

**Livestock Processing in the Mother Lode:  
Evaluation of a Rural Economic Development Project**

Prepared for the  
Livestock Processing Steering Committee  
of  
Amador, Calaveras, El Dorado and Tuolumne Counties

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## I. INTRODUCTION

This is an evaluation of the project undertaken by a steering committee in the four county region of El Dorado, Amador, Calaveras and Tuolumne Counties (hereafter referred to as The Mother Lode) to determine the feasibility of developing a livestock processing facility.

To complete research on this project, I worked with the steering committee over a nine-month period. During that time I completed interviews with all ten steering committee members, two small scale grass-fed beef ranchers, one local retailer, one owner of a state inspected butcher shop, and one manager of a USDA inspected livestock processing facility. I conducted these interviews at the businesses, homes, farms, and ranches of interviewees. I also attended, observed, and served as note-taker at three months of steering committee strategizing meetings and attended and observed two stakeholder meetings open to all ranchers and other interested parties in the region. I accompanied the steering committee in their site visit to a potential facility location and served as note-taker and photographer. I also went on several tours: I toured an existing USDA inspected livestock processing facility that does both slaughter and packaging as well as a livestock auction yard, and the farms and ranches of five interviewees.

In this evaluation, I will synthesize the results of my research, draw conclusions, and evaluate the process undertaken thus far. To do this I will discuss the possibilities for facility design and scope and models for the organizational structure. I will also look at some of the challenges facing the project. Finally, I will discuss the characteristics of the steering committee and its members. I will explore their individual motivations and

attitudes, their relationships with each other, their roles in the process and how each of these contributes to the project.

I hope that this evaluation serves to demonstrate the strengths of the committee and to bring to light questions about feasibility of developing a livestock processing facility in the Mother Lode.

I am not an agricultural economist, a rancher, or a businessperson, and, therefore, I am not in a position to make recommendations for a facility design or a business model. However, I have experience in assisting with group processes, and that is where this evaluation is focused.

Rural development studies have shown that it is not just economics or marketing that make a project succeed or fail, but also a number of social factors. A community or region's economic traits alone cannot explain its well-being.<sup>i</sup> In fact, some argue that building "social infrastructure," that is, relationships of community members within the organizations or institutions to which they belong, is actually the precursor to building physical infrastructure.<sup>ii</sup> In examining the steering committee's "social infrastructure" I found that at its core is a common narrative, or way of telling the story about the potential for the facility, that binds the steering committee and other stakeholders together, and continues to motivate them when they have disputes or when the project seems infeasible. Despite the committee's diversity in political and professional backgrounds and varied reasons for being involved in the process, there are three common themes in how members conceive of the project.

These themes are discussed below. The use of the word “our” refers to the committee members and other regional stakeholders:

- **A livestock processing facility in our region can be a way to honor the practices of past generations.**

Steering committee members feel that they can learn from the ways that generations past related to the land and to each other, and the way that they conducted business. For example, they find value in using the whole animal, in being more locally and regionally connected economically, and in understanding what the land can and can't yield.

- **A livestock processing facility in our region can create opportunities for meaningful work for future generations.**

This value is expressed in terms of creating meaningful vocational opportunities for young people that help them to stay in the region, and have jobs that connect them to the past and to the land, while also generating a business model for the future.

- **A livestock processing facility can reinvigorate the local rural economy through adding value to what the land produces, rather than relying on industrial or urban economic models.**

Committee members feel pride in living in a rural community and enjoy being distinct from urban places. They express that economic development should reflect rural values of local control, health, and valuing the land for what it can produce. They wish to capture some of the value in the processing of raw material in a manner that gives their region more control and more potential for economic well-being.

It is these common values that continuously reinforce the group's ability to work toward the goal of developing a livestock processing facility, even as the committee struggles to determine organizational structure, research the number of incoming animals ranchers can commit, debate the merits of various scales and models for the facility, and, ultimately, decide if building a facility is feasible at all.

Using the common narrative shared by the steering committee as a foundation, I completed this evaluation on two levels that serve different purposes, and different audiences.

1. The first level is that of documentation. This piece serves to record the process undertaken by the steering committee so that future stakeholders in this project learn the history of the project, and are able to use it as an entry point. This assists the steering committee in conveying consistent and complete information to newcomers.
2. The second level is reflection. This piece compiles the conclusions drawn by the steering committee members in interviews and allows them to look back on what their process has accomplished so far and what next steps are necessary. This part of the process will also assist others engaging in this kind of process in other regions.

## II. FACILITY SCALE, SCOPE, AND FEATURES

To understand toward what end the steering committee is motivated to work, I will start by describing the various elements of the facility that have been envisioned and discussed. In so doing, it is important to note that, however inconvenient the existing outlets for processing are, ranchers are making them work. There are multiple options for USDA processing, but they are outside of the immediate region. While there are only two facilities that can do slaughter and cut and wrap under one roof, ranchers have

generally worked out arrangements with slaughterhouses and cut and wrap facilities to transport carcasses. While these are not ideal set ups, they are working to meet the current demand, except in busy periods, when these facilities get overbooked.

Ranchers generally feel that if they could process locally, they would likely increase the size of their business by building their herds and acquiring additional leased land if necessary. But building a new facility is a big investment and a risky endeavor. There is some fear that if a new facility is developed, the demand for the service will not be enough for a profitable business model, since direct marketed meat is a growing, but still very small niche market. (Direct marketed meat includes meats identified as natural, grass-fed, or which are simply sold outside of the dominant value-chain.)

Looking for options that would require less of an upfront investment, the group has investigated a number of models. They looked into the possibility of building a mobile unit, discussed the options of organizing a transportation cooperative, or developing more local freezer storage space in lieu of the major capital investment required by a full scale livestock processing facility.

In steering committee meetings, there has been a general conclusion that anything smaller than a fully functional slaughter and cut and wrap facility will not be profit-generating. According to research done by the steering committee members, and case studies reviewed by the project facilitator, a mobile unit will lose money when it is in transit, and to remain in operation, will have to charge a fee that would be cost prohibitive to most producers according to financial and logistical analysis completed by the project facilitator. Based on data collected from ranchers and facility managers,

transportation cooperatives appeared to have little value except for the smallest of ranchers, who are often reluctant to undergo the inconvenience of coordinating transport anyway. In my interviews, building freezer storage was revealed to have little value, because most ranchers of a medium- to large-scale were likely to invest in an on-ranch freezer to avoid having to travel to pick up their product.

The group has concluded that the most viable business models are also those that require the most investment. This makes some steering committee members hesitant to proceed, because a failure could mean a huge loss.

To determine what elements will work best for the industry and the region, the group has started to collect information and weigh the pros and cons for various conceptions of facility scale, scope and features. These elements include slaughter, cut and wrap, value-added processing, centralized storage, ordering and shipping, agri-tourism, and vocational training. The group will likely include some or all of these elements in their final facility concept.

#### A. SLAUGHTER

Slaughter is the element of the facility that brings the most potential for community opposition. It also would require a very specific building design and expensive equipment. This would mean extensive remodeling of an existing facility, or a high-cost

In steering committee meetings, there has been a general conclusion that anything smaller than a fully functional slaughter and cut and wrap facility will not be profit-generating.

design and construction of a new facility. Discussion at steering committee meetings has indicated an understanding that there is no profit in slaughter, despite it being an essential element of processing the animal. The profit is in the value-added products.

#### B. CUT AND WRAP

Another possibility that has been discussed has been the development of a cut and wrap facility without a slaughter facility. This would require forming a partnership with an existing USDA slaughter facility, all of which are more than a few hours away from the Mother Lode region. Some have mentioned the possibility of starting with cut and wrap and adding slaughter at a later date, although they wonder at the feasibility of getting community support for this idea.

The group has discussed the possibility of starting two businesses simultaneously. Marketing might help bring in the needed profit, and support the livestock processing facility while it is getting established.

#### C. VALUE-ADDED PROCESSING

Producing products such as sausage, smoked meats, jerky, and dog treats for retail sale has been discussed. Concern about this model is that there isn't a big retail market locally. The market would be in the nearby urban regions of Sacramento and the Bay Area, so products would have to be transported. Also, there is not currently a plan to have a unified marketing plan or brand. These products could be sold under the various labels of the farmers who produce them. Developing a marketing plan would be a very different business than developing a processing facility. The group has discussed the possibility of starting two businesses simultaneously. The idea would

be that the marketing might help bring in the needed profit, and therefore be able to support the livestock processing facility while it is getting established.

#### D. CENTRALIZED STORAGE, ORDERING, & SHIPPING

As mentioned previously, storage space alone seems to have little value for ranchers that are increasing their business size because most are looking into buying their own freezers to store meat. However, it might be valuable for very small scale ranchers. Additionally, some interviewees are interested in the possibility of combining storage freezers with a shipping service. One interviewee envisions that each rancher would maintain his/her independent ranch label, but pay for a centralized ordering and shipping system. Clients could order meat from a rancher's website, and meat would be boxed and shipped and inventoried from a shared central location. Each ranch would have a separate account and separate locker, but would pay a fee to have ordering, payment processing and shipping done by the facility.

#### E. AGRI-TOURISM

One interviewee envisions that the facility could not only process livestock, but could also attract those interested in learning about

The idea is that not only could this model create income for the facility, but also for surrounding wineries, hotels or bed and breakfasts, gas stations, and coffee shops.

charcuterie and gourmet cuts of meat. He envisions a kind of agri-tourism in which customers would come attend classes in the day, attend a dinner in the evening that paired local meats with local wines, and perhaps stay the night in local lodging. The idea is that not only could this model create income for the facility, but also for surrounding wineries, hotels or bed and breakfasts, gas stations, and coffee shops.

#### F. VOCATIONAL TRAINING

A few members of the committee see the opportunity that this facility could create in providing training, not only for butchers, but also for those interested in retail, tourism and business management. This model has been explored by the committee. The group facilitator visited two high school sites that have vocational training programs in meat processing. One steering committee member has been working on making connections at the local community colleges. Because of the cyclical nature of livestock processing, one rancher pointed out that using students who are on a school schedule could correlate well with the supply cycle of animals to be processed. During the fall, a slow season, students would be in training. By the spring, when they had learned the trade, volume would pick up. And in the summer, when volume diminishes again, they would be out of school.

#### G. ASSESSMENT

Based on the opinions and experiences revealed in interviews and participant observation at steering committee meetings, it is apparent that the ranchers in the steering committee are particularly interested in the slaughter and cut and wrap elements of the facility. Value-added processing, storage and shipping services, agri-tourism and vocational training are innovative elements that are generally supported by all group members, but are more actively discussed by the community activists, who envision this project as meeting various economic development goals beyond those that serve ranchers.

The innovate elements, particularly agri-tourism and vocational training, should certainly be considered from the beginning when design the facility. (Location, size, capacity for expansion will all be important considerations). However, these elements are more likely to be successful after the facility has gained a reputation for high quality

work, professionalism, and concern about the community in which it is located. It is more likely that a local community will provide the support the facility will need to gain funding (and students!) for a vocational training program, and the political will to invest in infrastructure that will support an agri-tourism effort (e.g. façade improvements, road repairs, and signage) once facility operators have gained its trust. Facilitating realization of a long term vision that may include some or all of the elements described above will require good leadership and strategic direction. The organizational structure will be crucial to laying this groundwork.

## I. ORGANIZATIONAL STRUCTURE

The steering committee has discussed various organizational and ownership structures. One of the steering committee members knows two local corporate attorneys who have been providing some initial advice to the group. No model has emerged as the most desirable. However, based on advice from the attorneys, the group has ruled out sole proprietorship.

### A. COOPERATIVE MODEL

Some members hesitate at the idea of a cooperative model because there are so few successful examples, but many examples of failure. One interviewee pointed to the fact that successful cooperatives are usually very large, and thereby able to exert some control over market prices. This facility would not have the input volume needed to do that. The advising attorneys are not experts on cooperatives and so have not been able to give them direction on this possibility. However, at the time of this writing the project facilitator had made contact with an attorney specializing in cooperatives who volunteered to create a cooperative business plan so that the group might continue to vet this option.

## B. PARTNERSHIP MODEL

One example that the committee members have been looking at with interest is a small state-inspected operation in the region that is co-owned by four ranchers who are also restaurant owners. They are able to process animals and sell them to their restaurants. One interviewee speculated that the reason for their success has to do with the vertical integration of their businesses. Also, because they are restaurant owners, these ranchers are perceived by the steering committee as being more entrepreneurial than the ranchers on the steering committee. While this model is successful for the four ranchers involved, it seems unlikely that the steering committee will choose this option because it does not accomplish the goals they have of scaling up and accessing bigger markets.

## C. UNIFIED LABEL

One interviewee feels strongly that the only way to successfully generate enough consistent incoming livestock for the facility is to form a unified brand. He believes that the profit is in adding value to the meat through slaughter, cut and wrap and marketing, and so facility owners must plan on making their profit by having some kind of ownership in the final product, rather than solely providing a service to individual ranchers for which they pay a fee. While ranchers like the idea in theory, they struggle with the fact that they won't have direct control over the quality of the meat, risking inconsistency in their product, and thereby a risk to their reputation with customers.

Additionally, a livestock facility consultant that has provided some advice to the group expressed that when a plant buys the meat from the rancher, it becomes the plant's responsibility to market and sell the product, and that it can be hard to move this much product. If it does not sell soon after it is packaged, it often ends up having to be severely

discounted, and this doesn't generate income for the facility. According to the facility consultant, product moves more quickly when individual ranchers own it and are responsible for selling it.

#### D. INVESTOR-OWNED CORPORATION

The most commonly discussed possibility is that the facility should be owned by a corporation. The attorneys have advised the formation of a limited liability corporation or similar business structure because it entails the least amount of risk to individual investors. There is debate about whether the ranchers themselves should form that corporation, or whether the investment needs to come from an outside entrepreneur. At steering committee meetings, participants have expressed a general sentiment that ranchers are a conservative group, and are particularly risk adverse. This sentiment has been confirmed by the committee facilitator who relayed to the committee that in the feasibility studies conducted elsewhere in California, one of the largest barriers to moving forward with facility development was ranchers' aversion to risk.

Per the advice of the attorneys, the steering committee is considering creative options that might give them access to investors. One possibility is becoming a subsidiary to a large scale meat packing business (like IBP). The attorneys said that this model has been used before and that the big meat packers generally have a somewhat "hands off" approach to ownership, allowing the locals to run the facility. Another idea is to get sponsorship from a Silicon Valley company like Google or Apple, which might be interested in some kind of partnership that allows them to provide local meat at their employee restaurants. The attorneys have advised that, as they explore these options, the

committee request a non-disclosure agreement from potential partners and investors in order to protect their interests.

#### E. ASSESSMENT

A limited liability corporation appears to be the favored organizational structure. Currently the steering committee members are eager to find an outside investor who will take on the brunt of the risk. However, because this is being promoted to both ranchers and the communities as locally generated project, with a potential benefit to the local and regional economy, I argue that it is important that the committee consider the feasibility of the facility based on their own investment coupled with financing from a local bank or Community Development Financial Institution (CDFI). If the steering committee themselves are comfortable making an investment, this indicates sufficient confidence in their business model to approach potential investors. An outside investor may be more willing to match a local investment, as it not only demonstrates that the local stakeholders have faith in the business potential, but also reduces the risk for any one party. However, there are still a number of impediments that need to be overcome before the steering committee will feel comfortable soliciting investors or making their own investments in a new facility.

#### II. IMPEDIMENTS TO FACILITY FEASIBILITY

There are a number of impediments resulting from economic and social factors that need to be addressed in order for the committee to make key decisions about the project. Most of these consist of circumstances that are hard to predict, or are due to lack of some key information.

Recently, the steering committee facilitator worked with a facility development consultant to develop financial models for three different facility sizes. Scenario A was for a facility that slaughters and processes 3,500 head of cattle per year. Scenario B was for slaughter and processing of 2,000 head of cattle, and Scenario C was for slaughter only of 1,000-2,000 head of cattle. (In any scenario, the facility will likely be multi-species, processing pork, goat, lamb, and beef, but the volume is discussed in head of cattle for consistency and because most of the animals processed will be beef). The consultant determined that Scenario C was not feasible because it would not be able to compete with existing facilities. Scenario A had the best profit margins, and Scenario B was also feasible. The committee now has a target number of 2,000-3,500 head of cattle per year and will likely factor this number into their decision making process(i.e. can the facility attract this kind of volume?).

#### A. HIGH AUCTION PRICES IN A CHANGING MARKET

Currently, conventionally raised livestock, particularly beef, is selling at auction for more than they would by finishing on grass. This means that conventional ranchers are unlikely to make a switch to selling through direct marketing, unless they are motivated by factors other than price. While in the long run some steering committee members argue that a switch to direct marketed meat allows ranchers to avoid the unpredictability of the historically volatile auction market, current auction prices are high enough that the effort to switch to an alternative system is not worth the marginal difference in profit.

According to one interviewee, until the mid-2000s, the cattle market fluctuated on a 10 year cycle as herds grew and shrank depending on demand. However, this cycle appears to be changing. One rancher attributed this change to an increasing global

demand for meat, especially in China and other quickly developing nations.

Additionally, many ranchers are retiring, but there are fewer and fewer replacements, due to low numbers of newly starting ranchers. Because the industry is shrinking with less and less beef on the U.S. market and an increase in beef importation, demand remains higher than supply. Until something alters in this pattern, it will remain difficult for conventional ranchers to justify switching to direct marketing, which usually entails having animals on a natural or grass-fed program. This requires significantly more time and more investment in feed and water, since animals are finished on the farm, rather than sold to a feed lot.

Note: It is possible that the drought that occurred at the time of this writing in the Midwest will elevate the price of corn to the degree that conventional beef prices will go up further, but profit margins will decrease. This may serve as an economic driver to push more ranchers into the grass fed market. However, in the Mother Lode region there is little irrigation available, which makes finishing cows over the summer difficult without buying a lot of alfalfa or other grass feed, or investing in the construction of irrigation ponds.

#### B. UNKNOWN INPUT

In part due to high auction prices, it is hard to get ranchers to commit to a solid number of animals they could have slaughtered at a new facility. Most are unwilling to commit if they know that there is a possibility that they could make more money in selling animals at auction than by finishing them themselves. Additionally, ranchers can't commit if they don't know the price for the service or the quality of the work to be done by the new facility. Not having these input numbers is problematic because without knowing income

to the facility, attracting investors or getting bank loans will be difficult, if not impossible.

A survey was distributed early in the grant period to interested ranchers in the region to ask how many animals each could commit to bringing to the facility if it were open. However, the survey response rate was very low. Even some steering committee members did not respond. Part of this low response rate was due to the survey being distributed by mail. The committee has discussed the possibility of conducting the survey again over the phone or face-to-face. However, the reasons for non-response are complex. Some ranchers feel that until they know what the facility is going to be like and whether it will do a good job, it is very risky to commit animals.

Ranchers have strong relationships with current processors, and if they were to commit animals to be processed in the new facility, it would likely be only during the busiest times of the year, when their existing processors are overbooked, at least until they saw that the new facility was reputable and likely to stay open. Also, some ranchers believe that they'll be able to grow if a new facility comes to their region. However, without having the facility in place, they can't commit future animals that they don't yet have.

Ranchers believe it is important that a new facility would complement the services of existing providers, not compete with them.

### C. LOYALTY TO EXISTING PROCESSORS

Those interviewed also expressed sentiments of loyalty to existing livestock processors, both USDA and state inspected. These ranchers believe it is important that a new facility would complement the

services of existing providers, not compete with them. Ranchers expressed that if they take their business elsewhere, they risk burning a bridge with the original service provider that could not be rebuilt if the new local facility were to fail. In addition to these economic reasons, one steering committee member said that it is important to recognize the key role existing processors have had in building the industry. He explained that a particular USDA slaughter and cut and wrap facility in the northern part of the state was key in allowing the Northern California grass-fed beef industry to take off the way that it did. He said that before the influx of additional customers from new grass-fed beef producers, the facility was not doing very much business. Although this facility is more than a few hours outside of the Mother Lode region, it was having this facility available in the first place that allowed producers to gain access to the farmers' markets and test the demand for the product.

“Although we know it is an expanding market, it is also a very small market, and so, it doesn't take very many competitors to flood the market with processing capacity.”

#### D. POTENTIAL COMPETITION

Another related factor that makes the facility income difficult to project is the fact that there are other existing or new processors that could potentially compete with a new facility if developed. The committee fears that even if they build a facility, they will not be able to keep costs as low as other processors outside of the region. The processors currently being used by local ranchers are reasonably priced. They are able to keep costs low because they generally have been in business a long time, and have low overhead. One rancher said, “Although we know it is an expanding market, it is also a very small

market, and so, it doesn't take very many competitors to flood the market with processing capacity." So, while there are currently too few processors, it won't take much for there to be too many. One processor in the nearby Sacramento region that currently only processes lamb is looking at expanding into beef processing. If it does so, competition in the region would increase. The response of the group is that perhaps the Mother Lode facility could counteract the impact of this competition by diversifying their products and services, but this unknown seems to be a significant hindrance in moving forward.

On a positive note, the committee did get some numbers from the local county fairs that show 4-H project animals and other livestock. These animals are processed after they are shown at the summer fairs. Having the business of the fairs could possibly provide income in the slow summer months. However, the number of animals would be between 21 and 45 beef per month, approximately 17-30% of the monthly total needed for the facility size range recommended by the facility consultant (2000-3,500 head per year). This means that the slaughter and processing volume would have to be higher in the Spring and Fall to make up for the summer deficit. Part of the work that still lies ahead for the steering committee will be to understand the cyclical nature of the industry, and determine how to handle the peaks and valleys in processing. While the facility will be multi-species, beef is likely to contribute much of the volume. While it is possible for beef ranchers to stagger when their animals finish, developing such a schedule takes time. Currently, most grass-fed beef is slaughtered in early summer. It may be possible to fill in the slow months with other livestock such as lamb, goats, or hogs. Developing the facility as a poultry plant would also avoid some of these peaks and valleys. However,

this would add to the capital outlay needed as poultry processing requires very different equipment.

#### E. COMMUNITY ACCEPTANCE

Perhaps the least examined, but important potential impediment to moving forward in this process is community acceptance. Consumer demand for direct marketed meats has increased in recent years. Some interviewees spoke about the changes in consumption patterns, stating that consumers were becoming increasingly interested in “organic and alternative foods” because of concern about food safety, health, food security, and perhaps even labor rights. However, despite these changes in consciousness among consumers generally, interviewees recognized that not everyone could afford to eat alternative meat, or would be willing to eat less meat in order to afford it. While some on the steering committee discussed the role of food in bringing communities together, especially in the form of community gardens and farmers’ markets, all agreed that building a slaughterhouse in or near a community has the potential to be a contentious issue, rather than a community builder.

The group was able to start thinking through the process of informing and educating the public during a site visit at a potential facility location, a government facility, located within the city limits of a community of approximately 7,500 residents. At this particular site, land tenure would be secured through a long term lease to the facility business owner (yet to be determined). The representative of the site owner expressed that the committee would need to get approval of the local government elected

All agreed that building a slaughterhouse in or near a community has the potential to be a contentious issue, rather than a community builder.

officials and the community at large before doing any serious considerations of costs or logistics. The representative pointed out that when someone outside of the industry hears the word “slaughterhouse” or “livestock processing facility”, they think “feedlot”- a highly concentrated, large scale operation where animals are kept in close quarters and fed a processed diet for a few months before being slaughtered. Committee members have been discussing the need for community education about what a small scale facility looks, smells, and sounds like. The group has also discussed the importance of site design features that minimize the appearance and sound of animals. Of most concern to the group is the noise made by hogs. They are generally noisy, whether they are at a slaughterhouse or not.

The committee recognizes that community acceptance will play an essential role in ensuring the success of the facility. Providing education about the potential benefits to the economy is a way of encouraging their support. However, it will be important not to exaggerate the benefits. For example, it is unlikely that a livestock processing facility will be a big jobs generator itself although it has the potential to indirectly create numerous jobs. The community should know this, so that they are not surprised or disappointed at the number of people employed once a facility is built and running.

#### F. ASSESSMENT

While the external impediments to the process certainly present a challenge, the work that the group has done with the facility consultant over the last month will likely give them some more substantial numbers to work with. Now that they know that the plant must process between 2,000 and 3,500 animals per year in order to be a viable business model, they can work on determining if they can get support for this number from ranchers in the

region. They can also present a model to communities in potential site locations that adequately depicts the scale of the facility and scope of activities to be performed. Until now, despite warranted skepticism, what has allowed the group to move forward with visioning and information gathering has been the leadership and acceptance of group roles, accompanied by diversity in motivation and business philosophy and types of supporting relationships within the steering committee.

### III. GROUP DYNAMICS

By their own acknowledgement, the steering committee brings together a diverse group of stakeholders, with varying political ideologies and reasons for being involved. These differences are not reason for conflict within this group, however. In fact they are viewed with humor and expressions of gratitude for the diversity of perspectives.

One interviewee said that the variety of political values and professional backgrounds allows the group to think better about what impacts each member and his interests, rather than addressing only one set of needs. Others recognized that their opinion might be different than others in the group, and understood that different players had different levels of risk associated with proceeding. For example, members of the committee were sensitive to the fact that ranchers had more to lose if they committed animals to a facility that turned out to be unreliable, or closed after a year of operations than did non-ranchers, who wouldn't be making this kind of commitment.

#### A. LEADERSHIP

Leaders in the steering committee fulfill their roles by bringing a thoughtful group of people to the table and allowing a process to occur, rather than by taking charge and

giving direction. There are two key leaders of this sort in the group. One was mentioned by more than 75% of steering committee members as the person who connected them to the project. This person's leadership philosophy is to focus on solutions, rather than on problems, emphasizing the importance of communication. He believes that identifying problems is important. But rather than pointing fingers at who is to blame, he believes in ascertaining what will work to make all parties feel they will benefit. The other leader has a role in keeping people at the table when they feel discouraged or when the process loses momentum by maintaining strong relationships that exist both inside and outside of the formal meeting setting.

#### B. ROLES

Along with leaders, there were other roles in the group. In addition to the parts played because of the skills endowed by their current or former occupation, group members also have roles that relate more to their outlook about the project.

There are only two full-time ranchers in the group. Four others are involved in agriculture: one in free-range egg production; one in vegetable plant sales and honey production; one in produce sales, honey production and farm design consulting; and one is starting up a livestock transportation business. Another member does soils consulting for a local agency and one has a small business producing and selling a value-added food product. The remaining two group members had lived and worked in rural places as professionals, and have a genuine interest in the industry. One is a retired county assessor who had also worked in real estate development and finance, and the other is a retired agricultural economist. The assessor sees his role as ensuring that the group thoroughly considers and understands their potential profits and losses thoroughly and to

assist with property acquisition once the group reaches that stage. The agricultural economist believes that he can contribute by making sure the group's vision and business plan make sense, and also by helping with research design. Specifically, he helped to design the rancher survey mentioned earlier.

In terms of non-professional roles, the group recognizes the value of those who serve as voices of enthusiastic optimism when the group is weighed down by barriers. On the other hand, they also recognize the benefit in having committee members who balance the group by serving as a voice of caution and skepticism. Both the optimists and skeptics seem aware of these dynamics, and of the balance that is achieved by the interplay between various personalities. This generates a sense of respect for each other among committee members.

#### C. MEMBERS' MOTIVATIONS AND BUSINESS PHILOSOPHIES

Each interviewee, including both steering committee members and non-committee members, discussed their business philosophy. Many are motivated in their daily lives and in their business decisions, not only by the immediate economic outcomes of their work, but also by a longer term vision, by their business and family relationships, and by a desire to leave a legacy for future generations. For example, one steering committee member, a rancher, was motivated to sell the development rights on his property to a land trust, meaning that the property has to stay in agricultural use in perpetuity. This interviewee said that the reason for doing this was based on the value he and his family place on keeping the land in agriculture. Another steering committee member, a retired professional, who grows vegetables for a local farmers' market, discussed his dedication to helping community members learn about and choose healthy foods. He said that to

help consumers with this choice he often has to “subsidize” their purchase by deducting the cost of his labor from the price of the food, so that they will pay for it. Another steering committee member, also a retired professional who is starting a livestock transportation business, discussed the importance of reinvesting money into his business rather than “cashing out” in order to increase its size and hire more employees, providing meaningful and well-paying work to fellow community members.

These business philosophies are tied to the value of self-reliance, not just individually, but collectively, as a region. Some within the group believe that an economy that is more self-reliant will respond better to market pressures, be more economically sustainable in the long run, and contribute to local job growth. To promote changes in practices that would increase self-reliance, some committee members are eager to look at models for better use of the local land, such as improving irrigation practices and encouraging more ranchers to choose a grass fed program, rather than selling animals at auction.

#### D. REGIONALISM

Acting as a region is seen as a benefit among the steering committee members. Some see the importance of the project because of its potential for reducing market concentrations among large corporations. In particular, they are interested in alternatives to uniform mass production. One interviewee sees regionalism as a necessity for increasing local control over politics and economic well-being.

Some steering committee members discussed the role they have in promoting the facility in their counties, whether or not it is to be physically located there. One

committee member in particular actually believes the ideal location is in the county to the south of his own, due to its proximity to Sacramento. He is committed to getting ranchers from his county to commit livestock to the new facility and helping to develop training for employees needed to run it.

These sentiments demonstrate connection to the region as a whole, rather than loyalty solely to one's community or county.

At steering committee meetings, when discussing the idea of agri-tourism, the group

recognizes that the Mother Lode region does not quite have the same cache as the Napa Valley, but what it lacks in celebrity can perhaps be made up with affordability. While the group usually discusses this reality with a sense of humor, it seems to be important part of forging an identity for the region. Interviewees also said that part of what makes their region distinct from a more urban one and a good place to do business is the support they have from local officials. Local officials tend to support local control over spending and regulation. Because of the small population, there is also a sentiment that officials are more responsive than their counterparts in urban areas.

It is important to note that while steering committee members identified regional cohesion, such cohesion is not felt by all of the non-committee members interviewed. One rancher in particular laments the idea of having a livestock processing facility located in another county, especially because he would have to travel a significant distance on windy roads to have his animals processed. He said that he would prefer to continue going to his existing processor unless the facility is built in his county.

The group recognizes that the Mother Lode region does not quite have the same cache as the Napa Valley, but what it lacks in celebrity can perhaps be made up with affordability.

### E. RELATIONSHIPS

Relationships were at the core of many conversations I had with interviewees. Interviewees generally discussed the importance of trusting relationships developed with others in the industry, along the value chain. Various interviewees have important relationships with elected officials, farmers' market managers, larger ranchers who are able to advise them on how to build up their businesses, animal transport providers, and of course, with processors.

The ranchers interviewed are well connected to other small and medium-scale ranchers in the larger region. They know details about their operations, particularly those related to processing. It seems that mid-sized ranchers in other regions are happy to share their practices and offer assistance both to individual ranchers and to the livestock processing facility project. Additionally, various committee members have relationships with processors and regulators who have offered to provide technical assistance during facility development.

Important relationships are not just limited to those formed out of business arrangements. In fact, interviewees discussed the relationships with people from their churches, from connections made through a spouse, through employers and former employers and with people in political offices. These relationships are important for a variety of reasons, the two most obvious being the ability to get good information about a political or economic situation, and the ability to connect to business opportunities.

Within the steering committee, new relationships have been easily forged. A core group of four steering committee members knew each other from long-term friendships

and business relationships before engaging in this process. The remaining members were connected through relationships with one of the core members. While a core group of four steering committee members knew each other before engaging in this project, not everyone involved in the steering committee knows each other through a longstanding relationship. For example, one member had been involved in similar discussions through a grant that served his county and those to the North. He felt that his county was better connected to those to the south because of geographical divisions and so he became involved in the work of the steering committee. He connected to it through a business contact who knew one of the core group members and he has since become an important part of the group.

#### F. INTERACTIONS WITH FUNDERS AND REGULATORS

The perceptions that the committee and other interviewees have about funders and regulations are important parts of this analysis. They demonstrate the degree to which the group feels empowered to move forward with the project. They are also an indication of the degree to which they are dependent on grant funding and are constrained or encouraged by the guidelines set by regulation.

##### 1. USDA REGULATIONS

While some steering committee members have a strong desire for local control and limited government, all of them see compliance with USDA regulations as a necessary hurdle to expand their businesses. One interviewee explained that it is important to understand the impact of regulations on a business plan and integrate that knowledge into the factors affecting the business.

Interviewees who were not steering committee members are much more resistant to the role of the USDA in regulating commerce that is not across state lines. They believe that control over meat inspection should be done by the state inspectors, and that legislation should be changed to remove USDA from the process.

Some of the steering committee members seem to think that the California Department of Food and Agriculture (CDFA) may be considering the possibility of taking over federal inspection, but this is currently speculation only. The interplay between state and federal regulations varies from state to state. Some states have taken on the federal responsibility of performing meat inspection to USDA standards, whereas others rely on the federal inspectors. According to one interviewee, in the previous Jerry Brown administration, the state gave up the USDA inspection in an effort to save costs. However, this resulted in a two-tiered system in which the state still inspects custom processing and the USDA controls retail sales. The state still has to employ inspectors. This interviewee argued that perhaps the state could actually generate some revenue by returning to a fee-based USDA inspection service managed by CDFA.

There is a preference among ranchers, both on and off the steering committee, for the state regulatory system, claiming that it is less bureaucratic and more practical. However, some wonder if moving from federal inspection to state inspection could mean an increase in regulatory requirements that are stricter than USDA. Generally, California regulations are much more stringent than federal regulations, even if meat processing inspection is currently an exception to that rule.

## 2. USDA GRANT AND STAFF

Having access to the USDA Rural Business Opportunities Grant (RBOG) and Rural Business Enterprise Grant (RBEGR) has certainly been beneficial to the project, in that the grants have allowed the process of determining feasibility of a processing facility to start in earnest. In particular, the ability to hire a paid facilitator has been crucial. The committee generally agrees it is the only way that momentum can be maintained. If a paid facilitator is not present, the volunteer committee members have trouble keeping the project going when more pressing obligations take priority.

One member, who had worked under a previous RBEGR grant that addressed some of the same issues, got involved in the new grant with the explicit interest in avoiding duplication of efforts and sharing knowledge. The grant itself did not stipulate that duplication of effort was to be avoided and so he wanted to be sure that the new efforts were continuing to build the body of research and relationships that would lead to facility development.

Some interviewees said that having the presence of USDA staff in the region really has drawn attention to the process and has been positive overall. In particular, a presentation done by Glenda Humiston on a report completed by the USDA on the state of the rural economy of California really brought stakeholders out to begin discussing the possibility of a local processing facility. However, at times, the sense is that USDA staff has one vision for the facility that doesn't leave enough room for adaptation to the specific needs of the region, and may be off-putting to some of the business associations that have been brought to the table by local stakeholders. Others expressed the sentiment that, while a USDA grant does allow for some initial studies of feasibility that wouldn't

otherwise be done, the impact that government programs can have on economic development is limited. One interviewee said, “You have to look at this as a business person, and you have to pursue it in that way because if you get wrapped up in doing all of these studies and grants, you’ll never get anything accomplished.” Most believed that the RBOG and RBEG grant is allowing groundwork to be done that is needed for the project to attract an entrepreneur.

#### G. ASSESSMENT

The group dynamics and attitudes of project stakeholders toward external influences on the project including funders and regulators are important at helping them to manage the ambiguity present in their decision making process. Because they value control over the economic development process, they are cautious about how to move forward with project design, and respectful of the various motivations and philosophies of the process participants.

#### IV. REASONS TO PROCEED

Although there are significant impediments to the process of developing a livestock processing facility, there are compelling reasons to proceed. In addition to a well-functioning steering committee, not only is there demand, but there is likely to be local political support for a facility.

#### A. DEMAND

If one thing is clear in the process of determining feasibility of a livestock processing facility, it is that demand for direct marketed meats is increasing steadily. The ranchers interviewed that sell their product to Farmer’s Markets discussed how their business has

tripled in the last two years, and that they can never keep adequate supply to satisfy their customers. A study conducted by Lauren Gwin and Shermaine Hardesty in 2008<sup>iii</sup> indicated the market for niche red meats (including certified organic, grass-fed, naturally raised, local, Halal and Kosher) is increasing in volume as well as value, and most of it is sold directly to consumers by producers.

#### B. SUPPORT FROM LOCAL OFFICIALS

The general consensus was that local government officials have been very supportive of the principle of developing a livestock facility. While some committee members say it is impossible to predict the support of officials until a site location is determined and they are asked for something specific, it seems that they will be willing to provide political goodwill because of their desire for local control, support of the local food movement, and because of the potential for job creation. Committee members want to be cautious about overpromising in terms of jobs creation. An example of support provided thus far can be found in one of the counties involved; the Board of Supervisors passed a local food ordinance, stating that the Board would not enforce state or federal law that negatively impacted local food production. An assistant superintendent of schools in the same county has been enthusiastic about supporting a facility, and has built a relationship with one of the steering committee members who is working on a proposal to add butchering to the curriculum of the Regional Occupational Program (ROP) which offers vocational training to young adults.

### C. ASSESSMENT

Given the demand from consumers and the potential for strong support from local elected officials, the steering committee and other stakeholders have reason to be inspired about the project's potential.

### V. THE IMPORTANCE OF A VISION

Some of the steering committee members have said that the group needs a united vision to bring the project to fruition. Even if the vision changes along the way, establishing a common set of goals is one of the first steps in attracting an investor.

According to rural development scholar, Dave Campbell, a vision may never be fully realized, but can be considered successful if it has been articulated, and links to the narrative of a community's past, present, and future. A vision, when accompanying practical planning and research, can inspire group leaders and the community-at-large tangible ways to act incrementally both individually and collectively to reach long-range goals for increased community vitality.<sup>iv</sup>

Therefore, in moving forward with this project, it will be helpful for the steering committee to keep their shared narrative at the forefront:

- **A livestock processing facility in our region can be a way to honor the practices of past generations.**
- **A livestock processing facility in our region can create opportunities for meaningful work for future generations.**

- **A livestock processing facility can reinvigorate the local rural economy through adding value to what the land produces, rather than relying on industrial or urban economic models.**

With these shared ideals, they may be able to create more opportunities for regional economic development and prosperity.

## VI. CONCLUSION

This depiction of a community based effort was compiled to both document the process of the Livestock Processing Steering Committee so that new stakeholders can understand the work accomplished so far, and to organize and evaluate the information about the process in a way that allows committee members to look back on progress made and challenges faced in their continued efforts to build a local facility that both meets the immediate needs of ranchers, and also contributes to the economic sustainability of a rural region.

This evaluation demonstrates not only the importance of recognizing external economic and political factors, but also the importance of the motivations, skills, relationships and attitudes that stakeholders bring to a process. These are valuable considerations for any business person or community development professional engaging in a rural project that attempts to capture economic leakage by adding value to raw products within their region of origin.

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<sup>i</sup>Buchecker, M. &Hunziker, M. (2006) The effects of consensus building processes. *Agricultural Economics Review*, 7(1), 67-78. Retrieved July 8, 2011, from [www.eng.auth.gr/mattas/eng.htm](http://www.eng.auth.gr/mattas/eng.htm)

<sup>ii</sup> Flora, C. B., Flora J.L., et al. (1992) Chapter 10: Social Infrastructure. *Rural communities: legacy & change* (pp. 231-247). Boulder: Westview Press.

<sup>iii</sup>Gwin, L., & Hardesty, S. (2008) Northern California Niche Meat Market Demand Study. University of California Cooperative Extension.

<sup>iv</sup>Campbell, D. (1997) Community-controlled economic development as a strategic vision for the sustainable agriculture movement. *American Journal of Alternative Agriculture*, 12(1), 37-44