

# MAIN STREET MONTANA PROJECT

## A BUSINESS PLAN *For Montana by Montanans*

**Minutes: December 12, 2014**

**Food & Ag KIN**

**Meat Processing and Cattle Feed Subcommittee**

In attendance: Jim Peterson, Eric Moore, Dan Westfeller, Dick Wrath, Doug Stevenson, Bill Yellowtail, Bill Bryan, Scott Hibbard, Fred Wacker, Jim Fryer, Cheryl Curry, Cole Mannix, Liz Ching, Taylor Brown, and Andy ?

Meeting started at 6:30 A.M.

Food & Ag KIN Co-Chair Jim Peterson welcomed the Meat Processing and Cattle Feed subcommittee and thanked everyone for attending.

Jim Peterson: How do you add value in the beef industry in MT?

In October, 15% of our beef was exported. Last month we shipped more beef to Hong Kong than any other time. I spent 9 days in China. Why is China so important to us? They are the largest pork producer in the world. It takes 1.6 million Hogs a day to feed the Chinese. One plant produces 17 million hogs a year. There is a big demand for beef in China. Talks broke down over beef trade. The sticking point is traceability.

Discussed One Montana meat processing feasibility study and asked for feedback from the group.

**One Montana presentation by Matt Bitz, Program Manager:**

We kept hearing from producers, small and large, about why we don't have a processor. Phase one completed this summer. This is probably the most developed feasibility study.

Use the Montana brand - image of clean water, air, and open spaces. One of the largest beef herds, less than 1% is processed in the state. We export a raw product

The current meat processing industry is comprised of mega plants. Water, corn, people, processes. It's been a race to the bottom of who can do the most for the least and concentrated industry. Water issues for the big plants and personal crunch with aging plants. The big meat packing industry has a public relations problem with the American consumer.

One Montana studied a mid-sized plant that meets regional needs that is less dependent on livestock type and size and more focused on value added products.

The plant would have a max capacity 250 head-a-day and could be expanded to 500 head-a-day by operating two shifts. The facility would require 25 acres of land. One Montana looked at locations in Butte, Great Falls, and Billings. Further study water, transportation, and feed supply in those areas. Plant would need 150 people for

staffing. It would process 65,000 head or 42 million pounds annually. The design is forward thinking that includes value added fabrication plant as well.

A recall in a mid-size plant would be devastating. The plant would have a dehairing system that kills 99.5% of pathogens. Traceability is important to the consumer. Plant like this can take advantage of this with technology. It can create a premium for product and share the story, adding another layer of trust. The plant would be financially positive in year four with \$4 to \$6 million in profitability.

The focus would be quality over quantity with products like value-added jerky products and aggressively market it. There could be a range of potential brands. The byproducts that could not be processed would go into digester. The study calculated a wage of \$34k per year. Labor a critical area that will require training.

We want to look market, west coast, marketing to women. Want to continue to look at financial model and foreign investment. The facility would cost \$44 million to build and need \$20 million of working capital. Ultimately, a mid-sized plant would be creating and building a brand for Montana meat products and markets.

**Questions:**

Scott Hibbard: Water rights, you have to look into acquiring water rights.

Jim Peterson: We need to get our adjudication done. The biggest pool of water is the conservation districts that have been holding them for economic development.

Bill Yellowtail: Look to the tribes for extra water rights. He knows the Crow has a reserve.

Fred Wacker: I don't think your operating \$20 million is enough. Need to be looking at having at least \$50 million. Also, you need to be looking employee wages of at least 50K. Freight is a huge factor. Number of cattle that need to be on feed for 250 days, times the feed, times the grain. Get close to the feed and you will get feed lots built and keep the transportation down. Look at the business model and you will probably have to go to 500 head-a-day. The most important is to buy with the package off. Your yield will be better. The rule is the closer you are to the plant.

Jim Fryer: How do you envision the ownership of cattle? Some established brands will want to retain, but the plant will own most of cattle.

Eric Moore: We will have to outperform the big boys. Drop credit, Are we going to be able to realize that?

Matt Bitz: You can use a flash freeze process for the waste so that can go to wherever.

Fred Wacker: The sweetest deal is selling whole carcass. Most hides go to South Korea.

Jim Peterson: Eric is right, we are over capacity. Yet, places like China are looking for a place to invest. Markets and money are a big part. As a partner, there may be. We all

know the issues, but it is going to be built on cans, not can not's. Can we make it on reduced freights and increased yield?

Cole Mannix: There are markets that will pay more for traceability.

Jim Peterson: China, dumplings are a big deal. Do you think we could make beef dumplings?

Cole Mannix: It will take 60 days to get your return.

Jim Peterson: We will try to follow-up with a conference call next week to see where we go with the KIN. Given the industry, I think we need to give it a try.

Meeting ended at 7:50 A.M.