



HAWAI'I ISLAND MEAT COOPERATIVE

From Island Farms to Island Tables

BUSINESS PLAN 2015



Hawai'i Island Meat Cooperative

P.O. Box 371 | Pa'auilo, HI 96776

Phone (808) 776-1870 | Web HawaiiIslandMeat.com

Email HawaiiIslandMeat@gmail.com

*The **Hawai'i Island Meat Cooperative** was formed through a collaboration of island ranchers and these project partners:*



Confidentiality

Information and data contained in this business plan are strictly confidential and are provided with the understanding that they will be treated as proprietary and not disclosed to third parties without the prior written consent of Hawai'i Island Meat Cooperative. If you have received this document without signing a Confidentiality Agreement, please contact hawaiiislandmeat@gmail.com / (808) 776-1870, or download and submit an agreement online at www.hawaiiislandmeat.com/membership/.

Acknowledgements

This business plan was a collaborative effort among Hawai'i Island ranchers and small family meat producers and several local, state and national entities. Three Hawai'i Island nonprofits – Big Island Resource & Conservation Development Council, Hawai'i Small Business Development Center Network, and The Kohala Center – have supported and promoted the project since 2011. The Kohala Center also provided funding to conduct a comprehensive Feasibility Study, released in 2014, which provided much of the basis for and information presented herein.

In 2014, the project received two key grants: a USDA Rural Business Enterprise Grant (RBEG) to develop a business plan with technical support from the Agribusiness Incubator Program (AIP) at the University of Hawai'i College of Tropical Agriculture and Human Resources (UH-CTAHR); and an MSPP15 grant from the Hawai'i Department of Agriculture to purchase a mobile slaughter unit (MSU).

Special acknowledgement is due the following people and organizations:

- Steven Chiang, AIP, UH-CTAHR (principal contributor)
- Dana Shapiro, The Kohala Center (principal contributor)
- Kawika Marquez and Larry Komata, Big Island Resource Conservation & Development Council, past and current presidents
- Hazel Beck, The Hawai'i Small Business Development Center Network, West Hawai'i Center Director
- Melanie Bondera, The Kohala Center, Cooperative Development Specialist
- Hawai'i Island Meat Cooperative incorporating Board Members, who contributed vital information and vetted this plan many times over the course of monthly and sometimes weekly meetings from January to September 2015

Executive Summary

Hawai‘i Island Meat Cooperative (hereafter HIMC) was founded to serve the unmet needs of small meat producers on Hawai‘i Island. Extensive surveys and producer meetings have confirmed the need for the targeted slaughter services that HIMC will provide. A Feasibility Study, released in 2014, substantiated the concept of providing *mobile* slaughter services, which led to grant funding from the Hawai‘i Department of Agriculture to purchase a mobile slaughter unit (MSU). MSUs have become increasingly popular as a way to increase small producers’ access to USDA-inspected slaughter and processing in dispersed rural areas. Defined by the USDA as a “self-contained slaughter facility that can travel from site-to-site”, MSUs are typically cheaper to build and operate than fixed facilities, more adaptable to the varying needs of diverse livestock operations and allow for on- or near-farm slaughter, which many consider to be more humane than transporting animals far away.

A cooperative structure was selected for the business as a way to ensure democratic representation and governance for the island’s underserved meat producers and because most of these producers lack the capital to establish a business of this scope on their own. By working together through a cooperative business structure, they are able to leverage economies of scale, attain bargaining power and tap the social/political connections and financial resources needed to bring the project to fruition.

HIMC seeks to be an integrated part of a sustainable meat packing solution for Hawai‘i Island and the State. Its goal is to complement the existing infrastructure by providing services specifically designed for producers who may lack access to fixed facility slaughter houses due to their remote location, species type, scale or production requirements (e.g. organic certification). Through access to HIMC’s customized services, many of these producers are expected to increase their herd size and may gradually begin using the island’s fixed facilities, which can handle larger volumes.

Recognizing the importance of building a vertically integrated business model (from slaughter to retail), HIMC is actively working to secure committed funding for establishment of a chill-cut-wrap facility – in addition to its MSU. This will ensure producer-members have access to customized, value-added services and a greater ability to control and financially benefit from the value chain of locally produced meat. Due to the nature of this project as a “pilot” for the State and other Pacific Islands, and its primary reliance to date on grant funding, vertical integration is planned as part of a *phased* development plan.

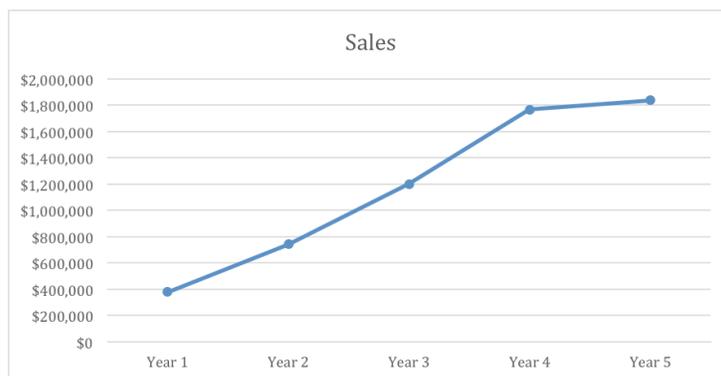
In the first phase of business (Phase 1), HIMC will offer pig, sheep, goat, and cattle slaughter services to producers across Hawai‘i Island using its MSU. HIMC has reviewed its financial projections in detail and determined financing needs of approximately \$15,000 for the MSU

operation from startup through financial viability – projected to be 9 months after starting operations.

HIMC's second phase of business (Phase 2) adds a chill-cut-wrap facility and associated services 18 months after startup. Implementation of Phase 2 requires financing of approximately \$400,000, assuming pursuit of grant funding for that phase is unsuccessful. Note that financial viability is projected to happen prior to implementation of Phase 2 and thus the viability of HIMC is not expected to be dependent upon Phase 2. The cooperative is already actively working to secure funding for Phase 2 that may enable its earlier implementation.

As a cooperative business, HIMC's producer-members are the direct beneficiaries of any net profit generated beyond operational expenses and reserves. Such profits are returned to members on the basis of their patronage, or relative use, of HIMC's services. Based on current projections, HIMC is expected to be able to return dividends of up to \$265,000 to its members by the end of its 4th year. Note that distributions to members are not based on number of shares but relative usage of services. For more information on profit distribution, see HIMC's Producer Member Opportunity Description and Bylaws, available at www.hawaiiislandmeat.com/membership/.

The charts below summarize the annual projected Sales and Net Profits for HIMC for the first 5 years following startup. Years 6 and beyond are expected to closely resemble years 4 and 5, as production capacities are essentially reached in year 4.



HAWAI'I ISLAND MEAT COOPERATIVE

From Island Farms to Island Tables

CONFIDENTIALITY AGREEMENT

The undersigned reader acknowledges that the information provided in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of Hawai'i Island Meat Cooperative.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to Hawai'i Island Meat Cooperative.

Upon request, this document is to be immediately returned to Hawai'i Island Meat Cooperative.

Signature

Name (typed or printed)

Date