

How to Write a Business Plan

The information on the following pages is an outline of how to write a business plan. The general plan format is outlined, followed by descriptions of the various sections that normally make up a business plan. Each section contains a list of key topic areas to be discussed. The key topics should help you think of information about your company to include in the plan.

It is extremely important to the success of your operation that you, the owner/CEO, write the business plan. Often times the process of writing a business plan is more beneficial than the plan itself.

If you have questions about how to write the business plan, or would like your written plan reviewed, contact the CIRAS representative in your area or the CIRAS office at Iowa State University for personal assistance.

The business plan should consist of eleven separate sections, each one beginning on a new page:

- Request Page
- Table of Contents
- Executive Summary
- Business Description
- Management
- Market Analysis
- Marketing Plan
- Products or Services
- Manufacturing Plan
- Financial Data
- Supporting Documents

■ CIRAS Business Plan Format

The CIRAS Business Plan format is designed to show you the type of information to include in a plan and the format to use.

A business plan may be a document written to persuade a lender or lenders to provide capital for your venture. A business plan is an essential management tool for your business. A business plan may serve as the implementation plan for a strategic plan. The business plan outline in this handout applies to an entrepreneur or a businessperson seeking money for a new business startup or a business expansion.

10 Key Points

Ten key points to remember when writing your business plan:

1. *Be honest. Do not be overly optimistic or try to hide limitations or weaknesses.*
2. *Write in easy to understand terms. Avoid jargon and terms that are unfamiliar to people outside of your industry.*
3. *Represent your company's image, and convince the reader you understand all aspects of the business.*
4. *Provide the lender with an understanding of your business and how you will use the loan.*
5. *Evaluate the company's management team. This is a major focus of the plan.*
6. *Answer the three strategic planning questions:
Where are we now?
Where do we want to be?
How do we get there?*
7. *Quantify your market, sales, production, and cost data. Do not generalize. Be specific. Use data to help tell the story.*
8. *Begin each major section on a new page with the appropriate title; for example, Marketing Plan.*
9. *The actual content of the business plan will vary depending on the nature and complexity of the business, the stage of development and the type of financing needed.*
10. *The business plan may be used as a sales document. The content and quality of the plan should be representative of your company.*

Request Page

This section should include a summary of the company's loan request.

Information to include:

1. Company Name
2. Dollar Amount Required
3. Month and Year the Loan Is Required
4. Purpose of the Loan and How Money Will Be Spent (Be specific.)
5. Equity
Amount and type of equity. As owner how much cash will you invest, or what type of assets will you contribute?
6. Contact
Contact person at the firm who is responsible for the proposed business plan.



Title Page

Items to include:

1. Company Name
2. Date
3. Contact Person

Table of Contents

1. Title Page
2. Executive Summary
3. Business Description
Points to include are a history of company, company's industry, legal structure, employee statistics, mission statement, current status and goals of company, and description of products.
4. Management
Points to include are key management personnel, organization chart, board of directors, staffing plan, form of organization, stock holders, reporting system, investment involvement, and unique advantages.
5. Market Analysis
Points to include are customers, market size and trends, competition, estimated market share and sales, and key assumptions.
6. Marketing Plan
Points to include are overall marketing strategy and sales methods.
7. Product or Services
Points to include are description, patents, comparison to competition, regulatory requirements, and unique advantages.
8. Manufacturing Plan
Points to include are facility size, facility location, production methods, manufacturing operation, inventory policy, quality control, suppliers, environmental factors, condition of facilities and equipment, unique advantages, and key assumptions.
9. Financial Data
Points to include are sources/application of funding, equipment list, Proforma balance sheet, break-even analysis, income projections, twelve-month cash flow, cost of goods sold schedule, audited financial statements, list of collateral offered to secure the loan, aging of accounts payable and receivable, and personal financial statements.
10. Supporting Documents
Points to include are general classification of supporting documents, critical risks and problems, and project schedule.

Executive Summary

Points to discuss include:

1. **Business Description**

Include name, address, plant or store description and brief history.

2. **Product**

Give a description of the product or service. What differentiates your product from existing products? What features of your product will give you a competitive edge in the marketplace? What is the product's current state of development: do you need further R&D; do you have blueprints but no prototypes; is a prototype built and ready for production? What type of protection do you need: patents, trademark or copyright?

3. **Market Data and Marketing Plan**

Who are the customers? Where are they located? What market niche will you serve? Who is your competition? What is the market (sales) potential? How will you sell or market your products?

4. **Management**

Discuss the key persons involved in the business and summary of relevant expertise or past business.

Include these additional items if the business plan is for the purpose of borrowing money:

5. Summary of sources and uses of funds.
6. Loan repayment and break-even summary.
7. Explanation of why you need the money and how you will use it – be specific.
8. Explanation of the steps you will take if company is in a turnaround situation.
9. Discuss how you intend to repay the loan.

This section should summarize the key elements of the plan critical to the success of the venture. This is the first exposure the lender will have to your idea, so the executive summary is more than just a condensation of the plan. The length may be 1-3 pages. Often the executive summary will be written after most of the business plan has been completed.

Business Description

The purpose of the business description is to help the reader understand the demographics of your company, the current status of your business and the future direction of your company.

Points to cover are:

- 1. Company History**
History of the company and its development, or information about how your idea developed.
- 2. Company Industry**
A discussion of the company's industry.
- 3. Legal Structure**
Details of the legal structure.
- 4. Employment**
Number of employees and their age distribution. Briefly discuss employees qualifications to do the work based on training, education and/or experience.
- 5. Mission/Vision Statement**
The mission statement of the business. Key elements of a mission statement include markets and geographic areas to be served, philosophy and values of the company and current and future products and/or services to be provided.
- 6. Current and Future Goals**
Discussion about where the company is today (current status) and where it wants to be (company goals). State goals quantitatively. Analyze your company in terms of strengths, weaknesses, opportunities, and threats (SWOT).
- 7. Company Products or Services**
Description of the company's products or services.

Management

Points to cover are:

- 1. Key Personnel**
Key management personnel and their duties and responsibilities. Resumes should be included in the supporting documents to show management has experience and skills needed to manage the company. Emphasize past successes and current role in the business.
- 2. Management Team**
Discuss how the management team's education, training and/or experience will help the company succeed.
- 3. Reporting Relationships**
Organization chart, salary structure and ownership share.
- 4. Directors and Advisors**
Board of Directors and outside advisory services.
- 5. Staffing Plan**
Discuss management needed in the organization, how you will fill key slots, hiring plans and the date positions will be filled.
- 6. Business Organization**
Form of business organization.
- 7. Ownership**
Names of stockholders and shares owned.
- 8. Management Duties**
Discuss the managers or private firms who will handle the management duties. Include internal control systems for accounting, inventory and management information reporting systems.
- 9. Other Investment**
Amount of money invested by owners.
- 10. Management's Competitive Advantage**
Unique competitive advantage from management experience or skills.

Management is the most critical aspect of the plan. The reader must have confidence in your management team and its ability to implement this plan. Do not be modest, but, at the same time, do not be boastful.

Market Analysis

In this section discuss the marketing mix, product or service, distribution channels, price and promotion. Discuss these items in comparison to the industry in general and against your competition.

Focus on your target markets. Explain how your market has people willing to buy or who may buy the product. Show that you have enough potential buyers for the company to survive and grow. Discuss the demographic characteristics of potential customers and why they may want to buy your product.

Points to cover are:

- 1. Customers**
Identify customers and potential customers. Discuss demographic information about customers such as age, gender, income, type of work and where they are located.
- 2. Market Size and Trends**
Discuss market in current unit and dollar size. Include future industry growth and trends. Support with documentation.
- 3. Competition**
Identify the competition and where it is located. Discuss competitors' annual sales volume, market share, strengths and weaknesses. Discuss key differences of your company and product compared to the competition and your product price compared to the competitors' price.
- 4. Estimated Market Share and Sales**
Include projected unit and dollar sales and area of the sales territory.
- 5. Product Distribution and Sales**
Discuss how this type of product is sold in the market place. Discuss distribution and your plans compared to customary practices.
- 6. Competitive Advantages**
Discuss the competitive advantages of your company and product compared to industry and competition.
- 7. Analysis**
Analyze strengths and weaknesses of your product line and company versus competitors' product line and company.

Marketing Plan

Discuss:

- 1. Marketing Goals and Objectives**
What you plan to do with the marketing effort? What are sales forecast targets?
- 2. Overall Marketing Strategy**
A key element to discuss is the market niche the company will have. Discuss how customers will be identified and sold; pricing strategy – pricing policy versus competition policy; service and warranty policies; how you will capture customers from competitors; credit terms. Include goals and timetables.
- 3. Sales Methods**
Discuss advertising and promotion policy; sales force management; sales staffing – manufacturing representatives or company sales force; sales area; distribution and sales methods – factory direct, dealers or wholesalers; how the sales methods will ensure projected sales levels are attained.
- 4. Test Marketing Completed or Planned**
Provide results of completed test marketing or outline the plan to conduct test marketing.
- 5. Marketing Budget**
Show the budget with dollars allocated for advertising, travel, sales balances and commissions, promotional materials, trade shows, samples.
- 6. Key Assumptions**

This section should convince the reader that you know how and where to sell your product.

Products or Services

This section should give the reader a clear understanding of your product or service. Use visual material, such as photographs, sketches or digital images to increase understanding. Be sure to include any marketing material used to promote the product.

Points to include:

1. **Products or Services**
Description of product line or service. Discuss product features.
2. **Legal Protection**
Patents, copyrights, trademarks.
3. **Competitor Comparison**
Comparison to competitors' products or services.
4. **Regulatory Agency Requirements**
5. **Competitive Advantage**
Unique competitive advantages versus competition.
6. **Customer Benefits**
Benefits of your product to customers.
7. **Packaging**
Describe packaging requirements.

Manufacturing Plan

Discuss:

- 1. Facility**
Size of facility needed with a plant layout sketch.
- 2. Location**
City, state and address where plant will be located.
- 3. Production**
Production methods and the state of art of your production process. Discuss how the manufacturing operation will help make the business a success. Detail production capacity versus sales needs. Include product literature on key pieces of equipment you will purchase and why you are buying that piece. Discuss how you will produce or provide the service or product.
- 4. Staffing**
Describe number of workers needed, the skills needed and training programs.
- 5. Inventory**
Inventory policy for raw material and finished goods.
- 6. Quality**
Quality control, quality assurance plans and plans to implement ISO 9000 or QS 9000.
- 7. Material**
Raw materials needed and sources of supply. List key suppliers.
- 8. Environmental Issues**
Environmental issues and any anticipated environmental factors. Discuss your environmental compliance program.
- 9. Condition of Production Assets**
Condition of production facilities and equipment.
- 10. Manufacturing Process Advantages**
Unique competitive advantage in the manufacturing process.
- 11. Government Requirements**
Discuss how you intend to comply with governmental agencies requirements such as OSHA for safety and air quality permits for the state of Iowa.
- 12. Key Assumptions**

This section should convince the reader that you can produce a quality product in sufficient quantities to meet demand. It must also demonstrate you know how to produce the product.

Financial Data

This section is analyzed by all readers. The data should show how you can make a profit, have positive cash flow and be able to repay any debt.

Items to include are:

1. Sources and Applications of Funding
2. Equipment List
3. Proforma Balance Sheet (with notes of explanation)
4. Break-even Analysis
5. Income Projections
This should be a three-year projection with notes of explanation.
6. 12-month Cash Flow
Include notes of explanation.
7. Detailed Cost of Goods Sold Schedule
8. Financial Statements
Audited financial statements for past 3-5 years.
9. Collateral
List of collateral offered to secure the loan.
10. Personal Financial Statements
Personal financial statements of all owners with 20 percent or more ownership.
11. Aging of Accounts Payable and Accounts Receivable (if an existing business)

Supporting Documents

1. General Supporting Documents

- *Letters from future customers.*
- *Plant layout.*
- *Product brochures, promotional materials.*
- *Resumes*
- *Market research data.*
- *Patent or trademark information.*
- *News articles.*

2. Critical Risks and Problems

Identify and discuss major risks and problems that you think you may encounter. Discuss risks including, but not limited to, the company, industry, personnel, market, product and financing. Indicate which assumptions or potential problems are most critical and how your plans reduce the impact of unfavorable developments.

Risks to include are:

- *Price cutting by competitors.*
- *Any potentially unfavorable industry-wide trends.*
- *Design or manufacturing costs in excess of estimates.*
- *Sales projections not achieved.*
- *Product development schedule not met.*
- *Difficulties or long lead times encountered in the procurement of parts or raw materials.*
- *Difficulties encountered in obtaining bank credit lines because of tight money.*
- *Larger than expected innovation and development costs to stay competitive.*
- *Availability of trained labor.*

3. Implementation Plan

A month-by-month schedule that shows the timing and interrelationship of major activities such as product development, market planning, sales programs and production. Include detail to show the timing of tasks required to accomplish an activity. Show on the schedule the deadlines and events critical to the venture's success.

Include such events as:

- *Incorporation of the venture (for a new business).*
- *Completion of design and development.*
- *Completion of prototypes (a key date; its achievement is a tangible measure of the company's ability to perform).*
- *When sales representatives are obtained.*
- *Displays at trade shows.*
- *When distributors and dealers are signed up.*
- *Order of materials in production quantities.*
- *Start of production or operation (another key date because it is related to the production of income).*
- *Receipt of first orders.*
- *First sales and deliveries (a date of maximum interest because it relates directly to the company's credibility and need for capital).*
- *Payment of first accounts receivable (cash in).*

The schedule should also show the following and their relation to the development of the business:

- *Number of management personnel.*
- *Number of production and operations personnel.*
- *Additions to plant or equipment.*

Be realistic about your schedule!

Cattle Producers Marketing Coop
Sample Plan
Loan Request

Our only choice is to do what is best for our customers.
123 Format Way — Our Town, IA — (505) 319-7120

February 29, 2000

Kelly Sharp, President
First State Federal Bank
9110 Ledger Street
River City, IA 12345

Dear President Sharp:

Cattle Producers Marketing Coop is a producer's cooperative established to help more than 25 area beef producers:

- secure a higher percentage of the consumer dollar; and
- obtain a higher price for food, fiber and crafted items produced on family farms.

In order to fulfill its purpose, Cattle Producers Marketing Coop, headquartered in Bordertown, IA, is seeking a loan of \$125,000 to assist with costs associated with the:

- purchase of processing machinery and equipment.

This equipment will be placed in Larry and Linda's Locker Plant in Bordertown. The owners will finance the purchase and will remain on staff to assist in operation of the business.

So far, 26 cooperative members of the coop have committed \$260,000 in cash to this project, and the Bright County Development Corporation has agreed to provide technical assistance of various types. The owner equity will be split equally between a down payment on Larry and Linda's Locker Plant and a down payment on purchase of processing machinery and equipment.

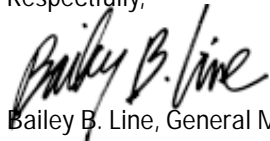
The requested financing will be needed in 90 days. To allow Cattle Producers Marketing Coop to take advantage of near term opportunities that may be crucial to long term success, financing is needed by July 1, 2000.

For additional information please contact:

Bailey B. Line, General Manager
Cattle Producers Marketing Coop
Mainstreet
Bordertown, IA 54321
Phone: (505) 319-7120; Fax: (702) 319-7020; Cell: (309) 702-5150
E-mail: GoCy@planright.com

The attached business plan outlines and explains all aspects of the proposed project.

Respectfully,



Bailey B. Line, General Manager

CATTLE PRODUCERS MARKETING COOP

February 29, 2000

Bailey B. Line

Cattle Producers Marketing Coop

Table of Contents

I. Executive Summary	XX
II. Business Description	XX
History of Company	
Company's Industry	
Mission Statement	
Current Status of Company	
Goals of the Company	
III. Management	XX
Key Management Personnel	
Organization Chart	
Salary Structure	
Ownership Share	
Board of Directors	
Advisory Services	
Employment	
IV. Market Analysis	XX
Customers	
Market Size and Trends	
Competition	
Estimated Market Share and Sales	
V. Marketing Plan	XX
VI. Products or Services	XX
VII. Manufacturing Plan	XX
Facility Location	
Production Methods	
Suppliers	
Production Capacity	
Operations Sequence	
VIII. Financial Data	XX
Sources/Applications of Funding	
Equipment List	
Pro forma Balance Sheet	
Break-even Analysis	
Income Projections	
Twelve Month Cash Flow	
IX. Supporting Documents	XX
Resumes	
Letters From Potential Customers	
Equipment Brochures	
Product Brochures	

Executive Summary

Business Description

Cattle Producers Marketing Coop is a cooperative of 20 cattle farmers located in south central Iowa. The general manager of the cooperative, who is also a member and cattle farmer, is Bailey B. Line. Mr. Line is responsible for organizing the group three years ago when he decided to market his own products. The initial group consisted of three neighbors located within a 5-mile radius, but has since grown to 26 members in the three-county area of York, Jameson and Walnut counties. The group markets 85,000 head of cattle a year primarily to the TDA packing company. The group started with minimal sales of \$10,000 the first year, beginning at a few local farmers markets. Marketing Coop now has 12 regular institutional accounts and 144 families that purchase product each month. Negotiations are presently underway with the nearby large special foods market that has potential to sell \$100,000 worth of Marketing Coop products annually.

- See enclosed copies of letters from All Foods Markets, Inc., White Tablecloth Restaurant, the Brady family and others.

The Cattle Producers Marketing Coop cooperative gains sales through three avenues of commodity sales of live cattle, volume sales of free-range beef products and sale of beef products with service. Since its beginnings, Marketing Coop has used Larry and Linda's Locker Plant for slaughter and processing for all meat products. Larry and Linda's is a federally inspected plant located in Bordertown, IA.

Borrowing Money

Cattle Producers Marketing Coop is seeking to expand sales of beef products. The coop is purchasing on contract the processing facility, Larry and Linda's Locker Plant in Bordertown. The coop is seeking financing for equipment to place into an expansion of the facility. The new equipment will allow production of beef products to increase 25 percent, allowing increased sales to satisfy existing and anticipate demand. An equipment list is included in the financing section of this plan.

A 10-year loan at 8 percent interest is desired for financing of the equipment. Members of the cooperative have contributed \$260,000 cash as equity. The money will be split equally among the purchase of the equipment and as down payment on the contract purchase of Larry and Linda's Locker Plant.

The financing for equipment is needed to meet increased demand for product. Some of the demand exists today and some is anticipated from increased marketing efforts. The expansion will increase capacity 25 percent, sufficient to meet demand for at least eight to 10 years, based on a controlled growth plan of this business. Cattle Producers Marketing Coop plans to increase sales to \$500,000 by 2005.

Product

Currently, the company offers three basic lines:

- Its trademark free-range ground meat, roasts and steaks. These products are available tray ready, guaranteed lean and certified as 100 percent free

of hormones, preservatives, antibiotics or chemicals.

- Traditional raised and free-range cooked products sold at farmers markets and events and festivals in Iowa and Nebraska.
- Commodity grade live cattle as a means of handling producer overrun and as a method of moving cattle that required antibiotics during the growing process.

Also offered is a growing assortment of handmade items ranging from grandfather clocks of native oak and walnut to homespun yarns with natural dyes to original oil and watercolor paintings of local scenes.

Market Data and Marketing Plan

Marketing Coop has set the following marketing objectives and goals, which are the drivers for the planned expansion:

1. Improve the general net worth and well-being of the member/owners by providing a fair and steady market for the food, fiber and other handcrafted products raised and manufactured on their farms.
2. Increase sales to more than \$500,000 over the next five years.
3. Maintain gross margins at or above 18 percent while adding product lines.
4. By 2003, be firmly established in processed and specialty markets.
5. Establish the company as a name that customers of all description associate with quality.

Marketing strategies have been set to help accomplish these goals. The strategies are broadly stated and so may appear to lack substance. The management team is in the process of establishing necessary tactics to implement the goals and accomplish the strategies.

1. Delivering high quality products that set themselves apart from others in taste and value.
2. Providing service, support and a slightly better price to our customers and dealers.
3. Maintaining gross margin at 18 percent or better.
4. Adding new products into the mix to maintain customer interest and boost sales volume.

Management

The management team is an experienced group of professionals who will add value to the business. Bailey Line will be general manager with responsibility for the organization of the coop group of producers and the processing plant. An experienced team will be used to manage the processing plant. Larry Cutter, the current owner of the processing business, will be the plant manager responsible for the purchasing function and for operation of the processing facility. His wife, Linda Cutter, will be the marketing manager. Linda brings experience in sales, in understanding of meats and meat quality and in customer service to the marketing function. All accounting and financial oversight will be provided by Tina Total. Ted Tobias will be the quality manager. He is experienced with government requirements such as HACCP, OSHA and EPA. He has responsibility to assure quality product is produced. He will also work with producers on a supplier quality program.

Business Description

Company History

Members of the cooperative are independent cattle producers and a custom meat processor, Larry and Linda's Locker Plant. It was organized when the custom meat processor was asked to process cattle for a consumer group in a city in the Midwest. The consumer group made agreements with individual farmers to purchase cattle that were raised in pastures as opposed to a confinement facility. Further, the consumer group insisted that use of antibiotics be restricted. The consumers believed that cattle raised in that manner would provide a safer, more flavorful product.

Demand for contract grown beef raised in the manner prescribed was steadily increasing – so much so that the processor would soon have to build new facilities or give up the business to competitors. Located on the main street of Bordertown, IA, a town of 1,200 population, the processor would have to build new facilities outside the community. At this stage of his life, he was reluctant to do so because of the amount of money he would have to borrow. In addition, he would be highly dependent upon a single group of consumers.

After watching Public TV's weekly program, "Market to Market," the custom meat processor learned of efforts of independent organic vegetable growers who formed a producers cooperative that enabled them to pool their limited resources to grow and market their products. He learned that there was a segment of consumers that would be willing to pay a premium for organically grown vegetable products that were identified as to where and how they were grown. This was similar to his own observations with the consumer group for whom he processed organically grown cattle.

It occurred to him that the producers for the buyers' group and he had a common interest and common concerns. If they banded together in a producer cooperative to raise and process high quality meat products, they could command a premium for their products. In controlling the product from the farm to the consumer, they could increase their income in two ways: 1) secure a higher percentage of the consumer dollar for themselves; and 2) obtain a higher price because of the premium consumers are willing to pay for their specially grown products. Also, since consumer prices for beef products fluctuate much less widely than commodity prices, the participating independent cattle producers would be more assured of year-to-year income stability.

Finally, he would feel much more secure by sharing the investment risk with others. In addition, having an adequate supply of cattle would allow the cooperative to target several consumer markets in various geographic locations so as not to be dependent upon a single segment in one geographic area.

In a series of discussions and meetings with independent beef producers in the area he found sufficient interest to build a facility of adequate size to process all the cattle they were able to raise. Throughout the process, industry experts and others that had organized similar cooperatives emphasized that the cattle raisers had to be proactively involved in all phases of the operation. In other words, raising and processing cattle for a highly specific group of consumers is

a marketing system, not a processing system. Processing is but one step in that system. Larry and Linda's has operated for more than 20 years. The plant is federally inspected. Larry and Linda's does not process any deer meat for hunters and it specializes primarily in processing of beef. Beef processing accounts for 80 percent of business, while 20 percent is devoted to hogs and other animals such as buffalo.

Cattle Producers Marketing Coop was established in 1995 on the basis of offering the highest quality and value in its free-range beef farrowed and raised by the farmers of the greater Midlands area. Time-honored traditions have been passed down through the generations of producers who understand quality and purity of product. Concerned consumers were looking for food and fiber products that were produced with minimum chemical inputs and that could be identified with the face of the producer. These consumers were shopping. They wanted goods produced from real family farms.

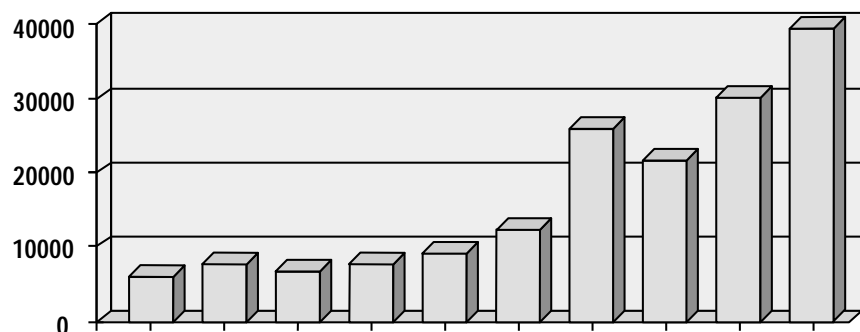
Marketing Coop answered the call – first with quality beef products, then adding other free-range meat products followed by pies and home baked breads. Constantly striving to supply what the concerned consumer is asking for, the group continually reviews what is available in the marketplace and what it sees other similar groups doing successfully in areas that are distant from the Midlands trade area. Improving on what is available and providing new products to the areas of need will assure our success in a market driven by consumer demand.

Marketing Coop has been hindered only by the lack of formal organization and working capital. Sales have grown steadily since the group first began attending area farmers markets together as a loosely knit group working under the banner of Golden Meadow Products. At this point, to move Cattle Producers Marketing Coop into a position to take full advantage of available niche markets, additional capital is needed to purchase and upgrade a facility, hire staff with marketing expertise and move larger volumes into the marketplace.

- See enclosed copy of letter of proposal from Larry and Linda's Locker Plant.

Gross Sales History

(Ten-year estimates of combined sales of independent producer working informally as Golden Meadow Products)



Past Performance

As a newly formed value-added cooperative, Cattle Producers Marketing Coop does not have a past performance record beyond the collective history of its owner/members who previously operated together on an informal basis as Golden Meadow Products.

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
\$4,000	\$5,500	\$4,500	\$5,350	\$7,000	\$10,050	\$24,500	\$20,000	\$28,000	\$37,500

The following sales figures represent the combined estimates of the individual sales experiences of the current owner/ members while working together as Golden Meadow Products.

	1997	1998	1999
Sales	\$20,000	\$28,000	\$37,500
Gross Margin	\$8,000	\$13,000	\$12,000
Gross % (calculated)	40.00%	46.42%	32.00%
Operating Expenses*	\$11,000	\$12,000	\$16,000
Collection Period (days)**	0	0	15

*Note: *Persons providing estimates did not include wages for themselves, use of personal vehicles to transport goods to market or time spent by family members when totaling Operating Expenses.*

*** Collection Period estimates reflect that some owner/members began selling to restaurants and wholesalers on a net 30 days due basis.*

Company Industry

The meat industry is dominated by major packers, processors, food brokers with relationships to major institutional accounts and large grocery store chains selling their store brands of meat. A list of major competitors is not included here since they are so well known.

During the last two years, the beef industry has seen cattle prices drop to record low levels. This has led to groups wanting to start their own slaughter and processing operations. Marketing Coop is actually ahead of the competition since it has been in business since 1995. Besides the grass roots level of interest in starting their own operation, changing trends in the marketplace now make the idea of small specialty meat businesses more feasible.

Legal Structure

Cattle Producers Marketing Coop is a cooperative with members composed of independent cattle producers who plan to provide premium identity preserved beef products directly to the consumer. To accomplish this, they plan to create their own processing plant and will control marketing of their products from the farm to the consumer.

In addition to committing \$5,000 per share, each member had to agree to the following in order to become and maintain ownership in the cooperative:

- Acknowledge that they are participants in a marketing system and, as such, they are responsible for producing a safe, consistent, quality product for

the end consumer if the cooperative is to succeed.

- Deliver a specified number of cattle to the processing plant each year according to a predetermined schedule.
- Raise cattle according to prescribed methods.
- Open their cattle raising facilities to inspection.
- Agree to participate in at least one consumer marketing event each year.
- Attend periodic member meetings.

Employment

A beef processing facility will be purchased from Larry and Linda Cutter, owners of Larry and Linda's Locker Plant, by the members of Marketing Coop. It will employ state-of-the-art technology. Inasmuch as product safety will be a key aspect of their marketing effort, it is intended that quality control methods will exceed USDA standards. The plant currently meets all OSHA and HACCP requirements as well as waste discharge amounts. The plant will be capable of processing 10,444 cattle annually, or 40 per day, single shift, five days per week.

It is anticipated that the processing facility will require 15 employees, including 12 in production and material handling; one in maintenance; three in office and sales; one in management. Larry Cutter, the custom meat processor, will be general manager.

Mission/Vision Statement

The mission of Cattle Producers Marketing Coop is to provide increased and more stable income by raising, processing and marketing high quality beef products to consumers who are willing to pay a premium for these products.

Current and Future Goals

The goals of the company are as follows:

- Provide products to consumers that are consistently high quality.
- Raise cattle using humane and environmentally sound practices.
- Process beef using latest appropriate technology methods.
- Provide safe, off-farm employment at above average wages for rural based families.

Company Products or Services

- The company's trademark products are available tray ready, guaranteed lean, and certified as 100 percent free of hormones, preservatives, antibiotics or chemicals. This product line also includes diversification into a growing assortment of handmade items ranging from grandfather clocks of native oak and walnut to homespun yarns with natural dyes to original oil and watercolor paintings of local scenes.
- Traditional raised and free-range cooked beef products sold at farmers markets and events and festivals in Iowa and Nebraska.
- Commodity grade live cattle as a means of handling producer overrun and as a method of moving cattle that required antibiotics during the growing process.

Management

Key Personnel and Management Team

The general manager of Cattle Producers Marketing Coop will be Bailey B. Line. It is felt that with his experience in processing and distributing beef products derived from specialty grown, identity preserved cattle, he would have the required knowledge and perspective required for success. Also, because of his key role as the organizer of the enterprise, he would be highly motivated to assure its success.

A plant manager will oversee day-to-day operations. Larry Line, former owner of Larry and Linda's Locker Plant, has been employed to fill this role. His overall responsibility begins with acquiring the cattle to be processed, processing them into products and then delivering products to customers. The concept of total material management will be used in order to assure a smooth product flow from start to finish. Accordingly, purchasing and scheduling will also be the plant manager's responsibility. Supervisors over production workers will report to the plant manager as well as the maintenance supervisor.

The quality control manager will report directly to the general manager. Ted Tobias, a former federal meat inspector, has been appointed to this position. His task will be to assure that pork products are processed in a safe and sanitary manner, so much so that Marketing Coop exceeds USDA standards. The reason for reporting directly to the general manager is that producing safe products will be one of the key marketing strategies. To assure positive inspection decisions, the quality control manager must be free of processing and delivery pressures.

The marketing manager will also report to the general manager. Linda Cook has been employed to fill this position. She has extensive experience both as a chef and manager of several upscale restaurants. She has a degree in institutional management from Iowa State University and is presently working towards her MBA with an emphasis in marketing. Her task, in addition to being responsible for sales and advertising, will be to identify new markets, be alert to new product trends and to maintain excellent customer relationships. She will also be responsible for keeping the independent cattle producers involved in the marketing process as well as keeping them informed with respect to sales and product trends.

An accounting manager will carry out accounting and financial functions. Tina Total has been employed for this position. The emphasis for this position will be on day-to-day cost and financial management tasks – with auditing and tax reporting being carried out by a CPA firm. This person will also be responsible for the management information system. As part of the MIS responsibility, the accounting manager is responsible, in cooperation with other managers and supervisors, for developing and implementing appropriate performance standards. At least in the early stages, this person will serve as the office manager. Total has a degree in accounting and a minor in management information systems, and has experience as a cost accountant in a job shop.

Since each manager will be responsible for his or her own hiring, Marketing Coop will not employ a human resources specialist. It will rely on the state Workforce Development offices to do the initial screening. The accounting manager will maintain employee records and files as part of her office management responsibilities.

As outlined in the description of duties for the accounting manager, a computer-based management information system will be installed. It is anticipated that the system will provide current operating data on a real-time basis for each person needing that data. In addition, it will provide highly detailed cost/volume/profit data by batch, product, distributor type and distributor name.

An Intranet Web site will be installed for order processing purposes for the convenience of customers.

Another Intranet Web site will be designed for producer members. This will provide them instant access to sales statistics and operating statistics, customer feedback and pertinent general information. Also it will serve as a means of communication with other members and managers. They will be able to use this Web site to raise concerns, ask for advice and share information.

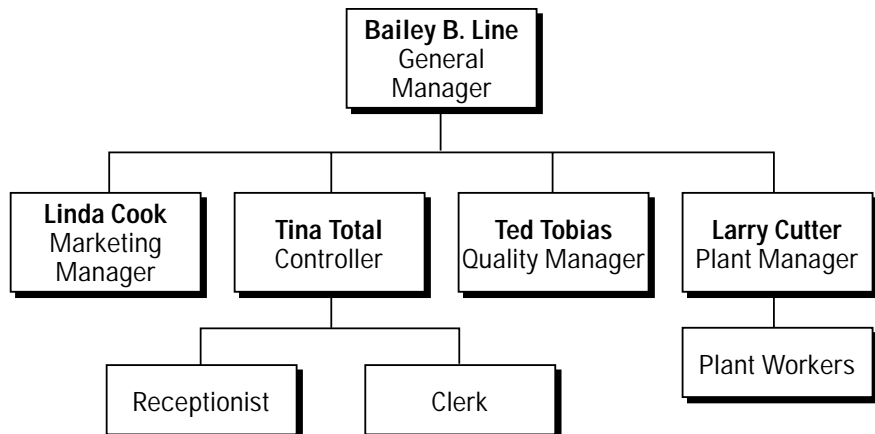
Reporting Relationships

The company will be managed with a traditional organization structure. Salaries will be as follows:

- Bailey B. Line — \$55,000 (Salary is low, but he shares in profits.)
- Larry Cutter — \$45,000 (Shares in profits.)
- Ted Tobias — \$ 35,000
- Linda Cook — \$30,000
- Tina Total — \$35,000

Bailey Line is an equal owner in the venture along with other coop members. Larry Cutter will get a share of the profits. The distribution formula is not yet set, based on attainment of performance goals.

Global Accounting, Big City, IA, will be employed as the corporate accountant. Computer Specialists, also of Big City, will be retained to provide computer and information technology support.



Board of Directors and Advisors

The general manager will report to the board of directors elected by the coop members. Members will serve on the board on a rotating basis to assure turnover and full member participation. The board will select a chairperson. The length of each term will be designated in the coop by-laws.

The current Board of Directors is composed of Bailey B. Line and several advisors from public business assistance agencies, such as the Center for Industrial Research and Service (CIRAS), USDA Rural Development, SCORE and local and state economic development interests.

Persons on the Board of Directors are: Albert Banks, Carl Demarco, Ernie Fillman, Gina Hilton, Irene Jones, Kevin Leonard and Marvin Nelson. All of the board members live in the surrounding greater Midlands area and are largely, but not exclusively, representative of the beef business.

In addition to the board of directors, three standing committees, also composed of the members, will be formed to oversee areas of quality assurance, marketing and processing.

Quality Assurance: The purpose of the quality assurance committee is to assure that cattle are raised according to the standards established by the cooperative. Members will make site visits to conduct compliance audits, provide advice to cattle raisers when asked and stay apprised of current research and methods in open range practices. In addition, they will work with the marketing manager to immediately address quality concerns. They also will contract with a veterinarian to provide health care and advice to the committee and raisers, and to assure that cattle are receiving treatment in accordance with cooperative standards.

Marketing: This committee will work proactively with the marketing manager to provide promotional assistance. In addition, it will help organize marketing and promotional assistance and assure that all members participate.

Processing: This committee will focus on the processing plant to assure that inspection standards are maintained and that employees are working in a safe environment. Members will stay apprised of the latest processing technology and will make recommendations about investments for processing and related equipment.

Staffing Plan

At the present time, with the management team listed above and with the purchase of Larry and Linda's operation, no additional hiring is anticipated.

Business Organization

While organized as a cooperative, in terms of operations, Cattle Producers Marketing Coop will function similar to a conventional corporation. The coop members are the stockholders who employ salaried managers. Profits in excess of agreed upon reinvestment requirements will be distributed to members based upon their ownership share. (In addition, the members will receive a premium price for cattle delivered at the time of delivery.)

Ownership

Coop members and their ownership share will be supplied as needed by lenders. The document is considered confidential and is, therefore, not included here.

There are no other investors in this business.

Market Analysis

Customers

Cattle Producers Marketing Coop has developed a database of present customers who buy on a regular basis and customers who have bought only occasionally as the opportunity presents itself, such as at farmers markets. Customer demographics show the current customers are in an income range of \$45,000 or more, two income families, professional occupations, concerned about the environment and located primarily in urban areas. Research also shows these customers are Internet users and willing to order product from our business via the Internet.

Research conducted by the company has verified that there is a market segment large enough to justify the investment in the processing facility. Further, the premium these consumers are willing to pay will allow the shipment of products to nearly all geographic locations in the country. Focus groups, market surveys and product demonstrations at several locations were used to develop demographic profiles of each promising location so that zip codes could be used to easily identify future markets when expansion is deemed appropriate. (Note: Results of the surveys can be provided if additional information is desired.)

A significant number of consumers are concerned about where their meat products are coming from and how these products are processed. The company will market directly to that group. Since they are highly informed consumers, however, a major task will be to establish credibility.

In the farmers markets targeted for sales there are an estimated 100,000 potential customers (based on census estimates). At present, Marketing Coop has reached only a fraction of that customer base.

Based on data in the U.S. Census Bureau databases, estimated customer potential is as follows:

Big Town Farmers Market	55,000
Lotus	10,000
Keeper	10,000
Sagmore	15,000
Cool Springs	5,000

Market Size and Trends

The following beef consumption trends have emerged from a variety of national sources:

- U.S. consumers purchase more than 67 pounds (retail weight) of beef per capita annually.
- Moving beef from producer's gate to the consumer's plate will facilitate more than one million nonfarm jobs in addition to the 186,000 jobs supported on the farms and ranches where it was grown.
- Beef's share of consumer expenditures has changed little in the past 30 years.

General Trends in Meat Consumption

There are a number of new and emerging trends in meat marketing which are relevant to the interest of this feasibility study. In general there are three consumer preferences today which are driving major changes in the meat industry.

- **Consumers are demanding meats that require little preparation time.** Population and labor trends are driving this preference. An unprecedented number of women are in the workforce today. There is an increasing number of single adult households in the U.S.; of those, the number of single parent, female-headed households is increasing, resulting in more than ever limited time for meal preparation within U.S. households. A Yankelovich poll (reported by the American Meat Institute) claims that half of all Americans spend less than 45 minutes cooking an evening meal compared to the two-hour meal preparation typical in American households 30 years ago. People have a limited amount of time and don't want to spend it cooking. Add to this the fact that at 4 p.m., 60 percent of Americans do not know what they will eat for dinner. The implications are that the meat marketing industry has a whole new challenge for capturing palates and dollars.
- **Consumers have little knowledge of and skills for cooking.** Studies report that many consumers feel that their knowledge of cooking and skills for meal preparation are more limited than those of their parents and grandparents. Furthermore, the American Meat Institute reports that many American consumers find meat preparation to be challenging. Implications for meat marketing are that meats are becoming increasingly available as meal-ready or with minimal preparation.
- **Consumers are concerned about health and nutrition when buying meat.** The Food Marketing Institute claims that nearly 80 percent of Americans want to eat food they perceive to be extremely healthy and that 42 percent are willing to pay more for low-fat versions of commonly consumed products. In the lunch meat and hot dog markets, a record 50 percent of the products offered are items with reduced or low fat.

Consumers are demanding changes from the meat industry and the industry is responding. Numerous options and innovations can be observed at all levels in production, processing and packaging. The retail point of sale is taking on a new look.

Emerging Trends in Meat Marketing

Case-Ready Meat: These are value added fresh meat products that the supermarket purchases in precut packages. Due to new packaging technologies, precut, tray-ready packages tend to offer a longer shelf life than conventional products. Often hermetically sealed, they offer customers trimmed, individually wrapped, consistent portions. Case-ready meats eliminate extra steps in handling for retailers and consumers alike.

Consumer-Ready Products: These products go a step beyond the case-ready meat products by including preparation tips, cooking instructions, spices, or seasoning packets. Portions are indicated on the package. Consumer-ready products include items such as marinated meats, stuffed chops, kabobs and

seasoned steaks and roast which are ready to take home and pop into the oven, microwave or place on the grill.

Home Meal Replacement: These are fully prepared products which free the consumer from all responsibility of meal preparation. They often come packed and portioned as entrees with options to purchase complementary side dishes or extras. Also known as TOTE (Take Out To Eat), these dinners in a bag are the way in which supermarkets and grocery stores are competing with restaurants to gain business from Americans who choose not to prepare their own meals.

The market analysis shows a broad range of prospective clients. The green labeled, eco-labeled, naturally labeled food industry is in a boom period. While there are a growing number of items from a growing number of vendors becoming available, Cattle Producers Marketing Coop is approaching the market as a multi-choice provider of products with a face.

The owner/members of Marketing Coop have spent 10 years carefully laying the groundwork and learning the methods for success. The value-added cooperative is now poised to make the most of established connections with consumers and other marketers of natural items handcrafted on family farms.

Cattle Producers Marketing Coop is set to offer food, fiber and manufactured products that either nourish, provide comfort or address a desired taste or want. The members of the cooperative have proven an ability to adjust their product lines while also displaying a tenacious desire to provide whatever level of sweat equity is required to preserve their independent ways of life as family farmers. The owners/members have also provided 50 percent of the equity requirements per early feasibility estimates.

The food-with-a-face concept of marketing is still relatively new and enjoys some sense of novelty in the marketplace. The genuine authenticity that can be verified by Cattle Producers Marketing Coop is not yet common in the commercial consumer marketplace, which gives the Marketing Coop group a leg up on the competition.

The industry of specialized foods and handmade, one-of-a-kind products is on a steady upward growth curve; and Marketing Coop is poised to capitalize on the consumer's desire for these items.

While a bouncing economy can affect many areas, specialty food items and unique crafted goods are generally less affected than the main, with unique items typically finding favor in the marketplace. The following article, reprinted, provides a degree of verification.

Farmers Rated Best in Ensuring Food Safety
Survey Identifies Consumer and Editor Opinions about Food Issues
 DES MOINES, Iowa— Tuesday, September 29, 1998— Food safety has surpassed issues such as crime prevention, health and nutrition, environmental protection, water quality and recycling as the most important public issue facing consumers. However, **consumers give farmers high marks for their efforts to assure a safe food supply**, a survey by the International Food Safety Council, a restaurant and foodservice industry coalition, shows.

Fifty-nine percent of consumers surveyed said **farmers are doing an excellent job to ensure a safe food supply**. Supermarkets came in a close second at 57 percent, followed by food processors (44 percent), restaurants (42 percent), consumers (38 percent), government agencies (34 percent), and meat/poultry packers (29 percent).

"The survey clearly shows that **consumers hold farmers in high regard for their efforts to produce safe and wholesome products**," said Bill Brewer, public relations counsel for the Food Practice Group. "**This offers an opportunity for the agricultural community...**"

1998 Food Issues Survey News Release
 Presented in association with the International Food Safety Council, a restaurant and foodservice industry coalition.

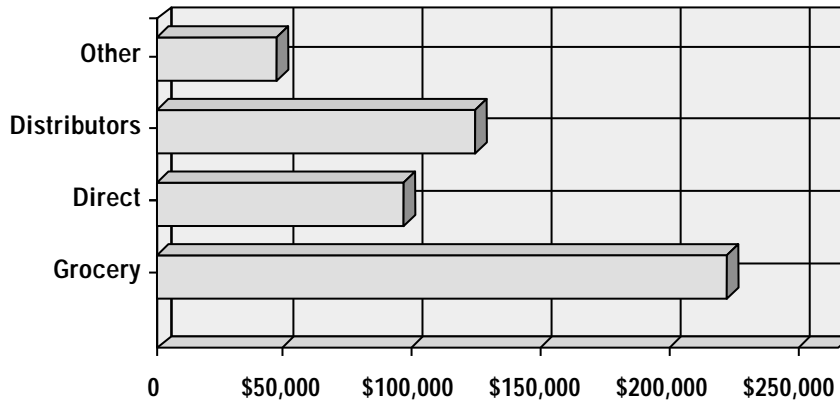
Cattle Producers Marketing Coop Products

Ground	Roast	Steak	Other
Ground Chuck	Select Chuck	T-Bone	Beef for Stew, Boneless
Ground Beef		Ribeye	

The following tables show the pricing strategy that the coop will use for its products:

Product	Price Calculated per Pound
Ribeye Steak	\$6.37
Chuck Roast, US Choice, Boneless	\$2.52

Potential Markets



Customer Categories	2001	2002	2003	2004	2005
Other	\$5,000	\$10,000	\$15,000	\$30,000	\$50,000
Distributors <i>(includes restaurants)</i>	\$30,000	\$40,000	\$85,000	\$100,000	\$125,000
Direct <i>(includes farmers markets)</i>	\$65,000	\$65,000	\$70,000	\$80,000	\$100,000
Grocery	\$0	\$85,000	\$130,000	\$190,000	\$225,000
TOTAL	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000

Product Distribution and Sales

Meat products are sold in a variety of ways somewhat dependent on fresh or frozen and size of package. At present, ethnic markets and specialty food markets are underserved. A survey of the phone company's yellow pages, showed only two markets selling to ethnic groups in our proposed trade area. Regardless of whether the market is a niche or traditional market, the meat sales are still handled in the same manner.

Types of sales include:

- Over the counter in locker plants or meat shops
- By mail order
- Via Internet
- Door-to-door sales and delivery
- Grocery stores
- Institutional food vendors
- Specialty marketing
- Prepared food sales

Marketing Coop will not have any unique food sales methods. Rather, the company will sell via specialty markets, such as farmers markets, as frozen foods, shipping product sold via Internet or phone orders and over the counter at the processing facility. For a small company, Marketing Coop will cover as many marketing avenues as time and resources permit.

Estimated Market Share and Sales

The potential sales volume for the projected sales area is \$10 million. This is based on USDA estimates, as obtained from the USDA Web sites and Iowa State University Extension estimates, which combine population numbers and consumption numbers. With a projected sales volume of \$500,000, Marketing Coop will not have a large market share.

Competition

Competition is formidable. The competitors have more buying power, more clout in the marketplace and more financial resources to cut deals with suppliers. Marketing Coop has no illusions of coming into the market place and easily capturing sales. It will need to work hard to gain and keep sales. Customers have well established buying habits for meat products coupled with established preferences for products, packing and freshness.

Competition is in the form of three main categories:

1. Large chain grocery stores for retail customers.
2. Small independent locker plants with retail counters.
3. Meat brokers and institutional food sales groups selling to restaurants.

The main competition will be beef products marketed in the traditional manner, i.e., as a commodity. Typically, the consumer does not know where the product comes from and where and how it was processed. Marketing Coop plans to differentiate its products from commodity meats in the following manner:

- Preserve the identity of products from the cattle raiser to the consumer, whether the product is sold in meat markets, grocery stores, restaurants or delicatessens.
- Cattle will be raised in open pastures on a rotation basis, as opposed to highly dense confinement buildings, thus minimizing the investment required and eliminating waste disposal and related environmental problems. Studies have shown that cattle raised in this manner have fewer health problems, thus reducing the need for medicines of various types, further reducing production costs.
- Establish that the brand "Cattle Producers Marketing Coop" offers products that are safe and are of consistent high quality, thereby deserving of a premium price.

Who are our competitors? We do not know the annual meat sales volume of our competitors or their market shares. Such figures, if published, were not available for this study.

Marketing Coop prices will be competitive and, in some cases, higher than competing beef products found through other distribution channels. The higher cost, about 5 cents per pound higher on average, will result from the key differences of Marketing Coop product versus competitors' product. Again, the sales history indicates consumers are willing to pay a very slight premium to get product that meets their criteria.

Some key differences of our product include:

- It is a natural product, free of hormones.
- It is provided by farmers known to the consumer, as in “food with a face.”
- Quality is assured as all cattle are raised to an audited quality system.
- No quality problems will come from processing due to our small facility and worker responsibility for quality.
- Doorstep delivery is available where possible.
- Customers can visit the factory where the food is made.

Competitive Advantage and Analysis

The following table outlines how Cattle Producers Marketing Coop compares to the competition in terms of product and other factors, including strengths and weaknesses. The analysis is of the company against the competition by major groups. While there may be key differences against individual stores or businesses, these do not exist in large enough quantity to affect sales or strategy of Marketing Coop.

Points of Comparison	Locker Plants	Groceries	Brokers
Reputation	+	0	0
Quality	+	0	+
Natural Product	Yes 0	No +	No +
Market Share	0	-	-
Financial Resources	0	-	-
Total Product Line	0	-	-
Customer Service	+	0	+
Custom Processing	Yes 0	No +	No +

Rating scale:

0 means Marketing Coop is no better;

+ means Marketing Coop is better; and

- means Marketing Coop is in a worse competitive position.

Following is an analysis of Cattle Producers Marketing Coop strengths and weaknesses, opportunities and threats:

**SWOT Analysis
(Strengths Weaknesses Opportunities Threats)**

Strength	Weakness
Members invested a lot of cash in coop	Members personal finances are weakened
Coop has many charter members	Size and needs of member operations vary
Quality is trademark of cooperative	Consumers may not recognize quality

Opportunities	Threats
Market hungry for coop's fresh meats	Fresh meats provide thin net profit margins
Many area farmers markets to attend	Farmers markets rely on great volunteer effort
New ethnic markets are expanding rapidly	Major companies also pursuing ethnic markets

What Does the Coop Have to Sell?

Beef Carcass Yields 1,150 lb. Live Weight Choice Steer			
	Retail Beef Lbs.	Other Lbs.	Carcass Total
Chuck (209.5 lbs.) 29%			
Blade roasts and steaks	33.9		
Stew or ground beef	83.3		
Arm pot roasts and steaks	35.5		
Cross rib pot roast	25.4		
Fat and bone		31.4	
TOTAL	178.1	31.4	209.5
Miscellaneous (32.7 lbs.) 4.5%			
Kidney, hanging tender	4.9		
Fat, suet, cutting losses		27.8	
TOTAL	4.9	27.8	32.7
Thin Cuts (134.6 lbs.) 18.9%			
Flank steak	3.6		
Pastrami squares	2.9		
Outside skirt	2.2		
Inside skirt	2.5		
Boneless brisket	16.0		
Ground beef, stewing, etc.	87.3		
Fat and bone		20.1	
TOTAL	114.5	20.1	134.6
Rib (66.6 lbs.) 9%			
Rib roast	23.9		
Rib steak	9.2		
Short ribs	8.6		
Ground beef, stewing, etc.	16.5		
Fat and bone		8.4	
TOTAL	58.2	8.4	66.6
Loin (115.7 lbs.) 16%			
Porterhouse steak	19.6		
T-bone steak	9.8		
Strip steak	15.0		
Sirloin steak	15.3		
Tenderloin steak	6.8		
Ground beef, stewing, etc.	22.7		
Fat and bone		26.5	
TOTAL	89.2	26.5	115.7

Beef Carcass Yields continued

	Retail Beef Lbs.	Other Lbs.	Carcass Total
Round (155.8 lbs.) 22%			
Top round	34.6		
Bottom round	31.2		
Tip	16.8		
Rump	7.8		
Ground beef, stewing, etc.	33.4		
Fat and bone		32.0	
TOTAL	123.8	32.0	155.8
GRAND TOTAL *	568.7	146.2	714.19

**Does not include the variety meats - liver, heart, tongue, tripe, sweetbreads and brains - about 27 lbs. These figures are averages. Carcass data varies according to cutting method and type of cattle. 1150 lb. choice steer dresses out 62% or 714 lbs. Fat, bone, loss 146 lbs. Retail beef cuts 568 lbs.*

Source: <http://nybic.org/beefbreak.htm>

Price Spreads

Spreads

	Retail Value (cents per lb. retail)	Wholesale Value (cents per lb. retail)	Gross Farm Value (cents per lb. retail)	Byproduct Allowance (cents per lb. retail)	Net Farm Value (cents per lb. retail)	Total (cents per lb. retail)	Wholesale to Retail	Farm to Wholesale	Farmers' Share (percent)	5 Market Steer Price (dollars per CWT)	All Fresh Beef Retail Value (cents per lb.)
Annual Averages											
1994	282.9	166.7	165.9	20.4	145.5	137.4	116.2	21.2	51.4	69.16	265.0
1995	284.4	163.9	159.5	21.1	138.4	146.0	120.5	23.5	48.7	66.46	299.4
1996	280.2	158.1	156.4	21.5	134.9	145.3	122.1	23.2	48.1	65.19	252.4
1997	279.5	158.2	159.2	22.0	137.2	142.3	121.3	21.0	49.1	66.36	253.8
1998	277.1	153.8	148.0	17.2	130.8	146.3	123.3	23.0	47.2	61.63	233.3
1999	287.8	171.6	157.2	16.1	141.1	146.7	116.2	30.5	49.0	65.49	260.5
Quarterly Averages											
1997	279.0	159.5	160.2	21.9	138.3	140.7	119.5	21.2	49.6	68.74	252.5
1997	281.1	159.2	157.5	20.7	136.8	144.3	121.9	22.4	48.7	65.62	253.3
1997	273.3	158.2	159.8	21.7	138.1	141.2	121.1	20.1	49.4	66.58	254.1
1998	273.5	149.9	149.3	18.1	131.2	142.3	123.6	18.7	48.0	62.21	254.1
1998	278.1	154.4	154.6	18.5	136.1	142.0	123.7	18.3	48.9	64.40	253.8
1998	277.4	155.9	142.3	15.9	126.4	151.0	121.5	25.2	45.6	59.28	252.4
1998	279.5	155.0	145.6	16.3	129.3	150.2	124.5	25.7	46.3	60.64	253.0
1999	278.1	157.0	150.3	15.6	134.7	143.4	121.1	22.3	48.4	62.64	257.6
1999	284.8	172.3	155.8	14.8	141.0	143.8	112.5	31.3	49.5	64.90	258.8
1999	289.2	175.1	156.1	16.1	140.0	149.2	114.1	35.1	48.4	65.02	259.5
1999	299.1	181.8	166.6	17.9	148.7	160.4	117.3	33.1	49.7	69.40	266.3
2000	295.3	178.8	166.6	17.3	149.3	146.0	116.5	29.5	50.6	69.40	268.4
Monthly Values											
Jun-98	278.7	154.5	152.8	18.0	134.8	143.9	124.2	19.7	48.4	63.66	251.7
Jul-98	278.5	154.0	144.9	16.3	128.6	149.9	124.5	25.4	46.2	60.36	251.9
Aug-98	279.4	160.6	142.0	15.9	126.1	153.3	118.8	34.5	45.1	59.16	255.1
Sep-98	274.2	153.2	140.0	15.4	124.6	149.6	121.0	28.6	45.4	58.32	250.0
Oct-98	275.0	156.4	146.8	15.9	130.9	144.1	118.6	25.5	47.6	61.15	251.9
Nov-98	280.0	158.1	147.7	16.2	148.5	148.5	121.9	26.6	47.0	61.53	252.9
Dec-98	283.6	150.4	142.2	16.7	125.5	158.1	133.2	24.9	44.3	59.25	254.1
Jan-99	279.1	156.3	140.0	15.9	130.1	149.0	122.8	26.2	46.6	60.83	256.5
Feb-99	278.0	153.7	148.5	15.7	132.8	145.2	124.3	20.9	47.8	61.86	258.0
Mar-99	276.9	160.3	155.3	15.4	139.9	137.0	116.6	20.4	50.5	64.71	258.3
Apr-99	283.9	166.1	156.3	15.2	141.1	142.8	117.8	25.0	49.7	65.13	259.0
May-99	283.2	171.3	154.2	14.6	139.6	143.6	111.9	31.7	49.3	64.24	257.2
Jun-99	287.2	178.1	156.6	14.5	142.1	145.1	109.1	36.0	49.5	65.25	260.0
Jul-99	289.3	171.5	154.0	15.4	138.6	150.7	117.8	32.9	47.9	64.17	259.8
Aug-99	289.0	175.8	156.1	15.7	140.4	148.6	113.2	35.4	48.6	65.04	258.1
Sep-99	289.4	177.3	157.7	16.8	140.9	148.5	112.1	36.4	48.7	65.69	260.5
Oct-99	295.4	183.1	169.9	17.4	148.5	146.9	112.3	34.6	50.3	69.12	269.7
Nov-99	300.0	180.5	167.8	18.1	149.7	150.3	119.5	30.8	49.9	69.90	263.7
Dec-99	301.8	181.8	166.1	18.1	147.9	153.9	120.0	33.9	49.0	69.21	265.4
Jan-00	294.7	177.5	163.5	17.5	146.0	148.7	117.2	31.5	49.5	68.13	265.7
Feb-00	293.6	174.5	163.6	17.1	146.5	147.1	114.6	28.0	49.9	66.15	270.1
Mar-00	297.9	183.3	171.4	17.2	154.2	143.7	114.6	29.1	51.8	71.41	270.8
Apr-00	305.4	191.0	176.2	17.3	158.9	146.5	114.4	32.1	52.0	73.43	272.4
May-00	308.8	193.8	170.1	16.9	153.2	155.6	115.0	40.6	49.6	70.86	275.2

Source: USDA <http://www.ams.usda.gov/Briefing/meat/>

Marketing Plan

Market Strategy

Initially, Cattle Producers Marketing Coop will focus on farmers markets to establish its name in the greater central Iowa area while creating early cash flow. As the plan progresses over the next five years, added emphasis will be placed on sales to select grocery stores and distributors, including restaurants. Although greater gross margins are possible through direct sales, grocery and distributors.

The market analysis shows a broad range of prospective clients, covering a wide range of consumers who are generally interested in quality food products. The largest of these groups is that of mainstream America, which is projected to grow at 12 percent per year.

Market Goals and Objectives

At the beginning of this year, White Tablecloth Restaurant in Big City signed a one-year agreement to take no less than \$2,500 of Cattle Producers Marketing Coop meat products per month.

$$\text{\$ } 2500.00 \times 12 = \text{\$ } 30,000$$

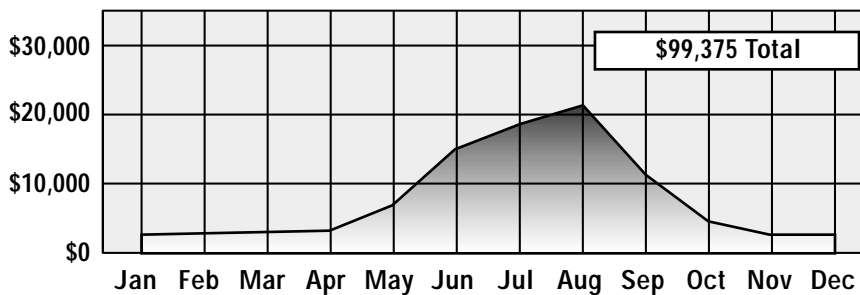
Marketing Coop has doubled the number of farmers markets it will be attending and estimates at least an 85 percent increase in sales over last year.

$$\text{\$ } 37500.00 \times 185\% = \text{\$ } 69,375$$

Total Restaurant and Farmers Markets: \$99,375

The coop is also visiting with All Foods Markets regarding the possibility of moving over \$100,000 in product annually through their market in Big City.

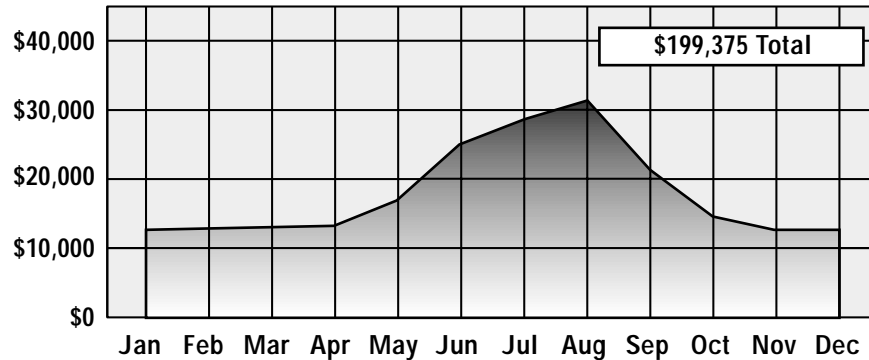
Total Sales to Farmers Markets and Restaurant in Year 1



January	February	March	April	May	June
\$2,750	\$3,000	\$4,000	\$4,125	\$7,500	\$15,000

July	August	September	October	November	December
\$19,000	\$22,500	\$12,000	\$4,500	\$2,500	\$2,500

Total Year 1 Sales If All Foods Markets Places Large Order



Overall Marketing Strategy

The company's strategy is based on being the best at providing what the consumer feels is best for them. "Our Only Choice Is What Is Best for You and Your Family" is the motto of the cooperative – a message owners feel sells the venture to its customers and its member/owners alike. A goal is to capitalize on consumer needs, wants and fears.

The company also is building a seamless marketing process that takes the flagship beef products from the pen to the platter, while being guided along multiple inroads of direct and representative marketing routes. The planned advertising slant will be towards making the business and its members good neighbors to their customers, regardless of who they are.

Marketing Strategies

- Farmers markets to build one-on-one relationships and name recognition in the greater Midlands trade area. These markets also utilize sweat equity and create cash flow.
- Representative sales, such as restaurant and grocery, to build tonnage.
- Live cattle commodity pass-through contracts to liquidate producer overrun and off-grade.
- Livestock.
- Specialty foods and crafts division to supplement owner/member incomes.
- Willingness to take any seat at the table as long as it is profitable.

Pricing Strategy

The company's fresh meat products must arrive at the market wearing a label that reflects savings when compared to actual value. Once consumer allegiance is established, there may be some room to move prices upward relative to the competition. Pricing will be such that Marketing Coop products initially reach the consumers' hands somewhere in the mid to upper portion of the top one-third of the range for similar products.

Dealers and distributors will be encouraged by a pricing system that allows them a margin somewhere in the 33 percent range.

Handcrafted items and specially prepared foods will be priced at whatever the local market will appropriately handle.

Promotion Strategy

The promotional goal is to maintain a level of visibility in order to constantly keep moving increasing volumes of product into an expanding trade territory. First, Marketing Coop will concentrate on the core of the greater Midlands area, then move outward in the most opportune directions as they arise.

Although present contacts in the grocery and restaurant business are primarily local, the company will use those relationships to gain referrals to more distant markets.

Marketing Programs

Marketing efforts will focus on getting very close to the consumer and identifying those issues most important to them, and then providing an answer via tailored food products or handcrafted items.

The packaging for this year's farmers markets activities will include a new company logo, a picture of the farm families who own the cooperative and seasonal gardening tips. Also, there will be instructions on how to use the biodegradable bags made from recycled products to mulch gardens and flowerbeds to slow weed growth.

Two of our members have established themselves as weekly regulars on local radio shows. The weekly syndicated radio program "What's New to Eat" responded to our letter of suggestion and invited Bernice Aguila to record a feature each week on how to prepare various ethnic dishes that contain Marketing Coop meat cuts. Plus, Andrew Michaels is going to be a panel member on the "Buy Local First" radio program in Big City.

We have signed on as a half-time sponsor for Cy Country College football.

Although the schedule is not finalized, the Mobile Cooking and Catering committee is lining up a full season of weekend sampling demonstrations and special events appearances. At least one of the plans underway is to host a "High School Tailgate Night" at every school in the Midlands region and donate the proceeds to area public day care centers.

The company is also continuing the practice of weekly press releases to all greater Midland newspapers regarding issues that speak to the advantages of purchasing certain products – ultra-fresh, locally grown foods, produced and processed by local labor using minimum artificial inputs.

Finally, Cattle Producers Marketing Coop has purchased 350,000 printed napkins to be made available to Midland area sports booster clubs, church groups, service clubs, businesses or any other interests that may be hosting a picnic, employee gathering or public dinner.

Future Products and Services

The company is exploring the addition of other processed items to offer via the convenience store market.

The coop also has studied and quantified how ready access to a commercial kitchen might add to product lines and perhaps even create a source of employment for some of the cooperative member/owners and their families. Pies and baked goods displaying eco-labels and health aspects appear to be promising. Also, the heat-and-serve complete meal market appears to hold some promise. There is the possibility of some contract food preparation done on a scaled basis in a commercial kitchen.

Factory and special events catering, improved live cattle marketing agreements, other meat products, narrow niche ethnic preferences and member/owner services are all subjects that are either under study or on the hot list for consideration.

Sales Methods

Cattle Producers Marketing Coop sells its products to an ever-growing consumer group. Originally geared toward the local farmers market purchasers, the market has grown to include a much larger geographical area, in addition to a broadening specialty response.

The company is selling ultra-high quality and specially tailored attributes in a market segment filled with competition for the middle-of-the-road buyer. The company's approach is to take its product image to higher market ground and make the most of the image of family farmers doing their honest best to make a living in a fair and ethical manner. The focus has enabled the company to discover voids in the market, then add product as needed to fill those voids. Marketing Coop has worked hard to research specialty food providers, emulating their practices and positioning the company to operate in a similar fashion.

Last year, the company conducted sidewalk surveys at five of the farmers markets attended by the group. Although selling under the name of Golden Meadow Products at the time, it was clear that consumers identified the group with high quality and excellent value. Changing the name to Cattle Producers Marketing Coop is expected to allow the newly formed value added cooperative to draw those consumer opinions to an even wider assortment of food products and handcrafted items.

The restaurant trade has been explored and Marketing Coop is now identified as a brand name on the menu of White Tablecloth Restaurant in Big City, IA. The establishment of approved commercial kitchen space will open up new opportunities for partially prepared food items, some with special marinades.

Marketing Coop tells all buyers of its product that they are not just customers; rather, it relates to them that they are very special and the company wants to feed them just like a member of the family.

The coop has an owner/member speaker bureau that is providing programs for area service clubs and special events; and it has been training for on-site cooking demonstrations and working with the Head Chef at the White Tablecloth Restaurant to develop new recipes. The company also has assured potential grocery retailers that it will be available to greet customers and provide weekend parking lot lunch activities to help them draw customers.

To set itself apart, the company puts its "face" with the food and stresses authenticity and concern for the consumer. This past summer, all buyers at the Big City Farmers Market received free compact discs that held pictures of each of the member farm families and short narratives about how they depend on the production of a quality product for a livelihood.

Eight years ago, it was a loosely assembled group wishing to sell beef. Today, Marketing Coop represents a formally organized marketing organization that is offering consumers the part of Americana most desired. The company is selling quality, taste, security, value and environmental safety. It is selling the Cattle Producers Marketing Coop brand.

Experience so far has been that once the coop establishes relationships with its customers, it can often move prices to a premium over other suppliers. Once the consumer is honestly assured that the company offers the best, they will select its products with greater enthusiasm and less price sensitivity.

The keys to viability are to establish a fluid market that will pay a fair price for goods produced on the farms of the company's member/owners. In order to do so, the focus over the next five years will be on the creation of three different levels of marketing options:

- consumer direct,
- distributor/restaurant, and
- grocery.

Each of those categories can presently be divided this way.

Consumer Direct	Distributor/Restaurant	Grocery
Farmers markets	White Tablecloth	All Foods Market, Inc.
Counter sales at locker	Restaurant	
Catering		

There is yet another sales category that might best be described as a service for the member/owners of Marketing Coop. That is commodity grade live cattle markets.

Marketing assistance will be a break-even consulting service for the owner/ members.

Sales Forecast

It is presently forecast for the group's sales to grow by 266 percent over the next 12 months due to: 1) a doubling of the number of farmers markets to be attended, and 2) the written commitment by White Tablecloth Restaurant to take no less than \$30,000 in product this next year.

The All Foods Grocery account is showing promise. Marketing Coop is following up on several details with the top level management and hopes to get a confirmation for delivery dates in the very near future. Samples of Marketing Coop products were provided to the executive officers during the last visit with favorable reaction.

Not included in these sales figures is any incidental income that Marketing Coop may receive from services provided to the owner/members, such as Live Cattle Marketing Consultation fees.

Instead of actually being a market for large volumes of live cattle, Marketing Coop will first be a "seeker" of markets for live cattle. Centralized management and quality control may foster opportunities to pool production and secure equitable delivery contracts with major packers.

Sales Programs

The owners/members of Marketing Coop have each completed the following matrix as a way of identifying how their sweat equity might best be applied to an overall marketing effort.

Categories and Skills	Experience?		Comments
	Yes	No	
Business			
Accounting			
Hiring/firing			
Purchasing			
Marketing			
Cold call sales			
Telephone sales			
Production management			
Processing			
Safety			
Supply chain management			
Quality			
Supervision			
Cash flow management			
Account management			

When quantified and totaled, the results indicated adequate available talent for a scaled up farmers market effort and any in-store cooking demonstrations or "friendly" consumer contacts at barbecue events or outdoor catering efforts. Cold call sales and telephone sales are areas that may need to be outsourced if the group wishes to concentrate on one-on-one sales and door-to-door, route-style deliveries.

Direct sales to the consumer provide the greatest gross returns to Marketing Coop. However, direct sales rely on a large amount of sweat equity and account for virtually all expenditures of volunteer time and effort.

The General Manager, along with one or two available Board Members, will make all sales calls on commercial buyers.

A commissioned sales incentive program is under consideration for meat brokers and others who have inquired about adding Marketing Coop meat and specialty products to their sales brochures and gift catalogs.

Strategic Alliances

There are opportunities for building strategic alliances with several other suppliers of unique handcrafted items and organic, or minimum input, food products. Some of these include:

- Eastern Colonies Crafter's Guild
- Famous Organic Food Marketing Coop
- Home on the Free Range Meats
- Big City Community Supported Ag Ranch
- We Want One-of-a-Kind Buyers Club
- Everybody's Favorite Everything Exchange

Approached properly, these interests may be willing to enter into a mutually beneficial agreement in which they would add non-competing Marketing Coop items to their product lines and allow the cooperative to do likewise with their goods.

Milestones

The following table lists important milestones with time periods for actual or expected dates of completion. The milestone schedule indicates that Cattle Producers Marketing Coop, a value added cooperative, has come about as a result of deliberate and thoughtful planning, organization and research.

Summer 1998	Winter 1998	Spring 1999	Summer 1999
Idea	Organize	Research	Feasibility
<i>Brainstorm</i>	<i>Cooperative</i>	<i>Possibilities</i>	<i>Practicalities</i>
Considered concepts with help of facilitator.	Selected business structure for the group. Elected Board of Directors.	Inventoried capabilities and available markets with help of ISU and other service providers.	Quantified what efforts are most likely to generate cash first.

Fall 1999	Winter 1999	Spring 2000	Summer 2000
Capital	Marketing	Capital	Production
<i>Equity</i>	<i>Realities</i>	<i>Borrow</i>	<i>Manufacture</i>
Defined needed member cash and sweat equity investment.	Hired part-time sales consultant and made first sales calls to measure real market demand.	Complete business plan and apply for financial assistance.	Create and market products under brand name.

Financial Plan - Marketing

We have forecast a relatively rapid growth for Cattle Producers Marketing Coop. Although it may seem ambitious based on historical sales of the assorted participants in Golden Meadow Products, the rate of early growth estimates are bolstered by the expanded product lines and a doubling of farmers market sales efforts.

Past Performance

January	February	March	April	May	June
\$12,000	\$12,000	\$12,500	\$12,750	\$16,350	\$23,500
July	August	September	October	November	December
\$26,275	\$30,000	\$20,000	\$11,000	\$11,000	\$12,000

We are also encouraged by letters received from All Foods Grocery and White Tablecloth Restaurant (copies enclosed), although each provides incentives to continue with an aggressive sales effort.

We are also encouraged about the possibilities now being presented in the convenience foods and specialty baked items.

And finally, the owner/members of Cattle Producers Marketing Coop have agreed to put up 50 percent equity in the form of initial cash investment. The owner/members are entering into this venture as a well-informed group that understands that their cash and near-term sweat equity may well be the keys to the long-term success of this venture.

Sales Literature

The coop currently is working on a line of brochures and sales materials to assist in marketing and efforts toward prospective new wholesale and retail accounts. Newly designed labels indicate the direction of the company.

Possible advantages of developing a Web site are being explored, but questions remain about how best to draw consumers to it.

Test Marketing

The last three years of sales have been test marketing and development sales. The company learned about its customers, who they are and what they want.

Marketing Budget

Advertising	\$0.00
Travel	\$250.00
Supplies	\$100.00
Business Cards (Misc. Expense)	\$50.00

Key Assumptions

One assumption made by the company is that consumer demand for natural beef product will continue in the future. Another assumption is that large competitors will not enter the natural beef market for at least three to five years since the market is yet to be fully defined. Yet another assumption is that consumers will continue to appreciate Marketing Coop's attempt to provide a "face" with its food and to provide detailed quality information about how the cattle were raised.

White Tablecloth Restaurant

At the corner of
Rosemary and Thyme

“Better than most—still in
the Big City restaurant business
after ten long years.”

February 10, 2000

Mr. Bailey B. Line
Cattle Producers Marketing Coop
123 Mainstreet
Bordertown, IA

Dear Bailey:

We are pleased to say that Cattle Producers Marketing Coop products have met 100% approval with our distinguished diners.

It is our hope that we will have a long relationship with your group.

Unfortunately, we will be unable to pay the higher prices you indicated on your Spring 2000 price list. While we understand the value, we are concerned that our customers might back away from the table if we raise our menu prices.

However, we are interested in taking more of the prime rib cuts and steaks. We will explore ways to use the other products you mentioned during your last phone call.

We also appreciate the fact that you have promised us a six-month exclusive on your products. Being the only restaurant in Big City to serve your high quality meats gives us the advantage we need in order to continue as one of your customers.

Please feel free to contact our Chef at anytime. We have instructed our kitchen staff to help you with recipe development and menu creation. It is very helpful when you provide the product for experimentation.

We wish the Cattle Producers Marketing Coop the best of luck as they come together to merchandise their products.

Sincerely,

Mrs. Mabel (Grandma) Brown

ALL FOODS MARKETS, INC.
"Where Consumers Thrive and Suppliers Survive"
40 Acre Parking Lot Street—Big City, IA

January 1, 2000

Mr. Bailey B. Line
Cattle Producers Marketing Coop
123 Mainstreet
Bordertown, IA

Dear Bailey:

We are glad you have chosen to look into doing business with All Foods Markets, Inc. Our absolute goal is to provide our customers with the best possible value. Working with organizations like Cattle Producers Marketing Coop enables us to keep costs down and quality high.

The Cattle Producers Marketing Coop food samples looked fine. I am sorry that my restricted diet would not allow me to eat them. Please call ahead if you should ever decide to bring more samples.

In answer to your question about the size of our orders, \$100,000 is the smallest lot size we contract for.

Of course, we like our customers to have only the freshest possible products so we are assuming everything will come to us tray ready. Our customers also appreciate it if we order only as much as they need at one time. For that reason, I'm sure you will understand why we would like all orders placed before noon to be delivered to our docks no later than eight o'clock p.m. that same day.

I am looking forward to your brochures and further information regarding exactly how All Foods will benefit by selling your product versus a quite similar product that our consumers have been purchasing with no complaints.

Also, to help us make sure we are not encouraging you to get into a business relationship with a partner that is not right for you, we will need to see all Financial Statements for Cattle Producers Marketing Coop along with copies of your liability insurance and your D-U-N-S Number to help us update our D & B files.

It would be impossible for us to reach our goals without the help of great suppliers like Cattle Producers Marketing Coop. We hope we can help Cattle Producers Marketing Coop achieve their goals, too. We are looking forward to the opportunity to do business with you.

Sincerely,

R. U. Ready
President and Chief Executive Officer

Products or Services

Products or Services

Product or Services and Comparison to Competitors

- Custom processing to custom specifications, as volume.
- Traditional products, such as steaks, roasts, and ground beef.
- Packing will be individual wrapped, family-sized packages, shrink wrapped or in butcher paper.

Most competitors do these same things. The Marketing Coop difference, however, is not in the product cuts, but in the way the animals are raised, as with the natural beef. The coop's difference is in the consistent quality of the product, with a moister product than is traditionally provided in stores. An additional difference is in the service and relationships Marketing Coop establishes with the customer at the time of sale.

Legal Protection

Marketing Coop does not have any patents, trademarks or copyrights at this time.

Regulatory Agency Requirements

Larry and Linda's Locker Plant, which will be purchased by Cattle Producers Marketing Coop, meets all the required state and federal regulations. HACCP plans for products, OSHA training and plans for safety and environmental permits relating to sewage discharge are on file in the plant office. Copies of any of these documents will be provided upon request. To ensure all requirements are met in the future, the company will hire Ted Tobias who is experienced in all these areas.

Competitive Advantage and Customer Benefits

Based on the company's analysis as seen in the tables provided earlier and in information provided on marketing trends and increased interest in natural products, Marketing Coop believes its biggest competitive advantages are in the following areas:

- The coop can supply natural meat product, custom processed to the customers' specifications.
- Marketing Coop can supply an alternative product of traditionally raised beef, also processed according to customer specifications.
- The company will establish a close marketing relationship with its customers, building trust in the company and its product.

Of course, like its competitors, Cattle Producers Marketing Coop has always offered full refund to dissatisfied customers.

Packaging

Products will be sold two ways, fresh or frozen. All fresh products will be sold only from the retail store at the locker facility, wrapped in the traditional butcher paper. The emphasis for product sales will be with frozen product. This product also will be wrapped in butcher paper. As do the competitors, we will wrap the meat sold in any combination of sizes, pounds and product mix the customer desires.

For orders to be shipped to customers, United Parcel Services (UPS) will be used. UPS and USDA packaging guidelines will be followed. Insulated containers with product wrapped in gel refrigerants will be the primary means of shipment.

Manufacturing Plan

Company Locations and Facilities

Cattle Producers Marketing Coop has been operating at no cost out of office space in an available building owned by the Bright County Economic Development Corporation. However, the coop is currently looking at Larry and Linda's Locker Plant in Bordertown. Larry and Linda's has been processing all of the Marketing Coop meat products and an expansion of that facility will soon be necessary to handle the growing volume and additional product lines. The locker plant owners are reluctant to make further investment because of their age and the dependence on a very special market. The building is USDA certified and is in excellent shape. Preliminary engineering reports indicate it can readily be expanded to provide new processing space and the installation of a commercial kitchen for preparation of precooked product. If Marketing Coop is the purchaser of the building, the locker owners have agreed to finance the sale of the business.

The facility is located at 102 Creek Street, Bordertown, IA 50325. Phone number is (515) 294-0000.

Production and Condition of Production Assets

The plant will need to be expanded to accommodate processing a volume of 20 head per day and to produce precooked product. At present, slaughter capacity exists for 20 head per day but has not been utilized because the necessary cut-up and cooking facilities did not exist. With the current equipment and the new equipment that will be purchased, the facility will be equal to or better than that of the competition. Analysis of current accounting records shows the facility, with good management and workers, is able to produce product in a cost effective manner.

Equipment to be Purchased

- Cooper vacuum packing machine
- 10 horsepower rotary vane vacuum pump
- Lorenz smokehouse with microprocessor control
- Used electric lift

Current margins on product produced exceed 30 percent, which is ahead of industry averages as shown in Robert Morris Financial Statement Studies. An 18-20 percent gross margin must be maintained in order to service the cost of the following:

- paying producers the competitive market prices they hope to receive for their cattle;
- purchasing Larry and Linda's on contract;
- servicing the debt on monies borrowed to upgrade the machinery and equipment; and
- paying a moderate wage for an acceptable general manager.

The key is the execution or use of available assets, which is a function of management.

Existing production assets are in good condition. Analysis of financial records show routine maintenance has been done on the facility and equipment. As part of the purchase process, Jay Stiles, Locker Equipment Appraisal, was hired to provide an appraisal of the value and condition of the assets. He rated the equipment as good to excellent.

Staffing

Existing staff is adequate and can handle any increase in volume. Additional training required for use of new equipment will be provided on contract by the equipment vendor. If new workers are needed, existing employees will help recruit new employees. Skidmore Community College will provide dollars for job training for new employees using existing State of Iowa job training programs and will provide the training.

Inventory

Cooler space exists to hold 100 carcasses or processed product. The company does not want to hold product for more than five days and will attempt to tie processing to orders to minimize inventory. Of course, the inventory policy to be followed is "first in, first out." Product freshness will be monitored daily by the quality manager.

Material

Cattle will be supplied by cooperative members. Larry Cutter will be responsible for buying cattle. Purchase schedules will be set to include purchase from all members based on product availability.

Quality and Government Requirements

HACCP, OSHA and environmental plans are in place to meet all state and federal requirements. The quality manager also plans to implement a quality system for all aspects of the business. He is planning to implement ISO 9000 with the assistance of the Center for Industrial Research and Service (CIRAS) at Iowa State University. Implementation will begin after the new facility is completed and will take approximately one year.

A quality system also has been implemented with the member producers. Marketing Coop has established a European system that tracks each animal from birth through the slaughter and processing steps. In a sense, each animal will have a passport or record of its history. The coop will be able to show consumers the history of the meat they are buying. In addition, the cooperative will be able to monitor cooperative members' records to assure the standards of natural product are maintained.

Environmental Issues

There are no environmental issues to be dealt with at this time. All federal, state and local permit requirements have been met. The discharge to the local sewer is monitored by the city and meets its requirements.

Manufacturing Process Advantages

Larry and Linda's Locker Plant does not have any unique competitive advantage. The equipment is the same as that used in other facilities. The one key advantage is a bar code system, which allows accurate tracking of production data and inventory. The use of bar codes will allow both natural and traditional product to be processed and stored in the same facility. Responsibility to uphold this advantage lies not in the equipment as much as with the management team, which has already discussed the issue.

The facility and equipment that will be in the facility are in excellent condition due to the maintenance program. No equipment replacement due to wear or damage is anticipated in the near future.

Key Assumption

A key assumption in the manufacturing plan is that Cattle Producers Marketing Coop will be able to retain Larry Cutter as plant manager. His retention is critical to the success of the venture because it enables the coop to continue to provide current product while ramping up to provide more volume. If Cutter decides not to stay with the coop, a search will be carried out to find a qualified candidate.

Another key assumption is that the management team can successfully manage the slaughter and processing of both traditionally raised and natural raised cattle in the same facility.

Financial Data

Financial Data

The most important thing for Cattle Producers Marketing Coop at this point is to acquire ample financing to take the organization to the next level. Current production capacity of Larry and Linda's Locker is too small to butcher as many animals as the producers need to move, and the capabilities of the processing plant will not facilitate anything other than fresh meat processing and freezing. Many of the parts of the animal that are profit centers for large-scale packers are presently cost centers for the cooperative as they must be properly disposed of.

Members' sweat equity and their proposed willingness to sometimes take slightly less than the best available market price for their cattle will help the cooperative maintain its margins. At every opportunity, the private resources of the members, and their volunteer time, will be used to offset the costs of operating costs associated with:

- administration;
- utilities, fuel, telephone;
- salaries and contract services; and
- repairs, replacements and preventive maintenance.

The cooperative's ability to retain earnings and defer dividends will also serve to help meet financial requirements of the new business.

Sources of Funds

Bank loan	\$125,000
Owner equity	\$260,000
State of Iowa	\$40,000

Uses of Funds

Equipment purchase	\$225,000
Working capital	\$100,000
Down payment for processing facility	\$100,000

(Note: Total purchase price on locker plant is \$300,000, owner financing, 10 years, 10 percent interest.)

Equipment List

Cooper vacuum packing machine	\$70,000
10 horsepower rotary vane vacuum pump	\$1,000
Lorenz smokehouse with microprocessor control	\$150,000
Used electric lift	\$2,000
Total	\$225,000

Balance Sheet

Year: 2000

Current Assets

Cash	21,468
Accounts Receivable	8,000
Inventory	10,000
Prepaid Expenses	0

Total Current Assets 39,468

Property and Equipment

Building	350,000
Machinery and Equipment	225,000
Furniture and Fixtures	3,000
Vehicles	20,000
Less: Accum Depr	49,798

Total Assets 567,670

Current Liabilities

Accounts Payable	4,385
Current Portion, Debt	2,654
Accrued Expenses	5,380
Taxes Owed	1,200

Total Current Liabilities 13,619

Long Term Debt and Equity

Bank Loan	125,000
Building Purchase	200,000

Total Liabilities 338,619

Stockholder's Equity

Capital Stock	260,000
Paid in Capital	
Retained Earnings	-30,949

Total Net Worth 229,051

Total Liabilities and Net Worth 567,670

Breakeven Projection

Year: 2000

BE\$ = Fixed Expenses/Gross Profit Margin

BE \$ = 177333.3

For year 2000, Cattle Producers Marketing Coop is projecting to achieve 56.39 % of sales

Income Projections

	2000	2001	2002
Sales	100,000	200,000	300,000
Cost of Sales			
Material	20,000	50,000	65,000
Labor	28,000	50,000	50,000
Supplies	2,000	4,000	4,000
Gross Profit	50,000	96,000	181,000
Operating Expenses			
Officer Salaries	40,000	40,000	42,000
Office Salaries	12,000	12,600	13,230
Supplies - Office	500	550	580
Advertising	500	500	525
Travel	250	300	315
Depreciation	1,060	1,060	1,113
Freight/Postage	450	500	525
Insurance	700	700	735
Utilities	1,200	1,300	1,365
Accounting/Legal	1,500	1,500	1,575
Taxes	1,200	1,200	1,260
Telephone	2,000	2,000	2,100
Repairs and Maintenance	500	500	525
Auto/Truck	250	250	265
Rent or Lease Expense	0	3,000	3,000
Total Operating Expenses	62,110	65,960	69,113
Operating Profit	-12,110	30,040	111,887
Interest Expense	18,839	18,839	18,839
Other Income			
Other Expense			
Net Income Before Taxes	-30,949	11,201	93,048
Estimated Income Taxes			
Net Profit	-30,949	11,201	93,048

Monthly Cash Flow

Name of Business	Cattle Producers Marketing Coop				Owner Larry and Linda Line				Date 29-Jun-00				TOTAL
	1	2	3	4	5	6	7	8	9	10	11	12	
month	July	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	
Projected Sales	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	10000.00	10000.00	
1. CASH ON HAND	260000.00	87633.33	81264.67	74894.00	68521.33	62146.67	55770.00	49391.33	43010.67	36628.00	30243.33	25856.67	875360.00
2. CASH RECEIPTS													
											frd		
a. Cash Sales	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	2000.00	24000.00
b. Collections	0.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	6000.00	8000.00	8000.00	70000.00
c. Loan or cash injection	165000.00												165000.00
3. TOTAL CASH RECEIPTS	167000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	8000.00	10000.00	10000.00	259000.00
4. TOTAL CASH AVAILABLE	427000	95633.33	89264.67	82894.00	76521.33	70146.67	63770.00	57391.33	51010.67	44628.00	40243.33	35856.67	1134360.00
5. CASH PAID OUT													
a. Purchases	1666.67	1667.67	1668.67	1669.67	1670.67	1671.67	1672.67	1673.67	1674.67	1675.67	1676.67	1677.67	20066.00
b. Gross Wages	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	40000.00
c. Payroll expenses	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	666.67	8000.00
d. Outside Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e. Supplies	208.33	208.33	208.33	208.33	208.33	208.33	208.33	208.33	208.33	208.33	208.33	208.33	2500.00
f. Repairs and Maint	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	500.00
g. Advertising	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	41.67	500.00
h. Travel	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3000.00
i. Accounting and Legal	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	1500.00	18000.00
k. Telephone	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	166.67	2000.00
l. Utilities	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	14400.00
m. Insurance	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	8400.00
n. Taxes	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	14400.00
o. Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
p. Misc.	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	58.33	700.00
r. Subtotal	11033.33	11034.33	11035.33	11036.33	11037.33	11038.33	11039.33	11040.33	11041.33	11042.33	11043.33	11044.33	132466.00
s. Loan Paymt	0.00	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	66.00
t. Owner's W'drwal	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	3333.33	40000.00
u. Capital Purchases	325000.00												325000.00
6. TOTAL CASH PAID OUT	339366.67	14368.67	14370.67	14372.67	14374.67	14376.67	14378.67	14380.67	14382.67	14384.67	14386.67	14388.67	497532.00
7. CASH POSITION	87633.33	81264.67	74894.00	68521.33	62146.67	55770.00	49391.33	43010.67	36628.00	30243.33	25856.67	21468.00	636828.00

Financial Statements

No audited financial statements are available at this time. BigFort CPA firm has been retained to prepare audited statements for the past year.

Collateral

Building and Property Equity:	\$100,000
Equipment:	\$100,000
Personal CD:	\$50,000

Personal Financial Statements

Personal financial statements are already on file at the bank.

Aged Statements

Payables:	All bills are current
Account Receivables: 0-30	\$9,000
31-60	\$1,000
61-90	0

Supporting Documents

*Supporting documents will vary depending on the nature of the business plan.
Cattle Producers Marketing Coop did not supply any with its plan.*