LOCAL MEATS PROCESSING: SUCCESSES AND INNOVATIONS

April 18, 2013
Presentation Outline

- Technical Orientation
- NGFN Overview
- From Convenience to Commitment

Lauren Gwin
Oregon State University

Arion Thiboumery
Lorentz Meats

- Three Case Studies
- Niche Meat Processors Assistance Network
- Questions and Answers
- Upcoming Opportunities, etc.
FROM CONVENIENCE TO COMMITMENT: SECURING THE LONG-TERM VIABILITY OF LOCAL MEAT AND POULTRY PROCESSING

Lauren Gwin, Oregon State University
Arion Thiboumery, Iowa State University
Niche Meat Processor Assistance Network
Mission

To strengthen and expand processing capacity, nationwide, for niche meats, to promote rural development and agricultural opportunities.

www.nichemeatprocessing.org
## Processor Case Studies

<table>
<thead>
<tr>
<th>Name</th>
<th>Species</th>
<th>Employees</th>
<th>Head/yr</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorentz Meats</td>
<td>Beef/bison</td>
<td>70</td>
<td>8000 beef/bison</td>
<td>Cannon Falls, MN</td>
</tr>
<tr>
<td>Smucker’s Meats</td>
<td>Red meat</td>
<td>30-35</td>
<td>3000 beef/bison, 1000 hogs</td>
<td>Mt. Joy, PA</td>
</tr>
<tr>
<td>Heritage Meats</td>
<td>Red meat</td>
<td>7</td>
<td>1000 beef, 1000 hogs, 270 other</td>
<td>Rochester, WA</td>
</tr>
<tr>
<td>TFC Poultry</td>
<td>Poultry</td>
<td>40</td>
<td>1.4 million birds</td>
<td>Ashby, MN</td>
</tr>
<tr>
<td>White Oak Pastures</td>
<td>Beef, poultry</td>
<td>55</td>
<td>6700 beef, 200,000 poultry</td>
<td>Bluffton, GA</td>
</tr>
<tr>
<td>Ranch Foods Direct</td>
<td>Red meat</td>
<td>25-30</td>
<td>4000 beef</td>
<td>Colorado Springs, CO</td>
</tr>
<tr>
<td>Island Grown Farmers Cooperative</td>
<td>Red meat</td>
<td>6-8</td>
<td>300K lbs meat</td>
<td>San Juan County, WA</td>
</tr>
</tbody>
</table>
Outline

• What is processing?
• Why does it matter?
• What’s the problem?
• What works?
• What’s next?
What is Processing?

- **Slaughter**: stunning, skinning, evisceration, cleaning, chilling

- **Further processing**
  - Cut and wrap
  - **Value-added processing**: grinding, casing, smoking, cooking, drying, portion cutting…
Why Does It Matter?
3 Kinds of Local

(1) Very Local

Farmer → Processor → Buyer

(2) Local-independent

Farmer → Farm Stand/CSA → Farmer
Farmers Market
Restaurant
Retailer

(3) Regional-aggregated

Farmer
Farmer
Farmer
Farmer

Farmer Company → Niche Meat Company → Processor → Retailers/Chains
HRI/Food Service
Distributors
Internet/Direct
## What’s the Problem?

### What farmers say

<table>
<thead>
<tr>
<th>Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are not enough processing facilities.</td>
</tr>
<tr>
<td>Processors don’t have the right services or inspection status.</td>
</tr>
<tr>
<td>I have to schedule a processing date too far in advance.</td>
</tr>
<tr>
<td>I can’t get a processing date during the fall.</td>
</tr>
</tbody>
</table>
Viewpoint #1

Local meat sector is only limited by processing:
- Livestock are there
- Demand is there
- Processing is the bottleneck

The answer?
Build more plants.
# of Small FI Cattle Slaughter Plants

Source: Johnson, Marti, Gwin 2012; USDA-NASS
“Everyone wants some graphic that shows here’s where the production is, here’s where the processors are, and here’s a gap, so let’s put a plant here.

“That’s not the right approach. We need to move away from a top down assessment and start from the bottom up.”

- Chelsea Bardot Lewis, VT Agency of Agriculture

Counties w/no small cattle slaughter facilities and 143+ small cattle farms
What farmers say

There are not enough processing facilities.

Processors don’t have the right services or inspection status.

I have to schedule a processing date too far in advance.

I can’t get a processing date during the fall.
What IS the Problem?

Viewpoint #1
Local meat sector is only limited by processing:
• Livestock are there
• Demand is there
• Processing is the bottleneck

The answer: Build more plants.

Viewpoint #2
Small processors don’t have enough steady business.
• No steady business = no profit
• No profit = no plants

Answer?
Bring processors more business.
More livestock, more often.
<table>
<thead>
<tr>
<th>Expenses</th>
<th>Very small</th>
<th>Small</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials, ingredients, packaging</td>
<td>$50,000</td>
<td>$120,000</td>
<td>$700,000</td>
</tr>
<tr>
<td>Labor (all inclusive)</td>
<td>$110,000</td>
<td>$300,000</td>
<td>$2,800,000</td>
</tr>
<tr>
<td>Office-related overhead(^a)</td>
<td>$1,000</td>
<td>$4,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Processing-related overhead(^b)</td>
<td>$30,000</td>
<td>$61,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Other overhead(^c)</td>
<td>$20,000</td>
<td>$32,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Loan Interest</td>
<td>$10,000</td>
<td>$25,000</td>
<td>$165,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$10,000</td>
<td>$23,000</td>
<td>$152,000</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$231,000</td>
<td>$565,000</td>
<td>$4,442,000</td>
</tr>
</tbody>
</table>

# Beef rev. equiv./yr for break even\(^d\)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>462</td>
<td>1130</td>
<td>8884</td>
</tr>
</tbody>
</table>

# Beef rev. equiv./yr for cash flow\(^e\)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>442</td>
<td>1084</td>
<td>8580</td>
</tr>
</tbody>
</table>
Expense and Risk

• Meat processing is high-risk:
  – Complex
  – Investment-intensive
  – Thin profit margins

• Committed business *mitigates* risk.
  – Initial investments
  – Adding services

• More expense = more commitment needed.
Convenience
Farmer: I’ll call you when I need you.
Processor: I’ll see if I have an opening.

Commitment
Farmer: I’ll bring 5 head every week.
Processor: I’ll process them to your specs, on time, high quality.
Two Stages

**Commitment: stage 1**

Farmer (Individuals, groups, brands) → Steady business from F = steady revenue for P → Processor

P delivers high quality product to F

Committed business from farmer means processor can afford the human capital and plant/equipment necessary to meet farmer’s needs/product specifications, consistently.

**Commitment: stage 2**

Farmer (Individuals, groups, brands) → Investment → Processor

Increased services (volume, type, quality)

With investment from farmer, processor can add the human capital and plant/equipment necessary to deliver enhanced, expanded services, to meet farmer’s needs. Types of investment include contracts, cash, equity, subordinated debt, purchase of equipment to lease to processor.
Commitment In Practice

- Anchor tenants (have them, be them)
- Active scheduling for smooth flow
  - Take a slot in the spring, get a fall guarantee
  - Book the month 6 mo. out; book the week 2 mo. out
  - Annual producer meeting
- Variable pricing
  - Fall v. spring
  - Surcharge if fall only
- Marketing/distribution help
- Financial investment
- Communication
Moving Forward

• Technical assistance for processors
  – Business/management
  – Regulatory/food safety
  – Communication/marketing
• Targeted public investment
• Training & capacity building for producers
• Long-term producer commitment to niche meat brands
• Getting past “growing pains”
Collaboration
Case Studies

• Vermont: Meat Processing Task Force
• North Carolina: NC Choices, Farmhand Foods, Carolina Meat Conference
• New York: Northeast Livestock Processing Service Company
• Montana: Regulatory Consistency and Clarity
• National: Niche Meat Processor Assistance Network
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- Technical Orientation
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- From Convenience to Commitment

Three Case Studies
1. Vermont Meat Processing Task Force
2. NC Choices
3. Northeast Livestock Processing Service Company

- Questions and Answers
- Upcoming Opportunities, etc.
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Three Case Studies

1. Vermont Meat Processing Task Force

   Chelsea Bardot Lewis
   Vermont Agency of Agriculture

- Niche Meat Processors Assistance Network
- Questions and Answers
- Upcoming Opportunities, etc.
Processing in Vermont’s Niche Meat Value Chain

National Good Food Network - April 18, 2013
Purpose

Build Vermont’s meat industry by...

- Coordinating livestock slaughter and processing stakeholder organizations to deliver technical assistance, investment, and education
- Implementing and monitoring Farm-to-Plate strategies related to meat processing
- Promoting a shared understanding of a complex system and communicating out to stakeholders
“Similar to the birds in a flock, all organizations are better able to learn what each organization learns, enabling a more aligned, immediate, and coordinated response.”

--John Kania & Mark Kramer, “Embracing Emergence”
Farm-to-Plate Network

- Launched in October 2011 to implement strategies to accomplish 25 goals in the F2P Strategic Plan
- Now 225 member organizations strong
- Understand that transforming our food system is greater than any one organization can accomplish on its own
- Network’s values include collaboration, innovation, learning, and transparency
Core Constituency

1) Plants that provide poultry and/or large animal slaughter and processing services for one or more producers; and

2) Are either commercially inspected or provide custom slaughter services.
2010 survey of 4 Vermont processors found that they:

1. had thin operating margins, with labor and energy the primary costs;
2. were undercapitalized;
3. carried substantial debt, so bank financing was often not an option; and
4. did not track productivity or collect financial data to evaluate their businesses.
Exposure and Education

- Producer-processor workshops
- Learning Journeys to Italy & North Carolina
- Delegation to AAMP
- Bringing in outside expertise and perspectives
Workforce Development

- $25,000 from 2011 Jobs Bill dedicated to creating Skilled Butcher and Meat Cutter Training program
- 9 students in the first cohort, 7 students in the second

SKILLED BUTCHER & MEAT CUTTER
PATRICIA A. HANNAFORD CAREER CENTER
WWW.HANNAFORDCAREERCENTER.ORG

Making a difference for Vermont’s workforce!
Organizational Development

Partner with the Meat and Poultry Processors’ Association to engage in:

- Networking and Information Sharing
- Policy Advocacy
- Identifying target areas for outside consultation
Investment

- Integration of financial investment (grants and low-interest loans) and one-on-one technical assistance
- Focus on expanding or better utilizing current infrastructure
- Appropriately scaled technology
Start-up Support

- Regulatory compliance and site selection assistance through State inspection program
- Financing (low interest loans and grants)
- Consultation for plant design
Next Steps and Hot Topics

- Supporting new facilities coming online
- Wastewater management
- Value Added Meats
- Building consultant network (working with NMPAN and NC Choices)
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2. NC Choices

Casey McKissick
NC State University / NC Choices

- Niche Meat Processors Assistance Network
- Questions and Answers
- Upcoming Opportunities, etc.
NGFN Webinar: Local Meats Processing Successes and Innovations
April, 18, 2013
**What is NC Choices?**

**NC Choices** is a program of the Center for Environmental Farming Systems that advances local and niche meat supply chains in North Carolina by providing networking opportunities, educational programming and technical assistance for producers, meat processors, buyers and food professionals.

CEFS is a partnership of NC State University, NC A&T State University and the NC Department of Agriculture and Consumer Services.
Carolina Meat Conference
December 9-10, 2013
www.carolinameatconference.com

Kari Underly, Chicago, IL
Temple Grandin, Keynote 2012
Adam Tiberio, New York, NY
Craig Deihl, Charleston, SC
Above: Dr. Gregg Rentrow, U of K Extension Meat Science trains retail butchers on value added beef cuts.

Top Middle: Adam Tiberio trains on rail breaking at Wells Jenkins Wells.

Right: Craig Deihl trains chefs on advanced charcuterie techniques.

Top: Karen Fowler and Jeff Wells spend time with a new lamb farmer on carcass utilization, pricing and packaging. Above: Kari Underly trains commercial processors on beef value added cuts.

In-plant Technical Training

NC Choices, a Center for Environmental Farming Systems initiative
Pilot Program 2011-2012
A Short History
- Went from NCDA inspection to USDA (TA)
- Developed and published “Working with Wells Jenkins” document
- Open-house, plant tour, sausage tasting, 85 people in attendance
- Several grants for new equipment, training, upgrades
- Currently handles over 75 NC Farmer Meat Handlers
Meat Processor Business Development Program

▪ Funded in 2012 by the NC Rural Center with funds from the NC General Assembly to promote small businesses in rural counties

▪ Supports 2 years of one-on-one, in-plant technical assistance through staff coaching, industry consultants and peer-to-peer learning

▪ Funds include staff salary, consultants, travel and cost-share for program completion
8 Meat Processor Business Development Program Participants

From West to East:

- Foothills Pilot Plant, USDA Poultry Processing, McDowell County
- Rose Mountain Butcher Shop, Retail Exempt, Ashe County
- Mays Meats, USDA Slaughter and Processing, Alexander County
- Chaudry’s Halal, USDA Slaughter and Processing, Chatham County
- IGA Grocery, Retail Exempt, Warren County
- Custom Quality Packers, USDA Slaughter and Processing, Nash County
- Acre Station Meat Farm, USDA Slaughter and Processing, Beaufort County
- Weeping Radish Brewery and Butchery, USDA Further Processing, Currituck County

NC Choices
a Center for Environmental Farming Systems initiative
Casey McKissick  
NC Choices – Program Director  
828-216-2966  
[casey@ncchoices.com](mailto:casey@ncchoices.com)  
[www.ncchoices.com](http://www.ncchoices.com)  
[www.carolinameatatconference.com](http://www.carolinameatatconference.com)

[NC Choices](http://www.ncchoices.com)  
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Three Case Studies

3. Northeast Livestock Processing Service Company

Kathleen Harris
NELPSC

- Niche Meat Processors Assistance Network
- Questions and Answers
- Upcoming Opportunities, etc.
Northeast Livestock Processing Service Company

Kathleen Harris
NELPSC Processing & Marketing Coordinator
Local Ground Beef for Institution Buyers
Marketing to Institutions that are Self-Ops

- Self ops are institutions that are not under food service contract.
- Self-ops are easier than dining services under contract
- Must be a sustainability committee in place at the purchasing institution
- Must have the directive from the top to commit to buying local foods
Barriers to Institutional Marketing
Marketing to Institutions under Food Service Contract

- Becoming an “approved” Vendor
  - High insurance requirements
  - 3rd party sanitation audits for processors and warehouses
  - Refrigerated delivery truck
  - Price
  - Payment 45-90+ days
Marketing to Institutions under Food Service Contract (cont.)

- Becoming a “preferred vendor”
  - P-card
  - Rebate program - NYS Laws
  - More orders
Reliable Delivery
Steps to Process an Order

- NELPSC gets the order and sources from member farmers
- Selects livestock at the farm & collects affidavits
- Arranges slaughter and processing
- Farmer responsible for delivery to the plant
- Pays farmer in accordance with P&S Law
- Works with buyers for cutting instructions and receiving timeline
Steps to Process an order (cont.)

- NELPSC does in-plant oversight
- NELPSC picks up the load
- NELPSC delivers to buyers
- Each buyer receives:
  - Invoice
  - Farm affidavit
  - Farm story
  - NELPSC manages accounts receivable
For more information please contact Processing and Marketing Coordinator Kathleen Harris at (518) 258-4823 or nelpsc@frontiernet.net.
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NMPAN online

Niche Meat Processor Assistance Network

- Ask questions, get answers, and share ideas: the NMPAN listserv
- Learn more about NMPAN people

What is the Niche Meat Processor Assistance Network?

NMPAN is a network and info hub for people and organizations who want small meat processors to thrive. We offer tools and information for small processors and the farmers, marketers, and meat buyers who depend on them. More About NMPAN

Join NMPAN

- Ask questions, get answers, and share ideas: the NMPAN listserv
- Learn more about NMPAN people

NMPAN Resources

- Tools for Existing Processing Businesses
- New to Meat Processing? How to Get Started
- Mobile Slaughter Units (MSUs)
- Find a Meat Processor
- Find Help in Your State
- NMPAN Webinars
- FAQs

NMPAN is part of eXtension (www.eXtension.org), an initiative of the national land grant university system, providing objective, research-based, credible information. Most links on our site will take you to our eXtension pages, marked with the eXtension logo.

www.nichemeatprocessing.org
• Download the full report:
  www.nichemeatprocessing.org/nmpan-research

• Coming soon:
  – ERS companion report >> mid-June

• Join us: www.nichemeatprocessing.org
Acknowledgments

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• NMPAN Advisory Board

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