FROM CONVENIENCE TO COMMITMENT:
SECURING THE LONG-TERM VIABILITY OF LOCAL MEAT
AND POULTRY PROCESSING

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June 2013
ABSTRACT

Consumer demand for local food, including local meat and poultry, has risen in recent years. Meat and poultry processors are essential links in local meat supply chains. To sell meat, farmers need access to appropriately scaled processing facilities with the skills, inspection status, and other attributes to prepare these products safely, legally, and to customer specifications. Farmers and others suggest that limited processing infrastructure restricts the supply of local meat and poultry. At the same time, existing small processors often lack the steady, consistent business required for profitability. We analyze this multi-faceted problem and identify fundamental causes, drawing on a cost analysis of local processing at three scales. We use case studies of seven successful local and regional processors to illustrate strategies and solutions that may be adopted by others. We conclude that business commitments between processors and farmers are critical to mutual success: farmers commit to providing consistent throughput of livestock to process, and processors commit to providing consistent, high-quality processing services. This commitment, supported by coordination and communication between processors and their customers as well as along the entire supply chain, is essential to the persistence and expansion of local meats. We also describe five collaborative efforts around the country involving public and private sector partners who aim to expand opportunities for local meat marketing by providing support and technical assistance to meat processors and their farmer customers.
Summary and Conclusions

Consumer demand for local meat and poultry is rising. To meet this demand, farmers may benefit from access to appropriate-scale processing facilities with the skills, inspection status, and other attributes to handle these products safely, legally, and to customer specifications. Farmers and others say that limited processing infrastructure restricts the supply of local meat and poultry. At the same time, existing small processors often lack the steady, consistent business they need to be profitable. From their perspective, capacity is often not lacking but in excess. Seasonal demand for their services creates an unstable “boom and bust” cycle that is difficult to maintain: fixed costs are paid all year, skilled workers need year-round paychecks.

The case studies and analysis presented in this report together suggest that addressing this problem involves a shift in the relationship between farmers and their processors, away from a series of independent transactions, conducted at arm’s length, to a longer-run interdependence. The shift from convenience to commitment includes not only enhanced coordination and communication but “hard” commitments: farmers commit, individually or in coordinated groups or brands, to providing the processor with sufficient, steady business, i.e., livestock to process. Processors commit to processing those livestock to farmer specifications, consistently and on time. Strengthening commitments between processors and farmers—as well as along the entire supply chain—is essential to maintaining and expanding the processing infrastructure necessary for growth in local meats.

We drew on case studies of successful local and regional processors to illustrate what commitment looks like in practice. Having a few key “anchor” customers provides steady volume and consistent business. Some processors are their own anchor customer, providing the majority of the throughput. When farmers aggregate into a single niche brand, that brand can be a valuable partner for processors because it can deliver steady throughput and coordinated communication that can often be difficult for farmers to deliver individually.

Processors can use tools like active scheduling systems and variable pricing to assure that throughput is steady, week by week and over the year. This is part of their commitment to farmers, who know they will have processing dates for their livestock. Processors who help their farmers-customers with business advice, marketing, and distribution, for free or for a fee, can build good working relationships and long-term loyalty as well as build demand for their own processing services. Deeper, “stage two” commitment comes when farmers invest in their processors financially, for mutually beneficial development. Ongoing communication underpins the entire relationship. Whether about scheduling or services, costs or prices, meat quality or market conditions, processors and farmers need to communicate effectively with each other to develop and maintain strong business relationships.

We also described collaborative efforts around the country focused on local meats.
processing using a variety of strategies. Government agencies, universities, non-profit organizations, and others have an important role to play through research, technical and regulatory assistance, investment, and facilitating connections and peer-to-peer learning not only between farmers and processors but all along local meat supply chains.

As illustrated by all of the case studies in this report, there are no “one size fits all” solutions. Local needs and conditions will influence what business models work best for farmers, processors, buyers, and others involved with local meats. In some locations where processors are lacking or are unable to work with local farmers, it may make sense to build new processing businesses to serve local markets if there is enough actual demand to support those businesses. Yet in most locations, supporting existing processors, including helping them enhance and expand their businesses profitably, will likely be more efficient and effective. As one interviewee said, “Our state already has eight small plants, and they’re all struggling. If we build another, we’ll just have nine that struggle.”

**Future considerations**

As noted above, we conclude that building more established, predictable, and committed relationships between processors and farmers is essential to the resilience and expansion of processing for local meat and poultry. Farmers often ask what their processors can do for them, but the role of farmers in supporting the relationship is equally important.

As demonstrated by the stories from Vermont and North Carolina, technical assistance and capacity building for processors can be very effective in enhancing local meats processing. Examples include business and management skills training, assistance with grant writing, helping transitioning to USDA inspection or third party certification, even help setting up, implementing, and maintaining scheduling systems like those used by Smucker’s Meats and the Island Grown Farmers Cooperative. While not addressed extensively in this report, development of and education about scale-appropriate food safety techniques and interventions also are an important category of technical assistance for small plants.

Public policy angles can also be important.¹ State and local governments – for example, in Wisconsin, Vermont, Minnesota, and North Carolina – have played a role with public investment (for example, appropriations, tax credits, tax incentives, or loan guarantees) for processing plant and equipment upgrades. Other options include tax incentives and loan guarantees to back processors during start-up and/or expansion, and outright grants. State legislatures can also direct and support relevant state agencies to allocate staff time to work on these issues, providing not only technical support to individual plants but statewide leadership on industry-scale challenges and solutions.

Other potential policy angles with potential to support local meats processing and local meats include clarifying Food Code variance requirements, implemented at the state level, for retail dry cured meat products; clarifying federal poultry processing exemptions, e.g., regarding multiple users of the same equipment; working with state and local agencies to allow innovative wastewater management systems and on-farm offal composting2; and including local meats in state and local procurement orders/purchasing specifications.

Training and capacity building can also target farmers, for example, to improve communication with their processors, as the Northeast Livestock Processing Service Company has done3, and to understand their processors’ business and regulatory environment4. Even when farmers are not formally organized (e.g., as suppliers of a niche meat company or as a cooperative) they can help their processors by working with each other to spread their collective demand for processing over more of the year.

Farmers who supply niche meat brands that use small, local or regional processors should also recognize the long term benefits of maintaining established coordinated marketing arrangements and relationships, even in times of high commodity livestock prices. When commodity prices are high, fewer farmers try to sell animals through niche markets, and this reduces business for the small processors who handle niche brands. Farmers strive to make the best decisions for their own operations, yet if they lack commitment to their brands, those brands may not be able to commit to processors, and processors may not survive.

Local meats – and therefore local meat supply chains – are still relatively new. What we may be witnessing is an early and at times difficult evolutionary period of this sector. The different types of local we identified in the beginning of this report are likely to evolve in different ways. Different companies will make different choices. For example, Island Grown Farmers Cooperative plans to stay at its current size, while Lorentz meats intends to grow while assuring it can still work with small, local direct marketers. Commitments across the supply chain will matter to both.

The outlook is promising: a number of new and proposed processing plants, focused on

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2 Oregon’s department of Environmental Quality’s effective program ranks proposed composting operations by risk level and keeps requirements minimal for low-risk operations, which include a small, custom-exempt slaughter and processing plant.


local meats, are in the works, and some are now up and running. Custom-exempt plants waiting to see if “local meat” is more than a fleeting trend are cautiously transitioning to USDA inspection. Their ability to survive and thrive depends on whether they have committed business relationships with those who want their services.

For more information and the full report, please visit: http://www.nichemeatprocessing.org/nmpan-research