



UNITED TO GROW FAMILY AGRICULTURE

August 30, 2021

Mae Wu

Deputy Under Secretary of Marketing and Regulatory Programs  
U.S. Department of Agriculture  
c/o Sarah J. Helming  
Whitten Building—Suite 312-E  
1400 Independence Avenue SW  
Washington, DC 20250

**RE: “Investments and Opportunities for Meat and Poultry Processing Infrastructure,”  
Docket Number AMS-TM-21-0058**

Dear Deputy Undersecretary Wu:

On behalf of the nearly 200,000 family farmer, rancher, and rural members of National Farmers Union (NFU), thank you for the opportunity to submit comments on the need to strategically direct federal support towards enhancing competitiveness and resiliency in the meat and poultry processing sector. These investments are a critical component of President Biden’s Executive Order on competition and represent an important step forward in achieving a more diverse and secure food supply chain and agricultural economy. When COVID-19 brought disruptions to our livestock markets and food supply, the need for additional, diversified processing capacity became evident to policymakers and the general public. However, this idea has been a top priority for our members for decades. As NFU seeks to ensure that farm families and their communities are respected, valued, and enjoy economic prosperity and social justice, we look forward to working with the U.S. Department of Agriculture (USDA) on this issue.

**General Considerations**

The investments made through the \$500 million of American Rescue Plan Act funds must be used to empower existing small- and medium-sized processing facilities and enable new entrants to be competitive. Bearing in mind that USDA does not have a “mid-size” scale category, the definitions of these categories could be adjusted to allow for differentiation in assistance between facilities with several dozen employees and those with a few hundred. USDA’s financial and technical assistance for building out capacity at all scale levels will be extremely important to the long-term viability of independent farmers and ranchers.

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;<sup>1</sup> for pork, the CR4 increased from 33 percent in 1976 to 70 percent in 2018;<sup>2</sup> for broiler chickens, the CR4 increased from 34 percent in 1986 to 54 percent in 2018.<sup>3 4</sup>

With corporate consolidation of processing ownership, meat industry infrastructure and throughput has been funneled into fewer locations. For beef and pork, in 1968, there were nearly 10,000 total slaughtering establishments across the country.<sup>5</sup> Today, there are approximately 835 federally inspected slaughter facilities and 1,938 other slaughter facilities nationwide.<sup>6</sup> As the number of plants decreased, many remaining plants became bigger; for example, just 50 plants slaughter and process 98 percent of all cattle in the United States.<sup>7</sup> While these larger plants may enable certain efficiencies, they also create serious supply chain vulnerabilities. Extreme concentration in agricultural supply chains was most evident during the COVID-19 pandemic with disruptions in the meat and poultry sector, as shown by many well-documented closures or slowdowns at several massive plants. At the peak of closures, beef and pork facilities were operating at 25 percent<sup>8</sup> and 40 percent<sup>9</sup> below average, respectively.

This extreme concentration exerts pressure against new entrants to the meat industry. USDA must be mindful of this influence in order to assure long-term success in diversifying the

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<sup>1</sup> Cai, X., K. W. Stiegert, and S. R. Koontz, "Oligopsony Fed Cattle Pricing: Did Mandatory Price Reporting Increase Meatpacker Market Power?" Proceedings of the NCCC-134 Conference on Applied Commodity Price Analysis, Forecasting and Market Risk Management. St. Louis, MO.

<sup>2</sup> Clement E. Ward, "Economics of Competition in the U.S. Livestock Industry," January 2010. <https://www.justice.gov/sites/default/files/atr/legacy/2011/09/09/AGW-15639-a.pdf>

<sup>3</sup> Joel Greene, "USDA's 'GIPSA Rule' on Livestock and Poultry Marketing Practices." (Washington: Congressional Research Service, 2016), [https://www.everycrsreport.com/files/20160107\\_R41673\\_e1d67b445c928f46a6b23a04c38d116fdb819c93.pdf](https://www.everycrsreport.com/files/20160107_R41673_e1d67b445c928f46a6b23a04c38d116fdb819c93.pdf)

<sup>4</sup> 4 USDA, Agricultural Marketing Service (AMS), Packers and Stockyards Division, "Annual Report 2019." <https://www.ams.usda.gov/sites/default/files/media/PSDAnnualReport2019.pdf>

<sup>5</sup> "Livestock Slaughter: 1969," USDA Statistical Reporting Service, April 1970. <https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/ht24wp48q/9k41zj37t/LiveSlauSu-04-00-1970.pdf>

<sup>6</sup> "Livestock Slaughter: 2019 Summary," USDA National Agricultural Statistics Service (NASS), April 2020, <https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/34850245n/5712mr72x/lisan0420.pdf>.

<sup>7</sup> Michael Corkery and David Yaffe-Bellany, "The Food Chain's Weakest Link: Slaughterhouses," The New York Times, April 18, 2020, <https://www.nytimes.com/2020/04/18/business/coronavirus-meat-slaughterhouses.html>

<sup>8</sup> Laura Reiley, "Meat processing plants are closing due to COVID-19 outbreaks. Beef shortfalls may follow." The Washington Post, April 16, 2020, <https://www.washingtonpost.com/business/2020/04/16/meat-processing-plantsare-closing-due-covid-19-outbreaks-beef-shortfalls-may-follow/>

<sup>9</sup> Laura Reiley, "Tyson says nation's pork production is down 50%, despite Trump's order to keep meat plants open," The Washington Post, May 4, 2020, <https://www.washingtonpost.com/business/2020/05/04/tysonsaysnations-pork-production-is-down-50-despite-trumps-order-keep-meat-plants-open/>

marketplace. USDA ought to monitor these limiting forces by collecting and considering data regarding local, statewide, and regional levels of competition in the slaughter and processing sectors. Other federal agencies, along with their state counterparts, could also be engaged.

### **Fair Treatment of Farmers and Workers and Ownership Considerations**

When offering financial assistance to the development of new processing facilities, emphasis ought to be placed on producer-owned cooperative business structures. The cooperative model provides important incentives and risk mitigation for farmer- or rancher-owners, but these undertakings will likely require access to grants through this initiative. Grants could cover the costs of building of the infrastructure itself, as well as consulting fees, feasibility studies, permitting costs, and other investments needed to assist the establishment of new plants or the refitting and updating of existing plants. Once financed, producer-owned cooperatives will help to increase marketing possibilities and develop linkages within communities. Supply chain shocks are also better absorbed by farmers and ranchers if they have ownership of processing services and would benefit from any redistribution of patronage dividends from the cooperative. Additionally, worker-owned cooperatives could also provide many of the same incentives but to those employed in the processing plants, which will stimulate a growing workforce and a more economically sustainable business model that will benefit rural communities.

Through these investments in the meat and poultry sector, the protection of agricultural workers, particularly those in the processing links of the supply chain, must be a priority. A resilient and fair food system must be structured in such a way as to provide a living wage, safe working conditions, and respect to those individuals who do the hard work of harvesting, processing, packaging, and distributing what our members market through these plants.

Processing plants have been subject to worker shortages. Workers who are skilled in meat cutting, maintenance, animal handling, traceability, packaging, and other production steps have been in high demand. The goal of training a skilled workforce would benefit from further federal investment and coordination among state and local initiatives. Public-private partnerships have sprung up around the country, with many land-grant institutions and technical colleges working with processing companies to provide educational opportunities to new talent. Investment of financial and technical resources to expand meat processing training programs is sorely needed, and USDA should support these efforts to provide degree programs, certifications, and non-degree educational opportunities. Particular attention should also be paid to training artisanal butchers, who can help stimulate the growth of higher-end marketing opportunities for farmers and ranchers and spur the opening of new, smaller-scale processing facilities. Furthermore, as more workers are trained, small- and medium-sized processing plants would benefit from recruitment and on-boarding assistance as management and human resources departments at these plants are often stretched thin.

Safeguards must be put in place to ensure that investments by USDA in building a more diversified meat and poultry processing sector do not result in negative outcomes. Without caution and monitoring, there could be reductions in worker safety and increases in consolidation or foreign ownership of processing capacity. USDA should stop the sale of new or expanded processing facilities to the largest processors to prevent further consolidation and should similarly prohibit the purchase of these new facilities by foreign-controlled entities.

President Biden's executive order 14036 of July 9, 2021, "Promoting Competition in the American Economy," both reaffirms the government's commitment to the principles that led to the passage of the Packers and Stockyards Act (PSA) and specifically mentions the need for USDA to initiate rulemakings under the PSA "to address the unfair treatment of farmers and improve conditions of competition in markets for their products." Among these rules, USDA should provide greater clarity about what practices in the meat and poultry sector constitute unfair, unjustly discriminatory, or deceptive practices, especially regarding grower ranking systems or "tournaments," and should take action against those agreements that are found to be out of compliance. Similarly, poultry production contracts routinely require 10- to 15-year-long loans to finance production facility improvements, but these contracts only guarantee a single flock of birds and are an unfair abuse of market power. USDA should require poultry contracts to guarantee the shipment of a minimum number of flocks over a reasonable period of time. The PSA rulemaking is a welcome development but must be vigorously enforced, and this should be a point of emphasis so that investments in processing improvements can be of use to independent farmers and ranchers.

### **Loans and Other Financing Considerations**

One of the ways that USDA can provide processing access to smaller-scale producers is with support for mobile slaughter (or harvest) units. As many conventional facilities have been at capacity and booked out months or even years in advance, additional options are needed. The development of mobile slaughter units, including assistance with financing, equipment, technical aid, and training, can fill in the gaps around the country where smaller scale operations do not have access to processing and marketing services.

When considering the effectiveness and impacts of the funding and partnerships offered through this effort, USDA should weigh the upstream and downstream opportunities that it generates. For example, with access to new processing and marketing opportunities for high-value production, cow-calf producers could more readily move to premium Angus cattle and other identity-preserved products, as well as labeled methods of production like organic or grassfed beef. USDA should also ensure that processors who receive funding through this effort are committed – or required, where appropriate – to provide service to communities that have been without local food options. These broader impacts must be considered when directing investments in the meat and poultry processing sector, either through lending or direct financial support.

## **Competition Considerations**

NFU policy, as affirmed by a Special Order of Business at the 2021 National Farmers Union convention, supports the concept of requiring a minimum level of weekly cash or spot market purchases by larger packers. Our policy also supports federal legislation to mandate a minimum of 50 percent cattle procurement by large packers or processors through the spot market, and that delivery of those purchases must be within 14 days of the sale. Since alternative marketing arrangements (AMAs) have proliferated in cattle markets, they are known to erode cash prices. This is greatly concerning because base prices for AMAs are themselves typically based on the cash market, and a too thinly traded cash market will result in producer prices that are lower than they otherwise would be with a more robust cash market. Greater transparency in the livestock and poultry markets is also needed, which can be made possible, in part, through the reauthorization of Mandatory Price Reporting legislation.

## **Grant Considerations**

While the Meat and Poultry Inspection Readiness Grant (MPIRG) provides a way for existing slaughter and processing facilities to elevate its level of inspection in order to be able to market meat products across state lines, it also allows ample room for expansion and improvement. The goals of MPIRG are correct, including increasing processing capacity, developing new or emerging markets, and increasing access to slaughter and processing facilities for small farms and ranches. However, MPIRG's focus on achieving these goals through altering inspection levels is limiting.

To ensure there is an adequate supply of funding available for grants to new processors, USDA should establish separate pools of funding for grant funds based on processor capacity or the size of each grant request. Such an arrangement could be based upon the example set forth by the Rural Energy for America Program, with dedicated funding accounts based on size or value of the project or request.

## **Technical Assistance Considerations**

Technical assistance could also be provided to alleviate some of the administrative obligations that can be burdensome for smaller processors. Many of these operations have limited staff resources to manage human resources, inspection requirements, and marketing arrangements. USDA has already made progress in this effort but ought to continue its work to develop detailed guidance to help new or existing processing establishments comply with regulations. Furthermore, USDA should evaluate how current regulations or fees may create unnecessary barriers for those facilities that may seek federal inspection. There is a need to alleviate unnecessary pressure so that processors can affordably demonstrate food safety compliance through documentation and interactions with inspectors. USDA should prioritize the development of further inventory control and labeling software improvements.

## **Partnerships and Combined Funding Considerations**

As new, expanded, or improved facilities gain access to assistance and come online, linkages to other USDA programs could be required. Food security and nutrition assistance programs should be considered strong partners with these plants that serve local and regional markets. USDA's recently released Dairy Donation Program could be viewed as a template. While backlogs in supply have been more of an issue for dairy processors, during emergencies when typical supply chains are broken, meat and poultry facilities could partner with distributors to send retail packaged – or wholesale ready – products to feeding organizations and institutions. Several Farmers Union states made use of such an arrangement in late 2020.<sup>10</sup>

## **Conclusion**

Thank you again for the opportunity to submit comments. NFU and its members stand ready to work with USDA on these issues. If you have any questions or would like to further discuss NFU's recommendations, please contact Mike Stranz, NFU Vice President of Advocacy, via e-mail at [mstranz@nfudc.org](mailto:mstranz@nfudc.org) or by phone at 202-554-1600. Thank you for your consideration.

Sincerely,



Rob Larew  
President

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<sup>10</sup> <https://www.agweek.com/business/agriculture/6893073-Farmers-Union-Enterprises-donates-35000-pounds-of-pork-ribs-to-Feeding-South-Dakota>