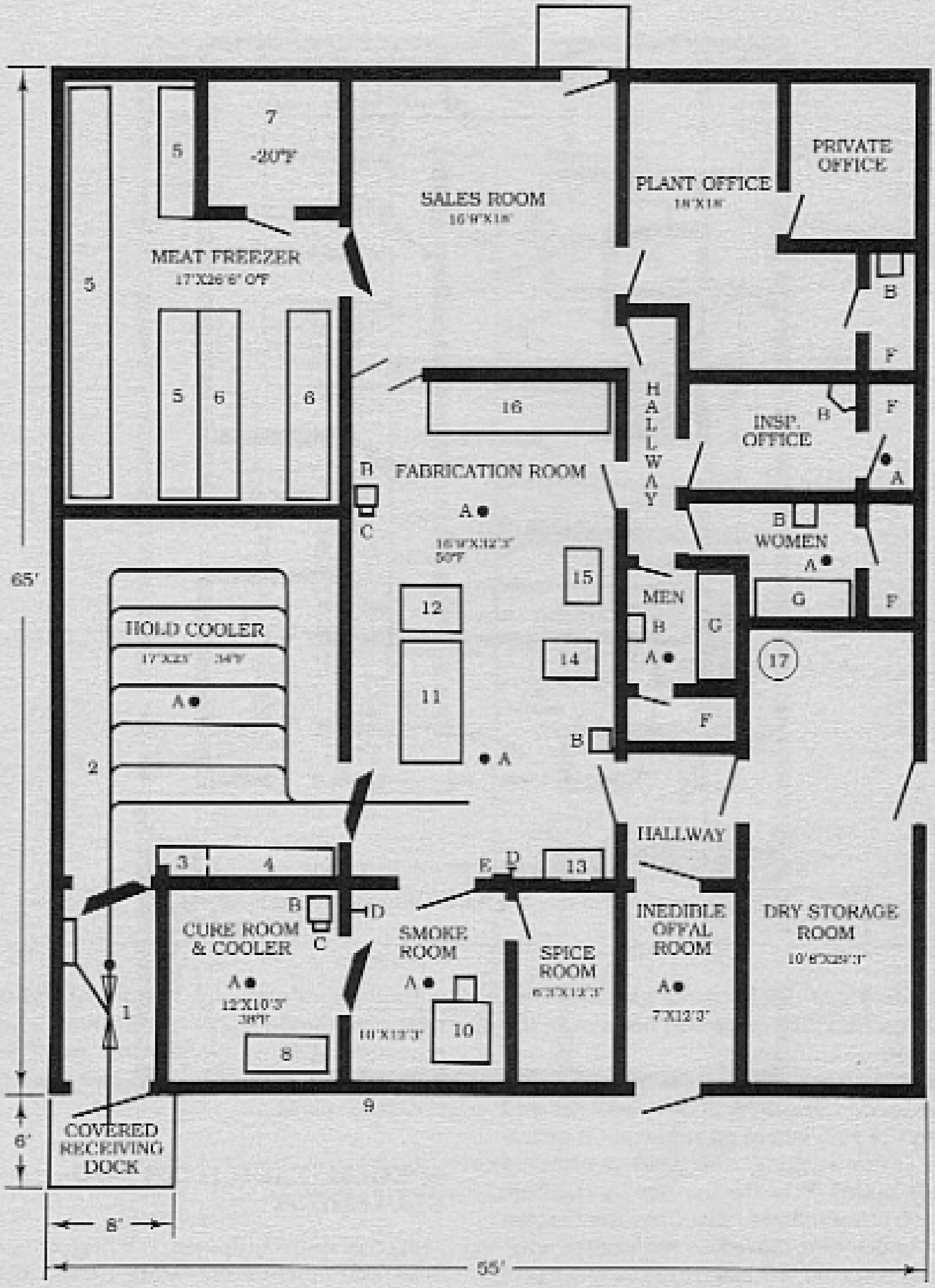



Figure 2. *Layout for a small processing-only plant*

(1) track scale, (2) 7'6" high rail, (3) return product, (4) meat shelves, (5) meat baskets, (6) meat lockers, (7) quick freezer 8'X8', (8) ham-pump table, (9) exhaust fan, (10) smokehouse, (11) boning table, (12) bandsaw, (13) sink, (14) meat grinder, (15) patty machine, (16) packing table, (17) water heater 140° F, (A) floor drain, (B) lavatory, (C) sterilizer, (D) hot and cold water, (E) thermometer in waterline, (F) toilet, and (G) clothing locker.

SOURCE: Clayton F. Brasington, Jr. and Donald R. Hammons, *Layout Guide for Small Meat Plants*, USDA Marketing Research Report No. 1057 (1976), p. 6.

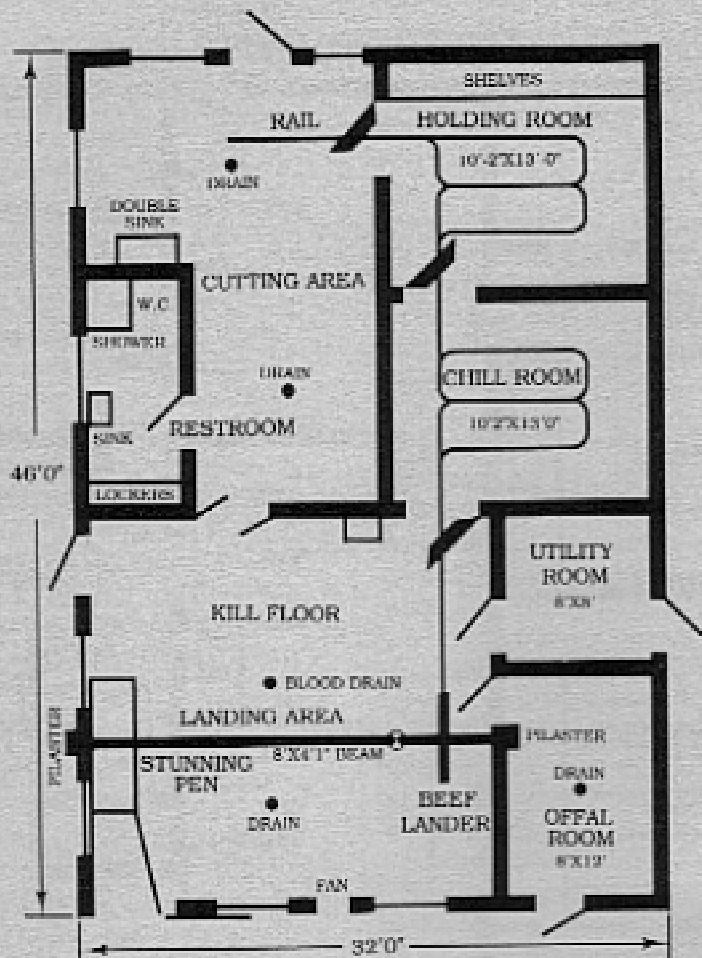



Figure 3. *Layout for a small custom-only plant*

Source: Koch Supplies Inc., Layout design by James L. Watkins.

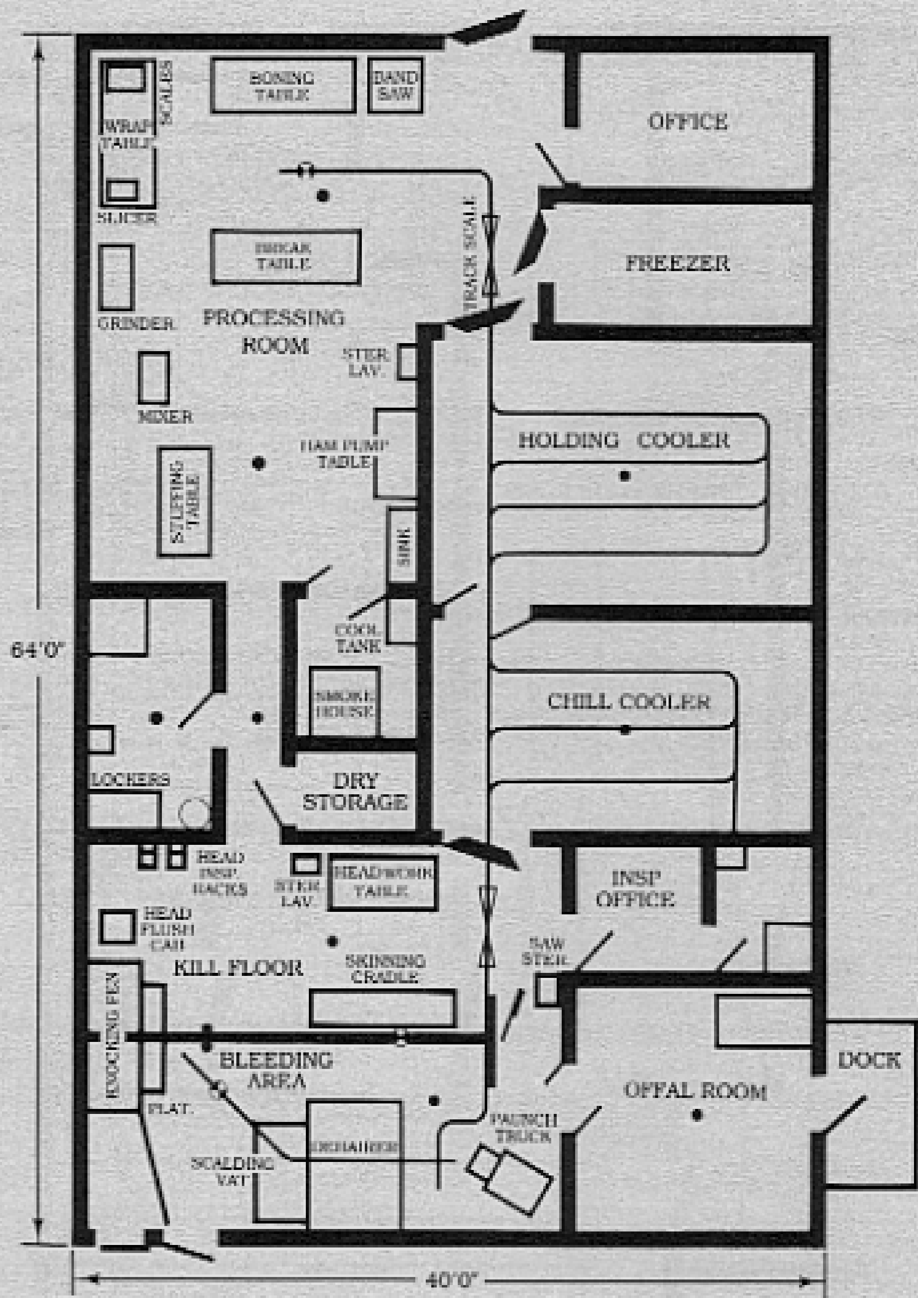


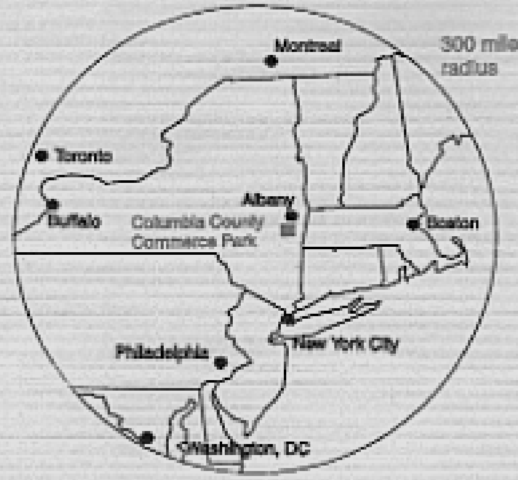

*Figure 4. Layout for small slaughtering and processing plant*

SOURCE: Koch Supplies Inc., *Koch Guide to Inspection: For Slaughtering and Processing* (1968), p. 26.

# Appendix 7.4
# Information Regarding
# County Commerce Park

*Columbia County Commerce Park offers your business a home in rolling countryside surrounded by attractive views.*

*This inviting setting stands at the junction of New York's Capital Region and Mid-Hudson Valley, with ready access to the major cities of the Northeast U.S. and Canada.*

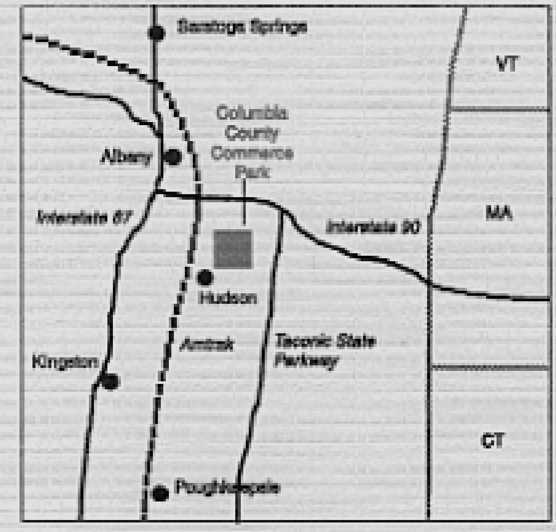



# Come share our views

*Columbia County Commerce Park offers 140 developable acres within a scenic 250-acre reserve surrounding the county airport. Scattered with stately trees, the landscape offers eastern panoramas of the Berkshire hills and glimpses of the Catskills to the west.*

*As one of the largest and newest industrial parks in the region, we have a varied inventory of sites suitable for uses ranging from light industry to offices, lodging and wholesale distribution.*

*Columbia County Commerce Park has "turnkey" infrastructure and zoning to get your facility up and running quickly. Best of all, our sites are very competitively priced.*

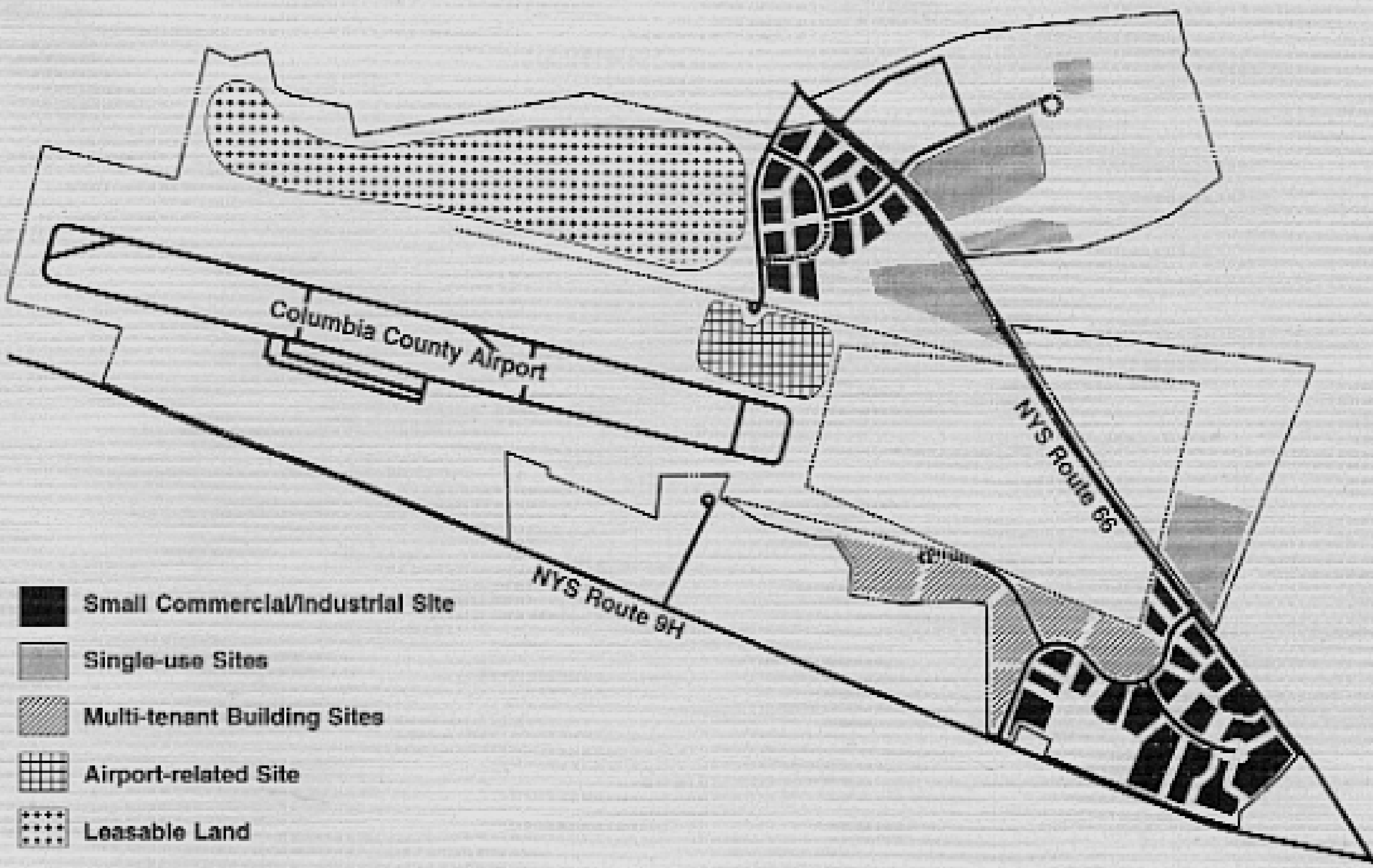



*"Columbia County welcomed our 120-bed nursing home enthusiastically. We were impressed with the quality of employees we found for our staff of 160. The success we had here encouraged us to plan a major expansion that includes an adult home and dialysis clinic."*

***Michael Ray**, Managing General Partner, Green Manor Associates*

*"We decided to transplant both our business and our home to Columbia County once we saw how much better the environment is here for entrepreneurs. Yet we still can serve the customers for our precision machine shop just as well, maybe better, than when we were closer to the city. Once we settled on a site, it took less than 30 days to get all the approvals we needed."*

***Michael Weiss**, President, Weiss Industries*




*Transportation*

| | |
|---|---|
| **Ground** | Near the New York State Thruway, Massachusetts Turnpike and Taconic State Parkway |
| **Air** | Surrounding Columbia County Airport, which has a 5,350 foot runway and full support services, including management and charter of corporate aircraft. Forty minutes from commercial carrier service at Albany County Airport |
| **Passenger Rail** | Six miles from frequent Amtrak passenger service to New York City (two hours) and points north and west |
| **Shipping** | Served by United Parcel Service terminal three miles away, plus regional outlets for all other major express services |

*Utilities*

| | |
|---|---|
| **Water and Sewage** | Fully installed municipal systems |
| **Electricity** | New York State Electric and Gas Niagara Mohawk Power |
| **Natural Gas** | Niagara Mohawk Power |
| **Telephone** | NYNEX fiber optic cable and advanced telecommunications services |

*Regulatory Approvals*

| | |
|---|---|
| **Zoning** | Zoned for business-industrial and business-commercial uses |
| **Environmental** | Overall environmental impact assessment completed; limited review of specific projects |
| **Design** | Flexible published guidelines for site and building development |

# Appendix 7.5
# Survey Results

# Hudson Valley Livestock Marketing Task Force
## 1999 Farm and Livestock Survey Tally

Note: All answers will be treated completely confidentially by the Task Force.

**1. Name of person surveyed:** (Not Applicable)

**Counties:** Dutchess (30), Columbia (18), Rensselear (11), Greene (10), Saratoga (10), Albany (7), Schoharie (6), Sullivan (5), Washington (5), Berkshire (5), Orange (3), Schenectady (3), Ulster (1), Miscellaneous (10), TOTAL (126).

**2. Farm or business name:** (Not Applicable)
**Address:** (Not Applicable)
**Day phone:** (Not Applicable) **Evening phone:** (Not Applicable) **E-mail:** (Not Applicable)

**3. Pleases Indicate the type of livestock you presently raise by indicating the peak numbers of animals you maintain at any one time and the number you produce for slaughter each year.**

| | Peak Number of Animals Maintained | Animals Produced for Slaughter Each Year | Describe type of operation for each (e.g. feedlot, pastured poultry, cow-calf, stocker cattle, breeding stock, etc.) |
|---|---|---|---|
| **Beef (steers)** | 2,149 | 1,124 | Cow-Calf (21), Pastured/Rotational (11), Feed-lot (8), Breeding Stock (7) |
| **Dairy beef** | 83 | 50 | Feed-lot (1), Pastured (1) |
| **Hogs** | 1,087 | 1,734 | Feed-lot (5), Pastured (2), Other (5) |
| **Lambs** | 3,585 | 2,718 | Pastured (16), Meat Lamb Production (7) Breeding Stock (6), Freezer Trade (3), Feed-lot (4) |
| **Goats** | 1,483 | 519 | Breeding Stock (3), Dairy Goats (1), Pasture-raised (2) |
| **Veal (red)** | 22 | 20 | Pasture-raised (2) Cow-calf (2) |
| **Veal (white)** | 204 | 403 | |
| **Broiler chickens** | 9,680 | 13,685 | Pasture-raised/free-range (19) |
| **Ducks** | 37 | 204 | Pasture-raised/free-range (1) |
| **Geese/Turkeys** | 520 | 533 | Pasture-raised/free-range (4) |
| **Emu's/Ostriches** | 106 | 90 | Breeding Stock (1) Pastured-raised (1) |
| **Other:** Rabbits | 37 | 270 | Pasture-raised (1) |
| Horses | 27 | | Pasture-raised (1) |
| Dairy Heifers | 2,015 | | |
| Fish | 2,000 | | |
| Squab | 40 | | |

**4. Do you produce any livestock which can be characterized as "natural," "organic," "pastured" or otherwise marketable as a specialty product?*** **YES** 81 **NO** 24

**If your answer was yes, please explain and provide details on the type of operation and the specific numbers of animals maintained during peak periods and produced for slaughter each year.**

Pasture-fed/grass-fed/rotational/free-range (43)
No hormones/antibiotics (35)
Organic (17)
Natural (12)
Highland low fat beef (4)
Grain fed (3)
No additives or sprays (1)
Other (3)

* **The term "natural" is commonly understood to mean raised without using antibiotics or additional hormones and using humane practices. "Organic" typically means natural livestock raised on certified organic feed. "Pastured" refers to livestock primarily fed through pasture grazing.**

**5. Do you produce any livestock for the Kosher or Halal markets, either through sale to distributors or directly to consumers?** **YES** 4 **NO** 82

**If your answer was yes, pleases explain and provide details on the type of operation and the specific numbers of animals maintained during peak periods and produced for slaughter each year.**

(No answers provided)

**6. How do you currently market your livestock? Please indicates numbers of each.**

| | Beef Steers | Dairy Beef | Hogs | Lamb | Goats | Red Veal | White Veal | Broiler Chicken | Geese/ Turkey | Emu's/ Ost./Other |
|---|---|---|---|---|---|---|---|---|---|---|
| **Breeding stock** | 46 | 21 | 0 | 225 | 27 | 0 | 0 | 0 | 0 | 0 |
| **Live to dealers** | 49 | 0 | 10 | 198 | 47 | 0 | 0 | 0 | 0 | 0 |
| **To the live markets** | 163 | 13 | 250 | 120 | 201 | 2 | 0 | 315 | 0 | 0 |
| **Live to auctions** | 121 | 9 | 277 | 160 | 56 | 0 | 0 | 62 | 0 | 0 |
| **Live to consumers** | 46 | 15 | 267 | 548 | 52 | 0 | 2 | 1,000 | 202 | 500 |
| **Cut & wrapped to consumers** | 162 | 0 | 320 | 129 | 0 | 0 | 0 | 9,142 | 33 | 100 |
| **Cut & wrapped to consumers (by the whole animal or part)** | 125 | 21 | 311 | 88 | 0 | 21 | 0 | 751 | 180 | 100 |
| **By the cut to restaurants or specialty markets** | 12 | 1 | 280 | 10 | 12 | 11 | 400 | 1 | 0 | 0 |
| **Dressed weight to packers (e.g. Taylor Packing)** | 254 | 1 | 10 | 8 | 0 | 0 | 0 | 12 | 2 | 0 |
| **Other (please explain below)** | 16 | 0 | 1* | 5 | 0 | 0 | 0 | 0 | 0 | 250** |

*whole hogs for pig roasts
** rabbits

**7. Do you have particular target markets? YES** 59 **NO** 58

**If so, please tell us how you characterize these target markets and what percentages of your business are represented by them (e.g. 20 % ethnic, 10% fine restaurants, etc.)**

Ethnic: 10% (1)
40% (1)
80% (1)
100% (1)

Breeders: 20% (1)

**8. Is U.S.D.A. inspection important to you? YES** 87 **NO** 30

**9. If you direct market, what is the distance to the processing facility you use most often?**

4 **Picked up by processor at farm**
8 **Less than 10 miles**
29 **10-19 miles**
33 **20-39 miles**
12 **40-59 miles**
10 **60-79 miles**
0 **80-99 miles**
7 **100+ miles**

**What is the maximum distance you can economically travel for processing?**

| Miles | Responses | Miles | Responses |
|---|---|---|---|
| 10 | (2) | 40 | (11) |
| 15 | (1) | 50 | (16) |
| 20 | (3) | 60 | (5) |
| 25 | (2) | 70 | (1) |
| 30 | (18) | 80 | (2) |
| | | 100 | (4) |

**10. What livestock processing services do you now use, or would you use if available? Please check all that apply for each animal type.**

| | Beef Steers | Dairy Beef | Hogs | Lamb | Goats | Red Veal | White Veal | Broiler Chicken | Geese/ Turkey | Emu's/ Ost./Other |
|---|---|---|---|---|---|---|---|---|---|---|
| **U.S.D.A. facility** | 45 | 9 | 25 | 45 | 14 | 7 | 0 | 6 | 5 | 1 |
| **Non-USDA facility** | 24 | 2 | 11 | 12 | 2 | 2 | 1 | 6 | 3 | 0 |
| **Aging** | 19 | 0 | 4 | 8 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Smoking** | 7 | 1 | 24 | 6 | 0 | 0 | 0 | 0 | 3 | 1 |
| **Curing** | 8 | 1 | 17 | 6 | 1 | 1 | 0 | 1 | 0 | 2 |
| **Cryo-packaging** | 14 | 1 | 10 | 14 | 4 | 2 | 0 | 3 | 1 | 2 |
| **Sausage making** | 9 | 3 | 25 | 22 | 1 | 1 | 0 | 1 | 1 | 2 |
| **A method of offering a private farm label** | 18 | 2 | 13 | 26 | 8 | 3 | 0 | 4 | 6 | 4 |
| **A marketing organization** | 19 | 3 | 7 | 18 | 7 | 4 | 0 | 3 | 4 | 2 |
| **More cut & wrap options** | 23 | 4 | 12 | 24 | 6 | 5 | 0 | 2 | 2 | 3 |
| **Outlet for natural, organic or other specialty products** | 27 | 4 | 11 | 24 | 6 | 4 | 0 | 9 | 8 | 3 |
| **Trucking & distribution** | 12 | 1 | 10 | 14 | 3 | 2 | 0 | 2 | 3 | 2 |
| **Better outlet for the extras (please explain below)** | 4 | 0 | 1 | 4 | 0 | 2 | 0 | 0 | 1 | 2 |
| Butchered on farm | 2 | | | | | | | | | |
| Natural beef direct marketing | 1 | | | | | | | | | |
| Better outlets for drop | 1 | | | | | | | | | |

**11. Are you satisfied with the service provided by your current slaughtering and/or processing facility? If not, please explain why.** **YES** 75 **NO** 26

Quality (10)
Capacity/waiting time (9)
Distance (7)
Pricing (5)
Lack of USDA (5)
Limits on services (4)
Other (3)

**12. What, if anything, limits the size of your operation?**

Market (17)
Processing/Lack of USDA (11)
Location/Size/Acreage (10)
Capital (8)
Time (8)
Prices/Profitability (5)
Labor (5)
Other (4)

**13. Would you expand, given new markets?** **YES** 77 **NO** 26

**Please explain and indicate how many more animals you would produce annually for slaughter:**

| Species | Number |
|---|---|
| Fish | 20,000 |
| Chickens | 19,250 |
| Lambs | 2,640 |
| Beef/steers | 2,265 |
| Turkeys | 1,680 |
| Rabbits | 1,500 |
| Hogs | 100 |
| Goats | 60 |
| Ewes | 53 |
| Veal | 36 |

**The Task Force is now studying the feasibility of establishing a new regional slaughterhouse and/or processing facility which might help market meats. Please answer the following questions with this in mind:**

**14. Would you be interested in having some or all of your livestock slaughtered at such a facility?**

**All** 57 **Some** 58 **None** 4

**15. Would you be interested, for a premium price, in contract raising animals to market specifications? Natural meat products, raised without antibiotics or hormones, represent one such potential market and there could be several others.**

**Yes** 71 **No** 10 **Maybe** 33

**16. The business will need to charge a slaughtering fee to kill, chill, cut and wrap a carcass. What is the fee by pound or by head (for killing) that you are now paying for these services?**

| | Beef | Dairy Beef | Hogs | Lamb | Goats | R. Veal | W. Veal | Broilers | G./T | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| **Killing** | $26.50 | $21.67 | $23.07 | $19.83 | $11.67 | $31.67 | $32.50 | $1.50 | N/A | $20.00 |
| **Range (General)** | $17-$37 | $20-$25 | $15-$25 | $10-$30 | $10-$20 | $30-$35 | $30-$35 | | | |
| **Cutting & Wrapping** | $0.28 | $0.32 | $0.27 | $0.27 | $0.15 | $0.37 | $0.33 | N/A | N/A | N/A |
| **Range (General)** | 18¢-35¢ | 18¢-45¢ | 15¢-35¢ | 20¢-36¢ | N/A | 34¢-40¢ | 25¢-40¢ | | | |
| **Cryovac Services** | $0.11 | $0.10 | $0.10 | $0.10 | N/A | N/A | N/A | N/A | N/A | N/A |
| **Smoking** | N/A | N/A | $0.37 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Sausage Making** | N/A | N/A | $0.31 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Packing/Labeling** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Other** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

**17. Would you be willing to adjust your current breeding schedule to enable the facility to provide meat on a year-round basis?**

**Yes** 49 **No** 22 **Maybe** 32

**18. Would you be willing to coordinate the delivery of livestock with other users to ensure a steady supply of livestock to the facility?**

**Yes** 67 **No** 6 **Maybe** 38

**19. Would you be willing to sign an agreement committing yourself to process a certain number of your livestock through the proposed facility?**

**Yes** 47 **No** **16** **Maybe** 52

**If so, please indicate the number of head per year you could provide to the facility.**

| | | | | | |
|---|---|---|---|---|---|
| **Beef (steers)** | **1,087** | **Goats** | **340** | **Lambs/sheep** | **1,615** |
| **Dairy beef** | **30** | **Veal (red)** | **22** | **Geese/turkeys** | **25,500** |
| **Cull dairy cows** | **45** | **Veal (white)** | **4** | **Emu's, ostriches** | **200** |
| **Cull dairy calves** | **0** | **Broiler chickens** | **16,200** | Rabbits | 350 |
| **Hogs** | **1,572** | **Ducks** | **20** | Fish | 5,000 |

**20. Would you be interested in making an initial investment in the facility/business?**

**Yes** 4 **No** 40 **Maybe** 71

**21. Would you be interested in any of the following education or training programs regarding livestock management and marketing? Check all that apply.**

| | Yes, I am very interested in workshops or training courses | Yes, I am interested in one to one mentoring or consulting training/assistance |
|---|---|---|
| **Marketing** | 63 | 18 |
| **Business management** | 31 | 13 |
| **Intensive grazing management** | 49 | 21 |
| **Production** | 48 | 19 |
| **Feeding** | 54 | 17 |
| **Natural or organic growing** | 30 | 8 |
| **Environmental management** | 15 | 5 |
| **Labor management** | 15 | 6 |
| **Other** | 7 | |

**22. Additional comments:**

Need marketing help (2)
Agree facility is needed, supportive (9)
Want to expand or pursue new opportunities (4)
Miscellaneous other comments (11)