



GREEN LAKE COUNTY

571 County Road A, Green Lake, WI 54941

Original Post Date: 4/17/2024

Amended Post Date:

The following documents are included in the packet for the Economic Development Corporation Committee Meeting on April 18, 2024:

- 1) Agenda
- 2) Minutes – 03/21/2024
- 3) Green Lake County Economic Energy Plan
- 4) CO-OP ARPA Request Letter
- 5) CO-OP Economic Feasibility Excerpts
- 6) Ron Thiem EDC Resignation Email



GREEN LAKE COUNTY OFFICE OF THE COUNTY CLERK

Elizabeth Otto
County Clerk

Office: 920-294-4005
FAX: 920-294-4009

Economic Development Corporation Meeting Notice

Date: Thursday, April 18, 2024 Time: 8:30 AM
The Green Lake County Government Center, County Board Room
571 County Road A, Green Lake WI

AGENDA

Corporation Members

Scott Mundro, Chair
Scott Sommers
Sara Rutkowski
Lisa Meier
Ron Thiem
Harley Reabe
Mary Neubauer

Elizabeth Otto, Secretary

Virtual attendance at meetings is optional. If technical difficulties arise, there may be instances when remote access may be compromised. If there is a quorum attending in person, the meeting will proceed as scheduled.

This agenda gives notice of a meeting of the Economic Development Corporation Committee. It is possible that individual members of other governing bodies of Green Lake County government may attend this meeting for informative purposes. Members of the Green Lake County Board of Supervisors or its committees may be present for informative purposes but will not take any formal action. A majority or a negative quorum of the members of the Green Lake County Board of Supervisors and/or any of its committees may be present at this meeting. See State ex rel. Badke v. Vill. Bd. of Vill. of Greendale, 173 Wis.2d 553, 578, 494 N.W. 2d 408 (1993).

1. Call to Order
2. Certification of Open Meeting Law
3. Pledge of Allegiance
4. Minutes: Review & Approval of 03/21/2024
5. Public Comment (3 minute limit)
6. EDC Appointments
7. Discussion and Possible Action on Green Lake County Economic Energy Plan
8. Discussion and Possible Action on Co-op ARPA Request
9. Discussion and Possible Action on Resignation of Ron Thiem
10. EDC Bylaws Discussion
11. GLCVB Update and Discussion
12. President's Report and Discussion
13. Treasurer's Report – Discussion and Possible Action
14. Committee Discussion
 - Future Meeting Dates: May 16, 2024 @ 8:a.m.
 - Future Agenda Items for Action & Discussion
15. Adjourn

This meeting will be conducted through in person attendance or audio/visual communication. Remote access can be obtained through the following link:
Microsoft Teams meeting

Microsoft Teams meeting

Join on your computer, mobile app or room device

[Click here to join the meeting](#)

Meeting ID: 285 899 556 97

Passcode: wdxKk8

[Download Teams](#) | [Join on the web](#)

Or call in (audio only)

+1 920-515- United States, Green
0745,,18635165# Bay

Phone Conference ID: 186 351 65#

[Find a local number](#) | [Reset PIN](#)

Please accept at your earliest convenience. Thank you!

[Learn More](#) | [Help](#) | [Meeting options](#) | [Legal](#)

Kindly arrange to be present, if unable to do so, please notify our office. Elizabeth Otto, County Clerk

Please note: Meeting area is accessible to the physically disabled. Anyone planning to attend who needs visual or audio assistance, should contact the County Clerk's Office, 294-4005, not later than 3 days before date of the meeting.

ECONOMIC DEVELOPMENT CORPORATION

March 21, 2024

The regular meeting of the Green Lake County Economic Development Corporation Board of Directors was called to order by Chair Scott Mundro at 8:34 AM on Thursday, February 15, 2024 at Green Lake County Government Center, County Board Room, 571 County Road A, Green Lake, WI. The meeting was held both in person and via remote access. The requirements of the open meeting law were certified as being met. The Pledge of Allegiance was recited.

Present:	Scott Mundro	Absent:	Sara Rutkowski
	Harley Reabe		Ron Thiem
	Lisa Meier		
	Liz Otto		
	Scott Sommers		

Also Present: Cate Wylie, County Administrator; Tony Daley, Berlin Journal (remote); Keri Solis, Marquette County (remote)

MINUTES

No quorum at February meeting so those minutes will remain unofficial. *Motion/second (Neubauer/Sommers)* to approve the minutes of October 25, 2023 and November 16, 2023. Motion carried with no negative vote.

PUBLIC COMMENT – none

EDC CHECKING ACCOUNT UPDATE

County Clerk Liz Otto stated that the EDC checking account has been opened with Horicon Bank and the budgeted funds from Green Lake County have been deposited in the amount of \$26,168. Otto stated that there is a minimum balance requirement of \$500. *Motion/second (Reabe/Meier)* to purchase checks for the account. Motion carried with no negative vote.

BRANDING UPDATES

University program through UW-Madison discussed. Lisa Meier will contact the City of Waupaca to find out more since they are a part of the program. Correlation between EDC and GLCVB branding efforts discussed. Scott Mundro will follow up on that next month.

FINANCIAL CONDITION REPORT

Scott Mundro gave an overview of the financial report submitted in the packet. *Motion/second (Sommers/Neubauer)* to accept the financial report and submit it to the County Board. Motion carried with no negative vote.

ANNUAL WRITTEN REPORT

Scott Mundro gave an overview of the annual report as well as the EDC timeline and history which was provided by Mary Neubauer. Scott Sommers expressed appreciation for the work involved in the timeline and history. Suggestion from County Administrator Cate Wylie to include projects and impact in the future. *Motion/second*

(Meier/Neubauer) to accept the annual report with the history and timeline and forward to County Board for the April meeting. Motion carried with no negative vote.

EDC BYLAWS

Changes discussed to 2022 version of bylaws in the packet including virtual attendance and voting. All members should review the current bylaws and submit possible changes and/or updates to Scott Mundro.

GLCVB UPDATE

Scott Mundro reported that GLCVB is working on their rebranding/renaming of the organization and acquiring website titles, etc. He is requesting more information from them to provide to EDC for monthly reports.

PRESIDENT'S REPORT

Scott Mundro gave information on a possible coop being formed by area residents for a USDA certified animal processing facility in Green Lake County. He will provide more information as it becomes available.

TREASURER'S REPORT

County Clerk Liz Otto stated that the balance in the housing grant account as of February 29, 2024 was \$117,646.23. *Motion/second (Reabe/Sommers)* to accept the treasurer's report. Motion carried with no negative vote.

COMMITTEE DISCUSSION

Next regular meeting: April 18, 2024 @ 8:30 AM

Future Agenda Items for action & discussion:

ADJOURNMENT

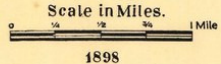
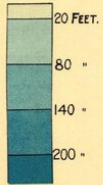
Scott Mundro adjourned the meeting at 9:35 AM.

Submitted by

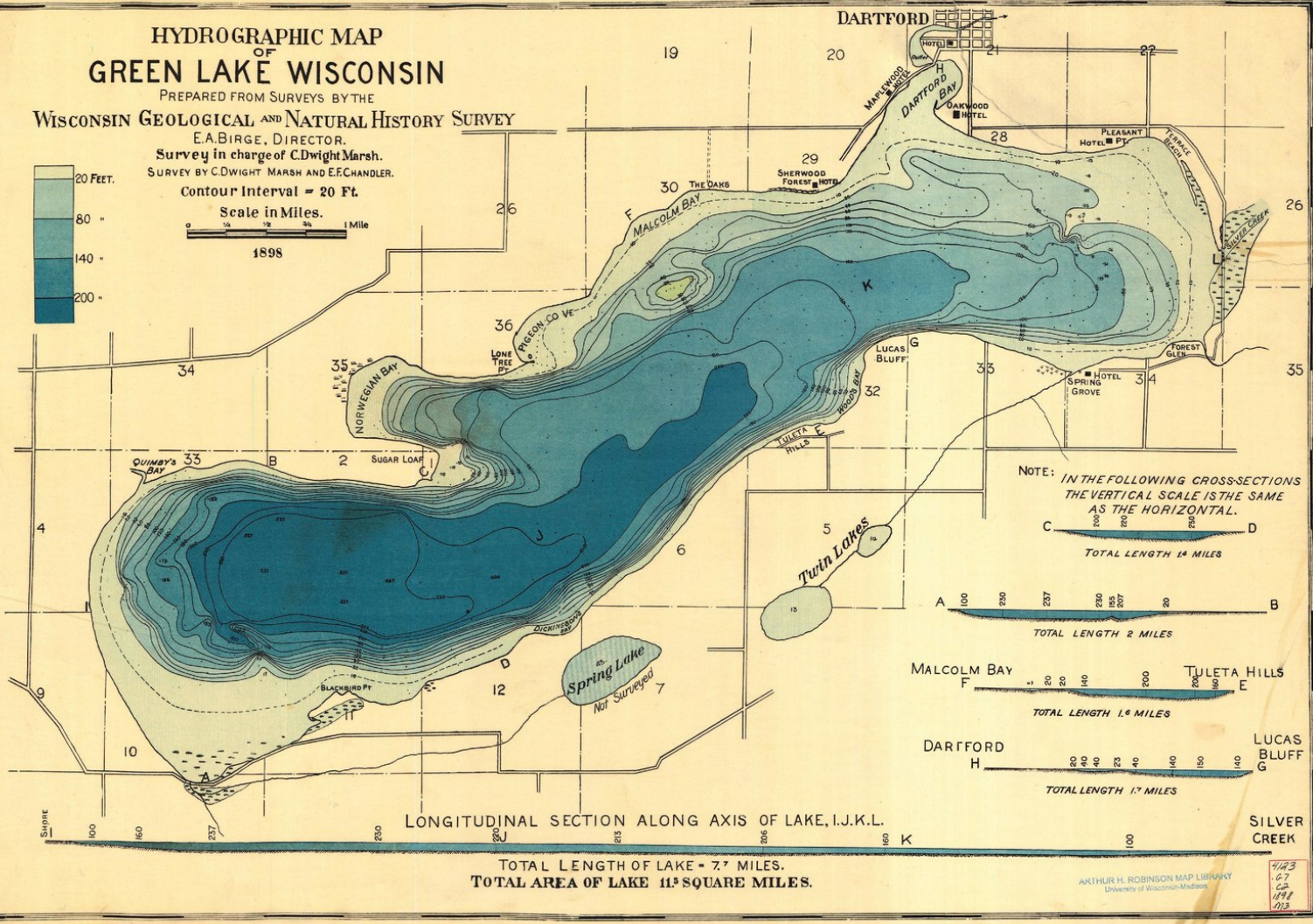
Liz Otto
County Clerk

HYDROGRAPHIC MAP OF GREEN LAKE WISCONSIN

PREPARED FROM SURVEYS BY THE
WISCONSIN GEOLOGICAL AND NATURAL HISTORY SURVEY
 E.A. BIRGE, DIRECTOR.
 Survey in charge of C. Dwight Marsh.
 SURVEY BY C. DWIGHT MARSH AND E.F. CHANDLER.
 Contour Interval = 20 Ft.
 Scale in Miles.



1898



NOTE: IN THE FOLLOWING CROSS-SECTIONS THE VERTICAL SCALE IS THE SAME AS THE HORIZONTAL.

LONGITUDINAL SECTION ALONG AXIS OF LAKE, I.J.K.L.

TOTAL LENGTH OF LAKE = 7.7 MILES.
 TOTAL AREA OF LAKE 113 SQUARE MILES.

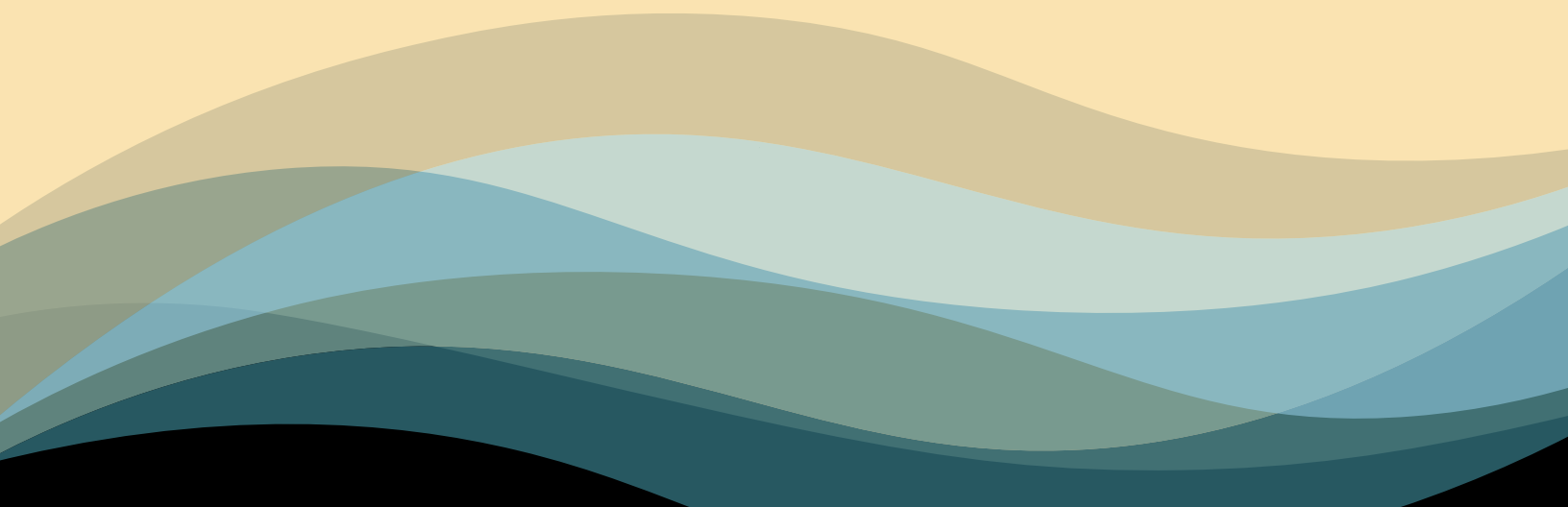
ARTHUR H. ROBINSON MAP LIBRARY
 University of Wisconsin-Madison

4123
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 1898
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387.5
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 Library 91

Green Lake

GREEN LAKE COUNTY ECONOMIC ENERGY PLAN





SPARK TOWNS

We enthusiastically submit this proposal for review. By leveraging "energy" as a stand-in for economic vitality, creative capacity, workforce attraction, and quality of life, our approach offers Green Lake County the opportunity to build a strategy around its local businesses, innovators, artists, and remote workers, strengthening its community identity to attract and retain the people that will bring about your brightest future.

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CONTACT INFO

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Princeton, WI 54968
952.237.5126
greg@sparktowns.com

THE BIG OPPORTUNITY

Place stopped existing as we know it. The digital era initiated this paradigm shift, but the pandemic accelerated our understanding and application of it. People now live and work in different cities. Companies orchestrate production nowhere near their raw materials. Independent contractors piece together successful project teams that will never meet in person. The digital age has massively transformed the role of place in our economies.

This shift is the driving force behind emerging economic development strategies like placemaking and ecosystem building that focus on the “enabled serendipity” that occurs when innovators and entrepreneurs, who can choose to live anywhere, are attracted to and supported by vibrant and fluid communities. The investments driving these strategies recognize that the next big impact is always just one accelerated connection away.

Most economic development plans, however, are still largely based on an outdated sense of place. Site planning, TIF incentives, and fixed and singular uses of spaces and equipment are limiting innovation, even as many of these strategies have proven less effective than we’d hoped.

The Brookings Institution recently published a study of small midwestern towns that demonstrated quality of life investments are having more economic impact than traditional business-climate strategies. Green Lake County is perfectly situated for similar approaches. Its proximity both to the urban amenities of Madison and Milwaukee and the outdoor adventure of the lake and Upper Fox River make it an exceptionally attractive place to live. However, its communities will thrive the most when it leans into the new economy and feels like a place that is ready to support creative and innovative people.

To succeed there, we will lean into strategies that support innovation, the creative economy, and remote work, thinking through resources and amenities that will make more visitors see the

possibility of a vibrant, new-economy life here. We will also look to strengthen visibility and support for the existing businesses and residents already engaged in this new-economy transformation.

To maximize this strategy, we will also look at the varied municipalities across Green Lake County as a network of collaborating places that work together to provide the strongest quality of life and economic support. We will look for opportunities to streamline and expand access to resources that will not only stabilize Green Lake County’s existing local businesses, but also invite more people to take the leap into entrepreneurship.

To support that growth, we will look at investment strategies like revolving loans, creative TIF programs, economic gardening, and venture capital networks that rethink how Green Lake County spends its economic development resources to invest more in growing local businesses and wealth.

We will also lean heavily into your strong arts and tourism reputations. This is a piece of the puzzle I can offer uniquely. My specific work transforming an arts organization into an engine of creative economic development and subsequent work I did within that role helping other arts leaders make similar shifts positions me to engage your existing resources as a central component of this strategy. You have such deep value there already. I can help you position it successfully.

If people can choose to live anywhere, there is no reason Green Lake County, with its high quality of life, shouldn’t be experiencing an economic boom! We will build out a plan that focuses on the best projects to make use of this opportunity, building in metrics and evaluation tools to ensure investments and their outcomes are data informed and having the impact intended.



APPROACH

Spark Towns applies emerging research in zoning, social capital, placemaking, and ecosystem building to help communities understand and enhance the energy fueling their economies.

The research is clear. Communities build their strongest economies when they invest in their local entrepreneurs. This is a big shift from decades of economic development focused on site planning and tax incentives that lured outside businesses to town. To help you make this shift, we embed ourselves in your community to map out the people, projects and support programs that will energize your most innovative people and grow your most productive sectors.

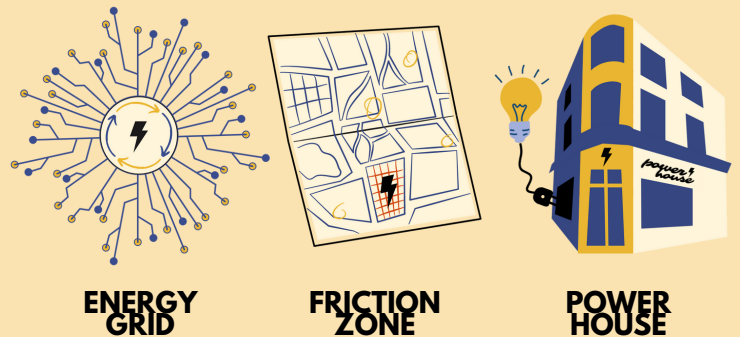
PLACE-BASED ECONOMIC DEVELOPMENT

We do this work at three levels of place. We start with your energy grid, understanding how your communities form an economic region. We look at data to understand the state of your economy and map out resources that are supporting innovation at the local, county, and state levels. Often those resources are invisible to the people who most need them.

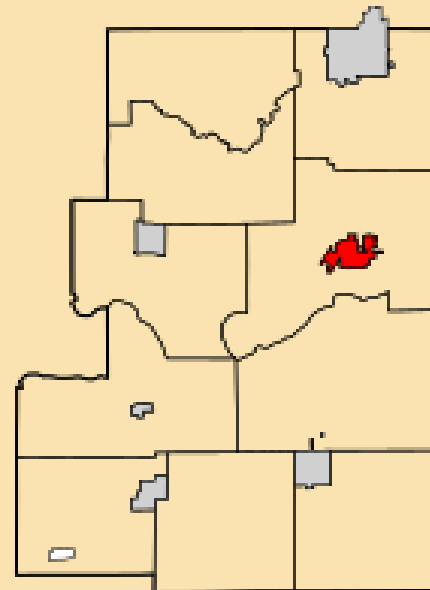
Our grid work also evaluates equity and access. We spend time with representatives from all communities, understanding where flows of power and resources may be breaking down. We believe all people have the capacity to contribute to their economy, and we look for projects that, with support through this plan, will accomplish your economic goals while strengthening trust, visibility, access, and ownership across all groups that call your region home.

Our second level identifies and imagines friction zones. Based on the emerging innovation-neighborhood model, these high-density, mixed-use districts draw people in to “enable serendipity,” to invite remote workers into community, and to build strong place-based branding so that local companies can compete with chains and franchises.

Finally, we work at the specific building level to invest in powerhouses that will serve as resource and communication centers for your entrepreneurial ecosystem. These third places add or support existing coworking, maker, and meeting space within your friction zones to act as hubs that improve access to those energy-grid resources identified earlier.



Throughout this process, we look for plug-ins and extension cords that leverage bridging and bonding social capital to invite more people into and across key innovation networks and that encourage movement and collaboration across your region.



Each municipality in Green Lake County has its own historic downtown either serving as a friction zone already or waiting to be reenergized.

EXPERTISE & COMPARABLE WORK

GREG WRIGHT

Founder/CEO, Spark Towns

Named an “Innovator to Watch” by the Wisconsin Biz Times, Greg transformed a small-town arts advocacy organization into a new model for place-based, people-centered economic development. This model was recognized as the 2020 Economic Development Initiative by the Wisconsin Economic Development Association and led to him teaching economic development to MBA candidates.

In 2022, Greg founded Spark Towns to meet the demand to bring this model to more communities. Spark Towns is rethinking place within the context of the digital era. It applies emerging research in zoning, social capital, creative placemaking, and ecosystem building to put greater power behind local people with big ideas.

Like many successful innovators, Greg’s career path is nonlinear. He started his career teaching high school English and running equity, diversity, and inclusion programs in those schools. Along the way, he earned a master’s degree in policy, organization, and leadership studies from Stanford.

Not even a year old, Spark Towns has already been featured by UEDA, AURP, and IASP. Greg will be the lead on community stakeholder work and strategy development.

LEADING RESEARCH

Spark Towns was recently featured by the George W. Bush Institute SMU Economic Growth Initiative’s Blue Print for Opportunity.



You can read the full report here:
https://gwbushcenter.imgix.net/wp-content/uploads/ENGINES-OF-OPPORTUNITY_-FINAL-3.18.24.pdf

PROJECT 412

Detroit Lakes, MN

- Amy Stearns, Executive Director
- 218.234.6361 | amy@project412mn.org
- Completed opportunity mapping process to provide strategic direction for both a new arts and culture commission and a new nonprofit focused on creating places and events that inspire and on nurturing new and existing businesses. As part of the project, interviewed White Earth reservation to understand historic barriers between White Earth and DL.
- Both organizations are now launched and having impact and Project 412 is working with Spark Towns on the execution of specific projects that came out of the plan. We have continued to provide guidance to elected officials as well.
- Opportunity mapping involved more than 50 stakeholders including representation from the City of Detroit Lakes, the White Earth Reservation, the Historic Holmes Theater, Local Developers, the Chamber, Business Leaders, and more. Project 412 pulls together private sector support for projects aligned with public sector strategic plans.

OSU CASCADES INNOVATION CO-LAB

Central Oregon

- Adam Krynicki, Executive Director
- 541.322.3124 | krynicka@oregonstate.edu
- Developing an inclusive engagement plan for a Central Oregon Innovation Hub, ensuring representation from founders of color and the champions of equity and diversity in Central Oregon. The plan involves collecting data through interviews, focus groups, and workshops and an asset map and gap analysis focused on resources that support innovation.
- Partners include two higher education institutions, the regional EDO, the Warm Springs County Action Council, the regional Workforce Development Board, and nonprofits supporting innovation and entrepreneurship throughout Central Oregon.

BUDGET

REVIEW MATERIALS - \$320

- Work with GL EDC to identify, revisit, and evaluate current and past plans for relevance to this project to ensure that this work adds to previous efforts and integrates what is already in progress and working.
- 4 hours at \$80/hour

DATA PROFILE UPDATES - \$1,280

- Leverage existing data sources to update economic and demographic information currently informing your economic strategy. Use that update process to identify missing information and either find additional sources to provide that information or develop surveys and other strategies to secure it.
- 16 hours at \$80/hour

STAKEHOLDER INTERVIEWS - \$3,200

- Work with GL EDC to set up community stakeholder interviews. Also leverage tactical urbanism and time in community to connect with high-impact stakeholders who are unlikely to participate in public process. Our approach will help you find the creative people who will likely execute your strategic goals through their own businesses and projects.
- 40 hours at \$80/hour

STRATEGIC OWNERSHIP - \$2,560

- Evaluate local entrepreneurs, nonprofits, community leaders, and other private and public entities for opportunities to integrate and streamline components of the plan into their strategic plans and missions. Work with those players on capacity building to ensure successful adoption.
- 32 hours at \$80/hour

DRAFT PLAN DRAFT - \$1,920

- In communication with GL EDC and key stakeholders, their organizations, and their constituencies, develop a strategy with a strong project focus and detailed action steps that highlights opportunities for Green Lake County to improve its economic vitality.
- 24 hours at \$80/hour

PLAN REVIEW

- Meet with GL EDC and any other partners to review the drafted plan. Make any requested edits to achieve a final draft.
- Included

TOTAL - \$9,280



To the Economic Development Committee:

The Five Star Harvest Cooperative has been in discussion since the summer of 2020 when the wait time to schedule an animal for butcher went from 12-15 months to nearly three years. Area farmers and community members who purchase their meat their meat directly from farmers needed a solution. December 2021 an informational meeting was held to form a cooperative to address this concern. By February of 2022 a core group had developed to move forward with this project. Over the following year, the newly formed steering committee applied for, and received a grant to conduct a feasibility study. The feasibility study was conducted by the Food Finance Institute a division of the Small Business Institute of the University of Wisconsin-Madison.

While awaiting the results of the feasibility study the steering committee worked on bylaws, filed articles of incorporation, and began looking for land to purchase. As the steering committee has been looking for land the best option for what is needed appears to be in Markesan.

The Five Star Harvest Cooperative will be a DATCP licensed slaughter and meat processing facility offering a place where farmers and consumers in the community can cut out middlemen who siphon food dollars away from local economies and concentrate that money as corporate wealth in far off cities. Having this harvest plant will bring more sustainability and accountability to the how meat is sold and consumed in Green Lake and surrounding counties.

The Co-op, through membership, will give farmers the ability to have their animals butchered for personal consumption, private sales, and/or retail markets. We anticipate our capacity will be 30 cattle and 10 hogs per week or about 1500 cattle and 500 hogs per year. Enclosed you will find the steering committees plans to not be a nuisance or burden to neighbors and other community stakeholders.

What it means to be a Cooperative Member

A cooperative is a business which is owned and run jointly by its members, who share the profits or benefits of the business. It is the member's responsibility to stay informed about their co-op by reading newsletters, emails, and other correspondence from the cooperative. Members have the right and responsibility to attend the annual meeting; to vote for a board of directors; vote on member business at the annual meeting; and to consider running for and serving on the board of directors. Members will hopefully receive an annual dividend as the business is successful.

To get started the steering committee intends to sell memberships consisting of class A and B stock. Each of these stock classifications will come with certain benefits. The steering committee will also utilize preferred stock for community members who wish to see this project take off and be successful but do not raise any animals. The balance of funds will be raised through government grants and local lenders.

Employment

Five Star Harvest Cooperative is projected to create up to 15 full-time jobs paying a living wage. The idea is to offer community members the opportunity to have a career that will pay them enough to reinvest in the community (housing, groceries, taxes, organizations, etc) rather than

be simply a job. The Coop plans to start with a slaughter and meat processing facility. The Coop would like to expand to include a retail sales counter in the future. This will give local consumers the opportunity to buy fresh cut meats and other products conveniently without having to buy large portions all at once. A retail space would also give visitors to the area one more reason to visit Green Lake County.

Mission Statement

We are a farmer owned cooperative that provides custom meat processing to our members, farmers, and the community. Our primary focus is to provide farmers of all sizes with a service to help them capture more value from the animals they raise. Our secondary focus is to provide a living wage to the people in the local community. Our goal is to be a strong link in the security of the local food system.

Our Ask:

We are asking for \$10,000 of ARPA funds in order to cover start up administrative costs. These include but are not exclusive to: signage, promotional materials, membership drive events, etc. We are also asking for support financially in any other way you may see fit to help us with this endeavor.

The Steering Committee of the Five Star Harvest Cooperative looks forward to a long and prosperous future with Markesan and Green Lake County!

Board of Directors

President: Daniel Kuhfus	Vice President: Dave Wilke	
Treasurer: Aaron Wachholz	Secretary: Becky Bender	
Bill Reece	Ben Jenkins	Tony Walker



MINIMUM AMOUNTS OF REQUIRED INPUTS TO OPERATE SUCCESSFULLY

The Five Star Harvest Cooperative will require an 6,000-10,000 square foot facility situated on 5-7 acres land that can accommodate the plant footprint, truck and trailer traffic for animal receiving and waste disposal, customer parking, and septic systems or other utilities. The plant will require three-phase power, abundant potable water, propane or natural gas, effluent treatment or removal, and telecommunications including phone and internet. Water storage and standby power generation would be desirable.

Five Star will employ 14 full-time-equivalent staff in the office and on the processing floor. Staff with experience in meat processing or post-secondary education in the craft will be particularly desirable. Compensation will range from about \$18 to \$32 per hour equivalent. In a full week, the plant will slaughter and process 30 beef and 12 hogs raised by area farmers who primarily sell direct to end-consumers, restaurants, and retail stores.

CONTRACTS IN PLACE AND CONTRACTS TO BE NEGOTIATED

The main contract to be put into place before the commencement of meat processing operations at Five Star Harvest Cooperative is for waste removal by a rendering company such as Sanimax or Darling International. Waste and unusable byproducts will be palletized in bins or totes, and frequency and volume of pickup will need to be negotiated with the rendering company.

ENVIRONMENTAL RISKS

There are low-level ecological risks with meat processing plants primarily having to do with wastewater or other effluent with a high biological oxygen demand (BOD) escaping and finding its way into surface or subsurface waters. These risks are mitigated by wastewater capture for either treatment or removal, and either grey water percolation through an engineered septic field (if in a rural area) or draining into municipal waste streams (if near or in an urban area).

While not necessarily ecological, there are potential risks for the surrounding area in terms of noise, (e.g. trucks and trailers, livestock vocalizations, and machinery operation), smells (e.g. manure, smokehouse exhaust), and increased traffic on local roads. It could be beneficial to have a spatial separation, vegetative buffer, and/or visual barrier between the plant and nearby residences or places of business.

OVERALL ECONOMIC IMPACT OF PROJECT INCLUDING NEW MARKETS CREATED AND ECONOMIC DEVELOPMENT

The Five Star Harvest Cooperative is projected to add 14 FTE equivalents to the manufacturing sector in East Central Wisconsin.

In addition, if differentiated services like traceability and yield tracking, retail-ready labeling and packaging, online scheduling, conscientious practices, and value-added products are offered Five Star could attract direct-to-consumer farmers from a substantial distance. Similar processors in Indiana and Minnesota who operate within this specialty marketplace attract farmer-customers from 4-5 hours away, and sometimes further, to access the differentiated services they provide.

Meat supply chain disruptions associated with the COVID pandemic manifested themselves in several ways, including empty shelves and meat cases in retail stores, waiting lists a year long (or more) to get animals into meat processing facilities, and billions of dollars of state and federal money being injected into meat processing infrastructure in order to help alleviate the bottleneck.

Livestock farmers in particular have felt the pinch of long wait times for shackle space at meat processing plants, even at facilities where they have been long-standing customers. This has prompted numerous farmers and groups of farmers (as well as other non-farm entrepreneurs) to investigate the possibility of opening their own meat processing plant. However, before you invest in product and infrastructure development, it is important to assess the market potential and market demand for your specific products and services.



American consumers eat 57 lbs of beef per capita per year², and Midwesterners eat 7 more pounds per capita per year,³ for a total annual per capita consumption of 64 lbs. Our eight-county area of interest has a population of 392,222 according to the United States Census Bureau.⁴ If 88% are beef consumers, and 16% of beef consumers seek out beef with characteristics like local origin, ethically raised, or grass-fed, then that leaves approximately 55,225 people in the target population. Assuming they eat 64 lbs of beef per capita per year, that insinuates a local demand 3,534,391

pounds of local beef, which would require processing of 6,631 cattle at a 533 lb cut-out equivalent. If Five Star Harvest Cooperative's farmer-customers process 1800 beef through the facility in a year, that represents about 27% of local market share within the eight-county area.

The same calculations for pork produce a consumer base of 41,419, and a requirement to process 15,301 hogs. Five Star's annual processing of 600 hogs would only represent about 4% of market share, and we expect that there would be significant overlap in the target consumer population between beef and pork. As such, we will not make this additive to their total requirement for market share.

A local market share of 27% sounds difficult to capture, but there are many assumptions built into this calculation, not the least of which is that only local people are eating the beef processed at Five Star. Several planning committee members and survey respondents have indicated that they are marketing their beef well beyond the eight-county area of interest, especially into urban centers like Madison, Milwaukee, and Chicago. This makes the likelihood of capturing the necessary consumer base much higher, but also goes to show just how much the animal through-put at Five Star Harvest Cooperative will be dependent upon the marketing savvy of local livestock producers.

Movement type	Animal type and region	n	Distance percentiles (miles)						
			5th	25th	Median	75th	95th	Max.	
Operation transported animals or products to sell them	Beef cattle								
	Heartland	406	6	20	31	50	100	750	
	Northern Crescent	130	5	20	30	60	250	550	
	Northern Great Plains	102	10	30	60	75	140	1200	
	Prairie Gateway	534	8	20	34.5	50	105	500	
	Eastern Uplands	756	7	18	30	50	100	325	
	Southern Seaboard	376	6	20	30	50	85	400	
	Fruitful Rim	171	7	25	40	60	120	800	
	Basin and range	51	5	35	60	90	150	150	
	Mississippi Portal	118	4	15	31	50	120	270	
Dairy cattle	Heartland	29	7	20	35	50	300	500	
	Northern Crescent	136	6	14	20	35	60	220	
Live animals transported to a slaughter facility	Beef cattle								
	Heartland	228	4	12	20	30	50	140	
	Northern Crescent	125	5	10	20	30	80	500	
	Northern Great Plains	55	8	20	40	50	80	400	
	Prairie Gateway	184	5	15	25	45	80	250	
	Eastern Uplands	308	5	15	25	40	60	125	
	Southern Seaboard	109	6	18	30	50	80	401	
	Fruitful Rim	42	8	15	30	60	100	250	
	Basin and range	31	3	10	30	70	100	125	
	Mississippi Portal	38	6	12	27.5	50	75	86	
Dairy cattle	Heartland	15	2	20	25	35	200	200	
	Northern Crescent	125	5	10	15	25	50	120	

This research was corroborated by results from a local farmer survey completed by members of the planning committee for Five Star Harvest

Cooperative. Farmers were asked “What is the farthest you are willing to travel to utilize a harvest plant?” and 36 out of 58 respondents indicated that they would travel 26-50 miles – by far the most popular response.

Despite the widespread assertion by both livestock producers and existing meat processors that there is inadequate meat processing capacity to meet demand, it is prudent to determine whether this assertion is supported by data. The Census of Agriculture delineates livestock production data by county, and the counties primarily affected within a 30-mile radius of Dalton, WI include Adams, Columbia, Dodge, Fond du Lac, Green Lake, Marquette, Waushara, and Winnebago.

USDA Economic Research Data indicate that 32% of cattle nationally were produced under production or marketing contract in that same year, 2017.⁹ This likely eliminates 9,215 cattle produced under contract from eligibility for local harvest in the eight-county area of interest, leaving 19,581 beef annually, or 391 beef on average weekly for 50 weeks per year, as the theoretical maximum number of beef produced that need to be processed locally.

If we assume that it takes at least one human-hour equivalent to slaughter one beef, and 8 human hours equivalent to fully process that beef into packaged cuts ready for the end user, then 19,581 beef would require 88 FTE employees working 2000 hours per year. This is slightly more than the 86 reported employees at the meat plants in the eight-county area of interest. If it actually takes closer to 10 hours to slaughter and fully process a beef, that would require 98 FTE employees working 2000 hours per year. Either way, given all these assumptions about beef production and processing capacity in the area of interest, it follows that there is a modest amount of additional meat plant capacity required to slaughter and process the beef produced and harvested locally.

Many statistics regarding hog inventory and sales are publicly available, but equivalent data regarding hogs slaughtered or specifically sold for slaughter is not publicly available down to the county level. In addition, a much larger proportion of hogs are raised and marketed on contract, an average of about 63% nationally, and therefore likely ineligible for participation in the local meat

From a technical feasibility perspective, small to medium scale meat processing plants are a known quantity in Wisconsin. With a high concentration of livestock agriculture, as well as a meat-eating populace, meat processing establishments stretch from the Illinois border to Lake Superior,

and the Twin Cities to Lake Michigan, with the majority concentrated in the lower two-thirds of the state (as indicated by the map below). In order to process 1800 beef and 600 hogs per year, Five Star Harvest Cooperative will likely require an 8,000-10,000 square foot facility situated on 5-7 acres of land to accommodate not only the footprint of the building, but also employee and customer parking, animal receiving, truck and trailer parking and turnaround, and well and septic if not able to connect to municipal water utilities. Ideally, the space available would also accommodate future expansion if necessary. In addition, this will require all internal fixtures and equipment for animal slaughter, meat processing, meat packaging, and chilling and cold storage.

CONSTRUCTION RISK

A new meat processing business can either construct a new facility or renovate an existing facility. There are shuttered meat processing facilities around Wisconsin, which generally went out of service when the previous proprietors retired or otherwise ceased operations without an identified successor. That said, it is a common perception that they are shuttered for a reason and would take almost as much investment to renovate to current standards as it would to build from scratch. As such, the majority of meat entrepreneurs are electing to build, including Five Star Harvest Cooperative.

There is commercial availability of design-build contractors in Wisconsin that have experience putting up a meat processing facility, such as JP Cullen, Consolidated Construction Company, and others. However, a representative of one such design-build contractor told me that these builds have increased substantially in cost, with current quotes costing around 25% more than similar quotes would have three to four years ago. This same representative told me that their current meat processing projects are coming in around \$500 per square foot, with some even higher.

A sticking point among these contractors is the commercial availability of materials and equipment required for a meat plant build. The representative I spoke with said that certain electrical gear and washable HVAC equipment is 30-52 weeks backordered and is slowing completion of these projects. Therefore, even if certain things were ordered immediately upon initiation of a project, a company is looking at 7-12 months until the facility is complete.

UTILITIES

The Five Star Harvest Cooperative plant will require three-phase power, which will be especially important for efficient operation of chillers, coolers, and freezers. Backup power generation will be essential for maintaining temperatures and equipment systems in the event of an outage. Abundant potable water will be especially important on slaughter days, and could amount to 200+ gallons per beef animal slaughtered, and about half that amount per hog slaughtered, in addition to all wash and sanitation procedures.¹³ The plant will need propane (or natural gas if available), and telecommunications including phone and internet.

WASTE DISPOSAL

Meat processing plants produce specialized wastes that require specialized handling. In the absence of viable markets for byproducts, all offal including heads, hides, hooves, fat, blood, bone, and viscera will need to be collected for disposal. This could amount to nearly 500 lbs of material per beef once cut-out is complete, and 70 lbs per hog. This adds up to 18,840 lbs per week. Effluent water will likely need to be screened/settled/coagulated to remove solids, and then collected in tanks or lagoons for disposal. At 200 gallons per beef and 100 gallons per hog, this amounts to 8,400 gallons of effluent water from the slaughter floor alone. Country Meat Cutters shared that it cost them 11 cents per gallon for pickup and disposal of effluent, plus a \$25 pickup

¹¹ <https://vistatrac.com/inventory-management-solutions/meat-industry/>

¹² https://infotouch.com/os_verticals/meatos/

¹³ Niche Meat Processor Assistance Network. 2013. Animal Processing Flow and Water Quality Data. https://www.nichemeatprocessing.org/wp-content/uploads/2020/02/Kennedy_Jenks-Tables-Nov.2013.pdf

fee twice a week. This amounts to more than \$4000 per month in disposal costs assuming the same fee schedule as Country Meat Cutters, and is build into the income statement in the proforma.

TRANSPORTATION INFRASTRUCTURE

Five Star Harvest Cooperative will not be in the transport business. That said, their farmer customers will certainly prefer hard roads with easy-on, easy-off access from local arterials. There will need to be adequate space for pickup trucks with either fifth-wheel or bumper-pull livestock trailers to pull in, turn around, straighten, back up, and park for limited periods. If straight trucks or semi-trucks with trailers will be used by livestock haulers or other service providers like rendering companies, even greater space will be required for loading, unloading, and maneuvering.

Efficiently designed livestock receiving infrastructure, like chutes, sorting pens, and holding pens, will be essential for getting through a comparatively large number of farmer-customers each with a comparatively small number of animals. Bottlenecks in livestock receiving could ripple throughout the rest of the plant's processes and create delays, especially on a harvest day. Inefficient receiving could lead to reduced harvest numbers, reduced throughput, and overtime pay, all of which directly affect cash flow and profitability.

LABOR MARKET

Five Star Harvest Cooperative is going to have to attract and retain enough staff to fill 14 FTEs. Attracting and keeping good labor in the current market is extremely difficult, and has become one of the most frequently-cited

limitations to growth among FFI food and farm business clients. According to the U.S. Chamber of Commerce¹⁴, America is experiencing a labor shortage which stems, fundamentally, from the fact that we only have 5.6 million unemployed workers to fill 9.5 million job openings. Wisconsin specifically has 76,550 unemployed workers and 174,000 job openings¹⁵. Workers have increased savings, retired early, started new businesses, or sought new jobs with improved pay and other benefits, like the option to work from home. Others have stayed out of the workforce due to health concerns or lack of access to childcare.

Counties using 2022 data¹⁶. Columbia County is not currently served by a regional planning commission¹⁷, and similar economic data made available by the county is from 2000¹⁸.

Meat processing is considered a manufacturing sector industry. Both Green Lake and Marquette Counties are very manufacturing-centric geographies, with a Manufacturing industry concentration much higher than the national average. Manufacturing produces the highest gross regional product among all industries in both counties, and Animal Slaughtering and Manufacturing was one of the top three industries in Marquette County in 2021. "Production" jobs like those in meat processing have \$17-18 median hourly earnings in these counties. Relatedly, both counties also have a higher than-average industry concentration in Agriculture, Forestry, Fishing and Hunting.

Green Lake and Marquette Counties do not have large unemployed populations. Ignoring pandemic aberrations, the five-year unemployment rate in both counties has been 3-4%, and labor force participation has been trending slowly downwards. As of September 2022, Green Lake County had 308 unemployed persons, and Marquette County had 253. Those unemployed were predominantly white and aged 25-55. From 2016 to 2021, jobs in Green Lake County declined by 6.7%, and jobs in Marquette County increased by 3.3%.

In the face increased demand, rising costs, and razor-thin margins, building upon a successful template can be extraordinarily helpful. Fortunately, Five Star has generous peers at Country Meat Cutters about an hour away from Five Star's intended location.

Country Meat Cutters south of Reeseville, WI was recommended to the planning committee for Five Star Harvest Cooperative by an acquaintance who works in meat plant inspection in the state of Wisconsin. Mentorship from a successful small meat processing company with a proven track record provides some mitigation of risk for the startup processing facility.

Note: A complete set of proforma financial statements with supporting documentation of revenue projections, employment, overhead expenses, and sources & uses complement this study.

MARKET DEMAND FORECAST

As mentioned above, demand for services at small meat processing plants around the Midwest spiked during the pandemic. Larger processing facilities faced diminished capacity in the face of shutdowns due to COVID outbreaks, and small plants saw an explosion in demand as end consumers looked for ways to stock up on meats when grocery store shelves were bare. Small plants went from being booked out months, to being booked out years if they were willing to make reservations that far in advance. Farmers made reservations at multiple plants well before livestock were even born. Plant revenues increased, but staffing costs and other expenses began to rise.

As the meat processing bottleneck became abundantly clear, numerous government grant and loan programs were introduced, and meat processors took advantage of these programs to build capacity. They added on to existing plants, increased equipment efficiencies and automation, and even opened new facilities.

¹⁹ Seiler, Gabriel. January 2023. IBISWorld Industry Report 31161 – Meat, Beef & Poultry Processing in the US ²⁰ Profitcents.com. Industry Data Reports. Last accessed 5/30/2023.

As demand starts to normalize post-pandemic, and meat processors are working through their backlog, farmers are getting the feeling that things may be starting to loosen up. Double and triple bookings for the same animals have led to cancellations, and therefore several plants around the Midwest have reported having immediate availability. Several farmers on the Five Star planning committee have received calls from their current processors, offering them harvest slots. One plant in Iowa even put their near-term reservations on sale in order to help backfill canceled reservations.

An informal phone poll of meat processors in Five Star Harvest Cooperative's eight-county business area revealed a very mixed bag of available capacity. Of the nine plants with which we spoke, three were booked through the end of 2024, and one was not taking any new customers at all. Three plants had a 3-6 month lead time for beef, and one plant had some openings available immediately. A similar phone poll in southwest Wisconsin had similarly mixed results, and an even larger proportion of plants with reservations available immediately.

It is likely that we have not yet seen the full extent of effects that COVID aberrations and ghost reservations will have on small meat processors in Wisconsin. Slow incremental growth and tight profit margins are likely to return, and an increased capacity may lead to increased competition amongst new and existing small meat processors in the state and the region.

UNDERWRITING

It is quite certain that the Five Star Harvest Cooperative will require commercial financing. Although organized as a coop, the capital-intensive nature of building and outfitting a meat processing plant makes the likelihood of financing entirely with member equity extremely low. Also, the cooperative entity limits the numbers of commercial financing institutions that will be willing to take them on as a loan customer, given the disbursed nature of financial responsibility across members and the low likelihood of obtaining a personal guarantee for the debt. A financial institution that is organized as a cooperative itself may be the most likely candidate, such as Compeer or CoBank, which are both members of the Farm Credit system. Plus, several members of Five Star's planning committee have existing relationships with Compeer and have had preliminary discussions about financing options. Rates in the proforma are actual rates from personal communication with Compeer loan officers, current as of 5/19/2023.

Given the historically thin margins of the small-scale meat processing sector, the direct reliance upon a dynamic agricultural sector, and the lack of personal guarantees, a commercial financing institution will likely leverage additional risk mitigation strategies. A perfect example in this circumstance is the Food Supply Chain Guaranteed Loan Program through USDA Rural Development.²² This program will guarantee up to 90% of outstanding loan principal on fixed interest rate debt, or 80% on variable interest rate debt, on loans amortized up to 40 years, for no fees. Hopefully, this would offset the lack of personal guarantees, and potentially even increase the maximum loan-to-value (LTV) up to the guaranteed amount.

Even with an enhanced LTV financing, Five Star Harvest Cooperative might still need to secure gap financing, depending on the amount of member equity raised. Financing with an economic development purpose could potentially help bridge the gap. Area revolving loan funds like those available from Adams Columbia Electric Cooperative²³ would likely be a good fit, or participation loans from the Wisconsin Housing and Economic Development Authority (WHEDA).²⁴ However, given that terms are negotiated on a case-by-case basis, and the possibility that they will not be necessary, we assumed cash down payment rather than additional financing in this business model.

²² USDA Rural Development. Food Supply Chain Guaranteed Loan Program. <https://www.rd.usda.gov/food-supply-chain-guaranteed-loans>

²³ Adams Columbia Electric Cooperative. Loans. <https://www.acecwi.com/loans/>

²⁴ Wisconsin Housing and Economic Development Authority. Business Lending Financing Products. <https://www.wheda.com/lending-partnerships/business-lending/business-financing-products>

HISTORY OF THE BUSINESS OR ORGANIZATION

Five Star Harvest Cooperative was formally organized in October 2022 as a Cooperative Corporation under Wisconsin Chapter 185, with extensive strategic and organizational assistance from the UW Center for Cooperatives. There is a seven-member board of directors, all of whom have been participating in the planning committee exploring the option of starting a new red meat plant from scratch in the Dalton/Kingston area of southwestern Green Lake County.

BACKGROUND AND EXPERIENCE

The members who formed the Five Star Harvest Cooperative are livestock farmers who have been frustrated by the lack of available local livestock processing capacity exacerbated by the COVID-19 pandemic. Most raise beef, but several raise other species including hogs, dairy cattle, small ruminants, and poultry. In addition to being farmers, committee members represent a wide continuum of other professional experience, from classroom teachers to manufacturers to Extension staff.

SKILLS

These farmers come to the table with numerous transferable skills, such as construction, equipment installation and repair, transportation and logistics, record-keeping and financial analysis, and sales and marketing of livestock products in multiple sales channels. One board member has explored the prospect of opening a very small meat processing plant with family before joining the board for Five Star. Unfortunately, no one embodies the knowledge, skills, and abilities that come with extensive experience in the red meat slaughter and processing sector.

QUALIFICATIONS NECESSARY TO IMPLEMENT THE PROJECT

In order to succeed, the Five Star Harvest Cooperative must attract and retain at least one highly skilled and widely-experienced key staff member from the meat processing sector to act as General Manager and Master Meat Cutter. Ideally, this person would have knowledge, skills, and abilities that include:

- Plant design and construction management/oversight
- Humane handling and slaughter of multiple livestock species
- Efficient cutting, boning, and other processing skills
- Hiring and training staff members in these same harvest and process skills
- Seasonal forecasting of demand and throughput
- Precise tracking and traceability of animals throughout the processing workflow
- Deep experience with meat industry regulations and creating requisite plans to meet their specifications

- Financial analysis and monitoring of key cost and revenue centers essential to the business model

If possible, this person would come aboard before the commencement of day-to-day business in order to help manage end-stage construction and outfitting of the physical plant, begin recruiting and training plant staff, writing SSOPs and HACCP plans, laying the foundation for inspection, designing workflows, lining up suppliers and vendors, interfacing with legal, accounting, and design professionals, and even perfecting recipes for further-processed products.

CHANGES IN SUPPLY CHAIN BOTTLENECKS

The Five Star Harvest Cooperative project was initiated and designed by area livestock farmers to help alleviate the meat processing bottleneck exacerbated by the COVID-19 pandemic. As discussed above, this supply chain constraint may be loosening, considering that some area meat processors have reservations available for 2023, but many still report being booked out through the end of next year.

Other supply chain factors still have the potential to cause project disruptions. Long lead times for specialty materials and equipment, and a changing marketing mix for area livestock as feed and related commodity prices change in response to macroeconomic factors.

RESISTANCE TO ECONOMIC, HEALTH, IT, AND OTHER SHOCKS

Small meat processing plants are fairly insulated to information technology shocks, unless they are highly reliant on a digital operating system for scheduling, tracking, cutting instructions, and point of sale systems. Saws, mixers, choppers, most packers, and most smokehouses should be able to operate as long as they have power.

Barring another pandemic, small meat processors are no more exposed to health shocks than any other small business with staff who work in physical proximity to one another. The reliance upon a tight-knit community like the Amish for labor could introduce an additional degree of risk for locally severe disease outbreaks.

Small meat processors are indeed subject to economic shocks on multiple fronts. On the farmer front, if prices in the feed complex go way down or commodity livestock markets go way up, farmers may elect to sell in lower-effort market channels like livestock auctions, as opposed to direct markets. On the end-consumer front, if consumers start to feel like they have less disposable income, they may reduce red meat consumption and increase consumption of lower-priced poultry and further-processed proteins. Either of these scenarios could result in lower throughput, and therefore lower cash flow for small meat plants.

IMPACT ON PROJECT SUPPLIERS

A small meat processing plant project is not likely to be a notable contract for larger-scale design build firms or equipment suppliers. However, if Five Star Harvest Cooperative is able to utilize more local contractors for site prep, excavating, construction, paving, equipment installation, utilities hookup, etc, then the project could have some consequential local economic multiplier effects for area small businesses.

IMPACT ON PROJECT CUSTOMERS/AGRICULTURAL PRODUCERS

Direct-market livestock producers are both the initial planners and the target customer segment of the Five Star Harvest Cooperative meat processing facility, so this project was initiated with their benefit in mind. This creation of this small meat processing plant is designed to help alleviate the meat processing bottleneck experienced by farmers during the COVID-19 pandemic and reduce the amount of lead time for farmers to get their animals processed. Farmers can improve their production planning when they are confident that there will be available processing capacity when their animals reach finished weight. In addition, a cooperative can pay out net earnings as patronage refunds to farmer-members.

WORKER SAFETY AND WELFARE

Guidelines for worker welfare are spelled out in Chapter 3 of USDA/NCDA&CS Facility Guidelines for Meat Processing Plants.²⁵ Meat plant staff in federally-inspected facilities must be provided with adequate locker rooms, restrooms, break areas, handwash sinks, drinking fountains, and ventilation. In addition to these provisions, training protocols for new and/or inexperienced plant employees should be designed to safely convey knife skills and safety, machinery operation and maintenance, humane animal handling, cleaning and sanitation protocols, required record-keeping for regulatory purposes, and customer service.

FOOD SAFETY AND INSPECTION REQUIREMENTS

The meat processing industry is subject to extensive government regulation, inspection, and oversight. The major decision to be made is at what level of inspection Five Star Cooperative will choose to operate.

Federal inspection is the highest level, which is overseen by United States Department of Agriculture's Food Safety and Inspection Service (USDA FSIS). As stated by the Niche Meat Processor Assistance Network (NMPAN): "Federally inspected products can be shipped over state lines (interstate commerce) and internationally to many countries. Federal inspection requires a HACCP plan, SSOPs, daily inspection of processing facilities, and, if the plant slaughters livestock, antemortem and postmortem inspection of every animal. As of 2013, all inspected plants must also have a recall plan in place."²⁶

HACCP stands for Hazard Analysis and Critical Control Point and is a rigorous plan for preventing and controlling food safety hazards. FSIS offers a Guidebook for the Preparation of HACCP Plans²⁷ and makes numerous model plans available.²⁸ SSOP stands for Sanitation Standard Operating Procedure, and documents cleaning and sanitation steps required to adulteration of food products. SSOPs are essential to creating a complete HACCP plan and are also required to apply for a grant of ²⁵ federal inspection, which provides a sample SSOP.²⁹ On top of all this, FSIS also has a guidebook on developing recall plans.³⁰

Wisconsin is one of 27 states to have its own meat and poultry inspection program through the Department of Agriculture, Trade, and Consumer Protection. State inspection is legally required to be as rigorous as federal inspection, which means it has pretty much all the same planning and paperwork, but does not allow finished products to be transported across state lines unless both states participate in the Cooperative Interstate Shipment program. It happens that Wisconsin is one of only 10 states to participate in the Cooperative Interstate Shipping Program (CIS), which means that products produced in CIS establishments can also be shipped to Indiana, Iowa, Maine, Missouri, Montana, North Dakota, Ohio, South Dakota, and Vermont.³¹

A retail-exempt meat processor can process meat that was slaughtered under inspection at another facility, and sell that further-processed product direct-to-consumer without developing a HACCP plan or being inspected daily by FSIS. Retail stores and restaurants often process meat under this type of inspection.

Finally, a custom-exempt meat processor can only harvest and process livestock for use by the owner of the animal. This can be done without developing a HACCP plan or being inspected daily by FSIS. Meats from a custom-exempt plant are generally wrapped in butcher paper and labeled “not for sale.” In practice, this means end consumers buy meat animals from farmers “on the hoof” on a live-weight basis, and pay for the processing services from the meat plant separately when they pick up the final product. These meats are not eligible to enter inter-state commerce, and are only to be consumed by the animal owner’s family and non-paying guests.

Practically speaking, the decision about level of inspection under which to operate comes down to customer needs, inspection scheduling, and plans for finished product retail and distribution. Since half of Five Star Harvest Cooperative’s survey respondents indicate that they plan to sell retail cuts at farmers markets, retailers, and restaurants, it seems prudent that Five Star operate under state or federal inspection. Considering that state and federal inspection have both equal rigor and equal complexity, and that some farmer-customers intend to retail meat products over state lines, federal inspection is the logical choice.

Early on, levels of inspection may be pursued step-wise, as increasing levels of planning, paperwork, and inspections are completed. However, engineering and construction must be completed ²⁹

We can summarize what we have learned about the feasibility of Five Star Harvest Cooperative's small meat plant project in SWOT format:

STRENGTHS

- Five Star is pursuing direct-market livestock farmers, which is a niche customer segment in the meat processing sector, allowing for greater differentiation from the competition
- Prospective Five Star farmer-members indicate that they raise 1800 beef per year that they can commit to the new processing plant
- Five Star will specialize in selling meat processing as a service only, which will allow for a simpler business model and straightforward marketing communications
- Five Star pricing will be near the top end of competitive which, in combination with desirable specialized services, can cement the value proposition
 - Five Star is networked with Amish builders who may be able to construct the processing plant at a substantial discount, and reduced debt service could greatly increase profitability
 - Five Star is networked with the local Amish community, which may provide a steadier pool of capable employees in our current period of constrained labor availability
 - Five Star has a peer processor an hour away that is generous not only with information and experience, but also project resources like architectural drawings and preferred vendors
 - Five Star Harvest Cooperative has already received express interest from a large-scale financial institution that is willing to finance cooperatives
 - USDA Rural Development's Food Supply Chain Loan Guarantee seems tailor-made for small scale meat processors that need risk mitigation strategies to get their bank to "yes"
 - The Adams-Columbia Electric Cooperative's Revolving Loans are a very good fit for Five Star's potential gap financing needs

WEAKNESSES

- Five Star is subject to counter-party risk from farmer-members and other farmer-customers. Farmers regularly over-report willingness to pay and willingness to commit animals in surveys, so Five Star is likely going to need to solicit additional farmers with additional animals to keep the plant full
 - Without a retail meat counter, local customers will not be able to walk in and purchase products

- Five Star pricing will be near the top end of competitive, which may eliminate value-oriented farmer-customers
- A membership equity drive guaranteeing processing slots in a loosening market may not generate the desired level of member investment
- Commercial construction of small meat processing plants can be very expensive, and can be delayed by lingering supply chain bottlenecks for specialty items, all of which may lead to constrained cash flow
- Five Star will require considerable debt financing at high loan-to-value because they have little to no cash or equity to contribute to the transaction
 - Even with enhanced LTV financing, Five Star may still require gap financing
 - While currently projected within the bounds of industry norms, overhead expenses may prove higher than anticipated
- Five Star Harvest Cooperative must recruit and retain a highly-experienced and broadly capable general manager to get the meat processing business started off on the right foot, and maintain progress towards business objectives

OPPORTUNITIES

- Offer services that direct-market livestock farmers strongly desire, especially retail-ready custom packing and labeling, yield tracking, and efficient, flexible scheduling systems
- Specializing in services for direct-market farmers can attract farmer-customer from greater distances; they will regularly come from 4-5 hours away for services from similar plants in Indiana and Minnesota
- A membership equity drive guaranteeing patronage dividends for level of plant utilization may generate a more desirable level of member investment, especially if potential members can see the pathway to payback on their investment
- Duplication of key equipment, like hoists, band saws, grinder-mixers, and packagers can prevent substantial downtime due to breakdowns
- Seek efficiencies in utilities and waste disposal; utilize renewable energy, reclaim waste heat, and seek low waste handling options
- Beef is Five Star's "bread-and-butter," both from a profitability and cash flow perspective; eliminating hogs and expanding beef processing is a strategic option that should be examined either at the outset or in the near future assuming adequate demand
 - If Five Star cannot land debt financing for their real estate and improvements, they might consider capital leasing with lease payments that convert to equity at lease-end
 - A better-than-industry-average scheduling system may go a long way in motivating prospective farmer-customers to the Five Star plant

THREATS

- Five Star's farmer-customers will have to work hard to capture 27% of the end-user market share for specialty beef in the eight-county market area, but this can and will be supplemented by selling to end-consumers outside of the region

RECOMMENDATION

Ultimately, meat processing is a numbers game, and even a solid business model requires consistent utilization near the top end of capacity to achieve desired profit margins and requisite cash flow. If Five Star Harvest Cooperative is confident that prospective members are truly willing to commit animal numbers – especially beef – to their facility, and that they can maintain an inbound funnel to replace customers who exit, then Food Finance Institute can confidently recommend that this project proceed. Five Star has a market niche, they have a labor pool, and they have a line of sight to financing – especially if they can build at a discount. Now if they can find a standout General Manager/Master Meat Cutter to make good on the value proposition and fill the plant, they ought to be able to attract farmer-customers from substantial distance. Five Star should maximize member investment with a clear pathway to payback through utilization. They should also consider an even greater focus on beef, if the market will bear it and the board will allow it.



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EDC

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Tue, Apr 9, 2024 at 4:32 PM

Good afternoon Scott

Ya I have not been able to make the last few meetings. This, that or the other thing was always getting in the way.

I did have a talk with Rich about the EDC and I have come to the conclusion that my time on the EDC panel has come to an end.

I feel that the EDC has good merits but at this time it is not fitting in to my schedule.

Also, you know me and I am not very good at this government stuff. I wish the EDC a lot of luck moving into the future and I hope to see you around.

Who knows maybe in a year or two things may change.

Thanks for keeping me around and have a good one.

Ron.

[Quoted text hidden]