

2010

COLUMBIA VALLEY ABATTOIR FEASIBILITY STUDY



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5/18/2010

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EXECUTIVE SUMMARY

OBJECTIVE

The objective of the Feasibility Study was to determine whether an economically viable configuration exists for a licensed abattoir within the Columbia Valley region of the East Kootenays, B.C.

BACKGROUND

Not unlike other sectors in B.C. during these unprecedented recessionary times, the cattle sector is in dire straits. B.C. cattle herds are at their lowest point in recent history and many ranchers are dependent upon non-farm income or asset dispersal in order to remain in business. All ranches in B.C., large or small, are struggling to meet production costs and maintain ranch infrastructure.

Unprecedented events beyond the control of producers have also significantly impacted the B.C. beef industry over the last eight years.¹ These challenges are facing the entire cattle sector across Canada.

- 2002** Drought in Canada/U.S.
- 2003** Case of Bovine Spongiform Encephalopathy (BSE) discovered in Alberta which caused all borders to close.
- 2004-05** Cow inventory high as market for cows became very limited due to US border closure. Prices fell.
- 2006-08** Strong Canadian dollar weakened demand from the US and international markets. Government biofuel policy contributed to increased feed prices and peak oil increased energy prices, reducing margins further. Country of Origin Labelling in the US announced. US border to cows (over 30 months) reopened.
- 2009** B.C. cow herd was significantly reduced in response to market signals and drought.

Future Forecast Cattle prices to recover in 2012. This is dependent on Canada gaining access to international markets and the world economy recovering from the recession. A portion of the B.C. sector may also turn its attention to local markets and finish more cattle to take advantage of opportunities for value-added B.C. beef products. Consumers in B.C. are health conscious, environmentally aware and have relatively high disposal incomes. They highly value lessening their carbon impact and wish to connect with the people that produce their food.

The Windermere District Farmers Institute is an organization of livestock producers located in the East Kootenays of British Columbia. There is strong interest from regional producers

¹ Ranching Task Force Final Report December 2009
www.ranchingtaskforce.gov.bc.ca/attachments/ranching_task_force_2009.pdf

to finish a percentage of their animals locally for direct marketing to local consumers and retailers. The catchment area is in the Columbia Valley from Golden through to Canal Flats, B.C. Institute members currently transport their livestock to licensed abattoirs in Cranbrook B.C., Salmon Arms B.C. or Calgary AB. The closest abattoir, located in Cranbrook, is very difficult to access from September through to December due to the high volume of game meat from the community.

The purpose of the Feasibility Study was to evaluate the market and assess the financial feasibility of developing a Columbia Valley Abattoir.

OUTCOME

The Feasibility Study includes an inventory of existing facilities with respective herd sizes, identifies prospective sites, analyzes configuration options, analyzes supply and demand, and thoroughly assesses the market for a regional operation.

The abattoir will handle livestock slaughter for producers in the catchment area from Golden in the north down through Parsons, Brisco, Radium, Invermere, Windermere, and Fairmont Hot Springs to Canal Flats. Livestock in the region include: cattle, sheep, goat, bison and swine. In addition, a meat "cut and wrap" facility is required to make the abattoir feasible.

The direct outcome of this facility would be a profitable business that will make a reasonable return both to its members and investors and in addition will benefit the community as a whole by creating:

Direct employment

- The facility will produce one – two new jobs.
- A demand for 1 – 2 additional meat cutters.
- Opportunity to create co-op retail store for producers requiring management and retail staff.

Indirect employment

It is anticipated the abattoir will generate support industries to complement the work of the abattoir as well as increasing small scale livestock production in our region. The facility will generate spin-off businesses such as:

- Meat Inspector – currently the provincial meat inspector is located in Cranbrook and travels throughout east and west Kootenays. Increase of animal slaughtering in Columbia Valley may justify an additional meat inspector located in the Columbia Valley.
- Opportunity to develop co-operative educational programs with College of the Rockies, CVBG/CSL and DTSS Chef Training Program. Currently, Olds College is the only Canadian College offering a Meat Cutting Certificate Program.
- Tannery – increase viability of local tannery located in Canal Flats. Additional benefit is redirection of waste from landfill.

- Dog Food Industry – increase viability of a small dog food production facility. Additional benefit is redirection of waste from landfill.

VIABILITY

Data was gathered from several sources, including farm visits, phone surveys of area producers, Agriculture Canada statistics, industry contacts along with local retailers and chefs.

The data indicates the region has a reasonable livestock industry offering opportunities for locally raised meat products. The Columbia Valley not only has a vibrant permanent local community but it also has a significantly large volume of seasonal locals with a home base in Alberta.

The market assessment indicates an abattoir in the Columbia Valley is a viable and profitable business.

There are a number of challenges, as with all startup companies:

- Obtaining capital funding in the form of grants from the government (MTAP) and Southern Interior Development Initiative Trust
- Obtaining funding in the form of loans from either the Columbia Basin Trust and/or local bank
- Creating a cooperative organizational structure to support the initiative
- The abattoir must operate a Cut and Wrap operation
- Transitioning farm operations, primarily finishing, required to meet seasonal peak demands
- Creating a year round production of livestock
- Providing cut & wrap operation for game meat will create more profit
- Developing and growing the market demand for locally produced meat products
- Encouraging local retail outlets to carry provincially inspected products

MARKET ANALYSIS

CATCHMENT AREA - Demographics

The catchment area is the Columbia Valley located in the East Kootenays of British Columbia. The area covers from Golden in the northern region through to Canal Flats in the southern region. Communities included are: Golden, Spillimacheen, Parsons, Brisco, Radium, Edgewater, Invermere, Windermere, Fairmont Hot Springs and Canal Flats.

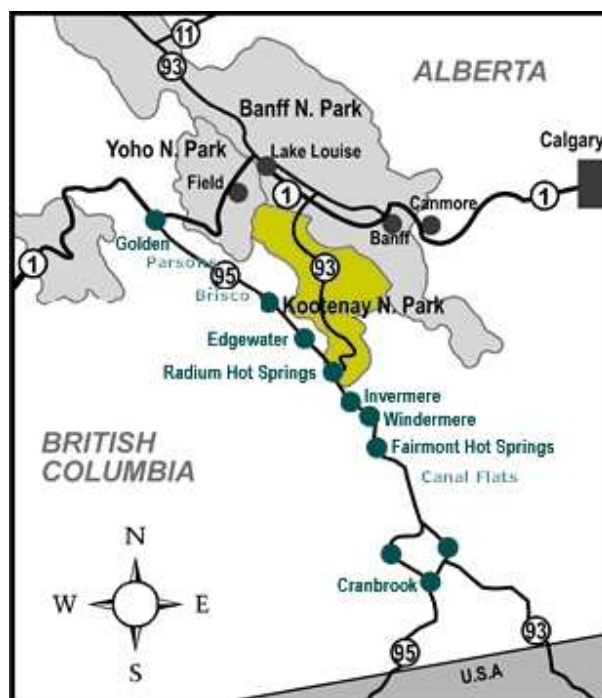


Figure 1 Catchment Area

Statistical data for the communities within the Catchment Area was collected from Statistic Canada's 2006 Census – Community Profiles. The three Subdivisions within the Catchment Area are:

Columbia Shuswap A

Golden, the northern community in the Columbia Valley has a permanent population of 4,400. There are an additional 3,200 living in the rural communities of Parsons, Nicholson, Donald and surrounding area.²



Columbia Shuswap

² Kicking Horse Country Community Profile 2008



■ East Kootenay G

East Kootenay G

Radium, located at the junction of highways 93/95 is a small community with a permanent population of 1000. There are an additional 1200 living in the rural communities of Edgewater, Spillimacheen, Brisco and Wilmer. Seasonal locals (recreational home owners) are an additional 380.

East Kootenay F

Invermere, the central community in the Columbia Valley has a permanent population of 3700. Outlying rural communities include Canal Flats, Panorama, Windermere, Fairmont Hot Springs that expand the population an additional 3200. Seasonal locals (recreational home owners) are an additional 4950.



■ East Kootenay F

Community Comparisons

	COLUMBIA SHUSWAP A	EAST KOOTENAY F	EAST KOOTENAY G
Population (including recreational home owners)	4300	11850	2580
Average Family Income	\$69,296	\$72,181	\$66,484
Average Dwelling Value	\$243,990	\$365,285	\$287,616
Primary Industries	Forestry/logging Construction Manufacturing Retail trade Transportation & warehousing Educational services Health care/ social assistance Accommodation/ food services	Forestry/logging Mining Construction Manufacturing Retail trade Information/ cultural Finance/ insurance Real estate & rental/leasing Prof'sonal, scientific Educational services Health care/social assistance Accom/ food services	Mining Construction Manufacturing Retail trade Food and beverage Transportation & warehousing Prof'sonal, scientific Educational services Health care/social assistance Accommodation/food services Logging and Forest Products

MARKET ANALYSIS

PRODUCERS

The 2001 and 2006 Census of Agriculture were reviewed to provide a historical picture and determine projected numbers of ranch operations within the catchment area. According to data from the 2006 Census of Agriculture the number of census farms in Canada continues to drop – declining 7.1% from 2001.

The total number of beef cattle farms in the East Kootenays was 160 in 2006, down from 205 at their peak in 1991 (-22%).³ Within the catchment area there were 46 ranches – approximately 29% of the total ranches. The 2001 Census of Agriculture and prior Census reports provide statistics only for the consolidated East Kootenay region which encompasses the Cranbrook, Fernie & Kimberley regions through to the US border. Therefore, an extrapolation of 29% was taken to determine ranch numbers prior to 2006 within the catchment area.

The livestock numbers reported in the census results indicate that nearly all operations are small livestock operations.

Producers (farms/ranches) within Columbia Valley

	Catchment Area Golden - Canal Flats					Producer Survey	Projected Survey
	1986	1991	1996	2001	2006	2009	2010
Ranches	72	66	71	62	46	28	27
Total Cows	72	65	71	62	46	20	20
Beef Cows	68	70	69	61	46	20	20
Dairy Cows	15	9	7	3	1	1	1
Sheep	9	10	12	12	4	1	1
Bison	0	0	0	1	1	1	1
Goat	6	8	13	8	8	1	1
Swine	10	8	7	9	5	3	3

Notes:

1. Catchment Area includes East Kootenay F, East Kootenay G and part of the Columbia Shuswap A Census Divisions.
2. Columbia Shuswap A Census Division also covers area north of Golden which were not contacted for 2009 Producer Survey.

³ Draft Regional District of East Kootenay AGRICULTURAL OVERVIEW, Spring 2009

LIVESTOCK

According to *Cattle Statistics 2010, Statistics Canada* as of January 1, 2010, farm inventories of cattle reached their lowest level in 15 years, while inventories of hogs were at a 12-year low and sheep inventory fell 0.2%. Cattle slaughter levels in Canada were down 3.7% in 2009 with Canadian exports of live cattle falling 31.6%. British Columbia slaughter levels were down 5.4%.

Cattle livestock in British Columbia have decreased by 20% from January 2004 to July 2009 with a projected decrease of 7% through 2010.

The total number of cattle livestock in the East Kootenays was 23,360 in 2006 with 6661 (29%) within catchment area. East Kootenay F numbers were suppressed in the 2006 Census to meet the confidentiality requirements of the *Statistics Act*. Therefore an extrapolation of 47% was determined from the Columbia Shuswap A & East Kootenay G livestock statistics. Of the 6661, 1396 were mature beef cows in Columbia Shuswap A and East Kootenay G.

Livestock within Columbia Valley

	Catchment Area Golden - Canal Flats					Producer Survey	Projected Survey
	1986	1991	1996	2001	2006	2009	2010
Ranches	72	66	71	62	46	28	27
Total Cows	7532	8238	8523	7594	6661	2120	2104
Beef Cows	3540	3872	4006	3569	3130	2120	2104
Dairy Cows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sheep	n/a	n/a	n/a	n/a	n/a	9	10
Bison	n/a	n/a	n/a	n/a	n/a	10	10
Goat	n/a	n/a	n/a	n/a	n/a	35	35
Swine	n/a	n/a	n/a	n/a	n/a	29	30

Notes:

1. Catchment Area includes East Kootenay F, East Kootenay G and part of the Columbia Shuswap A Census Divisions.
2. Columbia Shuswap A Census Division also covers area north of Golden which were not contacted for 2009 Producer Survey.

In order to determine more accurately the livestock numbers within the catchment area a Producer Survey was undertaken in December 2009/January 2010. Data was gathered by farm visits, phone and mail/email surveys of area producers from Golden through to Canal Flats. The producers were sourced firstly from the Windermere District Farmers Institute membership. All producers were asked to provide names of non-member producers within the catchment area. These producers were contacted by phone interview to complete the survey. A summarized survey is located in Appendix A.

Highlights of the survey are:

- No organic livestock producers in catchment area
- A number of ranchers have decreased their numbers in past years and are holding at similar numbers to see what the market and regulations will do
- 95% of livestock marketed directly to feedlots
- 50% of producers slaughter animals themselves, 45% utilize a licensed cut & wrap
- 20% of producers utilize unlicensed cut & wrap operators for Cut & Wrap, 60% utilize either Konig's or Rick's, permitted cut & wrap operators
- 100% of producers indicate support for local abattoir
- 90% of producers are willing to alter marketing season if local abattoir is available
- Interest in cooperative business model was shown by a few members although the question was not directly asked
- Concern with lack of availability of abattoir in Cranbrook due to game meat processing from end of August to mid January.

PRODUCER SURVEY 2009 Livestock Inventory of Columbia Valley

Species	Producers	Volume 2009	Volume 2010	Marketed to Alberta Feedlots	Marketed to local consumers /retailers	Marketed to restaurants	Personal	Abattoir Year 1	Abattoir Year 2
Cattle	20	2120	2104	2009	105	1	4	200	247
Sheep	1	9	10					10	15
Bison	1	10	10	0	10	0	0	10	12
Goat	1	35	35		35	0	0	30	35
Swine	3	28	30	0	28	0	0	25	29

Discussion with the Shuswap and Akisqnuq reserves and the local Rod & Gun Club indicate there are approximately 600 game animals per year. Only 250 are reported processed via licensed processors (cut & wrap) in Invermere. We were unable to obtain numbers from Rick's Meats.

Seasonality

The seasonality of livestock production is primarily fall for the sale of cattle and calves to finishing feedlots in Alberta. However, in order to access a greater volume of the local market, the producers would have to alter their production to be higher in the spring prior to the summer peak demand. Producers would be required to retain ownership of the calves and complete the finishing locally in the spring.

The following is the current seasonality for Columbia Valley producers, according to the 2009 Producer Survey.

Cattle	15%	Spring & Fall
	75%	Fall
	10%	Spring & Summer
Sheep	100%	Fall
Bison	100%	Spring
Goat	100%	Spring
Swine		Spring, Summer, Fall

CONSUMERS

Market Size

The total permanent population within the catchment area is 9100.

Seasonal Locals

Recreational and resort property ownership within the catchment area affect the seasonal consumption of red meats dramatically; most significantly in the Radium, Invermere and Windermere region. Unfortunately, the non-permanent population is not readily identifiable based on statistical census data. Extrapolation of the population in relation to the number of dwellings estimates the number of seasonal locals there are.

38.87% of residential dwellings in the District of Invermere were owned by non-permanents in 2007 and 32.67% in 2002.⁴ This extrapolates to 702 dwellings or approximately an additional 2400 in population. East Kootenay F non-permanent dwellings is significantly higher at 59.4% extrapolating to 752 dwellings or 2550 in population. East Kootenay G is quite low at 16.8% for non-permanent dwellings extrapolating to 112 dwellings or 380 in population.

Seasonal peaks for non-permanents is during the summer months – July & August, with secondary peaks during March and the Christmas season.

Permanent + Non-permanent population = 18730.

Tourism

The tourism industry within the Columbia Valley has seen many changes since 2003. In general the tourism sector peaked in 2007 and has shown a modest growth since then. The main tourism factor affecting the proposed abattoir is the seasonality of the tourist – 48.6% of total parties in 2008 peaked in July and August.⁵ Tourists to the region enjoy a variety of accommodations: Camping, Timeshares, Vacation Rentals, Resorts. There is not a large volume of hotels. The nature of the accommodations available lends itself to the visitors visiting retail outlets and cooking their own foods or going to restaurants.

Visitor numbers from Visitor Centers in Golden, Radium and Invermere indicates approximately 100,000 visitors annually since 2007.⁶

⁴ *How Growth in the Recreation and Resort Property Market is Driving Change in the East Kootenay Region*, May 2006. Prepared by the Real Estate Foundation of BC in collaboration with the Urban Futures Institute, the Kootenay Real Estate Board, the Regional District of East Kootenay and Wildsight.

⁵ Kootenay Rockies Regional Profile, January 2010 Tourism British Columbia

⁶ Visitor Centre Quarterly Statistic Summaries, Radium, Golden & Invermere

Consumer preferences

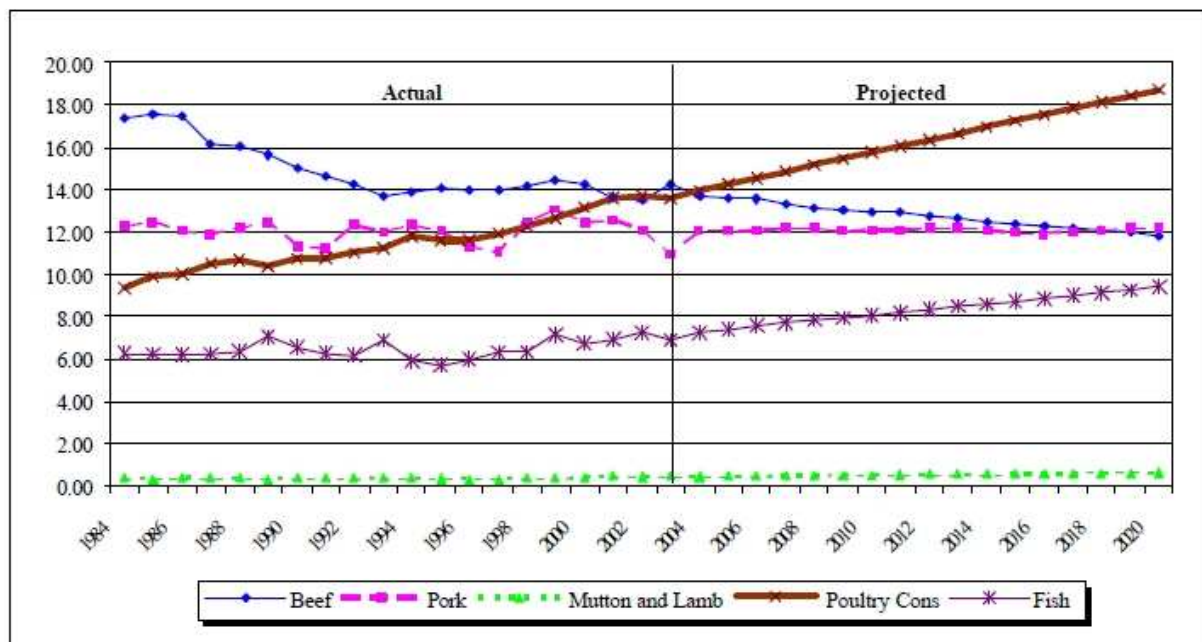
There are a number of consumer trends that are affecting the choices consumers are making when purchasing beef products⁷:

- Canada's population is aging - seniors aged 65 and over will outnumber children in Canada by around 2015. Seniors eat smaller portions themselves and are usually cooking for only one or two people. Smaller cuts of beef such as quick roasts and medallions will be in demand.
- Health Awareness – consumers are constantly being encouraged to lead health lifestyles. Meatless meals are strongly encouraged, thus reducing the number of meals with red meat and/or reduced portion sizes. Consumers seek lean or extra lean cuts of meats more often.
- 10 – 30% of groceries are natural or organic.⁸
- Acceptable markup for natural or organic products is 34% of conventional product.
- Individuals with children purchase 62% more natural products.

Rate of consumption

Beef consumption has steadily declined over the past 20 years. After peaking at 17.4 kilograms in the mid-1980's, the consumption has fallen to approximately 12 kilograms per person, a decline of 18%. Pork remains fairly stable, while beef continues a downward trend. This shift is due to substitution with white meats and meatless alternatives and smaller portion sizes.

Historical and Projected Meat Consumption



⁷ Canadian Food Trends to 2020, Statistics Canada, July 2005

⁸ The Natural Foods Merchandiser's 2008 Consumer Survey

Based on the population statistics for the catchment area, the rate of consumption within the region would be:

Permanent	9100 x 12 kg = 109,200 kg
Seasonal Non-permanent	9630 x 12 kg = 115,560 kg
TOTAL CONSUMPTION LOCALLY	224,760 kg annually or 1183 beef cows (Avg. 190 kg/cow)
TOTAL PRODUCED LOCALLY	402,800 kg annually or 2120 beef cows

Interviews were held with local retail outlets to determine rates of consumption locally, however due to confidentiality we were unable to obtain detailed volumes.

The volume of beef produced within the catchment area would meet the statistical consumption rate locally as production rate is 44% higher than consumption.

Farmers as Consumers

Relatively few farmers within the catchment area indicated slaughtering of animals for personal consumption. However, the question was not asked in the Producer Survey.

Locally produced/sold product

Throughout Canada there is a *local food movement* which encourages sustainable food production, processing, distribution, and consumption to enhance the economic, environmental and social health of communities. The nature of the communities throughout the Columbia Valley has led to a strong embracement of the concept to purchase local.

This is evident with the number of retail outlets carrying local produce, the increasing number of restaurants purchasing local foods, Local Food & Slow Food organizations and overall consumer awareness. Not only are permanent residents seeking to follow this philosophy, but the non-permanent are also asking more questions about where the food in the stores is coming from.

Interviews were held with the following retailers:

- Sobey's, Invermere
- Valley Foods, Invermere
- Grant's, Invermere
- Spring's, Invermere
- Konigs, Invermere

Currently Spring's and Grants are carrying beef products from local producers. Both parties feel sales are going well and they receive many inquiries about local meats – especially during the summer months. Requests tend to be for high end steaks, roasts and sausages. Both retailers indicated the commitment from the producers to provide their products must

be 100%. There have been instances in which producers have promised product and have not followed through. Continuous availability to the consumer is a must.

As Valley Foods and Sobey's are part of national chains, they indicated they would only be able to accept federally inspected meats. They both indicated they received inquiries for local meats. It is not proposed to build an abattoir to meet federal meat inspection requirements, primarily due to the small volume of livestock produced and the higher capital costs to build a federally inspected facility.

A number of local producers have been successful in selling directly to consumers and/or retailers although very little if any marketing has been undertaken. Sales have come because of "word of mouth" and producers are being contacted directly by consumers and restaurants.

One producer, Firland's Ranch, has been extremely proactive in their marketing efforts: advertisements in local papers, stocking of products at natural foods retailer, promotional barbecues and selling products at local farmer's market. Their marketing efforts have created awareness amongst local and seasonal local consumers, thus creating a demand.

2009 Columbia Valley Producer Survey

Livestock	# Marketed to consumers/retailers	# Marketed to restaurants	% of available livestock
Cattle	105	1	5%
Sheep	10	0	100%
Goat	35	0	100%
Swine	28	0	100%

COMPETITION

Slaughter

Currently the majority of livestock which is not sold to the auction or feedlots is slaughtered by the producers themselves. 40% of livestock slaughtered is transported to Rick's Meat located in Cranbrook, BC. Producers in the northern part of the catchment area may travel to Salmon Arm with one producer travelling to Balzac, Alberta.

Areas of concern for producers are:

- Inability to have livestock slaughtered at Rick's from the middle of August through to mid January due to high volume of game meat being slaughtered.
- Rick's Meat can only slaughter up to five animals/day; requiring producers to travel multiple times for larger herd sizes.
- Due to inability to access Rick's in fall season, producers are opting to travel to Balzac, Alberta thus incurring higher transportation cost.
- Longer travel distances hard on animals.
- Time and inconvenience involved in hauling animals back & forth to Cranbrook.

Producers were asked: ***What amount would you consider reasonable as a slaughter fee?***

Cattle	Range \$50 – 125	Average \$89
Currently pay	Range \$50 – 100	Average \$75
Sheep	\$40	
Currently pay	\$40	

Note: Slaughter fees appear low. Assumption is that this number is skewed due to high percentage of producers who self slaughter.

Cut & Wrap

The catchment area appears to provide a number of options for cut & wrap services – both licensed & unlicensed. Rick's Meats provides cut & wrap services in addition to their slaughtering. However, a significant number of producers opt to utilize Konigs located in Invermere. Konigs retains approximately 50% of the business.

Areas of concern for producers are:

- Inabilities to access cut & wrap from the middle of August through to end of November due to high volume of game meat. This is seen at both Rick's and Konigs.
- Double transportation costs as animals are slaughtered and hung for up to two weeks prior to processing. Therefore producers must undertake two trips.

Producers were asked: ***What price per pound do you think would be reasonable for processing your animals (based on you retaining ownership and selling the end products)?***

Cattle	Average	\$0.67
Currently pay	Range	\$0.45 – 0.75

QUALITATIVE ANALYSIS

POTENTIAL SITES

The catchment area proposed for the Columbia Valley Abattoir is from Golden through to Canal Flats. Based on the geographical layout of the region and the goal of reducing transportation costs, potential sites have been scouted from Radium through to the Columbia Lake region. Five potential locations have been investigated.



1. **Windermere District Farmers Institute** property located at 553 Highway 93&95, Windermere which is close to the cross-roads entrance to the Town of Invermere. The legal land description of the WDFI property is: Block C 2891- District Lot 9561-A2- ALR.
2. **Shuswap Reserve** is located along Highway 93&95, Windermere which is also close to the cross-roads entrance to the Town of Invermere.
3. **Windermere Water and Sewer** is located near the Windermere Landfill. The legal land description is District Lot 1093 Kootenay District – District Lot 1093.
4. **Akisqnuq Reserve** is located on Highway 93&95 to the east of Windermere. The reserve continues to the south and ends prior to Fairmont.
5. **Mckersie Ranch** is located on the shores of Columbia Lake to the north of Canal Flats. The Ranch is to the east & west of Highway 93&95. The legal land description is: District Lot 663 Kootenay District PCL (DD188761).

All locations have been viewed and assessed as to viability as a location for the Columbia Valley abattoir. Factors considered include central location to producers, capital costs, public reaction and regulatory requirements from a variety of government organizations: ALR, RDEK, Ministry of Environment, Canadian Food Inspection Agency, BC Centre for Disease Control and potentially Federal environmental and zoning.

The following table outlines the pros & cons to the locations.

LOCATION	PROS	CONS	REGULATORY/ZONING
WINDERMERE FARMERS INSTITUTE PROPERTY	<ul style="list-style-type: none"> • Property is owned by Institute. Could be mortgaged to raise capital • Location is relatively central to all producers • Room for growth • Land currently home to Town & Country Feed Store • Land is well treed to provide visual aesthetics • Neighbours are commercial (BC Hydro, RDEK, golf maintenance, cemetery, ball park, horse stables and Tourism Center) • Easy highway access for livestock trailers • No private residences within 1 km • High visibility for retail outlet – if desired • Short time frame to receive approvals to commence construction • Short distance to Windermere Landfill for waste disposal 	<ul style="list-style-type: none"> • Market value of land is perceived to be higher than required for commercial use 	<ul style="list-style-type: none"> • RDEK have advised to apply for a <i>Temporary Use Permit</i> (TUP) for light industrial use of a portion of the land. Permit allows for industrial business for 2 years with 2 year renewal. • TUP may be issued by Board resolution, no public hearing required but there is public notification • TUP is advantageous if mobile facility is chosen • Stationary facility would require rezoning from A-2, Rural Residential Zone to I-1, Light Industrial Zone (only portion of property required for abattoir would require rezoning) • Rezoning requires public hearing • Property is currently within the ALR and may require rezoning depending on business model and interpretation of ALC regulation: Slaughter plants, where less than 50% of the farm product being stored, packed, prepared or processed is produced on the farm, are considered commercial/industrial plants

LOCATION	PROS	CONS	REGULATORY/ZONING
SHUSWAP RESERVE	<ul style="list-style-type: none"> • Location is relatively central to producers • Room for growth • Neighbours are commercial (Kicking Horse Coffee, Home Hardware, NAPA, Invermere Airport, Golden Timberframes) • Infrastructure in place to deal with planning, building, zoning, & by-law requirements • Water, sewer and road infrastructure in place • Potential partnership with Shuswap band • Easy road access for livestock travelers • No private residences within 1 km • High visibility for retail outlet – if desired • Short distance to Windermere Landfill for waste disposal 	<ul style="list-style-type: none"> • Although reserve land is regulated federally. Initially it was thought an abattoir would be required to meet federal inspection requirements, therefore higher capital cost. However, legal interpretation is that an abattoir could be built on reserve land with Provincial licensing. • Land would be leased • Time frame to commence construction may be long as this is a new type of “venture” for reserve 	<ul style="list-style-type: none"> • Zoning requirements are unclear as there has never been an abattoir built on reserve land
WINDERMERE WATER AND SEWER	<ul style="list-style-type: none"> • Location is relatively central to all producers • Land is located near Windermere Landfill • Property is located off Highway 93&95, not visible to high volume traffic • Short distance to Windermere Landfill for waste disposal 	<ul style="list-style-type: none"> • Property is highly visible from any direction – no trees • Private homes within 500 meters of property • Home owners have indicated concerns with landfill will most likely be NIMBY • Poor visibility for retail outlet 	<p>Zoning requirements identical to Windermere District Farmers Institute property</p>
AKISQNUK RESERVE	<ul style="list-style-type: none"> • Location is relatively central to all producers • Easy highway access for livestock trailers • Keen interest from Akisqnuq Band to develop section of reserve for commercial • Potential partnership with Akisqnuq band • Short distance to Windermere Landfill for waste disposal • High visibility for retail outlet – if desired 	<ul style="list-style-type: none"> • Although reserve land is regulated federally. Initially it was thought an abattoir would be required to meet federal inspection requirements, therefore higher capital cost. However, legal interpretation is that an abattoir could be built on reserve land with Provincial licensing. • Land would be leased • Time frame to commence construction would be long as physical infrastructure not in place for commercial use • Potential land would be directly 	<p>Zoning requirements are unclear as there has never been an abattoir built on reserve</p>

		off of Highway 93&95 with high visibility <ul style="list-style-type: none"> • Business infrastructure not in place • Potential public concerns (NIMBY) due to high volume of seasonal locals 	
LOCATION	PROS	CONS	REGULATORY/ZONING
MCKERSIE RANCH	<ul style="list-style-type: none"> • Property is operated as a cattle ranch currently by a WDFI member • Room for growth • Very few neighbours • Easy highway access for livestock trailers • High visibility for retail outlet – if desired • Short time frame to receive approvals to commence construction 	<ul style="list-style-type: none"> • Location is not central to all producers • Land would be leased • Poor location for retail outlet as it is outside of “business section” of Columbia Valley 	Zoning requirements identical to Windermere District Farmers Institute property

Site Recommendation:

Assessment of the pros and cons of the five potential locations leads to the Windermere District Farmers Institute property being the best site.

Key benefits are:

- No capital cost for land
- Value of land could be mortgaged to raise capital for construction
- Land is set back from highway, therefore abattoir would not be highly visible
- Central location for all producers
- Regulatory/zoning requirements are minimal
- Cross roads to Town of Invermere provide high visibility location for retail outlet

MANAGEMENT & LABOUR AVAILABILITY

The Columbia Valley, like other parts of our economy, has a substantial volume of people seeking employment. Due to the mill closures in the region, there are potential employees with diverse plant management or labour skills with transferrable work skills. Discussions have been held with a variety of management and labour personnel currently working in the meat processing industry with keen interest from licensed/unlicensed meat cutters in the area to work either full time or part-time at the proposed Columbia Valley Abattoir.

Personnel of interest are:

1. *Labour:* A meat cutter currently working within the retail industry as a meat cutter is extremely keen to remain in the Columbia Valley and work within the food processing industry. He would be qualified to work as a labourer, but would require further education and/or training to take on a management role. The labour position would require supervision.

The BC Ministry of Agriculture provides a *Food Safety Systems Implementation Program*⁹ that would be beneficial for management & labour personnel. The objective of the program is to increase the number of non-federal operations having a Hazard Analysis Critical Control Point (HACCP) system in place. Funding is provided for educational workshops to develop work plans and provide implementation of the plan. Financial assistance will reimburse 90% eligible expenses up to \$15,000.

The program also has a section for farms with funding up to \$3,000.

Labour Cost: \$18/hour

2. *Management:* Two local meat cutters have shown interest in management of the abattoir. One is an owner of a cut & wrap business and the second is working within management of a retail meat department. Both are willing to discuss options such as part-time or full-time. The owner of the cut & wrap has also indicated interest in membership of a cooperative business model.

Management Cost: \$30/hour

⁹ Food Safety Systems Implementation (FSSI) Program, BC Ministry of Agriculture

COMMUNITY SUPPORT AND INTEREST

Presentations were made to all communities within the catchment area with full support received. Letters of Support from the following communities are found in Appendix B:

Town of Golden
Village of Radium
District of Invermere
Village of Canal Flats
Regional District of East Kootenay, Columbia Valley Committee

Local papers and radio stations have printed few articles outlining some of the facts behind the proposed abattoir and the support of the community councils. Members of the community councils have indicated they have received minimal questions concerning waste disposal but overall the feedback from the public was favourable.

Local food organizations provide strong support for the proposed abattoir:

David Thompson Secondary School, Chef Training Program
Slow Food Columbia Valley
Columbia Valley Botanical Gardens & Centre for Sustainable Living

INVESTORS/OWNERS

The objective of this Feasibility Study was to determine whether an economically viable configuration exists for a licensed abattoir facility within the Columbia Valley region of the East Kootenays, B.C.

Financial and market analysis indicate a Columbia Valley Abattoir is viable.

At the time of the Feasibility Study there were no investors or potential owners who clearly came forward. However, there was interest stated in the Producer Survey for a cooperative business model. This model was also of interest to cut & wrap businesses and local food groups. The aboriginal reserves also indicated interest in potential partnerships.

Cooperative Structure

A cooperative is ideally suited to the nature of a community abattoir with a number of successful food producing models:

- Prairie Heritage, Alberta
- Western Montana Food Growers Coop
- Puget Sound Meat Producers Cooperative
- Island Grown Farmer Cooperative, Washington

Advantages of a cooperative structure are:

- A co-op keeps all the benefit for group members, with potential members being:
 - Livestock producers
 - Other agricultural producers
 - Processors – cut & wrap
 - Local food groups
 - Restaurants
 - Retailers
 - Municipalities
 - General public – consumers
- The business is owned and controlled by the members
- One vote per member
- Pooled purchasing reduces costs
- A co-op is a recognized way of doing business with strategic regional and national links
- Co-ops allow for mentoring and support across the industry
- Cooperative marketing plans benefit all producers and reduces promotional costs
- Members work collectively and develop skills beneficial to their businesses, industry and community

In order for a cooperative structure to be successful the Columbia Valley producers would need to make operational changes:

1. Staggered feeding program to address seasonality of market demand.
2. Members would be required to be educated in *Food Safety Systems*.
3. Consistency in finished product either individually or in cooperative central feedlot.
4. Adherence to *Verified Beef Production* program.

ABATTOIR CONFIGURATION OPTIONS

Two potential configuration options have been assessed: Mobile abattoir or construction of a stationary facility. The facility would process cattle, bison, sheep, goat and swine.

Abattoir Option Comparison

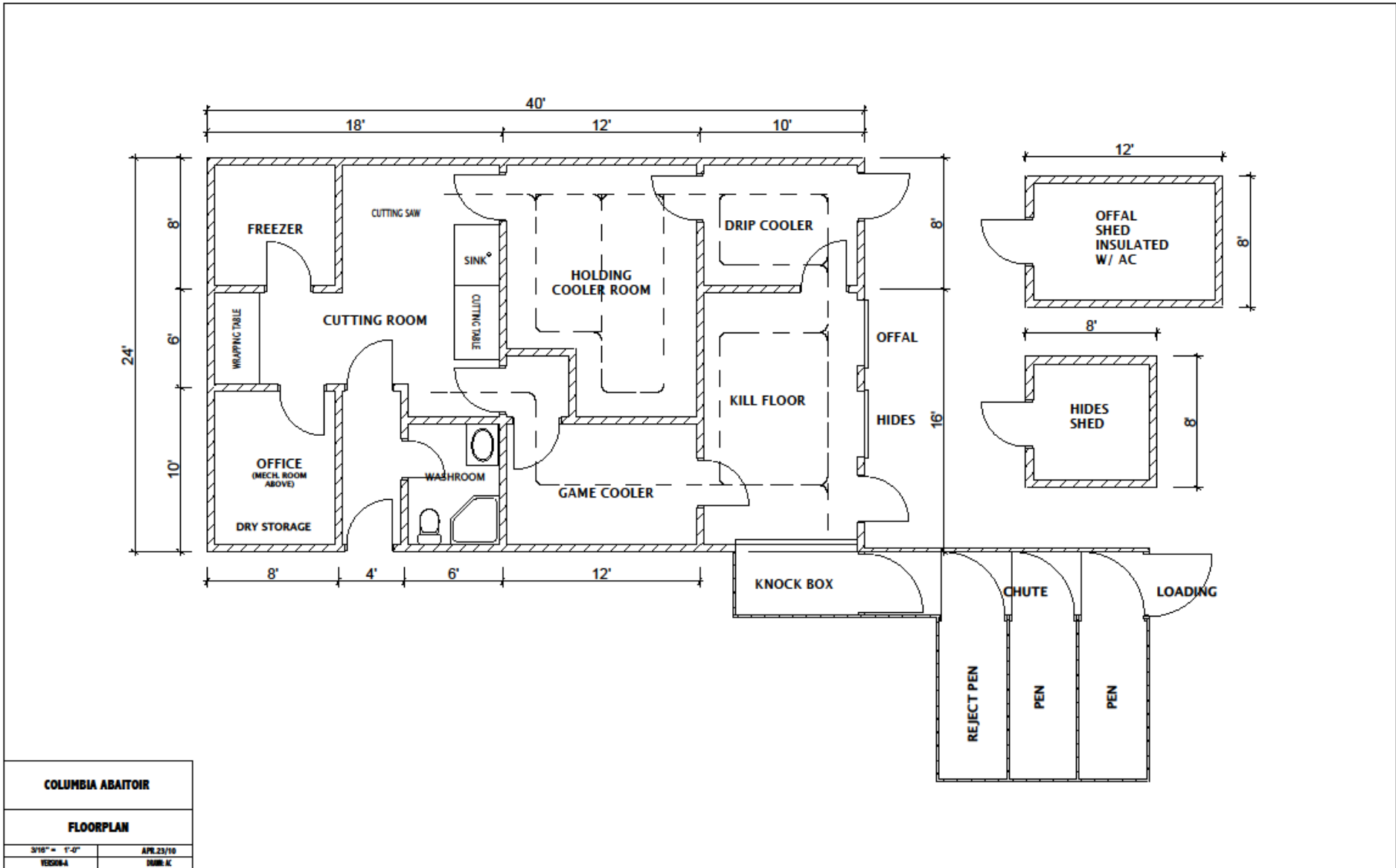
MOBILE ABATTOIR		STATIONARY FACILITY	
PROS	CONS	PROS	CONS
<ul style="list-style-type: none"> • Requires less capital investment • Construction could be occurring simultaneously with zoning applications for docking station • Shorter zoning timeline for central docking station • Temporary Use Permit only require public notification versus public hearing • Provides flexibility to address seasonality of product and market demand • Provides flexibility for producers • May not require central site, as mobile could travel to producers. Beneficial for producers in northern part of catchment area • Short term solution while status of industry remains uncertain • Requirement for management and labour is permanent part-time, therefore greater potential to access local labour • Potential to partner with current operator in northern BC for dedicated East Kootenay mobile abattoir • Potential to also construct docking station for mobile poultry abattoir operating out of Cranbrook 	<ul style="list-style-type: none"> • Ability to find fabricator • Require tow vehicle • Requirement for freezer space for SRM waste • Requirement for temporary holding cooler for carcass' prior to processing • Require location to park & maintain mobile unit while not in operation (only required if central docking station not constructed) • Temporary accumulation and storage of liquid waste • Cold weather operation extremely difficult • Temporary Use Permit is only for two years, with two year renewal option. After 4 years would require permanent rezoning and public hearing. 	<ul style="list-style-type: none"> • Allows room for growth • Provides site for retail outlet • Could provide services to non co-op members • Could provide services to producers outside of catchment area • Encourages producers to increase livestock numbers • Encourages new producers in catchment area • Requirement for labour may be part-time, therefore ability to draw from local labour • All processing is in doors – nothing visible to public • Can operate year round without weather concerns • More readily available to producers as their product is available versus advance and minimum bookings with mobile • Less coordination required producers/abattoir and processors 	<ul style="list-style-type: none"> • Requirement for management may be full time • Large capital investment and risk • Requires central site • Requires septic system • Timeline for rezoning is longer 5 – 6 months • Rezoning require public hearing

Configuration Recommendation:

Assessment of the pros and cons of the two potential configuration leads to a permanent fixed facility.

Key benefits are:

- Availability of grant monies
- Ability for growth with market demands
- All inclusive facility requires less transportation of animals and carcasses
- Ability to attract labour and management staff higher
- Year round operation meets market demands
- Provides site for retail outlet
- Financial viability higher with potential to attract non members from outside of the catchment area
- All processing is in doors – nothing visible to public



PROPOSED COLUMBIA VALLEY ABATTOIR

IMPEDIMENTS

LOGISTICAL

Four significant logistical impediments to the construction of a Columbia Valley abattoir have been identified:

1. The establishment of a cooperative organization – No formal discussions have been undertaken amongst the potential members to establish such an organization.
2. Lack of equity – The Windermere District Farmers Institute lacks the financial resources other than the potential to mortgage the identified property. Funding would be required from outside sources such as provincial and federal grant programs.
3. Personnel and/or consultants are required to compile a detailed business plan, source funding including MTAP assistance and drive the proposed abattoir forward.
4. No clear “champion” within the Windermere District Farmers Institute to move the project forward.

WASTE - OFFAL

The volume of offal waste to be generated by the proposed Columbia Valley Abattoir represents the most significant volume of waste and is not anticipated to be an impediment. The producer survey indicated the following number of livestock:

Total animals produced in 2009	2120
95% of cattle are sent to feedlot	2009
5% are marketed locally	105

Offal Waste Volumes

	Number Cattle	Average Weight (lbs)	Total Waste (lbs)
2009 Volume	105	1100	57,650 (27 tonnes)
Proposed for Year 1	200	1100	111,000 (50 tonnes)
Proposed for Year 2	247	1100	135,850 (61 tonnes)

* Volume of offal waste generated from cattle is approximately 50% of live weight. As high as 8% of the live weight may be the hide. 50% is assumed for planning purposes.

Currently the Windermere Landfill's Operating Certificate does not directly specify offal waste. Discussions with the RDEK (with support from the Canadian Food Inspection Agency) have been very favourable with indication they would seek to amend their Operating Certificate. The RDEK has indicated they will require 24 hour notice of delivery of waste, therefore requiring short-term storage of waste on site.

There is the potential to reduce the volume to be sent to landfill by redirecting some of the offal waste for other uses. Examples include bones and organ meats for dog food and hides to tanneries.

WASTE - SRM

The volume of Specified Risk Material (SRM) to be generated by the proposed Columbia Valley Abattoir is quite low and is not anticipated to be an impediment.

SRM Waste Volumes

	Number Cattle	Average Weight (kg)*	SRM Over 30 Months (kg)**	SRM Under 30 Months (kg) ***	Total SRM Waste
2009 Volume	105	495	364	935	1301
Proposed for Year 1	200	495	694	1784	2477
Proposed for Year 2	247	495	856	2203	3060

* For planning purposes average weight assumes calves that have been fed for marketing purposes.

** Volume of SRM generated from cattle over 30 months is approximately 7% of live weight. Based on Columbia Valley Producer Survey, 10% of cattle were over 30 months in 2009. This percentage is assumed for planning purposes.

*** Volume of SRM generated from cattle under 30 months is approximately 2% of live weight. This percentage is assumed for planning purposes.

Preliminary discussions have taken place with the RDEK, operators of the Windermere Landfill about the possibility of accepting SRM waste. At this time, due to public concern, the RDEK would require a public hearing in order to assess the viability of accepting SRM waste. As the relationship of the landfill to home owners in close proximity is already precarious, they do not wish to pursue this option.

It is recommended the proposed Abattoir package & freeze SRM for pickup by Interior Agra Solutions. Interior Agra Solutions will pick up the SRM waste and transport for incineration in Alberta. If a the mobile configuration is chosen, freezer storage capabilities will be required on-site as pickup will be 2 - 3 times per year.

REGULATORY/ZONING

All communities have indicated support for the proposed abattoir with many being proactive and endorsing the local food production within their Official Community Plans.

However, three regulatory/zoning impediments are identified:

1. Agricultural Land Commission's interpretation of the 50% of farm product requirement for zoning to commercial/industrial plant. It is anticipated that the ALC will, at most, require the submission of a "Non-farm Use" application, with the outcome being permission granted to undertake an activity not listed in the ALR Use, Subdivision and Procedure Regulation.
2. Two zoning options:
 - a. Rezoning OCP designation from RR, Rural Resource to I, Industrial and to rezone the property from A-2, Rural Residential (Country) Zone to I-1, Light Industrial Zone. The cost is \$1,200, with a public hearing. Timeline would be 5 – 6 months.
 - b. Temporary Use Permit for two years with a two year renewal. Cost is \$1,000, with public notification only. Resolution is made by the Board. Timeline 2 months. This option would require rezoning after four years with public hearing.
3. Regulatory/Zoning requirements may become an impediment if it is chosen to construct on aboriginal land as the nature of the federal requirements is unclear.

SUPPLY/PROCESSING

The following supply/processing impediments have been identified:

1. Need for staggered breeding and/or finishing program to address seasonality of market demand.
2. Need for quality finishing program to address consistency and quality of product.
3. Supply of feed resources: hauling in grains or growing of grain crops.
4. Availability of high quality grazing pastures during the summer months.
5. Producers would be required to be educated in *Food Safety Systems*.
6. Producer adherence to *Verified Beef Production* program.
7. Year round supply of livestock is highly unlikely; creating peak demand on the facility along with management and labour personnel.
8. Peak demand from market during summer months, creates peak demand on processing for the spring.

9. The economic uncertainty and viability of the ranch industry has positioned the producers to be extremely cautious. This leads to questioning the projected volumes of livestock.

MARKET

A number of market concerns may create impediments:

1. Market demand peaks during the summer months once again showing the need for the producers to stagger their breeding and finishing programs.
2. Quality assurance – consumers must feel confident they are purchasing from reputable producers and will be receiving a consistent quality product.
3. Market awareness – there is a need for a cooperative marketing program to promote the local producers and their products. This must be factored into the cooperative organizational structure.
4. Commitment of producers to market via retailers must be met. Continuous availability must be 100%.

ADVANTAGES

LOGISTICAL

1. The Windermere District Farmers Institute has a strong membership with keen interest in a local abattoir. Amongst the members there are a variety of business and management skills that can be called upon to see this project through.
2. Availability of capital cost funding. Funding is required from outside sources such as provincial and federal grant programs. Possible sources
 - **Meat Transition Program (MTAP)**
The WDFI would likely qualify for a matching grant up to \$150,000. ***Possibility of funding not being available after 2010.***
 - **Southern Interior Development Initiative Trust**
SIDIT provides grants and loans & equity investments to support regionally strategic projects in small communities. Funds may be offered to leverage other party funding. Local assessment personnel have indicated the SIDIT is seeking projects in the Columbia Valley.
 - **Columbia Basin Trust**
The CBT provides investment funding for a variety of programs such as social and economic issues.
3. Member demographics of the Windermere District Farmers Institute is slowly changing to younger producers which is consistent with the Canadian statistics.
4. Windermere District Farmers Institute members along with local community and industry members have shown an interest in the establishment of a cooperative organization.
5. Ownership of a viable site by the Windermere District Farmers Institute.
6. Community support is strong amongst municipal governments and local food groups.

WASTE -HIDES

Sales of animal hides has been unpredictable within the last few years. During the early part of 2009, hides had no value. As of the end of 2009, cattle hides could be sold for \$15 to Halford Hides in Edmonton, Alberta.

REGULATORY/ZONING

Municipal/provincial government and agencies have been very open to the proposed Columbia Valley abattoir. All governments agree to the need for such a facility and have indicated their desire to work with the industry and the general public.

RDEK staff have reviewed many zoning options and have advised a Temporary Use Permit is the best option if a mobile facility is chosen. The TUP only requires public notification versus a hearing followed by Board resolution. Timeline would only be two months.

SUPPLY/PROCESSING

Producers indicated support of a local abattoir along with 90% support for the requirement to alter their seasonality of production.

MARKET

The *local food movement* is strong within the Columbia Valley. Organizations such as *The Columbia Valley Botanical Gardens & Centre for Sustainable Living* and *Edible Gardens* have found great success and created market awareness to local foods.

A number of local producers have been successful in selling directly to consumers and/or retailers although very little if any marketing has been undertaken. Sales have come because of "word of mouth" and producers are being contacted directly by consumers and restaurants. The elimination of the "middle man" allows the producer to control the market price for their product. Consumers are willing to be up to 35% higher for a natural product, allowing producers to receive a premium for their product.

One producer, Firland's Ranch, has been extremely proactive in their marketing efforts: advertisements in local papers, stocking of products at natural foods retailer, promotional barbeques, selling products at local farmer's market. Their marketing efforts have created awareness amongst local and seasonal local consumers, thus creating a demand.

FINANCIAL ANALYSIS

Based on the Proposed Floor Plan and the operation of a Cut & Wrap business, financials were produced. **It must be noted, the financials developed only consider one source of funding:** MTAP matching grant for \$150,000.

This scenario creates a profitable business model in Year 3.

We believe, the likelihood of obtaining funding from Southern Interior Development Initiative Trust and the Columbia Basin Trust are very high.

INCOME AND EXPENSE PROJECTIONS

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Revenue					
Total Sales	\$ 18,498	\$145,851	\$178,703	\$200,683	\$216,831
Less: Direct Costs	\$ 40,771	\$ 49,145	\$ 58,995	\$ 64,845	\$ 68,469
Total Gross Profit	\$ 77,728	\$96,706	\$119,708	\$135,837	\$148,363
Expenses					
Insurance	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251
Bank Charges	\$ 1,200	\$ 1,236	\$ 1,273	\$ 1,311	\$ 1,351
Communications	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556	\$ 6,753
Advertising/Donations	\$ 1,185	\$ 1,221	\$ 1,257	\$ 1,295	\$ 1,334
Uniforms	\$ 2,400	\$ 2,472	\$ 2,546	\$ 2,623	\$ 2,701
Professional Fees	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Sub-Total	\$ 17,785	\$18,319	\$ 18,868	\$ 19,434	\$ 20,017
Staffing					
Manager (9 months)	\$ 27,000	\$27,810	\$ 28,644	\$ 29,504	\$ 30,389
Clerical	\$ 11,250	\$ 11,588	\$ 11,935	\$ 12,293	\$ 12,662
Sub-Total Wages	\$ 38,250	\$ 39,398	\$ 40,579	\$ 41,797	\$ 43,051
Add: Benefits (20%)	\$ 7,650	\$ 7,880	\$ 8,116	\$ 8,359	\$ 8,610
Total Staffing Costs	\$ 45,900	\$ 47,277	\$ 48,695	\$ 50,156	\$ 51,661
Utilities					
Repairs/Maintenance	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130
	\$ 3,600	\$ 3,708	\$ 3,819	\$ 3,934	\$ 4,052
Total Expenses	\$ 76,285	\$ 78,574	\$ 80,931	\$ 83,359	\$ 85,859
Net Income BDIT	\$ 1,443	\$ 18,133	\$ 38,777	\$ 52,479	\$ 62,503
Less: Interest costs	\$ 5,625	\$ 5,354	\$ 5,072	\$ 4,776	\$ 4,467
Net Income BDT	-\$ 4,182	\$ 12,779	\$ 33,706	\$ 47,703	\$ 58,036
Less: Depreciation	\$ 18,220	\$ 16,065	\$ 14,261	\$ 12,742	\$ 11,457
Net Income BT	-\$ 22,402	-\$ 3,287	\$ 19,445	\$ 34,961	\$ 46,579

CASH FLOW PROJECTION

	<u>Start-Up</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Sources of Funds						
Equity						
Owners	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MTAP	\$ 150,000					
Total equity	\$ 150,000	-	-	-	-	-
Mortgage	\$ 125,000					
Total Debt Financing	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ -	-\$22,402	-\$ 3,287	\$ 19,445	\$ 34,961	\$ 46,579
Add: Depreciation		\$18,220	\$ 16,065	\$ 14,261	\$ 12,742	\$ 11,457
Total Sources of Funds	\$ 275,000	-\$ 4,182	\$ 12,779	\$ 33,706	\$ 47,703	\$ 58,036
Uses of Funds						
Building Construction	\$ 178,000	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment Purchases	\$ 38,000	-	-	-	-	-
Hookups	\$ 10,000	-		-	-	-
Sewage	\$ 25,000					
Loan payment		\$ 6,014	\$ 6,285	\$ 6,568	\$ 6,863	\$ 7,172
Total Uses	\$ 251,000	\$ 6,014	\$ 6,285	\$ 6,568	\$ 6,863	\$ 7,172
Net Cash Flow	\$ 24,000	-\$10,196	\$ 6,494	\$ 27,138	\$ 40,840	\$ 50,864
Beginning Cash Balance	\$ -	\$ 24,000	\$ 13,804	\$ 20,297	\$ 47,435	\$ 88,275
Ending Cash Balance	\$ 24,000	\$ 13,804	\$ 20,297	\$ 47,435	\$ 88,275	\$ 139,139

COST OF SALES PROJECTION

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Sales					
Custom Slaughter	\$ 98,575	\$ 125,095	\$ 157,041	\$ 178,207	\$ 193,581
Cut and Wrap included in fees					
Game processing fees	\$ 18,750	\$ 19,313	\$ 19,892	\$ 20,489	\$ 21,103
Lamb Meat Sales					
Pork Meat					
Subtotal	\$ 117,325	\$ 144,407	\$ 176,933	\$ 198,696	\$ 214,684
Add Byproducts,hides etc at 1%	\$ 1,173	\$ 1,444	\$ 1,769	\$ 1,987	\$ 2,147
Total Sales	\$ 118,498	\$ 145,851	\$ 178,703	\$ 200,683	\$ 216,831
Commissions (5% of Sales)	\$ 938	\$ 966	\$ 995	\$ 1,024	\$ 1,055
Cost of Animal Purchases					
Cattle Purchases					
Lamb Purchases	-	-	-	-	-
Hog Purchases	-	-	-	-	-
Total Cost of Animal Purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Labour Costs					
Hours/Animal Unit (AU)	4.0	4.0	4.0	4.0	4.0
No. of AUs	244	294	352	385	404
Total Hours Worked	976	1,174	1,406	1,539	1,617
Wage Rate	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Benefits	20%	20%	20%	20%	20%
Total Wage Costs/Hour	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Total Direct Labour Costs	\$ 29,280	\$ 35,232	\$ 42,189	\$ 46,172	\$ 48,500
Water and Waste Disposal Costs					
Water Costs/AU	\$ 0.25	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.28
Liquid Disposal Costs/AU	\$ 5.00	\$ 5.15	\$ 5.30	\$ 5.46	\$ 5.63
Solid Disposal Costs/AU	\$ 23.00	\$ 23.69	\$ 24.40	\$ 25.13	\$ 25.89
Total Waste Disposal Costs/AU	\$ 28.25	\$ 29.10	\$ 29.97	\$ 30.87	\$ 31.80
Total Waste Disposal Costs	\$ 6,893	\$ 8,543	\$ 10,537	\$ 11,878	\$ 12,851
Materials & Miscellaneous Costs					
Material and Misc. Cost/AU	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Total Material & Misc. Costs	\$ 3,660	\$ 4,404	\$ 5,274	\$ 5,771	\$ 6,063
Total Direct Costs	\$ 40,771	\$ 49,145	\$ 58,995	\$ 64,845	\$ 68,469
Gross Profit	\$ 77,728	\$ 96,706	\$ 119,708	\$ 135,837	\$ 148,363

BALANCE SHEET PROJECTION

	<u>Start-Up</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Assets						
Current Assets						
Cash	\$ 24,000	\$ 13,804	\$ 20,297	\$ 47,435	\$ 88,275	\$139,139
		-	-	-	-	
Total Current Assets	\$ 24,000	\$ 13,804	\$ 20,297	\$ 47,435	\$ 88,275	\$139,139
Long Term Assets						
Building	\$178,000	\$170,880	\$164,045	\$157,483	\$151,184	\$145,136
Equipment	\$ 38,000	\$ 30,400	\$ 24,320	\$ 19,456	\$ 15,565	\$ 12,452
Septic and hookups	\$ 35,000	\$ 31,500	\$ 28,350	\$ 25,515	\$ 22,964	\$ 20,667
Total Long Term Assets	\$251,000	\$232,780	\$216,715	\$202,454	\$189,712	\$178,255
Total Assets	\$275,000	\$246,584	\$237,012	\$249,889	\$277,987	\$317,394
Liabilities						
Mortgage	\$125,000	\$118,986	\$112,701	\$106,133	\$ 99,270	\$ 92,098
Total Liabilities	\$125,000	\$118,986	\$112,701	\$106,133	\$ 99,270	\$ 92,098
Equity						
Start Balance	\$150,000	\$150,000	\$127,598	\$124,311	\$143,756	\$178,717
Additions	-	\$ 22,402	\$ 3,287	\$ 19,445	\$ 34,961	\$ 46,579
Ending Balance	\$150,000	\$127,598	\$124,311	\$143,756	\$178,717	\$225,296
Total Equity and Liabilities	\$275,000	\$246,584	\$237,012	\$249,889	\$277,987	\$317,394

Notes:

1. Building construction costs were calculated at \$225/ft² based on discussion with general contractors within the East Kootenays.
2. Equipment costs are estimated based on comparisons to abattoirs currently in operation in British Columbia. Due to the upgrading required for new licensing criteria, there is an abundance of used equipment available both in British Columbia and Alberta.
3. The proposed abattoir will meet requirements for "Provincially Inspected" meats.
4. It is assumed there is no requirement for land purchase as the site recommended is owned by the Windermere District Farmers Institute.

CONCLUSIONS

Assessment of all information gathered for the Feasibility Study leads to the following conclusions:

1. The supply of cattle within the Columbia Valley catchment area is sufficient to support a small scaled abattoir with strong commitment from the ranchers. The commitment will require quality finishing along with a varying season.
2. The proposed abattoir must contain a cut & wrap processing operation in order to attain viability.
3. The proposed abattoir must also include the processing of game meat in order to be profitable by year 3.
4. The volume of beef produced within the catchment area would meet the statistical consumption rate locally as production rate is 44% higher than consumption.
5. Throughout Canada there is a *local food movement* which encourages sustainable food production, processing, distribution, and consumption to enhance the economic, environmental and social health of communities. The nature of the communities throughout the Columbia Valley has led to a strong embracement of the concept to purchase local including locally produced meats. Market awareness of locally produced meat has grown exponentially within the last two years.
6. Operations of the proposed abattoir will vary seasonally. Spring and fall will be very busy while summer and winter months will be slower. Producers must be prepared to vary their seasonality of production.
7. The establishment of a "Cooperative" is required, as there is lack of interest from the private sector to fund and operate the proposed abattoir.
8. Sourcing of funding, in the form of government grants and agency loans, is essential to move forward with the proposed abattoir.

WHAT'S NEXT?

1. Complete Business Plan to source funding.
2. Sourcing of funding including completion of applications:
 - a. MTAP
 - b. SIDIT
 - c. Columbia Basin Trust
 - d. Local banks/credit unions
3. Completion of engineered plans and detailed specifications for proposed abattoir.
4. Application for rezoning within Regional District of East Kootenay and the Agricultural Land Commission.

5. Obtain approval of building plans with all relevant government agencies including:
 - a. Ministry of Health
 - b. Ministry of Agriculture
 - c. Regional District of East Kootenay
 - d. Canadian Food Inspection Agency
6. Obtain building permit including all sewer and electric permits required.
7. Obtain quotes for construction, including General Management of construction.
8. Select Project/Operations Manager.

APPENDIX A

**COLUMBIA VALLEY
PRODUCER SURVEY
2009**

7. Please indicate the percentage for each category.

15% At farmers' markets: One rancher selling sausage
5 - 10% Direct to retailers and consumers
<1% Direct to restaurants/resorts
95% Feedlots

8. Would you change your marketing if a local abattoir were available?

90% of ranchers said yes.

9 a). What is your current marketing season for each species?

Species <u>Cattle</u>	Season	15 % Spring & Fall 75% Fall 10% Spring & Summer
Species <u>Sheep</u>	Season	100% Fall
Species <u>Bison</u>	Season	100% Spring
Species <u>Goat</u>	Season	100% Spring
Species <u>Swine</u>	Season	Spring, Summer, Fall

9 b). If a licensed abattoir were available in the Columbia Valley, would you consider varying your marketing season?

Yes - 100%

10. Where do you currently get animals slaughtered?

<input checked="" type="checkbox"/> Unlicensed processor.	Where?	5% Unknown
<input checked="" type="checkbox"/> Licensed processor.	Where?	40% Ricks
<input checked="" type="checkbox"/> Other	Where?	5% Balzac Meats
<input checked="" type="checkbox"/> Self		50%

11. Where do you currently get your animals processed?

<input checked="" type="checkbox"/> Unlicensed processor.	Where?	5% Unknown
<input checked="" type="checkbox"/> Licensed processor.	Where?	35% Konigs 15% Ricks 15% Ricks or Konigs 5% Cliff's 20% General unlicensed
<input checked="" type="checkbox"/> Self		5%

12 a). If a licensed abattoir were available in the Columbia Valley, would you use it?

Yes - 100%

12 b). Would you prefer a mobile or stationary abattoir & Why?

25% prefer mobile, 35% prefer stationary, 40% no preference.
Stationary more permanent long term solution.
Mobile is better for animals, more flexible, perceived to have more regulatory "hoops"

12 c). What number of each species would you send to Columbia Valley Abattoir?

In year 1:

Species	<u>Cattle</u>	#	<u>200</u>
Species	<u>Sheep</u>	#	<u>10</u>
Species	<u>Bison</u>	#	<u>10</u>
Species	<u>Goat</u>	#	<u>30</u>
Species	<u>Swine</u>	#	<u>25</u>

In year 2:

Species	<u>Cattle</u>	#	<u>247</u>
Species	<u>Sheep</u>	#	<u>15</u>
Species	<u>Bison</u>	#	<u>12</u>
Species	<u>Goat</u>	#	<u>35</u>
Species	<u>Swine</u>	#	<u>29</u>

13. What amount would you consider reasonable as a slaughter fee?

First species	<u>Cattle</u>	Range \$50 – 125	Average \$89
Currently pay		Range \$50 – 100	Average \$75
Second species	<u>Sheep</u>	\$40	Currently pay \$40

14. What price per pound do you think would be reasonable for processing your animals (based on you retaining ownership and selling the end products)?

First species	<u>Cattle</u>	Average \$0.67
Currently pay		Range \$0.45 – 0.75

16. What are you currently doing with the hides?

Throw away
Send to Halford Hides in Edmonton
Leave with processor

17. Do you have any other comments?

Interested in coop model.
Would pay for Marketing program - would like to see a coop type approach.
Interested in Natural Beef market.
Abattoir would save on transportation & auction market costs.
A lot of small producers are in limbo at the moment, not sure of the regulations.
A good butcher is crucial.
Consistent product from a coop approach is a good idea.
Could not get into Rick's from end of August to mid January.

APPENDIX B

LETTERS OF SUPPORT

Village of
RADIUM HOT SPRINGS
British Columbia, Canada

Box 340
Radium Hot Springs, B.C.
Canada V0A 1M0

Telephone (250) 347-6455
Facsimile (250) 347-9068

February 2nd, 2010.

Windermere Farmers Institute
c/o Sun Communications
2590 Sandstone View
Invermere, BC V0A 1K6

Attn: Brian McKersie

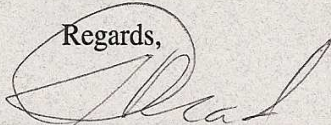
Dear Mr. McKersie,

Please be advised that the Council of the Village of Radium Hot Springs fully supports the concept of a local abattoir servicing the Columbia Valley.

We see many benefits to this proposal including support for the local ranching community and local markets, reduced transportation costs and stress to the animals, and local employment and new industry opportunities.

We hope that you are successful in this endeavor.

Regards,



Mark Read



Box 159, 8853 Grainger Rd., Canal Flats, B.C. V0B 1B0
Phone: 250-349-5462 Fax: 250-349-5460
village@canalflats.ca

January 27, 2010

The Windermere Farmers Institute
c/o Sun Communications
2590 Sandstone View
Invermere, BC
V0A 1K6

Attn: Brian McKersie

Dear Mr. McKersie,

At the Regular Council Meeting on January 25, 2010, Council for the Village of Canal Flats passed a resolution supporting the proposed Columbia Valley Abattoir Feasibility Study.

If you have any questions or concerns, please contact our office.

Yours truly,


Ruth Copeland
Chief Administrative Officer

/sh

File: 1.7.1.21

February 3rd, 2010

To Whom It May Concern:

Re: Letter of Support

The District of Invermere is in full support of the Columbia Valley Abattoir.

With the rise of the local food movement and the decline of the Canadian beef industry, it is a natural fit to build an abattoir in the Columbia Valley to not only help the local beef industry but to create jobs within our community.

The ability to reduce transportation costs at the same time as increasing and supporting the "cut & wrap" industry creates a more humane treatment of cattle. This is an exciting venture and the District of Invermere supports the Windermere Valley Farmer's Institute in the creation of the Columbia Valley Abattoir.

If you have any questions regarding the support from the District of Invermere, please feel free to contact myself or Chris Prosser, Chief Administrative Officer, at 250-342-9281 ext. 225 or cao@invermere.net.

Respectfully,



Gerry Taft
Mayor
District of Invermere

GT/kd



REGIONAL DISTRICT OF EAST KOOTENAY

Main Office
19 - 24th Avenue South
CRANBROOK, BC V1C 3H8
Ph: 250-489-2791 • Fax: 250-489-3498
Toll Free: 1-888-478-7335 (BC & AB Only)
Email: rdek@rdek.bc.ca • Website: www.rdek.bc.ca

Columbia Valley Office
Box 2319, 4956 Athalmer Road
INVERMERE, BC V0A 1K0
Ph: 250-342-0063 • Fax: 250-342-0064

File: Bhk 121 001

February 16, 2010

Brian McKersie, President
Windermere District Farmers Institute
c/o Sun Communications
2590 Sandstone View
Invermere BC V0A 1K6

Dear Mr. McKersie:

Re: Proposed Columbia Valley Abattoir

It was a pleasure hearing from John Zehnder and Adrienne Turner at the February 4, 2010 Columbia Valley Directors Committee meeting where they presented information on the abattoir being proposed by the Windermere District Farmers Institute.

On February 5, 2010, the Regional Board resolved to send a letter of support to the Windermere District Farmers Institute for a proposed abattoir in the Columbia Valley.

We look forward to hearing more as this project proceeds.

Sincerely,

Lee-Ann Crane
CAO

SM/ng

Resolution 41263

MUNICIPALITIES

CITIES: Cranbrook, Fernie, Kimberley; DISTRICTS: Elkford, Invermere, Sparwood; VILLAGES: Canal Flats, Radium Hot Springs

ELECTORAL AREAS

"A" Elkford Rural, Elk Valley, Fernie Rural, Flathead, Hosmer, Sparwood Rural, West Fernie; "B" Baynes Lake, Elko, Galloway, Grasmere, Jaffray, Newgate, Rosen Lake, Tie Lake; "C" Bull River, Cranbrook Rural, Fort Steele, Mayook, Monroe Lake, Moyie, Wardner, Wycliffe; "E" Kimberley Rural, Meadowbrook, St. Mary's Lake, Sheep Creek, Skookumchuk, Ta Ta Creek, Wasa; "F" Columere Park, Fairmont Hot Springs, Invermere Rural, Panorama, Windermere; "G" Brisco, Edgewater, Radium Rural, Spillimacheen, Wilmer



February 9th, 2010

File: 0220-01

Windermere Farmers Institute
Box 186
Fairmont, BC V0B 1L0

Dear Sirs/Mesdames:

Following a presentation by Adrienne Turner of Sun Communications to the Town Council of Golden at its meeting of February 2nd, 2010, Council unanimously resolved to support in principle the establishment of the proposed Columbia Valley Abattoir.

The notion of a locally based, smaller scale, and self reliant facility to serve the East Kootenay region is certainly appealing, and on behalf of Council, I wish you the best in your endeavours.

Sincerely,

Jon Wilsgard
Manager of Corporate Administration



*David Thompson Secondary School, Cook Training
c/o Sun Communications
2590 Sandstone View
Invermere, B.C.
V0A 1K6*

Attn: Brian McKersie

Dear Mr. McKersie,

On behalf of David Thompson Secondary School and the Cook Training Program, I fully support the concept of a local abattoir for the Columbia Valley. Having more of our food grown and processed locally and increasing the number of small livestock producers will enhance our local food security.

In addition, the Cook Training students at DTSS will learn about where their food comes from when they prepare delicious foods using locally-produced meat. In fact, our entire school community will learn that the food they are eating is locally-grown when we post this information on the school's "Local Food Report" each week.

Recently, we purchased a whole pig that was locally-produced. It was an enormously valuable experience for the Cook Training Level One students to learn the individual cuts of meat and to then turn them into roasts, sausages, and bacon, to name a few. In the words of one of the students "this is the best thing I have learned at school!"

We wish you the best in this endeavour.

Yours truly,

Alison Bell

*Slow Food Columbia Valley
c/o Sun Communications
2590 Sandstone View
Invermere, B.C.
V0A 1K6*

Attn: Brian McKersie

Dear Mr. McKersie,

On behalf of Slow Food Columbia Valley, I fully support the concept of a local abattoir for the Columbia Valley. Having more of our food grown and processed locally and increasing the number of small livestock producers will enhance our local food security.

Slow Food International promotes local food production, the protection of food and farming traditions and the pleasure of eating. As a chapter of this international organization, Slow Food Columbia Valley works locally to foster these important issues, as well. Columbia Valley Slow Food holds dinners featuring locally- grown foods and various events which bring farmers, ranchers and the greater community together to discuss the importance of a local food supply. We look forward to the day when meat produced in the Windermere Valley is featured on local dinner plates, on local restaurant menus and at local food events.

We wish you the best in this endeavour.

Yours truly,

Glenda Wah, Slow Food Columbia Valley



Brian McKersie
Windermere Farmers Institute
2590 Sandstone View
Invermere, BC V0A 1K6

9 March 2010

Dear Brian,

Re: Local abattoir

The Columbia Valley Botanical Gardens & Centre for Sustainable Living (CVBG & CSL) supports the establishment of a local abattoir. The CVBG is doing its part to advocate agriculture in the Columbia Valley: we support farmers and ranchers and we encourage everyone in the community to learn about growing and harvesting food locally.

The CVBG led the design and development of the Community Greenhouse, which provides a direct link between education and growing plants. We have celebrated local food through our Local Harvest Dinners, incredibly rich and diverse meals prepared by local chefs with meat and produce supplied by our local farmers and ranchers. And we have partnered in the creation of the East Kootenay Local Food Guide which lists the current purveyors of local produce, meat, prepared foods, nursery stock.

Caring for poultry and livestock and having the facility to slaughter is another critical aspect to ensuring the public has a reliable supply of local food. Farms contribute to a working landscape, have the ability to create employment and ultimately produce food which origins are known and respected. A local abattoir would support small scale production and agriculture as a viable economic use of land.

Small local abattoirs improve the supply chain of quality products. Consumer proximity, direct distribution and sale are implicit. We need local abattoirs so that our local farms can provide our markets, restaurants and local butcher shops with fresh, locally raised product. People in our communities deserve the right to purchase food raised and processed in a manner that makes us feel confident in what we are buying and eating. And a local abattoir would lessen the environmental impact of eating meat by reducing transportation requirements.

The CVBG is an active voice in the community and we are committed to increasing the availability of local and artisanal foods in the Columbia Valley. A local abattoir is a seminal step in providing the public with quality food.

Sincerely,

Sarah Bennett
Member of the Board
Columbia Valley Botanical Gardens & Centre for Sustainable Living (CVBG & CSL)

cc: Adrienne Turner, Sun Communications
CVBG&CSL Board of Directors

APPENDIX C

SOURCES

SOURCES

1. Ranching Task Force 2009 Report
2. Census of Agriculture 2001 & 2006, Statistics Canada
3. Cattle Statistics 2010, Statistics Canada
4. Community Profiles, BC Statistics
5. Draft Regional District of East Kootenay *Agricultural Overview*, Spring 2009
6. Canadian Food Trends to 2020, Statistics Canada, July 2005
7. Kicking Horse Community Profile, 2008
8. *How Growth in the Recreation and Resort Property Market is Driving Change in the East Kootenay Region*, May 2006.
9. Kootenay Rockies Regional Profile, January 2010 Tourism British Columbia
10. Canadian Food Trends to 2020, Statistics Canada, July 2005
11. The Natural Foods Merchandiser's 2008 Consumer Survey
12. Columbia Valley livestock producers, retailers and local food groups
13. 2009 Producer Survey – Columbia Valley
14. BC Food Processors Association
15. Interior Health
16. Regional District of East Kootenay
17. Ministry of Agriculture & Lands

