Lorentz Meats
A Community Food Enterprise

Mike Lorentz,
Co-Owner and CFO
• Cannon Falls, MN
• Family business sold to sons in 1997
  – Increased size of processing plant in 2000
    (to 10,000 sq. ft.)
  – Sold off retail outlet in 2005
• Now
  – 60 employees
  – $4.8 million in revenue
  – Ship meat all across the country
  – Certified: USDA, Organic & E.U.
We process meat at a much slower rate
  - More humane
    - To the animals
    - To our employees
  - Cleaner
  - More of what the customer wants in the package

Different products, a higher standard
• We are primarily a fee for service co-packer
• Because no retail outlet, customers are:
  • Farmers
    – Our focus: very small ranches, though only 20% of business
      (300-400 local farmers in direct sales)
    – Larger: We provide quality; allows us to “hedge our bets”
  • Resellers / Aggregators
    – Interested in the niches we can offer: high-quality process, certified
Size Matters
(particularly in meat)

• Too small:
  – Can’t meet compliance obligations
  – Food system is too large for exclusively “boutique” or “artisanal” processors

• Too big:
  – Must compromise on quality
    ... but that is our differentiator
  – Can’t work with small farmers and ranchers
  – More difficult to process multiple species
Size Effects Pricing Opportunities

- Large “box stores”
  - 15-18% margin
- Specialty meat sellers
  - 35-50% margin

- Our continual challenge:
  - Big enough to deal with the large, but small enough not to get “caught in the middle”
Retail and Finance Use Percent Margin

PERCENT MARGIN (HERE, 50%)

- Commodity
  - $2 cost
  - $4 price to consumer
  - Retail profit = $2
- Niche / Specialty
  - $4 cost
  - $8 price to consumer
  - Retail profit = $4

INCOME PER TRANSACTION

- Commodity
  - $2 cost
  - $4 price to consumer
  - Retail profit = $2
- Niche / Specialty
  - $4 cost
  - $6.25 price to consumer
  - Retail profit = $2.25
Some Lessons

• Local ≠ Small
  – Even with a single plant we have “scale up” relationships

• Local business ...
  but operate within local & non-local context

• Don’t be too righteous
  – We process for anyone (corn-fed, non-organic, as well as more “sustainable”)
  – Our treatment is always humane
There’s no reason you can’t do well while doing good.