

# **Iowa Meat Processors' Resource Guidebook**

**A Guide to Building, Upgrading or Expanding a  
Small Meat Processing Facility in Iowa**

## **Purpose of this Guidebook**

This guidebook explains the resources available at the local, state and national levels to assist small Iowa meat processors who seek to begin, upgrade or expand their businesses. This book also explains the necessary business and regulatory steps, and where to find guidance for each step.

This guidebook is available free of charge in PDF format at [www.ncrcrd.iastate.edu/pubs/contents/189.htm](http://www.ncrcrd.iastate.edu/pubs/contents/189.htm). To purchase a printed version, contact Kristi Hetland, North Central Regional Center for Rural Development, (515) 294-9768, or [khetland@iastate.edu](mailto:khetland@iastate.edu).

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*Iowa Meat Processors' Resource Guidebook: A Guide to Building, Upgrading or Expanding a Small Meat Processing Facility* in Iowa is available at <http://www.ncrcrd.iastate.edu/pubs/contents/189.htm>. For more information contact:



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## A Guide to Building, Upgrading or Expanding a Small Meat Processing Facility in Iowa

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Iowa Small Business Development Centers  
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Practical Farmers of Iowa  
USDA Sustainable Agriculture Research and Education  
Value Chain Partnership for Sustainable Agriculture



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# Index of Acronyms Used in this Guidebook

## Organizations

<b>AAMP</b>	American Association of Meat Processors
<b>AgMRC</b>	Agricultural Marketing Resource Center (Web-based resources)
<b>CIRAS</b>	Center for Industrial Research and Service*
<b>FSIS</b>	Food Safety Inspection Service (Part of USDA)
<b>IDALS</b>	Iowa Department of Agriculture & Land Stewardship*
<b>IDED</b>	Iowa Department of Economic Development*
<b>IFU</b>	Iowa Farmers Union*
<b>IMPA</b>	Iowa Meat Processors Association*
<b>IWD</b>	Iowa Workforce Development*
<b>NCRCRD</b>	North Central Regional Center for Rural Development
<b>PDI</b>	Professional Developers of Iowa*
<b>PFI</b>	Practical Farmers of Iowa*
<b>SBDC</b>	Iowa Small Business Development Centers*
<b>SBA</b>	Small Business Administration
<b>SCORE</b>	Service Corps of Retired Executives (Part of SBA)
<b>USDA</b>	United States Department of Agriculture
<b>VAAP</b>	ISU Extension Value Added Agriculture Program*

\*These organizations work only within the State of Iowa and may or may not have equivalent counterparts in other states.

## Food Safety Programs Used in Meat Plants

<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>SSOPs</b>	Sanitation Standard Operating Procedures

## Introduction

This book is about small meat processing plants, establishments necessary for the vitality of Iowa's agriculture and rural lifestyle. In 1965, there were over 550 small meat plants in Iowa; today there are less than 200. To address this decline, interested researchers came together to form the Small Meat Processors Working Group. This *Resource Guidebook* was compiled as a result of our discussions, research and hands-on work with individual meat processors.

The working group found five areas where meat lockers struggle: 1) business planning and feasibility, 2) financing and financial assistance, 3) plant design, 4) plant construction and 5) labor. Additionally, new plant owner-operators often need assistance with the many rules and regulations that govern small meat plants. This guidebook addresses each of these areas.

Comprehensive and systematic resources are laid out in each section of the guidebook. Section 1 focuses on Business Planning and Feasibility, Section 2 on Financing and Financial Assistance, Section 3 on Rules and Regulations, Section 4 on Plant Design and Construction, and Section 5 on Labor. While we have not yet found a straightforward answer to the problem of labor, the group will continue researching this issue, and we do provide some suggestions. In general, each section focuses first on local resources and then moves to state and federal assistance. This was done because we find that the more local the resources are, the easier they are to use and there is a greater likelihood that they will work.

While every effort has been made to provide the most accurate information possible, to err is human. Any mistakes in this guidebook are those of its editor, not of the contributing working group members or organizations. Please be advised that the individual contact information provided throughout this guidebook is subject to change and is beyond our control. Questions, comments, suggestions and corrections should be directed to:

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Ames, IA 50010-1050  
(515) 294-2882  
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# Steps Needed to Build, Upgrade or Expand a Meat Plant

Aside from the problem areas of business planning and feasibility, financing and financial assistance, plant design, plant construction, labor and, for new plant owner-operators, rules and regulations, many owner-operators and potential owner-operators struggle to figure out what steps are necessary to build, expand or renovate a facility. Figure 1 (page 3) diagrams all of the steps needed to build and operate a meat plant. Whether a meat processor is expanding, upgrading or building a new plant, the steps are similar. Owner-operators need to complete all of the tasks within the large dashed hexagon before they can move to plant construction and operation.

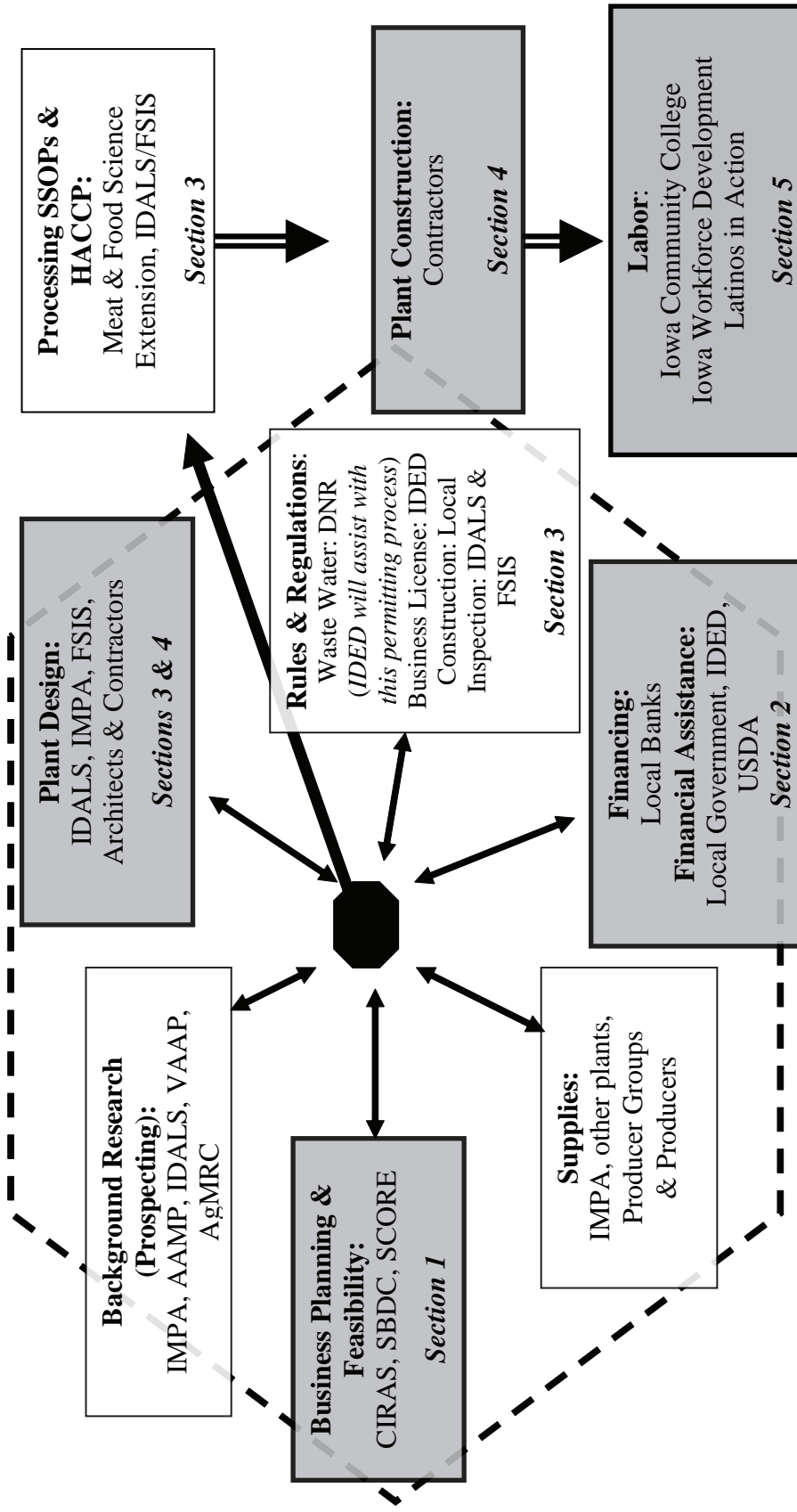
While the steps within the dashed hexagon do not require a fixed order, a logical order might be:

1. **Background Research.** Before going into any business, or expanding an existing one, it is good to ask a lot of questions about the industry. Talk with other meat plant owners, trade groups, regulatory agencies, farmers and customers; many questions and insights will emerge. When you have completed this step, you should have some idea of how you want your business to look. Will it be a small, state-inspected locker selling products only within the state of Iowa or a larger, federally-inspected facility shipping products across the country? Marketing research is discussed briefly in Section 1 (page 5) and is addressed in more detail in Appendix C (page 47).
2. **Business Planning and Feasibility.** The pieces of a business plan are discussed in detail in Appendix A (page 35), but this step involves understanding from where your supplies (animals, non-meat ingredients, packaging, equipment) will be coming, who will be buying your products, and what your competition is like. This step will not happen all at once, but in stages. To complete this step, you will also need to know what your facility will look like and what construction costs will be.
3. **Plant Design.** This is an integral part of both your business plan and your financing. You will need to involve contractors to estimate your construction costs. Information on plant design and contractors begins on page 21 (Section 4).
4. **Financing.** Once your business plan is together, you can start looking for financing. Before you get too excited, we must let you know right now that no one is going to give you a big pot of gold to get your plant going. Your meat business will need to be financed by a local bank. Potential small grant and loan assistance and interest rate reduction programs are explained in Section 2 on page 9.
5. **Permitting and Inspection.** Before you can build anything, you will need permits: business permits, building permits and wastewater permits. Since either the state or the federal government inspects *all* meat-processing facilities—even custom plants (those that process animals for their owners and do not sell meat to the public) must be inspected periodically—it is generally a good idea to have an inspector look over your plant design before you build. Details are explained in Section 3 (page 15).

6. **SOPs, SSOPs and HACCP.** Before you can begin operation, you will need to have a written plan for each of these. The plans must be approved by your inspection agency and are subject to regular review. This is also discussed in Section 3.
7. **Labor.** You will want to begin thinking about this issue during your business planning. Meat processing is hard work. Finding able and willing employees challenges plants throughout the industry, and finding laborers and the time it takes to train them will be an important part of your business plan. Section 5 (page 25) focuses on this issue.

This outline is very general and simplistic, yet each of these steps is complex and will require much time and energy, as will be detailed in the following sections. We hope this guidebook will make developing or expanding a meat processing business less complex or confusing for you.

Figure 1. Diagram of the steps needed to build, expand or upgrade a meat plant with organizations that can help.



All acronyms are defined at the beginning of this guidebook.



## Section 1: Business Planning and Feasibility

Managing and planning a business is more important today than ever before because of the complexities of regulations, the marketplace and slim margins. It is not enough to be able to make the best beef jerky in the entire state. You have to be able to know how much to charge for it, how to market it, how it cash flows through your business and how to manage your employees...or you just might find yourself smoking over hot coals.

### Writing a Business Plan

A business plan is the story of your business: how you are going to do it, why it is going to work and how you will handle challenges as they appear. Created by the Iowa Small Business Development Centers, Appendix A (page 35) contains a business plan outline that walks you through all the areas of a plan and asks key questions about each area.

### Hands-on Business Help

A number of resources exist to provide hands-on help with business planning and feasibility. Start locally with your town or county's economic development director. If there isn't one, move on to one of the regional or state resources detailed in this guidebook. We have listed the specific services that each resource provides, contact information and what we consider to be the advantages or disadvantages of each one.

At the state level, the meat locker owners with whom we have worked find the SBDCs, CIRAS, and SCORE to be best suited to meet their needs based on services provided, fee structure and ease of access. One general caveat for all of these organizations is that the folks working for these counseling agencies often have limited, if any, understanding of the meat processing business. They are very good at crunching numbers and/or reviewing business plans, but they are only as good as the numbers you give them. Only you will be able to determine if the numbers are valid or reasonable. If you have a good handle on the number of animals and pounds of product processed through your plant on a weekly basis, this should not be a problem. If you are starting a business, a critical part of your background research will be to come up with a good estimate for these numbers.

Two noteworthy Iowa locations that have an SBDC, a Pappajohn Entrepreneurial Center and additional service providers, coupled with ongoing classes and resources particularly aimed at serving everyday, mom-and-pop businesses—all at one site—are:

1. Northern Iowa Area Community College (Mason City)  
(641) 422-4111 or  
(888) GO NIACC ext. 4111  
[www.niacc.edu/pappajohn](http://www.niacc.edu/pappajohn)
2. University of Northern Iowa  
Regional Business Center (Waterloo)  
(319) 236-8123  
[www.uni.edu/rbc](http://www.uni.edu/rbc)

## **Business Assistance Providers**

*Organization:* Small Business Development Centers (SBDC)

*Phone:* Central Office—(515) 294-2030

*Web site:* [www.iabusnet.org](http://www.iabusnet.org)

*Locations:* Ames, Burlington, Council Bluffs, Creston, Davenport, Dubuque, Fort Dodge, Iowa City, Marion, Mason City, Ottumwa, Spencer, Urbandale, Waterloo.

*Services Provided:* Start-up and expansion business plan development, accounting assistance, business succession.

*Advantages/Disadvantages:* Free services, 14 locations statewide.

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*Organization:* Center for Industrial Research and Service (CIRAS)

*Phone:* Central Office (515) 294-3420

*Web site:* [www.ciras.iastate.edu](http://www.ciras.iastate.edu)

*Locations:* Call the central office and one of five regional account managers will contact you. All work takes place at your location.

*Services Provided:* Business plan development, product cost calculating, accounting assistance, feasibility studies, workflow analysis.

*Advantages/ Disadvantages:* They come to you. Many services are free or have a nominal fee. They only work with existing businesses.

• • • • •

*Organization:* Senior Corps of Retired Executives (SCORE)

*Phone:* SBA Des Moines Office (515) 284-4422

*Web site:* [www.score.org](http://www.score.org) or

[www.sba.gov/localresources/district/ia/desmo/counselingt/IA\\_DESMO\\_SCORE.html](http://www.sba.gov/localresources/district/ia/desmo/counselingt/IA_DESMO_SCORE.html)  
(This second Web site lists Iowa location contact info.)

*Locations:* Burlington, Cedar Rapids, Clinton, Council Bluffs, Davenport, Decorah, Des Moines, Fort Dodge, Iowa City, Marshalltown, Mason City, Muscatine, Ottumwa, Sioux City, Spencer, Storm Lake, Waterloo.

*Services Provided:* Business planning and counseling, accounting assistance.

*Advantages/Disadvantages:* Free services, 17 locations statewide.

• • • • •

*Organization:* Iowa Farm Bureau Renew Rural Iowa Program

*Phone:* (800) 254-9670

*Web site:* [www.iowafarmbureau.com/renewruraliowa/](http://www.iowafarmbureau.com/renewruraliowa/)

*Location:* Seminars held at various locations around the state. Mentoring provided by Entrepreneurial Development Center of Cedar Rapids.

*Services Provided:* Business development and improvement seminars, custom mentoring and connections with various resources.

*Advantages/Disadvantages:* Registration fee. Ongoing seminar series. Content appropriate for both growing entrepreneurs and existing businesses.

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*Organization:* Entrepreneurial Development Center

*Phone:* (319) 369-4955

*Web site:* [www.edcinc.org](http://www.edcinc.org)

*Location:* Cedar Rapids

*Services Provided:* Business planning, mentoring, and networking.

*Advantages/Disadvantages:* Located and operates in the Cedar Rapids—Iowa City area.

Must pay for certain services, however Farm Bureau Renew Rural Iowa Program will underwrite the costs for qualifying participants.



*Organization:* ISU Extension Value Added Agriculture Program

*Phone:* (515) 294-9483

*Web site:* [www.extension.iastate.edu/valueaddedag](http://www.extension.iastate.edu/valueaddedag) or [www.agmrc.org](http://www.agmrc.org)

*Location:* ISU Campus, but will travel as needed.

*Services Provided:* Business development coaching, market research and planning, comprehensive feasibility studies, partnership/group/cooperative facilitation.

*Advantages/Disadvantages:* Staff can provide one day (eight hours) of assistance free of charge but then must operate on a cost-recovery basis; strong track record of accurate USDA Rural Development feasibility studies. Feasibility studies cost \$5,000 to \$30,000, depending on services needed.



## **Feasibility Studies**

Feasibility studies can either be conducted before or while writing a business plan. A business plan answers the question, “*How will we develop the proposed business?*” A feasibility study provides an objective third-party analysis of the viability of the business idea and focuses on answering the essential question, “*Should we proceed with the proposed project idea?*” All activities of the study are directed toward answering this question. Feasibility studies can be useful for many situations, but they are typically conducted for new businesses, major expansions, and entry into new enterprises. If the feasibility consultants are experienced, they will provide all the right questions, a good framework and methodology, and their expert analysis.

Not all feasibility studies are the same; many factors can be examined. Some studies, such as those conducted by CIRAS, examine the financial feasibility of a business expansion—will the business cash flow? Such studies are relatively inexpensive. Cash flow spreadsheets can also be drawn up free of charge by an SBDC. Studies designed to meet the requirements of USDA Rural Development examine at least five areas of feasibility—economic, market, technical, financial and management—and can run from \$25,000 to \$30,000 each. This type is useful if you are trying to attract investors or trying to get a large loan guarantee from USDA Rural Development. However, they are not useful for the average small-town Iowa meat locker.

The ISU Extension Value Added Agriculture Program is one of the few organizations in the state that regularly conducts USDA Rural Development feasibility studies; they also can conduct specific portions of feasibility, such as market research if you don’t need

a full study. Make sure you know exactly what will be examined by a formal feasibility study and how the results will be useful to you and/or your lender.

While it is always a good idea to get an outside opinion about the feasibility of your business proposition, the size of your business is a good indicator of how comprehensive the study needs to be. Many of the service providers listed above, in addition to your peer meat processors, other small business owners and local bankers, will review and discuss your business plan free of charge.

If you decide to go with a formal study, the Iowa Farm Bureau Federation has grants up to \$5,000 available for value added agricultural feasibility studies. A formal, required application form will be given to applicants after an interview conversation assures the project qualifies as value added agriculture. Applications must include written support from the county Farm Bureau board where the business is/will be located. Grant applications will not be considered if written support from the county Farm Bureau is not included.

A general outline for a comprehensive feasibility study is provided in Appendix B, beginning on page 43. Keep in mind that this outline is general and is meant to be for everything from a small mom-and-pop butcher shop to a large ethanol plant. Some of the examination criteria may not need to be as formal for your business, but this outline provides some very good food for thought—most likely there is something here that you have not considered.

**Contact Information:**

Iowa Farm Bureau Federation  
(515) 225-5771

**Contact Information:**

**CIRAS**

Brenda Martin  
(515) 570-5282  
martin\_b@iowacentral.com or

Verl “Andy” Anders  
(515) 231-4497  
vanders@iastate.edu

Main Office  
(515) 294-3420

### **Calculating Product Costs**

CIRAS has developed a Microsoft Excel spreadsheet workbook, as well as a paper version, designed specifically to assist small meat processors in calculating their costs of production. Created by working with an actual plant, Food Lockers Service, Inc. in Holstein, Iowa, the spreadsheets are now being used around the state.

### **Market Research**

While selling products is key to making a business work, understanding your market(s) is fundamental to selling products. Every business plan should have a section examining the market(s) because every lender will want you to clearly, competently and comprehensively explain your market(s) and how you will sell to them. Appendix C (page 47) gives a good overview of what goes into market research.

## Section 2: Financing and Financial Assistance

No pot of gold is waiting for you. Unless you are very wealthy, you will probably have to work with a local bank to finance your new plant, upgrade or expansion. Even if you have a good track record with a local banker, you will want to have a business plan, or at least a set of good, accurate financial projections put together before you sit down with a banker.

Many bankers look for what are often called “The Five Cs of Credit”:

1. Cash Flow
2. Character (of the people running the business, evidenced by personal demeanor and past business/occupational history)
3. Collateral—What is the value of the property should you default on the loan?
4. Capital—How much of your own money are you investing?
5. Credit History

Since most meat processors are too small to interest venture capital or take advantage of state tax-exempt bond issues, banks are your best option. That said, the loan terms from one bank to the next can vary widely, even in the same town. Not only are you looking for good terms; you are also looking for a lender with experience in working with small businesses rather than consumer loans. They have a better understanding of risk and other resources that may be available for you. Also, while shopping around, you will receive a free business review from every banker you visit.

### Professional Developers of Iowa (PDI)

Many towns, counties, and regions in Iowa have economic development staff, paid to help local businesses. Some organizations have their own revolving loan funds to provide local low-interest small loans. These folks can often be helpful when seeking TIF or tax abatements or for arranging financing, and their services are typically free. TIF and tax abatements are explained in the following pages.

### Five Financial Assistance Programs that Work

Many financial assistance programs at the state and federal levels will not work for small meat processors. If we had a dollar for every program out there that we were told could help small meat processors...we could buy a lot of summer sausage! While assistance programs do change from time to time, the five programs listed below are the only ones we found that work reliably for small meat processors.

#### 1. Tax Increment Financing (TIF)

This program allows local area governments to provide loans and grants to, or make accommodating infrastructure improvements for, local businesses up to the amount of increased tax revenue expected over 10 years resulting from commercial/industrial building or expansion. Meat plants receive these funds by requesting them from, and entirely at the discretion of, local city councils and mayors. Some plants have received tens of thousands of dollars through TIF. These funds

#### Contact Information:

PDI  
(515) 243-4585  
[www.pdiowa.org](http://www.pdiowa.org)

#### Contact Information:

Contact your local township and/or county

**Contact Information:**  
Contact your local township and/or county

**Contact Information:**  
Contact your local rural electric and/or telephone co-op

**Contact Information:**  
USDA Rural Development (main Iowa office)  
(515) 284-4663  
[www.rurdev.usda.gov/ia](http://www.rurdev.usda.gov/ia).

There are 10 area offices across the state; check the Web site above or the Directory on page 31 for individual office contact information.

have been used both indirectly towards accommodating town infrastructure and directly towards construction costs.

## 2. Tax Abatement

Separate from TIF, counties and towns can agree to abate taxes for a new or expanding business. This too is entirely at the discretion of the local council members or county supervisors. It generally helps to have good projections about your business' economic impact and good standing in the community. The bottom line is: if you don't ask, you won't get anything.

## 3. The Rural Economic Development Loan and Grant ("Red Leg")

This program has considerable history of use by small meat lockers. A significant number of lockers have been built or renovated over the years with these funds. The program is in essence a zero percent interest loan for 10 years, but the loan can only be accessed through a local rural electrical or telephone cooperative. Through a lien on its own assets, the co-op applies to borrow money from the federal government for the sub-applicant business. If successful in its application, the co-op passes the money on to the sub-applicant business. The maximum loan amount is presently \$750,000. Successful applicants typically only finance between 5 and 17 percent of a project with this type of loan and never more than 50 percent, according to the Iowa Area Development Group. Applications from businesses in communities of fewer than 2,500 people are more favorably considered. The co-op can charge up to 1 percent per year to finance its own administrative costs. Payment on principal may be deferred for up to a year for an existing business and up to two years for a new business. You must apply for this program through your local Rural Electrical or Telephone Co-op.

## 4. Farm Bill Energy Efficiency Loan and Grant Program ("Section 9006")

This program will work only for existing plants. You must have an existing facility or equipment that you are making more energy efficient in order to qualify for a grant, and grants will only cover up to 25 percent of the cost of the eligible portions of renovation. For renovations over \$200,000, a feasibility study is required and detailed business financial need must be demonstrated. As explained in the Feasibilities Studies section, the kind of study needed for this grant can cost up to \$30,000, and it can be difficult to "prove" financial need when there is someone who will likely loan you the money. Discussions with USDA about this issue revealed it to be a rather "gray" area. It appears that \$50,000 is a realistic grant cap for this program.

Here's a tip on how the Section 9006 program works: Grant monies can only be spent once but loan guarantee funds can be used over and over again. So, Congress encourages the USDA to push the loan guarantee portion of the program. If a company applies for only a grant, the application is held and judged once annually at the national level with all of the other applications. But if a company applies for a grant and a loan guarantee, the decision to allocate funds can be made at the local level, and in a rapid manner to assure that the loan guarantee funds are used.

A company is virtually assured a grant if all of their paperwork is in order and if funds are available when they apply for both a grant and a loan guarantee.

Every application will need a professional energy audit. Contact your local electrical service provider to see if they can either perform such an audit or recommend someone else in your area.

#### **5. The Small Business Administration's (SBA) Certified Development Corporation ("504") Loan Program**

Commonly referred to as "504 Loans", this program basically provides partially-subsidized and guaranteed loans where your local lender covers up to 50 percent of the project costs, the SBA covers up to 40 percent, and you must put in at least 10 percent. The local bank is put in a senior collateral position, which means that if you default on the loan, they collect on collateral up to the amount you owe them before the SBA. The SBA portion of the loan is usually below market rate, and the local bank is generally happy to be in a senior collateral position with only 50 percent of the investment. The loan can be amortized over 10 or 20 years, but the fees associated with the loan that equal 3 percent of the SBA portion are a drawback. Three percent of \$500,000 is \$15,000. While this amount is probably not a deal breaker, it is something worth weighing before enrolling in the program. If the offset on SBA interest vs. the market rate is significant, then it works out well. This reiterates the need for plant owner-operators to develop a firm understanding of their financials. To access this loan program, you will need to work with your lender and an SBDC.

#### **Contact Information:**

Contact your local banker and/or Small Business Development Center (SBDC)

#### **Other Loan Guarantee Programs**

While a guarantee may be necessary under certain circumstances and can sometimes foster better loan terms (related to repayment period or interest rate) depending on the bank, often they have up front costs of a 1 to 3.5 percent of the portion guaranteed and have annual fees ranging from 1/8th to 1/4th of a percent on the remaining loan balance. The guarantees may also come with high administrative costs due to extensive reporting requirements. In short, these guarantees can have varying cost-to-benefit ratios and should be thoroughly scrutinized based on your particular circumstances. Make sure to ask for a full breakdown of all associated initial and annual fees.

**Contact Information:**

IDED  
Donna Lowry  
(515) 242-4813

IDED General Business Finance Office  
(515) 242-4819  
[www.iowalifechanging.com/business/loancredit.html](http://www.iowalifechanging.com/business/loancredit.html)

**Contact Information:**

USDA Rural Development Office  
Karla Peiffer  
(515) 284-4665

USDA Rural Development Iowa Office  
(515) 284-4663  
[www.rurdev.usda.gov/ia/rbs.html](http://www.rurdev.usda.gov/ia/rbs.html)  
[Look for the bold "Loan Program Information" heading.]

**Contact Information:**

[www.sba.gov/services/financialassistance/sbaloantopics/7a/index.html](http://www.sba.gov/services/financialassistance/sbaloantopics/7a/index.html)  
or contact the nearest SBDC or SCORE office

Many loan guarantee programs exist at multiple levels of government, such as:

- **IDED Loan and Credit Guarantee Fund**

This fund basically provides a loan guarantee up to 50 percent of a bank loan, and there is a micro-enterprise part to the program for businesses located in communities with fewer than 20,000 people.

- **USDA Rural Development Business and Industry Loan Guarantee Program**

This program can guarantee up to 80 percent of a bank loan, depending on the loan purpose. A USDA Rural Development feasibility study may be required. General guidelines as to whether a feasibility study is needed include:

- ▶ Required for a start-up business.
- ▶ Required for a renewable energy project.
- ▶ Required for an existing business that lacks a profitable history (or when past performance does not support the new debt service).
- ▶ Required for an existing business that will develop an independent operation in a new location.

USDA will look at each project on a case-by-case basis and make the determination about the feasibility study during the pre-application process.

- **SBA Loan Guarantee program ("7(a) loans")**

You will have to work through your bank to apply for this type of guarantee. Up to 85 percent of loans of \$150,000 and less, and up to 75 percent of loans above \$150,000 can be guaranteed for up to 25 years.

### **Three Financial Assistance Programs that Might Work for You**

Eligibility for most financial assistance programs that the Iowa Department of Economic Development (IDED) offers are tied to the average hourly wage your business pays, or will pay, factoring in the portion your business covers for employee medical, dental and vision benefits. This is referred to as the "wage threshold requirement." The eligibility threshold varies from county to county based on the county's average wage, and is calculated quarterly. The average hourly wage for the whole state of Iowa in the third quarter of 2007 was \$13.53, but some counties, such as Calhoun and Jackson Counties, were in the \$10.50 an hour range. The most recent wage threshold requirements by county are available as a Microsoft Excel spreadsheet at:

[www.iowalifechanging.com/business/wagerates.html](http://www.iowalifechanging.com/business/wagerates.html)

*(Scroll to the bottom of the page and look for the red link labeled "[year] [number] quarter Wage Thresholds").*

### **1. Community Economic Betterment Account**

### **2. Economic Development Set-Aside**

Two programs that have wage thresholds at 100 percent of the county level (or region, whichever is lower for these programs) are the Community Economic Betterment Account (CEBA) and the Economic Development Set-Aside (EDSA). These programs offer loans and forgivable loans to the tune of hundreds of thousands of dollars, and the funds are fairly unrestricted in what they can be used for, from buildings and equipment to operating expenses and working capital. Being able to meet the wage threshold requirement is the most important issue for these programs, so it is worth a telephone call if you think you are doing this already or can do so for your county.

### **3. Targeted Small Business Financial Assistance Program**

This program might work for you if your business is “at least 51percent owned, operated and managed by women, minorities or persons with a disability.” This guideline is very strict, so it does not mean that you will be eligible if you are a white male who legally puts 51 percent of your business in your wife’s name. Eligible applicants must be able to fully run the business on their own. Three possible benefits of the program include: 1) loans of up to \$50,000 at low interest rates (0 % to 5%, repaid over seven years); 2) loan guarantees of up to \$50,000 or 80%, whichever is lower; and 3) in limited cases, equity grants of up to \$50,000 may be used to leverage other financing.

#### **Contact Information:**

(515) 242-4793 or (800) 532-1215,  
businessfinance@iowalifechanging.com  
[www.iowalifechanging.com/business/ceba\\_edsa.html](http://www.iowalifechanging.com/business/ceba_edsa.html)

#### **Contact Information:**

(515) 242-4793 or (800) 532-1215,  
businessfinance@iowalifechanging.com  
[www.iowalifechanging.com/business/tsb\\_expansion.html](http://www.iowalifechanging.com/business/tsb_expansion.html)



## Section 3: Rules and Regulations

This section is divided into two parts. A host of permits that a business may need is listed in the first part; the second part contains information on meat inspection, SSOPs and HACCP. Because obtaining all required permits and a grant of inspection can often be a complex process, we *highly recommend* that you keep a phone/e-mail/mail log of all the discussions that you have had in the process.

The Iowa Department of Economic Development (IDED) Business License Information Center works to help identify the proper permits needed for a particular business. If you run into problems or have questions, contact them.

Additionally, IDED's Small Business Environmental Assistance Program can offer "free, non-regulatory and confidential advice on environmental issues, serve as your advocate with state regulatory policy makers, and mediate concerns between small businesses and regulatory officials."

### Permitting Checklist

- Business Structure Registration
- Iowa Business Tax Permits
- Iowa Restaurant Sales Permit (only for if your business will contain a restaurant, deli, catering, or similar operation)
- Commercial Scales Permit
- Building and Zoning Permits
- Air Quality Permits
- Waste Water Permit
- Meat and Poultry Inspection License

### Business Structure Registration

**Sole proprietorship or simple partnerships:** These types of business will need to fill out a "registration of trade name" certificate at the local County Records Office. Contact information is available in the blue "Government" section of your local phonebook, or by going to the county courthouse.

For all other types of business structures (LLC, S corporation, cooperative, etc.), you should contact an accountant and/or an attorney.

The *Guide to Iowa's Most Commonly Used Business Organizations* can be found at [www.sos.state.ia.us/business/handbookintro.html](http://www.sos.state.ia.us/business/handbookintro.html), or it can be obtained from the Iowa Secretary of State's Office by calling (515) 281-5204.

### Contact Information:

IDED Business License Information Center  
(515) 242-4755 or (800) 532-1216  
[blic@iowalifechanging.com](mailto:blic@iowalifechanging.com) [www.iowalifechanging.com/business/blic.html](http://www.iowalifechanging.com/business/blic.html)

IDED Small Business Environmental Assistance Program  
(515) 242-4896 or (800) 351-4668  
[regulatoryassistance@iowalifechanging.com](mailto:regulatoryassistance@iowalifechanging.com),  
[www.iowalifechanging.com/business/environmental\\_assistance.html](http://www.iowalifechanging.com/business/environmental_assistance.html).

**Business Tax Registration Form:**

www.state.ia.us/tax/forms/ruse.html  
To order a hard copy or for questions, contact:  
(800) 367-3388 (Iowa only) or (515) 281-3114

Or contact IDED Business License Information  
Center  
(515) 242-4755 (local) or (800) 532-1216

**Food Service Establishment License**

(515) 281-7102  
www.state.ia.us/government/dia/page9.html

For an overview on restaurant permitting,  
including liquor licensing, visit www.  
iowalifechanging.com/business/downloads/  
BLIC\_Restaurant.pdf

**Commercial Scales Permit**

Darryl Brown, Bureau Chief  
(515) 725-1493  
darryl.brown@idals.state.ia.us

Pat Kruger, Secretary  
(515) 725-1492  
pat.kruger@idals.state.ia.us

**Bulding and Zoning Permits**

County: www.iowacounties.org/  
Aboutpercent20Us/AboutCoGov/  
Countyinformation.htm  
City: www.iowaleague.org/AboutCities/  
CitiesInIowa.aspx  
(Cities are listed alphabetically on the left.)

**Air Quality Permits**

DNR Air Quality Bureau  
Dave Phelps  
(515) 281-8189  
dave.phelps@dnr.state.ia.us

**Iowa Business Tax Permits**

Virtually every business will need to fill out a “Business Tax Registration Form” with the Iowa Department of Revenue. This one form can be used to simultaneously file for:

- Retail Sales Tax Permit (not needed if you sell 100 percent nontaxable food items)
- Employee Withholding Tax Registration
- Consumer’s Use Tax
- Corporation/Partnership Income Tax Registration



**Iowa Restaurant Sales Permit**

Before you begin operating any food service establishment—such as a restaurant, deli or catering business—you will need to obtain a “Food Service Establishment License” from the Iowa Department of Inspections and Appeals, Food and Consumer Safety Bureau.

The application process can take up to 30 days and your license must be renewed annually. Licensing fees range from \$50 to \$225, based on your annual or projected gross sales.



**Commercial Scales Permit**

All scales that will be used to determine the sale weight of products, both retail and wholesale, must be certified annually by the Iowa Department of Agriculture and Land Stewardship’s Weights and Measures Bureau.



**Building and Zoning Permits**

You will need to contact the county and/or city government offices where you live to see if local building or zoning licenses are required. That information is available in the blue “Government” section of your local phonebook.



**Air Quality Permits**

As a general rule of thumb, if you will be putting any kind of smoke or exhaust stack through your roof, or modifying one in any way, you should contact the Iowa Department of Natural Resources (DNR) Air Quality Bureau. Permits should be obtained prior to building or modifications. Most small meat processors are too small to need a permit, but it’s generally better to ask than to have the DNR shut your plant down for noncompliance.



## Waste Water Permits

A processor of almost any size will need to either work with their local town or city to make sure there is adequate waste water infrastructure available or, if located too far out of town, work with the Iowa Department of Natural Resources (DNR) to design an adequate lagoon/ leach field system.

For help in working with the DNR, the Iowa Department of Economic Development, Regulatory Assistance Team offers “free, confidential consultation services for any regulatory topic or provides assistance in working with regulatory agencies such as identifying compliance requirements and timing considerations.”



## Help with Infrastructure Construction for Towns and Cities

If your town or city will need to make significant infrastructural improvements to accommodate your new plant or expansion, there are three state programs that can offer financial assistance:

1. **Public Facilities Set Aside (IDED):** This program provides up to \$500,000 to towns and cities for businesses accommodating infrastructural improvements. At least 51 percent of the residents must be low to moderate income, as computed by the most recent census or a town survey. The business must show the creation of one job for every \$10,000 granted, and the town or city must pay one-third of the total improvement project costs. Projects are funded on a first-come/first-served basis, so if your timing is right, your town or city will get financial assistance.
2. **Community Development Block Grants for Infrastructure (IDED):** For “whole systems” upgrades, these grants also require that at least 51 percent of the residents must be low to moderate income. Applications for the program are competitive and awarded every March (applications are due the preceding November). Only one out of every 2 to 3 applications is awarded financial assistance.
3. **State Revolving Loan Fund (Iowa Finance Authority):** This program provides loans to towns and cities for public waterworks projects. Terms are 3 percent for up to 20 years.



## Meat and Poultry Inspection License

All federal or state-inspected meat/poultry plants, custom or official, must obtain an Iowa Meat and Poultry Inspection License from IDALS. The annual license fee is \$25 for less than 20,000 lbs. production and \$50 for over 20,000 lbs. production.



## Waste Water Permits

Christine Spackman  
Business Coordinator, Iowa DNR  
(515) 281-7276  
christine.spackman@dnr.state.ia.us

Sherry Timmins  
IDED Regulatory Assistance Coordinator  
(515) 242-4901  
sherry.timmins@iowalifechanging.com

## Public Facilities Set Aside

Nicole Warren, IDED  
(515) 242-4831

## Community Development Block Grants

Hank Manning, IDED  
(515) 242-4836

## State Revolving Loan Fund

Iowa Finance Authority  
(800) 432-7230

## Meat and Poultry Inspection License

IDALS Bureau of Meat and Poultry Inspection  
(515) 281-3338

**Federal Grant of Inspection**  
Rachael Ollinger or  
Dr. Joy Ament, Frontline Supervisor  
(515) 727-8960

## **Inspections**

To sell meat in interstate commerce, beyond the borders of Iowa, your plant will need to be federally inspected by the USDA's Food Safety Inspection Service (FSIS). Inspection by the Iowa Department of Agriculture and Land Stewardship (IDALS) will allow you to sell meat within the state of Iowa (intrastate commerce). Plants doing only "custom" work (uninspected livestock/poultry slaughter and/or processing for the animal owner's personal use) are inspected at least quarterly, based on performance over time, through a "risk-based" review system by IDALS Meat and Poultry Bureau. For a good overview of the different types of meat inspection, go to:

<http://www.agriculture.state.ia.us/thebasics.htm>

An overview of Iowa's state inspection requirements can be found at:

<http://www.agriculture.state.ia.us/meat&poultry.htm>

### **Federal Inspections:**

According to USDA Officer Rachael Ollinger, "The first step in acquiring a Federal Grant of Inspection is to send a written request to:

Des Moines District Manager  
USDA FSIS OFO  
Des Moines District Office  
210 Walnut Street Suite 985  
Des Moines, IA 50309

A packet of information will then be sent to you, including an Application for Grant of Inspection and the requirements the facility must meet. When the Application is filled out and sent back to the District Office, an Establishment number will be reserved; however, the facility will not be able to operate until the Circuit Frontline Supervisor has done a walk through and reviewed the HACCP plan and SSOPs. If the facility meets all requirements, the Frontline Supervisor will recommend that the Grant be approved and a provisional Grant will be issued. After 90 days, the Frontline Supervisor will again visit the facility to perform a "90-day verification" of the food safety program. A permanent Grant of Inspection will then be granted."

The USDA FSIS has a "Federal Grant of Inspection Guide" that can be downloaded at:

[http://www.fsis.usda.gov/Regulations\\_&\\_Policies/Grant\\_of\\_Inspection\\_Guideline/index.asp](http://www.fsis.usda.gov/Regulations_&_Policies/Grant_of_Inspection_Guideline/index.asp)

**State Inspection:**

The state process is similar to the federal process. If you are interested in coming under state inspection contact the Iowa Meat and Poultry Inspection Bureau. Office staff will answer initial questions and provide guidance. Once background information is collected, you will be put in contact with the Area Veterinary Supervisor who will conduct a review of plans and/or facilities, HACCP, SSOPs, labeling, licensing processes and provide guidance for any other regulatory requirement. State guidance material can be found at:

<http://www.agriculture.state.ia.us/meat&poultry.htm>

**Inspection Requirements (SSOPs and HACCP)**

The following section discusses two specific inspection requirements, necessary at both the federal and state level. These requirements were chosen as they relate to food safety and are pertinent in starting or expanding operations. There are many other requirements such as labeling, product standards of identity, sanitation performance standards, and microbiological testing, to name a few. Your inspection staff contact will assist you in understanding any additional requirements. Both SSOPs and HACCP plans and logs must be printed and available on-site for inspection at all times.

**Hazard Analysis Critical Control Point (HACCP)**

HACCP, pronounced “ha-sip,” is a food safety program. This program is based on seven principles that include identifying potential food safety hazards in slaughter and/or processing, monitoring those hazards, and taking corrective actions when hazards are out of control. The HACCP program consists of a written plan that documents the manufacturing processes in a plant and keeping records of the monitoring of critical control points that regulate potential food safety hazards. At least one employee in an establishment must be trained in HACCP and be responsible for the implementation and management of the HACCP program. A written HACCP plan must be completed before an official establishment can be licensed to operate. The establishment must take an active role in HACCP plan development, implementation, and the day-in/day-out HACCP processes. The establishment, or a trained HACCP consultant, can write the HACCP plan, which must be validated—observed in action by an inspection official—within the first 90 days of operation and must be reassessed at least once every 12 months. Inspectors review HACCP records periodically.

**Sanitation Standard Operation Procedures (SSOPs)**

SSOPs are documented procedures as to how an establishment cleans (sanitizes) the plant. This includes the cleaning of all processing equipment, product contact and non-contact areas/surfaces, and plant facilities on a routine basis, along with records that are kept to document that cleaning has taken place. This cleaning is a prerequisite requirement for HACCP plans. Sanitation is an important part of controlling food safety hazards. A preoperational SSOP, required in the plant on a daily basis, is cleaning that takes place after all processes are completed for the day in order to make the plant clean and ready for the next day—thus the name “preoperational.” An opera-

**Iowa Meat and Poultry Inspection Bureau**

Iowa Department of Agriculture and Land  
Stewardship  
Wallace State Office Building  
Des Moines, IA 50319  
(515) 281-3338  
[Gary.Johnson@idals.state.ia.us](mailto:Gary.Johnson@idals.state.ia.us)

**Iowa HACCP Contact**

Janis Hochstetler, M.S.  
HACCP and Labeling Coordinator  
IA Dept. of Agriculture & Land Stewardship  
502 E. 9th St., Wallace State Office Building  
Des Moines, IA 50319  
(515) 281-8858, (515) 281-4819 fax  
janis.hochstetler@idals.state.ia.us

**Iowa HACCP Coordinator**

Joe Cordray, Coordinator  
Iowa State University  
194 Meat Laboratory  
Ames, IA 50010  
(515) 294-4266, (515) 294-6328 fax  
jcordray@iastate.edu

**FSIS Small and Very Small Plant Outreach**

USDA/FSIS  
Aerospace Bldg., 3rd Floor, Room 405  
14th and Independence Ave. SW  
Washington, DC 20250  
(202) 690-6520  
www.fsis.usda.gov/Small\_Very\_Small\_Plants/index.asp

**FSIS Technical Service Center**

Omaha, Nebraska  
(800) 233-3935

**AAMP**

P.O. Box 269  
Elizabethtown, PA 17022  
(717) 367-1168, (717) 367-9096 fax  
info@aamp.com  
www.aamp.com

tional SSOP takes place while the plant is actively processing. These types of sanitation procedures include good sanitary practices by employees, keeping trash picked up and general housekeeping to prevent unsanitary conditions. Both preoperational and operational sanitation procedures are performed and monitored on a daily basis. SSOPs must be written before an official establishment can be licensed to operate.

*HACCP Planning Assistance:* All 50 states have individual HACCP contacts and coordinators who provide technical advice, assistance, resources and support for HACCP implementation in small and very small plants. (FSIS defines small plants as having less than 500 employees, very small plants as having less than 10.)

*Food Safety Inspection Service (FSIS):* FSIS has recently expanded their outreach to small and very small plants.

FSIS has a dynamic “Ask FSIS” Web site where FSIS staff respond directly to posted questions.

[http://askfsis.custhelp.com/cgi-bin/askfsis.cfg/php/enduser/std\\_alp.php](http://askfsis.custhelp.com/cgi-bin/askfsis.cfg/php/enduser/std_alp.php)

Although it is not geared towards small and very small plants, there is also a FSIS Technical Service Center in Omaha, Nebraska that can answer questions. We recommend that you check with state officials, IDALS or FSIS before pursuing this center for information.

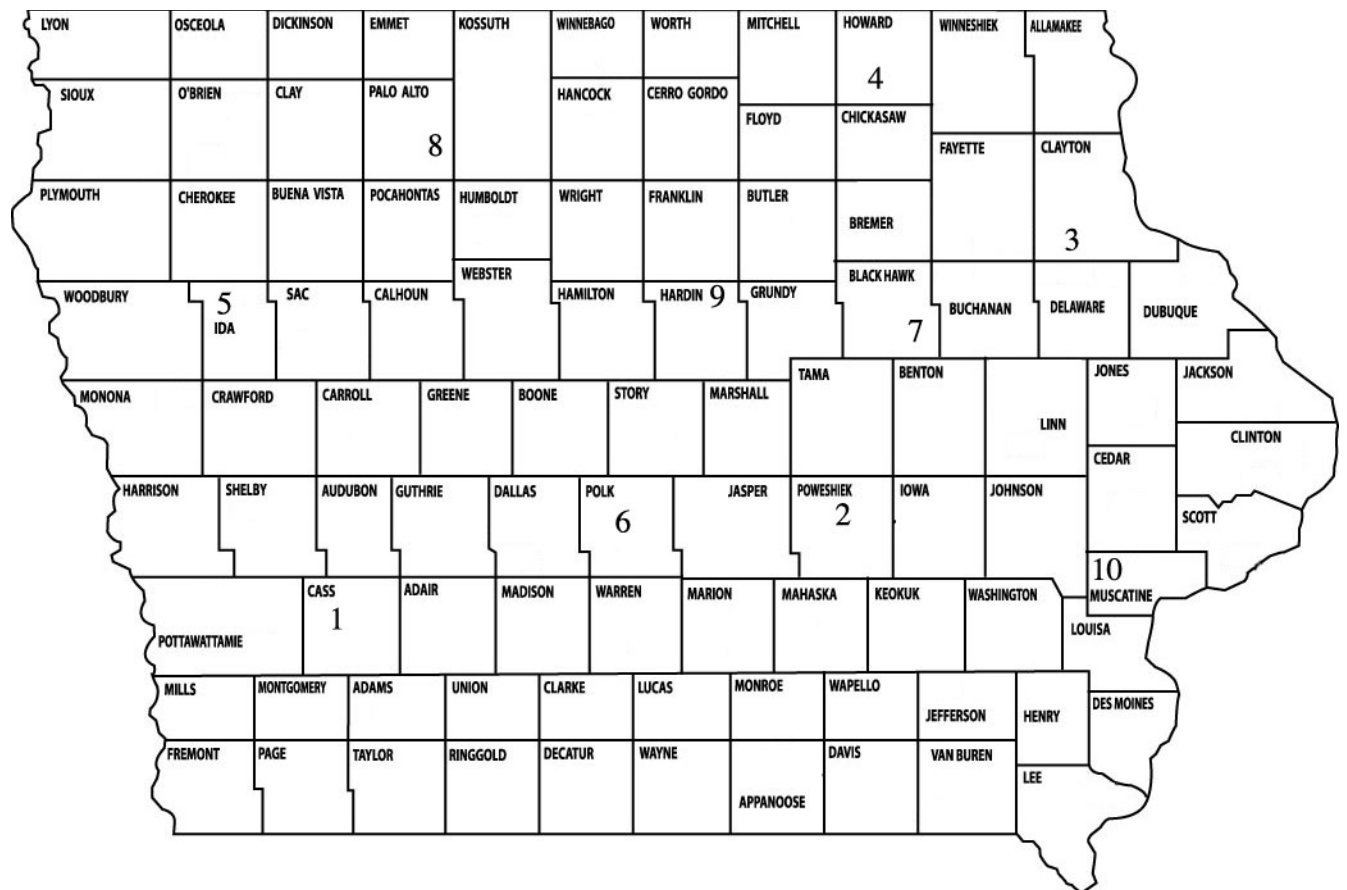
*American Association of Meat Processors (AAMP):* The AAMP is a private, nonprofit trade group whose mission is to help small meat processors. They have full-time staff to answer questions and offer guidance regarding HACCP, SSOPs and product formulation. Most services are free of charge to members; annual membership is \$100.

## Section 4: Plant Design and Construction

No person at Iowa State University, the North Central Regional Center for Rural Development (NCRCRD) or any organization associated with the production of this guidebook can legally recommend a specific contractor, equipment dealer, supplier, service provider or consultant. What we can do is share information about the architects, contractors and equipment dealers used for 10 recently built or renovated meat plants in Iowa, and those with whom plant owners were satisfied. This information does NOT constitute a recommendation, expressed or implied, from Iowa State University, the NCRCRD, other associated groups, or their representatives (the authors of this guidebook). We strongly suggest that you contact lockers /processors in your area to see who they use for repairs and/or maintenance. We will update this information periodically, so check the following Web site for the most recent version:

[www.ncrcrd.iastate.edu/projects/meatprocessors/contractors.html](http://www.ncrcrd.iastate.edu/projects/meatprocessors/contractors.html)

Below is a map with the location of 10 recently built or renovated meat plants in Iowa to help you find plants and contractors nearest to you.



**Table 1. Ten recently built or renovated meat plants in Iowa (listed alphabetically):**

<b>Plants</b>	<b>Owner-Operator</b>	<b>Phone</b>	<b>Building</b>
1. Atlantic Locker	Dale and Shirley Hauptert	(712) 243-1941	J&S Construction (Atlantic, IA) (712) 243-5788
2. Dayton Meat Products (Malcom)	William and David Dayton Mark Lang	(641) 528-3420	Pro-Line Building Co. (New Sharon, IA) (641) 637-4035
3. Edgewood Locker	Terry and Jim Kerns	(563) 928-6814	MEP Construction (Manchester, IA) (563) 927-8487
4. Elma Locker	Roger, Karen, Joe and Pat Meirick	(641) 364-2402	
5. Food Locker Service (Holstein)	John and Shelly Tiefenthaler	(712) 368-4621	Wiese Construction (Cushing, IA) (712) 384-2500 Used Energy Panel Structures' (EPS) locking panel material (Graettinger, IA) (712) 859-3219
6. Graziano Brothers (Des Moines)	Frances Graziano	(515) 244-7103	Bloom Builders (Oskaloosa) (641) 673-8338
7. Kramer Sausage Co. (La Porte City)	Joest Kramer	(319) 342-2693	Larson Construction (Independence, IA) found all sub-contractors (319) 334-7061
8. Skoglund Meats & Locker (West Bend)	Mark Skoglund	(515) 887-4531	Zeller Construction (Bode, IA) (515) 379-1102 Used Energy Panel Structures' (EPS) locking panel material (Graettinger, IA) (712) 859-3219
9. Triple T Meats (Ackley)	Jolene and Greg Heikens	(641) 847-0031	Ryken Engineering (Ackley, IA) (641) 847-3273
10. West Liberty Locker & Processing	Gail and Suzette Vance	(319) 627-4060	

Concrete	Refrigeration	Plumbing & Heating	Electrical
S&M Concrete (Wiota) (712) 783-4270	Smith Plumbing & Heating (Wiota) (712) 783-4528		Brown Electric (Atlantic) (712) 243-5365
Dick Hansen Construction (Victor, IA) (319) 647-3722	Dayton Heating & Cooling (Des Moines, IA) (515) 245-0933		
	Ace Refrigeration (Cedar Rapids, IA) (800) 334-7717		
Stevens Construction (Elma, IA) (641) 393-2153	Chuck Stone Refrigeration (Fredericksburg, IA) (563) 237-5891	Fredrick Plumbing & Heating (Alta Vista, IA) (641) 364-2803	Acme Electric (Acme, IA) (641) 832-8312
	Scheenfeld Refrigeration (Battle Creek, IA) (712) 365-4429	Hargrove's Plumbing (Holstein, IA) (712) 368-2467	Holstein Electric (Holstein, IA) (712) 368-2242
	Lehmans Refrigeration (Des Moines) (515) 243-1974		AJ Allen Mechanical Contractors (Des Moines) (515) 697-3500
	Frigitec (Storm Lake, IA) (712) 732-0070	Community Lumber Supply (West Bend, IA) (515) 887-2981	
	Arctic Refrigeration (Waterloo, IA) (319) 232-0229	Carsten's Plumbing & Heating (Ackley, IA) (641) 847-2664	Konken Electric (Dike, IA) (319) 989-2155
Harold's Concrete (West Liberty, IA) (319) 627-2606	Blair Refrigeration (Iowa City, IA) (319) 331-5940	Lovell Plumbing (West Liberty, IA) (319) 627-6813	

## **Equipment Dealers**

While there are many companies that sell meat processing equipment, based on discussions with these plant owners and others, we know of five meat processing equipment dealers that frequently service Iowa. Many of the processors listed in Table 1 (pp. 22-24) have purchased used equipment from other lockers and various sources such as the following (listed alphabetically):

1. Dupey, Inc., Des Moines, IA  
*Carries some used equipment*  
(800) 798-1857 or (515) 223-0700  
www.dupeyequipment.com
2. Hobart, five Iowa service locations:  
Davenport: (563) 326-3557  
Des Moines: (515) 283-8370  
Dubuque: (563) 556-8310  
Sioux City: (712) 944-5285  
Waterloo: (319) 233-9632  
www.hobartservice.com
3. Koch Equipment, Kansas City, MO  
(800) 777-5624 or (816) 753-2150  
www.kochequipment.com
4. Naughton Equipment Company, Fort Calhoun, NE (Omaha area)  
(866) 858-4682 or (402) 468-4682  
sales@naughtonequipment.com  
www.naughtonequipment.com
5. Pickwick Knase Company, Eden Prairie, MN (Twin Cities area)  
*Sells poultry equipment only*  
(800) 808-3335 or (952) 906-3333  
www.knasecoinc.com

## **Architects / Consultants**

Aside from the general contractors listed earlier, we found two meat processing facility architects/consultants that frequently serve small Iowa meat plants (listed alphabetically):

1. Lodge Consulting—Brad Lodge (Clarksville, IA) has overseen many plant renovations and new plant constructions, most recently the Elma Locker.  
(319) 278-4998
2. Zuber Inc.—Chan Zuber (Eden Prairie, MN) used to own Pickwick Equipment, but now does consulting. He has worked on many plants, including the Edgewood Locker's construction and design (with his brother Jerry).  
(952) 906-3333.

## Section 5: Labor

Finding capable and willing labor is a serious challenge for all meat processors, regardless of size. Small plants often require a higher average skill level than large plants but cannot afford to pay a high wage through the employee-training period. While we do not know of any great solutions to this issue, we can offer some ideas and programs that have worked reasonably well for other small plants.

### Management and Workplace Culture

Retaining employees is just as important, if not more so, than hiring new ones. National studies consistently show that employees quit jobs more often because of workplace culture and relations with other employees, particularly managers or supervisors, than because of the difficulty of the work. What are personal interactions like around your plant? Between employees? Between you or other supervisors and employees? If you are not sure, or think they could be better, you are not alone. This is part of what “management” is all about.

Because this is such an important issue, we highly recommend that you take a class on management at your local community college. These classes can help you understand your management style and how to become a more effective manager, covering specific topics such as time allocation, interviewing, performance reviews, and how to handle workplace conflicts. Iowa has 15 community colleges in the state, each with multiple centers in their areas. Classes are offered as open enrollment throughout the year or can be customized to meet your business and scheduling needs. Check your local phone book to find a community college near you or this Web site:

[www.iowalifechanging.com/business/ccmap.html](http://www.iowalifechanging.com/business/ccmap.html)

When considering employee compensation, one should consider more than just hourly wage. Some Iowa plants offer other financial benefits, such as insurance and paid breaks, and one plant lets employees work extra hours if they need the cash, even if business is slow. Many plants around the state offer benefits in addition to salary to show their employees how much they are appreciated. Some examples include free hot lunches a few days a week or every day, free or reduced price meat products, company picnics, and paying for job training.

### Labor from “New Iowans”

Big meat packers are increasingly utilizing immigrant labor. Many of these employees are able to learn basic meat skills there, and then they look for better jobs in small plants. If there is an immigrant advocacy organization in your area—and there is likely to be one if you are near a large meat packing plant—you might contact them about posting a job; most will be happy to do so. One Latino advocacy organization that works in the Marshalltown area, home of a large Swift plant, is Latinos in Action, a chapter of Iowa Citizens for Community Improvement.

#### Latinos in Action

Guillermo Hernández, Coordinator  
(641) 691-5069  
[guillermo@iowacci.org](mailto:guillermo@iowacci.org)

### **New Iowan Centers**

*Western Iowa Regional Supervisor:*  
Venus Vendoures Walsh  
(515) 281-9332  
Venus.VendouresWalsh@iwd.iowa.gov

*Eastern Iowa Regional Supervisor:*  
Marco Adasme  
(563) 264-6014  
Marco.Adasme@iwd.iowa.gov

[www.iowaworkforce.org/centers/newiowan](http://www.iowaworkforce.org/centers/newiowan)

### **Iowa Workforce Development**

(515) 281-5387 or (800) JOB-IOWA  
[www.iowaworkforce.org](http://www.iowaworkforce.org)

### **Workforce Investment Act Service Provider**

(515) 281-5387 or (800) JOB-IOWA  
[www.iowaworkforce.org/centers/regional/sites.htm](http://www.iowaworkforce.org/centers/regional/sites.htm)  
(Click on your region to find local contact info.)

Iowa Workforce Development has set up a series of “New Iowan” centers to help with employment and training of new Iowans (for example, they offer free English-as-a-second-language “ESL” classes). Contact the regional supervisor for your area if you have questions or would like to post a job opening.

*When hiring anyone, you must be careful that all employment paperwork is in proper order. Hiring an undocumented worker can put you in quite a muddle, particularly if you do so knowingly. Iowa Workforce Development staff can provide you with the most current information about required documentation.*

### **Workforce Investment Act (WIA)**

As many plant owners will tell you and agency representatives will admit, simply posting a small meat plant job through Iowa Workforce Development (IWD) will probably not be as effective as you would like. However, IWD administers a federal program that might be of particular interest to you as a manufacturer/processor. The Workforce Investment Act was passed to “retrain” workers displaced due to international trade. The program subsidizes on-the-job training by paying up to 50 percent of the starting wage for up to six months. (This means that you could start someone at \$11+/hr. instead of \$7.50/hr while you train them.) To access this program, you will need to contact a “Workforce Investment Act Service Provider” and specifically request to post a job through this program. Iowa is divided into 16 service provider regions, each of which has its own funding from which to run this program, but the funds don’t always make it through the end of the year.

### **Vocational Meat-Cutting Schools**

To our knowledge, only three vocational meat-cutting programs exist in the United States: one in Oklahoma and two in Ohio. All three programs focus on high school students; however the Western Technology Center in Oklahoma and the Pioneer Career Training Center accept adult students. The Pioneer Career Training Center teaches slaughter as well as processing skills. All will accept job postings at any time.

#### **Oklahoma**

Western Technology Center  
Meat Processing & Marketing Program  
P.O. Box 1469  
Burns Flat, OK 73624

Contact: Dennis McRee  
(580) 562-3181, ex. 2232  
dmcree@wtc.tec.ok.us  
[www.wtc.tec.ok.us](http://www.wtc.tec.ok.us)

#### **Ohio**

Pioneer Career Training Center  
Meat Processing Program  
27 Ryan Rd.  
Shelby, OH 44875

Contact: Bill Kucic  
(419) 347-7744 x.1269  
kucic.bill@pctc.k12.oh.us  
[www.pctc.k12.oh.us/meat.html](http://www.pctc.k12.oh.us/meat.html)

Buckeye Career Center  
Food Processing/Meat Cutting Program  
545 University Dr. NE  
New Philadelphia, OH 44663

Contact: Scott Ripley  
(800) 227-1665  
sripley@bjvs.k12.oh.us

There is another very good program at Olds College in Alberta, Canada which includes training in slaughter. This program lasts five months, is offered twice a year, and costs about \$10,000 with room and board.

**Alberta, Canada**

Meat Processing Program  
Olds College  
4500 – 50th Street.  
Olds, Alberta, Canada T4H 1R6

Contact: Brad Mcleod  
(403) 556-4972  
bmcleod@oldscollege.ca  
[www.oldscollege.ab.ca/programs/MeatProcessing/index.htm](http://www.oldscollege.ab.ca/programs/MeatProcessing/index.htm)

All of these programs are seeking to increase their enrollment numbers. Those in Oklahoma and Canada have 10-15 job opportunities for every student that graduates.

You might consider finding someone young who is interested in learning from one of these programs and send him or her under a written “indentureship agreement.” The agreement would stipulate that she or he would agree to work for you for a minimum number of years after completing training in exchange for your paying for the education. Such an employee would be required to reimburse you for the costs if they dropped out or failed to work for you for the specified minimum amount of time.



## Producer Organizations

Producer organizations usually want to know when a new plant is being built or when an existing plant is renovating or expanding. State offices can publish that information in their newsletters if asked to do so. Here are some organizations that have local, county or multi-county offices that can also help you get the word out:

Iowa Cattlemen's Association  
(515) 296-2266  
[www.iacattlemen.org](http://www.iacattlemen.org)

Iowa Farm Bureau Federation  
(515) 225-5480  
[sehrig@ifbf.org](mailto:sehrig@ifbf.org)  
[www.renewruraliowa.com](http://www.renewruraliowa.com)

Iowa Farmers Union  
(800) 775-5227  
[iafu@isunet.net](mailto:iafu@isunet.net)  
[www.iafu.org](http://www.iafu.org)

Iowa Pork Producers Association  
(800) 372-7675  
[info@iowapork.org](mailto:info@iowapork.org)  
[www.iowapork.org](http://www.iowapork.org)

Practical Farmers of Iowa  
(515) 232-5661  
[info@practicalfarmers.org](mailto:info@practicalfarmers.org)  
[www.practicalfarmers.org](http://www.practicalfarmers.org)



## Directory

This directory alphabetically lists all of the organizations mentioned in this guidebook. It notes guidebook contributors and provides full contact information for every SBDC and SCORE office in the state.

AAMP—American Association of Meat Processors  
Elizabethtown, PA  
(717) 367-1168  
[www.aamp.com](http://www.aamp.com)

AgMRC—Agricultural Marketing Resource Center (Web-based resources)  
[www.agmrc.org/agmrc/business/startingbusiness/](http://www.agmrc.org/agmrc/business/startingbusiness/)

CIRAS—Center for Industrial Research and Service  
(515) 294-3420  
[www.ciras.iastate.edu](http://www.ciras.iastate.edu)

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Derek Thompson  
(515) 419-2163  
[thompson@iastate.edu](mailto:thompson@iastate.edu)

Drake University Agricultural Law Center  
(515) 271-2065  
[www.law.drake.edu/aglaw](http://www.law.drake.edu/aglaw)

*Guidebook contributor:*

Matthew Russell  
(515) 271-4956  
[matthew.russell@drake.edu](mailto:matthew.russell@drake.edu)

FSIS—Food Safety and Inspection Service (Part of USDA)  
(515) 727-8960 or (800) 990-9834 (main Iowa office)  
(202) 690-6520 (National Small Plant Outreach Office)  
[www.fsis.usda.gov](http://www.fsis.usda.gov)  
[www.fsis.usda.gov/Small\\_Very\\_Small\\_Plants/index.asp](http://www.fsis.usda.gov/Small_Very_Small_Plants/index.asp) (small plant information)

IDALS—Iowa Department of Agriculture & Land Stewardship, Meat & Poultry Bureau  
(515) 281-3338

[www.agriculture.state.ia.us/meat&poultry.htm](http://www.agriculture.state.ia.us/meat&poultry.htm)

*Guidebook contributors:*

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Janis Hochstetler  
(515) 281-8858  
[Janis.Hochstetler@idals.state.ia.us](mailto:Janis.Hochstetler@idals.state.ia.us)

IDED—Iowa Department of Economic Development  
(515) 242-4700

[www.iowalifechanging.com](http://www.iowalifechanging.com)

*Guidebook contributor:*

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(515) 242-4760  
[mark.fischer@iowalifechanging.com](mailto:mark.fischer@iowalifechanging.com)

Iowa Farm Bureau Federation  
(800) 254-9670

[www.renewruraliowa.com](http://www.renewruraliowa.com)

*Guidebook contributor:*

Dal Grooms  
(515) 225-5452  
[dgrooms@ifbf.org](mailto:dgrooms@ifbf.org)

IFU—Iowa Farmers Union  
(800) 775-5227  
[www.iafu.org](http://www.iafu.org)

IMPA—Iowa Meat Processors Association  
Marsha and Kenneth Richmond, Executive Directors  
(563) 452-3329

No Web site

*Guidebook contributor:*

Clint & Shelle Smith  
(515) 826-3280  
[slocker@netins.net](mailto:slocker@netins.net)

ISU Meat Science Extension  
(515) 294-5321  
[www.ans.iastate.edu/centers/meatlab](http://www.ans.iastate.edu/centers/meatlab)

*Guidebook contributor:*

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(515) 294-4266  
[jcordray@iastate.edu](mailto:jcordray@iastate.edu)

IWD—Iowa Workforce Development  
(515) 281-5387 or (800) JOB-IOWA  
[www.iowaworkforce.org](http://www.iowaworkforce.org)

Leopold Center for Sustainable Agriculture  
(515) 294-3711  
[www.leopold.iastate.edu](http://www.leopold.iastate.edu)

*Guidebook contributor:*

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(515) 294-1854  
[rspirog@iastate.edu](mailto:rspirog@iastate.edu)

NCRCRD—North Central Regional Center for Rural Development  
(515) 294-8321  
[www.ncrcrd.iastate.edu](http://www.ncrcrd.iastate.edu)

*Guidebook contributor & Editor:*

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(515) 294-2882  
[arion@iastate.edu](mailto:arion@iastate.edu)

PDI—Professional Developers of Iowa  
(515) 243-4585  
[www.pdiowa.org](http://www.pdiowa.org)

PFI—Practical Farmers of Iowa  
(515) 232-5661  
[www.practicalfarmers.org](http://www.practicalfarmers.org)

SBDC—Iowa Small Business Development Centers  
(515) 294-2030 (main office; other offices listed on Web site)  
[www.iabusnet.org](http://www.iabusnet.org)

SBA—Small Business Administration  
(515) 284-4422 (Des Moines Office)  
(800) 827-5722 (National Answer Desk)  
[www.sba.gov](http://www.sba.gov)

SCORE—Service Corps of Retired Executives (Part of SBA, see above)

USDA—United States Department of Agriculture Rural Development Program  
(515) 284-4663 (Main State office)  
[www.rurdev.usda.gov/ia](http://www.rurdev.usda.gov/ia)

VAAP—ISU Extension Value Added Agriculture Program  
(515) 294-9483  
[www.extension.iastate.edu/valueaddedag](http://www.extension.iastate.edu/valueaddedag)

*Guidebook contributor:*

Madeline Schultz  
(515) 294-0588  
[schultz@iastate.edu](mailto:schultz@iastate.edu)

Value Chain Partnerships for Sustainable Agriculture  
(515) 294-8530  
[www.valuechains.org](http://www.valuechains.org)  
[valuechains@iastate.edu](mailto:valuechains@iastate.edu)

# APPENDIX A

This document was provided courtesy of the Iowa Small Business Development Centers. An electronic copy in Microsoft Word format can be downloaded from the Iowa SBDC Web site at <http://www.iabusnet.org/media/BusinessPlanOutline.doc>

## DEVELOPING A BUSINESS PLAN

Would you build a house without a blueprint? Would you drive across the country without a map? A business plan helps you design and lay out your business and gives you a map to follow in growing your business. Business planning is more than just the production of a document, it is the process through which you research, learn about, analyze, and understand your business and your goals.

### A. What Is the Purpose of a Business Plan?

1. Reduces risk by forcing evaluation of:
  - a. Market demand for product or service.
  - b. Strategies (business structure, marketing and distribution).
  - c. Competition.
  - d. Finance.
2. Business planning is a means to managing change..

### B. When Is a Business Plan Not Necessary?

When you can afford failure. When you feel it's less important to evaluate the business idea and protect your investment than to spend time evaluating the business proposition.

### C. When is a Business Plan Required (or in #3, at least very strongly recommended)?

1. Bank is involved (required).
2. Major suppliers may require.
3. Risk exists:
  - a. Leaving current employment.
  - b. Undertaking debt (from any source including personal finances).
  - c. Uncertain market because of:
    - i. New products or services, e.g. Internet services.
    - ii. Product or services new to a particular geographic area, e.g. coffee house, restaurant franchise.
    - iii. Questions about market size and its ability to support business  
e.g. exclusive men's clothing store in Ames, body guard service in Ames.
    - iv. Questions about market acceptance, e.g. recycled products.

#### **D. Benefits of Writing a Business Plan:**

1. Exposes risk and opportunities.
2. Increases knowledge
  - a. Of customer needs.
  - b. Of competitor strength and weaknesses.
3. Places focus on a marketing position (competitive advantage).
4. Provides bankers (or other investors) a professional and acceptable format for presenting evidence supporting business start-up.
5. Serves as an Internal-planning tool.
6. Breaks the business into small, understandable pieces rather than one complex “idea” that’s very difficult to examine and evaluate.
7. Creates a time-line for business evolution.
8. Identifies resource conflicts.
  - a. Strategies that can be afforded with available resources.
  - b. Strategies that will eliminate other strategies.
9. Supplies a method for developing logical financial projections.
10. Provides an action plan to measure implementation.

#### **Business Plan Basics—(Before you Begin)**

- Must be written by the entrepreneur—it is your vision. If you cannot clearly communicate that vision, it needs refinement.
- Length may vary substantially from five pages to 55 pages, depending on the complexity of products, services, competition, employees, ownership, special marketing challenges or financial projections.
- Typical misconception among many prospective entrepreneurs is that there is no other way to evaluate the business concept other than just jumping in and seeing what happens. Business plans allow the entrepreneur to make some assumptions based on market research and test drive the business on paper.

## Writing a Business Plan

The following format will assist you in developing a typical business plan for presentation to potential investors/bankers. During the process, the business concept will become further refined. This is only a guide. Your business may suggest additional areas be discussed or others left out. The key is to be able to answer yes to the question, does the finished business plan tell a convincing story?

*Remember: SBDC counselors will assist you in developing your plan, including critiquing, helping locate specific information and making financial projections.*

Keep in mind that within the business plan the overlying theme is to present:

- Observations and facts about the entrepreneur's skills, the market's unmet needs (demand), market trends and the competition (strengths and weaknesses).
- Strategies that will allow the business to deliver reasonable and affordable solutions given the resources of the business.
- Evidence supporting observations regarding the market, leading to sales and expense projections.

### THE BUSINESS PLAN

#### I. EXECUTIVE SUMMARY

A. **PURPOSE:** A concise summary of your plan. The primary objective is to gather interest within a short amount of reading time (a few minutes maximum) so as to encourage reading of the entire plan.

#### B. TYPICAL AREAS DISCUSSED:

1. Describe the business.
  - a. Software consulting.
  - b. Computer hardware assembly and retailing.
2. What products and services will be offered?
  - a. Sales, installation and training of custom software selling in excess of \$10,000. Purchase of computer components and assembly into quality PCs typically with a 25 percent discount when compared to high-end manufacturers such as IBM or Compaq.
3. Describe primary markets.
  - a. Ames and surrounding area.
4. What differentiates you from the competition?
  - a. Computer designs create 15 percent improvement in performance for graphic design applications.
5. Describe key personnel.

## II. COMPANY DESCRIPTION

A. PURPOSE: Provide a clear description of the business you plan to create or purchase.

### B. TYPICAL AREAS DISCUSSED:

1. Business stage: Start-up, existing business and business purchase.
2. What key steps need to be undertaken before business start-up?
3. Location (especially important if retail).
4. Key employees and their backgrounds (which qualify them for duties).
5. Company structure: corporation, LLC, sole proprietorship and partnership.
6. Company goals.

## III. PRODUCTS AND/OR SERVICES

A. PURPOSE: Describe the unique benefits of your product or service.

### B. TYPICAL AREAS DISCUSSED:

1. What is the product(s) or service(s) you will sell? What need does it satisfy?
2. What unique benefits do the products or services offer?
3. Is it ready for market? If not, do prototypes exist? What steps must be taken to get the product to market?
4. What expenses will be incurred in doing so? Develop a schedule. Has any product testing or evaluation been performed?
5. Have any patents, trademarks or copyrights been applied for or granted? Are these necessary? If so, what steps need to be taken, what will it cost and when is it likely to happen?

## IV. MARKET OBSERVATIONS

A. PURPOSE: Provide a description of unmet market needs (demand) and evidence supporting those observations that will lead to a sales projection.

### B. TYPICAL AREAS DISCUSSED:

1. Customer profile (consumer market)—define customers in terms of:
  - a. Geographic profile
    - City or counties
    - Radius around a city
    - Tri-state area
    - National or international
  - b. Demographic profile
    - Income
    - Education
    - Age
    - Gender
    - Activities or lifestyles, e.g. Corvette owners, mountain climbers

- c. How do your customers learn?
  - d. How do your customers communicate?
2. Customer profile (business market)
- a. Type of business customer.
  - b. NAIC Code.
  - c. Size of customers, sales volume, number of employees, etc.
  - d. Business marketing associations.
  - e. For your potential business market.
  - f. For your specific type of business.
  - g. How do your business customers learn?
  - h. How do your business customers communicate?
- C. MARKET SIZE: Given the above two profiles, how many potential customers make up the market? Typically the answer will rely on census data that the SBDC will make available.
- D. TRENDS:
- 1. Will the market change over time?
  - 2. Will different types of people be drawn into the market as the product or service matures and becomes better understood? e.g. consider the home computer market.
  - 3. Will the market area expand? e.g. beginning in Ames and expanding to Ankeny and the Des Moines geographic areas.
- E. COMPETITION: Identify, describe and evaluate competitors.
- 1. How are customers currently obtaining this product or service?
  - 2. What are your competitors' strengths and weaknesses?
  - 3. If direct competitors do not exist, how are potential customers solving their needs for the product or service? e.g. A business that needs translation services may hire a multi-lingual employee when they would rather hire an independent business to perform these services.
- F. COMPETITIVE ADVANTAGE:
- 1. How will your products or services compare to the competition? What "advantage" will draw customers to buy your products or services? Typical examples include:
    - a. Best selection or exclusive brands (such as IBM computers)
    - b. Financing
    - c. Quality
    - d. Better service
    - e. Unique atmosphere
    - f. Extensive knowledge
    - g. Location
    - h. Price
    - i. Less waiting time

- j. Delivery
- k. Function—can do what no other product can
- l. Warranties and guarantees
- m. Endorsements
- n. Accessible and/or free parking

2. What type of person is likely to value your competitive advantage(s)?
  - a. High income
  - b. Well educated
  - c. Parents
  - d. Car owners

G. Describe pricing in comparison to competitors (both direct and indirect).

1. Will additional amounts have to be charged to make up for the higher costs of offering your competitive advantage? What indications do you have that customers will be willing to pay higher prices for the additional benefits?
2. Can some costs of doing business be eliminated because of the competitive advantage being offered? For example, offering higher quality goods may provide lower margins, but may include the trade-off of lower returns.

The central theme is that people tend to be creatures of habit and need some incentive to change from the way they are used to buying the products or services they want. Therefore, your business will have to offer them something that is different (a competitive advantage) from what your competitors are offering, and most importantly, you must be able to successfully communicate this difference to those specific types of people who are most likely to buy your products or services.

## V. SELLING

A. PURPOSE: Describe the method by which your products and services will be sold to customers.

B. TYPICAL AREAS DISCUSSED:

1. Who will be responsible for selling the products or services?
2. What methods will be used to make customers aware of competitive advantages?
  - a. Advertising (what media, how often, what will it cost)
  - b. Tradeshows (where, when, cost)
  - c. Industry catalogs
  - d. Dealers
  - e. Manufacturers reps
  - f. Door to door
  - g. Alliances with other businesses or groups
  - h. Direct mail
3. Does your business face seasonality of sales (high and low sales periods)?

4. Customer base:
  - a. If start-up, have you identified customers who have expressed a desire to work with the company you plan to create? Can you document this?
  - b. If business purchase, have you been introduced to major customers? Are they willing to give you an Opportunity to prove yourself? Can you document this? Will the seller sign a non-compete agreement?
  - c. The easiest business to finance is one with sales. Purchase orders, letters of interest or intent can all be valuable in obtaining money.
5. How will sales be grown in the future?
  - a. Additional sales help.
  - b. Larger geographic area.
  - c. Additional products or services (delivery, extended hours, new equipment).

## VI. MANUFACTURING/OPERATIONS

- A. PURPOSE: Describe the manufacturing process. In non-production type business, describe how the business will operate.
- B. TYPICAL AREAS DISCUSSED:
  1. Facility—Purchased or rented? What are the purchase or lease terms?
  2. Zoning Requirements?
  3. Suppliers—Why have certain suppliers been chosen? Have back-up suppliers been identified?
  4. Quality standards—What methods, such as statistical process control, will be used to provide quality controls.
  5. Key Personnel—Roles, responsibilities, experience.
  6. Labor availability and specialized skills required.
  7. Wage and benefit packages.
  8. Identify advisors, accountants, lawyers and consultants.

## VII. FINANCIAL DATA

- A. PURPOSE: Provide an accurate financial picture of the business now and what it is projected to be.
- B. TYPICAL AREAS DISCUSSED:
  1. Pre-start-up costs.
  2. Marketing calendar (budget and time frame).
  3. If purchase of existing business, provide three years of financial statements (income statement and balance sheet) and tax filings.
  4. Personal financial statement.
  5. Prepare a 36-month cash flow projection based on the market information gathered in this plan.

## VIII. APPENDICES

A. PURPOSE: Used to provide relevant detailed Information.

B. TYPICAL AREAS DISCUSSED:

1. Management team biographies, vitas, resumes.
2. Press releases and publicity pieces.
3. Manufacturing processes or flow charts.
4. Letters of recommendation.
5. Purchase orders or letters of intent to purchase products and/or services.
6. Blueprints, layouts, plans.

# APPENDIX B

## General Outline for Project Feasibility Report

- A. Summary of the important findings and recommendations:
  - 1. Setting, purpose and description of project.
  - 2. Summary of market potential and source of supply inputs.
  - 3. Summary of technical features.
  - 4. Schedules of net benefits and capital requirements.
  - 5. Summary of benefits and costs, benefit-cost ratios and internal rate of return.
  - 6. Recommendations for implementation.
  
- B. General setting and need for project:
  - 1. Physical, economic and social characteristics (members/community) of the project area.
  - 2. Relevant characteristics of the regional, national and international economics.
  - 3. Relevant current competitors.
  - 4. Relevant governmental policies and programs.
  - 5. Description of the objective (which would be solved by the project).
  - 6. Description of alternative solutions considered and impacts.
  - 7. Research, sampling procedures and survey techniques.
  
- C. Description of the project:
  - 1. Nature of the project (including technical processes, general size and location, kind of output, kinds of input, time horizon, etc.).
  - 2. Relationships to the general setting in the area.
  - 3. Proposed ownership, structure and management.
  - 4. Markets to be served and existing suppliers.
  - 5. Input supplies and competitive users, staffing requirements and sources.
  
- D. Market potential for goods or service, markets to be served:
  - 1. Form and quality of product or service, market position to be served and channels to be used.
  - 2. Projected total demand in markets to be served.
  - 3. Projected competitive supplies and services.
  - 4. Sales potential and projected sales prices.
  - 5. Marketing plan and projected marketing costs.
  
- E. Technical characteristics, specifications and feasibility:
  - 1. General design, technical requirements.
  - 2. Alternative processes, production methods and levels.
  - 3. Comparison of design and expected performance with those of existing operations.
  - 4. Potential environmental impacts and concerns.
  - 5. Recommended design and capacity with justification.

6. Proposed sources of supply and method of acquisition.
  7. Proposed procedures for quality control and construction performance.
  8. Estimated unit costs and sources upon which based.
- F. Capital requirements and investment schedule:
1. Estimated capital cost for major facilities, equipment and inventories.
  2. Estimated capital cost for marketing and other related facilities.
  3. Replacement schedules for equipment and facilities.
  4. Estimated working capital requirements and total capital investment.
- G. Raw material supply potential and procurement plan:
1. Form and quality of materials required and potential supply sources.
  2. Projected total supply from members and nonmembers.
  3. Projected competitive demand.
  4. Procurement potential and projected procurement prices including sensitivity analysis.
  5. Procurement plan and projected procurement costs.
  6. Form of commitment of raw materials-marketing agreements, etc.
- H. Supply of labor and other key Inputs:
1. Form and quality of labor and other inputs required including indirect labor costs.
  2. Projected total supply from sources planned and competitive demand for inputs.
  3. Acquisition plan, training program and projected acquisition costs.
- I. Projected operating costs and net revenue:
1. Raw material costs.
  2. Labor costs.
  3. Costs for other inputs.
  4. Management and related costs.
  5. Repair and maintenance costs.
  6. Costs for research and development, overhead and other service functions.
  7. Combined annual operating costs.
  8. Projected net revenue over the planning period.
- J. Sales plan and revenue schedule:
1. Seasonal patterns of product demand and prices, inventories, and projected monthly product prices and sales schedule.
  2. Projected revenue schedule over the project planning period.
  3. Pooling arrangements.
- K. Financial plan for project implementation:
1. Proposed equity investment by source of funds (50 percent is recommended as a minimum).
  2. Proposed sources, schedule and terms of loans for meeting balance of capital requirements.

3. Projected cash flow under proposed financing plan (3 years minimum).
4. Projected schedules of depreciation, interest and taxes (3 year minimum).
5. Pro forma balance sheets and operating statements (3 years minimum).
6. Pooling arrangements.
7. Pro forma source and application of funds.
8. Summary of financial plan and recommendation for implementation.
9. Impacts on members and impact on the cooperative.

L. Financial feasibility of project:

1. Present value of investment and net benefits at alternative discount rates.
2. A comparison of the business to appropriate financial ratios and industry standards such as Dun & Bradstreet and RMA. Deviations from the norm will be accompanied by a narrative analysis of the deviations.
3. Sensitivity tests—What if prices and costs changed by various amounts (stress competitive factors already in the market-key item!) What components of the business structure provide the most sensitivity to the bottom line and need the closest watching.

M. Management requirements for the project:

1. Recommended organizational structure.
2. Listing of key management personnel with skill requirements and labor considerations.
3. Professional resources and specifications such as accounting, legal, employment and engineering.

N. Appendix

1. Include as a minimum a resume or outline of the credentials of the preparer of the report.



## APPENDIX C

This article was provided courtesy of Mary Holz-Clause and AgMRC. The original can be found online at:

[www.agmrc.org/agmrc/business/startingbusiness/conductingmarketresearch.htm](http://www.agmrc.org/agmrc/business/startingbusiness/conductingmarketresearch.htm)

The article is written for a general audience and may go into details irrelevant to your small meat business. The intention of reprinting here is to provide food for thought.

### Conducting Market Research

By Mary Holz-Clause  
Co-Director, Ag Marketing Resource Center  
Iowa State University Extension  
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Revised, December 2005

Market research does not have to be highly sophisticated, expensive or complicated. It can be a do-it-yourself thing. The important thing is to make sure it gives you reliable information that you can use in building your business. Market analysis provides information about the market potential which provides the basis for accurate sales forecasting and your marketing strategy. Its basic components include:

- \* An estimate of the size or the market for the product/service;
- \* Projected market share;
- \* Information about your market; and
- \* Analysis of the competition.

Market research involves activities designed to obtain data about the market and falls into two main categories.

- \* Primary research involves collecting new data through market surveys and other field research—specific studies that are conducted on behalf of your company.
- \* Secondary research involves gathering pre-existing information that is useful to your purposes from published sources.

In addition to conducting research, it is quite valid to rely to some extent on your own opinions and observations, especially if they have to do with your local community. “Outsiders” will not know a community like the people who have spent their lives there. However, it is important to back up your opinions with data and research.

Don't rely solely on your intuitive feelings; they're probably not enough to go to the bank with. Resist the temptation to only look for data that confirms your opinions.

Information you gather goes into estimating the sales your company will achieve during its first few years of operation. The feasibility study and business plan you are putting together are built upon these estimates. Because research is one of the principle tools for determining whether the business will work, it is worth making an investment.

You need to be as specific as possible about the dimensions (size, trends) of the opportunities your business faces. Since a new business doesn't have a track record, your research must be thorough enough to enable you to make realistic sales estimates.

Primary research is information you gather first-hand. Common examples of primary research information-gathering techniques include personal interviews, surveys and focus groups.

### **Observation**

Observation is also a common technique. You record what your customers do naturally. Through observation, market researchers determine how consumers behave as they buy and use a product, or how they are influenced by some marketing strategy being used by the business. This method works very well in a retail environment. It is a useful technique to learn how and then, perhaps, why customers purchase a product that is in direct competition with your product. If your product is already being sold, you might watch how your customers act while purchasing your product.

A pitfall of the observation technique is that the presence and/or bias of the observer can influence the behavior of the subject. As you observe customer behavior in stores, markets, etc., try to be inconspicuous in your presence.

### **Qualitative Data**

When businesses gather primary data, they often are gathering qualitative data. Qualitative data is data that cannot be counted. It reveals the quality of a subject's experience or beliefs. Qualitative research is gathered by allowing customers to answer questions in an open-ended, unstructured manner. Customer preferences might be examples of qualitative data. Focus groups, one-on-one discussions or interviews can provide qualitative data.

### **Quantitative Data**

Secondary research is information you gather from existing sources like statistical information from published sources. Quantitative data describes things that can be measured and analyzed with statistical analysis. These are expressed in numbers and

reveal such things as the quantity of customers with a particular characteristic. How much do your customers earn each month? How old are they? How much do they spend each month on groceries?

### **Using Both**

Both qualitative and quantitative information can be important to you as you do your market research. There is a problem with using only quantitative data gathered from a small number of individuals. It may not be a large enough number of people, with a large enough product sampling to be reliable for decision-making. Would you make the decision to completely change your product based on the thoughts of a handful of customers? When you combine quantitative and qualitative data, however, you can expand what you learn by combining or showing connections between observations, preferences and the quantitative data you have developed. You can develop a good base of information, for example, about the characteristics of your typical customer.

### **Customer Profile**

The place to start your primary research is with your customer. You may ask, “What information should I find out about my customer?” The answer is “everything.” The better you know and understand your customer’s wants, needs and desires, the better able you are to meet those needs with a product that sells.

The goal of gathering and analyzing customer information is to prepare a customer profile. This customer you expect to market your product or services to is called your target customer and represents an average or typical customer. It may be one profile of one customer group or several profiles covering several customer groups.

### **Demographic vs. Psychographic Customer Data**

Businesses gather demographic and psychographic data in order to discover more about their customers. Demographic data describes specific characteristics of an individual such as age, level of education, occupation, income, marital status and address. Psychographic (lifestyle) data describes an individual’s activities, interests, opinions and beliefs. This data give marketers insight into such things as how potential customers live, make buying decisions or plan for the future.

To illustrate the magnitude of demographic and psychographic trends, consider the following psychographic trends that have directly impacted marketing strategies today.

### **Shifts in Age Make-up of the American Market**

In the United States, 77 million baby boomers make up one-third of the population and represent one-fourth of the economy’s purchasing power. As baby boomers reach

their peak income earning years, their income is expected to double. The size of the youth market (people ages 12-19) is expected to continue decreasing, but its spending is increasing. The mature market (individuals 50 years old and over) commands half of the discretionary income in the United States and holds 77 percent of its assets. Within 30 years, one-third of all Americans will fit into this group.

### **Changes in Family Composition**

Increases in the divorce rate and the percentage of working women and a decrease in the birthrate after 1960 have all caused major changes in the make-up of the typical American family.

### **Increasing Proportion of Working Women**

In 1990, 58 percent of women worked, as compared to 33 percent of women in 1950. In 2000, the number of women in the workforce again rose. Women are entering the work force at younger ages and changing the face of American business in nearly every industry. The time crunch that many working women feel has helped to fuel the boom in Internet and telephone shopping and other timesaving services.

### **Increase in Ethnic Backgrounds**

Historically, cities have traditionally held people from many different ethnic backgrounds, while rural areas have tended to be more homogenous. However economic and demographic shifts the last 20 years have changed that historical pattern and rural America now is home to people of many different colors, nationalities and religions. This ethnic diversity provides numerous opportunities to develop new specialty and ethnic markets for products.

### **Shifting Male-Female Purchasing Roles**

Because more women are working in addition to having a family, men are playing a larger role in child care and household duties than ever before. Although 80 percent of the grocery shopping is still done by women, marketers are beginning to see a shift in who makes the purchasing decisions. Because women are earning more money and achieving more professional independence, they are spending more money on travel, dining out, entertainment and luxury products.

These are only a few of the major trends you can observe, research or read about that could affect the products you wish to take to the market place.

### **Analyzing your Market Potential**

After gathering your primary and secondary research information, you are ready to analyze your market potential. You should be ready to answer these questions.

- \* Who is your target customer?
- \* What are the defining characteristics of your target customer?
- \* Who is your competition?
- \* What are your competitor(s)' product(s)?
- \* What is your current trade area?
- \* What is your market size?
- \* What are your market trends?
- \* What is your market potential?
- \* What is your true production potential?

*This Resource was adapted from Marketing, Research and Analysis; NxLevel Training*