

MEAT BRAND CONCEPT

Bringing sustainable meats from the Appalachian region to market under one brand name, from farmers committed to a protocol of high quality production values

Concept Statement

In order to serve beef and pork producers in the Huntington, WV area, Tri State region, and beyond, a local entrepreneur could receive resources and assistance to create an aggregated meat brand that would be based on a set of high quality marketing claims: (1) Appalachian raised (2) sustainable farming practices (3) high quality protocols. The business would require onboarding of farmers what would raise animals to a set of standards that would create a line of high end product to be aggregated and sold under one brand with a specific set of marketing claims. Those marketing claims could be: locally raised, never ever, grass fed, pasture raised / no confinement, breed, USDA Organic, Animal Welfare Approved, Certified Naturally Grown or other. This concept leverages resources that already exist (farmers, livestock, processors) and would create additional market opportunity for both established and beginning farmers.

This business would entail buying the animals at hanging weight from the farmers, taking ownership after delivery to the processor, and creating a traceable product line with high quality packaging and marketing claims, with the potential to expand with value added products. The sales of these products could be local or in conjunction with a regional or national distributor to widely distribute end products to a potentially large audience. Integrating a network of relationships with farmers, processors and distributors will be keys to success.

Jobs are created in this concept for marketing/sales/warehousing and quality assurance staff. Additional external jobs are created via this concept as processor volume increases and farmer-suppliers increase staff. This model also uses outsourced trucking jobs.

Mission: To “Beef Up” the local economy by creating an entrepreneur-friendly opportunity to start a valuable enterprise via a local meat brand name, that will create opportunities for jobs and improve the market opportunity for local sustainable livestock farmers.

Objectives: To partner with a local entrepreneur and investor to build a locally focused sustainable livestock product branding and marketing company.

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Strategies: The following strategic approach would apply:

Attract entrepreneur-operator and investor

Execute market study and focus groups with producers and buyers to determine the appropriate intersection for developing the branding and marketing criteria, as well as develop potential buyers and suppliers.

Hold meetings with targeted processors in the area to determine fit for production, and cultivate interest and develop relationships.

Develop brand assets and product line.

Develop marketing strategy and corresponding strategic partnerships with local retailers, regional distributors and national sellers (e-commerce or traditional).

Recruit the best local talent for sales and operations/logistics coordination.

Type of The entity could be formed as:

- Ownership:**
- an LLC or corporation to be owned and funded by a distributor or other party of interest with built in infrastructure to support the business's functions.
 - an LLC or corporation to be owned and funded by a group of farmers that would be the major suppliers to the business.
 - an LLC or corporation to be owned and funded by an entrepreneur with a strong interest and relationships in the local livestock farming sector.
 - Any of the above options, formed as a benefit corporation, formed with a mission for "general public benefit" meaning a pledge to positively impact society and the environment, as measured by the B-Corp third-party standard.

Employees

At startup, this operation would need a General Manager, Salesperson, and Office Manager/bookkeeper (part time initially). In the 3rd year this business would add a Head Buyer to ensure quality control standards across farmer suppliers and processors. The larger benefit to local economic development is providing an outlet for farmers to grow their businesses and expand their own staff.

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Product/Service Description

This meat company will offer high quality sustainably raised meats from the Appalachian region of West Virginia, based on a set of quality standards. Local farmers would contract with the brand as suppliers and agree to follow the brand's quality standards, and oversight would be provided. For consistency of product, the livestock would need to be processed at specific processing facilities that are committed to producing high quality goods. Upon delivery of the livestock to the processor, ownership would be taken by the Meat Company, and they would be paid by hanging weight.

The products from the meat company could be sold wholesale to retailers, or via distributors.

Market Analysis

Nationwide, there is a trend towards knowing more about where your food comes from and how it is raised, towards clean eating and pasture based meats. Butcher box, US Wellness, White Oak Pastures, and local brand Swift Level Fine Meats are all examples of this trend. After surveying local livestock producers in hogs and beef cattle, and also local retail buyers, we are aware that specialized marketing claims are being made by these farmers, based on their practices.

We also know that 62% of local retailers surveyed are sourcing local beef and pork.

Buyers that are sourcing local meats are interested in the marketing claims of local, grass fed, animal welfare, and naturally grown, and the movement for these products is growing. This meat company would be well positioned to capitalize on this movement and trend towards local, sustainably raised, clean meats.

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Market Analysis

Research conducted in this area has shown that:

the vast majority of livestock farmers are already making specialized marketing claims such as grass fed or cruelty free relating to their practices that could be considered when developing the brand's standards.

the vast majority of livestock farmers would be interested in finishing more animals on the farm (increasing volume) if the market opportunity existed (100% of hog farmers, 75% of beef), creating more volume locally for the brand as it grows.

about half of farmers interviewed stated that if the market opportunity were proven, they would be interested in selling meat (as opposed to live animals) from animals raised on their farm, creating more volume locally.

The targets of our marketing efforts are *local and (1) regional Tri State Area restaurants and retailers seeking high quality local products (2) regional and national distributors seeking high quality and high dollar value sustainable meat products.*

Competition for this market includes grass fed or pasture raised product lines, ranging from grocery store house brands to powerhouse brands like Applegate Farms, Kol Foods, Niman Ranch, Organic Prairie, and more.

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SWOT ANALYSIS

STRENGTHS

- Leveraging resources of local livestock that already exist
- Market trends in favor of high quality meats
- Various local organizations to support outreach efforts and market research
- Precedents in other regions showing successful models

WEAKNESSES

- Challenges of managing margins in an aggregation and branding business
- Oversight of farm practices is necessary, and labor and time intensive
- Buyers may require education to understand added value
- Capital intensive

OPPORTUNITIES

- Boosts local meat economy
- Creates jobs and therefore economic development opportunities
- Could look to the UWV extension's calf program as a template for creating a standard across farms
- Region's cull cows from sustainable operations could create a baseline for ground beef product lines
- Future brand extensions of value added products and e-commerce sales

THREATS

- Reliant on suppliers and processors (outside of direct control) for supply availability
- Future competition
- Local inspectors

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Build on Strengths

The company can plan to build on strengths by creating a robust outreach plan to connect with regional farms via local organizations, and visit other models in other regions to engage with best practices and lessons learned. Successful cooperative brands will also be a good model to observe multiple farms engaging with quality standards, even though this model will not be a cooperative.

Resolve Weaknesses

The company can plan to resolve weaknesses by closely managing costs and prices, creating different price levels for different types of buyers, and working with farmers to commit to a production schedule for the year based on their livestock harvest projections. The company will need to work closely with farmers and execute carefully thought out supply plans. The meat company will need to treat its suppliers with respect, work to solve problems as a team, and remain steadfastly committed to its volume agreements with farmers.

Exploit Opportunities

The company can plan to exploit opportunities by taking advantage of any economic development funding opportunities with job creation and as a farm industry value added producer. In addition this enterprise should seek to use all available local resources, further investigating the supply of cull cows, and learning more about how UWV extension developed its calf program standards with local farmers.

Avoid Threats

The company can plan to avoid threats by communication closely with its farmers and suppliers, as well as having backup options for processing and sourcing if needed in case of production failures, as well as using strong vetting and management procedures with suppliers at all times. It would also be prudent to develop a standardized onboarding process for suppliers.

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Strategic Sales Plan

The meat company products will be sold via direct wholesale, local distributors and/or national distributors. Strategies to reach buyers and create demand include direct marketing, person to person sales, and building relationships retail chains and restaurant distributors. The company will need to hire a seasoned sales director in the packaged food space.

Eventually, once the operations are up and running and profitable, the company could consider adding on a direct marketing enterprise via e-commerce, or adding on packaged cooked foods made from sustainable meats. A direct to consumer business would require a large marketing budget to support brand awareness and a high functioning e-commerce and delivery system.

Financial Plan

This business plan requires \$260,000 in start up capital. \$100,000 is budgeted for equipping a 5000 square foot warehouse with a loading dock with an office and walk in freezers for storage, \$30,000 for startup marketing expenses, plus \$130,000 to cover 3 months of operating expenses as sales ramp up.

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Income Statement Summary

Basic assumptions in the business model:

- 650K in sales must be achieved in year 1.
- The GM and Salesperson would be paid 40K + benefits, including any bonuses.
- The office manager would start part time at 20K/year.
- In year 3, the Head Buyer would start, at 35K.
- Trucking logistics would be outsourced, and are included in operating expenses.
- Start up costs include:
 - 100K for equipment, supplies and infrastructure
 - 30K for start up branding and marketing
 - 130K for operating expenses during the start up period (3 months)

Sample Inventory to Reach Year 1 Sales Goal: **\$650,000**

	Average lbs per head	Average income per animal	Average income per lb	Sales goal, Year 1	Number of animals to reach goal
Beef	750	\$3,500	\$4.67	\$325,000	93
Pork	300	\$1,500	\$5.00	\$325,000	217

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Sample Pro Forma Income Statement

GROWTH FACTOR

35%

35%

	Driver	Year 1	Year 2	Year 3
Income				
Sales of Product		\$650,000	\$877,500	\$1,184,625
COGS				
Meat (hanging weight)	43%	\$279,500	\$377,325	\$509,389
Processing services	17%	\$110,500	\$149,175	\$201,386
Total COGS		\$390,000	\$526,500	\$710,775
Gross Margin		\$260,000	\$351,000	\$473,850
		40.00%	40.00%	40.00%
Labor				
Management Labor		\$100,000	\$100,000	\$135,000
Taxes and benefits	15%	\$15,000	\$15,000	\$20,250
Total Labor		\$115,000	\$115,000	\$155,250
Operating Expenses	10%	\$65,000	\$87,750	\$118,463
General & Administrative	5%	\$32,500	\$43,875	\$59,231
Overhead	fixed	\$42,000	\$42,000	\$42,000
Debt Service	\$260,000	\$33,671	\$33,671	\$33,671
Total Expenses		\$288,171	\$322,296	\$408,615
Net Operating Cash Flow		-\$28,171	\$28,704	\$65,235
		-4.3%	3.3%	5.5%

Footnote: High level pro formas are for discussion purposes and general guidance, a full detailed pro forma should be developed prior to starting any project.

*Debt service is capital costs of startup, \$130K for equipment and marketing, \$130K for 3 months of start up expenses

Prepared for:



Prepared by:

KITCHEN TABLE
CONSULTANTS