

Business Plan & Economic Impact Analysis

for

Columbia Valley Abattoir

Prepared May 2013

For

Windermere District Farmers Institute and Livestock Association

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Abattoir Committee

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Updated September 2013

The business plan was presented to and accepted by
Windermere District Farmers Institute and Livestock Association
on June ____, 2013

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NOTICE TO READER

The Windermere District Farmers' Institute and Livestock Association (WDFI) completed a feasibility study in 2010 which looked at decisions regarding site selection, a mobile abattoir vs. a fixed unit, supply and demand, operational models and shared research on local livestock populations and producer trends. Where applicable, that work has been referenced here.

To a large extent all of the findings in the feasibility study apply and where applicable have been directly applied. The one main exception is that the operational model proposed today was not the one suggested in the feasibility study. The feasibility study looked at a full scale cut and wrap operation with retail capability. Upon reflection, however, the WDFI has chosen not to get into the 'business' of valued added red meat processing but rather initiate this project on a cost recovery basis to remove a current bottleneck that prevents many other local producers and businesses from being successful. It is expected that this project will spur on the agricultural sector and specifically livestock producers in the years to come.

The profit and viability, therefore, is not only in this project itself but in the economic spinoffs and the opening of markets that the Columbia Valley and East Kootenay will derive from having access to this facility. A discussion on these specific benefits can be found in an additional section entitled *Economic Development*.

EXECUTIVE SUMMARY

Organization and Objective

The Windermere District Farmers' Institute and Livestock Association (hereafter referred to as WDFI) is a non-profit society formed in 1914 with members who must be active in agricultural businesses. To date they have typically been all livestock producers although recently this is changing.

This business plan has been developed to present the WDFI's plan to funders to assist in raising \$530,000 in start-up capital required to construct an abattoir and related infrastructure on their 20 acre parcel of land. The plan allows all local producers and Cut and Wrap (C&W) (also known as butchers or in some cases value added beef vendors) and other businesses to have access to local provincially inspected red meat for direct sale to local markets and for other value added services. While the original scope called for a business plan, since the WDFI is a not-for-profit entity, intending to operate this facility as a regional service to increase the agricultural sector, this report goes beyond the business impact to the WDFI alone and evaluates the regional business and economic impacts.

Market

With the regulatory change made by the province of British Columbia in 2004, the ability of local producers to sell their animals was restricted literally "overnight". Producers, who had previously slaughtered on their farms, taken the product to a butcher and then sold the finished products direct to consumer, were now no longer able to do so. The livestock must be killed in a provincially inspected facility. In the East Kootenay none such abattoir existed and thus farmers could not sell their products directly to consumers any longer.

In 2008 and 2009, two abattoirs opened up in the East Kootenay. The first in Creston, two to three and half hours away and the second in Cranbrook one to two and half hours away (depending on the location in the Columbia Valley which extends from Golden in the North to Canal Flats in the South).

Producers lost access to direct customer marketing and either dramatically reduced their herds or sold their products to feedlots in Alberta at lower prices. The economic loss was further compounded as the only abattoir available was run by a C&W operator and therefore other local C&W operators were denied access to local product, having to import from Vancouver and other larger markets with abattoir facilities. They were not able to get local meat at all due to these restrictions.

Local producers are asking for a facility to be put in place to allow them back into the local market and to be able to sell their meat products directly to consumers in order to reduce costs and increase revenues.

Need

Local producers cannot sell their product in a direct or value added capacity without travelling 100-300 km to the nearest abattoir. In addition, if they chose this option, they must use the C&W services of the abattoir operator and cannot have just the slaughtering and inspection services done to take the product to a different C&W. Otherwise, they must travel another hour farther south or sell live animals whole to a third party for processing, typically in Alberta and typically at a lower profit.

Local C&W operators (except for the one with the abattoir) do not have the option of accessing the Cranbrook facility and there are no facilities within 300-450km that provide provincially inspected slaughtering services only. They are forced to buy product from outside the region and import it in order to make products like sausages, jerky and steaks for their customers.

Solution

WDFI's Abattoir would provide all local producers and C&W wrap operators with access to a provincially inspected Class B slaughtering facility. This will create equal opportunity for all C&W operators and allow local producers to get back into the retail market they were shut out of when the regulations changed in 2004. This project creates a regional economic opportunity to a diverse sector of our region: from hobby farmers to larger scale ranchers, from home butchers to fully operating retail facilities and restaurant chefs. The abattoir will also make product available to entrepreneurs needing local licensed inspected product (raw materials) for various other value added activities such as pet food or prepared meal production.

Advantages

Having an "open" abattoir allows for more growth in the local economy. New C&W operators can start-up; farmers can keep their herd local or increase their herd to meet local demand. Cash Flows can be managed better as farmers can trickle feed their animals into the abattoir rather than having to send a "truck load" at a time out of province. There would be no need for each C&W operator to have to invest in an abattoir of their own. A local abattoir "available to all" can also spin off educational opportunities and other agricultural improvements such as value added food processing businesses. It can be a seed for revitalization of the Upper East Kootenay Agricultural Sector (Golden through Kimberley).

Typically the abattoir is not a profitable venture on its own. (Both of the other abattoirs in the lower East Kootenay received funding assistance¹) Several feasibility studies and business plans have alluded to this as has been documented anecdotally through discussions with the BC Abattoir Association. Through this model, however, the WDFI

¹ From Meat Technology Assistance Program or MTAP which was a provincial funding initiative to meet this demand. The WDFI had a grant of \$150,000 approved by MTAP but the program ended before the zoning change could take place and therefore lost access to this funding.

intends to secure capital to remove this cost and lease the facility to an operator at a fair and reasonable price such that it can break even or make a small profit. The benefits to the community will come in the form of job creation, increased downstream profitability and business opportunity, business sector diversity and stability, food security, skill development, and education.

Financials

Financial Projections, show that if the WDFI is able to provide the land as leverage to secure grant funding from various local and provincial governments and organizations, then the facility can be leased to a 3rd party operator for a reasonable price to ensure their viability. The operator would not likely make much profit on the slaughtering itself but this would be a marketing cost for the operator as they would be well positioned to gain cut and wrap business from producers bringing animals to the facility. The WDFI would operate the lease on a cost recovery model.

Regional Economic Development

The WDFI intends to operate the facility on a break even basis, realizing that there is a tremendous positive effect on the economy from making this community service available. At least 4 and likely 6 jobs would be created immediately as a result of the abattoir. And even more would be created if spin-off businesses started up such as pet food manufacturing. In addition to job creation, ranchers will see higher margin sales in their businesses which will increase economic wealth in the region. For example, today, a rancher/producer can realize double the profit on a single animal if they have it butchered into value-added local meat than if they send the animal to a feedlot at auction with no value added step.

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ORGANIZATIONAL OVERVIEW

A. FOUNDATION STATEMENTS (Mission and Vision)

i. MISSION (the organization and what it is doing)

To encourage and support a vital and viable agricultural industry in the Columbia Valley by offering a collective voice, peer to peer information sharing and leadership of agricultural initiatives supported by membership.

ii. VISION (where the WDFI wants to be in 5 – 10 years)

The Windermere & District Farmers’ Institute supports the Columbia Valley and its membership as a voice for the agricultural sector and a catalyst for projects that better the industry and local residents.

iii. GOALS and KEY PERFORMANCE INDICATORS

Goal	Key Performance Indicator
Economic Profitability	<ul style="list-style-type: none">a. Bottom Lineb. Net worthc. Job creationd. Cash Flowe. Lessor Successf. Local Farming Successg. Value Added Businesses Successh. Overall Increase in Local Agricultural Sector
Psychic Rewards	<ul style="list-style-type: none">a. Happiness of Membershipb. Lessor (Operator) Satisfactionc. Local Customer Satisfactiond. Value Added Businesses Satisfactione. Contribution to Regional Agricultural Sector Revitalization

B. WDFI HISTORY

The WDFI was formed in 1914 and is registered under the Farmers and Women’s Institute Act through BC Ministry of Agriculture. Each year an annual report and financial statement are sent in. The Windermere District Farmers’ Institute represents the Farming/Ranching community from Golden to Canal Flats and currently has 35 members.

In 1973 the East Kootenay Agriculture and Industrial Exhibition transferred the property in question to the WDFI.

Since the BSE episode and the subsequent implementation of new slaughter regulations, the livestock industry in the region has been steady declining, with small producers no longer able to sell their product locally. The WDFI wants to erect an abattoir on land they own near the junction of Hwy 93 and Invermere.

The WDFI had received approval for an MTAP grant of \$150,000.00. The land in question is zoned A2 – agricultural. Unfortunately the WDFI was not aware that a rezoning was required (believing an abattoir to be an agricultural use) and this step made it impossible to finish the project by the MTAP Dec. 2012 deadline and funding was lost. The WDFI continued on with its project goals despite this setback and took the opportunity to take an additional year of planning. The WDFI is now seeking funding from support from Columbia Basin Trust (CBT), Southern Interior Development Initiative Trust (SIDIT), Western Economic Diversification (WED), the Ranching Task Force Initiative and other smaller funders with a goal of completing infrastructure improvements in 2013 and the abattoir in 2014.

C. ABBATOIR BUSINESS MODEL DESCRIPTION

The WDFI proposes to construct a fixed abattoir on the WDFI land (near the crossroads). They intend to raise funds to build the regional abattoir from local, provincial and national funding organizations and governments. Once built, they will lease the facility to a third party operator. Lease payments from the operator would cover any out of pocket costs the WDFI would incur as well provide a R&M and replacement fund over the longer term.

Other business models were considered:

- WDFI operate the facility
- WDFI operate the facility and provide cut and wrap services (original basis for 2010 feasibility study)
- WDFI purchase a mobile abattoir and operate under any of the 3 options above.

This model was chosen for the following reasons:

- WDFI is a not-for-profit entity wanting to create projects that better the local agricultural industry and local residents. Getting the abattoir in place and being stewards of the facility but leasing the operations to a 3rd party is a better use of its resources and allows the WDFI to put more resources to sector development (such as developing the Agri-Park).

- One clear issue identified with the current abattoir in Cranbrook is that it is owned by a private business and therefore at present, C&W operators in the Upper East Kootenay do not have access to local slaughtered red meat to do their C&W. All meat must be imported into the region for these operators as the Abattoir in Cranbrook insists on processing the meat there. This abattoir will remove that barrier and enable all C&W operators and ranchers to be in control of their business choices and will foster more entrepreneurship. For example one market owner has told us he will start a butcher shop once he has access to local meat as right now he has to import from the Okanagan if he wants to sell beef or pork.

D. ABBATOIR LOCATION

The WDFI has secured zoning approval to erect the building and related infrastructure on the NE corner of their property located near the crossroads on Highway 93/95 and the Invermere junction. Maps and further details are provided in Figures 1 through 3 on the following pages.

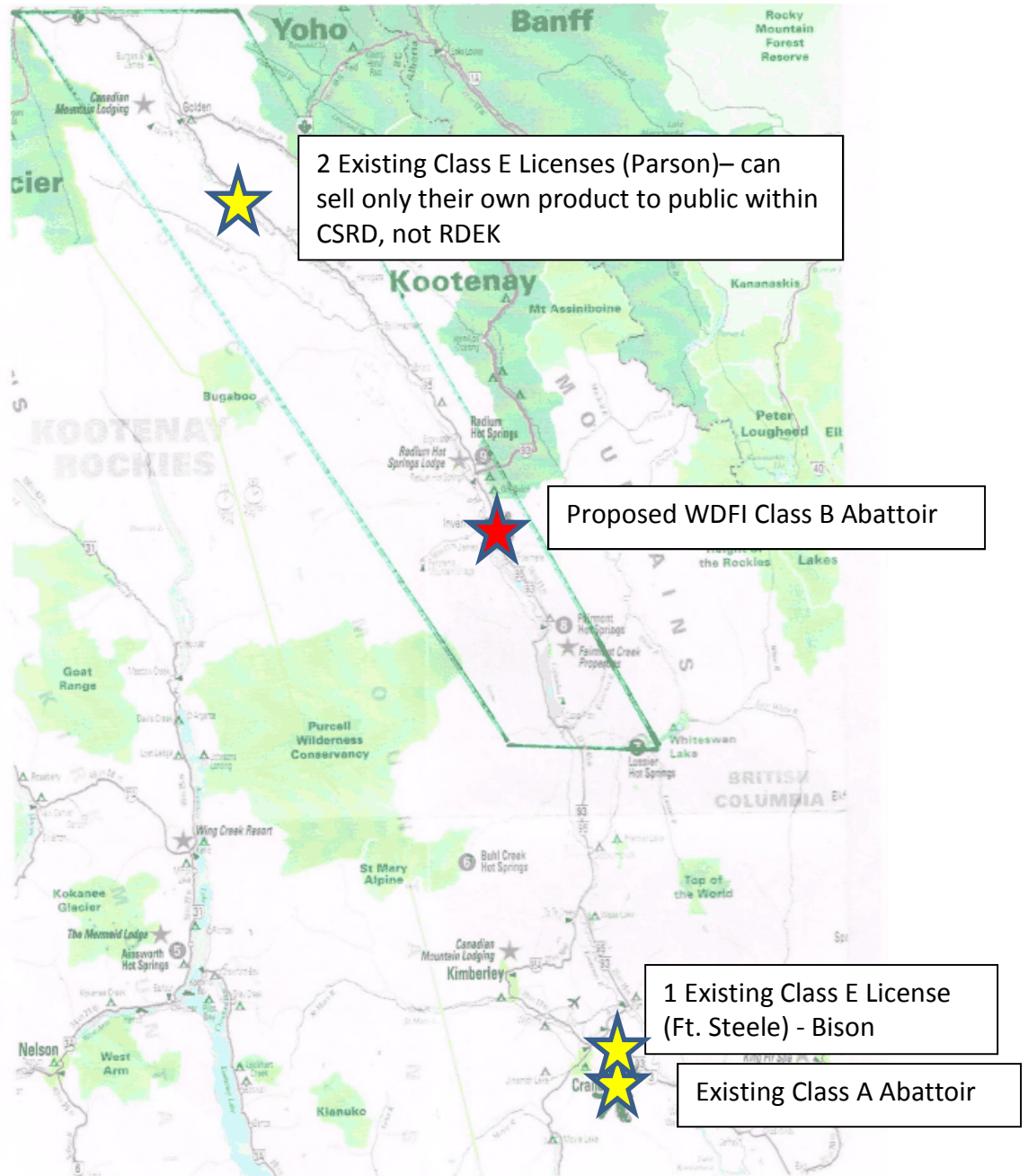


Figure 1. Location of the Proposed Abattoir within East Kootenay Region

PROPOSED SITE FOR COLUMBIA VALLEY ABATTOIR

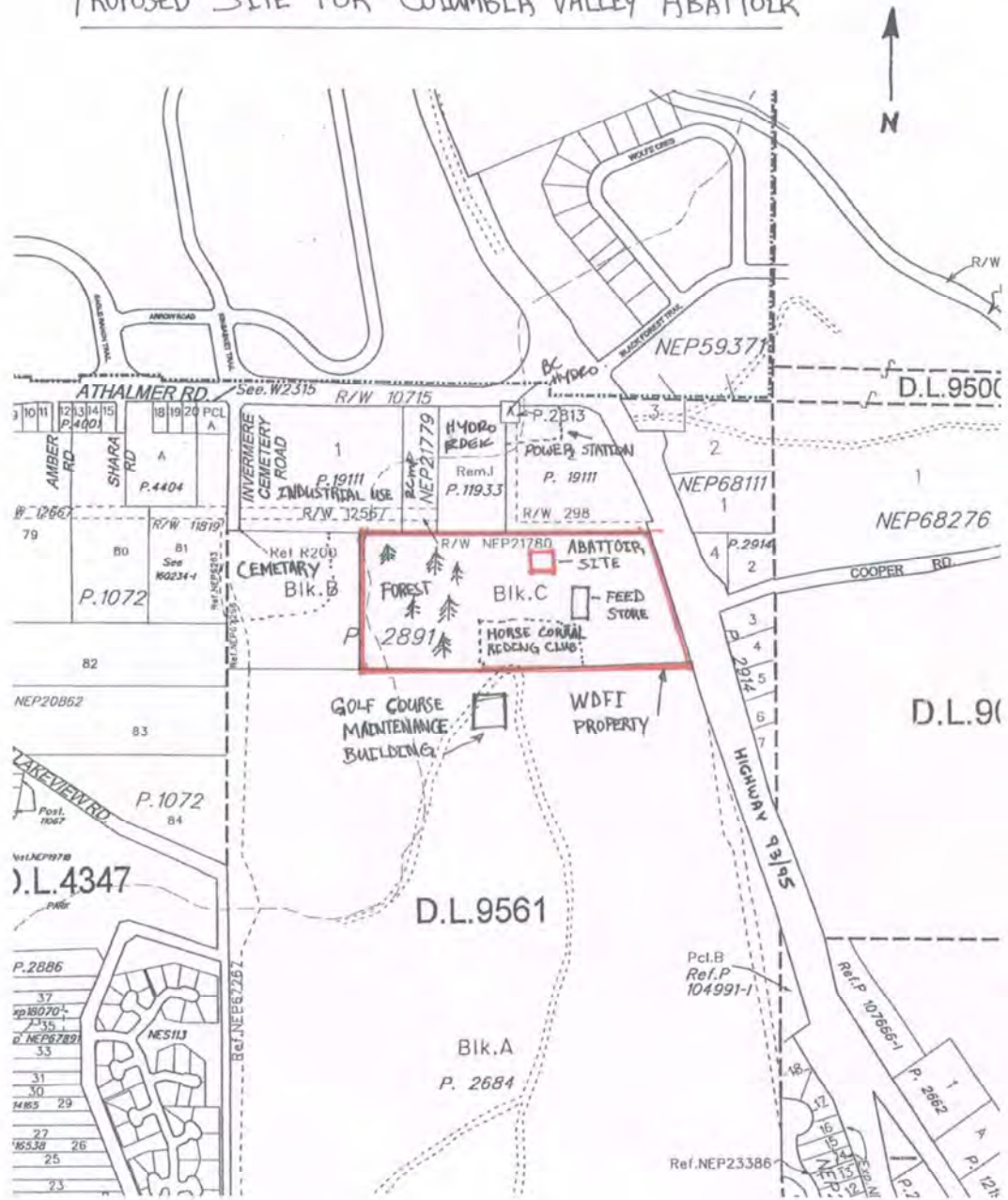


Figure 2. Location of the Proposed Abattoir in area of the “Crossroads” Highway 93/95 intersects with Athalmer Road

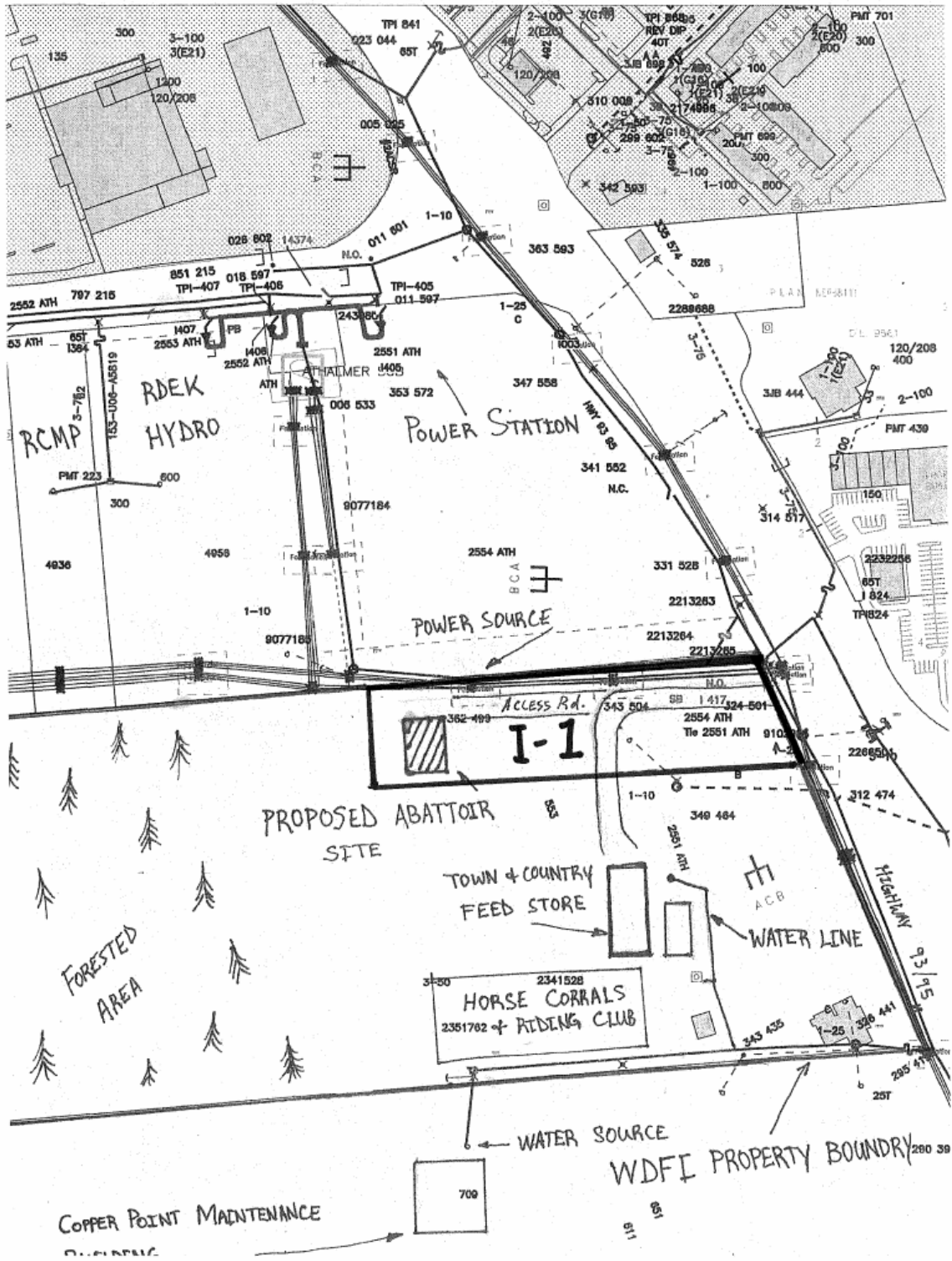


Figure 3. Location of Proposed Abattoir on WDFI Property

DIRECT PRODUCTS AND SERVICES

A. RED MEAT ABATTOIR SLAUGHTERING SERVICES

The abattoir will be a slaughtering facility only providing a variety of custom kill services for different species including but not limited to: cattle, swine, lamb, goat and bison. The WDFI will lease the facility to an operator for an annual lease fee paid quarterly. The operator will provide a fee-for-service provincially inspected animal slaughtering. The customer will leave the facility with a provincially inspected carcass. They are then free to determine their own finishing options including sending it to a C&W operator for finishing and then selling their finished product, selling it directly to a C&W operator, restaurant or grocery store where those businesses would then complete the value added processing. Additionally, the producer could sell live animals and then a 3rd party could take the animal through the entire process.

Competitive Advantages: Proximity to local producers. Choice for producers of which C&W operator to take the carcass to for processing (Currently not available)

For the 3rd party operator, there is a better chance that customers without a C&W vendor will patronize the operator with their business but this is not guaranteed. Under their lease agreement they must slaughter for all patrons that meet entry requirements.

B. ANIMAL BY-PRODUCT SALES

Meat trimmings and other edible offal for animal consumption (e.g. pet food) that are not wanted for sale by the customers can be retained for sale at a future date. This would be the decision of the operator. For the purposes of the analysis this economic benefit has not been considered in the job creation numbers for the start.

C. ANIMAL HIDE SALES

The sale of animal hides is highly variable and unpredictable. For example, during the early part of 2009, hides had no value. At the end of 2009, cattle hides could be sold for \$15 per hide. This is a potential opportunity for an entrepreneur depending on pricing.

INDIRECT PRODUCTS AND SERVICES

There are many other indirect products and services from this project and they are discussed in more detail under the economic development section but include:

- Local Cuts of Meat
- Value Added Meat Processing
- Foodie Tourism
- Transportation
- Refrigeration/Hanging Space
- More C&W Operators and Retail Shops
- More micro-farming opportunity

INDUSTRY AND MARKET ANALYSIS

The 2010 Feasibility study completed an intensive Market Analysis from both the customers for the abattoir (producers) and the customers for the outputs. Please see Appendix A for the full report. The following are analysis items not contained in that study

A. CUSTOMERS /TARGET MARKET

The WDFI Abattoir's key target customer is the red meat producer from **Columbia Valley from Golden to Kimberley** and including Parson, Harrogate, Spillimacheen, Brisco, Edgewater, Radium Hot Springs, Invermere, Windermere, Fairmont Hot Springs and Canal Flats.

The facility however, would also be available to any producer from the East Kootenay should they chose to transport their animals to the facility. This could include the Elk Valley, for example.

B. COMPETITION

There are two Class A abattoirs in the East Kootenay. One, Gold Creek Custom Meats is 126 km from the proposed location and 250 km from Golden in the north. The second, Tarzwell Farms, is 245 km from the proposed abattoir and 360 from the northern most catchment point in Golden. In some larger ranching areas, it is not uncommon to truck over these distances when the volume makes sense for the transport costs, however, with most local producers going to send no more than 5 animals at one time, these distances provide great costs both in transport and producer time as they often have to do this themselves as trucking is too expensive for the lower volumes.

The biggest barrier to entry is the capital cost to build the facility. In both cases, these abattoirs received grants to aid them in the construction of their business enterprises. Table 1 shows more details about this operation:

Table 1. Abattoir Competition

Competitor	Strengths	Weaknesses
Gold Creek Custom Meats Rick Armstrong Cranbrook BC Tel: (250) 426-7770	<ul style="list-style-type: none"> • Established business • Large clientele • Lots of experience • 10-12 employees • Monopoly in local market – you must use his c&w services if you want locally provincially inspected product 	<ul style="list-style-type: none"> • Often booked up • Lack of capacity during peak times • Some reports of lack of customer service • Takes a lot of time for producers as they must make two trips for each set of animals processed • 100-250 km from producers in Columbia Valley
Tarzwell Farms Tom Tarzwell Creston, BC Tel: (250) 428-4316	<ul style="list-style-type: none"> • Established business • Lots of experience • More choices for producers - works with 3 local C&W operators to provide services to customers. • Composts wastes as abattoir located on his farm. 	<ul style="list-style-type: none"> • Too far away to be viable option for most Columbia Valley Producers (200-360 km away)

WDFI Strengths:

WDFI’s key strength is the backing of the local producers and C&W operators who don’t have their own abattoir. The creation of a community service to provide all producers and value added businesses access to livensed product will strengthen the regional economy. The existing abattoir in Cranbrook could even use these facilities if they so choose to.

WDFI Weaknesses:

One potential weakness may be a transitional one during the phase-in period while the operator gets up and running.

In addition to the two Class A licenses, according to Interior Health (Spring 2013) there are 3 Class E licenses within the WDFI Abattoir catchment area (Table 2 – Class E Licenses). Two of these licenses are in Parson, BC and one is in Ft. Steele. (See Figure 1 for map locations). According to the Interior Health website, a class E license allows on-farm slaughter of a small number of animals annually (1-10 animal units) for direct sale to consumers. Sales are restricted to the regional district in which the meat was produced, and operators are only permitted to slaughter their own animals. The three in Parson must sell within the RDCK and the one in Ft. Steele to the RDEK. All together these represent less than 40 animals of diverse type and are not seen to impact the abattoir operations.

Table 2. Class E Abattoir Licenses

Producer	Product 1-10/yr	Location
Horns Peak Ranch 250-348-2445	Beef animals	Parson
G&K Perrson Farms 250-348-2094	Pork	Parsons
Karl & Patricia Bowron 250-489-4786	Bison	Ft. Steele
Chinadoll Farms 250-348-2363	Lamb	Parson

MARKETING

A. ADVERTISING AND PROMOTION

WDFI intends to promote the facility through word of mouth as the local producers are a tight knit community and this project has been in the works for 5 years and is well known amongst the target customers.

The 3rd party operator and other value added operators may choose to do marketing to build markets for the value added products they are producing from the local red meat that would now be available.

B. PRICING

As part of the lease agreement, the WDFI will insist that the lessor offer market pricing for the services or provide documentation for pricing that allows for cost recovery and a small profit. It is intended that the operator will see profit from his/her proximity and opportunity to secure walk-in customers business for cut and wrap services. There will be a set price for walk in custom killing. All prices are based on cattle equivalents for ease of analysis. It is understood that the profit to the 3rd party operator will come from their increase in cut and wrap sales and services and is not guaranteed to come from the operation of the abattoir itself.

C. LOCATION

The location of the abattoir will be in Invermere BC (Figure 1 on page 12) in the NE corner (Figure 3 on page 14) of the WDFI land located near the “crossroads” at Invermere, BC. (Figure 2 on page 13).

In the feasibility study conducted in 2010, 5 sites were evaluated. The preferred site chosen was the land owned by the Windermere Farmers Institute.

Zoning was recently approved by the RDEK after a public hearing. The WDFI can now build the proposed facility on the NE corner of their 20 acre parcel

The location has several key advantages for the WDFI:

- No capital cost for the land
- Land is set back from the highway
 - easily accessible
 - not highly visible
- Easy to find and centrally located in the Columbia Valley Region
- Regulatory requirements are met (zoning and building)

And addresses several direct **customer needs**:

- Easy access for cattle and farm trucks
- Easy parking
- Close to the only local Feed Store which is a location that they already frequent

D. DISTRIBUTION

No specific distribution strategies will be required for this facility. However, it has become apparent through interview with producers, cut and wrap operators that a transportation service would be highly welcomed. In addition, one businessman has come forward wanting to operate such a business. With a regular schedule setup farmers could book delivery of the meat from the facility post inspection and have it redirected to the C&W operator of their choice. This is not necessary for the plan but may be a natural economic benefit that arises from it.

E. PACKAGING

No specific packaging will be required for this facility.

OPERATIONS

A. MANAGEMENT TEAM

The leasing of the facility will be managed by a designate of the WDFI, likely the secretary or treasurer. They will ensure that lease conditions are met and that the building remains cared for under the terms of the lease.

i. SWOT ANALYSIS

As part of this business planning process, WDFI conducted a SWOT Analysis (Business Strengths, Weaknesses, Opportunities and Threats (SWOT) of the proposed expansion. (see Table 3). Skill and skill gaps were identified through this process.

ii. SKILLS

Technical, Administration and Organization

The WDFI has collective experience of farming and use of this facility. Within its membership it has the skills to construct the facility and oversee a 3rd party operator.

It has already successfully demonstrated this with the current Feed Store also on the proposed property which is leased out to a 3rd party successfully.

iii. SKILL GAPS TO BE FILLED

Direct Experience

The biggest gap is direct operation of an abattoir. However, there are several individuals within the WDFI who have abattoir experience, as does the intended 3rd party operator.

Marketing/Community Development

The WDFI has not directly initiated such a community focused project before, however, the skill development of the project team over the past 4 years has increased dramatically. This has been evidenced by the newspaper articles and the growing local support. Website development and more community outreach will be sought before the facility opens.

Table 3. SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Would be the only provincially inspected abattoir service available to all cut and wrap operators within 126 km of the location. • Community Group led initiative and would have support of other local community groups such as regional governments, slow food groups and agricultural groups (such as ranch patrol) • Convenient Location • Local Support for an abattoir • Land owned by WDFI • All Zoning in place. Project ready to go pending funding. • Agreement in principle for 3rd party operator already in place 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Timing and securing of all funding. • Challenge of educating some residents as to benefits over perceived downside risks (NIMBY²). • More outreach to be done to share vision with broader cross section of community.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Educating local residents on local food options • Developing longer term economic development for agriculture from this project • Encouraging other new business ventures such as Value added Food Processing Opportunities or Pet Food • Integrated Food security plan for region • Increase potential for micro- farming viability • Increased “foodie” tourism 	<p>THREATS</p> <ul style="list-style-type: none"> • Negative influences from those opposed to the abattoir • Inability to secure all funding

iv. PROFESSIONALS ASSISTING WITH ABATTOIR DEVELOPMENT

Feasibility Study/Market Research

Sun Communications

Adrienne Turner
Invermere, BC

suncommunications@shaw.ca
Telephone 250-341-1201

² Not In My BackYard

Business Planning/Funding /Financial Review
Wells Business Solutions

Katie Wells Katie@wellsbusinesssolutions.ca
Invermere, BC Telephone 250-342-0056

B. STAFFING

No increased staffing will be required by the WDFI to manage the lease situation. From time to time, contract labour may be required for repairs and maintenance.

It is expected that the third party operator may add 1-2 additional staff to manage the abattoir with additional seasonal support in the fall. This will ramp up in accordance with demand.

C. FACILITY AND EQUIPMENT

Construction of the abattoir is required. A plan has been designed for the building as well as corrals, roads and the engineered septic system.

The WDFI intends to place all fixed equipment required inside the building (e.g. sinks, rails, etc.) but the lessor will be responsible to the movable equipment such as saws and knives.

As part of the lease fee, the WDFI will set aside a R&M fund to cover costs for external items and non-operationally induced repairs. The lessor will be responsible for R&M of their own equipment and for general operational wear and tear on the facility.

D. LICENSES and PERMITS

Building Permits

The WDFI will obtain all necessary building permits prior to construction.

Class B Abattoir License

The WDFI will ensure that the building meets all of the requirements to be signed off by the Centre for Disease Control and Interior Health to obtain a Class B Abattoir license. The 3rd party operator will be required to operate the facility in accordance with all regulations and requirements to obtain provincially inspected meat.

Business License

The 3rd party operator will obtain the necessary business licenses.

GST Registration/Business Registration

The WDFI is registered for GST and the 3rd party operator will be as well.

PST Registration/Business Registration

The WDFI is not registered for PST. The 3rd party operator may or may not be depending on their business endeavours. The WDFI will ensure a contract stipulation that they be registered if required.

WCB

WDFI will ensure that the lessor has WCB coverage before staff is hired.

E. SUPPLIERS

The abattoir is not a retail outlet requiring suppliers of products for resale. It provides a service. The main input to the facility will be local producers of the animals accepted at the facility.

There will be other suppliers of items such as refrigeration services or electrical maintenance. These will be sourced locally where possible.

F. INSURANCE

WDFI has an insurance policy in place for commercial general liability (CGL). They will ensure that the 3rd party operator does as well and names the WDFI on the policy.

G. INVENTORY

There is no inventory associated with this service based operation. All meat on hand at the facility will be owned by the entities that brought it in for slaughter unless alternate arrangements are made.

FINANCIAL**A. ABATTOIR FACILITY CONSTRUCTION**

Per Table 4, the expected construction cost for the entire facility is \$551,400 before land and \$801,400 including land.

Table 4. Estimated Project Capital Costs

PROJECT COSTS	BUDGET	
BUILDING CONSTRUCTION		
General \$150/sq ft *1328 sq ft	\$199,200	
Knock Box Door	\$5,000	
Inside Electrical	\$30,000	
Refrigeration/Compressors	\$15,000	
Rails	\$25,000	
Winches	\$5,000	
Equipment (sinks, knife ster, etc)	\$8,000	
Building Permit	\$3,500	
Drawings and Permits	<u>\$1,500</u>	
TOTAL BUILDING CONSTRUCTION	\$292,200	
INFRASTRUCTURE		
3 phase Power H/u and poles	\$40,000	
Well	\$12,000	
Electrical/water utility shed	\$3,500	
Water/elec shed to building	\$5,000	
Water Hookup	\$15,000	
Road Building/Parking area	\$20,000	
Septic - Eng study and install	<u>\$18,000</u>	
TOTAL INFRASTRUCTURE	\$113,500	
FENCING/CORRALS		
Fencing/corrals/poleshed	\$20,000	
Corral roof	<u>\$28,800</u>	
TOTAL FENCING/CORRALS	\$48,800	
PROJ MGMT, ADMIN & CONTINGENCY		
Website	\$5,000	
Project Mgmt & Admin 10%	\$45,950	
Contingency 10%	<u>\$45,950</u>	
TOTAL PROJ MGMT, ADMIN & CONTINGENCY	\$96,900	
SUBTOTAL CASH COSTS		\$551,400
Land	\$250,000	\$250,000
PROJECT TOTAL		\$801,400

The WDFI intends to secure funding for most of the non-land aspects of the facility construction. The WDFI is intending to provide the land as a contribution as well as in-kind labour to help with some aspects of the project. They will also contribute cash to drill a well on the property.

Table 5. Estimated External Capital Funding Requirements

Total Costs	\$801,400	% of total
less WDFI Land Contribution	(\$250,000)	31.2%
less WDFI cash for well	(\$12,000)	1.5%
less WDFI In kind contribution	(\$22,000)	2.7%
External Funding Required	\$ 517,400	64.6%

Table 6. Estimated External Capital Funding Sources

CBT- Community Dev Fund	\$200,000
RDEK- CV Directed Funds	\$ 90,000
Western Economic Diversification	\$250,000
SIDIT	\$50,000
Ranching Task Force Initiative	\$25,000
Donations/Fundraising	\$7,500
Donations/Fundraising	\$7,500
External Funding Required	\$647,500

Note that the funding sources are not yet secured and therefore we have more funds than needed in our estimate in case one or more funders cannot support the project or provide a lesser amount. Since we are asking for large chunks of funding, if any one cannot support us funding may be inadequate and hence the over asking to start. Should more funds be raised than needed, they would be returned.

Note that the WDFI is also still working to try and obtain the \$150,000 in MTAP funding that was set aside for this project but was returned as the zoning changes could not be done in time for the MTAP deadline, causing the WDFI to forgo the grant. The WDFI was under the impression, however, that these funds are still set aside provincially for abattoirs and working to gain access and overtime this seems less likely.

B. WDFI LEASE ARRANGEMENT

The WDFI has an agreement in principle with the operator to charge \$5,000 per year for the first 5 years in order to get the operator established and to cover the operational items the WDFI will incur such as property taxes, insurance, maintenance and repair and some administration.

Table 7. WDFI Costs to be recovered by Lease Payment

Item	Amount
Insurance	\$ 1,000.00
Administration*	\$ 1,200.00
Depreciation (R&M)**	\$ 2,800.00
TOTAL	\$ 5,000.00

* This amount reflects reasonable allowances for items such as office supplies, bank fees and professional fees already incurred by the WDFI current operations

** This payment does not immediately cover replacement cost of 292,200 building when depreciated straight line over 40 years. However, after 5 years, the lease payment will increase to more accurately reflect WDFI creating a R&M and replacement cost budget over time. This will create a \$14,000 fund in the first 5 years.

In order to help the operator get up and running these costs may be scaled to be less at startup and have a balloon payment at the end of the lease. This will depend on a negotiation with the operator.

After 5 years, the WDFI will work with the operator to create a lease price that also includes a provision for building replacement over time realizing the building may have a life of 30-40 years.

C. 3rd PARTY OPERATOR FINANCIALS

It is expected that the 3rd party operator will already be a cut and wrap supplier with their own facility. This will be a profit neutral endeavour for the operator that will create returns for them through increased cut and wrap business and profit. They will also have economies of scale in terms of some fixed costs such as administration, insurance, banking and professional fees.

Their abattoir revenue fees should cover their costs of running the abattoir and the annual lease payment.

They have indicated that they could successfully run the abattoir with these terms and see that their increased revenue stream will come from the likely but not guaranteed increased cut and wrap business.

D. OPERATING EXPENSES

The WDFI intends to operate on a cost recovery model, however does realize that some of the recovery will have to be back loaded within the agreement such that the operator can get going and get up and running at full capacity. Therefore for the first 5 years the lease will be a fixed rate of \$5,000 per year. Thereafter the WDFI will sit down with the lessor and determine the appropriate lease payments moving forward.

i. DEPRECIATION

Depreciation will be estimated at straight line over 40 years for the abattoir building. After 5 years, the WDFI will start to collect lease fees that include a provision for rebuilding after the life of the new structure so that this project can be self-sustaining.

ii. INCOME TAXES

No provision for income tax is included in this scenario as the WDFI is not a profit entity.

3rd party taxes are not estimated as this entity is expected to be roughly breakeven and would have to factor in the other operations.

E. FINANCIAL STATEMENTS

Historical WDFI financial statements are presented in Appendix B. The projected income statement for the abattoir project is in Appendix C. The projected profit and loss show the WDFI building R&M being short for the first 5 years, however, major R&M is not expected on the new building in this time frame so this is an acceptable compromise for the lease arrangement with the 3rd party.

F. CASH FLOW

Cash Flow Statements are provided in Appendix D.

ECONOMIC DEVELOPMENT

Figure 4 shows the link of direct and indirect benefits arising from the abattoir.

A. DIRECT EMPLOYMENT (1-2 Jobs)

The WDFI will have no increase in employment from this project. The 3rd party operator running the facility will produce 1 -2 new jobs with some additional seasonal work.

B. IN-DIRECT EMPLOYMENT (4+ jobs within 12 months)

There will be numerous indirect employment opportunities from a local abattoir in the Columbia Valley.

Additional Butchering

There are four cut and wrap retail outlets (Table 7) in the region that currently do not have access to local beef. With more product available they will be able to provide more local products to restaurants, grocery stores and local consumers and can buy less packaged than the blocks they must currently buy from the lower mainland or interior abattoirs within BC. One retail outlet has indicated that they would create 1-2 jobs within 12 months as right now they buy the blocks and do partial butchering. When the abattoir is available, they would purchase direct from producers and do more butchering locally and provide a large retail operation for meat products. Extrapolating from the anecdotal and interview information received, we would estimate conservatively that 4 jobs would be created within 12-24 months.

Table 8. Value Added Processors in Region

Cut & Wrap Business	Location
Konig Meat & Sausage Company 250-342-9661	Invermere
Cliff's Meats (1986 Ltd.) 250-427-0048	Kimberley
Gwinner's Country Butcher 250-427-5049	Kimberley
Kimberley Sausage Meats 250-427-7766	Kimberley

Table 9. Additional East Kootenay C&W Operators who may utilize the Facility

Cut & Wrap Business	Location
MOR Jerky 250-865-2331	Elkford
Back Country Meats & Sausage 250-423-6656	Fernie
Fernie Meat Market 250-423-4212	Fernie

Plus

All grocery stores with a butcher onsite and many restaurants with on-site chefs who want their own cuts.

New Refrigeration/Hanging Cooler Space Business

The abattoir will have hanging space for the animals until they pass inspection and are ready to be picked up. With beef in particular, an aging process is desired. Some rental cooler space would enable non cut and wrap customers (e.g. Self-butchered for home consumption, restaurants that want to do their own meat preparation) to also use the facilities more easily.

New Transportation Services Business

The need for a transport service has also been identified. While the Columbia Valley Abattoir will be closer for many producers it still takes two trips to drop off live animals and then return to pick up inspected product. Even though Kimberley is very close to Cranbrook (30 km), the two cut and wrap operators there do not have access to the Cranbrook abattoir as it is only an all-inclusive service. They would like to take advantage of the abattoir but face the same issues Columbia Valley farmers currently face taking their product to Cranbrook. A scheduled transport service is something that most people have expressed interest and could be explored, perhaps in conjunction with the refrigeration service (i.e. Reefer trucks). Potential one half to fulltime job would be created.

Pet Food Business development

There is an opportunity for new business development in the area of pet food manufacturing from the animal grade consumable waste products. If successful, this would have added benefit of redirection of waste from the landfill. If a manufacturing plant was started, jobs would be created.

Educational Opportunities

Opportunities would exist to develop co-operative educational programs with College of the Rockies, DTSS Chef training program and other local food advocates such as the Slow Food Group. Currently Olds is the only Canadian College offering a Meat Cutting Certificate Program. This could bring jobs in the education field as well as supply new workers for the growing value added local meat business and allow local youth another opportunity to stay in the valley.

Tannery Business Development

Increase raw material supply for a local business.

Meat Inspector

An increase in slaughtering in the Columbia Valley may justify an additional meat inspector for the East and West Kootenay region. Potentially this person could be located in the Columbia Valley.

Foodie Tourism

There is a growing market for “culinary tourism” and agricultural tourism. This is evidenced by the winery tours and restaurants and helped by the online culture of ratings and destination options centred around good food and cultural experience.

The Columbia Valley is well positioned to take advantage of this trend with an already healthy tourist population used to higher end venues for food and drink.

One example of this shift is a successful restaurant in Vancouver called L’Abattoir. Per their website “Originally buttressed to the city's main butchery and meat packing district, the name L'Abattoir pays homage to the neighbourhood's colourful past”

C. PRODUCER PROFITABILITY

Having the ability to sell beef directly to local consumers allows producers much more autonomy in their decision making and potential for increase profitability. As of May 2013, the price a producer receives for a 1000+ lb. steer or heifer sold at auction to the feedlots of Alberta would range from \$1.00-1.20 per pound less trucking costs. If the producer were to take that same animal to the abattoir, they would pay \$100 for slaughter and 0.65-0.75 per hanging weight (roughly 50% of live weight) for processing and be able to sell that meat for \$4.00 per pound. Overall on average, this results in 25-50% more profit depending on finishing costs (grain feed, etc.). And the producer has the ability to put inventory into the system at a slower pace and therefore spread out his/her income rather than having income only once per year.

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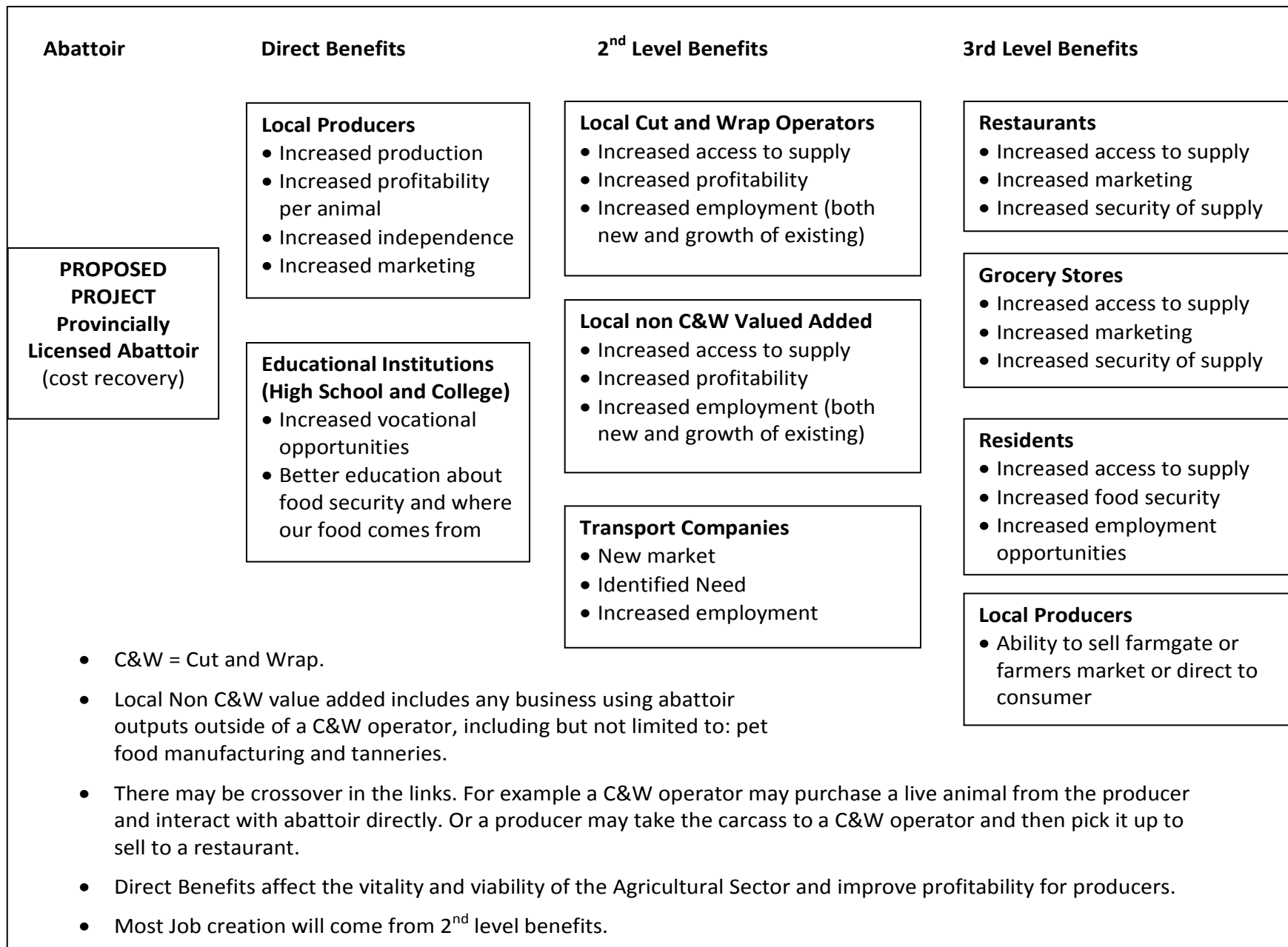


Figure 4. Direct and Indirect Economic Benefits

APPENDICES

Appendix A. 2010 WDFI Feasibility Study completed by Sun Communications and John Zehnder.

Appendix B. Last 2 years of WDFI Financial Statements

Appendix C. Projected Abattoir WDFI Project Profit and Loss Statement for 5 years

Appendix D. Cash Flow projections for 3 years