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

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 (see Figure 1). 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.
Figure 1: Three Types of Local*

(1) Very Local

- Farmer
- Processor
- Buyer

(2) Local-independent

- Farmer
- Processor
- Retail: Farm Stand/CSA, Farmers Market, Restaurant, Retailer

(3) Regional-aggregated

- Farmer
- Farmer
- Farmer
- Farmer
- Nich Meat Company
- Processor
- Retailers/Chains: Distributors, Internet/Direct

* CSA in (2) refers to Community Supported Agriculture, or “box schemes”; HRI in (3) refers to a category of buyers: hotel, restaurant, and institution.
Table 1: Characteristics of the three types of local

<table>
<thead>
<tr>
<th>Type</th>
<th>Geography</th>
<th>Product</th>
<th>Market</th>
<th>Regulatory*</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local-independent</td>
<td>Highly variable: from one county to multi-state</td>
<td>Individual cuts &amp; cooked meats vac-packaged or paper wrapped, labeled, fresh or frozen. Poultry: whole carcass, parts</td>
<td>Retail (farmers markets, farm stands, CSA, restaurants) &amp; wholesale (e.g., to retailers)</td>
<td>Red meat: state or Federal inspection. Poultry: 20,000 bird exemption; state or Federal inspection if crosses state lines</td>
<td>Farmer handles marketing and distribution</td>
</tr>
<tr>
<td>Regional-aggregated</td>
<td>State-wide, multi-state</td>
<td>Same as above plus primals, subprimals, fixed weight portion cuts, all usually fresh in formed vacuum packaging</td>
<td>Mostly wholesale (to retail, food service, distributors, schools)</td>
<td>Federal inspection, or state inspection if all sales are within that state</td>
<td>Multiple farmers supply regional marketing entity that manages supply chain</td>
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</tbody>
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* We include Talmadge-Aiken\(^1\) plants within Federal Inspection. For poultry, 1000 bird and 20,000 bird refer to two exemptions.

The three types may overlap. A farmer might sell freezer meat shares, processed under inspection, at his farmers market stand. A farmer in the “Local independent” category might sell most of her product in subprimals or whole carcasses to restaurants and also sell live animals into conventional (commodity) livestock markets. The optimal strategy for any farmer will depend on many factors, including production style, marketing skills, risk tolerance, and financial goals.

The size of an operation in each type will vary: a farmer selling through the “very local” strategy might choose to sell one animal per year or one hundred. A farmer who is part of a “regional” brand might choose to raise a few head per year for that brand. Yet there are scales at which certain strategies tend to be more or less cost-effective. For example, farmers selling cuts from only a few dozen head per year at farmers markets may struggle with inventory management – selling all parts of each carcass – and higher transaction costs (primarily time spent managing processing, distribution, marketing, and customer service) despite what may have been premium prices. This matters to processors, who are unlikely to have steady business from farmers who pursue unprofitable sales strategies.

\(^1\) Talmadge-Aiken plants are inspected by State employees acting as agents for USDA’s Food Safety and Inspection Service (9 CFR §321.2; USDA-FSIS 2004, p. 8-9).