

Executive Summary -The Isle of Man Meat Plant Business Model Options Shortlist of Options

This paper is a summary of the shortlist of options arrived at by the Tripartite Working Group. The options are as follows:

Option 1 - Improving the current business model

Option 1 is based on improving the current business model. This option explores improvements in efficiency, proposes cost reductions and develops governance. This option estimates that the operating profit deficit could be reduced from **-£1,200,000** (forecast) to **-£700-900k**.

Option 2 – Improving the current operating model plus retail / wholesale

Option 2 builds on option 1 and dramatically changes the route to market separating the business into the current slaughter and cutting operation, which sells wholesale and a separate direct retail and wholesale business. A conservative estimate for this option is to reduce the deficit to **-£400-500k**, but has the potential to reduce the deficit further. In addition, a setup cost of around £50k plus £26k operating capital would be required. The improvement in financial performance compared to option 1 is derived from the added value generated from the retail and wholesale business.

Option 3 – Employing a prefabricated slaughter facility

Option 3 proposes that a prefabricated slaughter unit is purchased and set up, before closing the current unit. The prefabricated slaughter unit will process sheep and pigs with cattle being shipped live, slaughtered in the UK, processed and then returned. This option estimates a best case operating profit of £300-400k per annum on the assumption that current levels of supply of the local market are maintained.

This option would have an initial setup cost of over £380k plus potentially £1m closure costs of the current abattoir.

Option 4 – Government tenders to seek a private operator

The above options have been costed based on the current business structure and improvements to the current operating model. It has not been possible to determine the cost of an alternative operator of the Meat Plant as there are too many variables to consider. Should none of the above options be considered an acceptable improvement to the current operating model, a tendering exercise will be conducted to identify alternative operators and their proposed business models. Government would need to place appropriate conditions in the tender to ensure that would be operators met Government strategic aims and provided a sustainable option for the livestock sector.