

A LEG UP:

Building Blocks for a Locally-Focused Meat Processing Facility Business Plan



Prepared by:

In collaboration with:

With funding from:





PROJECT PURPOSE

Current meat processing operations in Pennsylvania fall short of the needs of small-scale, sustainable farmers. A solution to this problem is the creation of new meat processing businesses. This project aims to provide solid information for the parts of a business plan for such a business that are more difficult to develop. Primarily, this entails:

- Understanding target customers through collected interview data*
- Best practices and innovations of successful processors*
- How to structure the business and get funding*



Executive Summary

Our food system is built to maximize corporate profitability, and the best way to make a profit in the numbers game is efficiency. However, many farmers' bottom lines go beyond simple profitability, taking into account production methods that maintain and improve nutrient density, soil health, and ecosystem health. Most of the farms choosing to produce food in this way are small, and due to factors including regulatory burden and processing challenges it is a struggle to get these valuable products to market.

We believe that the lack of efficient, local logistics and local high quality, safe, and humane processing keeps this food and these local farms from expanding the access to locally produced food. There is a shortage of such facilities in our state as evidenced by multiple long term processors having up to a 1 year wait for a processing slot.

This report is intended for food entrepreneurs looking to help solve this critical problem in our food system.

Ultimately someone needs to write a business plan and execute against that plan to solve this problem. This project aims to provide solid information for the parts of that plan that are more difficult to develop. Information provided by this project includes:

- Results of a survey assessing farmer demand and needs compared to the current meat-processing supply
- Best practices from non-competing processors who cater to small farmers, including a top 10 list of innovations
- Research on funding options for small processors in the region, plus potential ownership models for these businesses

The emphasis is on population dense locations (i.e., south central and southeastern PA, due to proximity to Washington DC, Baltimore, Philadelphia, and New York City).

Key takeaways from the survey, completed by 54 Pennsylvania farms representing nearly 100,000 animals processed each year:

- **Customers want yield tracking.** 55% of respondents want it and don't have access to it.
- **Customers are not satisfied with scheduling.** 42% said they are unsatisfied with scheduling. Our survey did not ask further questions, so we are unable to determine if this is a capacity, flexibility, or customer service issue.
- **Customers want more value-added processing,** specifically around curing and ready-to-eat. Approximately 30% of respondents (across multiple similar categories) expressed this is something they want but do not currently have access to.

Similar themes are found in recommended best practices from non-competing processors:

- **Implement establishment-wide software for tracking orders and yields** to minimize mistakes and streamline data entry.
- **Prioritize employee culture** to keep employees happy and reduce turnover in this skilled but relatively low-paying job.

Finally, regarding business structures and funding:

- **Our research found 21 funders** with experience or interest with funding this type of project.
- **We have included a chart of legal entities** designed to assist an entrepreneur in their decision making around entity formation.



PROJECT PARTNERS

The Pennsylvania Association for Sustainable Agriculture (PASA) has been engaged in bringing farmers together to share education, information and experience in ecologically sound farming practices for over 25 years. With funding from the Blue Yak Foundation, PASA partnered with Kitchen Table Consultants (KTC) to accomplish this project. PASA's access to the sustainable agriculture community and KTC's extensive experience in business planning and advising, particularly with multiple local meat processing projects across multiple states over the last 5 years, create a team that is well-suited to assess the problems in local meat processing. The results of the collaboration between PASA and KTC will provide the foundation which anyone thinking of building a regional processing facility could base a business plan upon.





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Meat Processor Project

FARMER DEMAND SURVEY RESULTS

Assessing local demands &
needs





PURPOSE OF THIS SURVEY

To assess the current level of satisfaction and convenience Pennsylvania livestock producers experience with meat processing, and to help assess gaps in products and services that may currently exist in our state's processing infrastructure. Survey was successfully completed by 54 Pennsylvania farmers.



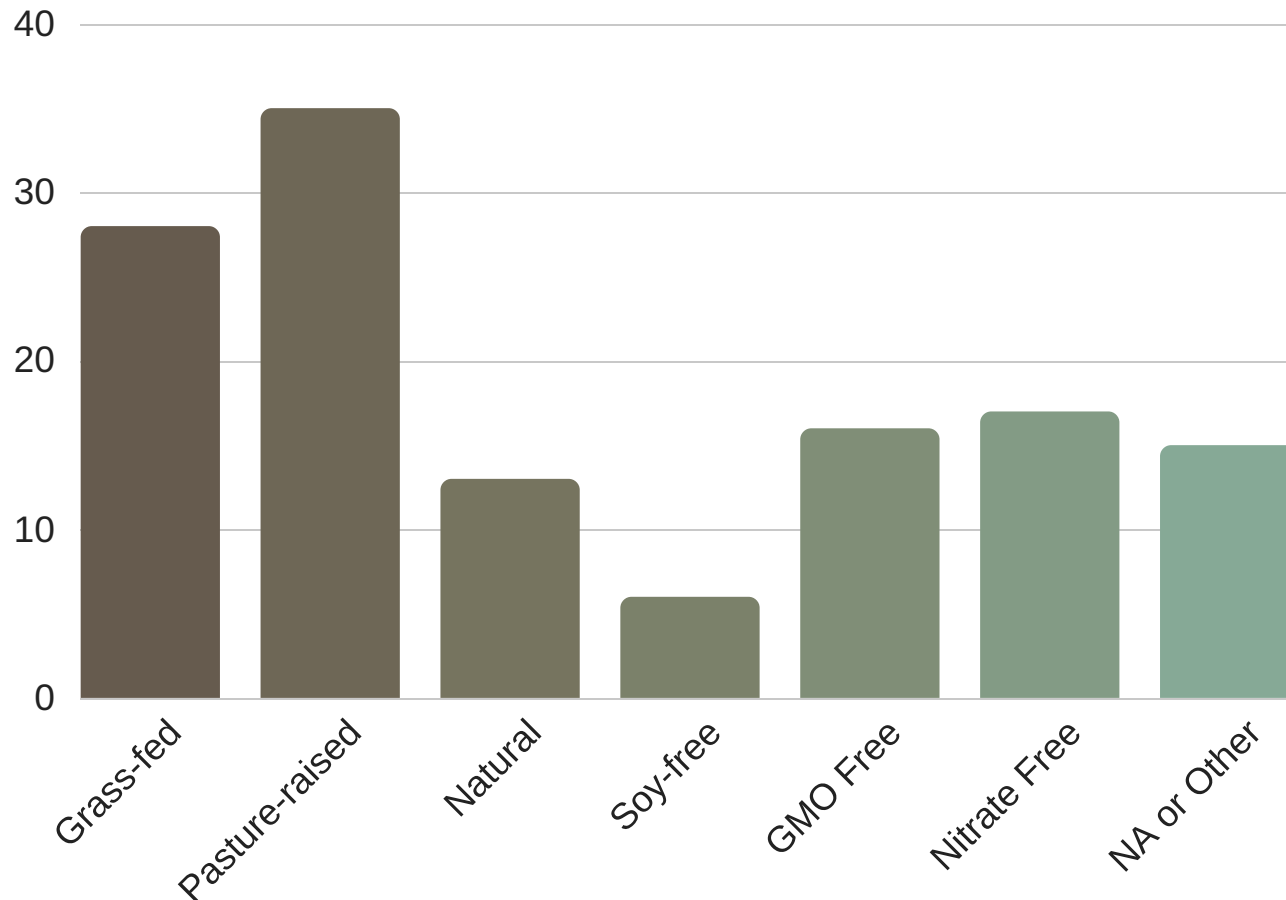
How many of each animal do you slaughter per year?

	Average	Total
Cows	38	1,761
Pigs	47	2,207
Sheep/Lamb	111	4,331
Goats	6	205
Chicken	1,871	82,335
Turkey	87	3,307
Rabbit	0	0
Other	150	5100

"Other" responses: Duck 5,000 total / Guinea 100 total



What labels do you use to brand your products?

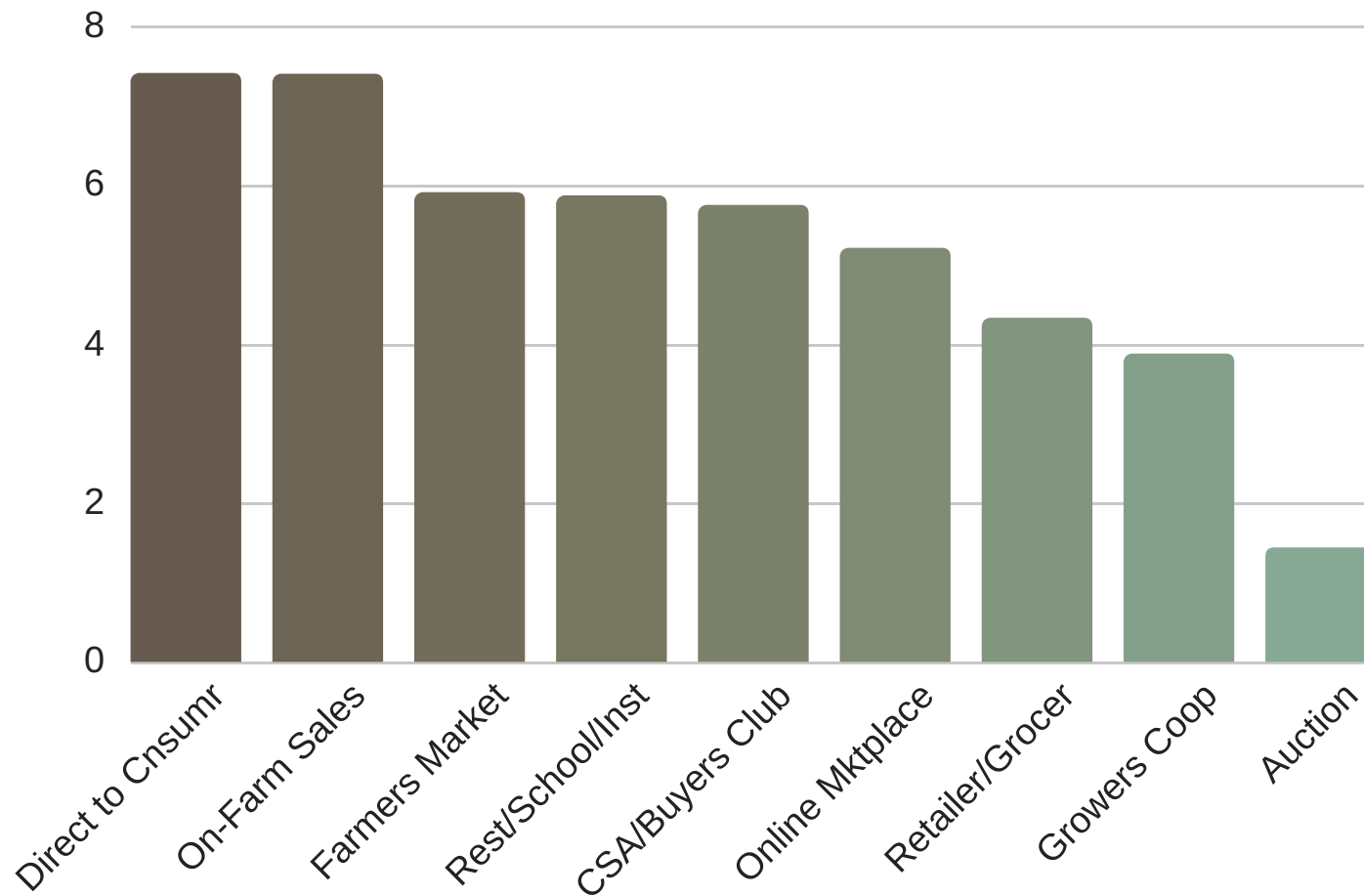


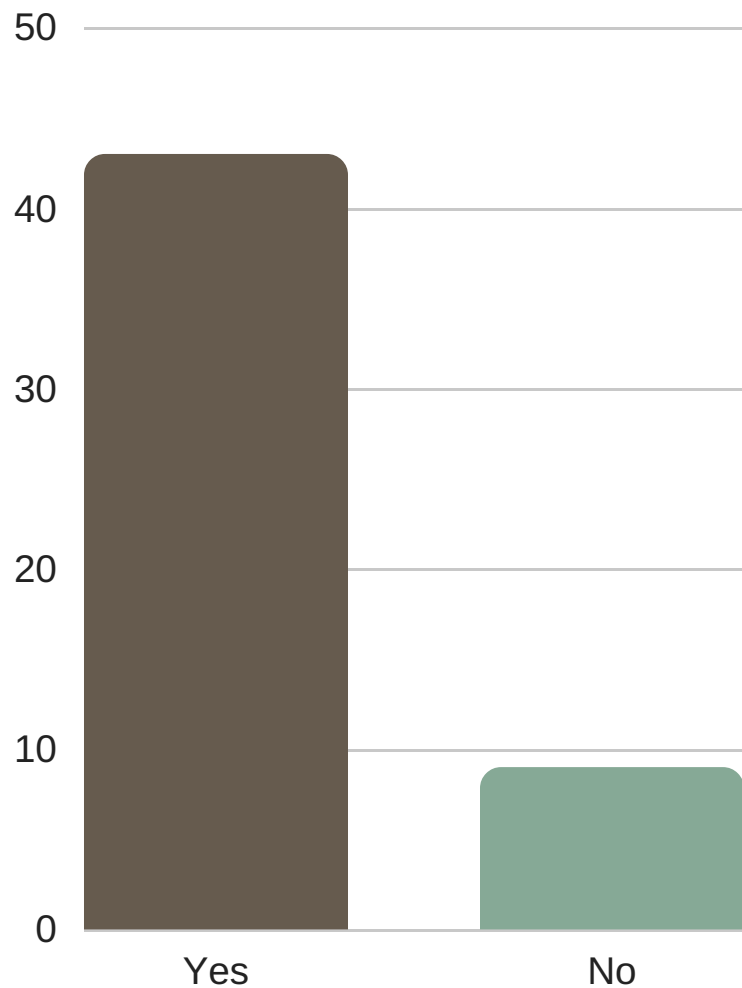
NA or Other Responses

- Certified, fed certified organic grains
- Grass finished beef
- Free range
- Antibiotic free pork
- Beyond organic
- No antibiotics
- No added hormones
- Raised in Susquehanna Valley
- Dry aged
- Farm name and address
- Cannot get processor to do paperwork for labels

Rank how you would ideally like to sell your products

Higher is more important / Lower is least important





***Do you slaughter
and process at the
same facility?***



How many different facilities do you use for slaughter in a given year?

Average: 2.04

Median: 2

Low: 1

High: 6

How many different processing facilities do you use in a given year?

Average: 1.97

Median: 2

Low: 0

High: 6



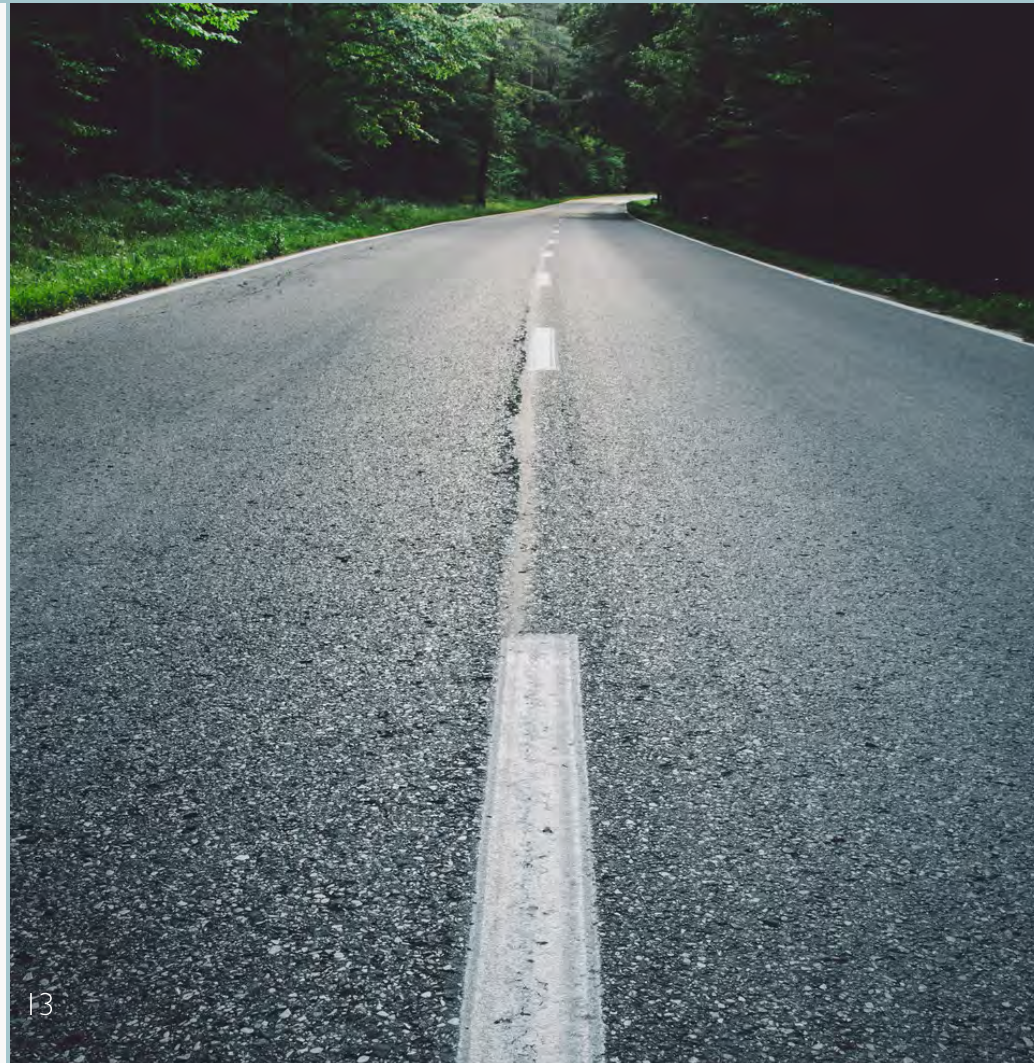
How many miles do you travel round trip to process your animals?

Average: 71

Median: 50

Low: 0

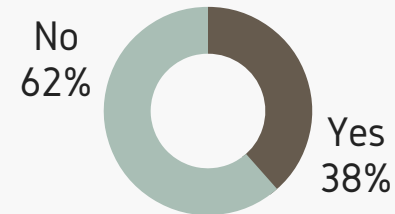
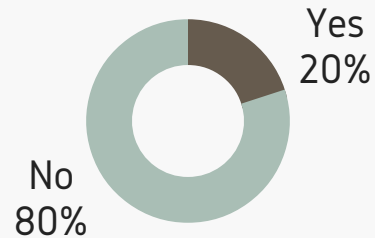
High: 500



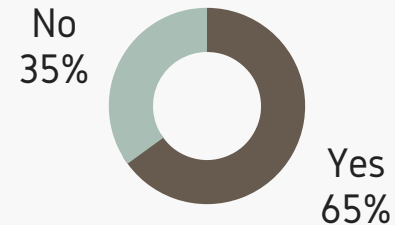
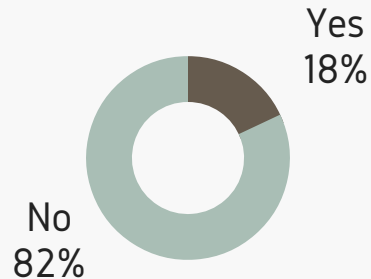
What services does your slaughter facility currently offer?

What services would you like them to offer?

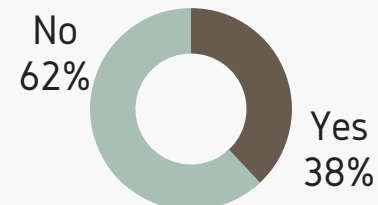
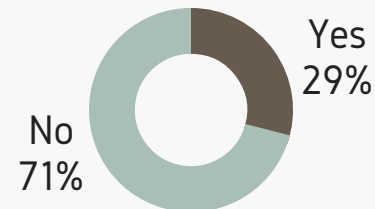
LIVESTOCK HAULING



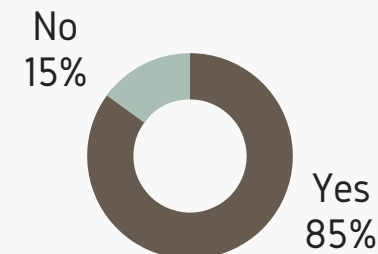
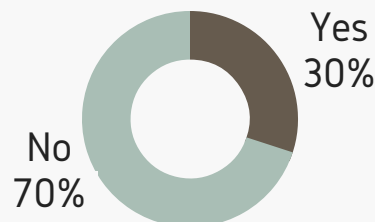
PRODUCT DELIVERY



WHOLESALE PURCHASING



YIELD TRACKING



Rate your satisfaction with the quality of your slaughter facility on the following services

	<i>Unsatisfied</i>	<i>Satisfied</i>	<i>Not offered</i>
Scheduling	42%	58%	0%
General courtesy	16%	85%	0%
Livestock handling	12%	74%	15%
Yield tracking	8%	28%	65%
Accurate billing	8%	92%	0%
Wholesale purchasing	6%	8%	86%
Distribution of products	2%	36%	63%



Comments:

- Poor general quality of work and lack of accountability for said work persists widely in the industry.
- We have to schedule 2 years in advance!! We have 4 USDA shops within 15 miles and all are booked.
- Our processor now handles billing of slaughter services, so that problem has been resolved.
- Selling half and whole animals is our only current option. This limits us.
- Quality of service can be very poor - cutting, following the instructions, packaging, etc.
- Livestock holding pens are sometimes without enough/clean water. We continue to check cattle personally.



What services does your processor currently offer?

	<i>Offered</i>	<i>Would like to have</i>
Timely notification of order discrepancies	78%	100%
Using custom labels	79%	96%
Basic cut	100%	95%
Packaging of cuts	100%	95%
Nitrate free cures	66%	92%
Curing ham & bacon	91%	91%
Curing ready-to-eat meats (jerky, bologna)	67%	90%
Assistance with creating custom labels	59%	87%
Tracks product yield	35%	83%
Custom fresh sausage (uses your recipe)	57%	79%
Uncooked ready-to-eat (salami, prosciutto)	37%	78%
Bulk packaging	90%	75%
Organic certification	31%	41%
Contacts your customers for cut instructions	51%	40%



Rate your satisfaction with the quality of your processor on the following services

	<i>Unsatisfied</i>	<i>Satisfied</i>	<i>Not offered</i>
Scheduling	45%	55%	0%
Timely notification of order discrepancies	21%	69%	10%
Skill with specialty cuts	20%	53%	27%
Ease of communicating about cut instructions	14%	85%	0%
Labeling of packages	12%	79%	8%
General courtesy	12%	88%	0%
Packaging of cuts	10%	90%	0%
Nitrate free cures	8%	54%	38%
Basic cut	6%	92%	2%
Bulk packaging	6%	82%	12%
Custom fresh sausage	6%	45%	49%
Assistance with creating custom labels	6%	50%	44%
Tracking products yield	6%	32%	62%
Curing ham & bacon	4%	77%	19%
Curing ready-to-eat meats	2%	48%	50%
Uncured ready-to-eat	0%	21%	78%



***How many total acres does
the farm own or lease?***

Average: 176

Median: 98

Smallest: 0

Largest: 900

***How many acres are under agricultural
production (owned or leased)?***



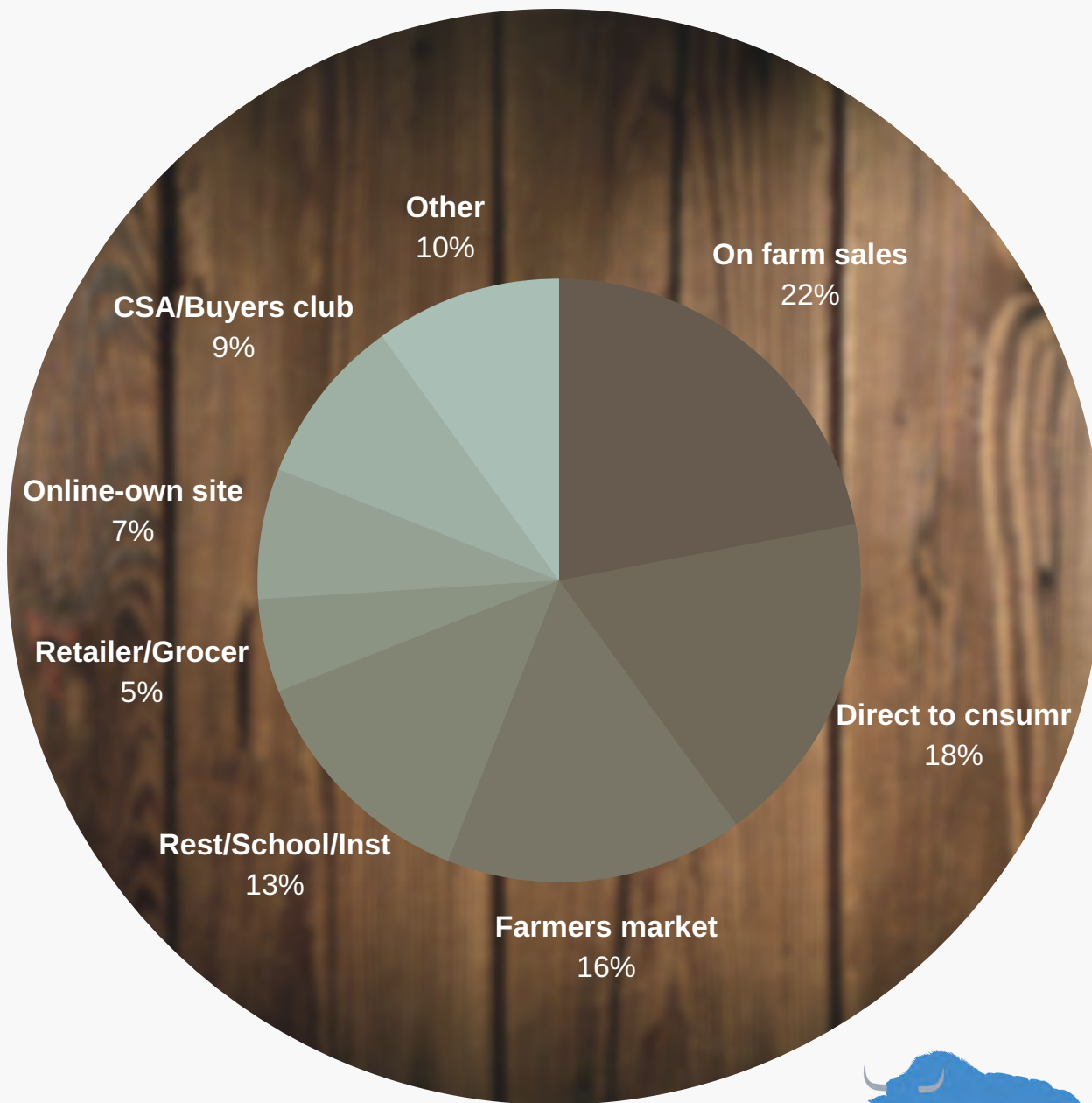
Average: 150

Median: 75

Smallest: 0

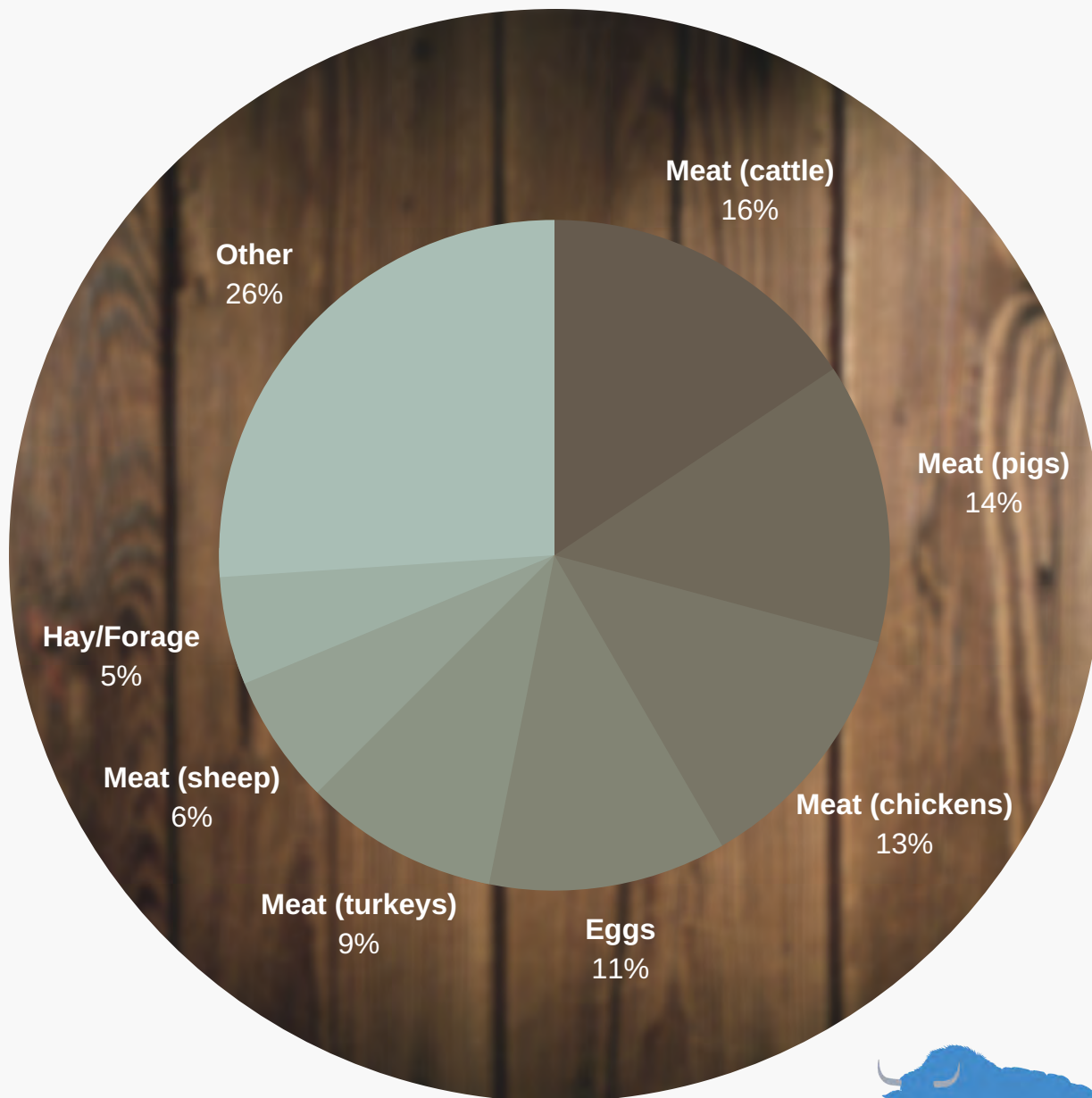
Largest: 890





Where are your farm products sold?

Check all that apply.

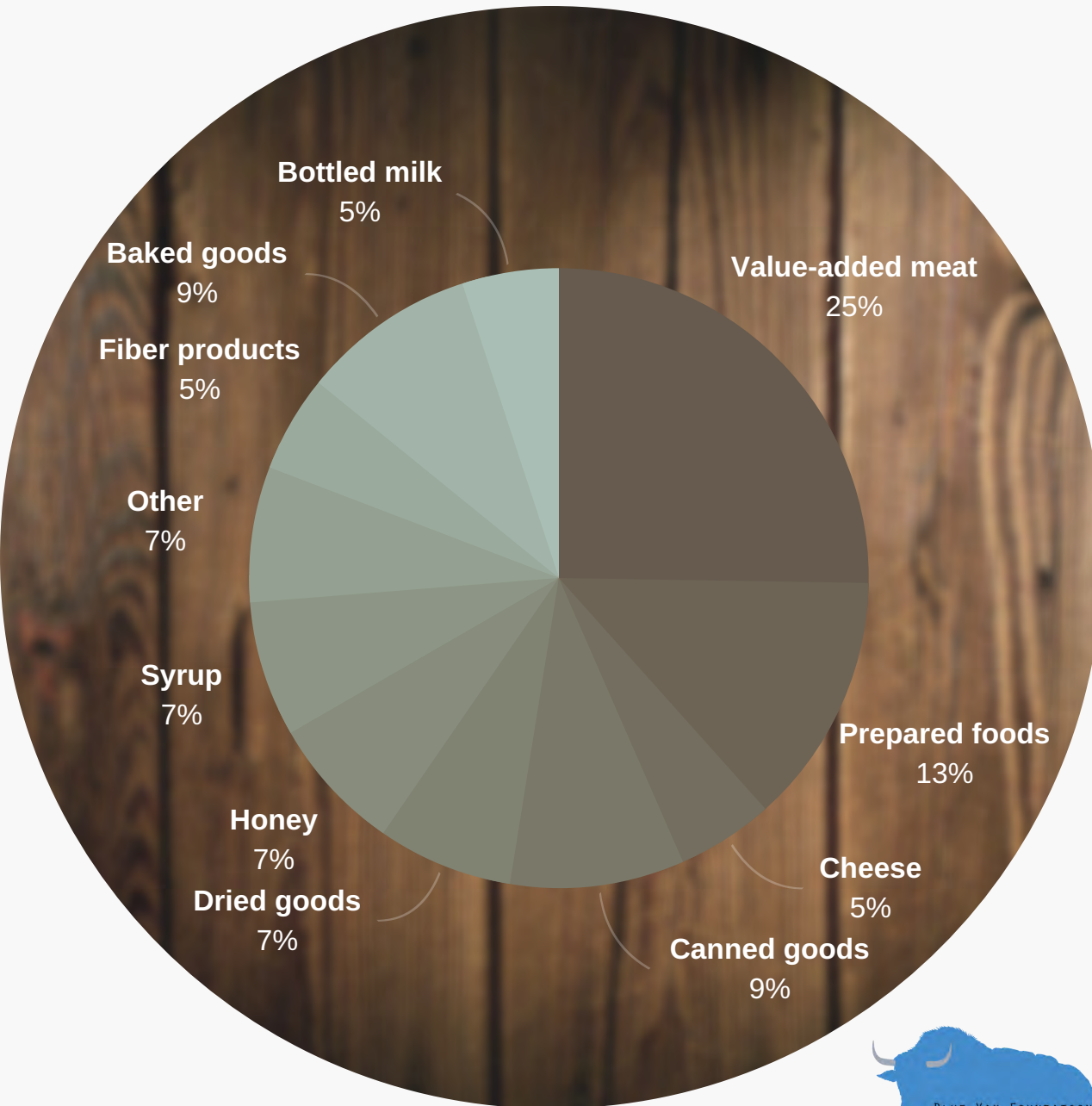


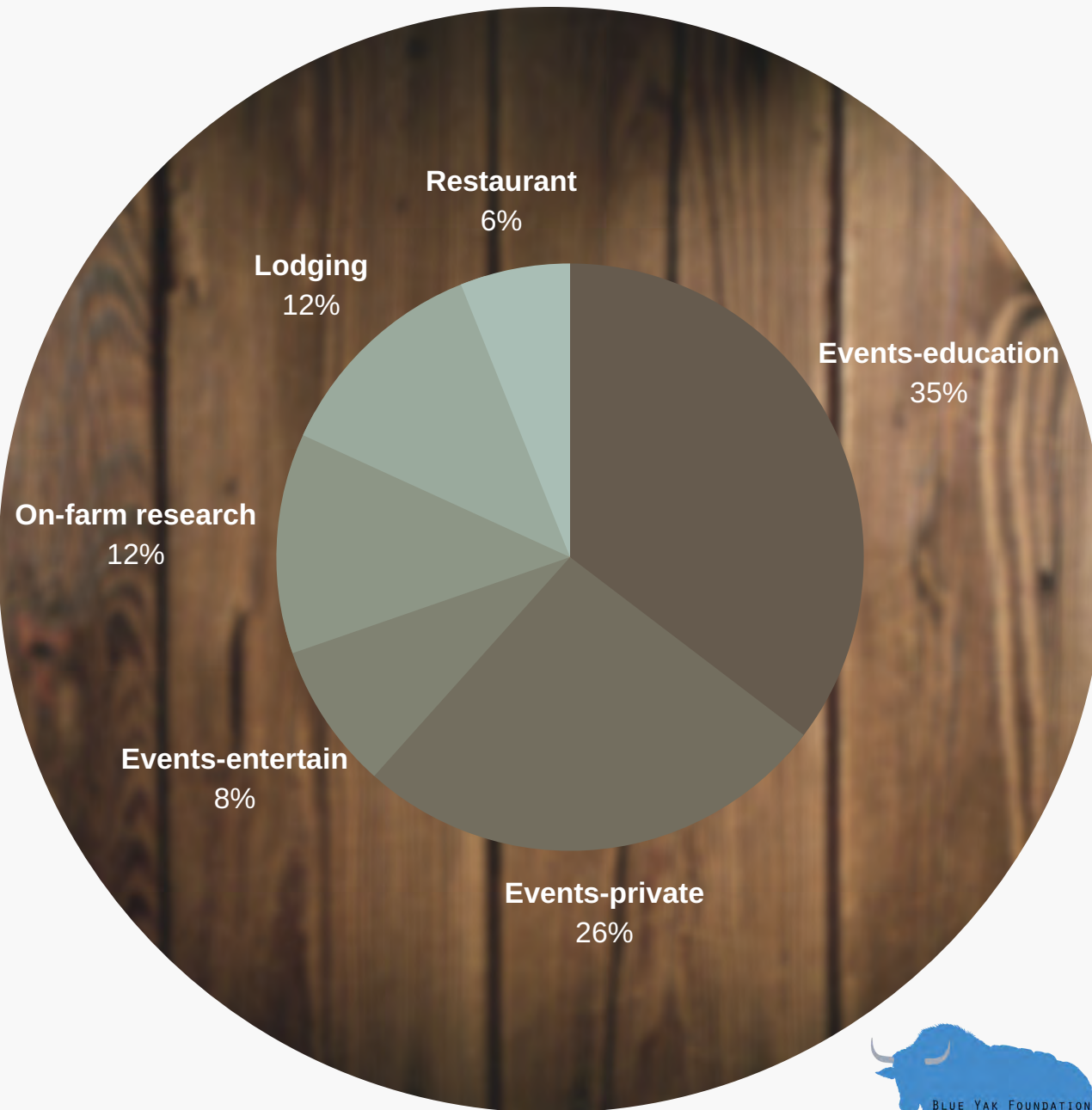
What does the farm produce commercially?

Check all that apply.

What value-added products do you produce commercially?

Check all that apply.

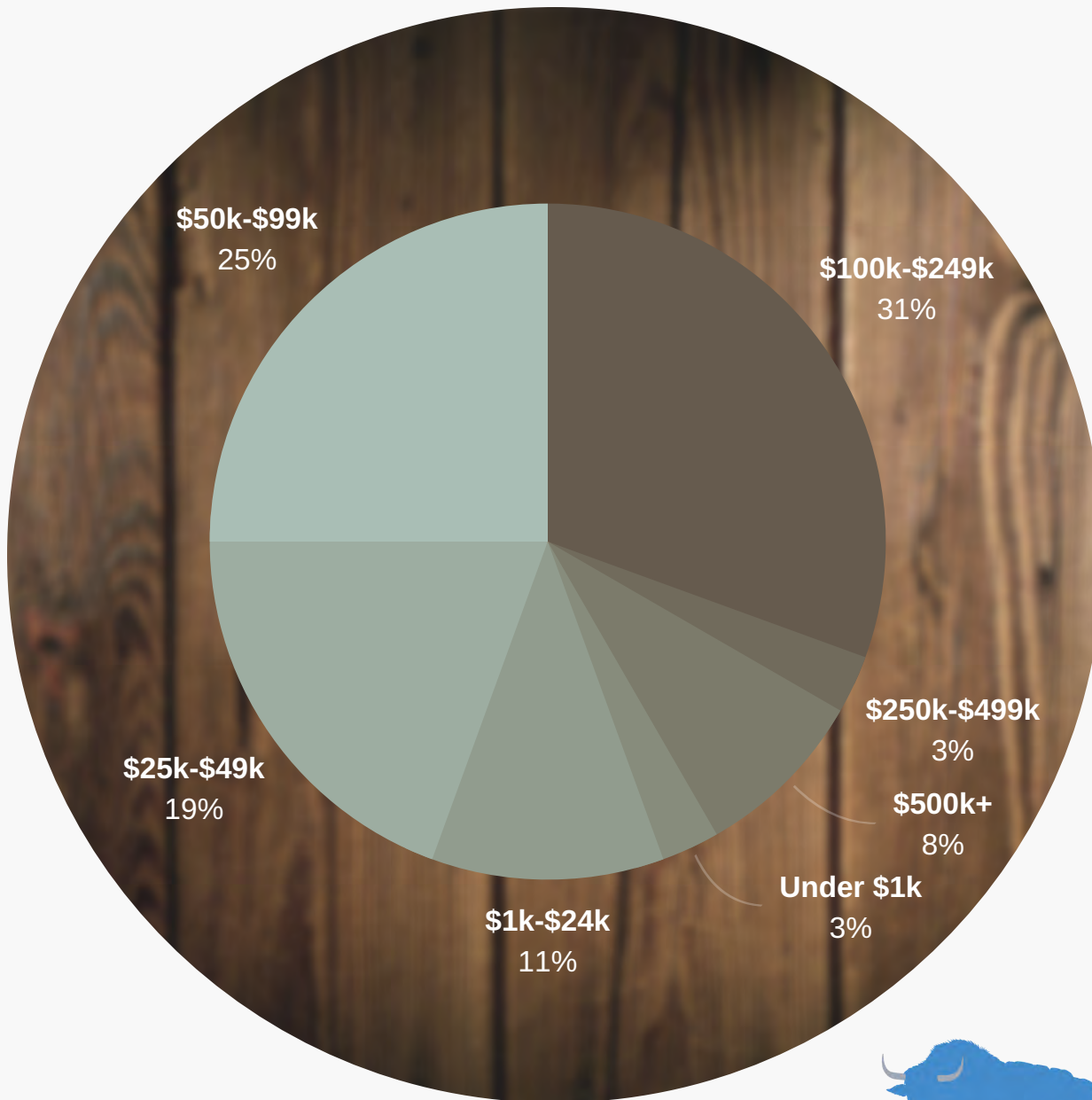


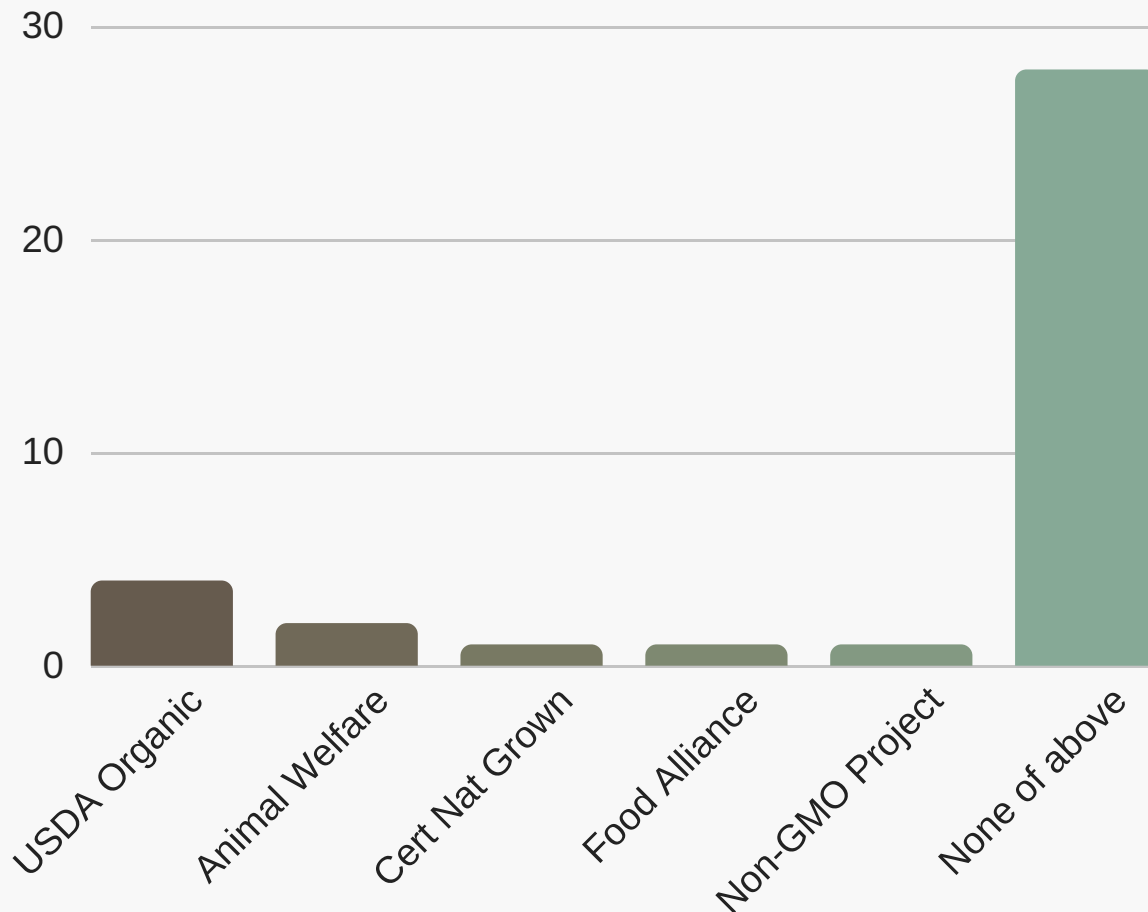


Which of the following are on your farm?

Check all that apply.

What is the value of yearly farm sales?





Which of the following 3rd party verified certifications are held by the farm?

- USDA Certified Organic
- Animal Welfare Approved
- Certified Naturally Grown
- Food Alliance
- Non-GMO Project Verified

Other certifications:

- PCO Certified 100% Grass Fed
- Certified Humane
- Kosher
- Halal



THANK YOU

To all of the farmers who participated in the survey.
And a special thank you to Agri Dynamics for their donation of gift cards for survey participants.



BEST PRACTICES

Innovative and cutting-edge practices and systems from New England meat processors catering to small farmers

In December 2017, Pennsylvania pastured meat farmer Brooks Miller had the opportunity to visit six small butcher shops in New England. In two days and over a thousand miles of driving, Brooks interviewed managers and owners of each of these shops to review their kill floors, processing and packaging operations, and best practices. The managers of each of the shops were notably open with information and interested in helping to move the project forward. Each shop is currently USDA inspected for both kill and cut/wrap. Some have additional products available under inspection, such as sausage-making, curing, and smoking.

The following is a quick introduction to each of these slaughter and processing facilities. Each of these shops simply sells their processing labor. They own none of the animals that come through their doors, and they are not responsible for the logistics of picking up live animals or for the final product delivery.



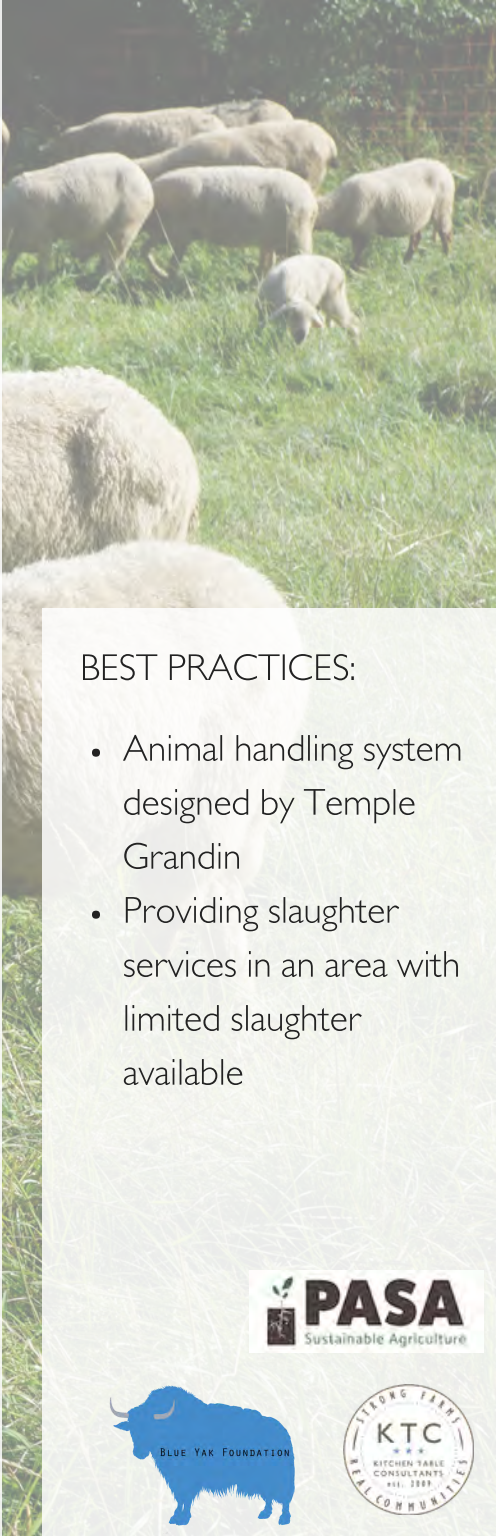
Adams Farm Slaughterhouse

Adams Farm Slaughterhouse is located in Athol, MA, in central Massachusetts. Initially a smaller plant, the establishment burned down in 2006, and the current slaughter shop was located at the same site, only bigger. Manager and Operator Ed Maltby says one of the facility's main attractions is that they are the only kill floor in the area. As such, they have gotten very efficient at slaughter. Without the technological wizardry of a Riopel system, Adams Farm is killing about the same number of pork and beef with the same number of kill floor employees as Vermont Packinghouse, whose summary follows.

Ed attributed the ability to work through such a large number of animals to their handling facilities. Adams Farm, like many other slaughterhouses in the country, has solicited the help of humane handling expert Temple Grandin in the design of their animal housing and handling facilities. While humane handling is a requirement for USDA inspection, Adams Farm believes their system goes above compliance with federal regulations and facilitates a speedy and efficient kill floor.

Similar to Vermont Packinghouse, Adams Farm does all breaking, boning, cutting and processing in one room. However, their system is cuts by customer, rather than by type of processing. This seemed to require more employees per lb processed, but would require further analysis to determine for sure.

Adams Farm had some difficulties keeping employees, and cited the difficulties in training new employees as a major cost. Additionally, the establishment learned the hard way in 2016 how a recall can impact business. After discovering e. Coli O157:H7 in meat samples, the facility initiated a recall and lost a significant amount of processing time, in addition to customers whose perceptions were affected by the recall.



BEST PRACTICES:

- Animal handling system designed by Temple Grandin
- Providing slaughter services in an area with limited slaughter available



Eagle Bridge Custom Meats and Smokehouse

Eagle Bridge Custom Meats and Smokehouse is a small shop in Washington County in upstate New York. Just under an hour from Albany, NY, and within striking distance of New York City, most of Eagle Bridge's processing customers sell either wholesale or retail in the city. The shop floor has been federally inspected since 2009, and processes 15,000 lbs of beef weekly and 50 hogs a week (about 10-12,000 lbs). Half of this is cut and vacuum sealed, the rest is sold wholesale as primals. None of the meat is owned by Eagles Bridge, they simply sell their labor. Grossing \$2 million annually, the shop employs 15-16 people full time.

Eagle Bridge is notably clean, organized and bright. Co-owner and operations manager Steve Farrara showed Brooks around. In the process of observing several employee stations, a distinctly positive work culture was evident. Eagle Bridge hires employees based on current employee recommendations, trains them on the job part-time alongside existing employees, and hires them on full-time only when it becomes clear they will "fit" with the existing work culture. Management and labor were working closely together, and joking with each other as they fulfilled their respective duties.

Employees have a clear incentive to work hard and work together - a weekly meeting occurs on Monday, with a task list for the week. When this task list is complete and all orders are fulfilled, the entire crew is finished work for the week. More than one employee had a difficult time trying to remember the last time they worked a full day on a Friday. It seems this positive work culture aids the business in fulfilling accurate orders in a timely fashion, as customer satisfaction was very high on the list of goals at the shop.

Eagle Bridge also makes use of a small space for live animal holding by maintaining a very tight receiving schedule. Animals are scheduled in to the quarter hour, and if a farmer misses his or her spot, it's lost. This "no bull" approach seems to help keep things moving, as the shop is regularly scheduled six months out.

Of Eagle Bridge's 50-75 different customers, it seems about 15% make up a large portion of their business. This seems to fit within the realm of the 80/20 rule, with 80% of sales driven by 20% of its customers. This was not the only shop that seemed to approximate this rule.



BEST PRACTICES:

- Employee culture
- Strict scheduling
- Small animal handling facilities
- Value added (smoked) products



Mad River Food Hub

Over Mad River Glen and through the woods of Vermont is the Mad River Food Hub, which as far as we can tell is the only USDA-Inspected shared meat processing space in the country. Mad River is not strictly a USDA plant, but a non-profit business consisting of refrigerated storage, distribution, and management of processing space and training. It's a unique business model that makes full use of Vermont's use of the Cooperative Interstate Shipment Program (CISP).

Processing establishments in states adopting the CISP may apply for federal inspection by state-trained meat and poultry inspectors who meet and enforce requirements "at least equal to" those imposed under the Federal Meat Inspection Act, Poultry Products Inspection Act, and Humane Methods of Slaughter Act of 1978. This means some of the federal bureaucracy is removed, facilitating an often-tedious relationship between inspector and establishment. In fact, the establishments in Vermont often remarked more positively with respect to their relationships with inspectors than did establishments in New York, Massachusetts, or Indiana.

At Mad River Food Hub, a pastured livestock producer or a small meat processing business can rent space in a USDA processing facility, be trained in HACCP compliance and basic sanitation, and can produce federally-inspected fresh cuts, sausage, cooked products, and even charcuterie. Mad River has their own climate-controlled walk-in designed for aging dry-cured whole muscle products and fermented sausages and salamis.

Meat program manager Bill Cavanaugh explained the training process for new businesses, requiring them to attend a half-day training before being allowed to use the facilities. Different prices are set for each component of the food hub - from processing space use, to refrigerated storage, to logistics and delivery service.

Additionally, the three businesses are not mutually exclusive. On the contrary, some of the food hub's best logistics customers don't make use of the USDA processing space at all. Mad River Food Hub's largest customer in terms of income is a small brewery making use of their logistics and storage services. It's an extremely innovative practice to be combining multiple aspects of the food and beverage industry into one business, and state law will limit what kind of cross-pollination can happen elsewhere in the country. However, the industry needs innovators like Mad River to explore the model if it is indeed possible and profitable.

BEST PRACTICES:

- Shared USDA processing space
- Charcuterie
- Offering logistics and storage



Maple Wind Farm

Maple Wind Farm, located about halfway between Burlington and Middlebury, VT, was a change of pace in many ways. Owner Bruce Hennessey and his wife decided to pursue a USDA inspection for their pastured poultry operation in 2013. The couple worked with David Schafer of Featherman Equipment to design a plant-in-a-box poultry kill line. They have since grown out of, and significantly modified, their plant to include a large part of an adjoining building as well.

With a USDA poultry license, their rhythm was different than any of the red meat plants Brooks visited. A large portion of the birds processed are raised by their own farm, but the shop also processes outside poultry for other customers. The mechanics of processing pasture-raised poultry mean that almost all of the work shuts down for a few months every year. Most producers only raise meat birds in the growing season, and this means all of those birds are processed in the warmer months of the year.

Bruce talked about solving some of this labor excess by adding a value-added component and commercial kitchen to their operation. This would create work off-season using some of the products frozen during the processing season. Workers could produce items at a profit, and this was something that seemed likely to happen in the winter of 2017/2018.

Birds at Maple Wind farm are air-chilled, impacting the schedule for processing while adding value to the process. Carcasses are not packed or cut until over 24 hours of cooling, and so the schedule for processing revolves around this time lag.

While the plant-in-a-box was very innovative and a quick way to begin processing, Hennessey reiterated that more space was definitely preferred, and that the addition of automation to their cutting line would go a long way to streamlining his process.

BEST PRACTICES:

- USDA Plant-in-a-Box
- Air chilling
- Creative solutions for off-season poultry work



Vermont Packinghouse

Located along the edge of the Green Mountains in North Springfield, VT, is Vermont Packinghouse. Initiated as a project by Black River Produce to expand into meat and fish processing, Lorentz Meats' Arion Thiboumery has managed the operation since 2014 when Vermont Packinghouse took over and adopted Black River as one of its anchor customers.

Vermont Packinghouse slaughters around 200 pigs per week, 80-100 beef cattle per week, and about 70 lambs per week. As with Eagle Bridge, about 80% of the business at Vermont Packinghouse seems to come from about 20% of its customers, identifying these as 'anchor customers.' When its door first opened, however, Black River was responsible for almost 80% of its business.

Making use of a former Ben & Jerry's ice cream factory, Vermont Packinghouse is located just next door to Black River Produce. Some of its cold storage space, in fact, is still devoted to some of Black River's seafood business. The establishment was in the middle of a fairly large expansion in carcass cooling space, and had just completed a half-million dollar kill floor renovation. Vermont Packinghouse's kill floor is an extremely modern design built and installed by Riopel Industries in Quebec. This kill floor will allow a 50% increase in beef slaughter, and 25% increase in pork slaughter. This innovation brought the plant into better balance in terms of matching slaughter work and personnel with the personnel and work of processing and packing.

Workflow is very streamlined at Vermont Packinghouse, as cutting lines are situated to be fed directly by carcass breakers, which feed directly into further processing and packing lines. The majority of the work of each carcass happens in one room, in a very streamlined manner to avoid excessive product handling. The design of the plant flow was probably the most efficient of all the plants Brooks visited.

Thiboumery said Vermont Packinghouse does quite a bit of further processing, with seasonally-heavy smoked hams, and very regular orders of smoked bacons and fresh sausages. Having lots of fresh sausage recipes that are high quality and packed professionally brings Vermont Packinghouse a significant amount of processing work. The approach to training at Vermont Packinghouse was very similar to Eagle Bridge - identify strong personnel who could train new or weaker employees on the job.

Finally, though not least importantly, Vermont Packinghouse employs VistaTrac software throughout the processing facility for product and yield tracking. This software helps generate cutting orders, pulling customer information and filling in total weights and quantities of packed cuts for customers. This data is included as a service for many of Vermont Packinghouse's existing customers.

BEST PRACTICES:

- High-tech kill floor
- Matching slaughter and processing labor and workloads
- Professional packaging of value-added products with rollstock machine
- Establishment-wide software



10 BEST PRACTICES

PHYSICAL PLANT

1. Handling Facilities

Humane handling is a requirement of USDA meat inspection. Well-thought and properly designed animal flow through a meat processing facility creates a safe environment for both animals and plant operators, reducing animal stress, possible injury, and financial loss due to bruised meat. The time saved in a good handling system will more than pay for itself in increased throughput, as demonstrated by several of these facilities.

2. Kill Floor Technology

Specifically at Vermont Packinghouse, the Riopel equipment was a major investment, but will pay for itself with increased throughput in its first year of operation.

3. Plant-in-a-Box

At Maple Wind Farm, utilizing a shipping container as a poultry kill floor provides a relatively low-cost kill room, and can be added to almost any existing poultry plant. In theory, this same innovation could be used to build a low cost pork and lamb kill room in the same manner. Space limitations would determine throughput.

4. Shared USDA Processing Space

Providing USDA processing space for farmers and producers who would otherwise have to build such a facility allows food businesses in the area to develop their markets, refine technique, and graduate to larger production facilities. Additionally, onsite training helps owner/operators to better understand sanitary practice and allows access to HACCP plans for their products.

10 BEST PRACTICES

MARKETING/ PROCESSING

5. Air Chilling Poultry Carcasses

While inconclusive with regards to the higher food safety of chilling a poultry carcass by forced air movement rather than immersed in chilled fluid water, the market perception of an air-chilled bird is higher quality. Utilizing this method in a small poultry plant allows Maple Wind Farm an additional market differentiator on their pastured poultry products.

LOGISTICS AND DATA TRACKING

6. In-process Carcass and Meat Tracking Software

Data and product management is a big part of running any meat processing facility. It is made further difficult at the small and very-small plant levels by the number of customers served by a single establishment. Each customer may have multiple cutting orders for his/her livestock, and each shop must manage these orders accordingly in-house. Several shops lamented the mistakes made by a lack of software, poor software solutions, and complicated training for employees to new programs.

Vermont Packinghouse has a good grip on this problem, using an off-the-shelf solution with VistaTrac, and having data entry terminals at various points within the processing floor. In this case, the less manual entry the better, as every time an employee handles a cutting order or records something manually, a mistake can happen.

7. Offering Logistics and Refrigerated Storage

By coupling a business model for delivery of final products with a production business, Mad River Food Hub has introduced the idea of final product delivery to the very small USDA processor/packer. The conventional food system has plenty of logistics players, but small operators have generally eluded producers below a certain level. If a small logistics company can turn a profit and work alongside or within a small USDA plant, many customers might be willing to pay a premium to have their products included in delivery.

10 BEST PRACTICES

REGULATORY

8. Adoption of Cooperative Interstate Shipment Program

While not an innovation at the facility level, but rather the state level, any facility in a participating state will be granted local state inspectors rather than federally-appointed USDA inspectors, easing the inspector relationship.

MANAGEMENT- LABOR RELATIONS

9. Employee Culture

Eagle Bridge was the model for a positive employee culture, though each plant demonstrated its version of a system of cooperative training, employee incentive, and good pay to encourage employee retention and happiness. This is in very stark contrast to the reputation very large processing facilities have in the U.S. Because the costs are so high for training new employees and the pool of skilled labor is relatively small for workers interested in slaughter jobs, these companies have prioritized a positive work environment.

10. Off-Season Poultry Slaughter Work

In the world of small, local agriculture, pasture-raised animals reign supreme for reasons of land management, marketing, and public perception. This means animals are only ready for slaughter in the warmest months of the year. While certainly not the first to do so, Maple Wind Farm is advancing a conversation on alternative solutions to keep employees in work throughout these months of downtime. While the red meat plants seemed less affected, some cited irregular work throughout the year as stressful on their operations. Developing value-added processing or other food services utilizing existing infrastructure seems like a legitimate avenue to explore. With so much energy devoted to “quality of life” for the employee, this is the right industry to work to solve some of these problems.



HOW DO I FUND MY MEAT PROCESSING OPERATION?



Do you have money to invest in the business?

YES

Consider

Personal Investment
through cash or collateral on assets

NO

Do you have a robust personal network?

YES

Try

Love Money
capital given by family or friends

Crowdfunding
small amounts of capital from a large number of people; sourced with social media and crowdfunding websites

NO

Don't worry, we got you!

Is this an established business?

YES

Consider

Grants, Subsidies, Loans
like bank loans, term loans, USDA grants and loans

Business Assets
like common stock, preferred stock, bonds, debentures, or reinvesting retained earnings

NO

Explore

Venture Capital
provided by firms or funds to projects with a high level of risk

Incubators
for training, resources, and investment capital or funding links

Grants, Loans
like bank loans, term loans, USDA grants and loans

Angel Investors
affluent individuals who provide capital to early-stage businesses

FUNDING SOURCES



	Description	Businesses Funded			Projects Funded			Funding Options Offered					Website
		Food Funder	Ag Funder	Slaughter-house Funder	Niche/Organic	Mainstream/Conventional	Business Stage	Loan	SBA Loan	Line of Credit	Grant	Equity	
BB & T	Bank with agricultural lending for warehouse operations, equipment, and land purchases												https://www.bbt.com/business/lending/commercial-lending/agribusiness-lending.page
Fulton Bank	Bank offering agricultural lending plus agricultural leasing												https://www.fultonbank.com/Commercial/Spotlight-On-Industries/Agriculture
Key Bank	Bank offering finance and asset protection solutions to agribusiness												https://www.key.com/corporate/industry-expertise/agricultural-business-finance.jsp
M & T Bank	Bank offering agricultural bank accounts and lending												https://www.mtb.com/business/business-banking/industry-solutions/agriculture-businesses
PNC	One of top 20 agricultural banks in nation; bankers understand agribusiness operations												https://www.pnc.com/en/small-business/industry-solutions/solutions-for-agriculture.html
Wells Fargo	Bank offering specialized products and standard banking services to agricultural professionals												https://www.wellsfargo.com/biz/online-banking/solutions/agriculture
44 Business Capital	Loan division of Berkshire Bank, funds diverse types of small businesses												http://www.44businesscapital.com/sba-loan-assistance.php
Tabas Funding	Venture capital and angel funding preferring businesses within several hours drive of Philadelphia												http://tabasfunding.com/types-of-business-loans/
Fresh Source Capital	Venture capital with flexible solutions for each company's needs												https://www.freshsourcecapital.com/what-we-do/
Global Impact Investment Network	Facilitates impact investing between investor and investee												https://thegiin.org/knowledge/profile/craft3

Key



Yes



Maybe



No



Startup



Early stage



Established

FUNDING SOURCES, CONTINUED



	Description	Businesses Funded			Projects Funded			Funding Options Offered					Website
		Food Funder	Ag Funder	Slaughter-house Funder	Niche/Organic	Mainstream/Conventional	Business Stage	Loan	SBA Loan	Line of Credit	Grant	Equity	
RSF Social Finance	Offers investing, lending, and giving services to those committed to improving society and environment	✓	✓	✓	✓	✗	🐔	✓	✗	✗	✓	✗	http://rsfsocialfinance.org/get-funding/loans/
Fair Food Fund	Offers financing and business assistance to companies focused on food distribution	🍄	✓	✓	✓	✓	🐔🐔	✓	✗	✗	✗	✓	https://fairfoodnetwork.org/projects/fair-food-fund/
The Working World	Investment capital for cooperatives and businesses converting to worker-cooperatives	✓	✓	🍄	✓	✗	🥚🐔🐔	✓	✗	✗	✗	✗	http://www.theworkingworld.org/us/our-mission/
Fink Foundation	Foundation investing in projects limiting food waste and increasing food access	✓	🍄	🍄	✓	✗	🐔	✗	✗	✗	✓	✗	http://www.thefinkfamilyfoundation.org/impact-philosophy.html
Lancaster EDC Finance: PIDA	Agricultural loan providing incentive financing for major fixed assets: land, buildings, equipment, etc	🍄	✓	🍄	✓	✓	🐔🐔	✓	✗	✗	✗	✗	http://edcfinancecorp.com/agricultural-lending/pida-ag-fund/
Lancaster EDC Finance: Next Generation	Loans for beginning or first-time farm owner projects with low tax-exempt interest rate from the bank	🍄	✓	🍄	✓	✓	🥚🐔	✓	✗	✗	✗	✗	http://edcfinancecorp.com/agricultural-lending/next-generation-farmer-loan-ngflp/
Healthy Food Financing Initiative	Collection of funding resources with the purpose of increasing access to healthy foods, through CDFI	✓	✓	✓	✓	✓	🐔🐔	✓	✗	✗	✓	✗	https://www.acf.hhs.gov/ocs/programs/community-economic-development/healthy-food-financing
SEEDCopa: SBA	Two loan types, SBA 7A and SBA 504, to finance small business needs	✓	✓	✓	✓	✓	🥚🐔🐔	✓	✓	✗	✗	✗	http://www.seedcopa.com/Loans_7A_Basics.asp http://www.seedcopa.com/Loans_504_Basics.asp
USDA FSA	Loans to start, maintain, and strengthen agricultural business. Farm storage loan see page 39.	🍄	✓	🍄	✓	✓	🥚🐔🐔	✓	✗	✗	✗	✗	https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/farm-operating-loans/index
USDA Rural Development - REAP	Grant for improving energy efficiency for existing infrastructure, see page 38	🍄	✓	✓	✓	✓	🐔🐔	✓	✗	✗	✓	✗	https://www.rd.usda.gov/programs-services/programs-services-businesses
Local Food Promotion Program	Grant for local food business enterprises., see page 39	✓	✓	✓	✓	✓	🥚🐔🐔	✗	✗	✗	✓	✗	https://www.ams.usda.gov/services/grants/lfpp
Key		✓ Yes	🍄 Maybe	✗ No	🥚 Startup			🐔 Early stage	🐔 Established				

FUNDING: GRANTS & LOANS



	Description	Funding Source	Repayment	Criteria	Amount	Uses of Funding	Further Information	Contact Information
Tax Increment Financing (TIF)	Allows local governments to provide loans and grants to, or provide accommodating infrastructure improvements for, local businesses.	Local city councils and mayors	Through taxes	At discretion of local city councils and mayors.	Up to amount of increased tax revenue expected over 10-20 years.	Accommodating town infrastructure, construction costs.	CDFA TIF Resource Library	Contact local township and/or county
Tax Abatement	Counties and towns can agree to abate taxes for new or expanding business.	Local city councils and county supervisors	None	At discretion of local city councils and county supervisors.	Varies	Not specified		Contact local township and/or county
Rural Economic Development Loan and Grant ("Red Leg")	Local rural electrical or telephone cooperative applies to borrow money from the federal government. If application is successful, co-op passes money on to sub-applicant business.	Local rural electrical or telephone cooperative	0% interest for 10 years	Loan can only be accessed through a local rural electrical or telephone cooperative.	Maximum loan amount \$750,000. Successful applicants typically finance 5-17% of a project, and never more than 50%.	Many small meat lockers have been built or renovated over the years with these funds.		Contact local rural electric and/or telephone co-op
Small Business Administration's (SBA) Certified Development Corporation ("504") Loan Program	Program provides partially-subsidized and guaranteed loans. Local lender covers up to 50% of project costs, SBA covers up to 40%, and you must put in at least 10%.	SBA	Loan can be amortized over 10 or 20 years	Only available to for-profit businesses. Full criteria on website.	Maximum \$5.5 million	Can be used for financing of fixed expenses like real estate or equipment.	SBA portion of loan is usually below market rate. However, fees associated with the loan that equal 3% of the SBA portion are a drawback.	https://www.sba.gov/funding-programs/loans
Rural Energy for America Program (REAP) aka Section 9007 of Farm Bill	Only for energy-efficiency improvements to existing facility or equipment, and grants can only cover 25% of cost of eligible portions of renovation.	USDA	Grant, but can only cover 25% of cost of eligible portions of renovation	Only for energy-efficiency improvements. Professional energy audit required.	\$50,000 is the realistic cap. For renovations over \$200,000 a feasibility study is required and detailed business financial need must be demonstrated.	Only for existing facilities or equipment that are being made more energy efficient.	Best practice is to apply for both grant and loan guarantee. Decision is then made locally and rapidly. A grant is virtually assured if all paperwork is in order and funds are available when business applies for both.	https://www.rd.usda.gov/contact-us/state-offices

FUNDING: GRANTS & LOANS, CONTINUED



	Description	Funding Source	Repayment	Criteria	Amount	Uses of Funding	Further Information	Contact Information
Farm Storage Loans	Low interest financing for portable storage or refrigeration. Best for those with on-site animal handling.	USDA FSA	Loan terms vary from 3-12 years	Must be for eligible commodity (meat/poultry) and eligible facility type.	Minimum \$50,000 Maximum \$500,000	For portable storage, refrigerators, walk-in coolers, etc.	https://www.fsa.usda.gov/programs-and-services/price-support/facility-loans/farm-storage/index	https://offices.sc.gov.usda.gov/locator/app?agency=fsa
Local Food Promotion Program (LFPP)	Grants to support development of local/regional food businesses to increase consumption of local agricultural products, and to develop new market opportunities.	USDA ARS	Grant with 25% match	Must support food businesses that process, distribute, aggregate, or store locally/regionally produced food products.	Varies	LFPP Planning Grants fund planning stages of establishing or expanding a business.. LFPP Implementation Grants fund a new business, or to improve or expand existing business.	LFPP Planning Grants can include feasibility studies, business planning. LFPP Implementation Grants can include marketing, training, non-construction improvements.	https://www.ams.usda.gov/services/grants/lfpp
Value Added Producer Grants	Helps agricultural producers enter into value-added activities to generate new products, create and expand marketing opportunities, and increase producer income.	USDA Rural Business	Grant with 50% match of total project costs	Must be independent producer, agricultural producer groups, farmer- or rancher-cooperatives, or majority-controlled producer-based business venture.	Planning grants \$75,000 max, Working Capital Grants \$250,000 max	To help agricultural producers enter into value-added activities related to the processing and/ or marketing of new products. This grant can cover processing costs for a farmer.	Applicants may receive priority if they are a beginning and/or socially-disadvantaged farmer or rancher, a small or medium-sized family farm, a farmer/rancher cooperative, or propose a mid-tier value chain.	https://www.rd.usda.gov/programs-services/value-added-producer-grants
Rural Business Development Grant	Competitive grant to support activities leading to development or expansion of private businesses in rural areas. Programmatic activities are separated into enterprise or opportunity type grant activities.	USDA Rural Business	Grant, no cost sharing requirement	For small and emerging private businesses in rural areas employing 50 or fewer new employees with less than \$1 million in gross revenue.	Minimum \$10,000 Maximum \$500,000	To support targeted technical assistance, training, and other activities leading to development or expansion of applicable businesses.		https://www.rd.usda.gov/programs-services/rural-business-development-grants
Rural Cooperative Development Grant	Helps individuals and businesses start, expand, or improve rural cooperatives and other mutually-owned businesses through Cooperative Development Centers.	USDA Rural Business	Grant with 25% match of total project costs	Only nonprofit corporations and higher education institutions can apply.	Maximum \$200,000	For developing and operating a Rural Cooperative Development Center.	Examples of services Centers provide are conducting feasibility studies, developing business plans, and facilitating strategic planning.	https://www.rd.usda.gov/programs-services/rural-cooperative-development-grant-program

BUSINESS STRUCTURES

Options for new meat processing plants in Pennsylvania

Please note that this information was drafted specifically for businesses in Pennsylvania. Not all information may apply to other states. Do not use this information as a substitute for legal advice.

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Trellis Legal is a law firm focused on providing accessible and cost-effective legal services to businesses, non-profits, and citizens in Pennsylvania. Trellis provides legal services related to urban and rural agriculture, food businesses, entity formation, and transactional law. Learn more at www.trellispgh.com or call 412-450-0298.



QUICK GUIDE TO CHOOSING A BUSINESS STRUCTURE



LOW EFFORT
LOW COST



HIGH EFFORT
HIGH COST

BUSINESS STRUCTURE	BRIEF DESCRIPTION	PROS	CONS
Sole Proprietorship	A one-owner business	<ul style="list-style-type: none">Easiest to formFull ownershipSimple to runDo not need to incorporate	<ul style="list-style-type: none">No legal protectionOwners responsible for all business debt and liability
Partnership	Business with more than one owner		
Single Member LLC	Taxed like sole proprietorship but limits liability	<ul style="list-style-type: none">Easy to formLimits liability	<ul style="list-style-type: none">Less favorable tax treatment than corporations
Multi Member LLC	Taxed like partnership but limits liability	<ul style="list-style-type: none">Simpler to run than corporationIdeal for small startup business	<ul style="list-style-type: none">Customers must provide 1099 yearly
C Corporation	Has legal existence distinct from its owners	<ul style="list-style-type: none">Limited liabilityFavorable tax breaks	<ul style="list-style-type: none">More effort/expense to form and run
S Corporation	Has its own legal existence; shareholders share tax burden	<ul style="list-style-type: none">Close corp has relaxed rules for governance	<ul style="list-style-type: none">Board of directors managesShareholders can take over management of Close Corp
Close Corporation	Small corp without strict formalities		
Benefit Corporation	Same legal structure as C Corp, plus social and environmental responsibility	<ul style="list-style-type: none">Triple bottom line approach attracts investors, employeesSimilar benefits to C Corp and S Corp	<ul style="list-style-type: none">Yearly audit requiredBenefit Company structure not widely available
Benefit Company	The LLC version of Benefit Corporation		
Nonprofit	Organization with a mission to serve the public interest	<ul style="list-style-type: none">Donations to 501(c)(3) nonprofit are tax-deductibleNonprofits don't pay, but do file, taxesEligible for more grantsFavorable role in community	<ul style="list-style-type: none">High effort to incorporate/runBusiness founder does not own company
Cooperative	Business owned and controlled by members; can be for-profit or non-profit		<ul style="list-style-type: none">Board makes decisionsNo one structure for Cooperatives

BUSINESS STRUCTURES



	Description	Cost of Formation	Effort to Create Entity	Cost to Operate	Shield for Liability	Legal Resources Needed	Effort to Close Business	Decision Making Structure
Sole Proprietorship	A one-owner business. Without having a partner or incorporating, business is automatically a sole proprietorship.	Very low	Very low	Very low	None	None required for formation. Owner personally liable for business-related lawsuits.	Low	Sole proprietor has full control.
Partnership	A business with more than one owner is automatically a partnership unless incorporated differently.	Very low	Very low	Very low	None	None required for formation. Owner personally liable for business-related lawsuits.	Low	Owners specify in partnership agreement.
Single Member LLC	A one-owner business that is taxed like a sole proprietorship but limits liability.	Moderate	Moderate	Very low	Limited liability	None required for formation, though it may be beneficial.	Moderate	Sole owner has full control, unless specified otherwise.
Multi Member LLC	A business with more than one owner that is taxed like a partnership but limits liability.	Moderate	Moderate	Low	Limited liability	None required for formation, though it may be beneficial.	Moderate	Very flexible. Detailed in operating agreement.
C Corporation	Has legal existence distinct from its owners and is considered its own legal "person." C Corps pay taxes as corporate entities.	High	High	High	Limited liability	Recommended for formation.	High	Managed by shareholder-elected Board of Directors. Board appoints officers to run day-to-day affairs.
S Corporation	An S Corporation, or small business corporation, has legal existence distinct from its owners. Individual shareholders split up S Corp's tax burden.	High	High	High	Limited liability	Recommended for formation.	High	Managed by shareholder-elected Board of Directors. Board appoints officers to run day-to-day affairs.
Close Corporation	A smaller corporation able to operate without the strict formalities required of a corporation.	Very high	Very high	Moderate	Limited liability	Recommended for formation. Required for shareholder agreement.	Moderate	Shareholders and directors operate like a partnership. Shareholders can override.
Benefit Corporation	Has same legal structure as a C Corporation but allows business to consider profit as well as society and the environment through public purpose.	High	High	High	Limited liability	Recommended for formation.	High	Managed by Board of Directors. Benefit Principles affect decision making. Benefit Director required.
Benefit Company	LLC version of Benefit Corporation; new structure in PA as of 2/2017. Benefit companies share some, but not all, requirements with Benefit Corporations.	Moderate	High	Moderate	Limited liability	Recommended for formation.	Moderate	Very flexible. Benefit Principles affect decision making. Benefit Director not required.
Nonprofit	Organization with a mission to serve the public interest that has filed incorporation papers with the state.	Very high	Very high	Moderate	Limited liability	Recommended for formation.	High	Executive Director reports to Board of Directors which makes decisions.
Cooperative	A business owned and controlled by members. Customizable structure - can be non-profit or for-profit business.	High	Very high	Moderate	Limited liability	Recommended for formation.	Depends on structure	Members are part owners, role varies depending on type of cooperative.

BUSINESS STRUCTURES , CONTINUED



	Role of Board in Organization	Ownership and Equity	Owner Pay	Tax Issues	Employment Taxes	File Annual Report with State	Audit Required
Sole Proprietorship	NA	Sole proprietor owns whole company.	Owner is not employee, paid through draws.	Profit or loss reported on personal tax return. Quarterly self-employment taxes, file Schedule C with taxes.	Owner pays self-employment taxes on income after all expenses.	No	None
Partnership	NA	General partnership default is equal.	Partners not employees, paid through draw.	Profit or loss reported on partners personal tax returns.	Partners pay self-employment taxes on income after all expenses.	No	None
Single Member LLC	Optional. Management structure can include board or not.	Sole member owns whole company.	If pass through tax election, paid by draws. If S or C Corp, paid as employee.	Can be taxed as pass-through entity like sole proprietorship or as an S Corp or C Corp.	Member pays self-employment taxes if not S Corp or C Corp.	No. Annual registration fee unless restricted LLC.	None
Multi Member LLC	Optional. Management structure can include board or not.	Detailed in operating agreement. Owners are "members."	If pass through tax election, paid by draws. If S or C Corp, paid as employee.	Can be taxed as pass-through entity like partnership or as an S Corp or C Corp.	Member pays self-employment taxes if not S Corp or C Corp.	No. Annual registration fee unless restricted LLC.	None
C Corporation	Board of Directors manages business, not required for small corps.	Sale of stock.	Shareholders paid as employees.	Taxed at entity level and for dividends.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	No	None
S Corporation	Board of Directors manages business, not required for small corps.	Sale of stock.	Shareholders paid as employees.	Shareholders report corporate income and losses. S Corp files informational return Form 1120-S.	Shareholders can deduct health insurance premiums from income tax as personal deduction.	No	None
Close Corporation	Board not required.	Limit of 30 shareholders. Limits on selling shares to outsiders.	If pass through tax election, paid by draws. If S or C Corp, paid as employee.	Cannot avoid corporate taxation like S Corps. Shareholders may have double-taxation of earnings on corporate and personal tax returns.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	No	None
Benefit Corporation	Board of Directors manages business.	Sale of stock.	Shareholders paid as employees.	Taxed at entity level and individual level for dividends.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	Yes, annual fee.	Annual Benefit Report
Benefit Company	Detailed in operating agreement.	Detailed in operating agreement. Owners are "members."	If pass through tax election, paid by draws. If S or C Corp, paid as employee.	Can be taxed as pass-through entity like partnership, or as S Corp or C Corp.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	Yes, annual fee.	Annual Benefit Report
Nonprofit	Board of Directors required.	Directors can't benefit from nonprofit.	Board is unpaid. Can hire Executive Director to run day to day.	Record and track restricted and unrestricted income. May need to pay taxes on revenues from activities unrelated to nonprofit mission.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	No	Obligatory annual financial audit
Cooperative	Board of Directors required.	Most cooperatives require member equity.	If pass through tax election, paid by draws. If S or C Corp, paid as employee.	Net earnings distributed to members as patronage refunds. Process varies depending on cooperative type.	Must withhold Social Security, Medicare, state payroll taxes from employee salaries. Fringe benefits deductible as business expense.	No	None

BUSINESS STRUCTURES , CONTINUED



	Access to Capital	Role in Community	General Perks of Structure	General Drawbacks of Structure	Little Known Facts
Sole Proprietorship	See funding sources chart.	Varies depending on individual business.	Ease of formation.	Owner personally liable for business debts. No limited liability protection.	
Partnership	See funding sources chart.	Varies depending on individual business.	Ease of formation. Can be taxed as partnership or S Corp.	Owners personally liable for business debts. No limited liability protection. No beneficial employment tax treatment.	
Single Member LLC	See funding sources chart.	Varies depending on individual business.	Limits liability. Best for new small businesses; simpler and easier to run than corporation. As business earns more can transition to S Corp.	Can't save on self-employment taxes like S Corp does. 1099 needed from customers paying LLC more than \$600/year.	
Multi Member LLC	See funding sources chart.	Varies depending on individual business.	Limits liability. Flexible management structure. Best for small businesses. Once business earns more can transition to S Corp.	Can't save on self-employment taxes like S Corp does. 1099 needed from customers paying LLC more than \$600/year.	
C Corporation	See funding sources chart. Can offer stock.	Varies depending on individual business.	Limits liability. Can save on taxes. Shareholders can borrow up to \$10k from corporation free of interest.	Additional cost to form and operate.	
S Corporation	See funding sources chart. Can offer stock.	Varies depending on individual business.	Limits liability. Taxes simpler than for C Corp. Self-employment taxes paid on employee salary, but not on distributions from S Corp.	Additional IRS rules on who can establish S Corp and how it operates. Limit of 100 shareholders. No foreign owners.	
Close Corporation	See funding sources chart. Cannot make public offering of stock.	Varies depending on individual business.	Limits liability. Relaxed rules for governance. Shareholders have control over sale of shares to outsiders. Available in PA.	Additional cost to incorporate. Governed by both bylaws and shareholder agreement. Shareholders can override directors and act on their own. Not available in all states.	Shares have limited resale value. Can't make public offering of stock.
Benefit Corporation	Benefit corporation status can attract investors and speed up due diligence. Can offer stock.	Commitment to creating general public benefit.	Limits liability. Attract employees and customers interested in company's purpose. Can be more attractive to investors.	Additional cost to form and operate. In addition to C Corporation requirements, also needs Benefit Director. Not available in all states.	Any formal entity structure can undergo third party audit by Blabs to be independently certified as "B-Corp."
Benefit Company	Benefit company status can attract investors and speed up due diligence.	Commitment to creating general public benefit.	Limits liability. Attract employees and customers interested in company's purpose. Can be more attractive to investors. Easier to set up and run than Benefit Corporation.	Relatively new legal structure. Not available in all states.	Any formal entity structure can undergo third party audit by Blabs to be independently certified as "B-Corp."
Nonprofit	Eligible for grants, collect membership fees, collect tax-deductible individual contributions if 501(c)(3).	Exists to further mission in the public interest.	501(c)(3) status exempts from federal income tax and also makes donor contributions tax-deductible.	Difficult to achieve IRS nonprofit status. Other non-501(c)(3) nonprofit status does not allow tax-deductible contributions. Reporting required for grants.	Can not be involved with anything political. For list of other nonprofit types see IRS Publication 557 page 67.
Cooperative	See funding sources chart. Membership equity often required.	Strengthens communities by providing jobs, paying local taxes, and creating sense of ownership among employees.	Limits liability. Customizable. Can use similar incorporation process to non-profit or for-profit businesses, changing paperwork as required by law. Members get discounted goods or services.	Customizable depending on type of cooperative; may be more difficult to decide on details of business structure. More complex to manage shares, meetings, etc.	



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