Developing a Value Chain for Hides and Beef By-Products
RTF 013

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Agriculture and Agri-Food Canada (AAFC) and the Ministry of Agriculture are committed to working with industry partners. Opinions expressed in this document are those of Gillian Watt and Dr. Jacinta D’Andrea and not necessarily those of AAFC or the Ministry of Agriculture.

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Cover Photo: Devick’s Ranch, Heffley Creek, B.C. This ranch and others across B.C., as well as their abattoir partners could potentially improve their net returns per animal with the development of a BC’s Own raw pet food brand.
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1. Executive Summary

There is limited opportunity in B.C. to increase the value of hides past the $15/animal rate because 90% of the hides are currently purchased at a #2 grade. There is, however, a significant opportunity to improve the value of the other beef by-products through a value chain approach that would have B.C. abattoirs working closely with an existing raw pet food company for contract processing and distribution of a locally made and manufactured pet food product branded as BC’s Own.

“Living in central B.C., I have become aware that everything we need to provide optimal nutrition to our pets literally exists in our backyards,” writes Veterinarian Jacinta, D’Andrea, DVM.

Most pet foods being sold today, including top-end vet brands, are ‘biologically-inappropriate.’ They utilize a base of genetically modified corn, soy, wheat, rice and other grains, which mounting scientific evidence has shown results in serious health implications in mammals. Made from highly sprayed, genetically modified ingredients, these pet foods are also highly processed and balanced with synthetic vitamins/minerals and a host of artificial colours and preservatives with known toxicities. Plus, a variety of dangerous contaminants such as melamine, aflatoxin and salmonella have led to widespread pet food recalls. Beyond this, ingredients are globally sourced and shipped from farms and factories around the world, creating a large carbon footprint while supporting environmentally destructive agriculture practices. More and more people are aware and demanding animals raised for food are treated humanely and without the use of hormones and antibiotics.

Our market research tells us that consumers are more willing to buy pet food products that are locally sourced, sustainably produced and have verification of ethical production practices.

The BC Association of Abattoirs is uniquely positioned to link the organization’s values and beliefs with its strengths and weaknesses and opportunities and threats, and build strategic partnerships in order to build competitive advantage in the market place with BC’s Own.

**Recommendation 1:** Create a variety of raw pet food products with our veterinarian’s nutritional guidance. The control of the supply and the certified BC Beef brand lends itself naturally to a differentiation strategy for BC’s Own which would feature:

- 100% locally sourced ingredients from B.C.
- Fair trade prices paid to produce farms and poultry and livestock operations, thereby rewarding sustainable production practices. Products will carry the Certified BC Beef logo and, in the future, the Premium BC Poultry and the Premium BC Lamb logos as well.
- Humanely raised meat products provided by B.C. producers and a certification organization to ensure effective certification standards.
- A value chain approach where management can adapt the products and ingredients based on customer feedback and continually improve the processes in line with consumer demand.

**Recommendation 2:** Develop a strategic partnership with an existing B.C. raw pet food company with synergistic core values to create efficiencies for the processing and distribution of the product.
**Recommendation 3:** Ensure educational material and product support is readily available for consumers and point of sale staff is sufficiently educated on the product.

To ensure success in this innovative and solution-based initiative, the BC Association of Abattoirs will apply its principles and values to BC’s Own, which include: 1) providing quality service in tune with customer needs; 2) providing quality products tailored to customer needs; 3) building strong communication links through the entire value chain from producers to consumers; 4) cultivating strategic partnerships where possible with the livestock industries, distributors and suppliers, and with the retail and food service sectors; 5) ensuring food safety, environmentally responsible practices, humane treatment of animals and 6) ensuring viability, the ability to make a profit while providing value to our communities.

In summary, we have all we need to supply our pets with nutritious, health-promoting foods growing and being produced within our communities. “Meat” can and should form the basis of any diet fed to animals whose systems have evolved to eat it. Vegetables, fruits and herbs (including various edible weeds) provide valuable phytonutrients, antioxidants, vitamins and trace minerals, helping to optimizing the health of our furry friends. By providing these products in a safe, balanced and convenient form to pet owners, BC’s Own brand of pet food will not only be promoting pet health, but also supporting animal welfare throughout the food chain, acting in an environmentally responsible fashion and creating community resilience.

2. **Introduction**

The initial goals and deliverables for this project were as follows:

- Develop training materials to provide hide treatment education to producers and processors.
- Provide training to participants in four geographical areas.
- Develop and Implement a system to provide information back to producers and processors regarding their hides grading consistency.
- Establish the feasibility of connecting animal by-products with further processing in the raw pet food industry.
  - Establish strategic partnerships with value added processing facilities to increase utilization of B.C. Beef by-products.
  - Establish pricing structure and distribution channels.
- Overall administration of the project and implementation of a communications plan to industry throughout the life of the project.

As the initial hides research began, it became quickly evident that greater resources should be placed on the raw pet food feasibility study portion of this project. The project manager then sent an amendment request to Peter Donkers of the Investment Agriculture Foundation to move project funding from the 2nd and 3rd bullet points above to the 4th bullet point. This request was subsequently approved and the report that follows is a reflection of this change.
3. Hides Research and Results

To investigate the opportunities for improving hide values, our research assistant interviewed B.C.’s two main hide buyers. Rodger Kennedy from Hides Friese and Tallow in Washington and Bruce Highway from the Cariboo region of B.C. were both interviewed for their knowledge on the grading and market values for hides in B.C.

The majority of hides within B.C. are collected by Bruce Highway, an independent contractor, and delivered to Ferndale, Washington to Hides Friese and Tallow.

Hide Grading

- Hides automatically are docked to a #2 if they are not pulled from the animal carcass and instead are skinned via knife.
- Hides with too many knife cuts through the skin or with cuts in poor position are automatically knocked down to a #3.
- Hides can also be downgraded to a #3 if they are not prepared properly prior to pick up.
- Most hides in B.C. are currently graded as a #2.
- Due to the current size of individual abattoir facilities in British Columbia, a hide pulling machine is not a financial option, which means there is little room for improvement in the grades of B.C. hides.

Bruce Highway explained that he has worked to improve the quality of hides that he transports by educating the abattoir owners who prepare the hides prior to pick up. From the information provided by Bruce a hides education brochure was developed by Caitlin Dobson (Appendix IV). This brochure is posted on the BC Association of Abattoirs industry website and pamphlets are distributed at industry events and trade shows.

Hides education needs to focus primarily on proper salting techniques. If the abattoir follows proper salting procedures, often the hides can be upgraded from a #3 to a #2. Improper handling of hides after removal can lead to what is called a “slipper” which means that the hair follicles no longer hold onto the hair. By the abattoirs ensuring that the hides are skinned properly and salted immediately after removal with the proper amount of salt, they will be able to obtain the #2 grade which will provide them with the greatest possible return for their hides.

As a result of interviews with industry experts, Rodger Kennedy and Bruce Highway, it was determined that the limiting factor for improving the grades of B.C. hides is a machine that pulls the hides off the carcass rather than the manual knife method. This limitation presents a barrier to entry for Grade #1 hides due to the cost of equipment and the economy of scale required to finance such a machine. However, with proper skinning and salting techniques by BC Abattoirs, the majority of hides in B.C. should be able to reach the Grade #2 standards.

A hides education brochure has been developed to ensure that BC Abattoirs are following correct skinning and salting procedures to obtain the #2 grade. This brochure is available on the BC Association of Abattoirs website http://bcabattoirs.org
The current value paid to the abattoir for B.C. hides by grade is:

- #1 approx. $25.00 (This grade of hide is never achieved in B.C.)
- #2 approx. $15.00
- #3 approx. $5.00 - $10.00

Bruce Highway estimated that in 2012 B.C. hide grades were 90% #2s and 10% #3s.
4. Pet Food Value Chain Development

A. Market Research

- To complete the market research six pet food stores were interviewed from Vancouver, Kamloops, Vernon and Williams Lake. The following stores were chosen due to their geographic location or their specialization in raw pet foods:
  - Pets Go Raw, North Vancouver
  - True Carnivores, Vancouver
  - Wild at Heart, Maple Ridge
  - Bosley’s Pet Food Plus, Williams Lake
  - Calling All Pets, Kamloops
  - Healthy Spot Pet Nutrition and Supply, Vernon
  - Roving K-9 Care, Kamloops

The interviewees were first introduced to the concept of BC’s Own Raw Pet Food through a PowerPoint presentation and then were asked a few questions through a one-on-one interview process.

Question 1. What products do you feel are best suited to the initial product line launch in terms of sales volume and profitability? Avg. Prices for Products can be found on Appendix I

Raw Food Products

- 24 lb. bulk box of meals (5), 200, 400, 600 gram meals – need one for each meat for variety
- Blended Beef meal
- Only organ
- Beef Tripe, Lamb Tripe
- Duck ground carcass
- 1 lb. packages of Beef Meals
- Green beef tripe
- Meat, organ, bone
- Biologically appropriate raw food
  - Beef
  - Lamb/Goat
  - Rabbit
  - Duck

Notes: Stick to just meat and organ, mixed meals with veggies are becoming not as popular with recent research. Demand for whole duck and whole chicken ground, including meat. Should mimic nature (what coyotes eat) whole animal diet, mixed meal not necessary.
**Dehydrated Products**

Beef heart and liver (3), spleen, tongue, tendons (3), throat, back straps, hooves, bullies (2) and ears

*Notes*: If selling in stores, have bulk self serve container and pay by weight (stay away from preservatives)

**Bone Products**

Knuckle Bones, (knee joint)(6), Rib Bones (2), Femurs (4) and Marrow Bones (2), lamb neck and slices (3), Lamb Femurs (slices and whole)

*Notes*: Bones must have a small amount of meat left to keep animal interested. Demand for meaty beef rib bones as a meal for animals but hard to find, lamb neck slices are cheap to make and huge seller, whole duck carcass would sell really well because of animals with food allergies, rabbit carcass as well.

**Question 2. What sales margin do you aim for in these products?**

All interviewees stated between 25-30% across all product lines

**Question 3. What combination of logos and tag lines do you prefer? (Appendix I)**

Logo #1 - no votes for this logo

Logo #2

In the Raw first choice - with tag line “Farm to Bowl”

Wild at Heart first choice - with tag line mentioning Dogs and Cats

Roving K9 Care first choice

True Carnivores tied for first choice - need to be clear it is for dogs and cats

Logo #3

Calling all Pets first choice

Bosley’s first choice

True Carnivores first choice tied

**Question 4. Do you carry any pet food lines currently where the ingredients are 100% B.C. sourced?**

*In the Raw* Brands who claim to source locally:

Red Dog Deli

3P Naturals

Give a Dog a Bone

Natural Instincts

Amore

*True Carnivores* said that Red Dog Deli claims to be sourcing local meats and veggies.

The remaining stores were not aware of any. From phone calls to the above brands it was confirmed by the writer that they do not source their beef products from B.C.
Question 5. Would you be willing to work with BC Beef Producers and Abattoirs to support BC's Own pet food company as a value chain partner in retailing, providing advice and promoting the initial product line?

In the Raw
Yes, strongly recommended having a nutrition specialist evaluate formulation before going too far (e.g. Dry matter protein level as the wet level is closer to 75%) Of the veggie formula need to be 80% leafy greens and 20% combo of carb and fruit base (carrots, yams, squash with one fruit per mix (blueberry, apples))

Wild at Heart
Yes, please keep posted with updates

True Carnivores
Yes!! Would really like to have a sit down meeting and discuss ideas to help promote this label any way he can. As well give the project key tips to be successful in the industry.

Roving K9 Care
Yes, quality and quantity, low shipping costs and good price margin all-important

Calling All Pets
Yes for sure - price and quality is most important.

Bosley’s (Williams Lake)
This is the only store that sells any amount of raw food in Williams Lake and they only carry Red Dog Deli. Procurement is handled through head office and we were not successful in obtaining a phone call or a return email with the procurement manager in head office.

Healthy Spot Pet Nutrition and Supply

B. Proposed Ownership Structure

A registered B.C. company will be the ownership structure of this brand and the shares will initially be exclusively owned by the BC Association of Abattoirs. As the brand grows, shares will likely be sold to individual abattoirs and producers who would like to invest in the business. In addition, shares may also be offered to the management team as part of their profit sharing/remuneration package.

C. SWOT Analysis

Strengths
- BC Association of Abattoirs members control the supply of B.C. meat products and the use of the Certified BC Beef brand.
- BC Abattoirs, who are relatively small in size, can respond quickly to market demands for specialty processing of products.

Weaknesses
Beef processing is at a cost disadvantage due to waste disposal and plant size. Costs will be higher across the board due to size of farms, throughput of abattoirs and B.C.’s geography (isolated patches of agriculture with increased transportation costs). The association does not have the capital to set up an independent manufacturing facility.

What We Can Do (Limited by Strengths and Weaknesses)
Due to the relatively small size and cost disadvantage of the abattoirs and ranches in B.C. a low cost provider strategy is not an option. The control of the supply and the certified BC Beef brand lends itself naturally to a differentiation strategy.

Opportunities
- The market trend for raw pet food is increasing.
- Consumers are spending more money on their pets.
- Consumers want to know how the food is grown, whether it is humanely raised and if it is local.
- The lower mainland and Okanagan Valley are two markets that are lucrative in terms of pet food sales.

Threats
- The B.C. market currently has in excess of 15 raw pet food companies with more starting up all the time. (Highly competitive)
- New regulations are planned in the near future around pet food production and labelling.

What We Should Do (Based on Opportunities and Threats)
As the market is highly competitive and the association’s resources are limited, it makes good sense to work with an existing manufacturer to contract processing thereby improving the competitive advantage of both brands. Our market research tells us that consumers are more willing to buy pet food products that are locally sourced, sustainably produced and have verification of ethical production practices. As our business model will follow a value chain concept, we are uniquely positioned to offer this to the pet food consumer.

What We Want to Do (Anchored by the organizations values and beliefs)
From the BC Association of Abattoirs strategic plan 2010-2015, the principles and values of the association include:

a. Providing quality service in tune with customer needs
b. Providing quality products tailored to customer needs
c. Building strong communication links through the entire value chain from producers to consumers
d. Cultivating strategic partnerships – strategic partnerships will be cultivated where possible with the livestock industries, distributors and suppliers, and with the retail and food service sectors
e. Ensuring food safety, environmentally responsible practices, humane treatment of animals
f. Ensuring viability - the ability to make a profit while providing value to our communities

D. Business Strategy
A solid business strategy takes into account all of the above factors to position the organization uniquely in the market place. To achieve this the management will need to link the organization’s values and beliefs with its strengths and weaknesses and opportunities and threats, and build strategic partnerships, in order to lock out competitors and obtain competitive advantage in the market place.

From the above analysis, BC’s Own would be best suited to a differentiation strategy. This means the management will focus on producing and marketing a product line with distinct features that consumers value. These features should include:

1. 100% locally sourced ingredients from B.C.
2. Fair trade prices paid to the produce farms and the poultry and livestock operations, thereby rewarding sustainable production practices. Will carry the Certified BC Beef logo and in the future the Premium BC Poultry and the Premium BC Lamb logos as well.
3. Humanely raised meat products - we will be working with B.C. producers and a certification organization to ensure effective certification standards.
4. A value chain approach where management can adapt the products and ingredients based on customer feedback and continually improve the processes in line with consumer demand.

E. Product Line Rational (By Jacinta, D’Andrea, DVM)

As a veterinarian and pet owner I’ve become aware of the undeniable link between pet health and diet. Like humans, our pets are increasingly suffering from debilitating chronic and degenerative diseases. We are seeing epidemic levels of obesity and allergies in both cats and dogs. Degenerative joint (arthritis) and dental diseases are soaring, with the teeth of numerous pets literally rotting and falling out of their mouths. Both ancient wisdom and advanced biochemical and nutritional science tell us that the food we eat is integral to our health and well-being. Quality nutrients are required to maintain healthy joints, teeth and bones. They are required for internal organs to function properly and are essential for maintaining a strong immune system.

Most pets are entirely dependant upon their human caretakers to provide them with the nutrition they need to sustain life. Large corporations have developed pet foods claiming “nutritionally balanced” and “scientifically-proven” formulations, good for the lifetime of a pet. Offering convenient foods at a variety of costs and “qualities” the industry has convinced both veterinarians and the public that feeding pets requires both specialized knowledge and advanced processing techniques. What has been ignored, to the detriment of our pets, is the basic truth known by most school-aged children: cats and dogs are carnivores whose digestive systems are designed to eat mostly meat. They do not have the enzymes and bacteria required to digest significant plant materials. Foods that are difficult to digest and absorb lead to inflammation and a change in the normal micro flora of the gut. Current human and animal research is showing undeniably that this is a major factor in the development of most disease.

Most pet foods being sold today, including top-end vet brands are not only ‘biologically-inappropriate,’ utilizing a base of genetically modified corn, soy, wheat, rice and other grains (ingredients increasingly linked to a wide range of human ailments), but are also highly processed and balanced with synthetic vitamins/minerals and a host of artificial colours and preservatives with known toxicities. Beyond this, ingredients are globally sourced and shipped from farms and factories around the world, creating a large carbon footprint while supporting environmentally destructive agriculture practices. More and
more people are aware and demanding animals raised for food are treated humanely and without the use of hormones and antibiotics. Those diseased and not suitable for human consumption should not be included in pet foods. Beyond this, mounting scientific evidence is showing serious health implications in mammals fed highly sprayed, genetically modified ingredients. And, while this information is currently being ignored by North American industry and government regulators, it is well known in Europe and not escaping the awareness of an educated and discerning Canadian public. Add to this the variety of dangerous contaminants such as melamine, aflatoxin and salmonella, leading to widespread pet food recalls and it becomes obvious, the industry really needs to make some changes if their intention is to truly support pet health.

Living in central B.C., I have become aware that everything we need to provide optimal nutrition to our pets literally exists in our backyards. The potential for feeding pets locally and sustainably should be viewed as both practical and “profitable” for the entire community, including the land and animals of the region. Provincially-inspected abattoirs are receiving sustainably-raised animals from short distances away. These abattoirs are supporting ranchers who are aware of the importance of humanely-raised, healthy animals, those not treated with antibiotics and hormones to promote growth and compensate for unsanitary, high stress conditions. Yet, a large portion of healthy, species-appropriate foods are discarded daily instead of being utilized as the healthy living foods they are. Many of these products are not suitable for human consumption, yet they are full of the vitamins, minerals and nutrients required by our pets, in “high-quality” easy to digest and absorbable forms. Biologists (and ranchers) know that entrails and organs are the parts of a carcass predators, such as wolves (dogs) and cougars (cats), eat first. “Raw green tripe” (ruminant stomach) for example, is a super-food for pets, chalked full of probiotics, enzymes and pre-digested plant material.

Beyond meat producers there is a growing contingency of farmers in the Cariboo and throughout B.C. using sustainable agriculture practices to produce nutritious, fresh whole foods for local markets. While not always certified organic, they are producing spray-free, non-GMO crops that preserve heritage varieties and promote biodiversity and variety. The realities of these methods of production means there are often bug holes and imperfections that aren’t attractive to the average consumer. Shelf life is often shorter yet the nutritional value of these foods are superb and can be utilized and preserved by various methods. Finding innovative ways to support this important sector is not only good resource management, but is integral to creating local food security in BC communities.

**F. Procurement of Raw Ingredients**

As no two pets are the same, no one diet can provide the nutrient requirements of all individuals. Creating variety by using known nutrient profiles of seasonal vegetables, fruits and herbs, along with a variety of meat choices will go a long way to meet this challenge. Using local, B.C.-sourced, vegetables and fruit, with known nutrient profiles we would formulate a few different combinations of foods (say 3-6 veggies/fruits +/- herbs) that meet standard nutritional requirements. These ‘combos’ would be developed along with local producers and would be based on ingredients available at different times throughout the year. There are many prolific, superfoods, such as Kale and carrots being locally grown. Thousands of pounds of fruit are discarded annually or left unpicked on trees. Edible weeds, such as lambs-quarters and dandelions, may be the bane of some farmers’ existence, but they are also nutrient superstars and can be used as a natural source of trace
PLANT: Create veggie-fruit variety packs that are combined, processed (pureed) and frozen depending on nutritional and storage variables, which will be shipped down for processing with the meat and included in variety packs. Ingredients list could read, “may contain…”

**Basic Formulations:**

Dog 70-75% carcass with 20% of this organ; 25-30% veggie/fruit; plus natural supplements/herbs

Cat 90% carcass; 10% veggie; plus natural supplements/herbs

All initial formulations will follow the same protocol for meat:veggie ratios and include natural supplements and essential fatty acids. They will have to be tweaked depending on fat content of different meats and parts being used. I see great value in eventually formulating specific diets for common “conditions” such as aging support (anti-cancer/anti-inflammatory), sensitive stomach… but this is a project for the future.

**Vegetables, Fruits and Herbs (including edible weeds)**

<table>
<thead>
<tr>
<th>Kale</th>
<th>Carrot</th>
<th>Blueberry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broccoli</td>
<td>Pumpkin</td>
<td>Saskatoon</td>
</tr>
<tr>
<td>Cabbage</td>
<td>Squash</td>
<td>Cranberry</td>
</tr>
<tr>
<td>Mixed Greens</td>
<td>Beets</td>
<td>Blackberry</td>
</tr>
<tr>
<td>Arugula</td>
<td>Zucchini</td>
<td>Raspberry</td>
</tr>
<tr>
<td>Lambs quarters</td>
<td>Garlic</td>
<td>Apple</td>
</tr>
<tr>
<td>Nettles</td>
<td>Rosemary</td>
<td>Pear</td>
</tr>
<tr>
<td>Dandelion</td>
<td>Rosehips</td>
<td>Apricot</td>
</tr>
<tr>
<td>Cucumber</td>
<td>Red Clover</td>
<td>Tomato</td>
</tr>
<tr>
<td>Wheat Grass</td>
<td>Alfalfa</td>
<td></td>
</tr>
<tr>
<td>Celery</td>
<td>Sprouts</td>
<td>Parsley</td>
</tr>
</tbody>
</table>

**Supplements:**

- Eggs shell membrane
- Essential Fatty Acids
G. Consumer Education and Support

A great deal of controversy exists around the feeding of raw foods to pets. The American Veterinary Association (AVMA) followed closely by the Canadian Veterinary Medical Association (CVMA) and the College of Veterinarians of BC have issued policy statements warning against this type of food. While this can easily be shown to be both biased and dictated by industry ties, it has great influence over practicing vets, who fear liability by recommending or condoning this type of feeding.

Raw food is a great choice, but is not an easy choice. If BC’s Own is to be introduced in stores that do not currently carry raw pet food, it will be extremely important for the point of sale staff to be sufficiently educated on the product or have educational material and product support readily available for the consumers. For one, changing diets can be “complicated,” especially when switching from a highly processed food to raw. If not done correctly (which varies from 1 pet to the next) there can be some serious gastrointestinal upset. Vets often blame this “upset” on pathogens in the food, adding fire to the blind condemnation of these extremely healthy and appropriate foods. Also many pets will undergo a detoxification when switched to raw food, where they will shed excessively, get waxy ears, etc... Unaware pet owners, without knowledge or assistance could become easily disenchanted with the product if the initial “switch” doesn’t go well.

The brand will have to comply with standards set out by the Association of American Feed Control Officials (AAFCO) and will have to take into consideration Food Safety Modernization Acts coming down the line in the US and Canada. Food safety and handling considerations will have to be clearly laid out on the packaging of product. Providing on-line consulting/assistance to both pet owners and veterinarians could be valuable

H. Processing and Operations

From the SWOT analysis above, it is clear that for the processing and distribution of the product line, the association should look to develop a strategic partnership with an existing B.C. raw pet food company. In choosing this company however, BC’s Own management team will need to ensure that the core values of their new partner company are aligned closely with those of the BC Association of Abattoirs, as outlined above.

On a recommendation from Jess at Calling All Pets in Kamloops, Gillian Watt set up a meeting with Top Hand Supplies in Cranbrook, B.C. On September 23, 2013, a business meeting was held with the Top Hand Supplies management team, followed by a complete tour of their plant. From this meeting an informal agreement has been reached, with pricing developed for contract processing, packaging and distribution of the brand. The management team at Top Hand Supplies appreciates the opportunity to work closely with the BC Association of Abattoirs on this venture. They value the guiding principles of the Association and they believe that the BC’s Own Brand will complement their existing product line of raw pet food in terms of market positioning, and will improve their cost efficiencies by increasing utilization of their existing plant capacity.

A key success factor in building a value chain is simplicity so, initially, each of the meat products will come from one or two pilot plants. The beef and lamb will come from the Cariboo and Kamloops regions, the duck will come from Abbotsford and the chicken will be sourced from Abbotsford or Salmon Arm. Initially, the vegetables will be purchased as available from locations around the province.
Prior to the 2014 growing season, the BC's Own management team will look to develop agreements with specific growers to provide produce seconds on a consistent basis to the brand for a pre-determined price. Most produce and all of the meat products will be frozen prior to shipping. The raw materials will all be purchased FOB from a cold storage warehouse in Salmon Arm or Kamloops, where the Top Hand Supplies truck will pick them up and transport them to Cranbrook. The products will then be processed according to formulations that have been prepared by Dr. Jacinta D’Andrea and have undergone nutritional analysis and acceptance testing prior to product launch. Top Hand Supplies will also package, store and distribute the products as per sales orders received by BC's Own sales personnel.

I. Marketing Plan

a. Product

In developing the product lines BC's Own will need to maintain simplicity as one of the key success factors in building a value chain.

For the initial **raw dog food product line** it will be best to keep it simple with a .5 lb. and .25 lb. puck size, both of which will be offered in packages of 8 or loose in bulk boxes for the .5 lb. size and packaged in bulk for the .25 lb. size. In terms of species the brand will be offering beef, chicken, duck and lamb meal formulations as outlined above by Jacinta.
For the raw cat food product line the brand will be offering all of the same options, but in the .25 lb. puck sizes only, to start.

In terms of a bone product line, these can be vac packed, labelled and frozen right at the abattoir plants and then sent to Top Hand Supplies for distribution. The bone product line will initially include beef knuckle bones, femurs, and marrow bones, lamb neck and slices, lamb knuckle bones and lamb femurs.

For the dehydrated product line the management team will wait until the other three product lines are launched successfully before launching this fourth line. Once the processes are streamlined and the customers are happy with the existing product lines then the dehydrated product line will be developed and will likely include beef heart and liver, spleen, tongue, tendons, throat, back straps, hooves, bullies and ears.

b. Price

As the brand will be positioning itself as BC’s Own Credible Cuisine for Cats and Dogs, it should be affordable for all B.C. Consumers, not just the elite. In the initial meeting with Rob Hunt and Richard Lockart from Choices Markets it was decided that the pricing structure would need to be competitive with the existing quality brands. Key to the product launch, particularly at Choices Markets, would be education for the consumers on the relative costs of BC’s Own raw diet, versus a high end kibble diet.
The retail partners will need 30% margin so in the product costing structure, which has been built in, as well as higher costs for ingredient procurement.

c. Place

The “place” for introducing the product line will have three legs.

**Retail Grocers and Abattoir Shops** – We would look to partner with our existing BC Association of Abattoir retail store members to initially launch this product line, as these stores have demonstrated their commitment to local meats by joining and working with our association. The project manager met with Rob Hunt and Richard Lockhart of Choices Markets in September to discuss the potential for a BC’s Own product launch in their stores. As they do not currently carry raw pet food, they saw this as an opportunity to increase their pet food sales and stay true to their roots as a great supporter of B.C. products. (See Appendix III)

**Pet Food Stores** – In working closely with Top Hand Supplies the BC’s Own management will be strategic in their approach to choosing the Pet Food Stores where BC’s Own is introduced. The two management teams will look at geographic location, demographics and current locations where the Top Hand Supplies current line of pet foods are sold, and then develop a complementary sales approach to introducing this new, differentiated brand, owned by the BC Association of Abattoirs (BC Meats for BC Markets). In staying with the relationships already developed during the interview process, however, the six stores interviewed will be the first to test the BC’s Own product lines, and provide the management team with feedback.

**BC Association of Abattoirs Membership**

At the time of writing, the BC Association of Abattoirs currently has 45 members. With partnerships developing with BC poultry, pork and lamb and new branded meat programs coming on line in 2014, the membership will be in a steep growth phase over the next three years. As the majority of these members are producers and abattoirs, it is safe to say that each member owns an average of two dogs and one cat. If the brand could offer BC’s Own to the BC Association of Abattoirs members at a discounted price, they could pay online through the existing industry website and take their receipt to a central cold storage facility in each region to pick up their pet food. With the local food co-ops springing up across the province, this service could be a nice sideline for them, as well as being positioned to sell the products to their existing customer base at the 30% margin.

d. Promotion

The promotions plan will be fine tuned by Sandra Bishop who is the BC Association of Abattoirs consulting communications specialist. She will help us decide which logo/tag line combination will be used to represent the brand, based on the business strategy and the results of the customer interviews. The promotions plan will be guided, as all of the processes are, by the business strategy and those differentiating features listed above. A key part of the promotions plan will be education and product support. Dr. Jacinta D’Andrea will work with Sandra to lead this program, through in person appearances at store openings, brochures, and website and social media tools. The promotions and
education plan for BC's Own will be expensive and it is strongly recommended that the management apply for Buy Local funding or other sources of funding available to assist with these costs.

J. Financial Plan

As the processing and distribution will be contracted to Top Hand Supplies, the capitol costs and risks of start up have been greatly reduced. Prior to further development and testing of the product line and launch of the brand, it is recommended that funding be sourced for nutritional analysis testing and the development of the promotions plan. The cash flow projection for start up and year one of operations can be found as Appendix IV. The following points are important:

- The funding required, and corresponding expenses relating to start up have been highlighted in light green.

- Level of sales is estimated as starting quite low e.g. (3-25 lb. bulk boxes of raw dog food/day) and increasing by 25% for each of the next two quarters and then tapering off to a 15% increase in the fourth quarter. From conversations with Top Hand Supplies management team on their sales growth in recent years, this would be a very conservative estimate.

- The raw materials portion of the product costing calculation allows for increased costing to procure local meats and vegetables at improved margins for growers and abattoirs.

- From the product costing calculations, 15% gross margin is a realistic goal for the brand.

- Sales and Admin Costs - To spread out risk among the management team, the management, sales and product support salaries will initially be paid out based on 7% of gross sales. The bookkeeping is budgeted at 2% of gross sales and the promotions plan materials and supplies are budgeted at 1% of gross sales. This will leave 5% gross margin to cover the bank fees and interest and any miscellaneous costs, and will leave a small profit margin for the association to help run its programs over time.

- The operating capitol is an important consideration that will need to be secured either through member investment or a bank operating line. The Top Hand Supplies operate their business on cash on delivery basis. Depending on the directors’ decision, BC’s Own would likely do the same although some negotiations with the larger retail store partners may increase this to a 14-day receivable allowance. In calculating the operating line requirement, an 8-week cash flow cycle was used from purchase of raw materials to cash received for the final product. Based on this and the estimated level of sales in the first year, a $26,000 line of credit will be required.
5. Results – Potential Value of Improved Utilization

As outlined in section 3, there is limited opportunity in B.C. to increase the value of hides past the $15/animal rate because 90% of the hides are currently purchased at a # 2 grade. There is, however, a significant opportunity to improve the value of the other beef by-products through a value chain approach that would have B.C. abattoirs working closely with an existing raw pet food company for contract processing and distribution. As outlined in the analysis below, the 3 product lines of beef (full meals, bones and dehydrated products) could together potentially increase the value per carcass by $72. The costs of additional processing are estimates at this point, and these numbers will need to be confirmed by testing at abattoir plants during the slow season, prior to launching the dehydrated product line. Two or three beef abattoirs in B.C. are already merchandizing a portion of their bones and trim to the raw pet food market, so for these plants the increase in value derived from the value chain would be reduced by approximately 50%.

<table>
<thead>
<tr>
<th>Product</th>
<th>Current Price /lb</th>
<th>Cost for Add Proc/lb</th>
<th>Price Paid By BC’s Own/lb</th>
<th>Increased Value/Carc lb or each</th>
</tr>
</thead>
<tbody>
<tr>
<td>80% Lean Trim</td>
<td>2.9</td>
<td>0</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Bones</td>
<td>1</td>
<td>0.3</td>
<td>2.7</td>
<td>28</td>
</tr>
<tr>
<td>Pizzle (each)</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Backstraps (each)</td>
<td>0</td>
<td>1.5</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Beef Heart (dehyd)</td>
<td>3</td>
<td>3</td>
<td>15</td>
<td>4.05</td>
</tr>
<tr>
<td>Beef Liver (dehyd)</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Increased Value/Carcass</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>72.05</strong></td>
</tr>
</tbody>
</table>
6. Summary and Recommended Action Plan

Recommended Action Plan

- Complete Business Plan and Product Costing  October 20 – Gillian & Jacinta
- Decision by BCAA Executive to Move Forward  November 1 – BCAA Exec.
- Apply for Funding for Nut Analysis and Promotions  November 15 – Gillian
- Secure Operating Capitol (financing or investment source) November 15 - Gillian
- Initial Test Run of Cat and Dog Product Lines  November 15 – Top Hand Supp
- Acceptance Testing and Nutritional Analysis  December 1 - Jacinta
- Completion of Marketing and Promotions Plan  January 15 – Sandra, Richard, Jacinta
- Implementation and Product Launch  March 20 – Entire Team

In summary, we have all we need to supply our pets with nutritious, health-promoting foods growing and being produced within our communities. “Meat” can and should form the basis of any diet fed to animals whose systems have evolved to eat it. Vegetables, fruits and herbs (including various edible weeds) provide valuable phytonutrients, antioxidants, vitamins and trace minerals, helping to optimizing the health of our furry friends. By providing these products in a safe, balanced and convenient form to pet owners, BC’s Own brand of pet food will not only be promoting pet health, but also supporting animal welfare throughout the food chain, acting in an environmentally responsible fashion and creating community resilience.
Appendix I: Logo Choices
BC’S OWN
100% NATURAL NOURISHMENT

Natural goodness in a pet’s dish.
Fresh green & dirt brown for earthiness, grass-fed, eco-friendly, beautiful natural BC farms.
Iconic and simple... modern and clean.
BC’S OWN in a pet’s dish.
Fresh green & dirt brown for earthiness, grass-fed, eco-friendly, beautiful natural BC farms.
Bold and loud—a strong statement
Appendix II: Power Point for Pet Food Store Interviews

Separate Attachment
Appendix III

Agenda for Meeting with Rob Hunt and Richard Lockhart, Choices Markets

BC’s Own Credible Cuisine

1. Initial Level of Interest
   Would the Choices executive team be interested in planning for a product launch/ market testing phase at one or two of your key stores?

2. Questions
   - **Price** – Introductory Phase - competitive pricing with pet stores, with price comparisons to high quality kibble
   - **Place** - which stores would it be introduced in and where and how in the store/s would it be displayed.
   - **Product** – what would the initial product line look like – based on our market research, keep it simple with the top 6-10 products. Start with beef, chicken, duck and lamb complete meals. We have a veterinarian on our team that has been working on raw pet formulations for over 10 years. We also have a manufacturer who is willing to process our product line and collaborate on distribution.
   - **Promotion**
     - Differentiation Strategy based on:
     - Quality at every stage is #1.
     - 100% Certified BC procured ingredients (Economy, low food miles, naturally raised etc.)
     - SPCA Certification of producers.
     - Promote the value chain principles of tailoring our products to better meet the needs of the customer. (Feedback will be communicated effectively and changes made accordingly)
     Differentiate Choices by co-marketing BC’s Own Raw Pet Food line. (Apply for funding through BC Branding program)
Appendix IV: Cash Flow Projection BC's Own