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Investments and Opportunities for Meat and Poultry Processing Infrastructure

Dear Secretary Vilsack,

American Farmland Trust (AFT) is pleased to submit these comments regarding Investments and Opportunities for Meat and Poultry Processing Infrastructure. Founded in 1980, AFT is the only national organization that takes a holistic approach to agriculture. We believe in finding win-win-win solutions that create economic opportunities for producers, improve the environment, and promote robust and resilient local, regional, and national food systems.

According to the most recent Census of Agriculture, 53% of US farms specialize in some form of livestock production, many of which rely on off-site processing facilities for slaughter, butcher, and packaging.¹ Unfortunately, many producers—especially those who sell to local and regional markets—face a suite of barriers to processing their animals. Because processing facilities are sparsely located, producers may need to drive for hours to reach the nearest processor, and they may not have access to a facility that suits their needs, such as being USDA-certified or providing fee-for-service processing. Furthermore, when producers only have one option, they may also struggle to receive fair prices for the animals or competitive rates for processing.

Processing facilities themselves also face numerous challenges which impact both producers and consumers. Due to skilled labor shortages, smaller processors may struggle to operate at full capacity, limiting a facility's total throughput. Many facilities also face financial, planning, and administrative challenges which limit capacity building, including the ability to gain—and maintain—state or federal inspection. These barriers, among others, reduce processing capacity and farmer profits while increasing grocery store prices.

On top of these challenges, the COVID-19 pandemic severely disrupted the industry, revealing a supply chain optimized for efficiency rather than resiliency. Last spring, nearly 40% of the nation's beef processing capacity was idled when plants shut down due to Coronavirus outbreaks.² This led to empty grocery store shelves, and farmers being forced to euthanize

¹ USDA NASS, "2017 Census of Agriculture: Highlights: Farms and Farmland." 2019.
https://www.nass.usda.gov/Publications/Highlights/2019/2017Census_Farms_Farmland.pdf

² USDA AMS, "Boxed Beef & Fed Cattle Price Spread Investigation Report." July 2020.
<https://www.ams.usda.gov/sites/default/files/media/CattleandBeefPriceMarginReport.pdf>

healthy animals. The resulting explosion in demand for locally-produced meat led to months-long backlogs as smaller processing facilities struggled to keep up.

AFT believes that a resilient food system requires robust local and regional food systems to better complement the existing national supply chain. By building up the capacity of small and midsize meat processors in particular, USDA will help lessen the impacts of future disasters, whether a pandemic or extreme weather event, while supporting a viable and sustainable agricultural system, contributing to rural economies, and ensuring that every American has access to healthy, local, affordable food.

Provide Additional Support to Increase the Viability of New and Existing Small and Midsize Meat Processors

America's farmers and ranchers face numerous barriers to processing their animals because of limited, under-capitalized, or insufficient infrastructure. These challenges may include accessing facilities that: (1) have the appropriate inspection status for the producer's needs; (2) have scheduling availability at the right time of year; (3) perform fee-for-service animal processing for the producer to market; (4) have an attainable minimum number of animals for processing; (5) process the right species of livestock; (6) are within reasonable driving distance; (7) offer specialized services such as halal slaughter; or (8) offer acceptable prices for animals or fees for service.

These challenges are especially acute for producers who directly market their meat to consumers, rather than selling on the commodity market (which involves selling live animals to a meatpacking firm). Although producers who direct-market their meat are a small minority, they rely heavily on access to timely, appropriate, and affordable processing. This custom, or fee-for-service, processing allows producers to take advantage of the premiums associated with "selling local." Without access to fee-for-service processors, these producers cannot easily profit from their animals.

Meat processors also face numerous barriers to operating profitably, which in turn, impacts the farmers and ranchers they service. Facilities are highly expensive to build and run. A small, inspected facility with 10 employees will, on average, cost over \$1 million to build, and cost over a half million dollars to operate annually.³ In order to simply break even, such a facility would need to process over 1,000 head of cattle (or equivalent) annually.⁴ In addition, processors also face challenges such as labor shortages and inconsistent demand over the course of the year.⁵ Many processors also do not have access to the technical support they need to expand or improve their operations, such as agricultural engineers or technical assistance providers.

Recommendation: AFT applauds USDA's creation of the Meat and Poultry Inspection Readiness Grant (MPIRG) program, which will give competitive grants of up to \$200,000 to processors who are either seeking a federal grant of inspection, or who wish to join their state's Cooperative Interstate Shipment (CIS) Compliance project. We recommend permanent authorization of these programs to ensure that processors can continue to benefit from these programs, and

³ Niche Meat Processor Assistance Network, "Crash Course: Meat Processing 101 Small Plant Economics." https://www.nichemeatprocessing.org/wp-content/uploads/2016/08/CrashCourseThree.Final_revised_8.31.pdf

⁴ Niche Meat Processor Assistance Network, "Crash Course: Meat Processing 101 Small Plant Economics."

⁵ L. Gwin, A. Thiboumery, and R. Stillman, "Local Meat and Poultry Processing: The Importance of Business Commitments for Long-Term Viability." USDA ERS, June 2013. https://www.ers.usda.gov/webdocs/publications/45094/37949_err-150.pdf?v=0

increasing the maximum payment to \$500,000, to aid processors implementing capital-intensive improvements.

Recommendation: Develop competitive grant and low-interest loan programs to support the establishment, improvement, and expansion of small and midsize meat processors. This should include, but not be limited to, helping processors to increase capacity, expand markets, upgrade equipment and facilities, develop and implement new worker safety protocols and protections, purchase administrative and financial software, and more. This should also specifically include support for the development of farmer-owned, cooperative processors, aggregators, etc.

Recommendation: Increase the level of USDA education, outreach, and technical assistance available to small and midsize meat processors. This should include expanding FSIS (Food Safety and Inspection Service) capacity and developing “train-the-trainer” programs for third-party consultants in order to help processors update HACCP (Hazard Analysis Critical Control Point) plans to better capitalize on existing markets, improve animal welfare and worker safety, and reduce the instance of non-compliance issues.

Provide Funding for Additional Mobile Processing Units and Support Infrastructure

One solution for increasing processing capacity is to ramp up creation of mobile processing units that can process a wide range of livestock, from chickens to cattle. Mobile processing units have the advantage of being able to come to a farm, reducing the producer’s travel burden. Mobile units can be a particularly good choice for producers who either slaughter small numbers of animals at a time, and thus may struggle to reach a processing minimum, or who are far from existing services. Despite the benefits of mobile processing units, as of 2017, there were only 9 FSIS-inspected units across the nation, and as of 2021, there only appears to be 7.^{6, 7}

Recommendation: USDA should conduct an opportunity assessment for scaling up the use of mobile processing units across the nation, especially in areas with higher concentrations of small and midsize farms and ranches. Despite their wide range of potential benefits, mobile slaughter units are not widely used. Additional study could help identify opportunities and barriers to their use.

Recommendation: Develop a new program that offers competitive grants to non-profit organizations, land-grant universities, 1890’s institutions, farmer cooperatives, and low-interest loans to businesses, to develop mobile processing units to help fill gaps in processing capacity. To the greatest extent practicable, these facilities should be either state or USDA-inspected, to facilitate greater marketing options for producers. This grant program could be based on National Institute of Food and Agriculture’s (NIFA) Capacity Building Grants for Non-Land-Grant Colleges of Agriculture Program which funded the development of a mobile processing unit through Virginia State University.⁸

⁶ D. Amann, “An Introduction to Mobile Slaughter Units.” USDA, February 2017.

<https://www.usda.gov/media/blog/2010/08/30/introduction-mobile-slaughter-units>

⁷ Niche Meat Processor Assistance Network, “Mobile Slaughter/Processing Units Currently in Operation.”

<https://www.nichemeatprocessing.org/mobile-slaughter-processing-units-currently-in-operation/>

⁸ Successful NIFA application here: <https://portal.nifa.usda.gov/web/crisprojectpages/1007366-virginias-own-mobile-slaughter-unit-promoting-food-safety-education-and-small-ruminant-meat-marketing.html>

Recommendation: USDA should offer competitive grants to non-profit organizations, land-grant universities, 1890's institutions, farmer cooperatives, and low-interest loans to businesses, for the purpose of establishing and scaling-up various services associated with mobile processors in order to increase their impact. This should include, but not be limited to, rentable coolers and freezers where producers can dry-age or store meat following slaughter at a mobile unit, and cooler trucks for transporting meat from a mobile unit. The availability of this secondary infrastructure will make mobile units more convenient and impactful.

Use Recent Relief Funding to Scale-Up Business Technical Assistance for Small and Midsize Meat Processors

Other barriers to the expansion of meat processing capacity are inadequate business planning, lack of business relationships between processors and producers, and insufficient access to transition/succession planning, administrative support, and more.^{9, 10, 11, 12} All of these challenges could be addressed by increasing planning, financial, and management skills through one-on-one business technical assistance (BTA).

BTA is provided by non-profit organizations, private consultants, state agencies, and agricultural extension services. These providers offer customized business planning support, needs and opportunity assessments, financial coaching, market development, help accessing land and capital, assistance with succession planning, and more. Services are based on a one-on-one coaching model and can extend for multiple years, changing with the needs of the operation. These programs have a proven track record – one program found that two years of business planning support generated a 62% increase in net income, improvements in business skills, and marked growth in full-time employees.¹³

BTA could help meat processing facilities in particular to develop markets and relationships, increase processing efficiencies, attain state or federal inspection status, access federal loans and grants, improve administrative, scheduling, and financial systems, and identify and reduce bottlenecks. Unfortunately, federal support for BTA is limited, inconsistent, and provided piecemeal through numerous programs, forcing BTA providers to rely on highly competitive funding which often only covers a fraction of the demand.¹⁴

Federal support for BTA could be transformative in increasing local and regional meat processing capacity and resilience. Through the American Rescue Plan Act, Congress provided \$3.6 billion to improve supply chain resiliency and help producers and small and midsize processors respond to the pandemic. In May, 50 Members of Congress urged USDA to set aside

⁹ Vermont Farm to Plate, "Vermont Agriculture & Food System Strategic Plan." 2021.

<https://www.vtfarmltoplate.com/assets/resource/files/Vermont%20Agriculture%20and%20Food%20System%20Strategic%20Plan%202021-2030.pdf>

¹⁰ L. Gwin, A. Thiboumery, and R. Stillman, "Local Meat and Poultry Processing..."

¹¹ E. Frenay, "Red Meat Processing in NYS: Bottleneck in the Local Food Economy." Cornell Small Farms Program, July 2021. <https://smallfarms.cornell.edu/2021/07/red-meat-processing-in-nys-bottleneck-in-the-local-food-economy/>

¹² Piedmont Environmental Council, "Meat Processing Facilities: Asset Map and Debottlenecking Opportunities." 2021.

¹³ On average, these businesses gained 0.3 new full-time equivalent jobs per farm per year, while the average annual growth on Vermont farms is only 0.1. Statistics obtained from the Vermont Farm & Forest Viability Program.

¹⁴ These programs include USDA's Rural Business Development Grants, the Beginning Farmer and Rancher Development Program, the Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers Program (the 2501 Program), funding for Cooperative Extension Services, and others through the Small Business Administration, Economic Development Administration, and the Northern Border Regional Commission.

\$300 million in pandemic relief for BTA, delivered in the form of multi-year grants to public and non-profit agricultural service providers with a history of providing this type of assistance and a proven record of increasing business skills, profitability, and access to land and capital. More than 100 agricultural organizations, including many service providers that offer customized BTA, also voiced support for this concept in a separate letter to USDA.

Recommendation: USDA should set aside \$300 million from the American Rescue Plan Act to dramatically scale up one-on-one business technical assistance for small and midsize farm and food businesses, and ensure that a significant portion of this funding goes to organizations that have a track record of providing services to socially disadvantaged producers.

Read the Congressional Business Technical Assistance Sign-on Letter to USDA [here](#), and the Organizational Sign-on Letter to USDA [here](#).

Read AFT and the Agricultural Viability Alliance’s “Case Statement: The Importance of One-on-One Business Technical Assistance to Farm and Food Businesses” [here](#).

Increase Workforce Development Opportunities to Relieve Staffing Bottlenecks

According to experts ranging from Cornell University to Tyson Foods Inc, the top barrier to increasing meat processing capacity at any scale is the availability of reliable labor.^{15, 16} Even though processing jobs are not low-paying, especially for rural areas (the median annual meatpacking salary is \$30,710), many facilities still struggle to be fully staffed.^{17, 18} Smaller processors in particular face challenges in hiring and retaining skilled employees.^{19, 20, 21} This is in part due to the fact that smaller processors may require a higher overall level of skill.²²

Reduced or insufficiently skilled staffing can lead to reduced capacity, which creates a bottleneck impacting producers and consumers alike. During the height of the pandemic, when several large processors closed, smaller processors saw demand skyrocket, with many waitlists extending to months or even years.

Employee turnover rates can be very high in the meat processing industry, sometimes up to 100% annually.²³ This means that on-the-job training is nearly constant, since most employees

¹⁵ E. Frenay, “Red Meat Processing in NYS...”

¹⁶ The Motley Fool, “Tyson Foods Inc (TSN) Q3 2021 Earnings Call Transcript.” August 2021.

<https://www.fool.com/earnings/call-transcripts/2021/08/09/tyson-foods-inc-tsn-q3-2021-earnings-call-transcri/>

¹⁷ U.S. Bureau of Labor Statistics, “Occupational Employment and Wages: Slaughterers and Meat Packers.” May 2020.

<https://www.bls.gov/oes/current/oes513023.htm>

¹⁸ C. Bir, D. Peel, R. Holcomb, K. Raper, and JJ. Jones, “The Impact of COVID-19 on Meat Processing, and the Renewed Interest in Local Processing Capabilities.” *Western Economics Forum*, Spring 2021. Vol. 19, Issue 1.

<https://ageconsearch.umn.edu/record/311303/files/TheImpactofCOVID19onMeatProcessing.pdf>

¹⁹ C. Abels, “Gathering the Herd: Vermont Meat Processing Case Study.” Vermont Farm to Plate, June 2017.

https://www.vtfarmtoplate.com/assets/activities/files/F2P%20Meat%20Processing%20Case%20Study_FINAL%206.20.17-1.pdf

²⁰ R. Johnson, D. Marti, and L. Gwin, “Slaughter and Processing Options and Issues for Locally Sourced Meat.” USDA ERS, June 2012. <https://www.farmanddairy.com/wp-content/uploads/2013/06/Processing-and-Locally-Sourced-Meat.pdf>

²¹ C. Abels, “Gathering the Herd: Vermont Meat Processing Case Study.”

²² Niche Meat Processor Assistance Network, “Meat Processor Workforce Management.”

<https://www.nichemeatprocessing.org/meat-processor-workforce-management/>

²³ W. Whittaker, “Labor Practices in the Meat Packing and Poultry Processing Industry: An Overview.” Congressional Research Service, 2006.

https://www.everycrsreport.com/files/20061027_RL33002_17844882076ad885474951c4207671a50f1cf53a.pdf

lack previous industry experience, which reduces a facility's maximum throughput.²⁴ Ironically, while new employees are critical for increasing processing capacity, the busier a facility is, the harder it becomes to take the time to recruit and train a new employee. If processing facilities had greater access to experienced and/or previously trained employees, it could reduce staff turnover, increase productivity, and lessen the rate of workplace injuries and accidents.²⁵

Recommendation: Provide competitive grants to land-grant universities, community colleges, technical schools, 1890's institutions, non-profit organizations and more to develop training courses designed to give students basic skills in stunning, slaughter, meat cutting, and butchering, as well as special certifications in humane animal handling, sanitation, and more. This could be modeled after a new project funded by AFT through the [Rappahannock Center for Education](#), a Virginia-based non-profit organization devoted to workforce development. Using an online curriculum developed by [Range Meat Academy](#), an experienced meat cutter will provide in-person instruction to give students the skills they need to join the meat processing workforce. This program could also be modeled off of the *Grants For Local Meat And Poultry Processing Training Programs* section of the [Strengthening Local Processing Act](#).

Conclusion

AFT appreciates the opportunity to submit our comments on strengthening the nation's meat processing infrastructure. We look forward to serving as a resource to the Department on these issues and continuing to work with USDA to help farmers and ranchers feed the nation.

Respectfully submitted,

American Farmland Trust

²⁴ USDA AMS, "Planning for New Meat Cutting and Processing Services in Massachusetts." 2012. <https://www.ams.usda.gov/sites/default/files/media/MA%201504.pdf>

²⁵ Piedmont Environmental Council, "Meat Processing Facilities..."