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Local Meat and Poultry Processing

The Importance of Business Commitments for Long-Term Viability

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What Is the Issue?

Bringing local meat and poultry to market requires access to appropriately scaled processing facilities with the skills, inspection status, and reliability to prepare these products safely, legally, and to customer specifications. Farmers often suggest that limited local processing infrastructure restricts the supply of local meat and poultry. Many farmers drive multiple hours one way to their nearest inspected processing facility and bring only a few head at a time, resulting in high transportation and opportunity costs per pound of meat. Farmers may have difficulty getting slaughter dates during processors' busy seasons or they must schedule far in advance. Some small processing facilities may not offer specific services that farmers and their customers desire.

At the same time, small processors often lack the steady, consistent business they need to be profitable while providing high-quality services tailored to individual customers. Demand for their services varies significantly by season, or animals are not delivered for processing when scheduled. Expense estimates suggest that, to be profitable, even a small processing plant providing very basic services must annually process approximately 450 head, of cattle or the revenue equivalent in combinations of other livestock, spread out fairly evenly over the year. Operations that offer more sophisticated services require significantly higher volumes, making it more challenging to reach the critical mass of local livestock to support such plants. As a result, local processing may not always be available when farmers want it.

What Did the Study Find?

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." This report uses case studies of successful meat and poultry processors to illustrate what commitment can look like in practice. An essential element is that farmers commit, individually or in coordinated groups or brands, to providing the processor with a sufficient, steady supply of livestock to process.

Key "anchor" customers are critical for processors to ensure a steady volume of business; some processors are their own key customers, providing most or all of the animals they process. Brands or "aggregators" that bring livestock from multiple farmers and coordinate the rest of the supply chain can be valuable partners for processors. Aggregators create a steady flow of animals and serve as a central point of communication. They are often in a better position than an individual farmer to coordinate consistent scheduling. Processors can use tools like active

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scheduling systems, variable pricing, or penalties to ensure that throughput is steady, week by week and over the year.

Commitment matters on both sides: it is important for processors to demonstrate a commitment to providing, maintaining, and improving quality services. Processors can also help their producer-customers with advice and support with marketing, distribution, and other aspects of their meat businesses. By building these business relationships, processors work more effectively with their customers, build loyalty, and ultimately increase demand for their own services.

Processing businesses are capital-intensive to start, maintain, and expand. 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. 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.

The report also describes examples of existing regional, collaborative efforts to address the needs of farmers and processors in local markets. These efforts include providing technical expertise for existing small processors; facilitating farmer-processor communication and mutual education; incubating businesses important to the rest of the supply chain; engaging with public agencies toward regulatory clarity and consistency; and providing a platform for peer-to-peer learning across communities and regions.

How Was the Study Conducted?

The study draws on three sources of data: (1) indepth case studies of seven meat and poultry processors located across the country via site visits and phone interviews during 2011-12, supplemented with background research; (2) interviews with long-time observers and other experts on this topic during the same time period; and (3) cost analyses developed using data from a financial analysis of small meat plants in 2009-11.