Business Plan
for
Smith's Beef of America

February 29, 2006

BACKGROUND AND RATIONALE

The entire beef industry has experienced tremendous pressures and changes over the past 10 years. Small to mid-sized family farmers, now must manage increasing price volatility and downward price pressure, invest in new production and information technologies, and find ways to participate in the value created beyond the farm gate if they want to survive.

In addition to the changes at the producer level, the changes beyond the farm gate have contributed greatly to the current plight of the entire beef industry. During the past 20 years, beef packers have chosen to close a number of older and inefficient plants in an effort to reduce costs. In addition, few beef packers have chosen to build very large, state-of-the-art beef packing facilities to capitalize on operational efficiencies of scale.

These production and processing dynamics have led to two distinct problems in the beef industry. First, with so many plants closing, and an increase in beef production, the industry is now faced with a shortage of slaughter capacity during times of increased cattle production, thereby dropping the demand, and subsequently the prices, for spot market cattle. On the other side of the supply chain, small processors, food service organizations, and retailers can no longer get the personalized and customized treatment they once enjoyed from small packing plants, as these facilities have gone out of business or have been purchased by integrators. Most large beef packers are not in a position to provide tailored solutions to smaller downstream partners.

These macro trends were dramatically accelerated in 1998. A strike by packing house workers in Canada sent cattle that would normally be slaughtered in Canada across the border to U.S. plants at a time when U.S. production was peaking. The world economy was in a slump, reducing the export demand for U.S. beef, and continued plant closings in the U.S. further lowered slaughter capacity. During the fourth quarter of 1998, the numbers of cattle to be slaughtered exceeded the slaughter capacity. Some packers even ran Sunday kills in an effort to harvest all the cattle that were available. Live cattle prices on the spot market plummeted to as low as $8/cwt., a level not seen since the Great Depression. The losses continued well into 1999. By the time the industry returned to profitability, producers had lost an estimated $4.2 billion in equity.

Ironically, at the same time producers were suffering through unprecedented losses, the retail price of beef was at record high levels as a result of an increased demand for beef. This demand could be attributed, in large part, to the extremely effective advertising campaign begun in 1985 and funded by producers through a legislative check off. This ad campaign featured the slogan. Trends influencing spot prices for cattle and retail prices for beef contributed to a substantial retail-farm price spread for beef products. In fact, during 1998, beef producers were receiving $25 of the $398 of value generated per cattle.

The huge equity losses during 1998-1999 found many producers of all sizes unable to meet loan obligations. A number of highly leveraged operations were sold to vertically integrated food companies. These sales further reduced the number of cattle available for sale in the spot market. Lenders increasingly required producers to have market contracts in place to reduce price risk. These marketplace dynamics have resulted in a record number of cattle being controlled by large packers/food integrators. In fact, as of April 2001, 83% of cattle being produced are under captive supply agreements with only 17% available for the live cattle spot market.

Smith's Beef is focused on the market need to supply consistent, safe, quality products that exceed consumer expectations. By employing available technology, Smith's Beef will provide traceability from the farm of origin to the end user and will supply feedback to all parties involved. The information generated in this seamless supply chain will be used to make immediate improvements in the production, processing, and marketing of beef products.

The driving force behind the Smith's Beef business strategy is linking independent beef producers to end consumers. This link is critical as it is clear that most producer groups do not fully understand the business and marketing competencies necessary to market beef products to consumers.

To make this vision a reality, Smith's Beef needs to develop specific business relationships and processes that connect the producer to the end consumer. Four fundamental business functions must occur to bridge the gap between independent beef producers' desire to capture a larger share of the processor/food service/retail dollar and downstream food marketers' interest in partnering with independent beef producers:

- Independent beef producers must become more knowledgeable about the entire beef value chain to deliver product to the consumer.
- Independent beef producers need to have consistent access to a well-run, flexible, and profitable kill and cut facility.
- Independent beef producers (and this custom kill and cut facility) must demonstrate proof that specific concepts (whether production based, packing based, tracking based, or marketing based) have value to downstream customers.
- Beef product suppliers must demonstrate the ability to be responsive to unique and rapidly changing beef consumption and delivery needs.

Based on these assumptions, Smith's Beef has formed Smith's Beef of America, LLC, to manage a custom kill and cut facility in Eldridge, Virginia to bridge the gap between independent producers and downstream food marketers.

BUSINESS PROFILE

Smith's Beef of America (SBA) is a Virginia Limited Liability Company established to custom kill and cut beef on behalf of independent beef producers to meet specific processor, food service, and retail needs. SBA is an entity that is owned and controlled by independent producers with members in Virginia, Kentucky and Tennessee . SBA will independently manage and operate a custom kill and cut plant in Eldridge, Virginia. SBA leases the Eldridge facility from Should-Know-Better Beef Processors. The lease is a lease to own agreement and SBA has the option to purchase the facility with 5-day notice until May of 2007.

VISION STATEMENT

Smith's Beef of America's vision is to be a leading custom packing plant producing high-value, consistent, and safe beef products that meet or exceed the rapidly changing needs of consumers, while providing opportunities for independent beef producers to profitably harvest and process superior beef.

MISSION STATEMENT

The mission of Smith's Beef of America is to provide customized slaughter and cutting services and assist in the integration of the beef supply chain from producer to consumer.

BUSINESS GOALS

Smith's Beef of America has established the following key business goals:

1. Manage a profitable kill and cut floor, enabling SBA to purchase the Eldridge facility from Should-Know-Better Processors within one year and providing Smith's Beef the opportunity to expand its shareholder/supplier base.
2. Develop effective business processes, which allow this plant to be used at full capacity for producer groups and/or meat processor/customer groups in a profitable manner for all partners; specifically manage the introduction and exit of user groups through the facility.
3. Develop new beef products of value to downstream customers.
4. Provide producers with opportunities to capture value from all parts of the cattle (meat, viscera, offal, etc.) and from all types of beef raised.
5. Integrate necessary supply chain management principals and tools into the operational management of the plant to meet the increasingly demanding needs of meat processor, food service, and retail customers.
6. Provide a positive work environment, which supports the principles of Smith's Beef and enables SBA to attract and retain superior employees as an equal opportunity employer.

7. Develop and implement in–plant standard operating procedures, HACCP protocols, and safety standards required to ensure worker and product safety.
8. Implement procedures that enable Smith's Beef of America to be a positive steward regarding environmental issues.

SBA'S PROPRIETARY POSITION

Market Demand. There is no doubt that the American public is becoming more discerning about the origins of the food supply. Locally grown and natural have become catch phrases. SBA is ideally placed to fill the ever growing demand for locally grown and naturally produced beef.

Customer Service. Customer service is also critical in today's market. Market research by SBA shows that retailers are not satisfied with their current suppliers product, service or attitude. SBA will offer top quality products combined with excellent service and a "will do" attitude.

Consumer Preferences. Consumers like to know where their food comes from. Who better then, than the local producer, members of the local community, to promote local produce. SBA is owned by the farmer in the community and processes and offers locally grown product.

Freshness of product. Our produce is grown and processed locally. This means that not only is our meat fresher, but we also have the added advantage of cheaper freight allowing us to offer a better product at very competitive prices.

Security. Our product is locally grown and processed. This not only secures a consistent supply of beef, but also ensures that our communities can be assured that it is safe and wholesome

BUSINESS MODEL

LEGAL ORGANIZATION

Smith's Beef of America is organized and incorporated in Virginia as a Limited Liability Corporation. All members shall be given preferential treatment in the option to acquire usage rights for the Eldridge facility.

Smith's Beef of America shall manage its own operational and fiscal responsibilities subject to governance by the Smith's Beef Board of Directors as set out in the operation agreement.

PRODUCTS AND SERVICES PROVIDED

Smith's Beef of America will manage a custom kill and cut facility providing the following core products and services to beef producers and customers of beef:

1. SBA will design, deliver, and perfect customized value-added beef products in response to consumer demand.
2. SBA will continually research and develop new products for test markets and consumer feedback.
3. SBA will work with cattle producers, producer groups, and wholesale/retail customers to design, implement, and manage a production/processing system that meets the specific needs of target markets.
4. SBA will provide clients/customers/consumers the individual attention they deserve from a business relationship, product specification, and product delivery standpoint.
5. SBA will supply needed information into a broader information tracking system, to help ensure specific production, handling, slaughter, and packing protocols are followed or exceed customer specifications.

BUSINESS OWNERSHIP

All shareholders of Smith's Beef shall first rights to use the plant or deliver cattle with defined specifications to the plant. Smith's Beef is comprised of 210 shareholder-members, all of which are independent producers or independent producer groups. Smith's Beef estimates that the total number of producers represented by both individual and group shareholders is over 350.

PLANT CAPACITY

This facility in its present state has the capability to process up to 60 cattle per day, 5 days per week, 250 days per year. In addition, this plant can be designed to manage specific processing contracts in increments less than full plant capacity, but certainly based on sound operational business practices. This flexibility will allow the plant to manage more than one particular business relationship at any given time.

TARGET MARKETS

Smith's Beef of America will hire a marketing manager specifically charged with locating output markets for beef processed in this facility. As a part of the marketing plan, the manager will strive to seek out and identify unserved and/or underserved markets both domestically and internationally to meet or exceed consumer needs. Through superior product and customer service, Smith's Beef will establish a quality image that will allow it to broaden its reach into existing and new markets for beef and its bi-products.

Smith's Beef marketing plan will focus its efforts on the following types of customers:

- Other domestic meat processors who have been unable to locate custom kill and cut packers who can meet their specific needs and delivery.
- Domestic regional retail chains that either desire a specific cut of beef, or who wish to co-brand a premium product through the SBA plant.
- Domestic food service companies who wish to provide a high quality, superior, and consistent beef product in their restaurants.
- International markets demanding specialty cuts and custom solutions.

FINANCIAL PLAN

FINANCIAL PROJECTIONS

Smith's Beef of America has calculated monthly profit and loss demonstrating the viability of this plant from a financial perspective. These profit and loss projections are based the following assumptions and are included as Appendix A and Appendix B.

Assumptions:

- The plant will begin operations at 25-30 head per day within the first two weeks of operation.
- The plant will operate at approximately 35 head within 45 to 60 days.
- The plant will operate at approximately 40 head within 90 days.
- The plant will operate at full capacity within 180 days.
- Monthly payments on the Eldridge facility assume $400,000 principal at 7% interest, amortized over 10 years.
- Core expenses detailed have been determined based on running the plant at capacity (60 head/day).
- This model assumes SBA will be paid $30/head for slaughter and $228 for processing and cut and packed to specifications.

PROFIT DISTRIBUTION

The initial profits from this plant will be distributed as follows:

1. Debt service
2. Establishment of a six-month cash reserve
3. Purchase plant

COMPETITIVE LANDSCAPE

KEY COMPETITORS

Smith's Beef of America has identified the following organizations that will compete with SBA in the custom kill and packing business:

Tennessee Custom Packing Company(TCPC)

Profile:

Located in Smalltown, TN, this facility focuses on kill operations only. At this point, carcasses are moved to other processing facilities located near Knoxville. TCPC's kill fee is $40 per head. Processing costs at the Knoxville facility are $237. TCPC has a daily kill capacity of 250 daily. The most recent information available indicates that TCPC is killing around 200 daily, with about 30% to 40% of this being boned. The remainder is sold in carcass form. TCPC exports a small amount of boned and packaged meat.

Organizational Strengths:

- One of the few plants in the region that caters to custom packing regardless of the volume.

Organizational Weaknesses:

- Poor management practices, and thus inconsistent/lower quality of cut/packaged product in their boning operation.
- Lacks ability to continually preserve live cattle identity in the receiving pen area.
- Lacks ability to continually preserve carcasses in the cooler area, prior to movement to the Knoxville boning location, or elsewhere.
- Poor handling during carcass transportation to their boning location.
- Additional costs incurred in having a two-site location.

Kentucky Packing Company (KPC)

Profile:

Located in Largetown, KY, KPC's custom packing fees are comparable, if not higher, than Tennessee Custom Packing. Their main business is in their kill/cut/sale of sow and boar meat. The bulk of their daily boned meat goes into commodity combo boxes (1,000 to 2,000lb boxes). KPC also sells a limited number of carcasses. KPC recently started working with a U.S. company to sell them viscera/offal for export. KPC also does a little beef meat/carcass export. KPC has lost and gained some of its business to Tennessee Custom Packing.

Organizational Strengths:

- KPC has some very capable operational employees in the plant.

Organizational Weaknesses:

- Old, outdated, multi-storied plant that has a great deal of health-related issues.
- When handling custom business, KPC has had problems with clean up, prior to packing. In some cases this added table scraps to natural or specialty products.

KEY COMPETITIVE ADVANTAGES

In light of competitors' strengths and weaknesses and the business model designed, Smith's Beef of America has identified the follow key competitive advantages:

- Smith's Beef of America can provide independent producers greater opportunities and access to markets for high-value beef, both domestically and abroad.
- Smith's Beef of America, through its efficient plant purchase and management approach, can provide high value solutions to the beef supply/value chain on a competitive basis.
- Smith's Beef of America, by its size, scope, and mission, can provide customers of beef products more customized, flexible, and personalized treatment in delivering specific high-value beef products.
- Smith's Beef of America, through its vision and focus, can work to develop new beef products of value to the entire beef supply/value chain.
- Smith's Beef of America will design business functions consistent with information, product, delivery, and business relationship needs for emerging beef value/supply chains.

MANAGEMENT TEAM

Smith's Beef of America's management team shall manage the day to day operational and fiscal responsibilities subject to governance by the Smith's Beef Board of Directors..

The board of directors offers a wide range of business experiences. The President, James Green, has extensive experience in the custom slaughter and meat processing business. He spent twenty years in the business before returning to the family farm where he operates a cow calf unit. Lynne Downs, Treasurer, has outstanding financial skills. Before taking early retirement, he was principal partner in the local office of Downs Financial Consultants. The board also includes members with diverse agricultural experience including wine, small grain and beef production.

Management staff:

General Manager._Will be hired on a full time basis at a salary, including benefits, of $78,000 per year with 3% increases in FY's 2007-2009. The General Manager will be responsible for the day to day management of the facility.

Marketing Manager. Will be hired on a full time basis at a salary, including benefits of $60,000 per year with 3% increases in FY's 2007-2009

Production Labor. Four line workers will be employed at a rate of $10 per hour. Four process workers will be employed at a rate of $16 per hour.

Secretarial Labor. A full time secretary will be hhired to assist with operations.

Full employment costs are included in the financial statements – see Appendix A.

The mission of Smith's Beef is to provide leadership in capitalizing on beef merchandising opportunities by innovating a knowledge-driven, consumer-responsive, seamless supply system that captures increased value for our producer/owners.

BENEFITS TO STAKEHOLDERS

Smith's Beef of America provides the following benefits to key stakeholders:

SMITH'S BEEF

- SBA provides a specific custom kill and cut plant for producers, producer groups, and beef clients/customers/consumers.
- SBA provides a critical supply chain link in connecting independent producers and beef clients.

- SBA enables producers the opportunity to develop new beef products for the beef supply chain, based on consumer intelligence.
- SBA assists in establishing multiple beef supply/value chains through its marketing expertise.

INDEPENDENT BEEF PRODUCERS

- SBA provides independent beef producers a step to merchandizing beef.
- SBA will assist in establishing credibility that independent beef producers can bring high value beef products to beef customers.

BEEF MARKETS AND CONSUMERS

- SBA provides beef product customers a customized, personal, and flexible alternative to existing beef packers.
- SBA will provide high value, superior, consistent beef products, based on consumer beef attribute requirements.
- SBA will supply critical functions and information necessary to meet beef product customer demands.

COMMUNITY OF ELDRIDGE

- SBA will manage a custom kill and cut facility employing 10+ people (at capacity) from the Eldridge community.
- SBA will provide the community of Eldridge an employer of high integrity, delivering high-quality products of value to end consumers.
- SBA will utilize an existing facility that otherwise may remain unused.

IMPLEMENTATION PLANS

Smith's Beef of America has outlined the following broad based implementation plans to bring this concept into reality.

1. Smith's Beef of America will lease the Eldridge Plant from Should-Know-Better Processors.
2. Smith's Beef of America will selectively hire 10 employees (i.e. associates) to carry out the mission and vision of the organization. It is anticipated that this staff would kill in the afternoons and cut in the mornings. This size of staff could effectively kill/cut 60 head per day. Incremental improvements in efficiency as well as moderate increases in shifts and hours worked, and the addition of 3 more associates can increase plant productivity to 80 head per day.
3. To ensure efficiency, Smith's Beef will implement producer commitment contracts with all its members to ensure a constant supply of animals to process. This will not only ensure the facility will run efficiently, but will offer the customer a constant supply of quality meat product..

4. Smith's Beef is already identifying potential value-added markets for its members product. Contracts in excess of $700,000 have already been secured to supply Tynco Supermarket Chain, Brent Wholesale Produce and Mom & Pop, Inc. with custom cut and packaged meat. (see Appendix B for more detail)
5. Smith's Beef of America will work to integrate an information system needed to effectively manage the beef supply/value chains created. This system will enable tracking and traceability of all products flowing through the Eldridge facility.

CONTINGENCY PLANS

It is the intent of Smith's Beef of America to be a custom kill and cut facility assisting in linking its members to specific beef customers. However, if the strategic intent and implementation plans described do not deliver on the goals outlined, Smith's Beef of America has framed the following contingency plans for the utilization of the Eldridge facility:

1. If Smith's Beef of America is unable to secure enough custom kill and cut business from its members to operate the plant profitably, it will offer similar services to non-members to source the necessary cattle with the beef attributes to satisfy a market.
2. If Smith's Beef of America remains unable to provide meat and/or custom kill and cut services in the domestic market, SBA will pursue contracts with overseas beef marketers. (Note: Smith's Beef already has contacts and relationships in the overseas markets. However, these markets generally incur higher costs due to very specialized cutting requeirements and higher risk)
3. If Smith's Beef of America remains unable to find a profitable marketing arrangement with any of the previously mentioned parties, SBA will sell the plant assets and the 10 acres of land to another interested investor. Since the facility only consumes approximately 2 of the 10 acres purchased, SBA could potentially sell the remaining 8 acres for another use.

APPENDIX A – MONTHLY CASH FLOW

Monthly Cash Outlay:	July '01	August	Sept.	Oct.	Nov.	Dec.	Jan. '02	Feb.	March	April	May	June	TOTAL
R/E taxes	$7,425	0	0	0	0	$7,425	0	0	0	0	0	0	**$14,850**
Monthly pymts	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	**55,728**
Maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	**12,000**
Water/sewer	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	**37,200**
Trash	100	100	100	100	100	100	100	100	100	100	100	100	**1,200**
Gas	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	**12,000**
Electric	3,667	3,667	3,667	3,667	3,667	3,667	3,667	3,667	3,667	3,667	3,667	3,667	**44,004**
Laundry	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	**12,504**
Insurance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	**12,000**
Pest control	100	100	100	100	100	100	100	100	100	100	100	100	**1,200**
Workman's comp.	1,771	1,771	1,771	1,771	1,771	1,771	1,771	1,771	1,771	1,771	1,771	1,771	**21,252**
Phone	300	300	300	300	300	300	300	300	300	300	300	300	**3,600**
Fuel, chemicals, knifes,	0	0	0	0	0	0	0	0	0	0	0	0	**0**
perishable goods, boxes, etc.	2,604	2,604	2,604	2,604	2,604	2,604	2,604	2,604	2,604	2,604	2,604	2,604	**28,644**
Unforeseen	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	3,458	**41,496**
Contingency	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	1,041	**12,492**
Plant Mgr.	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	**45,000**
Office	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	2,667	**32,004**
K/C 22@12	28,800	0	0	0	0	0	0	0	0	0	0	0	**28,800**
K/C 22@12	0	42,240	42,240	42,240	0	0	0	0	0	0	0	0	**126,720**
51 at 12	0	0	0	0	97,920	97,920	97,920	97,920	97,920	97,920	97,920	97,920	**783,360**
Monthly Cash Outlay	**$67,469**	**73,484**	**73,484**	**73,484**	**129,164**	**$136,589**	**126,560**	**129,164**	**129,164**	**129,164**	**129,164**	**129,164**	$1,326,054
Monthly Cash Income													
*pymt. cycle 15 days													
115/hd/day K&C	$36,800	0	0	0		0	0	0	0	0	0	0	**$36,800**
250/hd/day K&C	0	$80,000	160,000	$160,000	0	0	0	0	0	0	0	0	**$400,000**
450/hd/day K&C	0	0	0	0	$144,000	$288,000	0	0	0	0	0	0	**$432,000**
550/hd/day K&C	0	0	0	0	0	0	$176,000	$352,000	$352,000	$352,000	$352,000	$352,000	**$1,936,000**
Monthly Cash Income	**$36,800**	**$80,000**	**$160,000**	**$160,000**	**$144,000**	**$288,000**	**$176,000**	**$352,000**	**$352,000**	**$352,000**	**$352,000**	**$352,000**	$2,804,800
**A/R at the end of this period would be $176k													
Average Monthly Balance	$30,669	$24,153	$62,363	$148,879	$163,715	$315,126	$364,566	$587,402	$810,238	$1,033,074	$1,255,910	$1,478,746	**$1,478,746**
Kill only 25/12	$48,000	$48,000 etc.											
Plus lines 1 thru 22	$38,669	$38,669 etc.											
Sub total	$86,669	$86,669 etc.											
550 Kill only	$154,000	$154,000 etc.											
Avg. Monthly Balance	$67,331	$134,662 etc.											

APPENDIX B – CORE EXPENSES AT CAPACITY

	Annual	Monthly	Daily
Real Estate Taxes	$14,850	$1,235	$60
Plant payments	$55,732	$4,644	$222
Maintenance	$12,000	$1,000	$48
Water/Sewer	$37,200	$3,100	$149
Trash	$1,200	$100	$5
Gas	$12,000	$1000	$48
Electric	$44,000	$3667	$176
Laundry	$12,500	$1042	$50
Insurance	$12,000	$1000	$48
Pest Control	$1,200	$100	$5
Workman's Comp.	$21,250	$1771	$85
Phone	$3,600	$300	$15
Fuel, chemicals, knifes, perishable goods, boxes, misc.	$31,250	$2604	$125
Sub Total #1	**$258,782**	**$21,565**	**$1035**
Unforeseen	$41,500	$3458	$166
Contingency	$12,500	$1042	$50
Total	$312,782	$26,065	$1251
Plant Manager	$45,000	$3750	$180
Office	$32,000	$2667	$128
Sub total #2	**$389,782**	**$32,482**	**$1560**
Kill, pen, hide, viscera, offal 25 @ 12/w/add	$600,000	$50,000	$2400
Sub Total #3	**$989,782**	**$82,482**	**$3960/500 head = $7.92**
Add a cut foreman	$38,500	$3,208	$154
Add 26 people to cut @12/w/add	$624,000	$52,000	$2,496
Total	**$1,652,282**	**$137,690**	**$6610/500 head = $13.22**

Accompanying Analysis:

- At $14/head kill less $7.92/head costs = $6.08 per head gross profit daily, or $3040/day.
- If we are keeping all drop we could add a net of $4 per head = $2000.
- This combination provides $5040 gross net per day for kill operations only.
- At $32/head kill and cut less $13.22/head costs = $18.78 per head gross profit daily, or $9390/day for kill and cut.

APPENDIX C – PLANT HISTORY

As the plant now sets it is capable of killing and boning 600 head per day, which was proven/established by the owners of the plant (Midwest Quality Meats) prior to Ace Union purchasing the plant in 1997. Midwest Quality Meats had a profitable niche beef market related to slow grow/bum cattle (light weight cattle that will not reach traditional USA market weights). A large portion of this slow grow/bum beef was moved into the prison systems.

Why did Ace Union fail? They had very little to no knowledge of the beef meat business in their own country, much less the USA. Ace's core business in Taiwan was seafood related, not beef. Ace did not wish to continue the existing profitable business established by Midwest Quality Meats. Rather Ace ceased this business the first week they closed the purchase of this plant. During Ace's operation of this plant the most daily volume they had was 150 head per day in kill and cut. Ace retained all 50 (approximate) employees that worked for Midwest Quality Meats, plus had their core expenses, as noted earlier. Ace's failure is based on poor business startup practices, which got worse as time elapsed.

Why did Jericho Foods fail? Jericho Foods leased the facility from Ace in 1990 and ceased operations in August of 2000. From all information we have received the Korean principals of Jericho Foods had thriving beef domestic and export business in Korea.

Jericho Foods lack of success at this plant was many fold.

1. They sent an English-speaking school teacher (Ton Kelly) from Korea over to run and manage the plant. Ton had no prior experience in beef plant operations prior to arriving at the Eldridge plant.
2. Jericho hired over 40 employees at startup, but only averaged killing about 93 cattle per day. Ace had already ceased operations prior to leasing the facility to Jericho.
3. The principal of Jericho, Mr. Lee, came over, with beef knowledge to get product flowing. Jericho also brought five (5) Korean meat cutters over to train USA workers in Japanese/Korean style cuts. The unfortunate thing is that the Korean meat cutters were not given adequate directions to teach the USA meat cutters. Extra workers were standing around being paid without producing income.

The three (3) items noted above, compounded with other business factors, contributed to their economic downfall.