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August 30, 2021

Mae Wu
Deputy Under Secretary
Marketing and Regulatory Programs
United States Department of Agriculture
1400 Independence Avenue SW
Washington, DC

Re: Docket: AMS-TM-21-0058 Investments and Opportunities for Meat and Poultry Processing Infrastructure

Dear Ms. Wu,

The Rural Advancement Foundation International - USA (RAFI-USA) is a nonprofit organization based in Pittsboro, NC that works with farmers, farmers markets, faith communities and other rural stakeholders. Through a variety of programs we work to:

- help farmers access and develop new markets
- advocate for and with farmers who are experiencing financial crisis
- convene a Farmers of Color Network
- collaborate with farmers markets and rural faith communities to increase food access
- provide infrastructure and emergency grants to farmers.

Our mission is to challenge the root causes of unjust food systems, supporting and advocating for economically, racially, and ecologically just farm communities. We envision a thriving, sustainable, and equitable food system: where farmers and farmworkers have dignity and agency; where they are supported by just agricultural policies; and where corporations and institutions are accountable to their community.

Our Challenging Corporate Power program (formerly known as Contract Agriculture Reform program) has worked with contract poultry growers for more than 30 years to fight for better treatment from, and regulation of, giant integrator companies. In that time period we have only seen consolidation (both vertical and horizontal) of industrial animal agriculture get worse. Giant meatpacking companies have honed a business model which depresses prices and reaps huge profits by externalizing the costs and risks of its production onto farmers, workers, rural communities, and the environment. A regulatory environment built for their scale of production -— and not that of small plants and small farmers — has contributed to the loss of local processing options. Poor antitrust enforcement has also contributed to the problem.

Our Farmers of Color Network includes many small-scale independent livestock producers, who are also coping with the impacts of that consolidation, in addition to historic and current discrimination. Consolidation hurts all small farmers; however, farmers of color who experience discrimination at one stockyard or plant now have even fewer options than they previously had.

In writing this comment we spoke to farmers, processors, and colleagues from worker justice and environmental justice organizations. The farmers raised cattle, chickens, hogs, bison, and goats and their farms are located in North Carolina, Kentucky, Virginia, South Carolina, and Georgia. Six of the farmers were Black or African American, one was Native American, and four were white.

Every farmer we spoke with said that there was a shortage of viable processing options for them. Farmers currently using a processor reported facing high prices, long drives, little or no choice of processors, and long wait times for appointments. Three farmers have driven animals to Pennsylvania from North Carolina, or shipped meat there for further processing. Three farmers were currently selling live animals to stockyards because they had no viable processing option (while saying they would rather get the animals processed than sell them live). All three also drove long distances to find stockyards with better prices for their animals. Four farmers looked into doing processing themselves but concluded that the capital required, the paperwork, the risk, and the regulatory burden were too high for them.

Simultaneously, both farmers and processors recognized the risks inherent in starting — or depending on — new processing plants. One told a story of a new producer who spent $100,000 on fencing and seeding pasture, only to be informed that the nearby processor was not taking new customers. Other farmers shared stories of projects that initially sounded hopeful but which ultimately went nowhere.

> *"My biggest concern is relying on others. I know that sounds terrible but if something was to happen to another business it could negatively impact mine ... I have learned to be cautious."* - pastured poultry producer, NC

> *"Even a small guy opening up a plant, if there isn't funding for them to do it, it's hard for him to convince farmers to grow for him. He needs funding to be able to make those kinds of promises. Most local farmers will say — they've been promised so many things before and no one's ever lived up to those promises. So many HAVE lost their farms because of broken promises."* - former processing plant operator, NC

Another farmer acknowledged the risk of opening a new plant, but pointed out that he is currently already at risk depending on just one plant, and his business would be in trouble if it failed.

The decades-long vertical takeover of supply chain elements by large corporations has hollowed out the infrastructure that would enable small farmers and small processors to thrive. It has also created a chicken-and-egg situation in which farmers need more processing options, but new processors may struggle to find sufficient supply from local farmers to attain the volume they need for profitability. Both need more markets, and struggle to compete in a system that gives giant companies the edge both in terms of economies of scale and ruthless externalization of costs. The playing field is nowhere close to even.

As the coronavirus pandemic, plant fires, and ransomware attacks have illustrated: having a highly concentrated processing sector makes our food system vulnerable. Concentration has advanced to a point where the largest companies can now use a “too big to fail” message to hold the food system hostage. Having a few giant plants owned by a few companies instead of a resilient, distributed network of smaller plants means that environmental impacts like water use and wastewater are concentrated, and farmer transportation costs are higher — both in terms of dollars and in terms of carbon footprint. As one NC farmer said,

> *“We’ve sent cattle to Pennsylvania — that’s $60/head to get them there. And that’s all going to carbon emissions. And who knows what fuel prices will be in 10 years.”*

Farmers want to feed and support their local community. Concentration in the processing sector is preventing them from doing so.

USDA must ensure that this $500 million investment goes to small and very small plants that will actually increase farmer choice and not the large meatpacking integrators who have been driving small and very small plants — and farmers — out of business.

<u>Note: Throughout this comment when we refer to small plants, we are referring to plants with 200 or fewer employees.</u> **We <u>strongly</u> urge USDA to also re-define “small plants” as plants with 200 or fewer employees.**

Funding decisions for those small and very small plants must be based on feasibility studies and strong business plans, and USDA should devote resources towards providing technical assistance for this purpose. More small and very small plants will be able to meet that bar in a scale-appropriate regulatory environment that acknowledges the different levels of risk posed by different sizes of plants. USDA policy towards meat processing is currently built for production volume and efficiency, not for rural economic resilience, small business success, or the ability of farmers to feed their local communities. Small and very small plants are part of the local supply chain that needs to be expanded and rebuilt to bring food system resilience and economic resilience back to rural communities.

We list our specific recommendations below.

1. General Considerations

- **What competition challenges and risks might new entrants face from high levels of market concentration or other relevant market conditions, and how can USDA and other Federal government agencies assist new entrants in mitigating those risks?**

Poor antitrust enforcement and the comprehensive externalization of costs by giant meatpacker companies have created the current level of market consolidation. USDA must recognize and address these root causes and at the same time, seek to assist new entrants. Giant integrator companies should be held financially liable for their environmental and health impacts.

Large meatpacking has also driven smaller independent processors out of business by limiting the amount of animals the small processors could get. With the vast majority of hogs being grown under contract, large meatpacking companies have control over the volume that comes to small processors.

> *"Most of us — we were able to kill a lot of hogs, but once [the large meatpacker] decided to only let us have the 200 pound pigs and down or the 190 pound pigs and down instead of the 250 pound pigs and down — even the barbeque pigs, a 50 lb pig we made money off of, they'd just dig a hole and kill them. Wouldn't even let them into the market. They controlled what the little guys do." -* former NC processor

When markets are so concentrated, it is easier for large vertically integrated companies to strategically influence the market by manipulating supply and demand.

> *"Four years ago, cow hides were bringing in $40. Now we throw the hides away because the market is saturated. I believe the big integrators are overflowing the market."* - NC processor

Large companies are also able to depress prices for farmers.

> *"You can tell the major players — you have producers who come in [to the stockyard] who are the guys who own the packing companies. They have trucks there, will buy the pigs, will buy them cheap and process them. [They] will buy all the pigs. Then anything under 200-300 lbs for processing, they'll buy them for cheap." -* NC independent hog farmer

- **How can workforce recruitment, training, and retention needs be addressed to maintain or increase processing capacity? What key job working conditions, salary, benefits, and other facility and community attributes are needed to create and maintain an adequate workforce?**

As processors we spoke with noted, slaughter and processing is dirty, messy, hard work. A living wage will differ depending on geography. In Eastern NC, one processor said that average pay needed to be at least $15/hour or the plant would struggle to attract/retain employees.

Another processor said they would like to offer health insurance that is competitive with the Affordable Care Act (ACA), but are not large enough to be able to. They said that being part of a larger food service group in order to offer high quality healthcare packages would be helpful. Generally speaking, small processors are operating on thin margins. Grant funding for payroll/benefits support would be helpful. Ensuring paid leave (personal time off, sick leave, and family leave) would help maintain an adequate workforce, especially during crises like the pandemic, when taking paid time off work may be necessary to keep everyone healthy, and when family members or children may need care at short notice. USDA could provide non-matching grant funding to small and very small plants for COVID-19 safety-related expenses (whether supplies, or paid time off). Ensuring that line speeds are safe would decrease the incidence of repetitive task injuries and musculoskeletal diseases, whether during a pandemic or not. Additionally, during the pandemic, faster line speeds put workers at higher risk of contracting COVID-19 — another way giant integrators externalized costs and saved money at the expense of the wellbeing and even lives of workers.

Meat processing workers are essential workers, and yet were excluded from OSHA's June 2021 Emergency Temporary Standard establishing enforceable COVID-19 safety protocols. Food chain workers deserve to be covered by an Emergency Temporary Standard for COVID-19 safety. Workers in North Carolina cannot depend on the NC Department of Labor for good enforcement of the rules that do exist.

- **What factors should be considered when siting and designing a facility or renovation related to environmental justice to encourage energy efficiency and minimize the climate and environmental impacts of the facility?**

RAFI-USA believes that all of the $500 million should be devoted to independent small and very small plants with fewer than 200 employees. However, if funds are allocated to plants with more than 200 employees, the USDA must acknowledge the troubling environmental compliance track record of many of the larger meat processors.[1] This is one of the ways in which processors have externalized the impacts and costs of their production onto surrounding communities. USDA grants should not be issued to applicants proposing to construct new facilities if the applicant's existing facilities are noncompliant with relevant environmental permits. And in the cases in which such applicants seek funding for renovation of existing infrastructure, priority should be given to proposals that mitigate or eliminate harmful facility discharges or emissions.

Furthermore, the USDA is obligated to comply with federal nondiscrimination requirements under Title VI and recipients of federal funding bear similar nondiscrimination obligations.[2] Before providing funding for construction or renovation of meat processing facilities, the USDA should take additional steps to ensure that investments will not impose or exacerbate disparate pollution burdens on communities of color or low-income communities. At minimum, the agency should evaluate the sources of environmental stress and likelihood of exposure in the community surrounding the facility,[3] collect and review demographic information about the impacted community, assess the cumulative potential for adverse environmental

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[1] An examination of the U.S. Environmental Protection Agency's enforcement and compliance data from January 2016 through June 2018 for 98 large meat processors that discharge pollution into waterways found that three quarters (74) exceeded the limits in their federal permits at least once during the study period. Environmental Integrity Project, Water Pollution from Slaughterhouses (Oct. 11, 2018). The risk of pollution from direct discharge of pollutants from meat processing facilities has increased in recent years. *See* EPA, Preliminary Effluent Guidelines Program Plan 14, 3-10 (2019)(observing, based on 2015 Discharge Monitoring Report data, that "portion of this industry that is direct dischargers has increased.").

[2] 42 U.S.C. § 2000d; see also Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, Exec. Order No. 12,898, 3 C.F.R. 859 (1995), reprinted as amended in 42 U.S.C. § 4321 (1994 & Supp. VI 1998).

[3] EPA has previously observed that slaughterhouses discharge high levels of toxic pollutants relative to other industries. EPA, The 2011 Annual Effluent Guidelines Review Report (2012). The release of nitrate compounds and hydrogen sulfide are of particular concern. EPA, 2015 Annual Effluent Guidelines Review Report, 3-45 (2016).

and human health impacts,[4] and, where this process reveals a likelihood of disparate impact on communities of color or low-income communities, consider less discriminatory alternatives to the project as proposed.

Ultimately, we encourage a focus on investment in small and very small meat processing capacity, as this may increase processing by entities with better environmental track records as well as improve market access for farmers engaged in sustainable meat production and farmers of color who have been historically excluded from conventional agricultural markets.

- **What regions show demonstrated processing needs, at what levels, and for which species?**

Every farmer we spoke with said that there was a need for more processing in their area.

In North Carolina:

- There is no independent USDA inspected poultry processor. The closest USDA processing plants are both out of state and overwhelmed with demand.
- A cattle farmer in Robeson County has to drive three hours (so seven hours round trip including unloading) to get to processing, and two hours to get to a stockyard.
- In north central and northeast NC, three cattle and hog farmers don't have any good options for processing and drive their cattle to multiple states in search of the best stockyard prices. A bison farmer's processor will be booking appointments for the first six months of 2022 starting this September, making it hard for him to estimate sales and freezer capacity when scheduling animals that far in advance.

Near Charlottesville Virginia, one goat farmer's processing cost went from $35 to $125 per goat in the last couple years.

In western Georgia, a cattle farmer often has to schedule six months ahead of time at the USDA facility he uses.

Outside Charleston, SC, a hog farmer has only one option (the Williamsburg Plant in Kingstree, SC), and there are no other options across three states. An NC farmer noted that it was not taking new customers.

In Kentucky:

- In Lewis County, a cattle farmer is selling to the local stockyard because the local slaughterhouses that used to be available closed when rural groceries closed.
- In Mercer County, a goat farmer can hardly find places at the four plants available, which are now scheduling a year in advance.

[4] See National Environmental Justice Advisory Council, Cumulative Risks/Impacts Work Group, Ensuring Risk Reduction in Communities with Multiple Stressors: Environmental Justice and Cumulative Risks/Impacts (Dec. 2004).

- **What constitutes sufficient actual demand for small and very small processing facilities to keep a business operational with appropriate cash flow? For context, USDA defines a “small” establishment as those with 10 or more employees but fewer than 500 employees; a “very small” establishment is one with fewer than 10 employees or less than $2.5 million in annual sales. Any establishment with 500 or more employees is considered “large”; there is no mid-scale size category.**

We do not have a specific number for what constitutes sufficient actual demand, but USDA should change its definition of “small” establishment to be one with 10 to 200 employees.

- **How can USDA support access to processing services for smaller-scale producers?**

The smaller-scale producers we spoke with needed more availability at existing processors, wanted more and closer options than they currently had (or *any* option at all), and more affordable pricing for processing services. For small and very small plants (which will be best able to meet the needs of small scale producers) to be more viable, they need scale-appropriate regulation and inspection. Inspectors need to be trained with an ethos of “educate over regulate” to help plant operators anticipate and avoid regulatory issues in the first place. USDA should support education and training of inspectors to ensure that there is a true understanding and partnership between inspectors and small plants, and a culture that ensures a safe, equitable approach to inspection.

One processor stressed how helpful it would be to have simplified model HACCP plans written for small and very small plants. Lighter, scale-appropriate inspected facility criteria for very small plants could make the difference between a viable project and a failed project.

Multiple farmers expressed a wish to do their own processing on the farm and several had looked into it, but said that the capital investment — and the risk — were prohibitive. Both goat farmers also wished for USDA inspected mobile processing units to provide increased local coverage for more geographic areas, and one stressed that custom processing needs more government support.

- **Are there opportunities for producers to engage in cooperative or collaborative arrangements with each other or other facilities to both ensure access and provide a sufficient supply for a plant to operate? If so, what government assistance would be needed to facilitate that type of arrangement?**

Several ingredients will be necessary for success: access to capital, a sufficient supply of animals, and sufficient markets post-processing. Cooperative or collaborative arrangements may be a strategy to put some of those pieces in place, and funding for business planning would be a helpful support. Those businesses would then need the opportunity to apply for grants or loans to provide the capital. One producer said that in the most ideal scenario the processors and producers would have an annual meeting to talk about their capacity in a given month. In this situation, governance and structure would be an important part of that meeting to prioritize needs, so that the biggest players are not the loudest in the room.

We heard from multiple farmers and processors about rural grocery stores formerly occupying an important part of the food supply chain. Small plants' primary business was selling to local groceries: they would send half beef or half hogs to small groceries, who would break it down the rest of the way. Most of those groceries are now gone. Small farmers we spoke with who market to groceries are mostly finding groceries in urban areas who sell at a higher price point or are smaller, independently owned or cooperative stores or health food stores. For small processors to succeed, they will need to replace those marketing channels with other viable markets. As one processor noted, "We need to look at ways to support farmers for branding and distribution on a regional scale." USDA should provide funding to support plants in developing business plans — in partnership with farmers and market channels — that account for the supply chain from grass to table.

- **What metrics illuminate the extent of the competitive environment for the products or services that producers and growers offer, including at the local level?**

Producers and processors feel the impact of the ultra-consolidated environment via the prices they pay — and receive — for their products and services.

One NC processor noted, *"Four years ago, cow hides were bringing in $40. Now we throw the hides away because the market is saturated. I believe the big integrators are overflowing the market."* They also said that there used to be two companies that bought offal. One company bought the other, and now the processor has to pay for them to pick it up. Another processor said that integrators were only sending small processors what they want — choking off the supply.

Farmers feel the crunch related to prices as well. Many have access to only one processor, who can dictate the price and when things get processed. One farmer said that his cost had gone up to $125 per goat, when it used to be $35 per goat a few years ago. One farmer — lacking access to processing — said that large companies dictate and therefore depress the price at stockyards.

- **What factors up and down the supply chain affect that competitive environment?**

As previously stated: poor antitrust enforcement and the comprehensive externalization of costs by giant meatpacker companies has created the current level of market consolidation. USDA must recognize and address these root causes as they also seek to assist new entrants. Giant integrator companies should be held financially liable for their environmental and health impacts, and be required to slow line speeds. USDA must implement scale-appropriate regulation to make any progress towards a level playing field.

- **What seasonal throughput issues (e.g., under- and over-utilization during parts of the year) or regional challenges need to be considered for plant expansion or development?**

For one very small NC processor, hog processing season (mid October through mid February) is their busiest time of the year. They also process deer and are slammed during deer season (September 11 - January 1). This does not impact their capacity on processing retail meat, but it does allow them to hire full-time employees. One producer noted that it is hard to get things processed in a timely manner around holidays.

- **How do processing needs and challenges vary by species and by value-added product types (e.g., organic, local, grass-fed, kosher, halal)? Do these needs require special types of funding (e.g., to encourage continued innovation)?**

Funding existing small and very small plants for expansions that allow them to add value-added processing would be very helpful for small farmers, allowing them to get the most income from their animals by adding value to lower-value cuts.

One goat farmer faced specific processing challenges because goat is consumed differently — and in different cuts — by different ethnic groups. USDA processing facilities are using regular cuts that are standard for sheep, which are only marketed to white customers. The ethnic customer base she is trying to serve wants different cuts. Currently that processing is happening mostly in Australia and New Zealand and imported into the U.S. Since that meat isn't fresh, some customers will buy a goat from a farm and process it themselves — a time-consuming process that she is too busy for. She has a large customer demand for her product which she has difficulty meeting because she cannot find appropriate processing. She also notes that demand around the world is high for meat processed with scalded skin, and the U.S. only has scalding for pigs — if processing facilities expanded their services to include scalding that could open up new markets.

Bison producers have unique problems. A shot from behind is better for bison but if a plant has infrastructure which only allows animals to be dispatched from the front, they risk being shut down for not getting clean shots. If a processor doesn't have enough volume of a particular species — like bison — then those producers may have to pay the USDA inspection fees. At one processor, the bison producer had to pay the fee if there were fewer than five bison being slaughtered that day. It is also hard to find processors that make snack sticks and jerky products. The farmer we spoke with has been shipping meat to Pennsylvania to have snack sticks and jerky sticks made. Shipping alone adds a dollar more to the price of his products. He is responsible for all of the packaging and UPS and Fedex will not insure products that are perishable. He sent two packs to Pennsylvania that had $500-$600 of meat and one was lost during shipment.

2. Fair Treatment of Farmers and Workers and Ownership Considerations

While this question doesn't directly address racial discrimination and racial equity, we heard some noteworthy comments from farmers of color on this topic.

> *"I don't know ANY Black auction owners…. I don't know ANY Black feedlot owners. Small farmers who look like me, we are at the low end of things. We don't own auctions. We don't own slaughterhouses. And we certainly don't own trucks or feedlots." - Black farmer, GA*

> *"During COVID-19, if farmers could process on their own they wouldn't have had meat shortages. There are other farmers with on-farm processing but none are minorities. I think it's mainly a capital issue. I never got a grant before [RAFI-USA's granting program] — no FSA loans or bank loans — so access to lending/capital is a bigger issue." - Black farmer, SC*

> *"They [USDA] need to look at tribes — like the Lumbee tribe — or minorities in general, and ensure they are a part of that set too, to make sure they don't put all the money in one area ... And plot out where the facilities are now, and see that there are some voids in places: geographically and racially in terms of processing with ownership. For Robeson, the majority of people here are Lumbee, but there's not a processing facility here in this area. So that leaves a void." - Lumbee farmer, NC*

Farmers of color we spoke with saw the need for more presence and ownership by Black people, indigenous people, and other people of color in the processing and stockyards business. One shared stories of consistently receiving 20% less for his pigs at a stockyard — and watching it happen to other Black farmers there — and then getting harassed and threatened with a $5,000 per pig fine by USDA agents.

> *"How can a person stay in business with a fine like that? Even if I WAS wrong and hadn't done my homework. That would have been an opportunity for them to take my farm."*

This farmer was also hesitant to pursue on-farm processing.

> *"I have to be careful about what I do and how I do it in case someone gets mad at me. And not get tripped up by someone saying 'I'm gonna get him,' and risk my grandad's farm."*

Racism in our agricultural past and present is well-documented. Farmers of color have felt its impacts in the form of missed opportunities for growth which were provided to their white counterparts, predatory lending, land theft and land loss, and many more barriers to building generational wealth.

Ownership of essential infrastructure confers control of any system. RAFI-USA believes that a small handful of giant companies should not monopolize (or monopsonize) that ownership — community sovereignty requires distributed, local ownership. We also believe that ownership should be equitably representative demographically: <u>USDA should give **funding priority** to applicants that are Black, indigenous, or people of color (BIPOC)-led processing establishments.</u>

- **What conditions should be placed on federally funded projects to ensure fair and equitable outcomes (e.g., requirement that jobs that can support families; transparency in pricing; fair dealing)? What steps would require or encourage the creation of high-quality jobs for workers employed during construction and within the operational facility (e.g., prevailing**

wages and fair opportunities to collectively bargaining)? What health and safety standards would encourage a safe and healthy workplace?

See our response above in #1. Grant funding for payroll/benefits support for small plants would be helpful. Ensuring paid leave (personal time off, sick leave, and family leave) would help maintain an adequate workforce, especially during crises like the pandemic, when taking paid time off work may be necessary to keep everyone healthy, and when family members or children may need care at short notice. USDA could provide non-matching grant funding to small and very small plants for COVID-19 safety-related expenses (whether supplies, or paid time off).

Ensuring that line speeds are safe would decrease the incidence of repetitive task injuries and musculoskeletal diseases, whether during a pandemic or not. Additionally, during the pandemic, faster line speeds put workers at higher risk of contracting COVID-19 — another way giant integrators externalized costs and saved money at the expense of the wellbeing and even lives of workers. OSHA should restore or increase previous levels of OSHA inspectors and increase maximum OSHA penalties for large employers. Additionally, meat processing workers are essential workers, and yet were excluded from OSHA's June 2021 Emergency Temporary Standard establishing enforceable COVID-19 safety protocols. Food chain workers deserve to be covered by an Emergency Temporary Standard for COVID-19 safety.

- **Should USDA have the ability to block the sale of processing facilities built or invested in through federal funds to large or foreign-owned corporations? What other options should USDA consider in order to prevent new, expanded, and successful facilities from being acquired by the large corporations whose consolidated operations can suffer from bottlenecks and create significant supply chain vulnerabilities?**

Yes. Undermining and eliminating competition is part of the business plan for giant meatpacking integrators. USDA should mandate a ten-year ban on sales of facilities (which are funded through this opportunity) to large or multinational corporations. Additionally, USDA should direct this funding to plants with 200 employees or fewer.

- **Should the processor be required to purchase a minimum volume through auctions or other public transactions?**

USDA should direct this funding to plants with 200 employees or fewer. The small and very small plants which are in this category are unlikely to require this stipulation.

That said, large packers with multiple plants should be required to purchase at least 50% of their supply through open spot markets where viable markets exist. Giant meatpackers have been manipulating the cattle prices through forward contracts and other contract arrangements which are now predominant in the hog and poultry sectors, to the detriment of independent small farmers and processors.

- **If contracts are utilized, should practices like tournament systems that have been found to be prone to anti-competitive abuse be prohibited? Should contracts have at least a portion of the payments to producers be based on wholesale meat prices?**

USDA should direct this funding to plants with 200 employees or fewer. The small and very small plants which are in this category are unlikely to require this stipulation, and funding should not go to processing plants which use these practices. RAFI-USA categorically believes the tournament payment system to be unjust and anti-competitive. It pits farmers against each other, and means their income may vary drastically due to factors beyond their control. The tournament system should be prohibited.

- **If contract grower relationships are used that require a purpose-built production facility, should a contract be required to cover at least the length of the loan term?**

USDA should direct this funding to plants with 200 employees or fewer. The small and very small plants which are in this category are unlikely to require this stipulation.

That said, any time a contract grower is required to use a purpose-built production facility, <u>or required to make upgrades to that facility in order to keep their contract</u>, that contract should be required to cover at least the length of the loan term. Contract poultry growers who lose their contracts are left with no way to produce income from their single-function poultry houses to make payments on their outstanding debt.

3. Loans and Other Financing Considerations

- **What financing tools facilitate access to capital for small meat and poultry processing companies? In your response, please consider the stage of corporate development (e.g., startup, onsite expansion, restarting an idled facility, new location), the potential use of funds (e.g., working capital, construction, credit lines, equipment), and the type of financing (e.g., grants, installment loans, balloon payment loans, equity like investments). Please also consider the prospective borrowers' type of business model (e.g., cooperative, farmer joint-ownership, employee-ownership, mobile meat- and poultry processing operations).**

One processor says, “Construction would be our big thing. All the NC plants are pretty old — the designs for these buildings were prior to vacuum packing so we are very limited on space … Grant funds would be ideal.” Up front funding is also important.

A former processor from Eastern NC says that if 1) the volume of animals to process is available, 2) the processor has a good business plan, and 3) there is grant funding for them to open a plant, they then need to make sure that they have operating capital for at least a year; you need that kind of funding to make solid promises to farmers that they can trust, because they have been promised many things before which have not happened.

- **What barriers, if any, exist that reduce access to capital for very small and small meat and poultry processors? In your response, consider collateral, capital, capacity, and other factors.**

One NC processor says, “Collateral is #1. We purchased the business but didn't purchase the land and building, so there’s not much collateral we can put up. The IMPEC grant we got, that was the number one hindrance to what we could do. We probably aren’t unique in this. The three plants closest to me have had a change in ownership, so none of us have capital.”

- **What are the most pressing needs of the meat and poultry processing sector with regard to financing, and what action should USDA take in the immediate term to improve access to capital for small and very small meat and poultry processors?**

USDA should provide both grants and loans for small and very small processors to expand their operations or, where strong business plans and feasibility studies indicate a likelihood of success, to build new plants. Eligible entities for funding should include:

- A very small processor with a grant of federal inspection, which FSIS defines as fewer than 10 employees, or less than $2.5 million in annual sales, including those operating under voluntary inspection that process non-amenable species;
- A small or mid-sized processor with a grant of federal inspection, which should be defined as any plant with fewer than 200 employees, including those operating under voluntary inspection that process non-amenable species;
- A custom exempt, poultry exempt, or retail exempt processor, as defined under the Federal Meat Inspection Act or Poultry Products Inspection Act;
- A state inspected plant or a plant operating under the Cooperative Interstate Shipment program; and
- A new plant with strong feasibility study or proposal that includes funding a feasibility study, that will be set up to serve a maximum volume of 99,999 head per year, 999,999 pounds per month, or plans to create a maximum of 200 jobs three years after the grant award is made.

The review process should require new processing plants to have a feasibility study. Black, indigenous, and people of color-owned projects should receive funding priority.

- **How could federal funds be best leveraged with state and local resources (matching funds, in-kind support, government assistance)?**

Cost share requirements should be waived or minimal to prevent it from being a barrier for small business participation.

4. Grant Considerations

- **Would a small plant expansion program structured similarly to USDA's Meat and Poultry Inspection Readiness Grant (MPIRG), but with a focus on expanding slaughter and processing capacity for small federally inspected plants, be beneficial? If so, at what award ($) level per grant and for what types of costs?**

Yes. Existing small and very small plants need support for expanding their operations and increasing their capacity. Eligible costs should include (but not be limited to) new equipment, infrastructure, storage, organic certification, employee training, waste and waste water solutions, and developing and maintaining HACCP plans. Grants should be funded for proposals up to $500,000.

- **What types of planning grants are necessary that are not already covered by an existing USDA grant or other financial assistance program? What other federal programs could finance or have funded processing efforts and with which USDA could partner? Are sufficient grants available now for business planning for new ventures, or is that a gap that needs to be filled?**

More grants for business planning would be helpful.

5. Technical Assistance Considerations

- **What are the top priorities for technical assistance that would facilitate processing expansion or increased capacity (e.g., butchery for key markets, HACCP, humane handling best practices for plant operators, labeling approval and processes, brand and market development)?**

As detailed in the provisions of the Strengthening Local Processing Act, FSIS should establish a searchable database of all the peer-reviewed, publicly available validation studies for Hazard Analysis and Critical Control Points (HACCP) plans for small and very small plants; create and make available to small and very small plants models of HACCP plans for multiple types of small plants, including but not limited to HACCP plans for slaughter plants and processing only plants, and based on the different types of products processed by plants; and create and publish guidance for public comment and input on how to get your HACCP plan approved. This would be a major help to small and very small plants and cut down on their costs.

Technical assistance with the grant or loan application process itself would also be helpful, especially having someone who is already familiar with the process to provide assistance navigating the regulations and paperwork. Technical assistance for developing a strong business plan would be helpful. Technical assistance for supply chain coordination from grass to plate would be helpful.

6. Partnerships and Combined Funding Considerations

- **What conditions should be placed on grants or loans? If those conditions are not met, should the grants require repayment? If the conditions are met, should the loan be forgivable?**

USDA should mandate a ten-year ban on sales of facilities (which are funded through this opportunity) to large or multinational corporations. Additionally, USDA should direct this funding to plants with 200 employees or fewer.

Thank you for your efforts to increase competition in meat and poultry processing and to expand and diversify meat and poultry processing capacity and make the supply chain more resilient.

We appreciate the opportunity to comment.

Sincerely,
Edna Rodriguez
Executive Director
Rural Advancement Foundation International - USA (RAFI-USA)