The Small Meat Processing Plant Model: A Feasibility Template for Producers and Extension Specialists
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The Small Meat Processing Plant Feasibility Template is a simple “first step” for livestock producers, food industry entrepreneurs, and their local/state Extension specialists to determine the viability of a proposed processing plant. The template has received significant attention since its release in early 2012, with the developers receiving emails and calls from users nationwide. The template has been recognized as a valuable tool for small meat business operators by the Niche Meat Processor Assistance Network (an Extension effort), and has been linked to the Network’s website. The template was also recently featured in a roundtable discussion at the National Pork Producers Council’s Pork Industry Conference.

Introduction

The growing demand for “local food”, combined with USDA’s “Know Your Farmer, Know Your Food” program (USDA, 2011), is creating opportunities for small meat processors. However, production and processing plants require significant capital investments, and new operators must navigate the complexities of equipment selection, facility design and construction, regulatory compliance, and market development.

The Small Meat Processing Plant Feasibility Template (FAPC) is designed to help livestock producers, food business entrepreneurs, and their local/state Extension specialists determine the viability of a proposed processing plant. The template provides a simple “first step” for operators to gather information and evaluate potential projects, and includes instructions for producing baseline estimates of costs and revenues. The template, combined with free public access, make it the most useful and customizable tool currently available.

How to Use the Template

The template is available at http: //www.extension.org/sites/default/files/w/9/91/NMPAN1_Business_Planning_Guide_May_2011.pdf. A companion instructional video is also available at http://www.joe.org/joe/2012october/tt11.php. Upon opening the template, users will first see an introductory sheet that explains the uses of the template and provides background information on how to input cost information on building, equipment, land, and even company vehicles. Users then identify the percent of the “Loan Amortization” portion of the template. Depreciation is also estimated in the PP&E section, using straight-line depreciation for the facilities and MACRS depreciation schedules for equipment, special purpose buildings, and vehicles.

Entering Data

To use the template, users begin by entering information in the green cells on the “Operating/Production Assumptions” sheet. The information currently entered on this sheet will be used by the template to generate baseline estimates of costs and revenues for the proposed processing plant. Users can enter information for as many plants as they desire, or choose to evaluate different species or combinations of species. When inputting data, users must carefully consider the types of facilities and equipment that will be needed, as well as the appropriate costs and operating requirements.

Estimating Annual Profit/Loss and Cash Flow

The “Operations Summary” sheet makes use of user-provided information and template calculations to generate estimates of annual cash flows. Changes in each year’s profit/loss and cash flow are the result of changing input/output prices, depreciation, and other factors. Estimates of annual cash flows are determined by adding back depreciation expenses and subtracting loan principal borrowing (i.e. working capital), but rather assumes that short-term loans are both made and repaid in the operating year. Interest costs on working capital are automatically transferred to the Operating/Production Assumptions sheet.

PLANT, PROPERTY, & EQUIPMENT

The “Plant, Property, & Equipment” (PP&E) section of the template provides users the ability to input cost information on building, equipment, and any other capital investments. Users can enter costs for each equipment category (e.g. stickers, filling equipment, etc.) and select the appropriate depreciation method (e.g. straight-line or MACRS).

References