

# Meatball Meats

100 Ground Beef Lane  
Sirloin, MN 55555

## Project Summary

Meatball Meats is a state inspected meat processing business that needs to expand our product line to meet consumer demand, diversify into new markets, serve our local livestock producers better, and increase sales. I plan to start processing hogs into sausage links and smoked meats. This project requires purchasing and installing new windows, a sausage stuffer, smoker, and a walk in cooler. The cooler will increase meat storage and address food safety recommendations by separating raw meat from cooked meat. All of the project items will be used for meat processing, which adds value to hogs and wild rice purchased from Minnesota farmers. By updating our facilities and purchasing new equipment it is expected that we will triple our business, hire additional staff and be able to increase ours and our agricultural product suppliers' markets. We will also be able to diversify our markets by selling product to the local school district. This project is critical for Meatball Meat's expansion into new markets and to stay competitive by complying with food safety regulations.

## Narratives

### 1. Project Description

We are planning on installing new windows in our facility, purchasing and installing a sausage stuffer, a smoker and a new walk-in cooler. The windows\* will help us meet state food safety code. The sausage stuffer and smoker will allow us to process more local hogs and Minnesota wild rice into new products to sell to different markets. The cooler will allow us to store more of our raw products and Ready-to-Eat products and separate them to comply with food safety inspector recommendations.

\*The windows are considered routine maintenance and are not eligible for grant award. The windows will be excluded from the grant project and the cost deducted from the total project cost.

### 2. Current Description of Farm, Business, or Organization

Meatball Meats has been in business for 10 years. In the past, we have expanded two times to accommodate our growing customer base. My facility is in excellent condition and has not been cited for any food safety issues for the past 9 years. We have 5 fulltime and 2 part-time employees. During the busy times of the year I hire 2 additional part-time employees. We sell fresh cuts of meat on-site and wholesale to grocery stores. The number of livestock that are directly marketed out of our facility has been growing.

At Meatball Meats, we provide an alternative market for local Minnesotan farmers so they are not forced to sell to a business that is 100 miles away. Many local livestock producers have commented that they would like to sell more of their animals to and through our business (see letter of support from

one). As the only meat processor within 50 miles, we are often the only source of fresh meat products during the winter months. One of the greatest challenges this area faces is that my facility is the only Minnesota equal to inspected meat processor within 100 miles (there is a custom plant 50 miles away). Because of that, we have been approached by the food service director at the local school district, who is interested in purchasing sausage links and smoked meats for the school program (see attached letter). Our current market outlets include our on-site mini store for our customers to purchase fresh meats and sales to two grocery stores in the surrounding counties. We also provide custom processing and direct marketing services for local livestock owners.

In addition to meat from livestock we slaughter (90% raised in Minnesota), we purchase beef and pork from a Minnesota supplier (Mighty Meats, Inc.) who states that approximately 40% of the beef and 50% of the hogs were raised in Minnesota. We will purchase all of our wild rice from two farms in northern Minnesota, Wild is Better and Chewy Grain Farms.

Prior to starting my own facility, I worked for a company managing a meat processing team. During my time there, I was able to learn the requirements of the industry and improve upon practices that will be implemented at Meatball Meats. While I was employed there, I met my business partner, Chuck Roast. Chuck has a degree from the University of Sizzlin', specializing in food safety. Chuck has written our food safety plans and will keep our facility compliant with regulations. As the lead worker, I was responsible for placing orders, developing recipes, and keeping current with meat processing regulations. Chuck and I have the necessary skills to be successful at conducting this expansion and reaching our next business goals.

### 3. Business Readiness and Financial Sustainability

#### A. Description of need for the grant project:

In order to complete this expansion, I will need to purchase new windows, a sausage stuffer, a smoker, and a walk in cooler. It is also critical to comply with state inspection recommendations. To do that, additional walk-in cooler and new windows will be purchased. The windows in my facility are old and drafty. Currently, I have covered them with Plexiglas to keep the wind out. In order to be more energy efficient and environmentally friendly, they must be replaced. The sausage stuffer and smoker will allow me to expand my business from merely making sausage patties to be able to produce sausage links of different sizes, and smoked meats and sausages. We have had many inquiries to expand our line and feature more processed and RTE products. There is also interest from the local school to purchase sausage links and smoked meats if we could produce it. This is expected to triple our business and expand the amount we process from 250 hogs per month to 600 hogs per month. Our current slaughter, meat cutting and further processing areas are large, well equipped and underutilized. With additional staff, we will be able to ramp up the slaughter and meat processing rate and capacity of our business. The additional cooler will be needed to accommodate the additional product alongside compliance with food safety recommendations. To ensure our compliance with Minnesota Food Code regulations, we will separate the cooked, Ready-to-Eat product from raw meat. We will need additional cooler space to

accomplish this goal and accommodate higher production capacity.

This project will add value to Minnesotan hogs by processing them into highly desired products, which can be purchased by the school market and home consumers. These upgrades will allow us to process more hogs, which will increase the value of local livestock by increasing their sales. Through new product development, we will also begin making wild rice sausage before the end of the year, which will add value to Minnesota wild rice by diversifying their markets.

Without grant funding, we would have to delay this project. Our customers are growing now; delaying this project could mean losses to livestock operations in addition to ours. Implementing this expansion will help us grow our business faster and serve more farmers, consumers, and institutions with local meat products.

## B. Summary of Business Plan

We have concluded that our business could sell more retail meat products if we expand our product line. Therefore, the best course of action at the present time is to make new products. We plan to expand our business to increase the amount of meat we can process, markets we can sell to, and total sales to further grow our business.

This project fits into our food safety plan to meet the intent of the Minnesota Food Code concerning the separation of product that is Ready-to-Eat versus raw meat. Having another walk-in cooler will provide additional storage capacity and complete separation of cooked and raw meat. The improved windows will also help us reach our goal of increasing energy efficiency and improving profits as outlined in our business plan.

These improvements fit into our business' long range plan of continued growth and expansion into new markets. We are planning to enter more local markets, sell to more Minnesota customers, and eventually expand into a multi-state operation. By taking this step, we will be able to sell more meat products at our current markets and access additional Minnesota markets and thereby increase our sales threefold. Currently, we take in \$360,000 in sales annually; we expect to sell \$1,044,000 in meat products during the third year after this project; most of this increase will be due to expanding our product line. 70% of the increase in sales is expected to be in retail markets and 30% should be from more custom processing. We have discussed selling our new product lines at five regional grocery stores in the last few months and two or three have expressed an interest.

The business will benefit through increased sales, led by more efficient processing and diversity of products, and also by opening the doors for regional expansion. A long term goal of ours is to become a federally inspected facility and expand our markets to outside of Minnesota.

The expected return on our investment was calculated by our lender. The amount I will invest in this project should be paid off within three years. This is based on the increased business we predict will occur as a result of this expansion.

C. Submit your business plan if you are requesting \$100,000 or more of grant award funds. We are requesting less than \$100,000, but I am uploading the information our lender required to consider our loan request.

#### 4. Expected Outcomes and Project Evaluation

I will evaluate the success of the project based on production capacity, sales, and number of new products we produce and new markets we enter. I will measure the number of full and part time employees I am able to hire, the number of livestock processed, pounds of wild rice purchased from Minnesota farmers, the amount of sausage produced, sales figures, and number of market outlets that are entered.

Our project will increase sales by diversifying into new products as demanded by at least the local school district. As a result of this, we also have the opportunity to expand our grocery store and onsite outlets' product lines. I have spoken with several grocery chains in the area (Lakes Food and Range Groceries). Both have expressed an interest in selling our products.

Our project creates jobs since more labor will be necessary to run and maintain the equipment, process livestock, and conduct quality control measures. Chuck and our current employees will not be able to conduct the additional work needed to reach our present and future business goals. Therefore we will need to hire additional staff.

This project will increase sales of Minnesota agricultural products by increasing the amount of livestock, meat and rice we purchase. In four years, we will be processing about three times the current pounds of meat and start using wild rice. We will be able to buy a higher number of Minnesota livestock, which will allow Minnesota farmers to receive a higher price overall for their livestock since transportation costs will be lower and we offer a competitive price for their animals. We have discussed processing large numbers of hogs per month, once we have made our improvements, with both Pork Chop Farms and Bacon Bits Barnyard (letter of support attached). We will provide a new market for Minnesota wild rice producers by starting to purchase their product. We have agreements in place with Wild is Better and Chewy Grain Farms to purchase 2,500 and 1,500 pounds respectively of this year's wild rice crop. We will be able to sell more meat products because it will be provided to the local school children and be sold in more grocery stores across this region.

<b>Description of Measure</b>	<b>Actual Measure before Starting Grant Project</b>	<b>Estimated Measure upon Completion of Grant Project</b>	<b>Estimated Measure Two Years after Project Completion</b>
Number of full-time employees	5 employees	6 total	10 total
Number of part-time employees	4 employees	5 total	5 total
Amount of MN grown inputs purchased from another operation per year	50,000 pounds boxed meat 0 pounds wild rice per year	55,000 pounds boxed meat 4,000 lbs wild rice Per year	60,000 pounds boxed meat 8,500 lbs wild rice Per year
Amount of inputs from your operation used to make value-added product(s)	0 pounds	0 pounds	0 pounds
Number of MN livestock processed per year	3,000 hogs	4,200 hogs	7,200 hogs
% of all ingredients/inputs that are MN grown	40%	50%	60%
Amount of value added product produced in a year	170,000 lbs sausage & fresh cuts 0 lbs smoked meats per year	223,000 lbs sausage & fresh cuts 19,200 lbs smoked meats per year	348,000 lbs sausage & fresh cuts 38,000 lbs smoked meats per year
Annual sales of value-added product	\$360,000	\$630,000	\$1,044,000
Number of Market outlets			
Retail– direct to consumer	1	1	1
Wholesale to a retailer	2	4	7
To wholesaler or distributor	0	0	0
Farm or business to institution	0	1	2
Other market outlet	0	0	0

## 5. Work Plan: December 1, 2016 to March 1, 2017

I will wait to start work on the grant project until after signing the grant contract.

### **Walk-in Cooler:**

*Purchase of walk-in cooler:* Order walk-in cooler from Cool Gang Equipment during the 1<sup>st</sup> two months after signing the grant contract.

*Installation of walk-in cooler:* Heavy Equipment To Go, Inc. will deliver the cooler panels to meatball Meats and set in place during months 4 to 6. Current Electric Co. will wire and provide electrical service to the cooler after set-up. Electrical work should be completed by the end of the 6<sup>th</sup> month. Experts In Refrigeration Co. will complete the installation of the cooler, provide testing, and ensure proper functionality. The cooler should be functioning well and able to use in the 7<sup>th</sup> month.

**Sausage Stuffer:**

*Purchase of sausage stuffer:* Order sausage stuffer from Bologna Ring Equipment Co during months 1- 3.

*Installation of sausage stuffer:* Current Electric Co. will provide proper electrical service to the equipment, months 5 - 7. Bologna Equipment Co. will install the equipment and ensure proper functionality. Estimate it will be ready to use for samples by the end of the 7<sup>th</sup> month and commercially by the end of the 8<sup>th</sup> month.

**Smokehouse:**

*Purchase of smokehouse:* Order smokehouse from Smoke It Up, Inc. shortly after the grant contract is in place.

*Installation of smokehouse:* Current Electric Co. will provide proper electrical service to the equipment, months 6 - 9. Urgent Plumbing and Heating will install the new water lines in months 5-8. Smoke It Up will deliver the equipment and ensure proper functionality after installation. Estimate it will be ready to start fine tuning the programming by the beginning of the 10<sup>th</sup> month and use commercially by the end of the 10<sup>th</sup> month.

**Windows:**

*Order windows:* Order windows from Windows R Us the end of the summer.

*Installation of Windows:* Windows R Us will install the windows in over a weekend during the fall time.

**6. Budget****A. Budget Table**

<b>Budget Category</b>	<b>Grant Funds Requested</b>	<b>Cash Match</b>	<b>Total \$</b>
Personnel/Contractors	\$4,250.00	\$12,750.00	\$17,000.00
Equipment	\$25,000.00	\$75,000.00	\$100,000.00
Facility Improvements	\$750.00	\$2,250.00	\$3,000.00
Other	\$0	\$0	\$0
Total Request	30,000.00	\$90,000.00	\$120,000.00

\*see adjusted budget amounts below.

**B. Budget Narrative***Personnel/Contractors:*

*Heavy Equipment to Go, Inc.:* Mileage and labor for delivery and set the walk in cooler into place next to our sausage making room. \$3,000.

*Current Electric Co.:* Materials and Labor to provide electrical service to the walk in cooler and the sausage maker. \$7,500.

*Experts in Refrigeration Co.:* Materials and labor for completing the installation of the walk in cooler, testing and ensuring proper functionality. \$3,000.

*Urgent Plumbing and Heating Co.:* Materials and Labor to provide plumbing service to and from the smokehouse. \$3,500.

**Total of Personnel/Contractors total: \$17,000.00**

#### *Equipment*

*Sausage stuffer:* I have an estimate from Bologna Equipment Co. for a new, Can Do It Fancy 001, sausage stuffer, including additions capable of making 5 different sizes of links/ring + installation. It will cost \$2,000 for installation and \$29,500 for the equipment. The piece of equipment will efficiently mix many different types of ingredients and will allow for the addition of Minnesota grown wild rice into the sausages. This is something our customers have been asking for since we opened 10 years ago. Total Cost: \$31,500

*Smokehouse:* I have an estimate from Smoke It Up, Inc. for the purchase of a new, Nature-Pak, AXE-710 smoke house. It comes with the latest technology allowing it to be programmed for any kind of run parameters and a data logger to record temperatures at short intervals of time. These features will increase the reliability of the products and efficiency. Quote is for \$48,000 + \$1,000 freight. Total cost: \$49,000

*Walk-in Cooler:* I have an estimate from Cool Gang Equipment for the purchase of a walk-in cooler with two, opposite end, entry doors. Total cost: \$19,500

**Equipment total: \$100,000.00**

#### *Facility Improvements*

*Windows:* I have received an estimate from Windows R Us. It will cost \$1,000 for installation and \$2,000 for triple pane weather resistant windows. Total Cost: \$3,000

**Facility Improvements total: \$3,000.00**

#### C. Applicant Funds (match)

We have been approved for a credit line of \$105,000 from Money Bags Bank (see attached letter). Alongside this, we also have a business savings of \$50,000 to help pay for the expenses of expansion.

#### 7. Previous Value Added Grants

No, I have not previously received a Value Added Grant.

#### 8. Letters of Support

Attached.

\*The windows are considered routine maintenance and are not eligible for grant award. The windows will be removed from the grant project and the cost deducted from the costs in the budget table. If the application and all of the rest of the grant project is approved, the final total project cost will be \$117,000.00 and the maximum grant award amount will be \$29,250.00.



# MONEYBAGS BANK AND LOAN



August 10, 2016

MDA Employee  
625 North Robert St.  
Saint Paul, MN 55155

Dear MDA Employee,

I am the loan officer at Moneybags Bank and Loan. This memo is to certify that Meatball Meats has a line of credit of \$105,000 available to proceed with their expansion and upgrades.

Sincerely,

M. T. Pockets  
Sr. Loan officer

# 3 R'S SCHOOL DISTRICT

August 6, 2016

MDA Employee  
625 North Robert St.  
Saint Paul, MN 55155

Dear MDA Employee,

I am writing in support of Meatball Meats expansion plan. I have relatives that have processed their livestock at this facility for the past 10 years and are very satisfied with the quality of meat and the customer service that Meatball Meats offers. As the Principal of the local school, we are always looking for ways to support local businesses. We exclusively buy our lumber from the local lumber yard for our shop class and have been looking for ways to include more local food into our school food service program. This will be an outstanding opportunity for Meatball Meats and we anticipate greater opportunities after the new equipment is installed in their facility. I foresee us ordering 3,000 lbs of product every month as soon as it is available. Please consider Meatball Meats application for funding.

Sincerely,

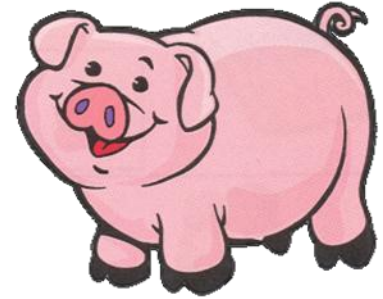
Theo Thesaurus  
Principal

# Bacon Bits Barnyard

1336 Pleasant Valley Lane \* Oinkville, MN 55555 \* [BaconBitsBarnyard@gmail.com](mailto:BaconBitsBarnyard@gmail.com) \* 555-123-4567

August 2, 2016

MDA Employee  
625 North Robert St.  
Saint Paul, MN 55155



Dear MDA Employee,

We are very excited for the opportunity to provide a letter of support for Meatball Meats expansion efforts. As a small family farm near Oinkville, our marketing options have been limited. After buying the stuffer and smokehouse, Meatball Meats would be able to make and sell more meat products and provide a wonderful marketing option for our farm. Our hogs are extra lean and have won numerous awards for their meat quality. We have exhibited at the State Fair for the past 15 years and won awards each year. We currently sell 10 hogs per month to Meatball Meats and direct market another 10 per month and have heard that customers are very satisfied.

We plan to provide 200 hogs per month from our farm to Meatball Meats after their expansion.

Again we are very excited and look forward to this opportunity.

Sincerely,  
Mr. Boar