

## Farmer-Focused Models for Local Meat Processing

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As the COVID-19 pandemic surged in the spring of 2020 and some meat processing plants in the U.S. closed or reduced processing capacity, the effects were felt throughout the supply chain (Cowley, 2020). As meat processing capacity declined significantly for a period, consumer demand for meat shifted rapidly to purchasing for home consumption. At the same time, producers faced low livestock prices and challenges with finding processing and markets for their livestock (Cowley). Meat producers selling into local and regional supply chains have had challenges finding processing capacity to grow their operations for years. Like so many other economic issues, the COVID-19 pandemic exacerbated the challenge.

Farmers and other local and regional meat supply chain stakeholders have reacted to these challenges, in part, by exploring opportunities to enhance the resilience of local and regional meat supply chains, particularly through improved processing capacity. This bulletin will explore models that have been used around the United States to develop or expand local meat processing enterprises via farmer engagement, partnership, or investment. However, the cases shared here are not comprehensive. There are likely many additional strategies to enhance local and regional meat processing capacity that are not discussed in this bulletin but are viable opportunities for meat supply chain stakeholders.

### **Keys to Success in Local Meat Processing**

Before exploring opportunities to enhance local and regional meat processing, stakeholders should understand the challenges of the industry, both at a national scale and in their region. A 2013 study by the U.S. Department of Agriculture's (USDA) Economic Research Service indicated that "stabilizing and enhancing meat and poultry processing for local markets requires that farmers and processors build more established and predictable business relationships, shifting from "convenience" to longer-term "commitment" (Gwin et al., 2013, p. iv).

Important findings of the report included:

- "Key "anchor" customers are critical for processors to ensure a steady volume of business" (Gwin et al., 2013, p. iv). Anchor customers can be one or two large farms, a processor who produces livestock and acts as their own key customer, and aggregators that coordinate livestock from multiple farms and, sometimes, serve additional marketing or coordination functions.
- It is important for processors to demonstrate a commitment to customers, including via high-quality processing services. Processors can provide value to customers by providing additional advice and support with other aspects of the meat business, like marketing and distribution. (Gwin et al., 2013)
- "Farmer-processor commitment deepens when farmers, individually or in groups, invest time and money into the processing business. Investment can take the form of loans, stock purchases, equipment financing, or hours of expertise and effort" (Gwin et al., 2013, p. v).
- Communication is key. Continuous and effective communication between processors and farmers is key to building and maintaining strong relationships (Gwin et al., 2013).

In USDA's study assessing local meat and poultry processing, interviews with meat supply chain stakeholders including farmers, processors, regulators, university faculty, and non-governmental organization staff revealed the challenges listed in Figure 1 below (Gwin et al., 2013). Although interviews were conducted in 2011 and 2012 (Gwin et al., 2013), these are also some of the challenges that the authors hear from meat supply chain stakeholders in 2020.

Table 2

**Farmer and processor concerns about processing**

What farmers say	What processors say
There are not enough processing facilities. <sup>1</sup>	There aren't enough farmers bringing me enough livestock.
Processors don't have the right services or inspection status.	Farmers ask me to do new things, but they don't have enough volume to cover my costs.
I have to schedule a processing date too far in advance.	Farmers don't come when they say they will, or they bring fewer or different animals than they said they would bring.
I can't get a processing date during the fall.	I have no business in the spring.
Processing costs too much.	Farmers don't want to pay what processing really costs.
Processors make cutting, packaging, and labeling mistakes.	I don't have enough year-round, steady business to hire skilled labor and pay them a good wage.
My order wasn't ready on time, and my customers are unhappy.	Farmers don't pick up their orders on time, using up valuable cooler space.

<sup>1</sup>Particularly for poultry: there are far fewer inspected poultry plants than red meat plants, in part because profit margins are thinner, in part because many States allow the sale of poultry processed under one of the Federal exemptions, and in part because poultry production at smaller scales is typically very seasonal. Farmers must cross State lines for federally inspected processing or be shut out of the market in States that do not allow such sales and in which there is no inspected small plant.

*Figure 1: "Farmer and processor concerns about processing" from U.S. Department of Agriculture, Economic Research Service, Local Meat and Poultry Processing: The Importance of Business Commitments for Long Term Viability (Gwin et al., 2013, p. 5).*

## **Case Summaries**

The following case study summaries show some of the innovative strategies that meat producers and processors are implementing to expand the processing capacity in their regions. It is beyond the scope of this bulletin to discuss each case in comprehensive detail, but readers wishing to learn more can explore the resources that are shared along with each summary.

## **Farmer-Owned Cooperative Processing Enterprises**

### **Bay Area Ranchers Cooperative (BAR-C), California**

In July 2020, the Bay Area Ranchers Cooperative formed to purchase a USDA-inspected mobile slaughter unit and cut-and-wrap facility (Ricker, 2020), to handle cattle, sheep, goats, and hogs (Bay Area Ranchers' Cooperative, Inc., 2020). Ranchers wanted to stop traveling hours for livestock processing and increase the area's processing capacity because fuel costs were cutting into their bottom lines and the processing bottleneck required extensive planning for livestock harvesting and marketing (Ricker, 2020).

#### **Funding Model**

BAR-C requires an equity investment from members, which will provide part of the \$500,000 the group estimates is needed to fund the operation's start up (Bay Area Ranchers' Cooperative, Inc., 2020; Ricker, 2020). The co-op is raising funds from non-member, non-voting investors and will charge fees for processing services (Bay Area Ranchers' Cooperative, Inc., 2020).

#### **Farmer Engagement**

Co-ops are owned and controlled by their members, typically through a board of directors, and generally share profit based on members' use of the business (Frederick, 2005).

For more information see [Ranchers Form Co-Op to Address Meat Processing Bottleneck](#) by Hannah Ricker and the [Bay Area Ranchers Cooperative website](#).

### **Island Grown Farmers' Cooperative, Washington**

Island Grown Farmers' Cooperative (IGFC) was formed in the early 2000's with assistance from Lopez Island Community Land Trust (LCLT) (Gwin et al., 2013). Today, IGFC provides mobile processing across five counties in Northwestern Washington and has eighty farmer-owners (Allison, 2020). The co-op began operating the country's first USDA-inspected mobile slaughter facility in 2002 and operates a brick-and-mortar cut-and-wrap facility for bison, cattle, sheep, goats, and hogs (Gwin et al., 2013). Members schedule the unit's visits to their farm at their annual meeting and instituted policies to ensure consistent throughput, including incentives for members slaughtering during slow seasons (Gwin et al., 2013). In 2020, IGFC announced plans for a new processing facility with increased capacity (Allison, 2020).

#### **Funding Model**

- The slaughter unit was initially owned by LCLT, which raised \$150,000 from donations and USDA grants, and IGFC leased the unit (Gwin et al., 2013). IGFC purchased the unit in 2012 (Gwin et al., 2013). IGFC has received member loans for capital needs like equipment and charges fees to cover costs or generate a profit for reinvestment (Gwin et al., 2013).
- IGFC expects a new processing facility will cost \$1.3 million (Allison, 2020). The port where the facility will be located has received \$60,000 in grants and \$180,000 in low-interest loans for facility development (Allison, 2020).

#### **Farmer Engagement**

- Farmer-members own and control IGFC and hired employees carry out business functions (Gwin et al., 2013). IGFC is governed by a board of directors who were integral as the co-op developed -- a director originally served as the facility's hazard analysis and critical control points (HACCP) coordinator (Gwin et al., 2013).

For more information see [Island Grown Farmers Co-op to build new meat processing facility](#) by Jacqueline Allison and [Island Grown Farmers Co-op website](#).

## **Farmer Investment in Processing Enterprises**

While the case summary below highlights an example of a customer investing capital in the business for facility financing, there are multiple ways that farmer-customers can invest time and money into processing enterprises, including loans, stock or other equity investments, or sharing their expertise or effort (Gwin et al., 2013).

### **Smucker's Meats, Pennsylvania**

Smucker's Meats is a multi-generational family business founded in 1965 (Gwin et al., 2013). At first, the company was a custom-exempt butcher shop (Gwin et al., 2013). Today, the company offers full-service slaughter, fabrication, and value-added processing, such as dry aging, no nitrate processing, and processing of hotdogs, snack sticks, sausage, and more, in a USDA-inspected facility ("How We Operate"; "Smucker's Meats"). Smucker's became USDA-inspected in the early 2000's (Gwin et al., 2013) and now processes beef, bison, and pork on a fee-for-service basis ("How We Operate"). They also support producers beyond processing – for example, by offering customers the option to use customized labels and services for customers seeking approval of special labeling claims on their packaging ("How We Operate").

### **Funding Model**

In the transition to USDA-inspection, facility upgrades were financed by a nearby natural meat company that needed additional processing capacity (Gwin et al., 2013).

### **Farmer/Customer Engagement**

- A key customer funded facility upgrades necessary to transition to USDA-inspection (Gwin et al., 2013).
- Smucker's processing business serves many producers, but a portion of those producers are considered "anchor customers" who provide a greater number of livestock for processing on a more regular basis than other customers (Gwin et al., 2013).
- Smucker's Meats has a working relationship with customers and provides support and services beyond processing. For instance, the company's website includes a listing of local farmers selling beef and pork in their region ("How We Operate"). Additionally, when producers are looking for processing but Smucker's schedule is full, Smucker's maintains a cancelation list of those producers ("How We Operate"). Smucker's calls producers each week to confirm their processing schedule and when there are cancellations in the schedule, Smucker's calls producers from the cancelation list to fill the schedule ("How We Operate").

For more information see [Smucker's Meats Website](#).

## **Farmer Relationships with Processing Enterprises**

Individual farmers can maintain strong, committed relationships with meat processing enterprises in their region. As the 2013 report “Local Meat and Poultry Processing” by USDA shared, “Effective and continuous communication – about scheduling and services, costs and pricing, meat quality, and market conditions – is essential to developing and maintaining strong business relationships” (Gwin et al., 2013, p. v).

As described in the report by Gwin et al. (2013), it can also be beneficial for processors to work with a group of farmers who aggregate livestock from multiple farms and coordinate meat marketing and distribution. These “aggregators” can ensure a more consistent supply of livestock than a single producer and create a single point of communication between the processor and multiple producers (Gwin et al., 2013). In some cases, processors act as the aggregator, buying livestock from multiple producers, processing the livestock, and marketing meat under their own brand (Gwin et al., 2013).

### **Patchwork Family Farms, Missouri**

In 1993, the Missouri Rural Crisis Center (MRCC), a farm and rural membership organization whose mission is to “preserve family farms, promote stewardship of the land and environmental integrity and strive for economic and social justice by building unity and mutual understanding among diverse groups, both urban and rural,” (“About”) began organizing Patchwork Family Farms (“History”). Patchwork Family Farms is a cooperative of family farmers marketing pork to customers regionally and even nationally and continues to be a project of the MRCC (Fahy, 2020; Siess, 2019). As of 2019, Patchwork included 12-15 farmer members and sold pork under the Patchwork brand to over 50 restaurants and stores (Siess, 2019). Collective marketing gives independent producers access to local markets like grocery stores and restaurants (“History”). Patchwork maintains a storefront for direct sales to consumers at the MRCC office in Columbia, Missouri (“Find Our Products”). Patchwork maintains relationships with four independent processors in Missouri (“Our Producers”). Amid the challenges with meat processing exacerbated by the COVID-19 pandemic in 2020, Tim Gibbons of MRCC explained, “Luckily for Patchwork, we have dates [for processing] scheduled into the future and we’re bringing in more hogs than ever. That comes from long relationships and the trust that we’ve built over many years” (Fahy, 2020).

### **Funding Model**

The co-op is not formally invested in a processing enterprise.

### **Farmer Engagement**

- The co-op markets pork on behalf of 12-15 independent farmers under the Patchwork Family Farms brand (Siess, 2019). The co-op purchases hogs from producers and markets and distributes pork after it has been processed (“History”).
- Patchwork publicizes that they work with local processors. Patchwork’s website shares a profile of one of the processors they work with in Hale, Missouri with a quote from the processor sharing, “We benefit from a reliable and consistent source of income from Patchwork Family Farms that is beneficial to both our business and Patchwork’s” (*Our Producers*).

For more information see the [Patchwork Family Farms website](#) and the [Patchwork Family Farms Facebook](#).

## **Nontraditional Meat Processing Enterprises**

### **Nelsonville Food Hub and Meat Fabrication Facility, Ohio**

The Nelsonville Business Center and Food Hub in Nelsonville, Ohio, is an approximately 95,000 square foot facility that includes food distribution and warehousing space, cold storage, and a Food & Farm Enterprise Center with produce and meat processing facilities, to support the region's local and food and farm businesses ("Nelsonville Business Center and Food Hub"). The facilities are operated by the Appalachian Center for Economic Networks (ACENet), a non-profit community-based economic development organization providing business incubation support to food entrepreneurs ("Mission & History"). The Food & Farm Enterprise Center includes a 500 square-foot, state-inspected meat processing room equipped with meat processing and packaging equipment for cutting, grinding, mixing, sausage stuffing, vacuum packing, and blast chilling (Kight, 2017; Willard, 2018). Producers must have livestock slaughtered at another facility and are responsible for their own labor (Kight, 2017). The facility opens new opportunities for small businesses by allowing them to increase production levels and efficiency (Kight, 2017). ACENet also provides technical assistance to entrepreneurs with business aspects like labeling, packaging, and market access (Kight, 2017).

### **Funding Model**

The meat processing and companion produce processing facility required approximately \$315,000 (Willard, 2018). Funding was secured from the Appalachian Regional Commission and USDA Rural Development (Kight, 2017).

### **Farmer Engagement**

- Producers and entrepreneurs can use the facility to process meat in a state-inspected cut and wrap facility (Kight, 2017).
- ACENet provides technical assistance to food and farm entrepreneurs from help with product labeling and packaging to business planning and market access (Kight, 2017).
- The Food & Farm Enterprise Center was created in response to a lack of meat processing options for farmers in the region (Kight, 2017).

For more information see ACENet's website with information about the [Nelsonville Business Center and Food Hub](#).



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