

BUSINESS PLAN FOR THE NORTHEAST  
PASTURED POULTRY ASSOCIATION  
CHICK HATCHERY

Business Description

The business has several goals:

1. Produce baby chicks for mostly local market, that being defined as Washington, Warren, Saratoga, Rensselaer, Albany, Green, Fulton and Montgomery Counties in New York State.
2. Working with Cornell University School of Agriculture, develop chick genetics specific to our area and to the type of bird we want to produce. Characteristics are good growth rate, flavor, yield (feed conversion), mortality, and foraging ability.
3. Seek out opportunities to pass along the gift, making chicks available to families lacking good nutrition and teaching avian husbandry to make this protein source available to those in need.
4. While the hatchery obviously has to pay all expenses, including fair managerial compensation, profit motive is less imperative than providing a service to local farmers and future farmers. For possible future farmers, we would give the first 25 chicks free along with advice as to how to raise them, and sources of information.

The business is to be totally vertically integrated. In order to control genetics, it is necessary to have a flock of laying hens and roosters. Eggs will be incubated and hatched and immediately sent to farms for brooding. This sets it apart from most small hatcheries, which buy eggs, then incubate and hatch them. This is a point important enough to be stressed. Most hatcheries purchase eggs from breeders; the problem is that you never know just what kind of bird, that is the genetics of the bird, you're getting. This is part of the reason for batch to batch variation. To produce a true New York State bird, it is essential to control the process from breeding through incubation. That is what we intend to do.

We see several "products" here: laying hens, meat birds, turkeys, ducks and geese. However, in the beginning it will be meat birds only until the enterprise has enough experience to expand into other areas.

The NEPPA Chick Hatchery is a new business. As far as we know, this will be the only hatchery owned and operated by a producers membership association. The Association is under the umbrella of the Hudson-Mohawk Resource and Conservation Department of which Mark Grennan is the Executive Director. Ken Geis, a farmer in Montgomery County, will manage the hatchery.

There is a need for a local hatchery, a fact supported by a survey sent out to local producers. In the very recent past, the airlines were refusing to ship live chicks. This crisis was temporarily averted, but there is no guarantee they will either refuse again, or raise shipping costs so high we can't afford to use them. There are no hatcheries in New York; most farmers buy chicks from a great distance. Most hatcheries are in the west, although some are in Pennsylvania. Local farmers all say they would support a local hatchery, even if it meant higher costs in the beginning. Based on survey returns, we estimate the local market is for 65,000 chicks per year. Because our hatchery will be producing a bird specifically bred for good foraging characteristics, our potential market is anyone producing pastured poultry. Because our target maximum production is 100,000 birds per year, it is clear that even at maximum we could only supply a small fraction of the total market. This is a point that needs to be stressed. Currently, the meat bird of choice is the Rock Cornish Cross, which is a Cornish/White Rock cross. This bird has been bred over many generations to be raised in confinement, small cages stacked on top of each other in which birds literally don't have room to spread their wings. They grow fast, and are efficient converters of feed to meat. Under these conditions, mortality would be very high so producers use large amounts of antibiotics to keep them alive. This is not the model of pastured poultry producers who want birds to forage in order to generate, among other things, omega-3 fatty acids which only come from grass or other greens. Birds not only have to look good, they must be nutritious. Looking good for the average consumer means lots of white meat, large rounded breast as opposed to the V-shaped breast of "heritage" birds. The challenge will be to find a compromise, which will take time. However, in the meantime we know that the Cornish Cross works and will be the basis of future development. There is only one hatchery that we know of that is currently working on this kind of bird, Tim Schell in Virginia. We are in contact with him, and have purchased a laying flock from him. The essence of this is that there is a large market, which is not being addressed. The market potential and therefore the profit potential are considerable. In addition, we plan to keep costs low by purchasing used equipment and staying relatively small.

Eggs can be stored as long as 30 days before they must be incubated or discarded. This means there is some discretion about hatching days. Ideally, birds would be hatched out on a Monday when other commitments such as farmers markets are at a minimum. Most producers will come to the hatchery to pick up their chicks; others can be shipped overnight via UPS or the US Mail.



## Marketing Plan

The Northeast Pastured Poultry Association currently has about 70 members. Together, they purchase about 45,000 chicks annually. At meetings and through a survey mailed to all members, producers have been made aware of the plans for a local hatchery. We have met with the avian and small farm specialists from Cornell. We are in the process of communicating with the national organization, APPPA, to get the word out nationally. Initially, and probably forever, marketing would be through these two organizations.

Through the Hudson-Mohawk RC&D, Cooperative Extension, and other farm organizations, we are getting the word out that a hatchery is in the advanced planning stage and will be a reality by spring of 2003.

When the schedule of chick availability is known, a newsletter and order form will go out to all producers. A regular winter newsletter will go out to all producers keeping them informed about what is going on at the hatchery and inviting their involvement. Status reports will be given at all meetings and workshops.

Another part of the marketing plan involves a tour of the hatchery. Farmers need to see for themselves that there really is such a thing and that it's working.

We believe word of mouth is the best advertising. If necessary, we will give a dozen free chicks to producers and have them try them. It is doubtful if this will be necessary, but it is part of the marketing plan.

There are other initiatives under consideration for the future. One is to have a "branded" bird that would be raised to exacting standards and be marketed to discriminating consumers. APPPA is working on this. The bird type we envision would be ideal for this market, and we will be working in conjunction with APPPA on this project. Marketing birds through green markets and meat CSA's (consumer supported agriculture) are other ways to increase demand. There is little to no competition in this area, and we could not and would not try to compete with the huge agribusiness in chicken production. Incidentally, the per capita consumption of chicken is growing, further increasing demand for this kind of hatchery.

We have visited a small (2,000,000 chicks annually) long established hatchery in LaRue, Ohio. This is the third generation of Ridgeway's to run this family business. The current owner/manager, Dean Ridgeway, has offered to be a consultant to our hatchery. His expertise will be invaluable in making this hatchery a viable business.

## FINANCIAL PLAN

Surveys (copy attached) were sent to the 70 members of NEPPA. Twenty-six were returned, a 36% response rate which we feel is much better than average.

Those responding raised 14,955 birds for meat and 1096 birds for eggs. This averages out to 650 birds/producer for meat and 48 birds/producer for eggs. In response to the survey question how many birds would you raise if there were a local hatchery, the total was 16,100 birds or 700 birds per producer. For calculation purposes, and to be conservative, we use the lower figure (650 birds/producer).

Most purchased chicks from hatcheries in Pennsylvania. 55% were purchased in Pennsylvania, 12% in Ohio, and 33% from Iowa (Murray McMurray).

Costs reported were extremely varied, and ranged from a low of \$.65 to a high of \$1.25 with everything in between. Most respondents said they would pay a premium for a locally raised bird assuming quality was at least as good as what they had been getting.

While most farmers use the traditional Cornish cross for meat, again there were a wide variety of breeds. Reported were barred rocks, Rhode Island reds, sex links, Plymouth rocks, leghorns, wyandottes, kosher kings, aracunas, and buff silver. Clearly, many of these are egg producers.

Everyone responding pasture raises their birds, and without exception everyone said they would support a local hatchery, even if the cost were higher than they had been paying.

To calculate profitability, certain assumptions had to be made, all of them we believe to be conservative. First, we assumed that there are 100 producers in our local area, whereas there are in reality many more than that (see market area in the section above). Based on an average of 650 birds/producer, this would give a target of 65,000 birds annually. This is meat production only, and does not count eggs or other types of fowl such as turkeys, geese, and ducks. Based on discussion and information from Dean Ridgeway, it is estimated that the cost per egg will be \$.60. Because we have our own laying flock, we expect to lower that number, but it is what we will use for calculation purposes.

The present laying flock will produce approximately 10,000 fertile eggs during the summer production period; that is the business target for year 1. Subsequent years will require adding hens to the flock as per the following table. The incubator and any related equipment will be housed in a refrigerated 60' trailer. Funding for the laying flock and hatchery equipment has been secured through Heiffer International based on business projections and the need for a local source of chicks.

<u>Year</u>	<u>No. Birds</u>	<u>Cost to Raise</u>	<u>No. Layers</u>	<u>Selling \$</u>	<u>Sales</u>	<u>Gross Profit</u>
1	10,000	\$6000	100	\$1.00	\$10,000	\$4,000
2	15,000	\$9000	150	\$1.00	\$15,000	\$6,000
3	30,000	\$18,000	300	\$1.00	\$30,000	\$12,000
4	45,000	\$27,000	450	\$1.00	\$45,000	\$18,000
5	65,000	\$39,000	650	\$1.00	\$65,000	\$26,000



We believe these projections to be conservative for several reasons. The market is clearly much larger than 65,000 chicks, the only question is how big should the local hatchery be, and what kind of marketing might it take, other than word of mouth, to grow it. The cost of \$.60/chick is based on buying fertile eggs. Having our own laying flock would reduce, one would hope, that cost. On the other hand, there will be pressure to reduce the selling price to less than \$1.00/chick, so that may offset any savings from increased efficiencies.

Start-up costs for the hatchery are expected to be as follows:

1. starter flock of laying hens and roosters	\$300
2. incubator (1000 egg capacity)	\$2000
3. hatcher (1000 egg capacity)	\$1000
4. Insulated 60' trailer to house equipment	\$2000
5. HVAC	\$1000
6. Set-up costs (electricity, water, etc.)	\$1000
7. Miscellaneous	\$700
Total	\$8000

The laying flock is in place, and equipment has been located. We plan and expect to begin incubating eggs this spring for sale.

As stated earlier, but it bears repeating, we are committed to "passing along the gift" that we have received from Heifer International. This can be in the form of free chicks to beginning farmers, but also to poor families that need an inexpensive protein source that they can produce for themselves, with some help.

## SUMMARY

There are no hatcheries in New York State. This creates a disincentive for those considering getting into growing meat and/or egg birds. The airlines have already demonstrated a hostility to shipping live birds, something which is not likely to change, especially given the huge losses the airlines are experiencing. The Cornish Cross is not a breed that does especially well in pasture conditions; it works, but changing the genetics should accomplish breeding a bird that will pasture well. Cornell is willing to work with us on this project.

Heiffer International recognizes the need for the local hatchery, and has experience working with NEPPA. They have agreed to fund the establishment of a local hatchery. We are very grateful to them for their support, and are very grateful to SARE for their support in gathering the data that indicates a local hatchery will be financially viable. SARE also made it possible to make contact with an established hatchery and to contact

farmers and potential farmers interested in poultry, both essential steps in launching this venture. Again, our sincere thanks for your support of local agriculture.

Small farms should probably be on the endangered species list. Estimates are that about 80% of US farms are not financially viable, and are on the verge of going out of business. In our area, a large portion of Country Folks is given over to farm auctions, about 2/week on average. We hope that the local hatchery can and will make a difference in this picture, and give an alternative complimentary operation to create an income source that will improve farm viability.

Connecticut

Aviagen, Inc.  
Marlborough Road  
Glastonbury, Ct. 06033

Yankee Chicks  
Hall Brother's Hatchery  
P. O. Box 1026  
Norwich, CT 06360  
(860) 886-2421

Burr Farm and Hatchery  
222 Cool Hill Rd., Box 310  
Wallingford, CT 05492  
(203) 269-4447

Massachusetts

Hardy's Hatchery  
P.O. Box 929  
Essex, Ma.

New Hampshire

Hubbard Farms, Inc.  
Turnpike St.  
Walpole, NH 03608

Pennsylvania

Case Farm Hatchery  
Broadbecks, Pa. 17308

C. S. Graybill Hatchery  
Cocolamus, Pa. 17014

Longnecker's Hatchery  
P.O. Box 307  
1110 S. Market St.  
Elizabethtown, Pa. 17022

Martin's Hatchery  
2823 Columbia Ave.  
Lancaster, Pa. 17603

Pennsylvania (Cont)

Mattern's Hatchery  
Box 143  
Beaver Springs, Pa. 17812

Metz Poultry Farms  
Box 5666  
Belleville, Pa. 17004

Moyer's Chicks, Inc.  
266 E. Paletown Road  
Quakertown, Pa. 18951

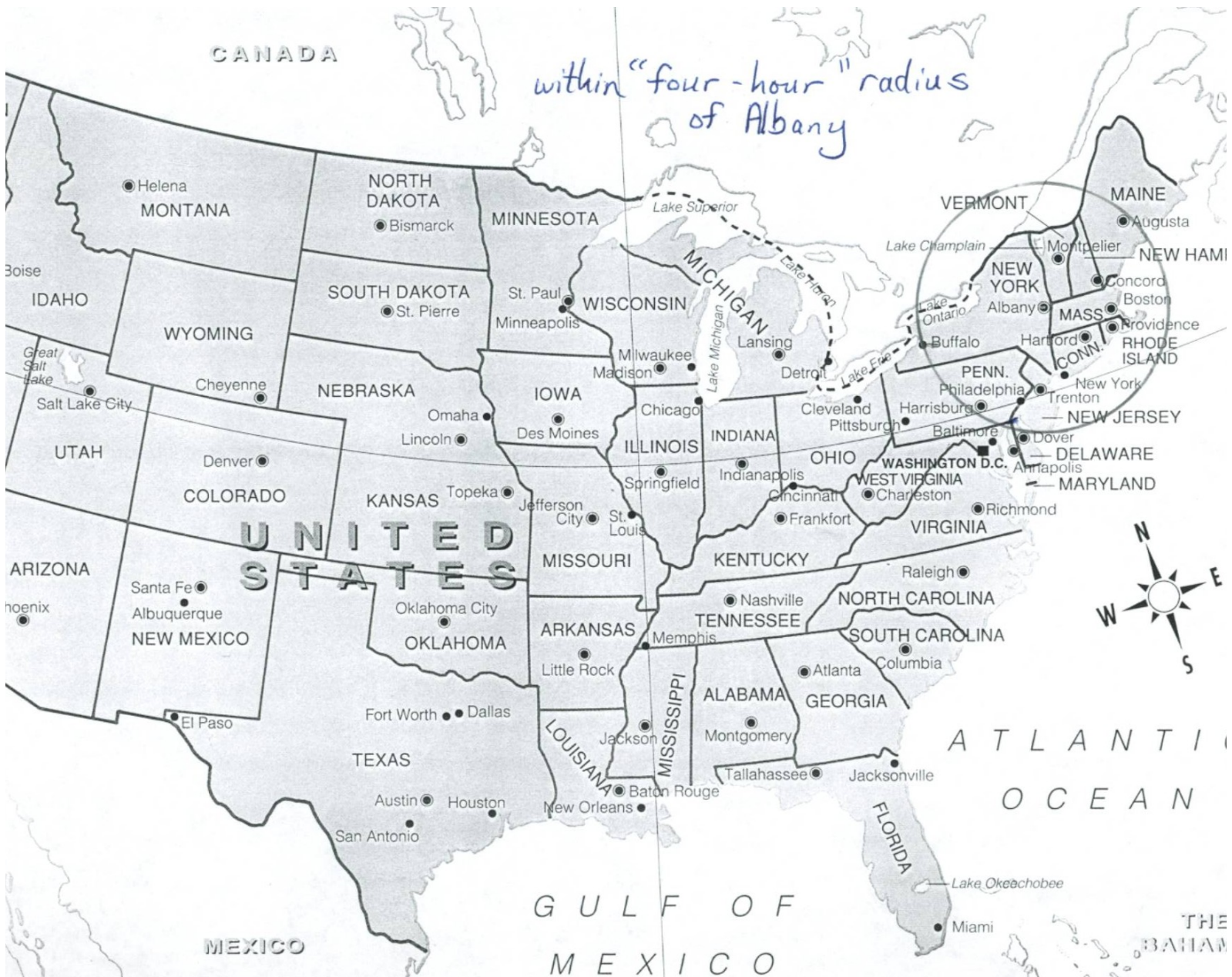
Hoffman Hatchery  
P.O. Box 129  
Gratz, Pa. 17030

Noll's Poultry Farm  
Box 14  
Kleinfeltersville, Pa. 17039

Clearview Hatchery  
Box 300  
Gratz, Pa. 17030

Reich Poultry Farm. Inc.  
RR 1, 1625 River Road  
Marietta, Pa. 17547





within "four-hour" radius of Albany

UNITED STATES

ATLANTIC OCEAN

GULF OF MEXICO

