

**Local Food Promotion Program (LFPP)
Final Performance Report**

The final performance report summarizes the outcome of your LFPP award objectives. As stated in the LFPP Terms and Conditions, you will not be eligible for future LFPP or Farmers Market Promotion Program grant funding unless all close-out procedures are completed, including satisfactory submission of this final performance report.

This final report will be made available to the public once it is approved by LFPP staff. Write the report in a way that promotes your project's accomplishments, as this document will serve as not only a learning tool, but a promotional tool to support local and regional food programs. Particularly, recipients are expected to provide both qualitative and quantitative results to convey the activities and accomplishments of the work.

The report is limited to 10 pages and is due **within 90 days** of the project's performance period end date, or sooner if the project is complete. Provide answers to each question, or answer "not applicable" where necessary. It is recommended that you email or fax your completed performance report to your assigned grant specialist to avoid delays:

LFPP Phone: 202-720-2731; Email: USDALFPPQuestions@ams.usda.gov; Fax: 202-720-0300

Should you need to mail your documents via hard copy, contact LFPP staff to obtain mailing instructions.

Report Date Range: <i>(e.g. September 30, 20XX-September 29, 20XX)</i>	September 30, 2015 – September 29, 2016
Authorized Representative Name:	Wendy Lockwood Banka
Authorized Representative Phone:	734-834-5332
Authorized Representative Email:	wbanka@umich.edu
Recipient Organization Name:	Mighty Fine Poultry Processing, LLC
Project Title as Stated on Grant Agreement:	Reducing barriers to local poultry production and consumption: Determining the feasibility of establishing a USDA-certified poultry processing facility in SE Michigan
Grant Agreement Number: <i>(e.g. 14-LFPPX-XX-XXXX)</i>	15-LFPP-MI-0007
Year Grant was Awarded:	2015
Project City/State:	Ann Arbor, Michigan
Total Awarded Budget:	\$24,895.00

LFPP staff may contact you to follow up for long-term success stories. Who may we contact?

Same Authorized Representative listed above (check if applicable).

Different individual: Name: _____; Email: _____; Phone: _____

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1. State the goals/objectives of your project as outlined in the grant narrative and/or approved by LFPP staff. If the goals/objectives from the narrative have changed from the grant narrative, please highlight those changes (e.g. “new objective”, “new contact”, “new consultant”, etc.). You may add additional goals/objectives if necessary. For each item below, qualitatively discuss the progress made and indicate the impact on the community, if any.

- i. Goal/Objective 1:

- a. Progress Made:

Objective 1A proposed to estimate the current demand for local poultry products in SE Michigan. This was accomplished by surveying grocers, restaurants, and distributors in SE Michigan for the amount of local poultry products purchased. Altogether the survey results represent over 150,000 pounds per week in poultry purchases at \$1.54 - \$3.00 per pound, with boneless skinless chicken breasts the primary product purchased. Respondents were able to access little or no Michigan-grown poultry, but all were interested in doing so. Instead, it was discovered that the “local” poultry market for grocers, restaurants, and distributors in SE Michigan is broadly dominated by products from Miller Poultry in Indiana. In 2010 Miller Poultry produced 0.88 million pounds of chicken products per week.

Objective 1B proposed to estimate the current supply of local poultry products in Michigan. This was accomplished by surveying 62 producers across Michigan for the amount of poultry produced. Altogether the survey results represent an estimated 40,000 birds processed annually, with respondents selling their poultry products for \$2 - \$8.95 per pound. Over 60% of respondents did not access conventional market channels, and instead sold their poultry products primarily to neighbors, family, and friends.

- b. Impact on Community:

Purchasers of local poultry products (distributors, grocers, restaurants) were intensely interested in this project, as there is a clear demand from their customers for Michigan-grown poultry, but they are unable to provide it. Producers were also broadly interested in the project, and expressed the view that there is a real need for more poultry processing in the region. Many producers stated that they would likely increase production if more USDA-certified processing options existed.

- ii. Goal/Objective 2:

- a. Progress Made:

Objective 2 proposed to identify relevant processing regulations, three potential facility sites, example building specifications, equipment needed, utility requirements, and waste stream options.

With respect to identifying at least three potential facility sites, this work has been completed, with the identification of four possible sites in Washtenaw County. This was accomplished by doing internet searches and working with realtors. The four potential facility sites identified are summarized below. The least expensive site on a per acre basis was used in the Feasibility Analysis in Objective 3.

Street	Twp/City	Acres	\$/Acre	Price	Building	Zoning
Enterprise Dr	Scio Twp	2.14	\$303,738*	\$650,000	11,750 sq ft	Industrial
Jackson Rd	Scio Twp	1.13	\$190,265	\$215,000	NA	Industrial
Cherry Hill Rd	Superior Twp	2.00	\$ 85,000*	\$170,000	Storage	Agricultural
Stone School Rd	Ann Arbor	2.00	\$ 70,000	\$140,000	NA	Industrial

* includes building on site

With respect to identifying building specifications and equipment lists, this was accomplished in part by attending the International Poultry Processing Expo in Atlanta, GA, in January 2016. One attendee at that convention was Brower Equipment, a company which offers a variety of example floor plans and equipment lists for facilities that process 400, 600, or 1000 – 1200 birds per hour. Separately, a meeting was also held with a local processing facility. The owner of this facility already owned the property and building when he began, and estimated his start up costs at \$300,000, with \$130,000 expended for building modifications, \$120,000 for equipment, and the remainder for supplies. In addition, a study by Georgia Organics <http://sustainagga.caes.uga.edu/documents/PoultryFeasibility2012.pdf> provided an estimate of the building costs for a small-scale poultry processing facility of \$476,675 (p.42-44). These numbers were used to inform the Feasibility Analysis in Objective 3.

With respect to utility requirements and waste stream options, these issues were also discussed with the local processor. At his operation utilities generally run \$1500/month when processing, and waste is picked up weekly by Darling International in 55 gallon barrels, for \$35/pick up.

With respect to regulatory requirements, HACCP (Hazard Analysis and Critical Control Points) certification classes were discussed, and specific training classes were recommended.

b. Impact on Community:

This is a feasibility study, with little impact on the community at this time. However, work in Objective 2 led to two discussions with a local processor, which included tours of his facility both on a day when it was operational and a day when it was not. Furthermore, in working with a realtor to identify possible facility sites, several additional meetings were held about this property with community stakeholders, including landowners, local elected officials, and city planning staff.

iii. Goal/Objective 3:

a. Progress Made:

Objective 3 proposed to use information derived in Objective 1 to estimate market supply and demand, and information accumulated in the work of Objective 2 to estimate costs for plant property, equipment, payroll, utilities, and taxes. In addition, this objective proposed to estimate required loan amounts and interest rates, and to input all of the above values into an existing Feasibility Template, to calculate whether this project to establish a new poultry processing facility is feasible from a financial perspective.

The survey work from Objective 1 provided clear starting points for current market supply and demand values, and led to an assumption that in the first years of operation approximately 35,000 – 50,000 birds could be expected to be processed annually. Similarly, work from Objective 2 provided information on plant property costs (\$140,000/ 2 acres), plant building costs (\$476,675), equipment costs (\$120,000), utility costs (\$1500/month), and property taxes (\$3683).

None of the feasibility study iterations using reasonable numbers from this study demonstrated that the proposed project is financially feasible within a 10-year timeframe. One example of such an analysis is shown below.

<u>Gross Sales</u>											
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
Whole Chicken	\$0	\$140,000	\$147,000	\$154,350	\$162,068	\$170,171	\$178,679	\$187,613	\$196,994	\$206,844	\$217,186
Cut Chicken	\$0	\$6,000	\$6,300	\$6,615	\$6,946	\$7,293	\$7,658	\$8,041	\$8,443	\$8,865	\$9,308
Whole Turkeys	\$0	\$36,000	\$37,800	\$39,690	\$41,675	\$43,758	\$45,946	\$48,243	\$50,656	\$53,188	\$55,848
Total	\$0	\$182,000	\$191,100	\$200,655	\$210,688	\$221,222	\$232,283	\$243,897	\$256,092	\$268,897	\$282,342
<u>Expenses</u>											
Variable	\$0	\$176,076	\$178,146	\$180,252	\$182,409	\$184,606	\$186,844	\$189,123	\$191,446	\$193,813	\$196,227
Fixed	\$0	\$127,676	\$138,276	\$128,098	\$120,172	\$113,815	\$111,549	\$109,125	\$101,130	\$92,939	\$89,876
Other	\$0	\$60,000	\$60,600	\$61,206	\$61,818	\$62,436	\$63,061	\$63,691	\$64,328	\$64,971	\$65,621
Total Expenses	\$0	\$363,752	\$377,022	\$369,556	\$364,399	\$360,858	\$361,453	\$361,939	\$356,904	\$351,724	\$351,725
Before Tax Profit	\$0	(\$181,752)	(\$185,922)	(\$168,901)	(\$153,711)	(\$139,635)	(\$129,170)	(\$118,042)	(\$100,812)	(\$82,827)	(\$69,383)
Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
After Tax Profit	\$0	(\$181,752)	(\$185,922)	(\$168,901)	(\$153,711)	(\$139,635)	(\$129,170)	(\$118,042)	(\$100,812)	(\$82,827)	(\$69,383)
<u>Estimate of Cash Flows</u>											
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
After Tax Profits	\$ -	\$(181,752)	\$(185,922)	\$(168,901)	\$(153,711)	\$(139,635)	\$(129,170)	\$(118,042)	\$(100,812)	\$(82,827)	\$(69,383)
Depreciation	\$ -	\$32,960	\$45,200	\$36,800	\$30,800	\$26,528	\$26,516	\$26,528	\$21,164	\$15,812	\$15,812
Principle	\$ -	\$29,429	\$31,474	\$33,662	\$36,001	\$38,503	\$41,179	\$44,041	\$47,102	\$50,375	\$53,877
Cash Flow	\$ -	\$(178,220)	\$(172,196)	\$(165,762)	\$(158,912)	\$(151,610)	\$(143,833)	\$(135,554)	\$(126,749)	\$(117,390)	\$(107,447)

(does not consider increases or decreases in working capital loan)

b. Impact on Community:

This is a feasibility study, with little impact on the community at this time.

iv. Goal/Objective 4: Disseminate Results

a. Progress Made:

Objective 4 proposed to complete a report describing the work conducted, to publicly disseminate the report, and to submit an abstract to give presentation at a relevant conference.

A report entitled *“The Feasibility of Establishing a Stand Alone USDA-Certified Poultry Processing Facility for Independent Producers in Michigan”* has been completed and is attached to this report. A copy has also been delivered to directors of the Niche Meat Processor Assistance Network (NMPAN) for posting on their web page with other feasibility studies. Finally, an abstract about this work has been submitted to the Macomb Food Collaborative’s All About Food Conference, which will be held on June 6, 2017.

2. Quantify the overall impact of the project on the intended beneficiaries, if applicable, from the baseline date (the start of the award performance period, September 30, 2016). Include further explanation if necessary.
 - i. Number of direct jobs created: 4
 - ii. Number of jobs retained: 0
 - iii. Number of indirect jobs created: 0
 - iv. Number of markets expanded: 0
 - v. Number of new markets established: 0
 - vi. Market sales increased by \$0 and increased by 0%.

- vii. Number of farmers/producers that have benefited from the project:
 - a. Percent Increase: Not applicable at this time.

- 3. Did you expand your customer base by reaching new populations such as new ethnic groups, additional low income/low access populations, new businesses, etc.? If so, how?

This is a feasibility study, and this question is not applicable at this time.

- 4. Discuss your community partnerships.
 - i. Who are your community partners?

Community partners include those who have answered surveys, including more than 60 Michigan poultry producers, as well as local distributors, restaurants, and grocers. In addition, a local processor was very generous with his time and perspective on poultry processing in Michigan.

- ii. How have they contributed to the overall results of the LFPP project?

Community partners have participated by answering surveys, and/or by speaking with me or Lynne Brown directly, either by phone or in person. The perspectives provided by producers, by distributors, and by a local processor have each been critical to the work of this proposal. In particular, the producer survey showed both that there is interest in increasing production if a new processing facility is built, and also that much of what is currently being produced never makes it to conventional markets where most consumers shop. Meanwhile, the distributor survey demonstrated that demand for locally produced poultry in Michigan far exceeds supply, leaving no concerns about not being able to sell locally produced poultry in Michigan.

- iii. How will they continue to contribute to your project's future activities, beyond the performance period of this LFPP grant?

I expect that if the new Mighty Fine Poultry Processing facility is built that many of the producers will bring their poultry to this facility, and will even increase production in response to the availability of this facility. Similarly, I expect that all of the distributors will be interested in purchasing local, Michigan-grown and Michigan-processed products to sell to their own customers.

- 5. Did you use contractors to conduct the work? If so, how did their work contribute to the results of the LFPP project?

Lynne Brown of Mid-Michigan Consulting did much of the online producer survey work, personal interviews, and result analysis. She also met with Wendy Banka several times to discuss results and strategies. Ms. Brown has expertise in running these kinds of surveys and her efforts were critical to getting this project off the ground in the early months.

Matt Munsell met with Wendy Banka twice at his processing facility, the only USDA-certified poultry processing facility in Michigan that serves independent producers. He provided a tour of his facility and a description of each work station and of the work flow. He explained the history of his operation, and how they solved problems of facility design and equipment acquisition. He explained the HACCP process, and recommended a training option. He provided information on start-up and operating costs, and waste stream options. Altogether the information provided by Mr. Munsell was exceptionally useful.

Kim Kauer of Kauer & Son LLC did worked to reformat an existing Feasibility Template for the specific purposes of this project, and ran most of the analyses. Ms. Kauer has expertise in accounting and in running businesses, and her work on this project contributed greatly to the feasibility analysis.

6. Have you publicized any results yet?*

- i. If yes, how did you publicize the results? A report was written and has been delivered to NMPAN for posting on their website. A copy of that report is attached here.
- ii. To whom did you publicize the results? Members of NMPAN.
- iii. How many stakeholders (i.e. people, entities) did you reach? The NMPAN listserve has 1100+ members.

*Send any publicity information (brochures, announcements, newsletters, etc.) electronically along with this report. Non-electronic promotional items should be digitally photographed and emailed with this report (do not send the actual item).

7. Have you collected any feedback from your community and additional stakeholders about your work?

Not yet applicable.

- i. If so, how did you collect the information? My contact information is presented at the end of the report.
- ii. What feedback was relayed (specific comments)?

8. Budget Summary:

- i. As part of the LFPP closeout procedures, you are required to submit the SF-425 (Final Federal Financial Report). Check here if you have completed the SF-425 and are submitting it with this report:
- ii. Did the project generate any income? No.
 - a. If yes, how much was generated and how was it used to further the objectives of the award?

9. Lessons Learned:

- i. Summarize any lessons learned. Draw from positive experiences (e.g. good ideas that improved project efficiency or saved money) and negative experiences (e.g. what did not go well and what needs to be changed).

This feasibility study demonstrated that a standalone USDA-certified poultry processing facility is not financially feasible, given that the facility would have to be built from the ground up, and given an assumption of a likely throughput of about 50,000 birds per year.

However, the study also reaffirmed that there is a significant need for such a facility, since there is a large demand for locally produced poultry in the region, and producers who are willing to meet that demand.

- ii. If goals or outcome measures were not achieved, identify and share the lessons learned to help others expedite problem-solving:

I went into this project with the understanding that the processing step is a bottleneck that impedes the movement of locally grown poultry to consumers, and my goal was help relieve that bottleneck by

establishing a new USDA-certified processing facility in SE Michigan. What I understand now, thanks to the work of this proposal, are at least two additional things: first, a facility that focuses only on processing is not viable from a financial perspective, and second, that processing is not the only bottleneck that impedes the movement of local poultry to local markets. If the goal is to move more locally produced poultry to markets where consumers can access them, then distribution channels to those markets must also be established. This may be a fortuitous finding, since building those distribution channels may create enough additional revenue streams that a business model that combines poultry processing with distribution streams can be developed that is financially feasible.

- iii. Describe any lessons learned in the administration of the project that might be helpful for others who would want to implement a similar project:

I think the overall structure of this project, with surveys of both producers and distributors, work with an existing small-scale processor, and use of an established spreadsheet tool to analyze various cost and revenue inputs over a 10-year timespan, and was very useful. In the end the feasibility analysis demonstrated that the original idea about how to solve the problem of not enough local poultry was not going to work, but the work with producers and distributors provided insights that have led to new ways of thinking about how the problem can be solved.

10. Future Work:

- i. How will you continue the work of this project beyond the performance period? In other words, how will you parlay the results of your project's work to benefit future community goals and initiatives? Include information about community impact and outreach, anticipated increases in markets and/or sales, estimated number of jobs retained/created, and any other information you'd like to share about the future of your project.

I applied for a second LFPP Planning Grant in 2016, to develop plans for a facility that not only processes, but also aggregates, stores, and distributes the processed poultry. My goal to bring more locally produced poultry to market to benefit both producers and consumers remains the same, but my understanding of how to get there is much different than it was a year ago.

- ii. Do you have any recommendations for future activities and, if applicable, an outline of next steps or additional research that might advance the project goals?

To my knowledge, poultry processors that serve independent producers in Michigan do the important work of processing poultry, but do not help producers by offering added-value steps like grinding, cutting, or sausage-making - and also do not help producers by aggregating, storing, or helping to distribute their products. Meanwhile, both producers and processors are operating on very thin margins that put the entire local poultry industry at risk, during a time of very high demand. Altogether it seems that it is time to consider new ways of solving the problem of bringing local poultry to market, and that those solutions might include adding value-added capability to the small-scale processing facility, as well as assistance in aggregating, storing, and distributing these highly valued locally produced products.