

Meat Processing Facility Cash Flow Template References and Assumptions

Revenue Assumptions:

*Cutting and Vacuum Packing*¹:

Beef: \$0.85/lb hanging weight

Hog: \$0.85/lb hanging weight

Sheep/Goat: \$1.00/lb hanging weight

*Carcass Cutting Yields*²

Beef: 67%

Hog: 70%

Sheep/Goat: 75%

*Additional Value Added Processing Prices*³:

Ground Beef = \$0.20/lb

Smoked Beef Products: \$2.00/lb

Linked Sausage = \$2.00/lb

Smoking Pork Products = \$1.25/lb

*Additional Value Added Processing Lbs./Animal*⁴

Ground Beef = 90

Smoked Beef Products: 20

Linked Sausage = 16

Smoking Pork Products = 90

¹ Based on an informal survey of 6 USDA-inspected slaughter and processing facilities current fees in the Northeast.

² Cutting yields may vary widely depending upon the customer's selection of specific cuts, whether cuts are bone-in or bone-out, as well as the expertise of the butcher.

³ Based on an informal survey of 6 USDA-inspected slaughter and processing facilities current fees in the Northeast. There are many ways to price value added processing. Prices in the template are assumed to be in addition to the initial cutting fees charged on the full hanging weight of the animal.

⁴ Based upon typical breakdowns of beef and hogs into further ground or smoked products. This is the amount of pounds from an average beef or hog that are further processed for value added products.

Direct Costs

Supplies⁵:

Packaging Supplies = \$0.07/lb

Sausage Casing, Spices, etc. = \$0.31/lb

Smoked Meat Supplies = \$0.06/lb

Production Assumptions:

Labor required to cut and package for final retail sale per animal⁶:

- 8 hours/beef
- 2.5 hours/hog
- 1.5 hours/sheep or goat

Value Added Processing:

- Linked Sausage, Smoked Products: 50 lbs. processed per hour
- Ground Beef: 500 lbs. processed per hour

Quantity Processed and Labor Capacity

Labor in the sample is treated as an operating costs, rather than a direct cost. This is due to the small size of the projected business. The baseline model assumes 2 employees with the business operating for 50 weeks/year.

Given the above production assumptions and labor pool, the sample assumes processing of 3 beef, 9 hogs, and 2 sheep/goat per week. Direct labor efficiency with these assumptions is 87%, enabling the manager to conduct other business functions.

Labor Costs:

Full time is calculated at 2080 hrs./year, but includes 2 weeks of paid vacation. Hourly rates (\$25 manager/lead butcher, \$19 assistant, \$19 scheduler/bookkeeper) were estimated in collaboration with an experienced butcher employed in western Massachusetts.

Employer taxes (Social Security, Medicare, Workers Compensation Insurance) were calculated at 15% of salary. Employee benefits, such as health insurance were also calculated at 15% of salary.

⁵ These costs will vary significantly with the specific recipes used and the volume produced. Estimates based on conversations with Arion Thiboumery of Lorentz Meats in addition to costs reported by other facilities.

⁶ Estimate provided by experienced butcher and confirmed by other meat processors.

Operating Costs

Telephone/Office
Estimate

Marketing
Estimate

Utilities
Sample is based on proportional cost compared to other processing operations, but could vary significantly.

Lease Expenses
Estimated at \$6/square foot, plus \$1/square foot for taxes, insurance, etc. due as part of triple net lease.⁷ If plan is to purchase a facility, then costs for taxes and insurance should be adjusted.

Insurance
Estimate based on conversations with existing processors.

Professional Fees
Estimate for accountant and tax preparation services.

Capital Costs and Financing

Leasehold Improvements
Includes cost of refrigeration, electrical and plumbing work, etc.

Equipment
Estimate based on purchase of new equipment with quote provided by UltraSource LLC. It may be possible to obtain used equipment at a lower cost.

Non-capital start-up costs
The sample assumes expenses for development of HACCP & SSOP plans, with the assistance of a consultant, as well as other expenses related to training and purchase of small equipment items.

⁷ Based on conversations with local commercial realtor

Cash Flow Projections

Processing Capacity Used

Sample assumes that the first two years of operation will operate at less than 100% capacity as the business grows.

Interest on Line of Credit

This rate will be applied to the working capital line of credit amount entered in the previous year.

Income Taxes

Sample % is based on combined 2013 federal and MA state rates for businesses with taxable income of less than \$50,000.

Working Capital Line of Credit

Working capital loan amounts can be entered after seeing whether there was a negative cash balance at year-end. The template assumes that a line of credit drawn in one year will be repaid in full with interest in the following year.

Owners Withdrawals

In the sample, owners withdrew 50% of profits on an annual basis, starting in the sixth year of operation, and leave the remainder in the business for future investment in the plant.