

MMM&S

PROPOSED OPERATION PLAN

November 7, 2003

Current Status:

The Agriculture Revolving Loan Fund owns the Meat Plant. (ARLF)

The Board of Agriculture and Conservation is responsible for all assets of the ARLF.

The Meat Plant has been operated by Correctional Industries since 1987.

Correctional Industries has asked that the Division of Agriculture pay for all operational losses at the facility, including staff paid by general funds.

Corrections have asked for a reimbursable service agreement for \$300,000 per year, plus a guarantee to cover \$53,000 of additional anticipated losses.

The Legislature has authorized funds from the ARLF for this reimbursable service agreement in the amount of \$300,000.

It is anticipated that overall, the authorized budgets for corrections will be reduced, and the ARLF would like to eliminate any subsidy for the Meat Plant, to maintain their fund balance.

The Division of Agriculture and the Department of Corrections have agreed that neither organization should subsidize the operation of the other.

The Board of Agriculture and Conservation has voted (get information from board minutes and insert here) to take the operation over.

The Meat Plant and its functions are very important to the Dairy Industry and the emerging Hog Industry.

The current location of the Meat Plant is within a proposed area for residential construction, and the operations of both are not compatible.

The Meat Plant was constructed to handle 18,000 animals per year, but last year only processed 1,615 animals.

SUGGESTED PLAN OF ACTION

LONG TERM:

1. Create a co-op of dairy/cattle/hog producers that would be responsible for the plant.
2. Obtain Federal Funds for this Co-op to construct a new facility, which would be much smaller, and more efficient.
3. The current Facility would be closed by July 2006, which would allow two and one half years to construct the new facility.

SHORT TERM

1. Transfer the operations of the facility over to the Division of Agriculture
2. Corrections agreed to continue to purchase as much boxed meat and Alaska produced meat as possible.
3. The Division of Agriculture immediately institute the following cost saving measures:

Projected operating budget is based on FY02 income statement. This year was selected because it appears to be a representative year of category expenses. However,

DESCRIPTION	CURRENT	PROPOSED	SAVINGS
Expense			
Labor	3 production Managers 2 Guards 21-28 Inmates	3 0 6-10	0 131,869 35,000
Kitchen	Feed prisoners 2 meals daily	Prisoners will bring a lunch	26,477
Transportation	Rent large school bus	Get 15 passenger van from state fleet	7,800
Shipping costs	Paid for by MMMS	Corrections will pay	33,414
Work schedule	5 days per week	4-10 hour days	4,290
Facility	5 freezers/large refrigerated processing floor	Close down 30% of freezer/refrigeration units	17,509
Taxes	Paying Borough Taxes	Request tax forgiveness	7,030
Revenue			
Purchase price for animals	South St. Paul plus 10 cents freight	Eliminate 10 cents freight	47,091
Slaughter fee	Lowest in state	Increase to match highest in state	12,022
Facility charges	Leave meat in our freezer; we pay electrical	Charge for meat left over a certain amount of time	309
Small calves	We purchase but there is no value	Do not accept small calves	5,650

inconsistency in category postings makes projections subject to error. Also, it was not possible to accurately identify and tract freight charges and/or reimbursements causing projections to be less reliable.