

Division of Marketing
Agricultural Development and Diversification (ADD) Program
1997 Grant Final Report

Grant Number 12089

Grant Title Poultry Processing and Marketing Project

Amount Awarded \$12,615.00

Name Tom Quinn

Organization West CAP
Glenwood City

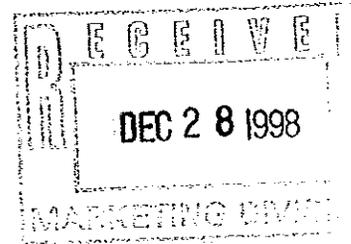
E-Mail tqinn@wcap.org

WEB

Department Contact: DATCP - Marketing - ADD Grants
PO Box 8911 Madison, WI 53708-8911
Tel: (608)224-5136
<http://datcp.state.wi.us>

Wisconsin Farmland Conservancy
Poultry Processing & Marketing Study
Final Report / Summary

Initial Business Plan Attached



Producer Organizing

The advisory committee for the project has met 15 times during the project. The Committee included John Mower, Dianne Kauffman, Jan Nitz, Pam Saunders, and Tom Quinn. Karla Miller, business development specialist for WestCap, and John Witherspoon and Ed Weber, staff of two regional RC&D agencies, have also been meeting with the group.

Two informational meetings were held for producers. One of these was a field day at the John Mower farm, with producers reviewing production and processing options. Fifty seven producers attended these meetings. Two surveys were mailed to producers during the project, with over 300 producers contacted. The second survey identified an initial group of producers who were already willing to commit a initial 10,000 birds of production to the mobile processing unit in 1999.

The project identified the needs of two groups of producers. One group is primarily concerned about direct marketing of birds to consumers. This group does not necessarily need a state or federally inspected plant, as long as they stay below the 1,000 bird annual limit. At the same time, these producers have told us that their ability to expand up to the maximum level is being severely limited by access to processing at a reasonable distance and price. The second group, with some overlap, is interested in expanding production in order to have access to a cooperative marketing effort. This type of marketing will require access to a federally inspected plant in order to be viable.

Processing

Federally Inspected Plant

The project has researched and evaluated the costs of building and operating a new federally inspected poultry processing facility. Our conclusion, after reviewing this option, is that owning and operating our own plant should be a second step. Instead, we have decided to look at options for contracting with an existing plant until our business volume is great enough to require more capacity. Several existing plants, and one new plant, have been contacted about potential partnership to provide processing services to our project.

We have identified one newly constructed plant, Burt's Hill, near Winona, Minnesota that has substantial unused capacity, and is anxious to contract with us to provide processing services. We have met with the staff of Minnesota's AURI program to explore ways that they could assist Burt's Hill in upgrading some of their equipment.

The key to making either of these options work is the need for an efficient transportation system to get the live birds to the plant. This will be the initial focus of our cooperative marketing effort in the next year. Most likely, this will involve purchasing and modifying a 16' - 18' goose neck trailer, and using a system of plastic cages. We believe that this trailer could transport up to 1000 birds at a time. The cooperative will develop a series of set pickup points where producers can drop off their caged birds. We believe that this system, operated efficiently, will allow us to ship birds at least 150 miles without a loss of quality.

Mobile Processing Unit

Because the needs of smaller, direct marketing producers will be difficult to meet with only a transportation system and central processing plant, the project has also decided to move ahead with development of a Mobile Processing Unit (MPU) that will serve the needs of direct marketers. Our plans provide for the MPU to be constructed on an open trailer bed that can be easily transported to a variety of locations. In the Fall of 1998, the project secured a loan and has proceeded with purchase and assembling of the MPU. The unit will begin operation in the Spring of 1999, and should be able to process up to 500 birds each day. The cooperative will provide trained operators and instructors, with producers providing much of the labor themselves.

The unit will be scheduled by the cooperative to be in a location that can service several smaller producers at a time. Producers will be required to provide a substantial share of the initial \$7,000 capital investment. Producers will pay a per-bird fee to cover expenses. Our projections indicate that this service would process between 15,000 and 25,000 birds in the first year. Fees will be set at a level that covers labor, coordination, and transportation costs. Initial projections show that we can process birds for about 60 cents each - which is about half the cost most producers are paying now.

Marketing

The project has received assistance from the AURI Program in Minnesota in looking at marketing options. They have provided us with copies of a market survey completed for them. We have also been meeting with CROPP staff to review the information that their marketing department has been gathering. We are also continuing to participate in marketing and quality study of the UW- Center for Integrated Ag. study that is developing information about consumer and nutritional comparisons between conventional poultry and pastured poultry.

During the next year, the project will be a partner in a SARE grant that will be conducting direct consumer research on preferences for organic and natural meats. This project will be a collaborative effort that will include producer groups and state Ag. Departments in Wisconsin, Minnesota, Iowa, and North and South Dakota.

Business Plan

The attached business plan outlines our projections for the operation of the mobile processing unit in 1999. The project will also move to complete an initial business plan for the cooperative marketing effort in 1999. The project will continue to work with the Coulee Region Organic Produce Pool to explore ways to coordinate development of this marketing initiative.

COMMON GROUND

The Newsletter
of the
Wisconsin
Farmland
Conservancy

INSIDE

2) New tax laws-
Bluffland Stewards
5 Finding Fairness in Local
Land Use Plans
6 Poultry Processing Project
moving right along
**MEMBERSHIP FORMS
ENCLOSED—JOIN OR
RENEW TODAY**

Fall & Winter 1998

Volume IV, Number 2



BLUFFLANDS

Preserving Wisconsin's Unique Natural Heritage

by Tom Quinn

Some call it "America's Greenway." To others it is the "Central Park" of the midwest. It is an area that has a little bit of everything that makes Wisconsin's landscape so special: diversified farms, unique small towns, spectacular views and special habitats. Best of all, a river runs through it.

The blufflands area along the upper Mississippi and the St. Croix rivers presents quite a contrast to the gently rolling hills and prairies that cover much of the northern Midwest.

Wooded bluffs tower over creeks and rivers and farmsteads nestle in valleys, resulting in some of the most beautiful scenic views in the country.

Visitors from other parts of the country are often surprised at the largely unspoiled character of the blufflands. There seems to be another

beautiful view around every curve in the road and the historic villages along the river have retained their small town character and friendly welcome. They are even more amazed to realize that the blufflands have been preserved largely by hundreds of private landowners, many of whom have cared for this land for generations.

The importance of the Blufflands goes beyond the scenery. It is one of the most ecologically diverse areas in the Midwest.

Some of the country's rarest species of plants and animals are still found in the area's miles of rugged terrain, coldwater springs, caves and sinkholes. Rare ice-age plants and animals still survive

continued on page 3

Saving a Little Piece of Paradise

by Rebecca Kilde

We're living near a biological gold mine here in west central Wisconsin, and we have a chance to preserve a good part of it.

The Lower Chippewa River Valley has over 2,000 acres of prairie, which is the largest known concentration of prairie and savanna left in the state,

and represents more than 25 percent of all remaining prairie and savanna remnants in Wisconsin. The prairie and savanna habitats support a rich diversity of plant and animal life, including many endangered and

continued on page 7

Chickens to Go

A new cooperative and a mobile processing unit peck away at barriers to profits for small-scale poultry producers.

by Rebecca Kilde

People like to eat chicken, and they like to buy natural and organic chicken from local producers. "We found that no matter how many chickens we grew, people still wanted more," said Jan Nitz, a Stanley, Wisc. chicken grower and the coordinator for the Wisconsin Farmland Conservancy's Poultry Processing Project.

While demand seems to be strong, access to processing is a significant obstacle to increasing production for many small producers in west central Wisconsin.

Wisconsin law mandates that farmers use USDA-inspected facilities to process their birds if they sell more than 1,000 a year.

USDA-inspected plants, or any processing facility for chicken, are rare in the area. "Few farmers have reasonable processing options open to them. Most production is limited by the number of birds the farmer can process by hand, or by the cost of hiring off-farm processing and travelling to those facilities, not the 1,000 bird limit," said Nitz.

This puts small producers interested in expansion in a trap. They either have to stay too small to be profitable, or get huge to cover transportation costs to a USDA-inspected facility.

The Poultry Processing Project, started in January 1997 to look at starting a poultry producers' cooperative that could serve the processing and marketing needs of small-scale producers. The Project initially focused on the feasibility of building a poultry processing plant in west central Wisconsin that would be available to members of a Poultry Processing Cooperative (see sidebar for more information about the Cooperative). The cost of a small plant with no capacity for expansion for processing value-added products would be around \$250,000.

A survey sent out earlier this year

to local producers showed that most producers in the area are not yet at the production level to support the debt and risk involved in building even a small plant.

If you can't get the chickens to the processor, the committee members reasoned, why not take the processor to the chickens?

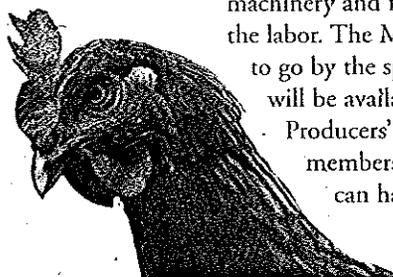
The committee decided that a Mobile Processing Unit (MPU), a processing plant on wheels, would be a good fit for the needs of the

Cooperative's future members for a less expensive processing option, with a lower initial capital investment for the Co-op.

The Wisconsin MPU, one of just four in the country, include killing cones, a dunker/scalding, a spin picker, stainless steel tables, chill tanks, a power generator and a pressure wash system, all mounted on a trailer.

This self-contained unit will be hauled from farm to farm. A trained operator will travel with the trailer to supervise the use of the machinery and farmers will supply the labor. The MPU will be ready to go by the spring of 1999, and will be available to Poultry

Producers' Cooperative members (see box). "We can hardly wait to start using this



New Co-op is Not Just for the Birds

Wisconsin Farmland Conservancy's Poultry Processing Project Committee and West CAP (West Central Wisconsin Community Action Agency, Inc.) are working together to create a business plan for a Poultry Processing Co-op, including guidelines, production methodology, membership investments and contractual agreements. This winter, an advisory board will be established. As the Co-op evolves plans for a transportation system, marketing strategies and value-added products will be developed.

"We think there is tremendous income enhancing potential here. This is a wonderful community-based development project for the area, and we're very happy to be involved," said Karla Miller, West CAP's Pleiades Project Director.

The Pleiades Project takes its name from the "seven sisters" constellation, reflecting the seven counties of west central Wisconsin. The program promotes the creation of locally owned and operated businesses.

The Co-op will be up and running by January 1999, and should have 40 member producers by the end of next year. Membership levels will be based on levels of participation.

An agricultural co-op is formed by farmers and other producers to process and market their products or to provide supplies needed at a lower price. There are several principles that make a co-op different from other businesses.

- *Members own their co-op. Members provide the capital necessary for start-up and growth of the business.*
- *Members control their co-op. Each member gets one vote, regardless of the amount of equity they have invested in the co-op. The board of directors is elected by the membership.*
- *Members benefit from their co-op. Profits are distributed to the members in proportion to each member's use of the co-op.*
- *Membership is a privilege, but equally important is a commitment and responsibility to use production methods following co-op guidelines.*

Please contact Jan Nitz at 715-644-4917 for more information.

Business Plan
for

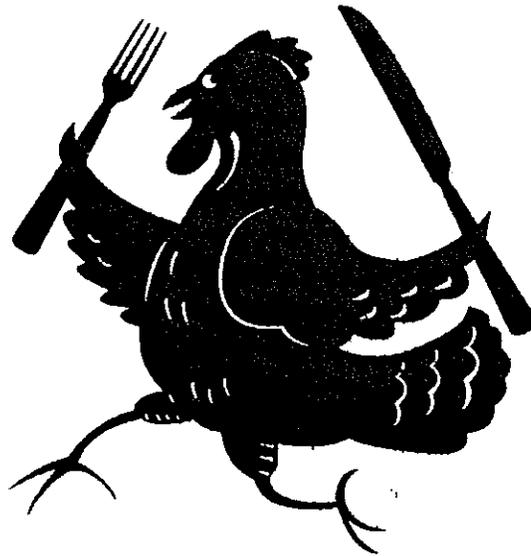
Poultry Producer Cooperative

c/o Wisconsin Farmland Conservancy

500 Main Street #307

Menomonie, WI 54751

November 9, 1998



**All the indicators point to pastured, home processed poultry as one of
this century's best family farm enterprises.**

Pasture Poultry Profit\$ by Joel Salatin

Table of Contents

Executive Summary.....	1
Mission Statement.....	2
Business Description.....	3-7
Demand for the Product.....	7
Product/Service Description.....	9
Future Products/Services.....	9-10
Suppliers and Vendors.....	11
Environmental Impact.....	11
Market Analysis.....	11-12
Industry Description.....	12-13
Target Market.....	13
Competitors.....	14
Marketing Plan.....	14
Management Team.....	14
Financial Plan.....	15-17

Executive Summary

A group of poultry producers that have been meeting since January 1997 are proposing the start-up of a cooperative business to provide services to pastured, organic and natural chicken producers in the seven counties of west central Wisconsin. The cooperative is being formed to increase the earning capacity of its members through the purchase of a mobile processing unit (MPU) for on-farm poultry processing, orchestrating the group purchase of feed, standardizing the production of high quality chickens and value-added products, and defining and securing markets for its member/owners.

The components of the mobile processing unit will be purchased in the Fall of 1998 and a prototype constructed by members of the poultry project steering committee. They will test the lay-out and processing capability and capacity of the unit to determine the most efficient and effective lay-out of the unit. In January 1999 the cooperative will be formed and a board of directors elected by the membership. The MPU will be available for use by co-op members beginning March 1999. The MPU will be brought to farms by a trained operator. The cooperative will provide 2-gallon plastic bags to the farmers at a cost of 10¢ per bag.

Best case projections indicate a demand and capacity to process close to 30,900 chickens for 75 producers the first year of operation. The business will generate \$23,175 in total revenue and incur expenses of \$15,855 with a profit of \$7,320. The co-op will make at least \$3,000 available for repayment of the loan.

Worst case scenario calls for processing 11,100 chickens for 40 producers. The revenue generated will total \$8,325 and expenses will total \$6,845 for a profit of \$1,480. The co-op will make \$1,400 available for repayment of the loan.

During 1999, the business will pursue cooperative transportation of chickens to a designated USDA-certified plant for processing and will begin the process of defining and securing markets for chickens processed through this facility.

The project steering committee is comprised of John Mower, Jan Nitz, Tom Quinn, Pam Saunders, and Diane Kaufmann. They have combined experience as pastured poultry producers of 30 years. Ms. Kaufmann and Mr. Mower are involved in a 2-year project funded by a Sustainable Agriculture Research and Education grant to test the superiority of their pastured poultry regarding flavor, texture and nutritional value. The research will also measure quality of life issues for producers including economic and labor issues.

Mission Statement

The Poultry Producer Cooperative's mission is to form an association for pastured, organic and/or natural poultry producers to increase earning capacity. The cooperative will purchase a mobile processing unit for on-farm poultry processing, orchestrate the cooperative purchase of feed, assist with the standardized production of quality poultry, and define and secure markets for its member/owners.

Business Description

The Poultry Producer Cooperative is a start-up venture serving the needs of its member/owners. It will be incorporated as a cooperative business under the Wisconsin cooperative statute 185. As a cooperative the business will adhere to the 7 internationally recognized cooperative principles.

A cooperative (co-op) is a business owned and controlled by the people who use its services. According to *Cooperation Works!* by E.G. Nadeau and David J. Thompson,

Since the last half of the 19th century, cooperatives have been a means for farmers to get a better deal in the marketplace. By purchasing supplies, borrowing money and selling farm products through co-ops, producers have been able to create a more equitable relationship with large agricultural companies and banks. The value-added cooperatives that have emerged in North Dakota and Minnesota in the past two decades provide renewed hope for family farms, for agricultural towns and villages, and for all of us who value self-reliance and a sense of community.

The Poultry Producer Cooperative's mission is to form an association for organic and natural poultry producers to increase earning capacity. These producers may use several different production methods.

Pastured poultry describes a production method where chickens are moved to fresh pasture on a daily basis. This is accomplished using a bottomless, portable pen originally pioneered by Joel Salatin that is light, sturdy and economical for producers.

The generally accepted definition for organic foods are those produced without the use of artificial chemical pesticides, fertilizers, or the routine use of animal antibiotics and other drugs. Genetically engineered products are also prohibited. By skillful husbandry, the organic farmer produces strong, healthy and nutritious crops and builds natural soil fertility. To sell these products as organic, producers must complete a certification process with a recognized national certifying organization. Organic farming has a special niche within value-added agriculture. It is also part of a broader movement called sustainable agriculture which means using farming techniques that can be carried out for the indefinite future without degrading the land and water.

These methods for raising the chickens have been time-tested and work well, yet the producers are finding that they are in need of on-farm processing capabilities that will increase the efficiency of processing their chickens. The two biggest barriers the organized cooperatives have experienced is inconsistent supply and unreliable quality. Most grocers do not want to go through the expensive process of making shelf and cooler space available to a supplier, only to find that they cannot meet the demand and they receive customer complaints and disappoint because of out-of-stock merchandise. Solving the supply and quality problems points to the need for the newly formed cooperative to work with new and existing producers to ensure the standardization of production to assure premium price is received for the products.

The project steering committee has been meeting since January 1997 and have explored a number of processing options. Many producers are interested in raising more chickens to increase their income potential and improve the overall efficiencies and economics of their farm operations. In the state of Wisconsin, a poultry producer is limited to a total of 1,000 birds that can be sold without using a USDA-certified processing facility. An early search for a USDA facility that was already processing chickens turned up one in Iowa, but they had a 6,500 minimum processing limit. Other facilities near to the region were only state certified which did not allow for expanded production. No coordinated transportation system existed and a pooled effort could not meet the 6,500 minimum.

The first option explored was the construction of a USDA-certified plant on one of the producer's farm. The plan was very innovative and included recycling of warm wastewater for heating the facility and was being planned as no-impact environmentally. The cost of constructing such a site was well over \$250,000 and was deemed too costly given the number of committed growers in the area. The cost of this option also proved to be prohibitive considering the facility could not be used all year.

Through ongoing discussions of solving the poultry processing problem, the project has identified barriers to increased production and also explored many models to determine the right solution for the problem. The ultimate goal has been to identify and secure a processing option that will allow for year-round processing of organic and naturally raised poultry.

Another important element of any business venture pursued by interested poultry producers was ensuring they could maintain the value they had added to their product. They wanted to assure control of the processing and marketing was in the hands of the producers so they did not end up on the losing end of the business, as is the case with many farmers. Many of the producers are pioneers in the production of pastured poultry and have spent upwards of 10 years developing their direct markets. In this way they have been creating a demand for a high quality product and do not want to lose the premium price they have garnered through their unique marketing efforts.

To fulfill this goal of the producers, a cooperative business model was chosen to create a pool of poultry producers interested in sharing best production practices, reducing the cost of transportation and processing, and sharing the risk in the venture. The cooperative model provides the best option for assuring these goals are met. Farmers joining the co-op will contribute equity to help capitalize the business. They will share in any surplus from the business based on patronage or usage of the cooperative.

In the fall of 1998, an advisory committee will be appointed to begin the process of organizing the cooperative. This committee will be dissolved once the cooperative is officially set-up and an organizing meeting can be held to elect a board of directors. The cost of membership in the cooperative will be determined prior to this organizing meeting and will be based on the goals and objectives that will be set forth over the next 3 months.

As a first step in organizing the Producer Cooperative and as a way to demonstrate the value of the cooperative model, the existing committee is proposing the purchase of a mobile processing unit (MPU) for use on farm by member/owners. The unit will be transported from farm to farm where processing activities will take place. The MPU will be brought to centrally located farms where a number of members may choose to transport their chickens to the site for group processing involving more remote farms or smaller processing batches. Each member/owner will be assessed a per chicken price to use the MPU. Cost of mileage for transporting the unit will be covered through the processing costs. The MPU will be available to the membership of the cooperative at a cost of .65 per bird processed and they will be given preference for use. Non-members will have access to the MPU, but at a cost of \$1.00 per bird processed. Initially, the MPU was proposed to be limited to member use only. After discussions with poultry producers and a local non-USDA processing plant (Marshfield), it was determined a market existed among persons who would not become members of the co-op, but would want access to on-farm processing. There is some discussion that the Marshfield processing plant may be closing at the end of the year and this further increases the demand for a processing unit. Revenue from use of the unit will be used for maintenance, mileage, staff costs, loan repayment, and other costs of operating the business. Any surplus profits will be distributed to the cooperative members based on patronage or use of the unit. It is assumed that for at least the first two years of operation, all surplus will be reinvested in the cooperative.

The Producer Cooperative will involve two levels of producers. The first group will be farmers interested in the MPU, but not interested in increasing their growing capacity beyond the 1,000 they can presently direct market to consumers. A second group will be producers interested in investing in the cooperative at a level that will allow them to expand well beyond the 1,000 birds they are limited to at this time, allow them to market these birds cooperatively to retail and wholesale outlets. The cooperative by-laws drafted will include creating two levels of co-op stock options.

The decision to build and operate an MPU was based on research done on other units operating in the United States. Their experience has been instructive regarding construction of a unit that can be self-sustaining over time. It is further the goal of the cooperative to use the MPU as an interim step toward increasing the earning capacity of organic and/or natural poultry producers in this region. The unit being proposed will be set up as a prototype and will be tested by three poultry producers during the last few months of 1998. They will become familiar with the equipment and will experiment with the trailer layout to determine the most optimal lay-out for processing. These farmers will then train other farmers once the MPU is fully online in March 1999. Their experiences will also be put into an operating manual that will be developed for use by members of the cooperative. Creating a standard for usage and best practices will minimize the maintenance on the unit and will ensure a standardized processed bird. The MPU is the first step in achieving the goals of the cooperative business. Other marketing options will be explored and implemented by the Producer Cooperative at a future date.

The Producer Co-op is aware of three mobile units in operation in the United States. In Kansas, JaKo, Inc. constructed a mobile unit which travels on an 8x20 foot car trailer with an underbed frame. It includes a JaKo scalding and picker. A used salad bar insert provides the cutting table and highway cones are used for the killing cones. The unit is stationed at headquarters and users pick it up and return it to the site. The set-up was financed through a grant from the Kellogg Foundation. At this point, there is money left over from the grant and the users pay only 25 cents per bird, which does not cover the operating expenses. Many of the first time users need training or practice by helping another producer. Some of the producers need to be taught how to butcher chickens as well as how to use the equipment which significantly slows the process. The unit is cleaned with a bucket of hot water from the kitchen and is then hosed off.

The Sustainable Farm Association in Minnesota purchased a used school bus and retro-fitted it as a mobile processing unit. The chicken processing is done on the bus in the enclosed space. Users pick-up the bus from the previous user and move it to their farm for processing. The users are charged 50 cents per bird which includes travel expense of up to 30 miles. There is a 100 bird minimum for use of the MPU. Because of the unskilled workers, processing this many birds can take several hours. They have determined that they break-even with 3,000 to 5,000 birds a year. When this facility was originally designed, they did have a person driving the bus and scheduling the processing, but the person did not effectively manage the position. The biggest cleaning problem they have encountered is removal of chicken feathers from the floor of the bus once processing is completed.

In New York State, the Resource, Conservation & Development Area (RC&D) funded a trailer and mobile unit through a project funded by Heifer Project International, with the newly formed Pastured Poultry Association providing in-kind services. The trailer carries a homemade scalding and picker. The unit is stored at the RC&D office when not in use. An employee of the RC&D delivers the unit to the user and picks it up after processing has been completed. An RC&D employee coordinates the scheduling of the unit and the agency provides insurance. Users are charged \$25-40 set-up fee for the first 100 birds plus 31 cents per mile round trip. After the 100 bird minimum has been reached, the user is charged 25 cents for each bird. The unit serves a 12 county area. If the unit has not been sufficiently cleaned at the time of pick up, the user is charged \$50.00 for this process. In 1997 there were 39 trips made by the unit and a total of 10,000 birds were processed. Those numbers are higher this year, though no official count has been compiled. This unit was funded by the RC&D on a trial basis as a way for potential poultry producers to test their interest in raising and butchering birds. The intent was for the mobile unit to be used one time by the producer to test their interest and commitment and then the farmer would purchase their own equipment. The total cost of the unit was about \$3,000, excluding the approximately 70 hours of labor for construction. The 25-foot long unit was built on the frame of a mobile home trailer with an original plan of keeping the shell intact so it could be used in any weather. But concerns about heat from the scalding creating an unbearable working space in warm weather and the difficulty of maintaining good sanitation led the staff to strip the trailer down to the frame. They extended and reinforced the frame with angle-iron and used a metal grating floor for easy clean-up with a hose.

The components of the system include:

- »» 5 poultry crates to handle live birds.
- »» 5 poultry kill cones to ensure proper bleeding.
- »» A propane-fired scalding fashioned from a metal drum capable of handling three or four birds at a time.
- »» A homemade 3 to 4 bird barrel-type feather plucker.
- »» A stainless steel processing table.
- »» Chilling tanks.
- »» Knives and scales.
- »» A 20 foot tarp that can be raised to provide shade or protection from the elements.
- »» Hookups for 110 volt electricity and water.

The MPU will be custom made by purchasing the pieces from various vendors and securing this equipment to a trailer. The layout of the equipment will take into consideration work flow during processing and general ease of usage. The mobile unit will consist of a scalding-dunker, picker, stainless steel table, chill tank, generator, and plastic killing cones. These items will be set up on a 8' trailer for ease of transportation. The MPU will include a portable, light-weight cover-up that will keep the processing area free from mosquitoes and flies, thereby increasing the effectiveness and safety of the on-farm processing. The cover-up will be made from a fine mesh netting to keep out insects and will have a water-proof top allowing for processing despite poor weather conditions. It is estimated that a mobile unit as proposed can process up to 100 birds per hour. Presently, the hand method of butchering can process approximately ten birds per hour. The processing equipment is readily available through a number of suppliers. A trailer is also readily accessible for conversion. The unit will be further designed with durability, accessibility and ease of cleaning in mind. A pressurized wash system for sanitizing the unit will be included in the design.

At present, there is no access to a mobile processing unit in west central Wisconsin. Purchasing efficient processing equipment is costly for one farm and would take many years for a pay-back to be realized. The mobile units that have been researched have been effective at providing the service to the farmers, but have not achieved financially feasible processing costs that cover the cost of operations and ongoing maintenance of the equipment because of low volume, staffing problems and not involving stakeholders in the project from the start. The other characteristics of this plan that enhances its potential for success are the options being offered to co-op members that will increase membership and the viability of business operations. The MPU allows for continued direct marketing of birds, the pool marketing of poultry being proposed offers strong potential for sales/revenue growth through affiliation with a successful marketing organization (CROPP) and the transportation and processing solutions being investigated will reduce the overall operational costs of expanding flocks and increasing production. These options were not offered by other groups setting up mobile processing units.

The MPU will be purchased in the Fall of 1998 at a cost of \$7,500 including the trailer.

Demand for the Product

Demand for “clean” food has been on the rise since the late 1970s. This means food that is free of artificial preservatives, coloring, irradiation, synthetic pesticides, drug residues, and genetic engineering. Clean food is also defined as retaining its maximum nutritional value through processing, packaging, transportation, and storage.

According to *Trends 2000*, a 1997 publication of the Trends Research Institute, “Factory-farmed animals and poultry [are] fed massive doses of growth hormones to make them grow faster, then . . . treated with massive doses of antibiotics to keep them alive and disease-free in the crowded, unnatural, inhumane, cost-effective quarters. More than twenty thousand chemicals [are] being used in the production of meats, and many [haven’t] been conclusively tested for harmful effects.”

While only 1.5 percent of the U.S. food supply was organic in 1995, this small fraction represents a growth rate of 25% over the preceding five years. By the year 2000, it is projected that nearly 10% of the food supply will be organic. While the cost of these products are higher, organic fruits and vegetables have been found to have up to four times more nutritional trace elements and fewer toxic trace elements than foods grown using synthetic pesticides. Studies show that organic produce has 63 percent more calcium, 59 percent more iron, and 60 percent more zinc. Five poultry producers in Wisconsin are presently participating in a 2-year study that could prove similar nutritional superiority in pastured, organic and free range poultry.

As far as the trend towards organics, an article in the U.S. News & World Report (May 18, 1998) states, “With or without standards, almost half of U.S. consumers say they are interested in purchasing organically grown products. People buy it with a sense that the food is better for them.” The Sustainable Farming Connection publishes The New Organics Index. According to this index: organic food sales were \$178 million in 1980 and have grown to \$3.5 billion in 1996. In five years this is projected to grow to \$10 billion. Among the nation’s top five food trends, organic foods is ranked number 1. In 1997 there were 12,000 organic farms, up from the 2,841 farms in 1991. In 1994 close to 1,130,000 acres of land were devoted to organic farming. The target market for organics was identified in the index: #1 = age group 40 to 49, #2 = 18 to 29; and #3 = 60 and older. Fifty seven percent of the upscale restaurants offer organic items on their menus.

The popularity of the pastured poultry production system pioneered by Virginia grazier Joel Salatin continues to grow on farms across the country. Coupled with an innovative direct marketing approach, one can squeeze a lot of income out of a little land, making it a perfect complement to other farm enterprises. Like the micro-brewery explosion of the early 1990s, there is a projected increase in the number of micro-farms starting up to challenge the food giants. According to *Trends 2000*, the specialty market for wholesome and natural food products is expected to penetrate close to 45 percent of the population to some degree by the year 2000. People will be seeking chickens that don’t need warning labels, eggs that can be eaten soft-

boiled, hormone-free dairy products and meats, milk minus antibiotic residues.

Product/Service Description

The first service offered by the cooperative will be access to the MPU. This will increase the ability of producers to market their birds directly to consumers. The producers presently offer on-farm processed chickens to a group of direct consumers they have found and nurtured over the past 5 to 7 years. Each producer in the work group raises and markets all the chickens they can raise on an annual basis. Their customers are usually persons concerned about the quality of food they eat and feed to their children. Part of the pastured poultry model includes securing your customers prior to raising the chickens. Most of the farmers contract with individuals to raise an agreed upon number of birds at a pre-determined price. In this way the operations are similar to Community Supported Agriculture (CSA) operations that have been increasing in popularity around the region. The product offered is a large bird that sells for between \$1.85 and \$2.00 per pound dressed. Farm to customer direct marketing has been building over the past 10 years, especially after the flood of salmonella poisoning and other bacteria being found on industrially raised and processed chickens. Chickens have been especially under attack after the Consumer Reports exposé on the contaminants found in chickens. This comes after years of people being concerned about the yellow dyes injected under the skin of commercially raised chickens, the antibiotics injected into these same animals, and the various food additives injected in poultry for purposes of flavor and color enhancement (much of it is sugar).

The producers in this cooperative are dedicated to sustainable poultry production without artificial enhancements. The quality of their product is hailed by their customers. In fact, the \$1.85 to \$2.00 per pound they receive is 1.3x higher than the lowest price found in supermarkets nationwide. People are willing to pay a higher price for a product they know is higher quality and better tasting. They also know the producer and recognize the importance of supporting their efforts to raise their products in a sustainable way. This type of poultry raising isn't just about economics, but also has many quality of life implications not only for the producer, but for their neighbors and the region as a whole.

Future products/services

The second phase of the project will create a poultry pool and arrange for a USDA plant for processing the chickens. A USDA plant will allow growers to exceed the 1,000 chicken limit and to expand their marketing. It also brings to light the additional challenge of transportation. Presently, three plants are being considered: 1) Pennington Market, Amery, WI owned by Hal Koller; 2) Burt's Hill processing plant in Utica, MN; and 3) A proposed plant in Lindstrom, MN. Each of these options have unique features leading to varying third phases of the project.

Pennington Market, Amery, WI — this plant was recently given USDA certification. It presently does not process chickens, therefore, the necessary equipment is not at the facility. The poultry cooperative would purchase the equipment which would be used by Pennington Market

employees. All profits from the poultry processing would belong to the cooperative. The cooperative would further have to develop a means for transporting the chickens to the plant in Amery. One strong advantage of the Pennington plant is their capacity for "value-added" processing resulting in additional products that serve more diverse markets (i.e. sausage, marinading, smoking).

Burt's Hill, Utica, MN — This facility can already process the chickens (it has the necessary equipment), but is quite a distance from the center of the cooperative's producer base. It is estimated that a round trip to the St. Charles Plant from Chippewa is 334 miles. This option eliminates the need for the cooperative to raise additional capital to install the processing equipment. It also provides trained staff and management. The disadvantages include the difficulty of transportation and the lack of value-added capacity.

The Lindstrom facility is still in the proposal stages. Contact has been made with the developer/owner of the facility and he is very interested in being considered as the processing plant for this cooperative venture. The facility is 136 miles from Chippewa Falls, involving fairly substantial travel time. The plant is scheduled to be up and running by the target date of June 1999 when the cooperative pool wants to do its first cooperative poultry run. The facility will purchase the birds on arrival for processing, eliminating the need to create marketing options during the third phase of the business plan. The facility is proposing the processing of 150,000 birds annually and would possible contract with the cooperative for a quantity of birds. The advantage to this plan is that the facility would offer cooperative members specifics on ration, breed and timeline for production. Bonuses would be available for higher quality birds. This method of operating significantly reduces the risk for the poultry producer by guaranteeing a large quantity purchaser up front. At this point in the discussion process, the owner of the facility is suggesting a price of \$1.40 per pound dressed. This is a very competitive rate for the quality of birds being produced. The owner of the facility feels that the MPU provides an excellent springboard for increasing regional production and to form the cooperative.

Transportation issues are the secondary issue needing to be solved. Once the processing facility is chosen and the cooperative cost considerations determined, a route needs to be established. This will involve the purchase of a trailer, hauling crates, and hiring/contracting with a hauler. Once the birds are hauled to the chosen site, the post-processing issues come to the fore. The processing plant either needs marketing and distribution capabilities or convenient access for a marketing association. Once the marketing and distribution plan is developed the cooperative needs to decide what type of labeling and identification they can and should use for their product. This will include nutritional analysis, logo design and brand name identification.

A producer survey is being sent out during the month of September with specific questions about involvement in the cooperative and to determine the interest in cooperative marketing of USDA processed birds. The mailing will further outline decisions that have been made to date. This will confirm the interest of the producers and lead to some financial projections based on the survey outcomes.

The producers are interested in developing a cooperative marketing and distribution methodology to meet the demand for their product. At this point, none of the processing plants offer marketing services and would only be interested in purchasing limited product for sale at their retail outlets. The cooperative will explore the options offered by the Coulee Region Organic Produce Pool (CROPP) to set up a poultry pool that would function to market and distribute processed poultry. CROPP was founded in the mid-1980s as a vegetable growers cooperative and quickly moved into the organic dairy field. Today, CROPP processes and markets over \$2 million (need to verify) of organic cheese under the Organic Valley label. They have recently ventured into the natural beef market and are finding a strong market in that product. They are interested in working with this producer cooperative to assist in the development of the market for pastured, organic and/or natural poultry. Their label is readily identifiable and recognized as a quality product.

If CROPP is not able to accommodate the poultry processors, the cooperative will begin exploration of creating their own label and develop marketing and distribution channels that meet the needs of the member/owners. The cooperative will also look into finding sources for organic feed for volume purchases. Many small poultry producers have encountered difficulty in finding a supply of the needed feed. If they are able to find the product, it is costly for small volume purchases.

Suppliers & Vendors

At this point, the producers work independently with their vendors to purchase needed feeds. At such point when the transportation and processing question is answered by contracting with one of the USDA processors, the production per farm will increase substantially. The cooperative will function as a negotiator for volume pricing on feeds and hatchery purchases.

Environmental Impact

The poultry producers interested in this cooperative association are interested in sustainable farming methods that reduce the need for antibiotics, artificial fertilizers, and pesticides. They do not use antibiotics, artificial fertilizers or pesticides on their field. They are interested in producing a quality product that is safe for human consumption. Any processing they perform on the farm will be looking to low or no impact. The offal produced from on-farm processing will be composted for use on other crops.

Market Analysis

A market survey was conducted in the Fall of 1997 to determine the number of pastured, organic and free-range poultry producers interested in working with other producers to make processing

more readily available. There were 73 respondents to the survey. Of the 59 who answered the question "If processing were more easily available, to what level would you consider expanding your production?", 71% (42) would expand. Many of the producers that had been meeting to discuss group or pooled processing options, were interested in increasing their raising capacity by having access to a USDA plant. Fifty-eight of the surveyed producers indicated they were content to raise 1,000 birds annually for direct marketing and 10 would increase their production to between 1,000 and 5,000 birds annually. The group found they had two distinct, yet compatible needs to meet. While rethinking the survey results, the producer committee concluded that they too would want to keep the direct customers they had worked so hard to find, along with exploring pooled marketing efforts that could assist them in selling the additional birds they could raise once access to a USDA plant was acquired.

Based on this survey, it is estimated that high end usage of the MPU would be close to 31,000 birds processed annually and the low end close to 12,000. Over 50 of the producers responding to the survey indicated they have been raising chickens from 2 to 10 years. Ninety-seven percent indicated they will continue raising poultry. Close to 50% of the producers surveyed self process their chickens. Just under 3% process at USDA plants and 24% use state inspected plants. The average price of processing is over \$1.67 per chicken. According to the survey, the highest number of respondents said they paid between \$1.25 and \$1.49 (11) for processing the with second highest group paying between \$2.00 and \$2.55 (7). At a USDA plant most indicated that \$1.25 was a fair price they would pay for processing. Ninety-one percent direct market to consumers and 9% sell to restaurants. The chickens are 50% sold fresh and 50% sold frozen. When asked if they would participate in a producer/marketing/processing cooperative, 29% said yes and 60% needed more information to make a decision.

The markets available for sales: special order sales through local co-op (Menomonie Market). Other co-ops in the region: Wedge, Minneapolis; Linden Hills, Minneapolis; Lakewinds, Minnetonka; Valley Natural Foods, Burnsville; Valley Co-op, Stillwater; Mississippi Market, St. Paul; Seward Co-op, Minneapolis; Whole Foods, St. Paul; Spiral Natural Foods, Hastings; and Copps, Eau Claire. Local gourmet restaurants within 50 miles of Menomonie include: Easy Creek, Arkansaw (20 miles); Cafe del Sol, Menomonie; Mona Lisa, Eau Claire (30 miles); Cafe Matisse, Menomonie; The Creamery, Downsville (6 miles); Harbor View Cafe, Pepin (40 miles); Bogus Creek, Stockholm (45 miles); Star Cafe, Stockholm (45 miles); Sweetwaters, Eau Claire (30 miles); Jake's, Menomonie (5 miles).

Industry Description

A competitive analysis was commissioned by Minnesota Project Innovation, Inc. to determine the competitive structure of the market in the Twin Cities metropolitan area. The analysis focused on free-range chickens, but has significance to the pastured and organic poultry producers as well. It is assumed that the consumer looks upon all three products as possessing

the attributes they are seeking: supporting local farm economy, humane treatment of animals, better flavor and texture, and free from antibiotics, drugs, dyes and contamination that has come to be associated with factory farming and large-scale processing. The researchers talked to 131 businesses in the Twin Cities to determine their source for free-range chickens. The number of customers varied with each business and the smaller operations have customer numbers that range from 100 to 3,300 individuals.

They were not able to uncover the exact sales figures, though they were able to glean anecdotal information on the market. Many of the larger producers/distributors felt that the market had reached a saturation point, where the smaller producers reported a steady increase in their production and sales over the years. It is very possible that the larger companies are experiencing some of the fallout from the negative press received about contaminated chickens where the culprit seemed to be large processing plants. Some of the direct marketing efforts of the smaller producers may have taken some of the sales from the larger companies, though this seems unlikely given the volume they produce annually. It is also possible that the large producers have reached a plateau in the traditional markets they serve and that growth in sales needs to come from building new accounts. One producer interviewed indicated that the market has been declining over the last three years probably as a result of several under qualified, inexperienced businesses entering the market with poor results. One grower indicated they began operations in 1988 with 1,500 birds and are now raising about 20,000 birds annually.

Annual production statistics for 1998 were provided by the U.S. Broiler Industry. They estimate that more than 8 billion chickens were processed and more than 27 billion pounds of ready-to-cook product was produced; an increase of 9 billion pounds since 1990. The value of the shipments were \$27 billion. Nearly 74 pounds of chicken are consumed per person per year. This is a 164% increase since 1960 when 28 pounds per person were consumed.

Target Market

Initially the producer cooperative will rely on the direct marketing efforts of the producer to sell their product. As the cooperative moves into the second phase of operations which entails transportation to a designated site, the direction of the cooperative members may diverge as their time commitment and production capacity determines whether they will engage in the pooled marketing effort. The charter cooperative members are recognizing that there will be two classes of co-op members for this very reason, but they feel that the cooperative will meet the needs of both members. Charter members know they will want to continue to meet the demand of their direct market clients, but they also want to increase their production to enhance their earning capacity.

The primary market for the processed chickens are consumers interested in purchasing a high quality, superior tasting product. There is evidence that interest in "clean" food is not exclusive to any age group, but does tend to be stronger amount the 35-50 and 60+ age groups. These are also the consumer groups which tend to have higher income. The 60+ age group recognize the

flavor and texture of the chicken as that of their youth when many of them were either living on a farm and raising chickens or had neighbors and friends that provided them with this product. The 35-50 age group is the one credited with the existing movement of natural foods cooperatives that abound in the Midwest. Many of them have been supporting the natural foods cooperative groceries for years and have been instrumental in expanding the demand for healthy, organic products.

Competitors

Over 99 percent of production is handled by 50 companies which operate 190 processing plants nationwide. Forty-seven percent of the chicken is sold to grocery stores and other retail outlets. Thirty-five percent is sold to food service outlets and 18% is exported. The companies that control the market are vertically integrated and control and contract all phases of production and processing from the hatchery through retail delivery. Many of these companies have begun introducing free-range chickens and have embraced the "natural" designation for their products. Their lower priced products could impact the sales potential for this product.

Marketing Plan

The marketing and distribution of USDA-certified chickens will either be done by the co-op staff through direct sales with stores and restaurants where possible, in partnership with CROPP to reach regional and national markets, or will be the responsibility of the processor. Working with CROPP will allow producers to make use of a successful marketing cooperative that has been bringing from farm-to-market: organic cheese, organic liquid milk, eggs, organic dry milk, and naturally-grown beef products.

Direct marketing efforts will continue to be the responsibility of the individual farmer. As the cooperative organizing progresses and the products and the services are reviewed, there may be a decision to assist with direct marketing through a recognized cooperative logo that could be incorporated onto a label with the name of each farm. The cooperative could also provide a plan for group advertising and promotion to increase the awareness of pastured poultry and organic chicken.

If the cooperative successfully negotiates a contract with the Lindstrom facility, the marketing efforts may need to be more inwardly focused. If a contract is signed to provide thousands of birds, the co-op staff will need to work to find co-op members to ensure the contract is met. These plans and options will be reviewed during the organizing and start-up phases of the cooperative.

Management Team

Members of the project steering committee that has been meeting since January 1997 are as follows:

Jan Nitz — Ms. Nitz has been raising pastured poultry for 3 years. Since May, Ms. Nitz has served as part-time staff on the project and has organized research and producer outreach. She is president of Wisconsin Women's Sustainable Farmers Network.

Diane Kaufmann — Ms. Kaufmann has been raising pastured poultry for 8 years. She is the editor of the American Pastured Poultry Association's newsletter Grit! She is involved in the SARE study being conducted by UW-Madison.

John Mower — Mr. Mower has been raising pastured poultry for over 8 years. He is also involved in the SARE study. He is presently experimenting with ways to raise chickens year round.

Technical assistance with this project is being provided by:

Tom Quinn — Mr. Quinn is Executive Director of the Wisconsin Farmland Conservancy. He has worked with this group since its inception and worked on the feasibility study for the project. Funding for the feasibility study was provided by a Wisconsin Agriculture Diversification and Development grant.

Karla Miller — Ms. Miller is Director of West CAP's Pleiades Project. She is working with the project steering committee to develop and write the business plan. Funding for the business planning was provided by the Wisconsin Department of Commerce - Community Based Economic Development.

Pam Saunders — Ms. Saunders is coordinator of the Meat Pool for the Coulee Region Organic Produce Pool (CROPP).

Financial Plan

The financial plan was developed based on survey results. The responding producers indicated levels of production they would expand to if a processing unit was more readily available. The low end projections assumed 40 producers would be involved in the cooperative and would result in 11,100 birds being processed in the first year of operation. The cash flow is tight under this scenario, but still results in a loan payment of \$1,400. The high end projections assume 75 producers resulting in 30,900 chickens processed. The cash flow is a little tight initially, but strengthens substantially during the peak months. At the end of the first year of operation projections indicate a loan payment of \$3,000. The cooperative serves the needs of its members and based on increased production of poultry it is further estimated that poultry producers could see an income increase of between \$25,000 and \$150,000 depending on price received for dressed birds and overall cost of production (profit).