

**SASK NATURAL BEEF  
PRODUCTS LTD.  
2005**

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## **Executive Summary**

### **Introduction**

Sask. Natural Beef Products Ltd. (SNBP) is a natural beef slaughtering and processing plant located in Maple Creek, Saskatchewan. The plant will be owned primarily by local producers in the Maple Creek area and is aimed at generating greater net revenues for the cattle producer and remaining a stable investment. SNBP will be entering a niche market based on selling natural beef targeted at large urban centers. This will generate premiums over traditional priced beef as consumers in these areas are willing to pay more for natural products. In Canada the Canadian Food Inspection Agency(CFIA) has no legal definition of the word natural but it usually means that there were no implants or antibiotics used in raising the beef after weaning and this is how SNBP will interpret the meaning. In addition to natural beef, the hides, offal and lower priced cuts from each animal will also be marketed.

### **Industry Overview**

Saskatchewan only has three federally inspected facilities that slaughter beef only. The two largest plants are XL Beef in Moose Jaw which just expanded to process 1600 head a day and Centennial Foods in Saskatoon. The other plant is the only other natural beef plant in Saskatchewan and is Natural Valley Farms located in Wolsley; production just began this year with expectations to eventually slaughter 500 head per day.

In 2004 there were 3.5 million cattle in Saskatchewan. Of these there were 633,000 steers marketed and 167,000 of those were slaughtered in province. Natural beef is a relatively new product that is being marketed therefore the market is still in the growth phase but has significant potential due to consumer trends of demanding healthier products. The natural beef that is marketed is only the premium cuts of beef, the lower quality cuts will be marketed at traditional beef prices.

### **Operations Plan**

SNBP will be located on the outskirts of Maple Creek, Saskatchewan on a full serviced commercial lot which is currently 2.8 acres, with land available for future expansion. The main building will be a brand new, state of the art facility that is scheduled for construction in the spring of 2006. The building will be 18,000 ft<sup>2</sup> at a total capitol cost of \$5.4 million. There will also be an attached cattle receiving area of 12,000 ft<sup>2</sup>. Processing is scheduled to begin in October and the goal is to reach maximum capacity of 120 head per day by January 2008. SNBP will not purchase any cattle as they are owned by the producer throughout the entire slaughter and processing process. SNBP revenue is based on a 6% processing fee that is based on the gross revenue from each carcass and the leasing of cattle hooks to the producers. The producer's revenue is based on the gross sale of the carcass less the 6% processing fee and the expenses that are directly attributed to the processing of the animal.

### **Human Resource Plan**

SNBP board of directors will consist of five positions, three internal and two external. There will be a president that will oversee all of the companies operations. There will also be two marketing managers and a human resource/accounting manager who will also have two secretaries underneath them to help with the day to day office duties. There will be five supervisors that look after different areas to ensure that everything underneath them is running smoothly. Under these supervisors there will 72 employees for a total of 83 full time positions.

## **Marketing Plan**

The varying marketing objectives of SNBP require two separate marketing plans. One will focus on selling shares and leasing hooks to cattle producers in order to ensure financing and cattle supply to the company. The other plan will focus on the end product and be concerned with selling natural beef into a niche market for a premium.

The producer marketing plan is based on a hook basis in which each hook corresponds to the option to slaughter one animal per year. Producers will have the opportunity to purchase a \$50,000 class A shares which entitles them to 200 hook spaces which entitles the producer to 200 hooks per year for the life of the plant plus one vote and preferred dividends. Another option for producers is to lease hooks for \$100 each four years at a time and the producer must lease a minimum of 50 hooks. Producers will be marketed to on the basis of the potential to receive increased revenue due to their ownership of their cattle through the stages of the value added processing and from receiving payment based on the market premiums for the natural beef. One of the marketing managers will be responsible for holding producer meetings to create interest among producers to buy class A and invest in the company to lease hooks.

The consumer marketing plan focuses on selling a high quality, traceable natural product with a strong brand image of the pristine prairies. Initial premiums of 5% are based on a market penetration strategy and are expected to grow to 35% as demand and recognition of the company grow. One marketing manager will work directly with grocery store retailers to develop the market and retail opportunities. Boxed beef will be shipped from the plant directly to grocery stores by pre-arranged contracts that the marketing manager will arrange with the grocery stores.

## **Financial Plan**

Ten year financial projections have been made for SNBP and can be found in appendix 1. All prices, except natural beef, and expenses have grown at an inflation rate of 2%. Natural beef is growing at a rate of 3% higher than inflation at 5% annually. Financing will include 54% debt and 46% owner's equity. The SNBP financial plan shows that the company has a expected internal rate of return of 42% and the external rate of return is 31%. This means that SNBP has to potential to be a good investment for producers but there is risk associated with the high rate of return. Due to the nature of

SNBP the company has no true critical variables as the producer bears most of the risk. This in turn results in SNBP true critical variable being the ability to convince producers to change their management practices and either invest in the company or lease hooks. Capital costs of the facility are as follows: Land \$319,000, Building \$7,815,120, Equipment \$1,666,790 with a required working capital of \$252,857 with the total capital costs being \$10,053,767.

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# **INTRODUCTION**

## **1.0 INTRODUCTION**

Sask. Natural Beef Products Ltd. (SNBP) is a natural beef slaughtering and processing plant located in Maple Creek, Saskatchewan. The plant will be owned primarily by local producers in the Maple Creek area and is aimed at generating greater net revenues for the cattle producer and remaining a stable investment. SNBP will be entering a niche market based on selling natural beef targeted at large urban centers. This will generate premiums over traditional priced beef as consumers in these areas are willing to pay more for natural products. In Canada the Canadian Food Inspection Agency(CFIA) has no legal definition of the word natural but it usually means that there were no implants or antibiotics used in raising the beef after weaning and this is how SNBP will interpret the meaning. In addition to natural beef, the hides, offal and lower priced cuts from each animal will also be marketed.

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# **OPERATIONS PLAN**

## 2.0 OPERATIONS PLAN

### 2.1 Organizational Structure

SNBP is a producer owned company which needs various levels of management to organize and coordinate the entire company. The board of directors will consist of three internal and two external positions. There will be a president that oversees all of the different areas of the company. The three largest positions with the most responsibility will be the marketing managers and human resource/accounting manager. The organizational structure diagram outlines all of the various positions and how many people will work in each area.

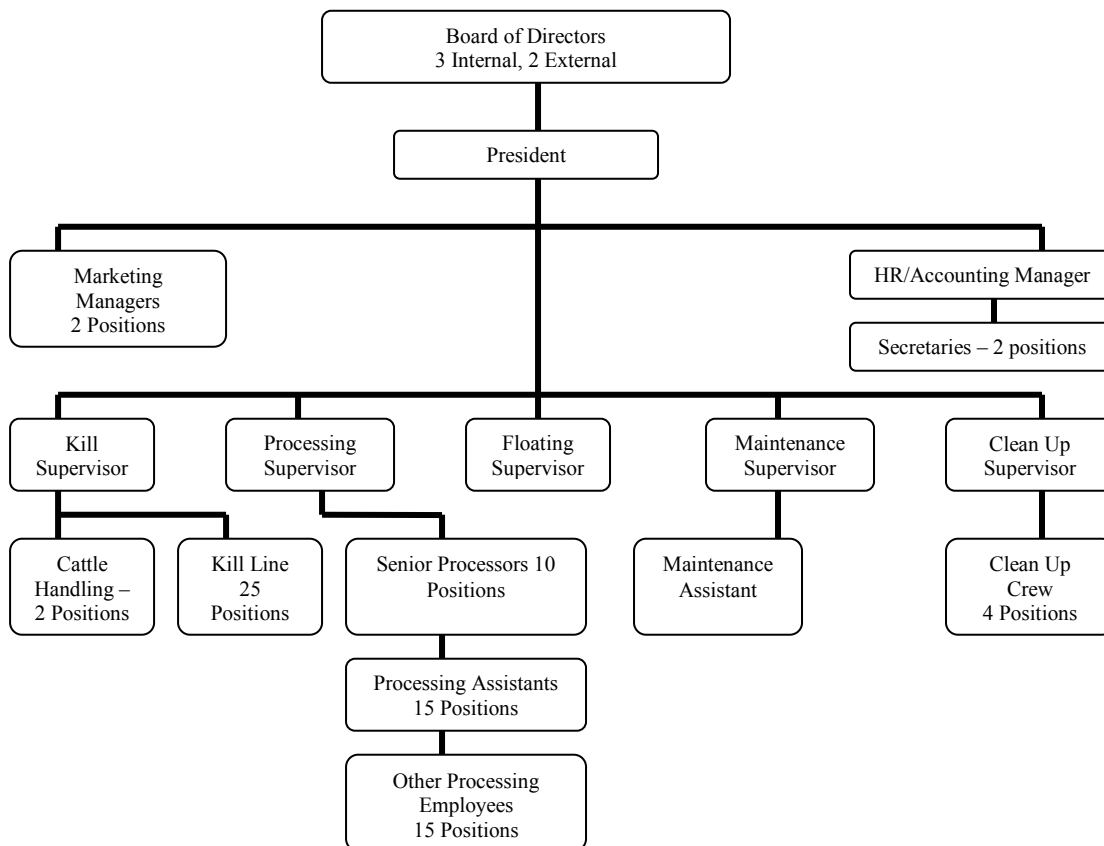


Figure 1 Organizational Structure

## **2.2 Site Plan**

The building will be located on the northwest side of Maple Creek, Sask. Maple Creek is located on highway #21 which is 8 km south of highway #1. The building will be built on 2.8 acres of land just on the out skirts of Maple Creek located at NW-15-11-26. This land is a fully serviced commercial lot. This will cut down on the capital costs because power, natural gas, sewer and water have already been trenched to this lot and due to the industrial designation of the site it will be sufficient for our requirements. Maple Creek is also selling the land to SNBP for a very reasonable price because it will boost the economy of their town.

## **2.3 Building and Floor Plans**

The building for SNBP will be 180 x 100 feet for a total of 18,000 ft<sup>2</sup>. The slaughtering area will be 80 x 80 feet and the processing area will be 80 x 70 feet. The cooler area will be 80 x 30 ft, allowing for 9 ft<sup>2</sup> per carcass. There will also be 20 x 150 feet of office space. This office space is divided into offices, a lunch room, change rooms and laundry area. The cattle will be brought in on the west side into the cattle receiving area which is 12,000 ft<sup>2</sup>. The main building is designed to keep the dirty and clean areas separate. The building is also designed for easy flow of the slaughtered cattle from one station to the next and is built so that the pathway that the cattle flow on never crosses. There is complete separation of the killing and processing areas. The only access between the two areas is a cooler in which the carcasses are moved in from the kill side and then removed from the cooler on the processing side. All of the storage rooms for the by-products are located close to the area in which they are removed from the carcass. All of the offal, hides and rendering material will be loaded out of the building on the west side. Boxed meat will be stored in a cooler on the south end of the building and then loaded into trucks from the dock which is located next to the cooler.

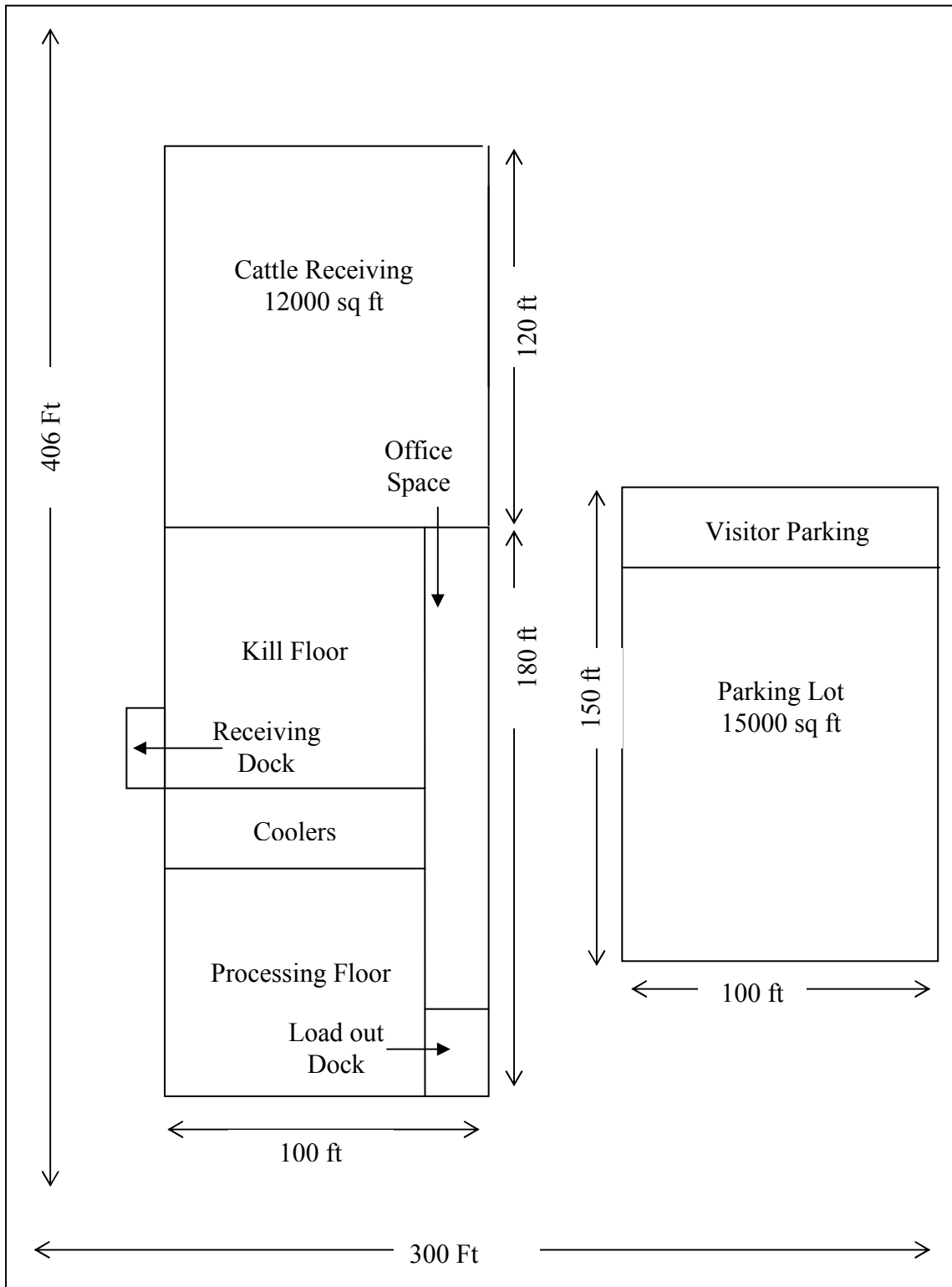


Figure 2 Site Plan

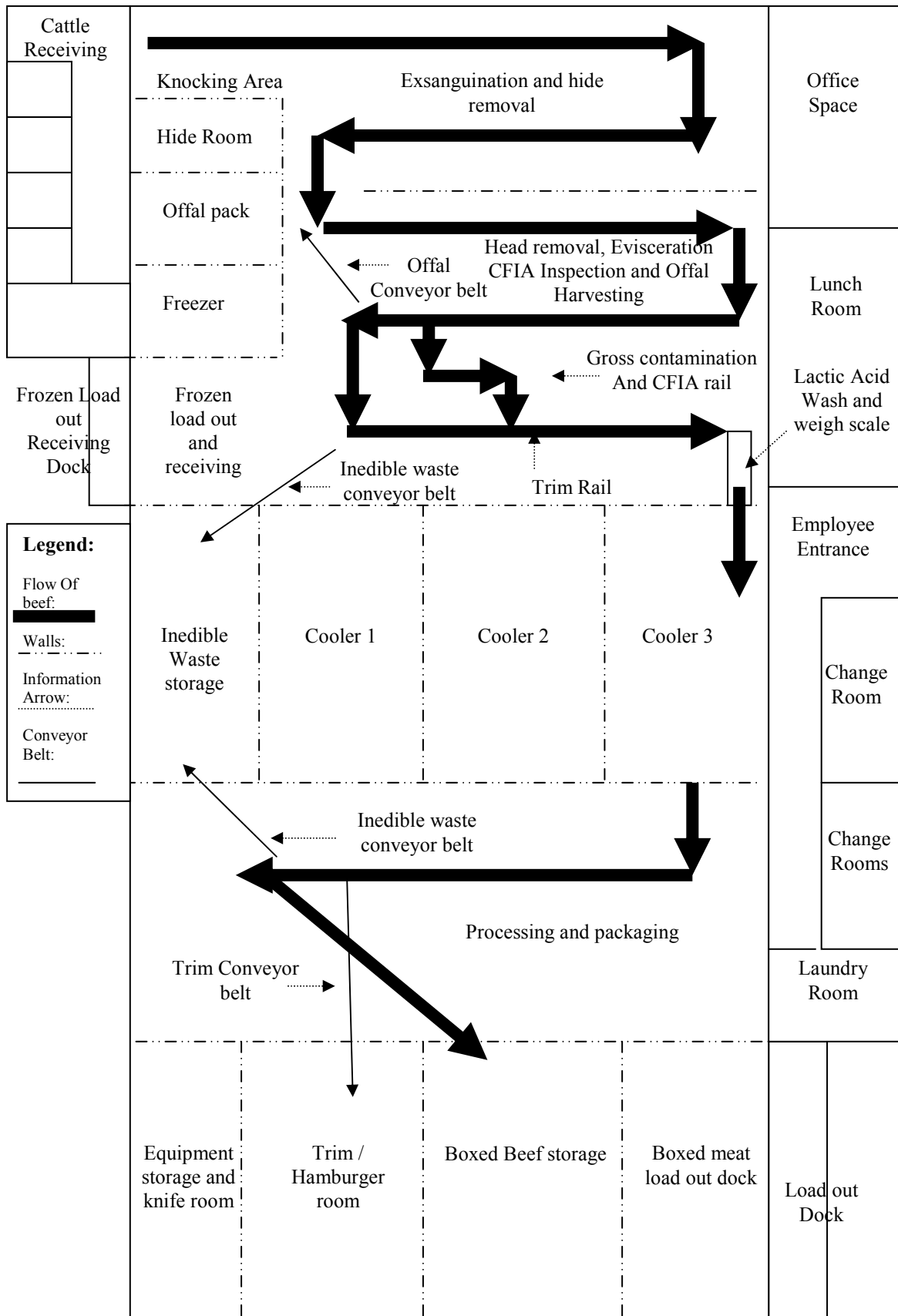


Figure 3 Floor plan

## **2.4 Flow of work**

The outline for the work flow plan (pages 18-23) obtained from the Food and Agriculture Industry and from knowledge of Heather Sherstobitoff who is one of our team members and has past experience working in a beef packing plant.

### ***2.4.1 Transport and Receiving***

Animals will be delivered to the plant by the producers in the morning. They will be unloaded into holding areas which will have adequate facilities for inspection. The cattle will be weighed immediately after unloading. This weight, combined with the hot carcass weight will determine the dressing percent of the carcass. A CFIA Veterinarian will inspect the cattle for disease or any other health problems. Those unfit for human consumption will be identified and removed from the normal processing flow. Cattle will be kept overnight and slaughtered the next day beginning at 8am. These cattle will be kept in pens with lots of room, water and free choice hay. This is done to increase the quality of the meat by ensuring that the cattle are not stressed when they are slaughtered. By feeding the cattle, the shrinkage experienced is reduced. Cattle receiving will employ two people. One person will push cattle up to the plant to be slaughtered and the other will receive and account for the cattle and ensure that the bale feeders are always full.

### ***2.4.2 Stunning and Immobilization***

Animals will be moved from the holding pens into the 'knocking box' where they will be immobilized with the use of a pneumatic stunner. This is a one shot humane stunning procedure that renders the animal insensible to pain. One person will be responsible for stunning cattle.



**Figure 4 Pneumatic Stunner (Jarvis 2005)**

### ***2.4.3 Shackling and Exsanguination***

One person will shackle the stunned animal and it will be hoisted with their hind quarters up. Following hoisting one person will be responsible for exsanguinations. This is the process of severing the carotid artery and jugular vein to drain out the blood. The blood is collected in floor drains and then sent to rendering.



**Figure 5 Exsanguination (<http://www.fao.org/DOCREP/003/X6909E/x6909e24.jpg>)**

### ***2.4.4 Hide Removal***

The animal moves down the line where the hide is opened down the middle of the ventral side over the entire length of the carcass. Six people are responsible for removing the hide. The hide is then removed using a pneumatically powered dehider. This is done carefully to avoid cutting or scoring the hide which would decrease its value. One person will be required to collect the hides which will then undergo intermediate preserving so that they can be sent to the tanners for further processing into leather.



**Figure 6 Dehider (Jarvis, 2005)**

#### ***2.4.5 Removing the feet***

After the hide is removed the fore and hind feet are removed to prevent contamination of the carcass with manure and dirt that fall off the hooves. This is done using a pneumatic-hydraulic powered fore and hind beef hock cutter. Then each of the legs is skinned. This will be done by the same people who are responsible for removing the hide.



**Figure 7 Hock Cutter (Jarvis, 2005)**

#### ***2.4.6 Dressing the Carcass***

Next the skin is cut off from the head and the head is removed using a knife and cutting through the adam's apple and atlas joint which is the first cervical vertebrae of the neck which supports the skull. One person will remove the head and hang it for CFIA inspection. After inspection the tongue and other muscles are harvested from the head and are transported to the offal pack room by another employee. Then the animal again moves further down the processing line to where a cut is made through the fat and muscle at the center of the brisket with a knife. Then a cut is made through the sternum using an electric-hydraulic powered brisket saw. This is hand held, requiring one person and only takes three seconds per animal. The esophagus is separated from the trachea by another person, and a band is put around the esophagus to prevent the contents of the rumen from spilling out and contaminating the carcass.

### **2.4.7 Evisceration**

One person will separate the hind quarters using a knife and then the tail is skinned and removed. Next the abdomen of the carcass is opened from top to bottom using a knife. Then the fat and membranes which hold the intestines and bladder in place have to be loosened and the urethras are cut. The esophagus which was previously loosened is pulled through the diaphragm and the abdominal organs fall into the inspection table. The liver is removed and then the diaphragm membrane is cut and the thoracic organs are removed. Lastly the kidneys are removed from the carcass. One person will be required for eviscerating the carcass. The CFIA inspector will inspect the organs and carcass to approve the carcass for human consumption. After inspection the center of the backbone is cut through using an electrically powered bandsaw which is suspended from the roof, requiring one person. At this point inedible material is collected for rendering. Offal will be collected, and sent by conveyor belt to the harvesting room, where two people will pack the different organs into boxes and move them into the freezer.



**Figure 8 Brisket Saw (Jarvis, 2005)**



**Figure 9 Band saw used to split the carcass (Jarvis, 2005)**

#### ***2.4.8 Dressing, washing, decontaminating and chilling***

The carcass moves farther down the line, where any grossly contaminated carcasses, or anything held by the CFIA inspector will be railed off for extensive trimming by two people to avoid contamination of clean carcasses. Five people will be responsible for dressing the carcass and removing any excess fat. The carcasses are weighed again and are chemically decontaminated using a lactic acid bath to remove any contaminants, blood and bone dust from the slaughtering process. Now the carcass is ready to be chilled and can be moved into the cooler. The ideal temperature of the cooler is 0°. It takes twenty-four hours for complete chilling, this is very important otherwise the carcasses could sour. When entering the cooler, one person will stamp the carcass with a CFIA stamp and move the carcass to the appropriate spot in the cooler. One person is then responsible for moving the carcass out to the processing.



**Figure 10 Beef sides hanging in the cooler**  
([http://www.dpi.vic.gov.au/CA25677D007DC87D/LUbyDesc/NLISCarcass/\\$File/NLIScarcase.jpg](http://www.dpi.vic.gov.au/CA25677D007DC87D/LUbyDesc/NLISCarcass/$File/NLIScarcase.jpg))

#### ***2.4.9 Processing and Packaging***

The carcasses will be chilled for a minimum of two days before they are processed. Table 1 shows the day in which the animal is slaughtered and the corresponding day on which that carcass will be processed. When the carcasses come out of the cooler they will be cut up into wholesale cuts and then vacuum packed and put into cardboard boxes. There will be ten senior cutters on staff who are knowledgeable in the difficult cuts and boning. Fifteen more people will be responsible for the easier boning jobs, and five people are responsible for bagging, vacuum packing, and boxing the beef. One person will be responsible for moving pallets of boxes into a different cooler where they are stored until they are shipped out. Excess fat will make its way into the trim and

hamburger room to be ground up. This room will require three people to run and package hamburger.

**Table 1 Days of slaughter and processing**

<b>Day of Slaughter</b>	<b>Day of Processing</b>
Monday	Thursday
Tuesday	Friday
Wednesday	Monday
Thursday	Tuesday
Friday	Wednesday

#### ***2.4.10 Receiving and load out***

Receiving and load out of beef and materials will be done by four people. They will be responsible for the load out of boxed beef, including frozen offal products, and as well as the receiving of boxes, bags, knives and other materials needed to run the plant.

### **2.5 Average Business Cycle**

#### ***+2.5.1 Average Business Day***

An average business day consists of cattle receiving starting at 8AM. Cattle are received the day before they are to be slaughtered. This will reduce the stress at slaughter resulting in a product with greater tenderness. Cattle will be held in pens for a day, and fed to reduce shrinkage. About 120 head of cattle will be processed per day when the plant reaches maximum capacity. All employees will start work at 8 AM. On the slaughter side of the plant each employee will change into clothing provided by SNBP. They will be required to wear rubber gloves, hair nets, steel toed rubber boots, a hard hat, and a plastic apron, as well as safety equipment, all of which will be provided by SNBP. All jewelry and accessories must be removed, and hands washed before entering the floor. On the processing and cooler side of the plant employees can wear normal steel toed work boots, as well as their own clothes. A smock to cover their clothes will be worn as well as a hard hat, hair net, cloth gloves and safety equipment. Each will have two paid 15 minute coffee breaks, and one non-paid hour lunch break. The working day ends at about 5pm. Office staff start at 8 AM, and work until 5 PM as well. Their duties include invoicing, receiving orders, dispatching trucks and other general office work. Floor supervisors and Quality control staff will be required to start work earlier. Quality

control staff must be on the floor by 6:30 AM to ensure that clean up was done properly the night before. Daily clean up and sanitation will be done by four people and can start any time after the kill and processing has finished.

### ***2.5.2 Average Business Week***

Each week will see approximately 600 head of cattle coming through the plant. The plant will run 8 hours, 5 days a week. The cattle will sit in the cooler a total of three days with cattle being slaughtered on Monday, being processed on Thursday, cattle being slaughtered on Tuesday being processed on Friday, Etc. Cattle for Monday's processing will be received on Sunday, instead of on Friday. There will be one cattle handler working Sunday to Thursday and the other employee will be working Monday to Friday in order to accommodate this. Compensation paid to each worker will be paid on every second Friday.

### **2.6 Quality Control Program**

The CFIA role in food production is to ensure Canadian consumers the food they eat has been inspected for wholesomeness and disease. In order for slaughtering plants to export to the United States, the plant must follow the Hazard Analysis Critical Control Point (HACCP) system under the supervision of the Food & Safety Enhancement Program. The use of HACCP allows safe and consumable products at each of the processing steps of the plant, from the receiving of the raw material to the shipping and selling of the final product. (CFIA, 2005)

The formation of HACCP was to ensure the excellent quality and safety of the food. An advantage of HACCP is it can be modified for any one of the individual steps of the slaughtering plant's process lines. It is based on the Critical Control Points (CCP) found throughout the Product Flow Chart (Figure 11) These CCP's allow the operator to react quickly to prevent any hazards that could happen to the safety of the food. There are three different hazard divisions, of the CCP's, that could cause a risk: biological, chemical and physical. (CFIA, 2005)

- Biological
  - Most are the responsibility of the growers and happen at the farms
  - Soiled animals arriving at the slaughtering plant

- Presence of *Cysticercus bovis* in live animals or pathogenic microorganisms, such as *Salmonella*, *E. coli*
  - Drinking water that is not approved by Health Canada
  - Symptoms that are hard to detect in the antemortem exam in live animals (CFIA, 2005)
- Chemical
    - Should be carried out at the farm level
    - Presence of pharmaceutical residues in the animals (i.e. antibiotic hormones)
    - Packaging materials with non-food grades
    - An excess of chlorine present in animal due to water drank
    - Marking ink is not food grade (CFIA, 2005)
  - Physical
    - Responsibility of the grower at the farm level
    - Presence of broken injection needles or lead shot encapsulated in muscle tissue (CFIA, 2005)

Both the CFIA inspectors and the employees of the plant conduct HACCP. The inspectors have positions along the process line of the plant and the employees should be trained on the hazards that may arise. For example, the employees should check the following CCP's every 2 hours: CCP-2B, CCP-4B, CCP-5B, CCP-6B, CCP-7B, CCP-8B and CCP-9B found in Figure 11 (CFIA, 2005).

However, some hazards are not the responsibility of the plants but that of the grower. For example, the physical hazard of broken needles is caused by the carelessness of the grower giving the animals their shots (CFIA, 2005).

## **2.7 Registration and Licensing**

In order to ship meat out of the home province of the slaughtering facility it must be federally inspected by the CFIA. Their meat hygiene program ensures that meat products leaving a federally inspected plant are safe and wholesome. Any new slaughtering facility that wishes to be federally inspected must complete the CFIA

registration and licensing forms which can be found in chapter two of the meat hygiene manual of procedures. The proposed plant must also submit blueprints for approval. It usually takes twenty to twenty-eight facility blueprints, which cost approximately \$1000 dollars each, before they are approved (Manitoba Agriculture, Food and Rural Initiatives 2004). This approval process takes six to eight months. Under the CFIA there are many acts and regulations that must be followed. *The Foods and Drugs Act* applies to all food manufacturers in Canada. *The Meat Inspection Act* regulates the import, export and inter-provincial trade of meat and meat products. It covers the registration of establishments and inspection of animals and meat products. It also covers the standards for establishments, for animals slaughtered and for meat products. *The Canadian Agricultural Products Act* is also under the CFIA. This act establishes the national standards and grades for agricultural products. It also regulates the marketing of agricultural products which includes meat. All federally inspected plants require a veterinarian and CFIA inspector on the premises at all times. If the plant is killing 30 head per hour or less then there must be one veterinarian and one inspector. This would mean two inspection salaries which cost \$9,800 per inspector per year and \$30,000 for grading which results in an expense of roughly \$50,000 per year (Tom Vail, CFIA Saskatoon).

## **2.8 Inspection**

As a federally inspected plant all animals that are slaughtered must be inspected ante-mortem and post-mortem. When the cattle are unloaded they are inspected by a vet to ensure that they are fit for human consumption. Then once the animal has been slaughtered the carcass is inspected to further ensure that they are safe and wholesome. Also, federal agents must inspect all of the packing, processing and storage facilities and operations that are used in the production of federally distributed meat (CFIA, 2005). This is to ensure that proper procedures are being followed and that all of the equipment and buildings are kept up to specifications.

## **2.9 Traceability**

SNBP is based on capturing a niche market of natural beef. Therefore traceability is very important in order to insure that the consumer is actually receiving natural beef. All cattle that are slaughtered will have Canadian Cattle Identification Agency (CCIA)

tags that are scanned. This will prove that the animal came from that particular producer's farm. Producers will have to sign affidavits guaranteeing that no hormones or antibiotics have been used in the cattle they are marketing as natural. Random testing for growth hormones will be done to help keep the producers honest. The hooks that carry the carcasses down the line will have a number that correlates back to that particular animal's CCIA tag number so that the animal can be tracked throughout the entire slaughter process. When the carcass comes out of the cooler to be processed the cuts of meat will go into boxes that are labeled with a bar code. The bar code correlates back to all of the CCIA numbers of the animals that ended up in that box. This will ensure that if there is a problem with any boxes of meat that it can be traced back to the original animal.

## **2.10 Cattle Hooks**

SNBP is designed to be a custom slaughtering and processing plant where the cattle are actually owned by the cattle producer throughout the slaughter process and the cattle producer pays all of the direct costs associated with the slaughter as well as a 6% processing fee. In order for producers to slaughter cattle through SNBP they have two options they must either own or lease hooks. Each hook corresponds to the right to slaughter one animal per year at SNBP. To own hooks producers can purchase \$50,000 class A share which gives them 200 hook space per year for the life of the plant, which do not expire. If producers don't want to invest in the company and just want to slaughter cattle then they can lease hooks. The hooks will be leased for four years at a time and cost a \$100 per hook. At the end of the four years the same producer will have first chance at re-leasing the hooks otherwise they will be leased to a different producer. The producer must purchase a minimum of 50 hooks and are required to fill 75%, including class A shareholders, of the hooks each year otherwise they will receive financial penalties of \$150 for every unfilled hook less of 75% purchased. This revenue is not included in the financial plan as it is uncertain income. This is to ensure that SNBP is always operating at maximum capacity.

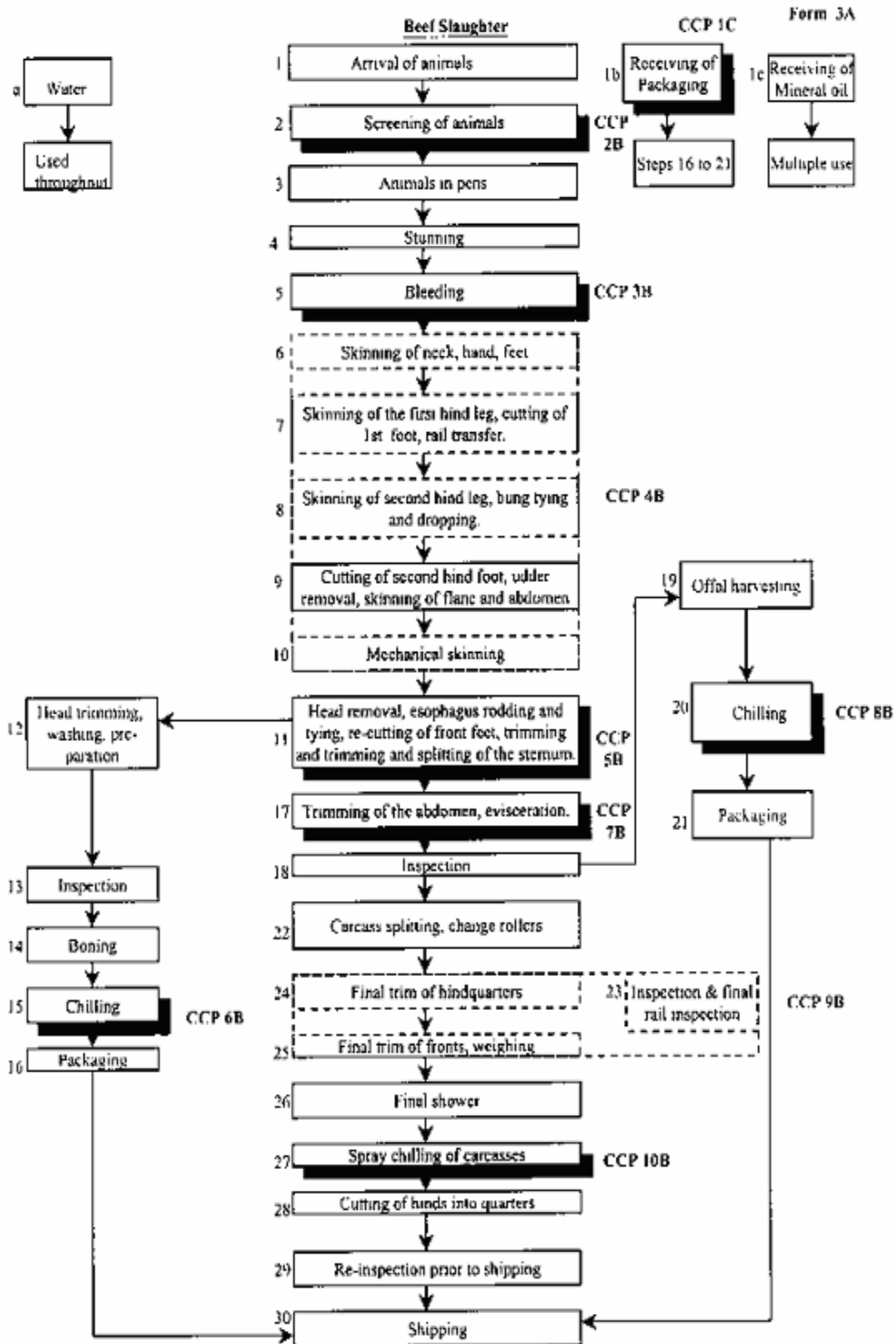


Figure 11 Product Flow Chart with CCP's

## 2.11 Capital Budget

Table 2 Capital Budget

Description	Estimated Cost	Source of Estimate
<b>Land</b>	\$7,200	Mark Caswell, Maple Creek Town Office
Site Enhancements:		
Water/sewage Installation	\$15,000	Kevin Pahe - Maple Creek Town Office
Natural Gas Install	\$5,000	Cory Patrick - Sask Energy
Electricity Installation	\$25,000	Sask Energy - Maple Creek Region
Landscapping	\$250,000	Blaine Davey - SWBI, 2004
Fence Enclosure	\$16,800	SWBI, 2004 - \$12/ft for 1400 ft
<b>Total land costs</b>	<b>\$319,000</b>	
<b>Buildings</b>		
Main Plant (180 x 100 ft) <sup>1</sup>	\$5,400,000	Manitoba beef processing - \$300/ft
Corrals	\$4,130	3440 ft of steel @ \$1.20/ft
Pre-water treatment plant	\$1,500,000	Ken Piller - Natural Valley
Blueprints for certification	\$20,000	Manitoba beef processing
Constingency Costs	\$890,990	Natural Valley Business Plan - 10% of capital
<b>Total Building costs</b>	<b>\$7,815,120</b>	
<b>Equipment</b>		
Side Clamp Dehider	\$750,000	SWBI 2004
Handheld dehiders	\$5,700	SWBI 2004 - 6 @ \$950
Splitting Bandsaw	\$8,750	SWBI 2004
Hock Cutters	\$15,000	SWBI 2004 - 2 @ \$7500
Brisket Saw	\$6,750	SWBI 2004
Circular Saw	\$4,275	SWBI 2004
Pneumatic Stunner	\$10,950	SWBI 2004
Grinder	\$2,800	Butcher & Packer Supply - 2 @ \$1400
Vaccum packer	\$9,600	Butcher & Packer Supply - 3 @ \$3200
Carcass tracing equipment	\$750,000	Natural Valley
Office Equipment	\$10,000	Computers, printers, desks
Live Cattle Scale	\$11,495	Mass Load - Western Producer
Watering Bowls	\$3,490	Peavey Mart Advertisement - 10 @ \$349
Bale Feeders	\$7,980	Peavey Mart Advertisement - 20 @ \$399
Tractor	\$70,000	Western Producer - Classified Ads
<b>Total Equipment Costs</b>	<b>\$1,666,790</b>	
<b>Total Capital Costs</b>	<b>\$9,800,910</b>	
<b>Total Working Capital</b>	<b>\$252,857</b>	
<b>Total Capital Costs</b>	<b>\$10,053,767</b>	

<sup>1</sup> Based on single shift operation and includes slaughter & processing area, coolers, freezer and offices.

## 2.12 Working Capital

### 2.12.1 Working Capital Planning and Management

#### 2.12.1.1 Cash Management

SNBP does not own any of the cattle that are slaughtered and therefore does not have to purchase these animals. However, SNBP will pay the producer \$500 up front for each head of cattle that are brought in. This will be done so that auction marts that pay their customers the same day the cattle are sold will not have an advantage over SNBP. There will be \$1,200,000 required to pay out the \$500 producer payment every month. This will cost SNBP approximately \$8,000 per month in interest expense when the company is fully operational. Therefore SNBP will require a large line of credit to pay this out. An operating line of credit to cover any short term payables, interest and operating bills that are needed to be paid before SNBP collects enough revenue from processing fees.

#### 2.12.1.2 Gross Revenue

**Table 3 Calculations for the SNBP processing fee and the revenue for Cattle Producers at full production and present day prices**

Average Price of Boxed Beef	\$1.73/lb
Half carcass at regular price (1250*.62*.5)*1.73	\$670
Premium of 5%	\$1.81/lb
Half carcass at premium price(1250*.62*.5)*1.81	\$700
Hide	\$40
Edible Offal	\$30
Total Value of animal at 5% Premium	\$1,440
Processing Fee (6% x \$1440)	\$85
<b>SNBP Total Processing fees= \$85 x 31,200 head</b>	<b>\$2.65 million</b>

<sup>1</sup> An animal usually dresses 62% and all calculations are based on a 1250 lb animal

**Table 4 Gross Revenue Calculations (Year 2008)**

Processing Fee	\$2,889,530
Cost of Goods Sold	\$6,659,768
<b>Total Gross Revenue</b>	<b>\$9,549,298</b>

### 2.12.1.3 Administration, Marketing and General Expenses

**Table 5 Administrative and general expenses (Year 2008)**

Interest on loans	\$435,473
Marketing expenses	\$228,973
Administration salary & wages	\$420,177
<b>Total</b>	<b>\$1,084,623</b>

### 2.12.1.4 Net Income before Taxes

**Table 6 Net Income before taxes (Year 2008)**

Gross Revenue	\$9,549,298
Total Management & General Expenses	\$1,084,623
<b>Net Income Before Tax</b>	<b>\$8,464,675</b>

### 2.12.1.5 Cost of Goods Sold

**Table 7 Cost of Goods Sold (Year 2008)**

Description	Estimated Cost	Source of Estimate
<b>Direct Materials</b>		
Knives	\$27,125	SWBI - 3500 @ \$7.75 each
Boxes	\$260,000	All world packaging supplies Ltd. \$1.11 each - 75 lbs/box
Vacuum Packaging	\$156,000	Butcher & Packer Supply Co. \$.10 each
<b>Total Direct Materials</b>	<b>\$443,125</b>	
<b>Direct Labour</b>		
Slaughter	\$896,060	27 Workers and 2 Supervisors
Processing	\$1,383,806	40 Workers and 1 Supervisor
Clean Up & Maintenance	\$269,807	5 Workers and 2 Supervisors
<b>Total Direct Labour</b>	<b>\$2,549,673</b>	
<b>Manufacturing Overhead</b>		
<b>Variable</b>		
Water	\$31,210	Glen Morine, Sask Water - 19000 Gal/day @ \$4.50/1000 gal
Waste water	\$18,615	Glen Morine, Sask Water - \$51/day
Electricity	\$100,000	Sask Energy - Waiting on final quote
Natural Gas	\$70,000	Cory Patrick - Sask Energy - \$10.88/GJ - approx. 17.6 GJ/day
Rendering	\$452,400	Bruce King - Saskatoon Processing Co - \$.04/lb
Transportation	\$2,106,000	Ken Piller, Natural Valley Farms - \$.12/lb
Feed for Cattle	\$45,500	Mark Beutler - \$35/bale - 1300 per year
Uniforms & Hard Hats	\$15,000	All Safety Products
Telephone & Internet	\$6,732	Sasktel
Maintenance & Repairs	\$111,770	SWBI - 7% of Total equipment costs
<b>Total Variable Overhead</b>	<b>\$2,957,227</b>	
<b>Fixed Overhead Costs</b>		
Insurance	\$45,882	SWBI - \$.45/\$100 of capital
Property Taxes	\$14,045	Mark Caswell - City of Maple Creek
CCA Costs	\$599,817	Financial Plan
CFIA Inspection	\$50,000	Tom Vail CFIA Saskatoon
<b>Total Fixed Overhead</b>	<b>\$709,744</b>	
<b>Total Manufacturing Overhead</b>	<b>\$2,943,938</b>	
<b>Total Cost of Goods Manufactured</b>	<b>\$5,950,025</b>	

SNBP maximum capacity is 31,200 head per year. At this number the cost per head would be approximately \$200/head. This is in line with industry averages of \$170 to \$200 per head as given by the Manitoba beef processing feasibility report.

## **2.13 Cash Management**

### ***2.13.1 Producer Inventories***

There will be only small inventory costs associated with SNBP. Cattle will be pre-booked to ensure that daily slaughtering capacity is met. The cattle will be brought in the day before they are slaughtered. It will take one day to kill the animal and then the carcass will spend two days in the cooler. It will then take another day to cut up the carcass into smaller cuts and vacuum pack and box it. From there the meat will be held in the final cooler and await shipping. Boxed meat should not spend more than 7 days in this cooler before shipping. From arrival to shipping the cattle should not be within the facility for more than 12 days.

### ***2.13.2 Accounts Receivable***

The invoice for payment of the meat is sent out with the meat. It will take about five days for the meat to arrive at its destination. The customer has fourteen days from the time they receive the invoice until their payment is due. Then it will take another couple of days before the payment is received by SNBP. Therefore it will take about twenty one days to receive payment from each shipment of meat that goes out. At this point SNBP will receive the processing fees.

### ***2.13.3 Accounts Payable***

Accounts payable include suppliers of packing supplies, knives and equipment with the expected accounts due within 14 days of arrival. Due to the structure SNBP does not own the beef processed, and therefore the producer is not an account payable.

#### ***2.13.4 Brokerage Transactions***

Once payment has been received from the retailer the direct costs, SNPB's fee and a \$500 down payment are deducted and the producer is paid the remainder of the total gross profit from each animal.

#### ***2.13.5 Cash Conversion Cycle***

Our cash conversion cycle will be 24 days. SNBP will have four days of raw material inventory. Cattle will be received the day before slaughter; it will take one day to slaughter, two days to cool the carcass and one day to process the carcass into smaller cuts. Then there will be about seven days of finished goods inventory where the boxed beef is waiting to be shipped, and a maximum of five days in transit from facility to end retailer. Average days for payment on processed beef will be about twenty-one days from the time the meat is shipped out. Average days for payables will be fourteen. The producer will be paid partially when their cattle are delivered to the plant and then will receive the remainder of the payment in maximum thirty seven days. (CCC = 17 + 21 - 14 = 24)

# **HUMAN RESOURCE PLAN**

### **3.0 HUMAN RESOURCE PLAN**

#### **3.1 Staff Organization and Allocation Plan**

SNBP will be delegated by a group of 5 people who will occupy the board of directors; these individuals will be made up of class A shareholders. All employees of SNBP will receive three weeks vacation and benefits in addition to their salaries.

#### **3.2 Board of Directors**

There will be five positions which will be filled by class A shareholders. The responsibility of these positions is to ensure that the shareholders and investors will be represented in the operation of the plant. They will also ensure that the performance of those in management positions is to acceptable levels.

#### **3.3 Job Descriptions**

##### ***3.3.1 President***

The president is the head of this organization and as such must possess exceptional leadership and communication skills. This individual will have a combination of past leadership experience (10+ years) in the beef processing and packaging industry as well as a university degree. This individual will ensure the vision set out by the board of directors will be followed and the organization continues to develop and grow.

Salary: \$100,000/yr

##### ***3.3.2 Marketing Managers***

The marketing managers will focus on all sales and marketing activities related to the company. They will also ensure that the promotions are done in a manner to increase market share and brand recognition. An important aspect of this position is to seek out new and profitable market areas and identify potential threats. These employees should have a solid background in marketing/sales with significant industry experience and/or a commerce/agriculture degree as well as a high degree of motivation. One marketer will be responsible for dealing with retailers and selling beef and the other will be responsible for talking to producers and getting them to invest or lease hooks through SNBP.

Salary: \$80,000/yr per employee = \$160,000 per year

### **3.3.3 HR/Accounting Manager**

This employee will be in charge of the finances and human resources aspect of the organization. The basic responsibility will be maintaining all financial records of internal operations. This will include transaction processing, customer sales, producer transactions, payroll and other associated tasks. The employee will also be in charge of the HR department and the associated tasks such as hiring, firing, employee problem solving, and other related tasks. The requirements will be a solid financial background and experience in the aforementioned tasks.

Salary: \$80,000/yr

### **3.3.4 Office Support Staff**

These two employees will be responsible for assisting with the day to day operations within the office. Tasks will range from answering phones to assisting in HR, Marketing, product operations management, or financial decisions. The employee will only be required to have minimum training and experience. Any additional or specialized training will be provided by the employer at an offsite location.

Wage: \$10/hr = \$20,800/yr per employee = \$41,200 per year

### **3.3.5 Floor Supervisors**

These employees will manage the operations aspects of the kill and processing areas. One supervisor will be directly responsible for the kill side of the floor managing the killing and evisceration activities which take place from the live animal to when its sent to age in the coolers. Another supervisor will manage the processing side and be responsible for the tasks which take place from the time the meat is taken off the hook to when its on the truck leaving the facility. The third supervisor will be a floating supervisor who will be assigned to areas which need extra attention and supervision. She/He will be available to cover any supervisor holiday time, or help out where the plant is not running smoothly. The supervisors will all participate in ensuring that all safety and health standards are exceeded at all times. The requirements for this position are significant experience in past beef slaughter and/or processing facilities and a strong attention to detail. A high degree of problem solving and innovation will also be required

as this position will be a dynamic and challenging one. There will also be another supervisor to manage the clean up efforts. This includes supervising the 4 people who clean the plant after each day of slaughter. He will responsible for ensuring the plant is cleaned up to the standards of quality control and the CFIA before starting the kill each morning.

Salary: Clean Up supervisor - \$30,000/yr

Floor Supervisors - \$50,000/yr per employee = \$150,000 per year

### **3.3.6 Processing**

There will be 10 senior cutter positions, and 15 assistant cutters. These positions are high skill, and high dexterity positions. As such those in these positions require significant experience with meat cutting. The employees in these positions will be put through the standard company training (3 day course) as well as the regular refresher courses, however additional off site training will be provided with respect to new processing methods and techniques.

Salary: Senior cutters - \$17/ hr = \$35,360/yr per employee = \$353,600 per year

Assistant Cutters - \$14/hr = \$29,120/yr per employee = \$436,800 per year

### **3.3.7 Floor Workers**

These people will include the kill line, load out, cooler, trimming, packaging, clean up, and cattle handling positions. There will be a total of 46 positions. These positions although different in task are essentially requiring minimal skills. The main requirement for these positions is some degree of physical fitness, the ability to lift objects ~50kg repeatedly, some education (grade 12) and a desire to learn. The duties will be different for each position however all necessary knowledge will be provided before work commences. All staff at this level will receive training in safety and operations training provided by the company. The training program starts with an initial 3 day training course and is updated yearly.

Salary: Kill Line - \$11/hr = \$22,880/yr per employee = \$572,000 per year

Load Out/Cooler/Trimming/Clean Up - \$10/hr = \$20,800/yr per employee = \$270,400 per year

Packaging/Cattle handling - \$9/hr = \$18,720/yr per employee = \$149,760 per year

### **3.3.8 Maintenance**

One maintenance supervisor will manage any routine maintenance of plant equipment and work that needs to be done on a regular basis. She/He will help the maintenance person when ever she/he is needed. The supervisor will have to have hire education, and experience. One maintenance worker will be responsible for the slaughter side and processing, he will be available to fix problems as they arise, and for routine problems. Both of these employees will have to have some education and experience working with equipment the types of equipment found in the plant.

Salary: Supervisor - \$50,000/yr

Worker - \$17/hr = \$35,360/yr

### **3.3.9 Total Salary Expense**

The total wages expense for all employees is \$2,429,520 per year at full capacity (year 2008) in present day dollars. The total cost of benefits for these employees being \$431,495 per year. Thus making the total employee salary and benefit expense \$2,861,015 per year at capacity in present day dollars.

## **3.4 The Challenges**

*Competition for Talent:* Limited skilled labor market impacts the attraction and retention of talent within the meat processing industry.

*Fiscal environment:* The reality of the fiscal environment directly impacts the management of resources and implementation of options/approaches.

## **3.5 Priorities, Objectives and Strategies**

### **3.5.1 Internal Capacity**

**Objective:** Employees at all levels of the SNBP have the capacity to support the achievement of current and future business plan goals.

**Strategies:**

Promote continuous learning and development.

Strengthen leadership and problem solving capacity at all levels in the organization.

### ***3.5.2 Attracting and Retaining Employees***

**Objective:** SNBP is positioned to effectively meet the need for human resources in a changing labor market.

**Strategies:**

1. Develop a long term strategy to effectively attract and retain skilled talent.
2. Identify and address targeted workforce requirements.
3. Encourage positive safe and productive work efforts by acknowledging excellence.

### ***3.5.3 Motivation***

The following will be implemented to increase employee motivation:

A - Hiring will be done internally when and where it is applicable before advertised externally

B - High performance management techniques will be implemented (i.e. job expansion, job enlargement, job rotation,)

C - Employee awards (with small token of achievement) will be presented to most productive and safest employee(s) (pertaining to floor workers in particular).

D- All employees will be encouraged to attend employee picnics, year end parties, co-operation seminars, and other all level events to foster employee management co-operation (day long events).

Approximate Cost: \$10000/ Yr

### ***3.5.4 Promoting Workplace Health***

**Objective:** SNBP provides a positive, healthy and safe work environment.

**Strategies:**

1. Continue to implement cross-division initiatives that promote healthy and safe workplace practices.
2. Develop and implement targeted initiatives to promote a positive and safe work environment.

3. This will be done by posters and bulletin boards around in the lunch room and change rooms.

Approximate Cost: \$500 / Yr

### **3.6 Training**

To ensure that the true purpose behind this producer/locally owned beef processing plant is not lost in the pursuit of the bottom line the following training programs will be implemented:

1. All employees regardless of job title will be required to take an organizational training session consisting of a video and presentation based on the core values of this project. (3 day session) These employees are paid at a rate of \$10/ hr for these three days. Cost: \$200/ employee upon hiring
2. All employees will be required to take part in continuous training after the initial training period (1 day session). All employees will be educated on every aspect of the floor work so that each person will have a greater respect for the dangers and safety requirements which are present. Estimated Cost: \$70/employee/yr
3. For high skill positions relevant training will be provided to enhance the current employee's skills and abilities. This will be incorporated into the one day session per year.

### **3.7 Employee benefits**

Employees will receive benefits including Unemployment Insurance, Canadian Pension Plan and Workers Compensation. Unemployment Insurance is at a rate of 1.9 percent, Canadian Pension is 4.9 percent and Workers compensation is 8.21 percent (SWBI, 2004). This totals to approximately 15 percent. SNBP have also added an additional 5 percent in company benefits to attract employees to the company. Appendix A shows the number of employees in each area and the breakdown of wages and salaries by position. Appendix B shows the ten year human resource expenses.

### **3.8 Shareholders agreement**

SNBP will have two classes of shares which are describe as follows:

#### Class A

- For producers who want to own party of the company.
- Shares will be \$50,000 each and are preferred shares
- These producers will have voting rights and receive dividends beginning in year three
- These producers also receive 200 hook spaces

#### Class B

- Shares sold to outside investors not directly involved in the cattle production industry
- Sold for \$100 and will be non-voting shares
- Paid dividends beginning in year three depending on the net income of SNBP

# **MARKETING PLAN**

## **4.0 MARKETING PLAN**

### **4.1 MARKETING PLAN FOR CATTLE PRODUCERS**

#### ***4.1.1 The Marketing Mix***

##### **4.1.1.1 Products and Services**

SNBP will sell itself to producers based on pride of ownership in community owned plant and the opportunity to increase profits by owning their cattle through the entire slaughtering process. These producers will be producing a higher quality product for the consumer and in turn will receive premiums for this. Cattle producers will also be given the chance to take control of their own future and determine how their cattle are sold and marketed

##### **4.1.1.2 Pricing**

Pricing will be based on premiums from selling into a niche market. Initially premiums will be approximately 5% with the opportunity to grow as large as 30% to 35%. As a result of these premiums for the natural beef the producer will receive more money for his/her finished steer if the producer sells through SNBP as compared to selling at an auction mart

##### **4.1.1.3 Promotion**

SNBP is a producer owned company which is primarily concerned with generating greater revenue for the producer and becoming a stable investment with good returns for investors. SNBP allows the producer to own their calves through the entire slaughter process so that they can be the ones making larger profits – not the large company owned packing plants

##### **4.1.1.4 Place**

SNBP will target all cattle producers in the surrounding area that are in Saskatchewan and Alberta and approximately 250 km of the plant. This is a realistic distance that would allow cattle producers to feasibly deliver their cattle to the SNBP plant.

## **4.1.2 Segmentation, Targeting, and Positioning**

### **4.1.2.1 Segmentation**

The market will be separated into three distinct groups of producers:

First group

- Cattle producers who can market at least fifty head of cattle a year to the plant and are capable of leasing the minimum number of hooks required (50)

Second group

- May contain producers from the first group but will be producers who want to invest more than just by purchasing hooks – these producers can buy class A shares for \$50,000

Third group

- Small producers and/or local citizens who want to purchase the \$100 class B shares in order to invest in SNBP

### **4.1.2.2 Targeting**

Producers from all three Prairie Provinces can be targeted to purchase shares. Leased hooks will only be targeted at average sized producers within 250 km of Maple Creek; if much farther average producers will not be willing to truck their cattle to the plant. The larger producers and producer consortiums outside this radius are also considered as they can justify the shipping costs.

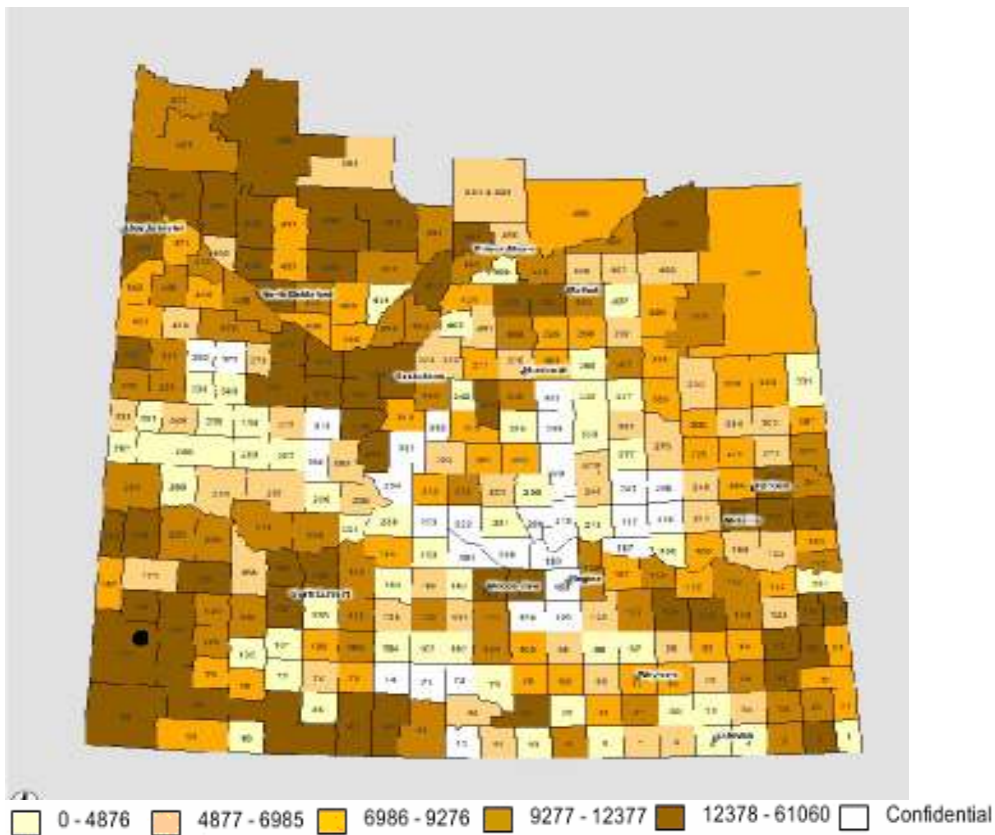
### **4.1.2.3 Positioning**

SNBP will educate the producer so that they understand that SNBP is concerned with increasing revenues for the producer by allowing them to own their cattle through the entire slaughter process and by becoming a stable investment with good returns. SNBP should be thought of as a company that is working for the producer and at the same time producing a very high quality product for the consumer

### 4.1.3 Market Analysis

#### 4.1.3.1 The Market

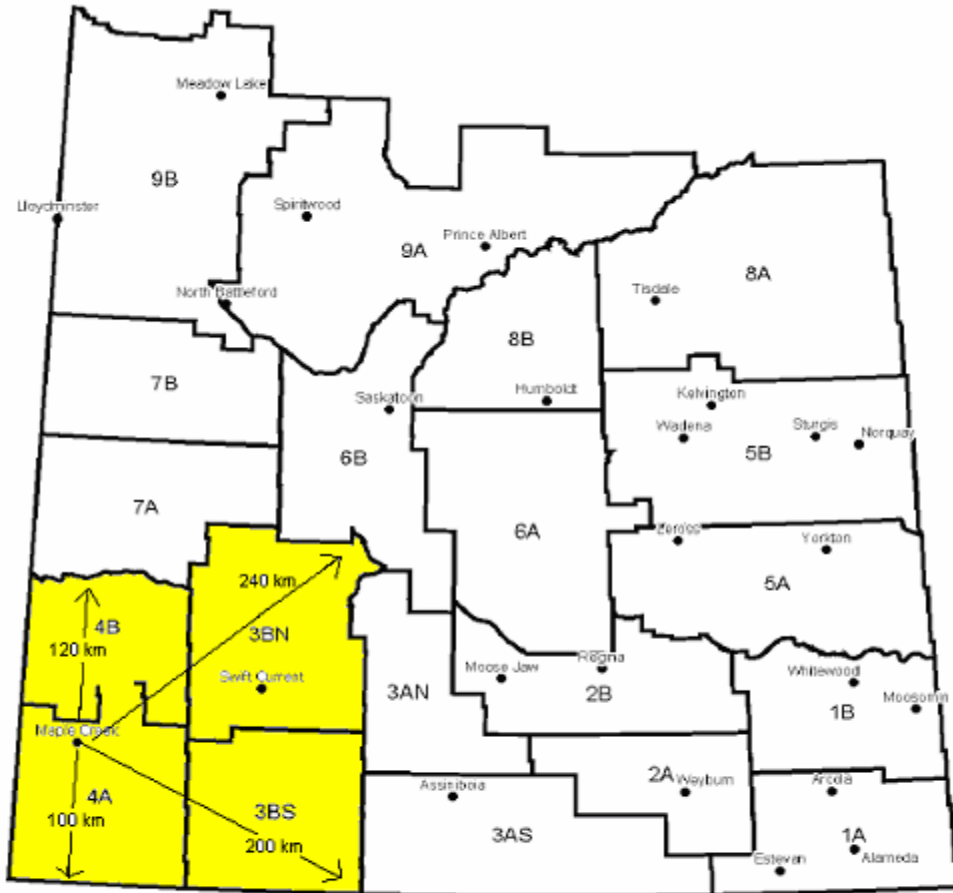
Maple Creek is cattle ranching country and is situated in an area of the province that has highly concentrated cattle numbers which is shown by Figure 12. In 2004 111,730 steers were marketed within the Maple Creek area which is shown by figure 13 (Sask. Ag and Food Cattle Marketing's 2004). In order to meet maximum capacity SNBP would have to capture 28% of the steers that are marketed in this area which is only 5% of the total steers marketed in Saskatchewan. This number is relatively high, but SNBP will also slaughter heifers as well as cattle from Alberta so SNBP will not actually need to capture the entire 5% to meet maximum capacity. Both of these maps indicate that SNBP plant is located in a good area and that there is lots of possibility to reach maximum capacity.



**Figure 12 Distribution of Total cattle and calves in Saskatchewan in 2001**

(Sask. Agriculture and Food census of agriculture map)

<sup>1</sup> Maple Creek is indicated by the large dot



The Cattle Marketing Report is based on market information collected from the inspections of Saskatchewan marketings.

**4B – 15,240    4A – 35,160    3BN – 31,870    3BS – 29,460**

**Figure 13 Number of steers marketed in corresponding areas in 2004**

(Sask. Ag and Food Cattle Marketing's 2004)

#### 4.1.3.2 Competition

There are no other producer owned slaughtering plants that are located close to Maple Creek. There is one major natural slaughtering facility in Saskatchewan, Manitoba, and Alberta besides SNBP but these are not large competition for gathering producer investment because it would not be feasible for a producer to haul his own cattle to any other plant due to distance.

### 4.1.3.3 Customers

SNBP customers for the slaughter hooks are cattle producers in the surrounding area. In order for producers to change their methods of managing and selling their calves there has to be the potential for greater revenue. The most important factor to the producer is the bottom line so in order to convince producers to invest in SNBP it must be demonstrated that there investment will help increase their bottom line. Table 8 shows that the producer would receive \$80 more per head if they sold their calves at SNBP instead of the local auction mart with only a 5% premium. With a 15% premium revenue from the same steer would be \$1225 or \$150 per head more than the auction mart and with a 35% premium, which is SNBP expected and realistic goal, revenue from the same steer would be \$1355 which is an increase of \$280 per head compared to the auction mart. All of these calculations are figured without the associated costs of selling cattle through the SNBP facility, these costs are calculated in Table 12. These numbers demonstrate that even initially the producer could increase their bottom line and in the future there is huge potential for much larger revenues. Prices of natural beef are based on a premium over the prices for normally produced beef, therefore the natural beef prices will fluctuate along with normal beef prices.

**Table 8 Comparison of producers options for selling calves**

<b>Sell Calf in fall at 650 lbs</b>	<b>Feed steer &amp; sell at auction at 1250 lbs</b>	<b>Feed steer &amp; sell at SNBP at 1250 lbs (5%Premium)</b>
Revenue = 650 * 1.15 = \$747	Revenue = 1250*.86 = \$1075	Revenue based on table 4 = \$1155

<sup>1</sup> Average selling price for feeder steers, fed steers and boxed beef came from figures 3, 4, and 5 respectively

**Table 9 Breakdown of producer's investment in fed steer**

Initial Price of calf in fall	\$747 (table 1)
Total pounds of gain	600 lbs (1250-650)
Cost per pound of gain	\$.55 (Chris Domaslai)
Total cost of gain	\$330 (600 * .55)
<b>Total Investment</b>	<b>\$1077 (\$747 + \$330)</b>

It also has to be considered that these producers have to feed these calves instead of just selling them immediately after weaning in the fall. Comparing Table 8 and Table 9

shows that normally the revenue from a fed steer is very limited but if the producer was to sell through SNBP feeding these steers could become much more profitable.

Another consideration is that the producer cannot use implants in order for the beef to be marketed as natural. Table 10 shows that an animal not implanted will take 16 days longer to finish; gaining 2.6 lbs/day this would be a total of 40 lbs – at a cost of \$.55/lb of gain it will cost the producer approximately \$20 more after subtracting the costs of the implant to feed this steer without an implant.

**Table 10 Comparison of ADG of Implanted and Natural Beef**

	<b>Implanted Beef</b>	<b>Natural Beef</b>
ADG	2.8 lbs/day	2.6 lbs/day
Days on feed to gain 600 lbs	214	230

Table 12 shows expected producer revenues considering all facts, comparing this to revenues received from the auction mart (\$1075) there is great potential to increase revenues. The gross producer revenue is calculated in table 11.

**Table 11 Total animal value at different premiums**

	<b>5% Premium</b>	<b>15% Premium</b>	<b>35% Premium</b>
Natural Beef	1.81 x 388 = \$700	1.98 x 388 = \$770	2.33 x 388 = \$905
Traditional Beef	1.73 x 388 = \$670	1.73 x 388 = \$670	1.73 x 388 = \$670
Hide	\$40	\$40	\$40
Offal	\$30	\$30	\$30
<b>Total Animal Value</b>	<b>\$1440</b>	<b>\$1510</b>	<b>\$1645</b>

<sup>1</sup> All calculations are based on a 1250 lb animal the dresses 62% and half of that is sold as natural beef and half is sold as traditional.

**Table 12 Total costs associated with selling beef to SNBP**

<b>Costs</b>	<b>5% Premium</b>	<b>15% Premium</b>	<b>35% Premium</b>
Feed & Initial Value	\$1077	\$1077	\$1077
Not using implant	\$20	\$20	\$20
Hook space	\$25	\$25	\$25
6% processing fee	\$85	\$90	\$100
Processing Expenses	\$200	\$200	\$200
<b>Total Costs to the Producer</b>	<b>\$1407</b>	<b>\$1412</b>	<b>\$1422</b>
Gross Producer Revenue (Table 11)	\$1440	\$1510	\$1645
<b>Profits from selling at SNBP</b>	<b>\$33</b>	<b>\$93</b>	<b>\$223</b>

#### **4.1.3.4 Product/Service Features**

As a cattle producer the most important factor is the bottom line. SNBP is a realistic option for the producer to increase his/her revenue. In order for natural meat to be marketed it cannot contain any growth implants; this just means that in order for producers to qualify to sell at SNBP they will have to stop using growth implants. This will be very easy to implement and will not require huge changes on the producers behalf and is not a large management change.

#### **4.1.3.5 The opportunity**

Maple Creek is located in the center of high cattle populations. Producers are always looking for ways to increase their profits and SNBP can demonstrate that it offers a realistic way to do this. This is the main attraction for producers to stop selling their cattle to auction marts, and instead market them through SNBP. SNBP also offers producers the opportunity to take control of their own futures and take pride in owning part of this producer owned packing plant. Based on the number of steers that were marketed in this area in 2004, it will be feasible to sell enough producer owned hooks in order to meet maximum capacity. There is no competition in South West Saskatchewan so SNBP will not have to compete with other natural plants to sell producer owned hooks.

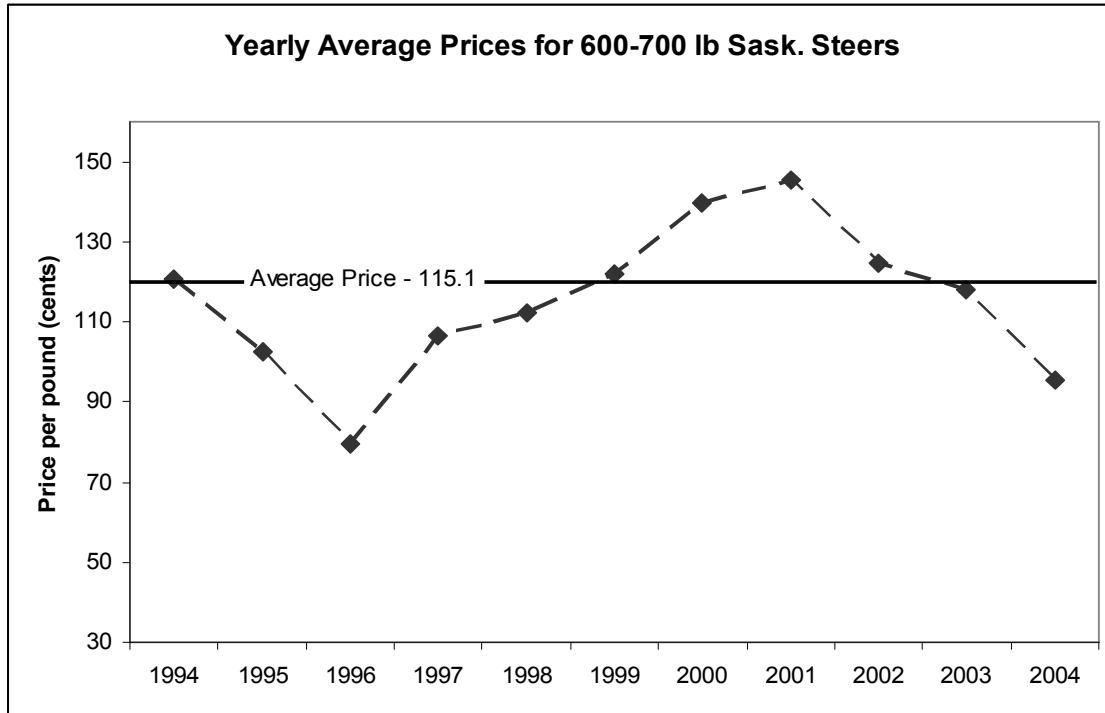


Figure 14 Yearly averages of prices for 600 to 700 pound Saskatchewan steers

(Sask. Ag and Food Cattle Marketings 2004)

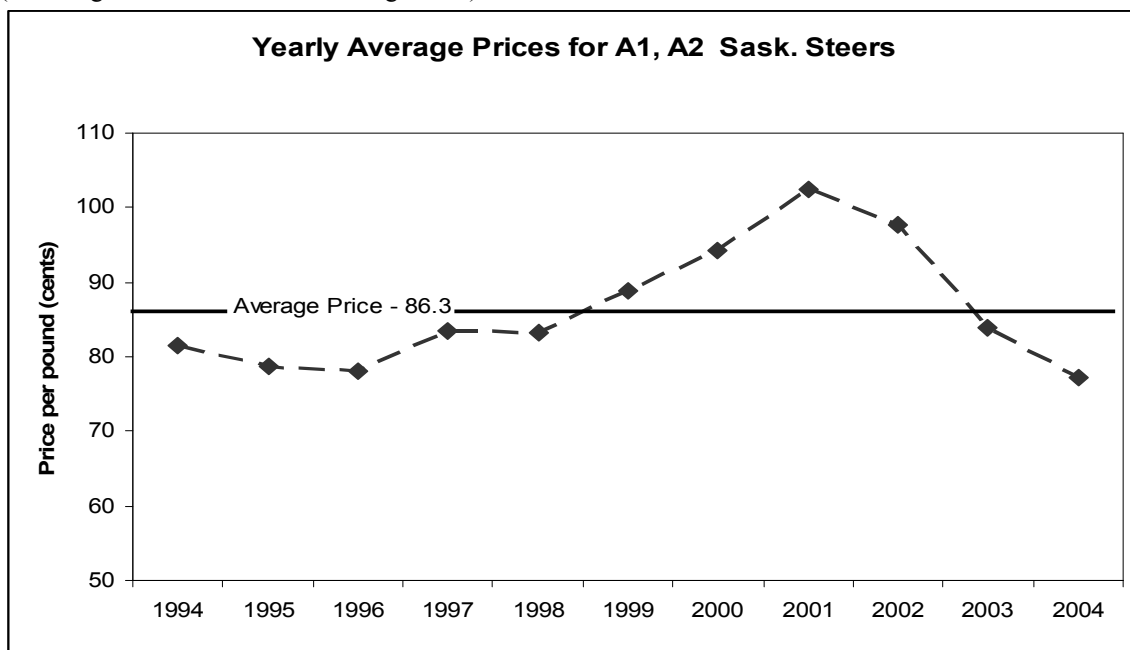


Figure 15 Yearly averages of prices for A1 and A2 fed Saskatchewan steers

(Sask. Ag and Food Cattle Marketings 2004)

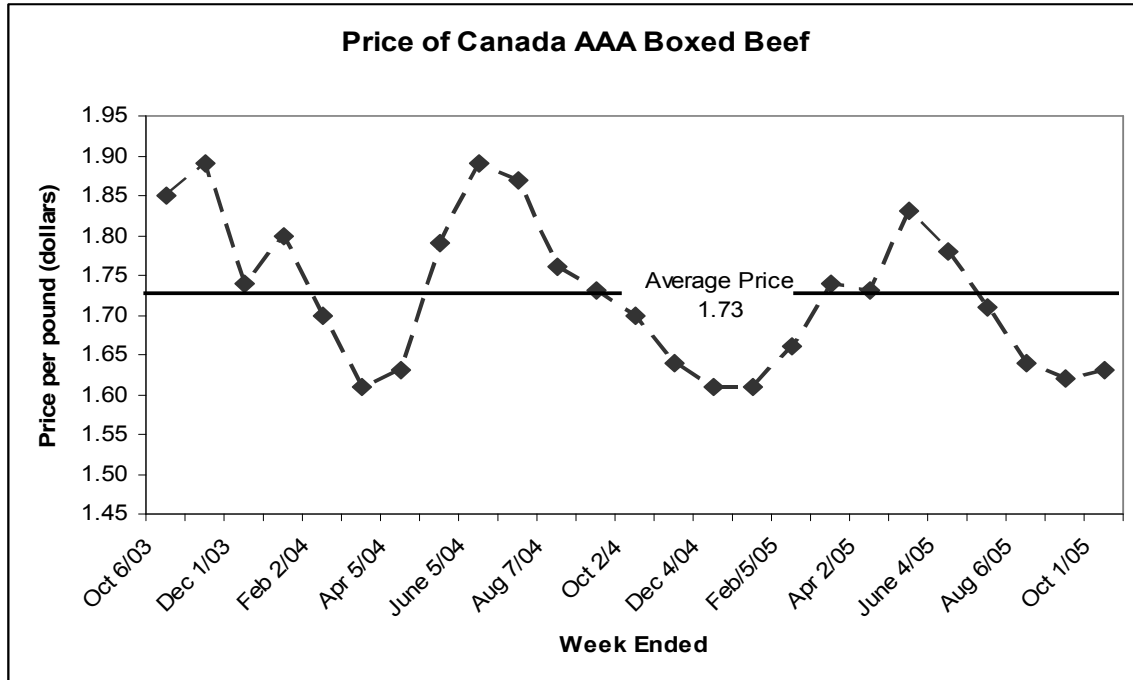


Figure 16 Average boxed beef prices from the past two years

(Canfax.ca - historical boxed beef prices)

#### 4.1.4 Marketing Strategy

##### 4.1.4.1 Sales and Profit Objectives

Based on full production in year 3 (31,200 head) SNBP will lease 24,000 hooks and sell 60 class B shares to ensure full production. Each class A share entitles the producer to 200 hook spaces and each hook space allows the producer to slaughter one animal per year. If goals are met for leasing hooks and selling class A shares there will be 36,000 hook spaces bought or leased. This means that if the hooks are 86% fulfilled the plant will meet maximum capacity. This will allow for some producers to only fill the minimum 75% of hooks which is required and for others to fill 100% of their hooks.

Profits through the sales of Shares and leasing hooks will be as follows:

$$A - 60 \times \$50,000 = \$3,000,000$$

$$B - 2500 \times \$100 = \$250,000$$

Total money raised through shares = \$3.25 million

$$\text{Leased hooks} - 24,000 \times \$100 = \$2,400,000$$

Year 1

- Initially lease 14,400 hooks which would provide \$1.44 million
- Sale of 60 class B shares will provide \$3 million in capital
- Sale of 2500 class B shares will provide \$250,000
- Once construction begins lease the remaining 9600 hooks for \$.96 million

#### **4.1.4.2 Pricing Policy**

SNBP will charge the producer a 6% processing fee (6% of the total value of the processed animal) which is approximately \$85 per head. This will be used to pay non-operating and marketing expenses. SNBP will also charge the producers approximately \$200 per animal to cover the processing costs. This will vary according to costs of goods manufactured. There will be a down payment of \$500 paid to farmers upfront when cattle are delivered. This is so SNBP can remain competitive with the auction markets that pay the producer the same day the cattle are sold. Therefore the net payment to the producer will be based on the gross revenue from the carcass less the \$500 down payment and \$200 expenses at cost and \$85 processing fee. The growing demand for healthier foods and more taste and price conscientious consumers means that there will be an increased demand for products which are perceived to be “natural” and moderately priced. It would take a competitor 1 years time to become a threat to SNBP , there are minimal barriers to creating a competing facility other than financing and provided they can solve the supply issues (ie. finding enough natural cows because Saskatchewan’s natural cattle herd will be limited with SNBP and Natural Valley at full production)

#### **4.1.4.3 Advertising & Selling**

Advertising will be focused on the increased profits which producers will receive by using SNBP's services. One of SNBP marketing managers will be in charge of setting up producer meetings in surrounding communities to explain to them what SNBP is all about. These producer meetings will be advertised through AM radio channel advertisements for the local Maple Creek producers as well as flyers in the local coffee shops and post office and the local newspaper. There will also be advertisements posted in the western producer newspaper and Cattlemen's magazine to appeal to non maple creek producers.

### **4.2 MARKETING PLAN FOR NATURAL BEEF**

#### ***4.2.1 Marketing Mix***

##### **4.2.1.1 Product:**

- Natural Beef with no hormone implants, or antibiotic use and not fed animal by-products.
- Boxed beef cuts:
  - Chuck (28%)
  - Rib (12%)
  - Loin (9%)
  - Sirloin (7%)
  - Hip (25%)
  - Flank (5%)
  - Plate (6%)
  - Brisket (5%)
  - Shank (3%)
  - Hamburger
- 100% Canadian Beef
- Grown by local producers
- Cattle under 30 month of age
- Offal
- Hides

#### **4.2.1.2 Pricing**

Selling into a niche market allows for a premium to be charged which will be 5% initially and has the potential to increase to 35% in the future. However due to the structure of the financial plan and the assumptions of received premium is only equal to 32% in year 2015. This premium will be competitive with other plants selling natural beef.

#### **4.2.1.3 Place**

The focus will be selling in Vancouver, Quebec and Ontario in natural food markets where health conscious people shop. The meat will be delivered via trucks to selected stores and restaurants in these areas. The meat may also be marketed in the USA where supply can't keep up with demand. Distribution will be through SNBP marketing manager due to the fact that the market is not established yet and the use of a broker would not be cost effective. The manager will arrange contracts with the grocery store and restaurants and then the meat will be delivered.

#### **4.2.1.4 Promotion**

SNBP will promote its company based on the following ideas:

- Safe product grown without hormones or antibiotics and not fed animal byproducts
- Tender beef, that are received a day before slaughter to reduce stress before slaughter that causes tough meat
- Aged for two days in the cooler before processing to enhance tenderness
- Producer owned, ensuring excellent raising conditions and beef quality
- 100% Prairie beef

The ways in which SNBP product will be advertised are as follows:

- Tradeshows
- Magazine advertising
- Website
- A proposed brand logo is seen on our cover page
- Marketing manager visits to retailers and restaurants.

## **4.2.2 Segmentation, Targeting & Positioning**

### **4.2.2.1 Segmentation**

Markets in Ontario, Quebec and Vancouver will be interested in SNBP product because it is new, and health conscious people are demanding it. SNBP is competitively priced relative to other natural meat processors and the meat is all boxed and easily transportable. The meat comes from a federally inspected plant and can be exported to other countries. The product is completely traceable, from a whole cow to each individual box, which allows for easy tracking should there be a problem. Restaurants will have the opportunity to support Canadian farmers, and still get a tender wholesome superior product. The retailer can advertise this as a completely safe, natural and wholesome product, which many consumers are drawn to and receive a premium price for this.

### **4.2.2.2 Targeting**

The main target for natural beef is health conscious people who are worried about how their beef was raised. Many people have been concerned about what beef are fed since BSE surfaced in Canada. Consumers no longer want beef that are raised using animal by-products as a protein source, or hormones and antibiotics to increase growth, and are willing to pay a premium for this. Quebec, Ontario, and Vancouver have large affluent populations who aren't aware of the facts of how hormones and antibiotics affect the carcass other than what they have heard in the press or from friends. The cuts which do not demand the premium price can be sold to local producers, or markets for a lower price than would be charged in large metropolises

### **4.2.2.3 Positioning**

This will be an important product for people concerned with what is in the food they eat. The image SNBP is aiming for is beef produced by family farms using no animal by-products, antibiotics or hormones. This will make this a very attractive product which is very healthy, and elevates the concerns of people worried about additives in their food. Safety is guaranteed from "gate to plate" because each carcass and individual boxes are tracked through out the process.

### 4.2.3 Marketing Analysis

#### 4.2.3.1 The Market

The natural beef market is relatively small at the moment, but is growing because more and more people want to eat healthier. There is one major natural beef slaughtering plant located in each of the Prairie Provinces: Saskatchewan, Alberta, and Manitoba. Social trends will be the major trend that will affect SNBP. The idea of eating healthy is boosting the natural economy currently, but after a while the novelty may wear off and the demand for natural beef may decrease. More cases of BSE may be detrimental to the market; people could become more afraid to eat beef and this could have either a positive or negative affect on consumption of natural beef.

#### 4.2.3.2 Competition

The competition in general is relatively small because the natural beef market itself is small; however, as the more natural plants come on board the amount of competition between the plants to capture markets will increase. Table 11 highlights SNBP current major competitors.

**Table 13 Comparison of natural beef competitors**

	<b>Attractions</b>	<b>Price (Canadian \$)</b>	<b>Capacity</b>
<b>Alberta</b>			
TK Ranch Natural Beef, Hanna	-natural angus beef -EU standards, certified organic beef <30 months	-5,200 hooks @ \$300 ea.	Max Slaughter 13000/ yr
<b>Manitoba</b>			
Natural Prairie Beef Inc, Neepawa	-markets and raises cattle for Natural Valley Farms	-natural: minimum of 50 for 4 years @ \$100 ea. -cull: 5 years @ \$210 ea.	Max Slaughter 52000/yr
<b>Saskatchewan</b>			
Natural Valley Farms, Wolseley/Neudorf	-private company owned by producers -cull and natural cows	-natural: 4 years @ \$100 ea. -cull: 5 years @ \$200 ea.	Max to process 130,000/yr
<b>Sask Natural Beef Products Ltd., Maple Creek</b>	<b>-privately owned by producers</b> <b>-natural beef</b>	<b>-minimum of 50 hooks for 4 years @ \$100 ea.</b>	<b>Max Processing 31,200</b>

#### **4.2.3.3 Customers**

Customers are health conscience people who can afford to pay a premium for the natural beef. The major selling feature is the fact that it is all natural healthy beef.

#### **4.2.3.4 Target Markets**

The largest potential market would be the highly urbanized, health conscience and high income people in urban centers.

#### **4.2.3.5 Product/Services Features**

The beef is federally inspected to ensure to customers it is all natural and healthy. The premium on the beef is competitively priced with other natural beef so this should not affect the consumer's choice of natural beef available to buy.

### ***4.2.4 Marketing Strategy***

#### **4.2.4.1 Sales and Profit Objectives**

The marketing objective of SNBP will focus on selling producers natural beef at a premium expected to reach 5 – 35% above non-natural beef prices. Revenues from full capacity production aren't expected until year three due to construction delays and time needed for producers to meet animal requirements. Keeping the cattle producers happy and ensuring they make large enough profits is necessary to allow for a constant supply of natural beef to SNBP plant. With farmers in mind SNBP objective is to become an investor orientated business that provides cattle producers with a stable investment.

Yearly Objectives:

Year 1

- 10 weeks of production at 65% capacity will mean slaughtering 4000 head
- Expected revenues of \$.34 million from the 6% processing fee and a 5% premium price

Year 2

- Full year production at 80% capacity will mean slaughtering 25,000 head
- Expected revenues of \$2.23 million

Year 3 +

- Maximum capacity reached and sustained which will mean slaughtering 31,200 head with minimum expected revenues of \$2.59 million

#### **4.2.4.2 Channels of Distribution**

The distribution and transportation of cattle and processed beef is a vital element to SNBP success. The first step required for the success of this business demands on time delivery of healthy, stress free cattle from the producers ranch to the slaughter facility. The delivery of cattle to the slaughter plant is arranged by the producer. The flow of boxed beef leaving from the plant is equally important to achieving revenues. The distribution of the boxed beef to retail stores will be done through a trucking company. After being picked up from the loading dock the trucks move to larger cities for distribution to supermarkets and restaurants.

#### **4.2.4.3 Selling and Advertising**

The advertising of SNBP natural beef will be the responsibility of the marketing manager who will employ several tactics to reach retailers. These techniques can be summarized as follows:

- Advertising aimed at domestic retailers looking to sell natural beef
- “Pull” product into stores by advertising to retailers/wholesalers instead of aiming at consumers
- Aim the product at national retailers to spread product and demand across Canada
- Aim advertisements to larger centers that can sustain the demand for natural beef
- Use an informative web page to inform retailers on the health issues of natural beef
- Focus on comparative advertising between natural beef and regular beef to distinguish and differentiate natural beef
- Use institutional advertising to create a positive wholesome company image
- Promote image of isolated prairie farm by using branding
- Send marketing manager to industry trade shows, industry magazines and on “face to face” sales visits to large retailer managers to promote good relations

### 4.3 SWOT Analysis for SNBP

Table 14 SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
<p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>• Short training period because of small % of untrained workforce</li> <li>• High performance management techniques will increase employee moral</li> <li>• Sufficient employees to do day to day jobs</li> <li>• Work sharing in office functions will increase quality and efficiency</li> <li>• Above average starting pay</li> </ul>	<ul style="list-style-type: none"> <li>• Location and availability of labor supply</li> <li>• Required to train majority of employees</li> <li>• Finding people who want to move to maple creek</li> <li>• Physically demanding work</li> <li>• Only one production shift</li> <li>• High employee turnover</li> <li>• Low employee morale</li> </ul>
<p><b>Physical Resources</b></p> <ul style="list-style-type: none"> <li>• New state of the art processing facility</li> <li>• Availability of land to expand</li> <li>• Near major highways</li> <li>• Near American market</li> <li>• Close to Albertan cattle and major cities</li> </ul>	<ul style="list-style-type: none"> <li>• Location far from prominent markets</li> <li>• 31,200 head of cattle will be difficult to attain</li> <li>• highly demanding logistics of dealing with 624(31,200 head/ 50 head per purchaser ) farmers for scheduled delivery</li> </ul>
<p><b>Financial Resources</b></p> <ul style="list-style-type: none"> <li>• SNBP does not purchase the cattle so don't have high inventory costs</li> <li>• Stable income and expenses at capacity production levels</li> </ul>	<ul style="list-style-type: none"> <li>• Due to location liquidation of fixed assets could be difficult</li> <li>• Revenues will not reach full potential for initial years</li> </ul>

Table 15 Opportunities and threats of SNBP

<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Guaranteed market upon purchasing of class A shares</li> <li>• Because of BSE farmers will be looking for ways to increase revenues</li> <li>• Continually growing market for healthier food products</li> <li>• Current direct competition in Maple Creek area for cattle producers is low</li> <li>• Location of plant supports good brand development and image</li> <li>• Large market potential in urban centers</li> </ul>	<ul style="list-style-type: none"> <li>• Larger upfront cash payment at auction marts and traditional sales channels</li> <li>• Ease of entrance into the natural beef market for new competition</li> <li>• Future bans on Canadian beef</li> <li>• Government increasing regulations on natural beef standards</li> <li>• Changes in consumption trends</li> <li>• Producers not wanting to change management strategies</li> <li>• Cattle disease outbreaks – BSE, Foot and Mouth Disease</li> </ul>

#### 4.4 Marketing Budget

**Table 16 Marketing budget for SNBP**

<b>Advertising</b>	<b>Price (\$)</b>
Canadian Cattlemen Magazine @\$ 2754/ month	16,500
Western Producer @ \$294/ week	7,600
Business Cards \$15 @ 750 cards	210
Local Newspapers 5 papers for 52 weeks @ \$50/each	13,000
AM Radio in local area	17,500
<b>Total Advertising</b>	<b>54,810</b>
<b>Promotion and Development</b>	
Trade shows @ \$1500 / Booth	4,500
Travel Expenses/Marketers expense account	70,000
Web Page	2,500
<b>Total Promotion</b>	<b>77,000</b>
<b>Total Marketing Expense</b>	<b>131,810</b>

# FINANCIAL PLAN

## 5.0 FINANCIAL PLAN

### 5.1. Financing Budget

SNBP will have three methods of financing. The two classes of shares will generate the owner's equity which will comprise of 28% of the financing. Also, even though the leased hooks are considered revenue the goal of SNBP will be to the hooks leased before the plant is operational so that this revenue can also be used for financing. With the financing from the hooks a total of 49% of the financing will come from external sources. The remainder of the needed financing will come from long term debt which will be a total of 51%. Also, the company is eligible for the Saskatchewan Agriculture and food meat processing investment rebate. This program will cover 15% of all of the capital costs of a new facility. The company will have to submit bills to receive the rebate and therefore won't receive any money until 2007 where it is considered as revenue.

**Total Financing Required (Capital Budget) = \$10,053,767**

Financing:

Long term bank debt = \$5,895,000

Owner Equity (Class A & B Shares) = \$3,250,000

Revenue from initial leased hooks = \$2,400,000

**Total Financing = \$11,545,000**

**Table 17. Opening Balance Sheet**

<b>Sask Natural Beef Products</b>			
<b>Balance Sheet</b>			
<b>Opening Balance Sheet</b>			
<b>Assets</b>		<b>Liabilities</b>	
Current Assets		Current Liabilities	
Cash	\$1,744,090	Long Term Debt	\$5,895,000
<b>Total Current Assets</b>	\$1,744,090	<b>Total Liabilities</b>	\$5,895,000
Fixed Assets		<b>Shareholder's Equity</b>	
Land	\$7,200	Share Capital	\$3,250,000
Buildings	\$8,126,920	Leased Hooks	\$2,400,000
Equipment	\$1,666,790	<b>Total S.H. Equity</b>	\$4,690,000
<b>Total Fixed Assets</b>	\$9,800,910	<b>Total Liabilities &amp; S.H. Equity</b>	\$11,545,000
<b>Total Assets</b>	<b>\$11,545,000</b>		

## 5.2 Economic Forecast

Inflation rate has been set at a 2% increase for each of the next ten years in SNBP's financial plan. The interest rate on SNBP long term debt has been fixed at 8%. All of the expenses and selling prices will rise with the rate of inflation with the exception of the selling price of the natural beef. This has been set to increase 5% each year which is an additional 3% premium on top of inflation. This is due to selling a premium product into a niche market and the potential to receive greater than normal prices for the beef.

## 5.3 Financial Analysis

Table 18 Summary of financial results

	2006	2007	2008	2009	2010
<b>Sales</b>	\$3,523,007	\$9,152,231	\$9,549,298	\$9,774,848	\$12,407,080
<b>COGS</b>	\$1,463,686	\$5,371,318	\$6,636,211	\$6,781,684	\$6,908,455
<b>Gross Margin</b>	\$2,059,321	\$3,780,912	\$2,913,087	\$2,993,164	\$5,498,626
<b>Expenses</b>	\$1,046,504	\$1,070,929	\$1,084,622	\$1,075,695	\$1,066,699
<b>NIBT</b>	\$1,012,816	\$2,709,983	\$1,828,465	\$1,917,469	\$4,431,926
<b>Income Tax</b>	\$300,870	\$945,794	\$610,817	\$644,638	\$1,600,132
<b>NIAT</b>	\$711,946	\$1,764,190	\$1,217,648	\$1,272,831	\$2,831,794
<b>Net Cash Flow</b>	\$7,929	\$1,887,125	\$1,790,834	\$1,791,601	\$3,008,085
	2011	2012	2013	2014	2015
<b>Sales</b>	\$10,246,237	\$10,492,571	\$10,746,345	\$13,407,834	\$11,277,324
<b>COGS</b>	\$7,037,761	\$7,169,654	\$7,304,185	\$7,441,406	\$7,581,371
<b>Gross Margin</b>	\$3,208,476	\$3,322,917	\$3,442,161	\$5,966,429	\$3,695,953
<b>Expenses</b>	\$1,056,210	\$1,044,093	\$1,030,203	\$1,014,382	\$996,457
<b>NIBT</b>	\$2,152,266	\$2,278,824	\$2,411,958	\$4,952,047	\$2,699,496
<b>Income Tax</b>	\$733,861	\$781,953	\$832,544	\$1,797,778	\$941,808
<b>NIAT</b>	\$1,418,405	\$1,496,871	\$1,579,414	\$3,154,269	\$1,757,687
<b>Net Cash Flow</b>	\$1,843,177	\$1,694,133	\$1,679,336	\$2,966,843	\$3,583,360
<b>Net Present Value</b>	<b>\$3,790,877</b>				
<b>Internal Rate of Return on Equity Investment</b>	<b>41.8%</b>				
<b>External Rate of Return on Equity Investment</b>	<b>31.2%</b>				

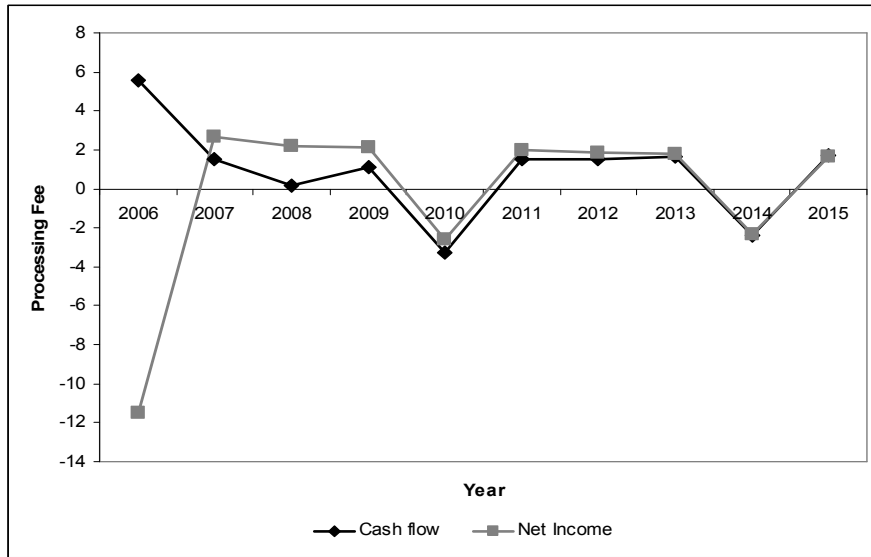
SNBP financial summary in Table 18 shows that the company is very financially stable. The company has a very good internal rate of return of 41.8%. The company also has a good external rate of return of 31.2%. This tells investors that there is potential to make a good return on investment but there is risk associated with this. Normally companies with higher return rates are riskier. Therefore, SNBP has the potential to be a good investment for producers but there is risk associated with their investment.

### 5.5 Risk Analysis

Due to the nature of SNBP the company only has one critical variable but it is the processing fee and the company has control over this. As shown in Table 18 the only variable that is critical is the processing fee. The reason for this is because SNBP receives such a small proportion (6%) of the total sales revenue so any changes in selling price or amount has very little impact on the company. Also, because the producer is paying for the direct overhead expenses any changes in these variables will affect the producer's revenue and not SNBP's revenue. The processing fee is critical but the company has control over this for the most part. This value however can be adjusted to ensure that the producers continue using the plant and SNBP's services. The most critical issue to SNBP is convincing producers to invest in the company and lease hooks. Therefore, it is critical that the producer can make money from this investment because if they can't they will not bring their cattle to SNBP resulting in the unfeasibility of this project. Figure 17 shows the break even analysis using the processing fee as the most critical variable. In years 2006, 2010 and 2014 the company receives revenue from leasing the hooks so in these years the processing fee has to be negative in order for the net income and cash flow to drop to zero.

**Table 18 Risk Analysis**

<b>Critical Variable</b>	<b>Base Case (IRR = 34%)</b>	<b>IRR = 0%</b>	<b>% Change</b>
Processing Fee	6%	1%	- 83
Interest on Long Term Debt	8%	49%	125
Natural Beef Selling Price	\$1.81/lb	-\$1.16/lb	- 164
Traditional Beef Selling Price	\$1.73/lb	-\$1.73/lb	-200
Revenue from leasing Hooks	2.4 million	-22.6 million	-1040
Administration costs	404,000	25 million	-6188



**Figure 17 Break even analysis**

Table 21 shows the scenario analysis for SNBP. Maximum capacity of the plant cannot exceed 31,200 head at the labour and costs that are used in the financial plan. In the worst case scenario the plant is only receiving 60% of maximum capacity and therefore only leasing 60% of the hooks. This analysis shows that even in a worst case scenario the company will still have a small internal return on investment.

**Table 19 Scenario Analysis**

	<b>Best Case</b>	<b>Base Case</b>	<b>Worst Case</b>
Processing Fee	8%	6%	4%
Premium	35%	5%	0%
Number Slaughter	31,200	31,200	18,700
Revenue from Hooks	2.4 million	2.4 million	1.44 million
<b>Total Revenue</b>	<b>\$6,895,386</b>	<b>\$5,289,530</b>	<b>\$2,518,706</b>
<b>IRR</b>	<b>56.3%</b>	<b>42.1%</b>	<b>10.9%</b>

### 5.6 Financial Conclusions

The financial plan shows that SNBP is company that has no internal critical variables and if maximum capacity can met the business has the potential be very successful and to be a good investment with high returns for investors. The most important factor for the company is convincing producers to change their management strategies and bring their cattle to the plant. In order to do this SNBP must strive to ensure that the producer continues to make money. Therefore, increasing direct costs that will lower the producer's income will indirectly affect SNBP because if it becomes

unprofitable for producers to bring their cattle to SNBP then the company will have no future. Therefore it is to the benefit of SNBP to ensure that the producer keeps earning large profits as the more financially attractive this company is in the eyes of the producers the better off SNBP will be. As the primary goal of this undertaking is to benefit the producer and allow them to become financially sustainable indefinitely into the future.

## **6.0 REFERENCES**

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**APPENDIX 1**

<b>Sask Natural Beef Products</b>										
<b>Statement of Income and Retained Earnings</b>										
<b>For the year ended December 31</b>										
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Sales Revenue:</b>										
Processing Fee	337,370	2,233,859	2,889,530	2,990,747	3,096,160	3,205,961	3,320,352	3,439,544	3,563,759	3,693,230
Cost of Goods Manufactured	785,638	5,448,231	6,659,768	6,784,101	6,910,921	7,040,277	7,172,220	7,306,801	7,444,075	7,584,094
Leasing Hooks	2,400,000	-	-	-	2,400,000	-	-	-	2,400,000	-
Government Rebate	-	1,470,140	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>3,523,007</b>	<b>9,152,231</b>	<b>9,549,298</b>	<b>9,774,848</b>	<b>12,407,080</b>	<b>10,246,237</b>	<b>10,492,571</b>	<b>10,746,345</b>	<b>13,407,834</b>	<b>11,277,324</b>
<b>Cost of Goods Sold</b>	<b>1,463,686</b>	<b>5,371,318</b>	<b>6,636,211</b>	<b>6,781,684</b>	<b>6,908,455</b>	<b>7,037,761</b>	<b>7,169,654</b>	<b>7,304,185</b>	<b>7,441,406</b>	<b>7,581,371</b>
<b>Gross Margin</b>	<b>2,059,321</b>	<b>3,780,912</b>	<b>2,913,087</b>	<b>2,993,164</b>	<b>5,498,626</b>	<b>3,208,476</b>	<b>3,322,917</b>	<b>3,442,161</b>	<b>5,966,429</b>	<b>3,695,953</b>
<b>Administration and Marketing Expenses</b>										
Marketing Expenses	170,410	204,440	228,973	232,227	236,872	241,609	246,442	251,370	256,398	261,526
Administration Salaries	404,494	412,258	420,177	428,254	436,493	444,897	453,468	462,211	471,129	480,226
Interest on Long Term Debt	471,600	454,231	435,473	415,214	393,334	369,704	344,184	316,621	286,854	254,706
<b>Total Admin &amp; Marketing Expenses</b>	<b>1,046,504</b>	<b>1,070,929</b>	<b>1,084,622</b>	<b>1,075,695</b>	<b>1,066,699</b>	<b>1,056,210</b>	<b>1,044,093</b>	<b>1,030,203</b>	<b>1,014,382</b>	<b>996,457</b>
<b>Income Before Taxes</b>	<b>1,012,816</b>	<b>2,709,983</b>	<b>1,828,465</b>	<b>1,917,469</b>	<b>4,431,926</b>	<b>2,152,266</b>	<b>2,278,824</b>	<b>2,411,958</b>	<b>4,952,047</b>	<b>2,699,496</b>
Income Taxes	300,870	945,794	610,817	644,638	1,600,132	733,861	781,953	832,544	1,797,778	941,808
<b>Net Income (Loss)</b>	<b>711,946</b>	<b>1,764,190</b>	<b>1,217,648</b>	<b>1,272,831</b>	<b>2,831,794</b>	<b>1,418,405</b>	<b>1,496,871</b>	<b>1,579,414</b>	<b>3,154,269</b>	<b>1,757,687</b>
Beginning Retained Earnings	-	711,946	2,476,136	2,488,951	1,988,812	3,244,661	1,476,722	1,150,049	1,055,620	2,748,790
Net Income (Loss)	711,946	1,764,190	1,217,648	1,272,831	2,831,794	1,418,405	1,496,871	1,579,414	3,154,269	1,757,687
Dividends	-	-	1,204,833	1,772,970	1,575,944	3,186,344	1,823,545	1,673,842	1,461,099	3,142,411
End Retained Earnings	711,946	2,476,136	2,488,951	1,988,812	3,244,661	1,476,722	1,150,049	1,055,620	2,748,790	1,364,066

<b>Sask Natural Beef Products</b>										
<b>Balance Sheet</b>										
<b>as at December 31</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>										
<b>Current Assets:</b>										
Cash	7,929	1,895,054	2,481,055	2,499,686	3,931,827	2,588,660	2,459,248	2,464,742	3,970,486	2,708,338
Accounts Receivable	289,562	752,238	784,874	803,412	1,019,760	842,156	862,403	883,261	1,102,014	926,903
Total Inventories	<u>42,679</u>	<u>147,705</u>	<u>179,386</u>	<u>182,678</u>	<u>186,036</u>	<u>189,462</u>	<u>192,955</u>	<u>196,519</u>	<u>200,154</u>	<u>203,862</u>
<b>Total Current Assets</b>	<b>340,170</b>	<b>2,794,997</b>	<b>3,445,315</b>	<b>3,485,776</b>	<b>5,137,623</b>	<b>3,620,278</b>	<b>3,514,607</b>	<b>3,544,523</b>	<b>5,272,654</b>	<b>3,839,103</b>
<b>Long-Term Assets:</b>										
Buildings, Machinery & Equipment	9,793,710	9,793,710	9,793,710	9,793,710	9,825,110	9,894,096	9,894,096	9,894,096	9,894,096	9,894,096
Accumulated C.C.A.	(576,525)	(1,653,855)	(2,591,139)	(3,409,202)	(4,136,025)	(4,778,691)	(5,348,328)	(5,848,892)	(6,289,860)	(6,679,202)
Land	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>
<b>Total Long-Term Assets</b>	<b>9,224,385</b>	<b>8,147,055</b>	<b>7,209,771</b>	<b>6,391,708</b>	<b>5,696,285</b>	<b>5,122,604</b>	<b>4,552,967</b>	<b>4,052,403</b>	<b>3,611,435</b>	<b>3,222,094</b>
<b>Total Assets</b>	<b>9,564,555</b>	<b>10,942,052</b>	<b>10,655,086</b>	<b>9,877,484</b>	<b>10,833,908</b>	<b>8,742,882</b>	<b>8,067,574</b>	<b>7,596,926</b>	<b>8,884,089</b>	<b>7,061,197</b>
<b>Liabilities</b>										
<b>Current Liabilities:</b>										
Accounts Payable	(75,281)	(227,494)	(274,038)	(278,005)	(282,055)	(286,135)	(290,243)	(294,374)	(298,525)	(302,690)
<b>Long-Term Liabilities</b>										
Long Term Debt	<u>5,677,890</u>	<u>5,443,411</u>	<u>5,190,174</u>	<u>4,916,677</u>	<u>4,621,301</u>	<u>4,302,295</u>	<u>3,957,769</u>	<u>3,585,680</u>	<u>3,183,824</u>	<u>2,749,820</u>
<b>Total Liabilities</b>	<b>5,602,609</b>	<b>5,215,916</b>	<b>4,916,135</b>	<b>4,638,672</b>	<b>4,339,247</b>	<b>4,016,160</b>	<b>3,667,526</b>	<b>3,291,306</b>	<b>2,885,300</b>	<b>2,447,130</b>
<b>Owner Equity</b>										
Owner Equity	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000	3,250,000
Retained Earnings	<u>711,946</u>	<u>2,476,136</u>	<u>2,488,951</u>	<u>1,988,812</u>	<u>3,244,661</u>	<u>1,476,722</u>	<u>1,150,049</u>	<u>1,055,620</u>	<u>2,748,790</u>	<u>1,364,066</u>
<b>Total Owner Equity</b>	<b>3,961,946</b>	<b>5,726,136</b>	<b>5,738,951</b>	<b>5,238,812</b>	<b>6,494,661</b>	<b>4,726,722</b>	<b>4,400,049</b>	<b>4,305,620</b>	<b>5,998,790</b>	<b>4,614,066</b>
<b>Total Liabilities &amp; Owner Equity</b>	<b>9,564,555</b>	<b>10,942,052</b>	<b>10,655,086</b>	<b>9,877,484</b>	<b>10,833,908</b>	<b>8,742,882</b>	<b>8,067,574</b>	<b>7,596,926</b>	<b>8,884,089</b>	<b>7,061,197</b>

<b>Sask Natural Beef Products</b>										
<b>Statement of Cash Flow</b>										
<b>For the year ended December 31</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b><u>Cash In-Flow From (Used-In) Operating Activities:</u></b>										
Net Income (Loss)	711,946	1,764,190	1,217,648	1,272,831	2,831,794	1,418,405	1,496,871	1,579,414	3,154,269	1,757,687
Depreciation	576,525	1,077,330	937,284	818,063	726,823	642,666	569,637	500,564	440,968	389,341
Change in Accounts Payable	(75,281)	(152,213)	(46,544)	(3,966)	(4,050)	(4,081)	(4,108)	(4,131)	(4,150)	(4,165)
Change in Accounts Receivable	(289,562)	(462,676)	(32,636)	(18,538)	(216,348)	177,604	(20,247)	(20,858)	(218,753)	175,110
Change in Inventory	(42,679)	(105,026)	(31,681)	(3,292)	(3,358)	(3,425)	(3,494)	(3,564)	(3,635)	(3,708)
<b>Net Cash From (Used-In) Operations</b>	<b>880,949</b>	<b>2,121,604</b>	<b>2,044,072</b>	<b>2,065,097</b>	<b>3,334,861</b>	<b>2,231,169</b>	<b>2,038,659</b>	<b>2,051,425</b>	<b>3,368,699</b>	<b>2,314,267</b>
<b><u>Cash In-Flow From (Used-In) Financial Activities:</u></b>										
Owner Equity	3,250,000	-	-	-	-	-	-	-	-	-
Long Term Debt	5,677,890	(234,479)	(253,237)	(273,496)	(295,376)	(319,006)	(344,527)	(372,089)	(401,856)	(434,004)
Dividends	-	-	(1,204,833)	(1,772,970)	(1,575,944)	(3,186,344)	(1,823,545)	(1,673,842)	(1,461,099)	(3,142,411)
<b>Net Cash From (Used-In) Financial Activities</b>	<b>8,927,890</b>	<b>(234,479)</b>	<b>(1,458,070)</b>	<b>(2,046,466)</b>	<b>(1,871,320)</b>	<b>(3,505,350)</b>	<b>(2,168,071)</b>	<b>(2,045,931)</b>	<b>(1,862,955)</b>	<b>(3,576,415)</b>
<b><u>Cash In-Flow From (Used-In) Investment Activities:</u></b>										
Buildings, Machinery & Equipment	(9,793,710)	-	-	-	(31,400)	(68,986)	-	-	-	-
Land	(7,200)	-	-	-	-	-	-	-	-	-
<b>Net Cash From (Used-In) Investment Activities</b>	<b>(9,800,910)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,400)</b>	<b>(68,986)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Cash</b>	<b>7,929</b>	<b>1,887,125</b>	<b>586,001</b>	<b>18,630</b>	<b>1,432,141</b>	<b>(1,343,167)</b>	<b>(129,412)</b>	<b>5,494</b>	<b>1,505,744</b>	<b>(1,262,148)</b>
Beginning Cash	-	7,929	1,895,054	2,481,055	2,499,686	3,931,827	2,588,660	2,459,248	2,464,742	3,970,486
Ending Cash	7,929	1,895,054	2,481,055	2,499,686	3,931,827	2,588,660	2,459,248	2,464,742	3,970,486	2,708,338
<b>Net Present Value of Equity Investment</b>		<b>\$ 3,810,725</b>								
<b>Internal Rate of Return on Equity Investment</b>		<b>42%</b>								
<b>External Rate of Return on Equity Investment</b>		<b>31%</b>								

<b>Sask Natural Beef Products</b>										
<b>Schedule 1: Economic Forecast</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Long Term Debt Interest Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Rate of Inflation (expenses)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

<b>Sask Natural Beef Products</b>										
<b>Schedule 2: Revenues</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Growth in Selling Prices (%)</b>										
Natural Beef	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Traditional Beef	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Hides	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Offal	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Quantity of Sales (units)</b>										
Natural Beef	1,511,250	9,672,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000
Traditional Beef	1,511,250	9,672,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000	12,090,000
Hides	3,900	24,960	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200
Offal	3,900	24,960	31,200	31,200	31,200	31,200	31,200	31,200	31,200	31,200
<b>Total Quantity</b>	<b>3,030,300</b>	<b>19,393,920</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>	<b>24,242,400</b>
<b>Selling Prices (per unit)</b>										
Natural Beef	1.81	1.90	2.00	2.10	2.20	2.31	2.43	2.55	2.67	2.81
Traditional Beef	1.73	1.76	1.80	1.84	1.87	1.91	1.95	1.99	2.03	2.07
Hides	40.00	40.80	41.62	42.45	43.30	44.16	45.05	45.95	46.87	47.80
Offal	30.00	30.60	31.21	31.84	32.47	33.12	33.78	34.46	35.15	35.85
<b>Sales Revenue</b>										
Natural Beef	2,735,363	18,381,636	24,125,897	25,332,192	26,598,802	27,928,742	29,325,179	30,791,438	32,331,010	33,947,560
Traditional Beef	2,614,463	17,067,211	21,760,694	22,195,908	22,639,826	23,092,623	23,554,475	24,025,565	24,506,076	24,996,198
Hides	156,000	1,018,368	1,298,419	1,324,388	1,350,875	1,377,893	1,405,451	1,433,560	1,462,231	1,491,476
Offal	117,000	763,776	973,814	993,291	1,013,157	1,033,420	1,054,088	1,075,170	1,096,673	1,118,607
<b>Total Revenue</b>	<b>3,483,725</b>	<b>9,152,231</b>	<b>9,549,298</b>	<b>9,774,848</b>	<b>12,407,080</b>	<b>10,246,237</b>	<b>10,492,571</b>	<b>10,746,345</b>	<b>13,407,834</b>	<b>11,277,324</b>

<b>Schedule 3: Cost of Goods Manufactured (Part 1)</b>										
<b>Direct Expenses</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Directly Attributed to										
Knives	3,525	21,600	27,125	27,125	27,125	27,125	27,125	27,125	27,125	27,125
Vaccum Packaging	20,280	124,800	156,000	156,000	156,000	156,000	156,000	156,000	156,000	156,000
Boxes	33,800	208,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
<b>Total Direct Expenses</b>	<b>57,605</b>	<b>354,400</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>	<b>443,125</b>
<b>Direct Labour Costs</b>										
Salary Labour	90,000	230,000	234,600	239,292	244,078	248,959	253,939	259,017	264,198	269,482
<b>Salary Labor</b>										
Floor Supervisors (3)	50,000*	150,000	153,000	156,060	159,180	162,366	165,612	168,924	172,302	175,749
Maintenance Supervisor	25,000	50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583
Clean Up Supervisor	15,000	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150
<b>Total Salary Direct Labor</b>	<b>90,000</b>	<b>230,000</b>	<b>234,600</b>	<b>239,292</b>	<b>244,078</b>	<b>248,959</b>	<b>253,939</b>	<b>259,017</b>	<b>264,198</b>	<b>269,482</b>
<b>Wage Labor</b>										
Level 1 (\$9.00/hr)	18,000	114,566	155,810	158,927	162,105	165,347	168,654	172,027	175,468	178,977
Level 2 (\$10.00/hr)	32,000	212,160	281,324	286,951	292,690	298,543	304,514	310,605	316,817	323,153
Level 3 (\$11.00/hr)	70,400	466,752	595,109	607,011	619,151	631,534	644,165	657,048	670,189	683,593
Level 4 (\$14.00/hr)	56,000	356,429	454,447	463,536	472,806	482,262	491,908	501,746	511,781	522,016
Level 5 (\$17.00/hr)	54,400	324,605	404,674	412,767	421,023	429,443	438,032	446,793	455,729	464,843
<b>Total Wage Direct Labour</b>	<b>230,800</b>	<b>1,474,512</b>	<b>1,891,364</b>	<b>1,929,191</b>	<b>1,967,775</b>	<b>2,007,131</b>	<b>2,047,273</b>	<b>2,088,219</b>	<b>2,129,983</b>	<b>2,172,583</b>
<b>Total Direct Labour</b>	<b>320,800</b>	<b>1,704,512</b>	<b>2,125,964</b>	<b>2,168,483</b>	<b>2,211,853</b>	<b>2,256,090</b>	<b>2,301,212</b>	<b>2,347,236</b>	<b>2,394,181</b>	<b>2,442,064</b>
<b>Total Benefits</b>	<b>60,769</b>	<b>337,282</b>	<b>423,709</b>	<b>432,183</b>	<b>440,826</b>	<b>449,643</b>	<b>458,636</b>	<b>467,809</b>	<b>477,165</b>	<b>486,708</b>
<b>Total Direct Labour &amp; Benefits</b>	<b>381,569</b>	<b>2,041,794</b>	<b>2,549,673</b>	<b>2,600,666</b>	<b>2,652,679</b>	<b>2,705,733</b>	<b>2,759,848</b>	<b>2,815,045</b>	<b>2,871,345</b>	<b>2,928,772</b>

\* In year 2006 there are only 2 floor supervisors

<b>Schedule 3: Cost of Goods Manufactured (Part 2)</b>										
<b>Variable Overhead Costs</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Water	4,057	24,970	31,210	31,834	32,471	33,120	33,783	34,458	35,148	35,850
Waste Water	2,420	14,920	18,615	18,987	19,367	19,754	20,149	20,552	20,964	21,383
Electricity	13,000	80,000	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869
Natural Gas	9,100	56,000	70,000	71,400	72,828	74,285	75,770	77,286	78,831	80,408
Rendering	58,810	361,920	452,400	461,448	470,677	480,090	489,692	499,486	509,476	519,665
Transportation	273,000	1,680,000	2,106,000	2,148,120	2,191,082	2,234,904	2,279,602	2,325,194	2,371,698	2,419,132
Feed for Cattle	5,850	36,400	45,500	46,410	47,338	48,285	49,251	50,236	51,240	52,265
Maintenance & Repairs	13,400	89,420	111,770	114,005	116,286	118,611	120,983	123,403	125,871	128,389
Uniforms & Hard Hats	30,000	15,000	15,000	15,300	15,606	15,918	16,236	16,561	16,892	17,230
Telephone & Internet	1,650	6,600	6,732	6,867	7,004	7,144	7,287	7,433	7,581	7,733
<b>Total Variable Overhead Cost</b>	<b>411,287</b>	<b>2,365,230</b>	<b>2,957,227</b>	<b>3,016,372</b>	<b>3,076,699</b>	<b>3,138,233</b>	<b>3,200,998</b>	<b>3,265,018</b>	<b>3,330,318</b>	<b>3,396,924</b>
<b>Fixed Overhead Costs</b>										
Insurance	44,100	44,982	45,882	46,799	47,735	48,690	49,664	50,657	51,670	52,704
Inspection Fees	8,125	40,000	50,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434
Property Taxes	13,500	13,770	14,045	14,326	14,613	14,905	15,203	15,507	15,817	16,134
Capital Cost Allowance	576,525	588,056	599,817	611,813	624,049	636,530	649,261	662,246	675,491	689,001
<b>Total Fixed Overhead Cost</b>	<b>642,250</b>	<b>686,808</b>	<b>709,744</b>	<b>723,939</b>	<b>738,417</b>	<b>753,186</b>	<b>768,249</b>	<b>783,614</b>	<b>799,287</b>	<b>815,272</b>
<b>Total Overhead Costs</b>	<b>1,053,537</b>	<b>3,052,038</b>	<b>3,666,971</b>	<b>3,740,310</b>	<b>3,815,116</b>	<b>3,891,419</b>	<b>3,969,247</b>	<b>4,048,632</b>	<b>4,129,605</b>	<b>4,212,197</b>
<b>Cost of Goods Produced</b>										
Total Direct Expenses	57,605	354,400	443,125	443,125	443,125	443,125	443,125	443,125	443,125	443,125
Total Direct Labour & Benefits	381,569	2,041,794	2,549,673	2,600,666	2,652,679	2,705,733	2,759,848	2,815,045	2,871,345	2,928,772
Total Overhead Costs	1,053,537	3,052,038	3,666,971	3,740,310	3,815,116	3,891,419	3,969,247	4,048,632	4,129,605	4,212,197
<b>Total Cost of Goods Produced</b>	<b>1,492,711</b>	<b>5,448,231</b>	<b>6,659,768</b>	<b>6,784,101</b>	<b>6,910,921</b>	<b>7,040,277</b>	<b>7,172,220</b>	<b>7,306,801</b>	<b>7,444,075</b>	<b>7,584,094</b>

<b>Sask Natural Beef Products</b>										
<b>Schedule 4: Cost of Goods Sold</b>										
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Beginning Inventory	-	29,025	105,938	129,495	131,913	134,379	136,894	139,460	142,077	144,746
Cost of Goods Produced	1,492,711	5,448,231	6,659,768	6,784,101	6,910,921	7,040,277	7,172,220	7,306,801	7,444,075	7,584,094
Cost of Goods Available for Sale	1,492,711	5,477,256	6,765,706	6,913,597	7,042,834	7,174,656	7,309,114	7,446,261	7,586,152	7,728,840
Ending Inventory	<u>29,025</u>	<u>105,938</u>	<u>129,495</u>	<u>131,913</u>	<u>134,379</u>	<u>136,894</u>	<u>139,460</u>	<u>142,077</u>	<u>144,746</u>	<u>147,468</u>
<b>Cost of Goods Sold</b>	1,463,686	5,371,318	6,636,211	6,781,684	6,908,455	7,037,761	7,169,654	7,304,185	7,441,406	7,581,371

<b>Sask Natural Beef Products</b>										
<b>Schedule 5: Administration &amp; Marketing Expenses</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Salary and Wages</b>										
<b>Total Annual Salaries</b>										
President	100,000	102,000	104,040	106,121	108,243	110,408	112,616	114,869	117,166	119,509
Manager	80,000	81,600	83,232	84,897	86,595	88,326	90,093	91,895	93,733	95,607
Marketers	160,000	163,200	166,464	169,793	173,189	176,653	180,186	183,790	187,466	191,215
<b>Total Salaries</b>	<b>340,000</b>	<b>346,800</b>	<b>353,736</b>	<b>360,811</b>	<b>368,027</b>	<b>375,387</b>	<b>382,895</b>	<b>390,553</b>	<b>398,364</b>	<b>406,331</b>
Total Season Wage (Secretaries)	41,600	42,432	43,281	44,146	45,029	45,930	46,848	47,785	48,741	49,716
Total benefits for Wage Marketers	6,581	6,713	6,847	6,984	7,124	7,266	7,412	7,560	7,711	7,865
Total Benefits for Salary Employees	16,313	16,313	16,313	16,313	16,313	16,313	16,313	16,313	16,313	16,313
<b>Total Salaries, Wages &amp; Benefits</b>	<b>404,494</b>	<b>412,258</b>	<b>420,177</b>	<b>428,254</b>	<b>436,493</b>	<b>444,897</b>	<b>453,468</b>	<b>462,211</b>	<b>471,129</b>	<b>480,226</b>
<b>Marketing Expenses</b>										
Canadian Cattlemen Magazine	16,500.00	8,000.00	8,160.00	8,323.20	8,489.66	8,659.46	8,832.65	9,009.30	9,189.49	9,373.28
Western Producer	7,600.00	3,000.00	3,060.00	3,121.20	3,183.62	3,247.30	3,312.24	3,378.49	3,446.06	3,514.98
Business Cards	210.00	100.00	102.00	104.04	106.12	108.24	110.41	112.62	114.87	117.17
Local Newspapers	13,000.00	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16	5,520.40	5,630.81	5,743.43	5,858.30
AM Radio	17,500.00	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	11,040.81	11,261.62	11,486.86	11,716.59
Trade Shows	4,500.00	4,590.00	4,681.80	4,775.44	4,870.94	4,968.36	5,067.73	5,169.09	5,272.47	5,377.92
Web Page	2,500.00	2,550.00	2,601.00	2,653.02	2,706.08	2,760.20	2,815.41	2,871.71	2,929.15	2,987.73
Travel Expenses	70,000.00	71,400.00	72,828.00	74,284.56	75,770.25	77,285.66	78,831.37	80,408.00	82,016.16	83,656.48
Employee Training & Motivation	21,700.00	17,400.00	19,240.00	18,300.00	18,666.00	19,039.32	19,420.11	19,808.51	20,204.68	20,608.77
Interest on \$500 initial payment	16,900.00	82,400.00	103,000.00	105,060.00	107,161.20	109,304.42	111,490.51	113,720.32	115,994.73	118,314.62
<b>Total Marketing Expense</b>	<b>170,410.00</b>	<b>204,440.00</b>	<b>228,972.80</b>	<b>232,227.46</b>	<b>236,872.01</b>	<b>241,609.45</b>	<b>246,441.63</b>	<b>251,370.47</b>	<b>256,397.88</b>	<b>261,525.83</b>
<b>Summary of Administration &amp; Marketing Expenses</b>										
Administration Salaries & Wages	404,494	412,258	420,177	428,254	436,493	444,897	453,468	462,211	471,129	480,226
Marketing Expenses	170,410	204,440	228,973	232,227	236,872	241,609	246,442	251,370	256,398	261,526
Interest on Long Term Debt	471,600	454,231	435,473	415,214	393,334	369,704	344,184	316,621	286,854	254,706
<b>Total Administration &amp; Marketing Expenses</b>	<b>1,046,504</b>	<b>1,070,929</b>	<b>1,084,622</b>	<b>1,075,695</b>	<b>1,066,699</b>	<b>1,056,210</b>	<b>1,044,093</b>	<b>1,030,203</b>	<b>1,014,382</b>	<b>996,457</b>

<b>Sask Natural Beef Products</b>										
<b>Schedule 6: Capital Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Land</b>	7,200	-	-	-	-	-	-	-	-	-
<b>Building and Infrastructure: Class 06</b>										
Main Plant	5,400,000	-	-	-	-	-	-	-	-	-
Corrals	4,130	-	-	-	-	-	-	-	-	-
Pre water treatment plant	1,500,000	-	-	-	-	-	-	-	-	-
Blueprints for certification	20,000	-	-	-	-	-	-	-	-	-
Constigency Costs	890,990	-	-	-	-	-	-	-	-	-
Water/Sewage Installation	15,000	-	-	-	-	-	-	-	-	-
<b>Total Class 06</b>	<b>8,126,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Production Equipment: Class 08</b>										
Side Clamp Dehider	750,000	-	-	-	-	-	-	-	-	-
Hand Held Dehiders	5,700	-	-	-	-	6,270	-	-	-	-
Splitting Bandsaw	8,750	-	-	-	-	9,625	-	-	-	-
Hock Cutters	15,000	-	-	-	-	16,500	-	-	-	-
Brisket Saw	6,750	-	-	-	-	7,425	-	-	-	-
Circular Saw	4,275	-	-	-	-	4,703	-	-	-	-
Pnematic Stunner	10,950	-	-	-	-	12,045	-	-	-	-
Grinder	2,800	-	-	-	-	3,080	-	-	-	-
Vacuum Packer	9,600	-	-	-	-	10,560	-	-	-	-
Watering Bowls	3,490	-	-	-	-	-	-	-	-	-
<b>Total Class 08</b>	<b>1,596,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Production Machinery: Class 10</b>										
Tractor	70,000	-	-	-	71,400	-	-	-	-	-
<b>Total Class 10</b>	<b>70,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Miscellaneous Equipment &lt;\$200: Class 12</b>										
Equipment Item #1	-	-	-	-	-	-	-	-	-	-
<b>Total Class 12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Equipment Costs</b>	<b>9,793,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,400</b>	<b>78,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Land &amp; Equipment</b>	<b>9,800,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,400</b>	<b>78,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Sask Natural Beef Products</b>										
<b>Schedule 7: Financing Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Long Term Debt	5,895,000	-	-	-	-	-	-	-	-	-
Owner Equity	3,250,000	-	-	-	-	-	-	-	-	-
<b>Total Debt &amp; Owner Equity</b>	<b>9,145,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Schedule 8: Long Term Debt</b>										
Beginning Balance	-	5,677,890	5,443,411	5,190,174	4,916,677	4,621,301	4,302,295	3,957,769	3,585,680	3,183,824
Addition	5,895,000	-	-	-	-	-	-	-	-	-
Interest	471,600	454,231	435,473	415,214	393,334	369,704	344,184	316,621	286,854	254,706
Debt Payment	688,710	688,710	688,710	688,710	688,710	688,710	688,710	688,710	688,710	688,710
<b>Ending Balance</b>	<b>5,677,890</b>	<b>5,443,411</b>	<b>5,190,174</b>	<b>4,916,677</b>	<b>4,621,301</b>	<b>4,302,295</b>	<b>3,957,769</b>	<b>3,585,680</b>	<b>3,183,824</b>	<b>2,749,820</b>
<b>Sask Natural Beef Products</b>										

<b>Sask Natural Beef Products</b>										
<b>Schedule 9: Capital Cost Allowance</b>										
<b><u>Class 06: Buildings and Infrastructure</u></b>										
Beginning Balance	-	7,720,574	6,948,517	6,253,665	5,628,298	5,065,469	4,558,922	4,103,030	3,692,727	3,323,454
Additions	8,126,920	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Capital Cost Allowance	<u>406,346</u>	<u>772,057</u>	<u>694,852</u>	<u>625,366</u>	<u>562,830</u>	<u>506,547</u>	<u>455,892</u>	<u>410,303</u>	<u>369,273</u>	<u>332,345</u>
<b>Ending Balance</b>	<b>7,720,574</b>	<b>6,948,517</b>	<b>6,253,665</b>	<b>5,628,298</b>	<b>5,065,469</b>	<b>4,558,922</b>	<b>4,103,030</b>	<b>3,692,727</b>	<b>3,323,454</b>	<b>2,991,109</b>
<b><u>Class 08: Production Equipment</u></b>										
Beginning Balance	-	1,437,111	1,149,689	919,751	735,801	588,641	531,999	425,600	340,480	272,384
Additions	1,596,790	-	-	-	-	78,986	-	-	-	-
Disposals	-	-	-	-	-	10,000	-	-	-	-
Capital Cost Allowance	<u>159,679</u>	<u>287,422</u>	<u>229,938</u>	<u>183,950</u>	<u>147,160</u>	<u>125,627</u>	<u>106,400</u>	<u>85,120</u>	<u>68,096</u>	<u>54,477</u>
<b>Ending Balance</b>	<b>1,437,111</b>	<b>1,149,689</b>	<b>919,751</b>	<b>735,801</b>	<b>588,641</b>	<b>531,999</b>	<b>425,600</b>	<b>340,480</b>	<b>272,384</b>	<b>217,907</b>
<b><u>Class 10: Production Equipment</u></b>										
Beginning Balance	-	59,500	41,650	29,155	20,409	34,976	24,483	17,138	11,997	8,398
Additions	70,000	-	-	-	71,400	-	-	-	-	-
Disposals	-	-	-	-	40,000	-	-	-	-	-
Capital Cost Allowance	<u>10,500</u>	<u>17,850</u>	<u>12,495</u>	<u>8,747</u>	<u>16,833</u>	<u>10,493</u>	<u>7,345</u>	<u>5,141</u>	<u>3,599</u>	<u>2,519</u>
<b>Ending Balance</b>	<b>59,500</b>	<b>41,650</b>	<b>29,155</b>	<b>20,409</b>	<b>34,976</b>	<b>24,483</b>	<b>17,138</b>	<b>11,997</b>	<b>8,398</b>	<b>5,878</b>
<b><u>Class 12: Miscellaneous Equipment</u></b>										
Beginning Balance	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Capital Cost Allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total CCA Expense</b>	<b>576,525</b>	<b>1,077,330</b>	<b>937,284</b>	<b>818,063</b>	<b>726,823</b>	<b>642,666</b>	<b>569,637</b>	<b>500,564</b>	<b>440,968</b>	<b>389,341</b>

<b>Sask Natural Beef Products</b>										
<b>Statement of Working Capital</b>										
<b>Current Assets</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Accounts Receivable	286,334	752,238	784,874	803,412	1,019,760	842,156	862,403	883,261	1,102,014	926,903
Raw Inventory	160	984	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231
Inventory in progress	13,494	40,782	48,659	49,534	50,426	51,336	52,265	53,211	54,177	55,162
Finished Inventory	29,025	105,938	129,495	131,913	134,379	136,894	139,460	142,077	144,746	147,468
Accounts Payable	(75,281)	(227,494)	(274,038)	(278,005)	(282,055)	(286,135)	(290,243)	(294,374)	(298,525)	(302,690)
<b>Total Working Capital</b>	<b>253,731</b>	<b>672,448</b>	<b>690,221</b>	<b>708,085</b>	<b>923,742</b>	<b>745,483</b>	<b>765,115</b>	<b>785,406</b>	<b>1,003,643</b>	<b>828,075</b>

<b>Sask Natural Beef Products</b>										
<b>Schedule 10: Income Tax</b>										
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Income Before Taxes	1,012,816	2,709,983	1,828,465	1,917,469	4,431,926	2,152,266	2,278,824	2,411,958	4,952,047	2,699,496
Accumulated Loss Carry forward	-	-	-	-	-	-	-	-	-	-
Loss Carry forward Used	-	-	-	-	-	-	-	-	-	-
<b>Taxable Income</b>	<b>1,012,816</b>	<b>2,709,983</b>	<b>1,828,465</b>	<b>1,917,469</b>	<b>4,431,926</b>	<b>2,152,266</b>	<b>2,278,824</b>	<b>2,411,958</b>	<b>4,952,047</b>	<b>2,699,496</b>
Federal Tax @ 21%	212,691	569,096	383,978	402,668	930,705	451,976	478,553	506,511	1,039,930	566,894
Federal Surtax @ 1.12%	-	-	-	-	-	-	-	-	-	-
Small Bus Tax Credit @16% up to \$300K	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)
Capital Tax @0.6% of CTB over \$15M	-	-	-	-	-	-	-	-	-	-
Provincial Tax @5% up to \$300,000, 17%	-	-	-	-	-	-	-	-	-	-
<b>Total Taxes</b>	<b>136,179</b>	<b>424,697</b>	<b>274,839</b>	<b>289,970</b>	<b>717,427</b>	<b>329,885</b>	<b>351,400</b>	<b>374,033</b>	<b>805,848</b>	<b>422,914</b>

<b>Sask Natural Beef Products</b>										
<b>Schedule 11: Ratio Analysis</b>										
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b><u>Liquidity Ratios</u></b>										
Current Ratio	(4)	(12)	(13)	(13)	(18)	(13)	(12)	(12)	(18)	(13)
<b><u>Activity and Operating Ratios</u></b>										
Total Asset Turnover	0.37	0.84	0.90	0.99	1.15	1.17	1.30	1.41	1.51	1.60
<b><u>Operating Expenses</u></b>										
Direct Expenses/Sales										
Natural Beef	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%
Traditional Beef	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%
Hides	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Offal	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Direct Labour/Sales										
Natural Beef	7.7%	6.1%	5.8%	5.6%	5.5%	5.3%	5.2%	5.0%	4.9%	4.7%
Traditional Beef	4.7%	3.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Hides	19.6%	16.0%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%	15.7%
Offal	16.3%	13.4%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%
Overhead/Sales	30.2%	33.3%	38.4%	38.3%	30.7%	38.0%	37.8%	37.7%	30.8%	37.4%
Selling and Administration/Sales	11.6%	4.5%	4.4%	4.4%	3.5%	4.3%	4.3%	4.3%	3.5%	4.3%
<b><u>Leverage Ratios</u></b>										
Debt Ratio	58.7%	47.8%	46.1%	47.0%	40.1%	45.9%	45.5%	43.3%	32.5%	34.7%
Debt to Equity	142.3%	91.5%	85.7%	88.5%	66.8%	85.0%	83.4%	76.4%	48.1%	53.0%
<b><u>Profitability Ratios</u></b>										
Gross Profit Margin	58.0%	41.3%	30.5%	30.6%	44.3%	31.3%	31.7%	32.0%	44.5%	32.8%
Net Profit Margin	19.7%	19.3%	12.8%	13.0%	22.8%	13.8%	14.3%	14.7%	23.5%	15.6%
Return on Total Assets	7.2%	16.2%	11.4%	12.9%	26.1%	16.2%	18.6%	20.8%	35.5%	24.9%
Return on Equity	17.5%	30.9%	21.2%	24.3%	43.6%	30.0%	34.0%	36.7%	52.6%	38.1%
Net Profit Margin *	27.9%	29.6%	19.1%	19.6%	35.7%	21.0%	21.7%	22.4%	36.9%	23.9%
Return on Total Assets *	10.2%	24.8%	17.2%	19.4%	40.9%	24.6%	28.2%	31.7%	55.7%	38.2%
Return on Equity *	24.7%	47.5%	31.9%	36.6%	68.2%	45.5%	51.8%	56.0%	82.6%	58.5%
* Using net income before tax										

<b>Sask Natural Beef Products</b>										
<b>Schedule 12: Unit Cost Analysis</b>										
<b>Unit Cost Analysis (\$ per unit produced)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Natural Beef	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Traditional Beef	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Hides	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Offal	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
<b>Unit Cost of Direct Labour</b>										
Natural Beef	0.14	0.12	0.12	0.12	0.12	0.12	0.13	0.13	0.13	0.13
Traditional Beef	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.08	0.08
Hides	7.83	6.54	6.54	6.67	6.80	6.94	7.08	7.22	7.36	7.51
Offal	4.89	4.09	4.09	4.17	4.25	4.34	4.42	4.51	4.60	4.69
<b>Unit Cost of Overhead</b>										
Natural Beef	0.35	0.16	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17
Traditional Beef	0.35	0.16	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17
Hides	0.35	0.16	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17
Offal	0.35	0.16	0.15	0.15	0.16	0.16	0.16	0.17	0.17	0.17
<b>Total Unit Cost of Production for</b>										
Natural Beef	0.51	0.29	0.29	0.29	0.30	0.30	0.31	0.31	0.32	0.33
Traditional Beef	0.45	0.24	0.24	0.24	0.25	0.25	0.26	0.26	0.26	0.27
Hides	8.19	6.72	6.71	6.84	6.98	7.12	7.26	7.40	7.55	7.70
Offal	5.26	4.27	4.26	4.34	4.43	4.51	4.60	4.70	4.79	4.89
<b>Unit Administration &amp; Marketing Cost</b>										
Natural Beef	0.35	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Traditional Beef	0.35	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Hides	0.35	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Offal	0.35	0.06	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
<b>Total Unit Cost</b>										
Natural Beef	0.85	0.35	0.33	0.34	0.34	0.35	0.35	0.36	0.36	0.37
Traditional Beef	0.79	0.30	0.28	0.29	0.29	0.29	0.30	0.30	0.31	0.31
Hides	8.54	6.78	6.75	6.89	7.02	7.16	7.30	7.45	7.59	7.74
Offal	5.60	4.32	4.30	4.38	4.47	4.56	4.65	4.74	4.83	4.93
<b>Unit Margin</b>										
Natural Beef	0.96	1.55	1.67	1.76	1.86	1.96	2.07	2.19	2.31	2.44
Traditional Beef	0.94	1.47	1.52	1.55	1.58	1.62	1.65	1.68	1.72	1.76
Hides	31.46	34.02	34.86	35.56	36.28	37.00	37.74	38.50	39.27	40.06
Offal	24.40	26.28	26.91	27.45	28.00	28.56	29.14	29.72	30.32	30.93

<b>Sask Natural Beef Products</b>										
<b>Schedule 13: Investment Analysis</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Required Return on Equity</b>	20%									
<b>Present Value of Equity Investment</b>										
Equity Investment	3,250,000	-	-	-	-	-	-	-	-	-
Present Value of Equity Investment	3,250,000	-	-	-	-	-	-	-	-	-
<b>Present Value of Equity Returns</b>										
Net Cash Flows to Equity	7,929	1,887,125	586,001	18,630	1,432,141	(1,343,167)	(129,412)	5,494	1,505,744	(1,262,148)
Dividends	-	-	1,204,833	1,772,970	1,575,944	3,186,344	1,823,545	1,673,842	1,461,099	3,142,411
Salvage Value	-	-	-	-	-	-	-	-	-	1,703,098
<b>Total Net Cash Flow to Equity</b>	<b>7,929</b>	<b>1,887,125</b>	<b>1,790,834</b>	<b>1,791,601</b>	<b>3,008,085</b>	<b>1,843,177</b>	<b>1,694,133</b>	<b>1,679,336</b>	<b>2,966,843</b>	<b>3,583,360</b>
<b>Present Value of Net Cash Flows</b>	<b>7,060,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Cash Flows to Equity</b>	<b>7,929</b>	<b>1,887,125</b>	<b>1,790,834</b>	<b>1,791,601</b>	<b>3,008,085</b>	<b>1,843,177</b>	<b>1,694,133</b>	<b>1,679,336</b>	<b>2,966,843</b>	<b>3,583,360</b>
<b>Net Present Value of Equity Investment</b>	<b>3,810,725</b>									
<b>Internal Rate of Return on Equity Investment</b>	<b>42%</b>									
<b>External Rate of Return on Equity Investment</b>										
Equity Investment	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	1,204,833	1,772,970	1,575,944	3,186,344	1,823,545	1,673,842	1,461,099	3,142,411
Salvage Value	-	-	-	-	-	-	-	-	-	4,411,436
Total to Equity Investor	-	-	1,204,833	1,772,970	1,575,944	3,186,344	1,823,545	1,673,842	1,461,099	7,553,846
<b>External Rate of Return on Equity Investment</b>	<b>31%</b>									