

## Building a Meat Processing Plant in Montana

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April, 2016

### Executive Summary

#### Introduction:

The Montana brand enjoys worldwide recognition, and the state is a prime tourism destination for those wishing to experience the “last best place”. The number one industry in Montana is agriculture, and the state’s beef herd of 1.4 million head, is the 6<sup>th</sup> largest in the United States. However, there is no major meat processing facility in the state. If a meat processing facility could be built in Montana, it would be able to capitalize on the established brand recognition that the state already possesses and help make a Montana brand of meat competitive in the marketplace. Impetus for the project was significant interest from producers (both traditional and niche) across the state. Producers, consumers, and meat buyers were interviewed by the Marketing team, who used that feedback to build a picture of the demand for Montana-branded meat products. The team determined that “with the right economic conditions, it is possible for the market for Montana meat brands to expand to the size and scale to warrant a new, medium-sized processing facility.”

#### Key Findings:

- Labor research has determined that the proposed processing plant would need a staff of 147 to 155 people at an average wage of \$34,919 annually.
- The plant is projected to cost \$43,982,976 and an additional \$30 million in working capital is recommended.
- There is strong consumer interest in both fresh cuts of beef and value added products brand as “Montana beef”. 33% of Western US consumers are “very interested” or “extremely interested” in a Montana-branded non-commodity beef.

#### Critical Factors for Success:

It is possible to build a processing plant in Montana. Doing so will require:

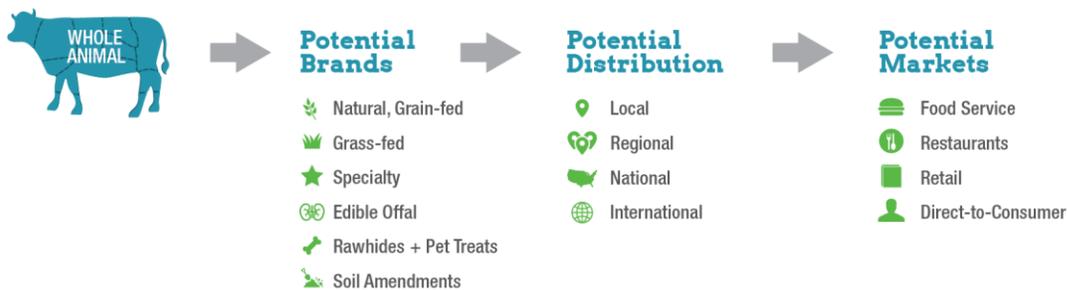
- a) Capital investment: **\$43,982,976.**
- b) Working capital: **\$30,000,000.**

- c) Creating and building demand for Montana branded meat products and/or growing and promoting existing Montana branded meat products.
- d) Finding experts in the meat business willing to work for the entity that owns the plant (*Montana does not have a pool of these experts*).
- e) Recruiting and training a large workforce (*Montana lacks a large skilled meat processing workforce*).
- f) Building a business model that captures value from every part of the animal carcass
- g) The production and merchandising of consumer-ready / value-added products.

### Market Opportunities:

The processing facility could potentially serve one or more natural, grain-fed beef brands; a bison brand; a value added product brand– all utilizing the facility and sharing costs and overhead where appropriate.

Below is an illustration that speaks to the variety of potential options.



**Grain-fed beef:** Montana has the sixth largest herd of beef cattle in the United States. Montana has the potential for increasing the production of high quality grain fed beef given the current and plentiful supply of feeder cattle, barley, wheat and forage. Currently, most of the high quality feeder cattle and grain produced in Montana is shipped out of state.

**Natural, grain-fed beef:** Montana is home to several branded natural, grain-fed beef programs and even more producers who raise and sell calves to out-of-state natural programs. Expanding the finishing capacity in-state for natural, grain-fed beef cattle could increase the demand for processing services in Montana. Such a program is likely to require that animals are raised to meet specific production protocols. Most commonly, these programs incorporate grain-finished feeding and require that animals are not administered hormones or growth promotants.

Natural branded programs like Montana Natural Beef and Great Northern Cattle Co. have all had success in the natural beef market.

**International Markets:** Based on what we learned during this research, and the proposed specifications from the plant design team involved in this study, the Asian market is a good potential market for Montana-branded beef. If a processing plant was created that offered best-in-class traceability – from birth to shelf – it could become a premier, medium-sized plant focused on serving the growing demand for animal proteins abroad. Several people interviewed for this project believed that Montana-branded meat products would be able to leverage the existing mystique of the West and the Montana name in the Asian markets.

All of the opportunities noted above come with their own unique sets of challenges and opportunities. As the market for Montana-branded products grows, so too will demand for high quality cattle and bison, processing services, and a strong team of leaders to guide these branded programs to success. Finally, this processing plant could also distinguish itself, and add another opportunity to potentially capture higher value for its products, by offering best-in-class traceability, maintaining source-verification protocols throughout the supply chain.

#### Summary of Plant Design and Production Capacity:

- Current max capacity 250 hd/day. This could be expanded to 500 hd/day with the addition of a second 8 hour shift and the construction of additional cooler space
- Site requirements are 25 acres of land.
- Staff of 147-155 (if another shift were added it would necessitate additional staff).
- If 100% of production (65,000 head) were devoted to fed cattle, the plant would produce 41,795,000 lbs. of red meat annually.

#### Montana Supply:

- Montana beef inventory in 2013 was 2.6 million head of all cattle and calves.
- On average, Montana produces 1.4 million calves annually.
- Most feeding operations are backgrounding. A processing plant would require an increase in fattening capacity.

### Locations:

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**Great Falls:** Difficult to obtain a private water right in Great Falls. However, there is considerable water available through a water reservation in Great Falls.

**Billings:** Essential to connect to the municipal water supply in Billings to avoid potential closures by FWP or DNRC. This would likely negate the possibility of building connecting feedlot.

**Hathaway:** 20 miles west of Miles City in Rosebud County. There is a plot of land near Hathaway that would serve as an ideal location for a processing plant and a feedlot. According to DNRC, there is sufficient physical and legal water availability in the Yellowstone River at Hathaway.

### Conclusion

It is possible to build and operate a processing plant in Montana successfully. To do so will require a capital investment and working capital of close to \$65,000,000. More importantly, it will require solid sales of Montana beef to ensure the success of those investments. To be successful, the beef brands produced by this plant must target non-commodity, niche markets, at minimum of 20% above commodity prices.

It will also require forming relationships with livestock producers and feedlots in Montana to ensure a steady year-round supply of quality product. It will also require a trained workforce which Montana does not already possess. While One Montana would not be the vehicle of investment in any future business venture that involved a processing plant, we appreciate the opportunity to share the information we have gathered with anyone who might have such an interest.



Figure 4. Main floor

