

Competition and Meat Supply Chain Investments: Highlighted Comments from the [Request for Information \(RFI\)](#)

In July, [USDA announced](#) plans to expand meat and poultry processing capacity as part of efforts to increase competition, level the playing field for family farmers and ranchers, and build a better food system. As part of this announcement, USDA issued an RFI and received nearly 450 comments. Below is a selection of comments related to today's announced action plan.

Farm and Worker Organizations:

American Farm Bureau Federation

AFBF supports the efforts to bolster processing capacity and appreciates the consideration of stakeholder input... The following considerations are based on farmer and rancher feedback from state Farm Bureaus:

- *Grants to processors for modernizing or expanding an existing facility, including expansion and modifications to existing buildings and/or construction of new buildings at existing facilities;*
- *Grants to processors for modernizing processing and manufacturing equipment;*
- *Grant money for down payments to build new packing facilities. While many interested parties can obtain financing for a packing facility, some rural businesses could use the assistance in acquiring a down payment for new construction; and*
- *Grants or cost share made available for state governments to assist in developing and implementing state inspection programs.*

National Farmers Union

With proper guidance and administration, the funding will help to reverse trends that have pushed the industry for many years, as the slaughter and processing sectors are more concentrated than they were several decades ago. In that timeframe, the four-firm concentration ratio (CR4), a metric that specifies the market share for the top four firms in an industry, rose sharply among meat packers and poultry processors. The CR4 for beef increased from 25 percent in 1977 to 85 percent in 2018; for pork, the CR4 increased from 33 percent in 1976 to 70 percent in 2018; for broiler chickens, the CR4 increased from 34 percent in 1986 to 54 percent in 2018.

National Sustainable Agriculture Coalition

For new, beginning, and historically underserved farmers and ranchers and small processing plants, the lack of competition in the meat and poultry processing sector has been a significant barrier to their growth and success. The decline in the number of small plants and an increase in consolidation of the meat slaughter and processing industry has led to a system where farmers and ranchers have fewer options to bring their herds and flocks to market, receive a competitive price for their products, and grow and expand their businesses.

COVID-19 is one of multiple examples of how consolidation in this industry harms workers, farmers, and consumers. The ripple effects of plant closures in this country have shown the vulnerability of our food system due to consolidation where over half of cattle slaughter occurs at just 12 large plants, almost 60% of hog slaughter occurs at 14 large plants, and only 3 plants conduct 48% of the sheep and lamb slaughter in the U.S. When large plants close, it is impossible for the rest of the industry to be able to fully respond and accommodate the diverted production. This increase in concentration, consolidation, and vertical integration, where manufacturers, processors,

and packers increasingly control all stages of production, has profound implications for everyone connected to the food system, from farmer to consumer.

United Food and Commercial Workers

The UFCW commends USDA for recognizing that its investment of ... American Rescue Plan funds holds the potential to create a virtuous cycle that improves both the short-term and long-term resiliency of the meat and poultry supply chain while also lifting standards for packing and food processing workers... (T)he federal government has the obligation to ensure that federal funds are spent not only on quality products, but also support quality jobs with high labor standards for workers. The UFCW supports USDA's efforts to use federal investments to guarantee that the government supports high-road companies that respect workers' rights, pay living wages, provide a safe and healthy workplace, and treat their workers with dignity and respect.

California Farm Bureau

To create a new harvesting or processing facility or expand a current facility, it requires significant capital investment to cover costs for licensing, permitting, infrastructure and land. Investment opportunities through federal grants will enable ranchers to move product through more channels to diverse customer bases, creating a more robust and resilient food supply chain.

Colorado Farm Bureau

One recommendation from CFB members is that USDA expand the reach of this investment by opening the door for individuals, cooperatives, and others who are looking to start a processing plant from scratch. Up to now, much of the assistance provided to small processors has been for plants already in existence to upgrade their facilities or obtain a USDA grant of inspection. However, in places where existing plants are already running at or over capacity, the best assistance would be the potential opening of new capacity to process where needed.

Diversification in our supply chain leads to resilience in our supply chain. We applaud this Administration for prioritizing the livestock industry with this key investment, and look forward to helping our members take advantage of this program once it is developed.

Minnesota Farmers Union

This past year at our County Conventions held across Minnesota, the number one agricultural issue brought forward by our members was lack of access to meat processing and, in particular, inspected slaughter capacity. A persistent shortage of processing, which was intensified by the closure of large plants due to COVID-19, is putting pressure on small family farmers, limiting their farm businesses. In an informal survey we helped conduct early in the pandemic, well over half of the mostly direct-market farmers surveyed reported a lack of processing and said that they would raise more livestock if there was more processing available.

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Following the shutdown of large packing plants, volunteers at the University of Minnesota partnered with farm organizations to conduct case studies with several small to medium sized slaughter and processing plants. From those interviewed, labor was the single most limiting factor to expansion. That point was validated by the Minnesota Department of Agriculture who found that workforce was the most significant barrier to expand the state's processing capacity to meet increased demand during the pandemic. In Minnesota, the community college system is working with our organization, industry partners, and others to develop new technical training opportunities for people who want to enter this industry. The programs will be short, affordable, and based around apprenticeships. Support for these

programs and others like them across the country will help address workforce needs experienced by processors and train new entrepreneurs to start new plants or take over existing ones.

Nebraska Farm Bureau

(A)s USDA considers grants for new packing facilities, consideration must be given to very small, small and medium sized facilities. While very small and small packing plants are very beneficial to many communities, increasing livestock marketing competition will likely better occur if more medium sized plants are built. Providing funding for plants which slaughter a larger number of animals and employ more than 500 people, possibly up to 1,000, will go a long way toward providing more competition in a very concentrated sector.

New Mexico Farm and Livestock Bureau

In analyzing our current supply chains, our members have identified expanded local capacity for processing and distribution of protein as a major priority area. We believe that investment in this area is one of many steps that must be taken to build a resilient, diverse, and secure supply chain for our industry.

We are extremely pleased to see President Biden's Executive Order on Promoting Competition in the American Economy which included targeted messaging toward resisting consolidation and promoting competition and market transparency in the agriculture industry. Further, we are even more pleased to see the ...funding available through the American Rescue Plan to expand meat and poultry processing capacity. The pandemic has emphasized the need for diversification and expansion in small and regional food systems that are more closely connected to and accessible by the consumers.

North Dakota Farmers Union

Consolidation in beef slaughter has created chronic challenges for farmers and ranchers. In 2018, the four largest packers accounted for 85 percent of U.S. steer and heifer slaughter.

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Consolidation in the beef packing industry has limited marketing options and profit margins for cattle producers. Lower profit margins have forced many cattle producers out of business. In fact, the number of operations with cattle and calves has declined by 25 percent in the last 30 years.

Wisconsin Farmers Union

The lack of processing capacity is a stumbling block that hinders farmers from growing to meet consumer demand. Farmers throughout the state are reporting processing wait times as far as a year or two out, meaning some are having to reserve butcher appointments even before the animal to be processed is born.

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The American meat processing industry has struggled with consolidation for decades. In recent years, the concentration ratios and a trend toward fewer large (often multinational and many vertically-integrated) corporations in the sector have worsened. Furthermore, these dominant corporations in the industry have been under scrutiny for price fixing, labor rights infringements, opaque labeling, and other unsavory practices. During the 2020 COVID-19 pandemic, the fragility of this consolidated system and the plight of the laborers who work within it - especially those without union protection - all became much more abundantly clear.

Livestock Organizations:

American Sheep Industry Association

The lamb processing sector is highly concentrated with two to three firms influencing the majority of market sales. Imported lamb is also very concentrated in the market place and influencing the other half of lamb meat sales in the United States. This concentration was highlighted during the outset of the COVID-19 pandemic, when the sudden loss of restaurant and food services sales forced the bankruptcy proceedings of our second largest lamb packing ... The loss of this lamb packer at the height of what is traditionally the lamb industry's busiest marketing season, the Easter/Passover holiday, exposed serious deficiencies in the industry's supply chain, namely the lack of adequate packing and fabrication capacity in the event of a market disruption.

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Federal grants and federally backed loans are critical in this effort to securing the needed finances to undertake a processing operation for the American Sheep Industry. Major investments can and have been made in this industry, but the initial capital needed prior to realizing an income remain a large hurdle to both startups and expansion.

Livestock Marketing Association

Concerns about concentration and anticompetitive activities among meat packers are longstanding. In fact, it was these concerns that led to Congress passing the Packers and Stockyards Act, which turned 100 years old earlier this month. Building on this, the cattle market has been volatile and has not offered solid profit opportunities for the cattle producing segments of the industry in recent years. The market volatility following the August 2019 fire in the Holcomb, KS, Tyson plant is only one illustration of long-standing concerns regarding pricing and competition. In the wake of COVID-19, the cattle market responded similarly to how it did after the Holcomb plant fire. Once federal, state, and local authorities began instituting recommended and mandatory economic shutdowns in early March 2020, the cattle industry experienced a sharp decline in fed cattle and feeder cattle prices. At the same time, boxed beef prices skyrocketed. Consumers bought out meat cases paying premium prices. The combination of these factors has resulted in significant packer profit margins. All the while, livestock producers continued to receive a shrinking portion of the retail beef dollar paid by the American consumer.

National Cattlemen's Beef Association

NCBA greatly appreciates USDA's attention to this critical issue. Adequate beef processing capacity is critical to maintaining profitability in the cattle industry and a steady supply of essential food products to consumers.

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The chief barrier to entry for a prospective packer is access to sufficient capital. The average cost of construction for a packing plant runs approximately \$100,000 per hook of daily capacity, meaning that a modest 25-head-per-day facility would require about \$2.5 million in upfront capital just to turn on the lights.

National Pork Producers Council

Producer investments in new packing capacity provide several benefits. Firstly, for the producers who own and supply these plants, prices received are generally more stable, as return is based not on the fluctuating value of the hog but rather of the meat sold to retailers or distributors. Secondly, producer ownership inherently addresses the question of adequacy of nearby supply – particularly in closed plants where hogs are supplied exclusively by the owners – since a facility's required number of hogs is known

to plant owners/suppliers and thus hogs are produced to meet the plant's delivery requirements. Lastly, investment in producer-owned facilities is likely to achieve USDA's goals on the money's impact on concentration and consolidation.

US Cattlemen's Association

COVID-19 exposed inherent flaws in the U.S. meatpacking industry, resulting in a compromised food supply chain and exposing the vulnerability of our meat processing sector. The top four beef processors control approximately 80% of the U.S. meat supply; the closure of one or more of these plants can have a serious impact on the nation's beef supply.

Iowa Cattlemen's Association

The Iowa Cattlemen's Association shares concern that new entrants will likely be outbid by the four largest meatpackers due to their inability to compete with the well-established efficiency and capital that [the incumbent processors] have at their disposal. USDA's focus on funding to improve market dynamics within the fed cattle market is imperative. Entry to the beef packing industry is capital intensive. As USDA evaluates proposals for funding within this sector, it's important that an emphasis be placed on adding competition that will ultimately soften the unintended market forces that have strengthened due to consolidation within the beef packing sector over several decades.

Georgia Cattlemen's Association

The cattle producers in Georgia have endured numerous challenges over the past two years. Beginning with the Tyson plant fire in Holcomb, Kansas in August of 2019, cattle producers saw an immediate impact of what was expected to be a stand-alone black swan event. This event was only the beginning, as producers saw significant price disparity between the cattle they sold to the processor and the value that boxed beef commanded when sold by the processor. ... The announcement of the funds allocated for the expansion or creation of meat processing provides a great opportunity for producers to enter this space, as well as providing opportunities for existing processors to expand their processing plants. Both of these possibilities will expand processing capacity to ensure that they can meet the processing needs of our industry for decades to come.

Michigan Meat Association

For decades, organizations such as the National Cattlemen's Beef Association have pointed out that the nation has too few plants to effectively process the livestock. In fact, a study last year by Rabobank found that the last year there was an excess operational beef processing capacity was in 2016 and it remains negative today. Similar impacts on supply occur when large swine processing plants go off-line, like happened last year due to COVID. Adequate processing capacity is critical to maintaining profitability in the livestock industry and a steady supply of essential food products to consumers.

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Our members need tools and training to develop appropriate food safety programs as we do our part to expand meat and poultry processing capacity. Further training and education for the development of strong Hazard Analysis and Critical Control Point (HACCP) plans is important to expanding the processing capacity. The need for food safety research conducted at small and medium sized facilities is essential to the longterm viability of these businesses and the overall supply chain. It is also vital that USDA's Food Safety Inspection Service (FSIS) support inspection that has the capacity and flexibility to react to the demands of meat processing facilities of any size.

State Agencies and Universities:

National Association of State Departments of Agriculture

Expanding the ability of meat processors across the country to effectively fulfill consumer demand without compromising safety or health is a priority for NASDA. The U.S. needs more meat processors. The American beef, poultry, pork, and other livestock meat sectors are not homogenous, and meat processing should reflect these dynamic industries. An enhanced meat processing system will give producers and consumers much-needed options.

Iowa Dept of Agriculture and Land Stewardship

More competition is an issue that I have been personally hearing about from farmers for the last several years. While we try to do what we can here in Iowa to support our producers, this is an issue that must be dealt with at the federal level, so I applaud the USDA for taking these concerns seriously and attempting to address the challenge. ...

Iowa has over 250 meat processing facilities across the state. These operations range from small, family-run Main Street lockers all the way to very large processing plants with multiple shifts and thousands of employees. Each of these facilities plays an important role in our food supply by ensuring that consumers have access to healthy and affordable protein options. However, Iowa is severely lacking mid-sized processors. In order to increase competition in this sector, the USDA must prioritize support for new or expanded mid-sized processors.

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Over the last 18 months, our Meat and Poultry Inspection Bureau has been inundated with calls from folks who are hoping to launch new small facilities. There is an incredibly strong interest in starting small-scale meat lockers in Iowa, particularly after the meat shortages that we saw amidst the COVID pandemic last year.

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The COVID-19 pandemic highlighted some of the gaps that exist in our food systems and supply chain. Ensuring competition in the meat processing system is just one way to move the needle. This is also a prime opportunity to strengthen local food chains, support small family farms, and connect consumers to locally-grown protein.

Dr. Keri L. Jacobs (University of Missouri) and Dr. Dermot J. Hayes (Iowa State University)

Recommendation #1: Fund a study to understand a minimum efficient size (capacity) of processing in pork and beef, to include updated construction and operating costs, laborsaving technology, labor force availability, dealing with processing by-products, and nearby concentration of animals.

Recommendation #2: Use \$100 million to fund 20% grants to the start-up of 5 medium-sized hog processing facilities that will add capacity of 5,000 pigs/day slaughter.

Recommendation #3: Use \$100 million to fund 20% grants to the start-up of 5 small- to medium-sized beef processing facilities that will add slaughter capacity of 5,000 cattle per day.

Recommendation #4: Give preference to processing facilities that demonstrate a commitment to producer-ownership and control and that require long-term supply contracts from the producer-owners. A cooperative model that allows for minority outside equity capital may be the best option.

Recommendation #5: Create indirect support for start-ups and expansions of producer-owned processing by considering loan guarantee programs, technical assistance, and enforcement of existing and new labeling laws for niche markets.

Michigan State University Extension

Worker training is another area [where] funds could be prioritized. Training could be related to food safety, sanitation, animal handling and stunning, and more. The labor market is very tight and meat processors are struggling to fill positions. Workforce development programs and training would be beneficial and may not immediately be considered as improvements to infrastructure but are critical for business success and production of safe and wholesome meat and poultry products. One example of workforce development is to fund and implement certificate programs at high school vocational technology programs for meat cutter training. Other examples could include community colleges and universities for meat cutter training.

Pennsylvania Department of Agriculture

As you are aware, the COVID-19 pandemic created unprecedented challenges for the meat and poultry processing industry in Pennsylvania. And, like other large agricultural states, Pennsylvania experienced major meat processing plant closures. When these closures resulted in hardships to livestock producers left with no outlet for their market-ready animals, many turned to their local and regional small processors for help. Although it was evident prior to the COVID-19 pandemic that Pennsylvania was lacking in processing capacity for independent producers of livestock and poultry, this situation was exacerbated further over the past 20 months.

Competitive Markets, Rural Economic Development, and Other Stakeholders:

Family Farm Action Alliance

USDA has a once-in-a-generation opportunity to jumpstart competitive and fair livestock marketing as farmers, ranchers, and producers stabilize from COVID-19. Careful injection of the \$500 million will ensure support goes toward processors that participate in their local and regional food systems. This funding should also be used toward the Biden Administration's stated objective to address concentration up and down the supply chain — from leveraging federal procurement of food products raised by independent farmers and ranchers, to addressing consolidation in retail markets, to supporting vibrant rural communities.

National Rural Lenders' Roundtable

We strongly support Secretary Vilsack's to invest ...American Rescue Plan funds to expand meat and poultry processing capacity and welcome this opportunity to share our comments from the perspective of a lender. Even before the pandemic, small local meat processors were closing, resulting in a consolidation of the supply chain to a handful of large meat and poultry processors. During the Covid-19 pandemic, we saw this exacerbated and continue to hear of long waiting lists to get animals processed in our communities. Furthermore, grocery stores continue to struggle to provide a consistent selection of meat products for the consumer. ...The ...investment from the American Rescue Plan can have an impact in improving and stabilizing the protein supply chain. By investing in infrastructure, increasing capacity in both the small and mid-sized processing, packaging, and distribution companies, and hastening the diversification in the processing industry, this investment will be well spent.

Native Farm Bill Coalition

Tribally operated processing facilities face a variety of difficulties when entering the corporate-dominated meat marketplace. New entrants, as well as recently established processors—particularly in Indian Country—face a variety of issues when attempting to gain a market foothold in the meat and poultry processing industry, including marketing and distribution difficulties.

The Open Markets Institute

(T)he USDA can inject much-needed resiliency and competition into the highly consolidated meatpacking sector by investing in new or existing independent, small- and medium-sized processing facilities. The agency also has a duty to raise terms of trade and working conditions across the meatpacking industry by supporting businesses with strong labor protections and fair dealing with farmers. At the same time, the agency must establish and advocate for stronger labor, environmental, and antitrust standards across the industry, so that plants receiving American Rescue Plan funds are not at a disadvantage competing with larger plants that are not held to such standards. As Biden's Executive Order notes, this requires a whole-of-government approach, including action from federal antitrust enforcers and the USDA.

Rural Advancement Foundation International – USA

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.

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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.

Western Organization of Resource Councils

Antitrust reform and enforcement must be a high priority for USDA and the Biden Administration. Without a level playing field for producers, workers, and processors, investments to rebuild resilient regional food systems will be vulnerable. To create this level playing field, USDA must ensure a competitive and fair market. Anti-competitive contracts at both ends of the supply chain are and will continue to be barriers to successfully diversifying the supply chain of meat products and cattle supplies.