FINAL REPORT | MARCH 2021

Recommendations for Creating Resilience and Increased Capacity of Meat Processing in the Berkshire Region

PREPARED FOR: Berkshire Agricultural Ventures

BY: Kitchen Table Consultants; Ted LeBow, Brian Zweig, Helen Kollar-McArthur

KITCHEN TABLE CONSULTANTS

Acknowledgments

Kitchen Table Consultants would like to thank the many people who provided their time, input, and resources to make this project possible.

Cynthia Pansing, Special Advisor to *Berkshire Agricultural Ventures*

Glenn Bergman, Interim Managing Director, *Berkshire Agricultural Ventures*

Dan Carr, Outreach & Technical Assistance Coordinator; *Berkshire Agricultural Ventures*

Mark Phillips, Operations Director, *Berkshire Agricultural Ventures*

Berkshire Agricultural Ventures Board of Directors

Marty Broccoli, Cornell Cooperative Extension Oneida County

And all of the anonymous farmers and processors assembled by BAV to serve as the Advisory Committee for this project

★ **A SPECIAL NOTE:** ***KTC would like to recognize Dan Carr for his invaluable support and work on this project. He contributed poignant and relevant insight throughout this process and provided KTC with connections to regional farmers and processors that would not have otherwise been possible in such a short timeframe. Thank you Dan.***

Table of Contents

EXECUTIVE SUMMARY

Kitchen Table Consultants (KTC) was engaged by Berkshire Agricultural Ventures (BAV) to review the local livestock processing supply chain and develop recommendations to improve options for local producers that can allow these farmers to grow and be more profitable. KTC organized their team of consultants to include those with first hand experience operating and managing processing facilities, professional connections to the agricultural community in the region, and a decade of experience providing financial turnaround coaching to processors and livestock producers. Phase I of this project began with a review of the considerable prior research that was provided, including previous feasibility studies. An assessment of livestock production, processing availability and demand for local meat was then conducted and these factors were considered in light of the impact of the COVID pandemic. Findings were then reviewed with stakeholders. Based on the information developed in Phase I, a process was initiated to identify both near term and longer term solutions to help the region's livestock producers address processing challenges.

Phase II of the project began by gathering as many potentially good ideas as possible from stakeholders (including producers, processors, industry experts and interested parties). Through a combination of evaluation, research and a "thinning" session with producers and processors, these ideas were narrowed to those that were most viable and likely to generate the most positive impacts. The result of this process is the following recommendations:

1. BAV Establishes a new Regional Meat Processing Support Fund. This fund will provide a combination of loans and technical assistance to the following types of projects:
    - Expansion and upgrade of existing slaughterhouses and meat processing facilities (for more immediate impact)
    - New stand-alone value added processor (for medium-term impact)
    - New slaughterhouse facility (for potential longer term impact)
2. BAV, working with partners, establishes a Community Meat Locker
3. Establish a Marketing & Regional Branding Cooperative

The establishment of the Regional Meat Processing Support Fund is a very significant undertaking requiring a suggested $1.5 million in funding. It does, however, build on previous experience of BAV with supporting farmers with financing and technical assistance. The Community Meat Locker would be established with partners and grant funding. The Marketing & Regional Branding Cooperative is a multi-stakeholder project that could be initiated by BAV and receive support from other organization(s) to be identified.

The successful implementation of these recommendations is expected to address the challenges that currently exist in the region's local food supply chain, including those highlighted by the impact of COVID. Specifically, the recommendations address the need for increasing processing capacity in the near and longer term, improving the operations of existing processors, improving processing services available to producers, more profitable products for producers, greater access to local meat for consumers, and a strengthened regional supply chain for local meat. This should result in improved profitability for livestock farmers, which will allow them to invest in growing their operations, which will expand this aspect of the region's agricultural economy.

Explanation of Opportunity Assessment

The recommendations included in this report were arrived at using an interactive process of idea gathering, discussion and research presented to the advisory committee members organized by BAV and other key stakeholders. Kitchen Table Consultants (KTC) first discussed in depth the findings from the Phase 1 report with three key stakeholders (See Appendix B for full Phase 1 report). KTC then developed a survey asking for input on ideas of short, medium and long term impact from the advisory committee (see Appendix A for the results of this survey). Responses from this survey were further condensed for clarity and evaluated. They were assigned a score based on a scale of 1-5 (1 being least likely) to achieve four key criteria: 1) Likely to help farmers be viable and profitable / long-term. 2) Likely to be a viable program overall for the region. 3) Likely to be able to find a driver for the initiative. 4) Likely to help processors be viable and profitable / long-term. Scores were assigned by investigating the opportunities for comparable models and using the consultants' first hand knowledge.

These notes and scores were presented to 13 members of the advisory committee during a two hour zoom meeting. Participants were asked to provide feedback and further details for how they believe the opportunity should look. They were then given the option to vote yes for up to five opportunities they would like to see implemented. The top ranked choices were further researched and presented to the leadership team at BAV, where after discussing, we arrived at the three revised recommendations presented below.

Recommendations

1. Recommendation

Establish **Regional Meat Processing Support Fund.** This fund will provide a mixture of financial and technical assistance to the following projects:

- (Short Term) Expansion and upgrade of existing slaughterhouses and meat processing facilities. The objective of the projects funded will be to increase throughput, improve quality and make existing facilities more profitable/ sustainable.
- (Medium Term) New stand-alone value added processor. This is proposed to be a cut/wrap only USDA facility that focuses solely on the retail ready processing needs of direct-to-consumer farmers. Efforts will include identifying an operator to establish such a facility.
- (Long Term) New slaughterhouse facility. This would be a new facility proposed by an entrepreneur or group that is interested in owning and operating such a facility.

The recommended size of this fund is $1.5 million, which will provide for a budget that includes loans totaling $750,000, technical assistance totaling $100,000 and staffing to manage the program of $150,000 over a period of five years.

DETAILS AND RATIONALE

- The recommended Regional Meat Processing Support Fund will leverage BAV's successful history with offering financing and technical assistance to the region's farmers. Such a program will require a similar infrastructure to support loan underwriting, loan administration and providing of technical assistance.
- Support will be provided through a combination of funding coupled with technical assistance. Although existing processors need the financial resources to invest in improving and expanding the capacity of their facilities, funding by itself is not enough to ensure success. These businesses need expertise to help them with process improvements, financial management, manpower and training issues, product quality, safety and related matters.

- Funding will be in the form of low interest loans made to processors with generous repayment terms. Loans, as opposed to grants, require a commitment by the business to use the funding in a manner that improves the financial sustainability of the business, since the business is ultimately responsible for paying back the loans.
    - The Kentucky Agricultural Development Fund provides one model for this and how they incentivize processors to increase throughput. https://agpolicy.ky.gov/funds/Documents/KADF_MeatProcessingInvestmentProgram_GeneralGuidelines.pdf

- Flexible repayment terms, such as low interest rates and deferred payment options, give the businesses time to implement improvements and achieve results. This improves the chances for businesses to succeed.
- The repayment of loans provides funds that can then be re-lent to other businesses in the future.
- Support will initially be made available to existing processors to increase throughput and improve the quality of their production and services, while maintaining safety standards. Supporting existing businesses will provide a more immediate impact to increase regional processing capacity and improve processing services available to local livestock producers.
- Supporting existing businesses in the short term also serves to strengthen these local businesses to make them more financially sustainable. This results in an enhanced supply chain for local food.
- Supporting the establishment of a stand-alone value added processor is a medium-term focus that addresses an opportunity identified by stakeholders. Financial and technical assistance would be made available for such an initiative when a viable operator of such a facility is identified.
- Longer term, support could also be made available for a new facility, if a project arose that demonstrated sufficient leadership, viability, financial wherewithal and benefits to the region's local food supply chain.

METRICS

- The establishment of a $1.5 million fund is expected to be sufficient to support at least five projects over the course of the next five years.
- Initial project(s) would involve providing loan financing of up to $200,000 and $25,000 of technical assistance to an existing local processor(s). The processor will be expected to increase throughput by at least 25% within 12 – 18 months, while also maintaining or improving product quality and safety. These metrics are consistent with the case study provided. (see sidebar)
- A project manager will be needed to handle loan underwriting and approvals, manage technical assistance, administer loans and track results. This position will require 20 hours/week and is budgeted at $30,000/year.

OUTCOMES

- Increased regional livestock processing throughput capacity in 12 – 24 months.
- Expanded processing capabilities and services available to livestock producers.
- Improved profitability and financial sustainability for selected processors.
- Improved product quality, product safety and worker safety at selected processors.
- Addition of a stand-alone processor in the medium-term that can provide processing services that enhance opportunities for producers to sell value-added products direct to consumers.
- Support for a new processing facility, should a viable proposal for such a facility arise in the coming years.
- A greatly enhanced supply chain for locally produced meat and poultry products.

2. Recommendation: (Medium Term) Establish a **Community Meat Locker.** This would follow the example of Cooperative Extension in Ithaca with potential USDA grant funding. BAV would partner with other organizations to lead the effort to establish this facility, and to share the responsibility for the project long term.

DETAILS AND RATIONALE

- This would follow the example of Cooperative Extension in Ithaca[1], which they now operate after securing a combination of USDA funding and community fundraising to launch the facility[2].
- In this scenario, BAV will partner with other organizations to share the responsibility for the project.
- Limited staffing is needed to operate such a facility.
- The facility will provide and charge users for freezer space for locally-raised meat.
- The facility can be used by consumers so that they can store local meat purchased in bulk. Access to the meat locker makes it easier for consumers that have limited freezer space at home to purchase larger amounts of meat direct from local livestock producers. This reduces a barrier that might otherwise discourage the purchase of meat direct from farmers.
- By facilitating bulk purchases, the meat locker can also make such purchases more affordable for consumers or groups of consumers.
- Processors could also store product at the meat locker and this additional storage capacity could allow them to spread out scheduling and better accommodate livestock producers.
- Identifying project partners, securing grant funding and finding the appropriate location to serve consumers and processors are key factors that will impact the success of this project.

---

[1] (2016), Communal Meat Lockers Could Help Scale Up Sustainable Meat. Civil Eats. https://civileats.com/2016/03/01/communal-meat-lockers-could-help-scale-up-sustainable-meat/

[2] (2013), USDA Funds Meat Locker Pilot at Cooperative Extension. https://sustainabletompkins.org/signs-of-sustainability/usda-funds-meat-locker-pilot-at-cooperative-extension/

METRICS

- The facility will need to generate sufficient revenues from meat storage to cover operating costs.
- Other operational metrics should include pounds of meat stored at the facility and % utilization of storage space.
- Systems should also be established to track the amount of local meat sales associated with the meat locker facility. This could be done by gathering information from customers when they rent space at the facility or by user surveys.

OUTCOMES

- Increased purchase of meat by local consumers from local livestock producers.
- Improved access for consumers to local meat and the ability to purchase this meat at a lower price.
- Improved scheduling by processors to better accommodate local livestock producers.
- Expansion of cold storage capacity for regional producers.

3. Recommendation:

(Medium-Long Term) Coordinate the establishment of a **Marketing & Regional Branding Cooperative.** This will involve partnering with a company or organization that is willing to implement such a model for the Berkshires.

DETAILS AND RATIONALE

- In this model, a company acts as an aggregator, marketer and distributor of meat products to a mixture of wholesale and consumer audiences.
- The company purchases animals from the farmers who meet their cohesive standards. The farmer's only role is to drop animals at the processing facility on a specific predetermined schedule.

- Regional products are able to be sold in metro areas where higher premiums are able to be shouldered by consumers. This allows the producers and processors in turn to gain an increase in revenue.
- The marketing brand is responsible for communicating with the processors for cutting needs. The processor benefits from a secure and reliable stream of scheduled animals. The farmer benefits by getting secured spots when their animals are pooled with others in the cooperative.
- The animals are raised under a brand standard embracing the region's commitment to sustainable agriculture.
- An existing company (such as Walden: https://waldenlocalmeat.com/share-2/ which some regional producers already work with) could be encouraged by BAV and partners to expand the processing operations in the region, expanding the marketing channels for producers.
- An additional example of how this could be organized is the Happy Valley Meat Company. You can see a brief video here: https://www.youtube.com/watch?v=ddi8-xA-wyg

METRICS

- Number of contracts held between the marketing company and livestock producers.
- The marketing company would likely work with more than one processor.
- Increase of live animals sold from producers to the marketing company.

OUTCOMES

- Increased access by producers to a wholesale market in metropolitan areas.
- Increased animals processed by standardizing a significant number of animals being processed under the same cutting standard.
- Reliable scheduling for participating producers and processors.

Synopsis for Outside Funders

THE CHALLENGE

To enhance the ag economy and access to local food in the Berkshires and neighboring regions, Berkshire Agricultural Ventures (BAV) is tackling an important issue that limits the growth of our livestock industry. Livestock farmers face challenges related to processing bottlenecks and the quality of services available. These challenges restrict the volume of animals that can be processed and reduce the value of the products that are produced. This makes farming more difficult and less profitable, and discourages farmers from investing in their businesses and expanding their herds. This situation has been exacerbated by the global pandemic, which has further strained our local food supply chain.

OUR SOLUTION

To address this challenge, BAV commissioned a study which provided several recommendations intended to expand and improve access to processing services for the region's livestock farmers. Primary among these recommendations was for BAV to support the establishment of a new Regional Meat Processing Support Fund. This fund will provide a combination of financial and technical assistance to the following types of projects:

Expansion and upgrade of existing meat processing facilities.
By working with existing businesses, farmers will see immediate improvements in regional capacity and services. Existing businesses will also get the benefits of increased revenue opportunities and improved operations, which are expected to improve their profits, product quality, product safety, worker safety and sustainability.

Support for a new stand-alone value added processor.
This is proposed to be a cut/wrap only USDA facility that focuses solely on the retail ready processing needs of direct-to-consumer farmers. Efforts would include identifying an operator to establish such a facility. This initiative will result in increased profits for farmers and will take more time to implement.

Support for a new slaughterhouse facility.
This would be a new full-service facility that may be proposed by an entrepreneur or group that is interested in owning and operating such a facility to serve the region's livestock farmers. This project would likely require a number of years for planning, approvals and construction, but such a project that is a well-supported, well-planned and well-managed could have a significant impact on the livestock processing infrastructure of the region.

CASE STUDY: Improving Operations at a Northeastern Meat Processor

After purchasing a 5000+ sf USDA inspected facility, the new owners invested about $100,000 in new equipment and $50,000 in infrastructure improvements. They also added processing capabilities and a retail store to increase revenues. The improvements allowed the facility to increase annual throughput by about 300 head (nearly 50%). Key contributors to the success of the changes made to the facility were:

1. Competent, experienced management
2. Competent employees that shared the company's vision
3. Financial and business coaching

Support for these projects will be provided through a combination of loans with favorable terms, coupled with technical assistance. This combination will provide the capital needed, along with the expertise required to make project success more likely. This formula is similar to the existing support provided by BAV to farmers that has proven successful. The repayment of loans provides funds that can then be re-lent to other businesses in the future.

The recommended size of this fund is **$1.5 million.** This will enable the fund to initially support at least five projects over the next five years with capital and technical assistance. Funding will also cover the costs of loan underwriting, loan administration, management of technical assistance and tracking program outcomes. By providing a solution to the most vexing problem faced by our region's livestock farmers, this program will make these farms more profitable so that they can justify investing in growing their operations. This will expand access to local food and expand the region's agricultural economy.

APPENDIX

Appendix A: Opportunity Assessment Notes

Opportunity Thinning Session

Date: February 16, 2021; 5:30-7:30pm

Location: Zoom

Agenda

- Introductions-8 Minutes
- Why Are We Here? 5 Minutes
- Intention for Today-5 Minutes
- What We Already Know-10 minutes
- Review and Discussion of Each Opportunity-approximately 15 minutes per category
- Vote to Narrow-10 Minutes

Attendees

3 representatives from Kitchen Table Consultants

13 Advisory Committee members-names have been kept confidential

INITIAL FEEDBACK BEFORE DISCUSSION OF OPPORTUNITY AREAS

"If we are going to grow we have to go beyond capacity that exists, there is not a lot of capacity for growth. Super hard to get into {Name Redacted}".

"How do we reduce cost of farming without reducing care? We do a lot of things that are economically subscale. We need to find ways to engage other farmers to learn to collaborate so reduce costs."

Focus of Criteria When Voting

- Financial viability of the idea itself
- Potential for owner/driver to be readily identified
- Collaboration between processors and farmers
- Potential to increase processing throughput in the region

Opportunities

1. Co-op Models

- **Marketing & Regional Branding cooperative (Medium)**
  - Score: 4
  - Additional Details
    - Creates consistency of product and takes burden of marketing off of farmers
    - Simplifies coordination with slaughterhouses, stabilized scheduling
    - Relies on wholesale markets
    - Example of if working. https://shop.happyvalleymeat.com/

FEEDBACK

This could be competitive

If the premise is that it means wholesale pricing, I don't think it is economically viable

This does not have to be too competitive, the demand is sufficient enough. The ridiculousness of being solo producers driving round and around

We are within 2 hours of NYC and Boston, we could get higher prices by selling together to get products to these other populations

Walden

This could be great, awesome way to tap into multiple channels

{Name Redacted} is kinda doing this already, aggregating to CSA that delivers to homes-30,000 members all over new england

Pros- nice stable contract

Walden-trip to Maine a bummer, they might be amenable to expanding their facility

- **Processing cooperative (Long)**
  - Score: 2.3
  - Additional Details:
    - In theory guarantees farmers control over their processing
    - Has not been very successful in other areas of the country. https://extension.oregonstate.edu/food/processing/lessons-learned-local-meat-processing-livestock-producers-cooperative-association

FEEDBACK

Funding is really hard to come by

{Name Redacted} is very interested in working directly with farmers and thinks this has a lot of promise. Current processing system not 'creative' enough

2. Cooperative Agreement/ Sharing

- **Cooperative Scheduling applied to a group of processors (Short)**
  - Score: 3
  - Additional Details
    - A group of processors centralizes their scheduling system to move spots when capacity is met
    - Processors would need to share similar standards

FEEDBACK

This sounds terrible, seems unlikely that processors would have similar enough standards

I thought cooperative scheduling would help aggregate supply to help get through the door.

Current customers have increased their production in the past year (doubled or tripled) and now there are new people-beef, pork, veal, lamb and goat

A back-burner question and thought combining {Name Redacted} input and the cooperative processing thought, what about cooperative further processing? I.E. - farmers go, pay for kill only, but could potentially take the whole carcass to a cooperatively funded processor for further elaboration of product.

Could potentially provide more opportunity for tailored production, custom sausage mixes, etc.

- **Off-site Shared Freezer space/ Community Meat Locker (Medium)**
  - Score: 3.5
  - Additional Details
    - Evidence for impact in other regions strong
    - Potential to increase farmers ability to market freezer meat
    - Frees up storage capacity at processing facilities decreasing bottlenecks due to limited space
    - Can be managed with limited to no staff
    - Where should this be located?

FEEDBACK

Yes, most agree this would be good. Everyone needs access to cold storage, but location would be key. It needs to be designed for farmers.

Having rental freezer space is a great idea from the processors, if there was a flex place to store frozen product could spread out scheduling.

3. New Facilities

- **New Dutchess Co. facility (Long)**
  - Score: 4
  - Additional Details
    - Has a potential owner/financer
    - Details of this plan have yet to be confirmed
    - Could take away business from established plants
    - A new facility was not supported by the first phase research
    - Long term solution

FEEDBACK

Feeling is that if you build it they will come

{Name redacted} from {Name Redacted} emailed a few processors talking about something, solutions to increase capacity of existing facilities

There is going to have to be a subsidy to get it off the ground

Build the smallest facility possible but build it so there is growth potential in the future

{Name redacted} and {Name redacted} want to see a USDA poultry slaughter

If there is no viable place to take animals.

4. Expansions/Upgrades/Other Improvements

- **Refrigerated Shipping Containers at processing facilities (short)**
  - Score: 2.5
  - Additional Details
    - Potential hurdles for zoning issues
    - Flex capacity
    - Potential issues to stay in compliance with USDA standards
    - 40ft containers are about $7,000-$10,000, not including site prep or pads

- **Funding to increase capacity by expanding and upgrading existing facilities (Short-Long)**
  - Score: 3
  - Additional Details:
    - This opportunity requires more detailed information
    - Could be a grant program for equipment upgrades or purchases creating more efficiency (ex: a hide puller versus manual hide removal can save 20 minutes)
    - List of existing opportunities that could serve as models:
      - https://extension.oregonstate.edu/food/processing/lessons-learned-local-meat-processing-livestock-producers-cooperative-association
    - Challenges for applying for existing programs.

FEEDBACK

{Name Redacted} has room to grow, but didn't originally plan to grow. Would like to explain but just comes down to space and dollars-would want to expand into a smokehouse

- *Finding good help is a struggle, cut floor is hard to fill*

Lack of consistent help blurs future vision for expansion, there is a lack of leadership coming out of cut rooms, so much transient work.

This has benefit of leveraging their existing knowledge

There are so many areas in that can expand to, what are we talking about when we say expanding:

- *Value-added services*
- *Skilled cutting*

What if we moved the idea to cooperative further processing?

{Name Redacted} could slaughter more if she could cooperate with a pure processor

5. Technical Services

- **Slaughterhouse SWAT Team (Medium)**
  - Score: 4.5
  - Additional Details:
    - Financial and processing professionals to guide processors through actionable efficiency and capacity improvements (boots on the ground/in house).
    - Increased efficiency and stability of processing facilities being managed well helps alleviate pressure points.
    - Emphasizes maximizing existing potential and finding hidden expenses
    - Could find resistance from processors feeling like they are being told what to do by outsiders

FEEDBACK

Cutting and business professionals to keep eye on efficiency, speed, and fine tune.

What incentive is there to continuously improve if you are booked solid

Processors need to access information to do more with what they have

{Name Redacted}-there is no way they would let them on the floor, cutting clients off even when they complain. Very stuck in their ways.

Younger plants more amenable, older plants set in their ways; old school mentality

Heck yeah willing to listen

If it didn't cost them, crap shoot, older guys still wouldn't do it

This might have to start off small and just trial run it with {Name Redacted}, allow proof in the pudding, value not opening self up to scrutiny

- **Continuous monitoring of supply & demand by outside organizations (Medium)**
  - Score: 2.8
  - Additional Details:
    - Study this on a regular basis to assess supply demand on an ongoing basis. They can coordinate between producers and processors to understand long term needs, allowing for capacity adjustments.
    - How efficiently is this information communicated?

Parking Lot of Opportunities

- **Modifying state rules for more on-farm processing without USDA approval**
- **Crowdfunded or nonprofit funds to cover extended USDA overtime costs (Medium)**
  - Additional Details
    - Challenging to implement objectively
    - Potential for abuse
- **Increase price of processing to attract employees (Short)**
  - Score: 2
- **Expand hours of operation to increase capacity (Short)**
  - Score:
- **Processor Association (Long)**
  - Score: 2
- **USDA Red Meat (Long)**
  - Score: 3
- **USDA Poultry (Long)**
  - Score: 2.7
- **Mobile slaughter unit: (Medium)**
  - Score: 3

Full Unedited List of Opportunities

“ *cooperative action needed to get more animals processed,with more farmers on board equals more control over overbooked plants*

Livestock Farmers Co-op and processing scheduling; coordinated scheduling system for a series of slaughterhouses

Small operations cannot meet demand as individuals. Creating a meat coop to provide consistency in the product and a market identity would let farms pool resources regionally to meet a demand. The regional group would need to establish standards for management and feeding practices. The product needs to be consistent. The first bad piece of meat purchased by the consumer is the last piece of meat he or she will ever purchase from the group or individual. Make it the best or don't market it., includes regional branding and marketing

Farmer processing cooperative

Pooled marketing for Farmers

Establish a regional meat producers co-operative with branding and marketing throughout the region, Boston and NYC.

Better cooperative sharing: -freezer space and capacity -more equipment sharing -more farming practices sharing -more everything sharing

Find a way to expand our existing plants

Refrigerated shipping containers for fast increase in cold storage capacity for processors.

A local option for rental freezer space would add a lot of flexibility for farmers, at a different point in the chain, but it could make up for some of the inflexibility with processors.

frozen storage location

Funding for existing slaughter and processing facilities to update equipment and expand.

Crowdfund/ Local nonprofit funding to cover extended hours/USDA overtime costs during particularly backed up times of the year.

“Funding, funding, funding. If USDA Slaughterhouses cannot increase capacity through expanding existing facilities, coolers, etc. then farmers will not have the ability to increase the amount of livestock they raise/sell. That is the bottleneck. It always has been but has been increased due to Covid.*

Local state inspected red meat processing with the possible long term goal of USDA inspected processing.

mobile slaughter

Guy who wants to build facility in Dutchess county

There is grossly insufficient local processing for poultry. We need to collectively find a solution.

-USDA Poultry processing facility that is AWA-Organic certified in eastern NY/Western MA -Certified Organic smokehouse only (no slaughter...)

Explicitly quantify the total slaughter needs of farms in the area by enterprise -- you could just do a survey like this to ask the projection for the next 3 years by animal. Develop an understanding of the total slaughter capacity of all slaughterhouses - contact each one and find out how many they can handle. What are their limitations (size, staffing, other resources like refrigeration or space) Understand the gap. Develop comprehensive recommendations to see if the existing sites can be maximized.

Determine if modifying State rules to allow more on farm processing without USDA certification could be possible that would still allow farmers to process on farm and sell across state lines

Book slaughter dates as far in advance as you can. it's always better to cancel, then to scramble to get a date.

Project your processing schedules at least a year out

Also the possibility of famers contracting with the processor ahead of time to guarantee an income for a new business that meets our needs.

Formation of a 'slaughterhouse SWAT' team made up of financial and processing professionals to guide processors through actionable efficiency and capacity improvements (boots on the ground/in house)

Trucking cooperation as much as that is possible.

Collaborative hauling for poultry processing

coordinated transportation

“ *Take a good hard look at your operations - from the outside in. Try to see your farm as your neighbors see it. Your competition is the meal in a box being delivered every week. Your advantage is your proximity to your market and the experience you can provide to a family coming to your marketplace. Make that experience pleasing to the senses and the consumers are more likely to return.*

Increase price of processing to attract employment expanding hours/staff at processors to have slightly more capacity on off days?

Starting a discussion or having some sort of meeting where local farmers can start a conversation about their experiences and process of communicating with slaughterhouses/trucking/meat storage etc. would be helpful. It seems like that could help others with efficiency and understanding in the processing side of things.

I haven't really been thinking about this a lot lately, but I have been realizing as we have scaled our enterprise that distances have started to feel smaller. I wonder if there are inspected processors in the 3-5 hour range that have more flexibility, and producers might work together to send a big load of animals out at once, which would at least not be any worse than taking them 2 at a time to someplace 1 1/2 hours away.

Find a reliable competitive local market for dairy cull cow beef to start locally processing dairy farms cull cows during the processors slow times of year,

Look at historic volume of production, and forecast needs for the future

Surveying need to find out what kind of $$ a processor starting up could expect to make.

Identify location/land, funding and staffing for new processors to fit the gap

Identifying a size that can make a difference, a location that can make a difference, access to staffing - with healthcare benefits and access to housing

Building capacity and contacts to operate at all levels in the market - from the TV chef restaurants in the Casinos to the local senior center, to the individual homeowner. You won't get there unless you start working together and thinking long term. Farm land is rapidly being sold off in New England for other purposes. If we want to see farms stay in New England we need to find ways to make them profitable. The only way to do that is to create a product that can capture a price premium in the market.

Retire

some sort of meat producer association

BERKSHIRE REGIONAL MEAT PROCESSING FEASIBILITY STUDY
Phase I Report

Prepared for

BERKSHIRE AGRICULTURAL VENTURES

Prepared by

KITCHEN TABLE CONSULTANTS

January 2021
Ted LeBow, Brian Zweig & Helen Kollar-McArthur

Table of Contents

Background

The global pandemic has highlighted processing challenges for local livestock producers as the demand for local meat has increased. Kitchen Table Consultants was engaged to review the local livestock processing supply chain and develop recommendations to improve options for local producers that can allow these farmers to grow and be more profitable.

Review of Previous Slaughterhouse Feasibility Studies and Other Studies

The first step in this study was to review the considerable amount of prior research that was provided, including previous slaughterhouse feasibility studies and other reports that addressed livestock producers and processing. Key conclusions from these various studies are delineated, as follows:

Meat Processing Facility Feasibility Study, Hudson Valley Livestock Marketing Task Force/Shepstone (2000)

- A slaughter/processing operation would be financially feasible, but significant grant funding would improve chances of success.
- This study recommended contracting with or purchasing an existing facility before considering developing a new facility.

Slaughterhouse Feasibility Report, Pride of Vermont/Sleeping Lion Associates (2005)

- This study determined that acquisition and management of a slaughterhouse by producers was not readily feasible.

Demands and Options for Local Meat Processing, USDA and CISA (2008)

- This study concluded that a small scale USDA slaughter and processing facility would be economically feasible, but only with sufficient grant funding/reduced requirement for capital, volume management, farmer involvement and community support.
- Farmers initially considered developing a new facility, but the site being considered was met with objections from the community.

- The announcement of the reopening of the Adams Farm Slaughterhouse seems to have reduced the need for immediate action pertaining to the recommendations of this study.

- Among the other findings of this study were the following:
    - Although there was a growing demand for local meat, farmers were unable to meet this demand due to the shortage of slaughter capacity.
    - There is an opportunity for substantial growth of farms and improved farm viability, if the slaughter and processing bottleneck can be resolved.
    - Location of slaughter facilities is a major factor, as farmers look to reduce the distance they need to travel for processing services.
    - Seasonal fluctuations in demand for slaughter and processing are significant and incentives might encourage farmers to adjust their slaughter schedule.
    - Scheduling, affordability, customer service and quality are high priorities for slaughter facility customers.

Confronting Challenges in the Local Meat Industry: Focus on the Pioneer Valley of Western Massachusetts, CISA (2013)

- Producers identified concerns that included: lack of options for value-added processing, excessive travel to processors, poor quality services from processors, the need for technical assistance, lack of buying power, employee turnover and training, and the lack of data on the demand for local meat.
- Processing facilities face low volumes in mid- to late-winter, which often force staff layoffs. Opening a new facility could exacerbate these challenges for existing processors.
- The study produced three recommendations, none of which were implemented:
    1) Establish a trade association for producers and processors
    2) Form a transportation and logistics service
    3) Establish fee-for-service meat processing at a local commercial kitchen
- Subsequent to this study, the following has occurred:
    1) CISA has been offering more technical assistance to processors and this has been well received.
    2) UMass has been buying from local producers in mid- late-winter. Purchasing whole animals this time of year provides revenues for producers and supports slaughterhouses when volumes are low. UMass then does processing of animals for its own use.
    3) Reed Farm opened a State inspected poultry facility that is seeing great demand and is planning to become a USDA inspected facility.

Local Food and Agriculture, Sustainable Berkshires (Adopted March 20, 2014)

- Regional demand is much greater than local supply, particularly in beef and pork. This highlights the challenges present in the Berkshire food system which make it difficult to get meat to market, most notably the lack of local slaughter and processing infrastructure.
- Consumers in the region expressed interest in more local meat.
- Three strategies were identified to continue consideration of a slaughter facility:
  1) Hold a field trip to learn about a mobile slaughtering facility
  2) Conduct education and outreach to gain farmer support for any facility expansion
  3) Establish a meat producers association

BAV: Our Regional Ag Landscape (using 1997 – 2017 USDA Ag Census data)

- "Given the small number of beef producers in the Berkshires, and that most of the producers are very small, there is little justification for a large animal slaughtering facility in Berkshire County."

"The State of the USDA Inspected Red Meat Harvest & Processing industry in New York & New England," Cornell University (2019)

1. Processors surveyed reported that from February – May, there is typically a one week lead time for slaughter scheduling. From September – December, the lead time for scheduling slaughter is 90 – 120 days
2. Lack of cooler space constraints throughput for 68% of facilities.
3. Almost 57% of processors need access to funding to grow their business
4. The study noted that throughout New York and New England, livestock are historically finished in the fall months. This leads to a bottleneck of the majority of livestock needing to be harvested while the plants are already overbooked. Plants are turning away business in the busy months, due also to lack of cooler space and labor constraints.
5. The study concluded that if producers finished livestock during the slower season (February to May), bottlenecks would be reduced and this would also help plants keep a year round labor supply. This would allow plants to operate closer to capacity year round. This would improve the profitability of processing businesses and help alleviate barriers for livestock harvest.

COVID 19 Farmer Audit, Berkshire Ag Ventures (May/June/July 2020)

- Livestock farmers universally expressed concern over processing bottlenecks. Many livestock producers were selling out of their product, but were unable to meet the demand because of the limited availability of slaughtering services.

- A number of producers also mentioned that cold storage is also limited.

Current Slaughterhouse Demand and Capacity

The second step in this study was to assess whether there is enough steady demand for processing services to justify investment in a new processing plant.

Livestock Production

USDA Census of Agriculture data shows the number of livestock producers in the region, along with animal inventories, number of animals sold and sales revenues.

Change in Livestock Inventory and Sales (2017 vs. 2002 USDA Census of Agriculture)

		Columbia	Dutchess	Litchfield	Berkshire	TOTAL (2017)	TOTAL (2002)		% Change
Broilers	# Farms	10	12	57	8	87	47		85.1%
	# Inventory	2,558	14,301	7,221	257	24,337	17,243		41.1%
Turkeys	# Farms	11	21	20	12	64	41		56.1%
	# Inventory	393	963	813	89	2,258	410	*	450.7%
Ducks, Geese, Misc.	# Farms	36	57	106	41	240	128		87.5%
Broilers Sold	# Farms	19	12	38	13	82	30		173.3%
	# Sold	13,180	23,649	10,649	9,426	56,904	88,558		-35.7%
Turkeys Sold	# Farms	4	11	24	4	43	28		53.6%
	# Sold	394	1,999	825	309	3,527	4,092	*	-13.8%
Ducks, Geese, Misc. Sold	# Farms	12	10	17	1	40	37		8.1%
Cattle & Calves	# Farms	137	120	179	87	523	501		4.4%
	# Sold	6,466	3,650	3,192	2,741	16,049	19,660		-18.4%
	$ Sales	$6,152,000	$3,878,000	$2,531,000	$1,639,000	$14,200,000	$8,399,000	*	69.1%
Beef Cows	# Farms	131	91	211	92	525	412		27.4%
	# Inventory	2,493	1,439	2,138	905	6,975	5,554		25.6%
Hogs & Pigs	# Farms	44	46	63	24	177	122		45.1%
	# Sold	1,034	993	1,682	825	4,534	2,270		99.7%
	$ Sales	NA	NA	NA	$154,000	$154,000	$74,000	*	108.1%
	# Farms	41	36	54	35	166	133		24.8%
	# Inventory	715	621	879	NA	2,215	1,729		28.1%
Sheep and Lambs	# Farms	50	71	110	45	276	233		18.5%
	# Inventory	1,682	1,925	1,760	1,047	6,414	6,896		-7.0%
	# Farms	43	64	43	20	170	112		51.8%
	# Sold	1,412	1,434	664	484	3,994	4,881		-18.2%
	$ Sold	$334,000	$261,000	$110,000	$81,000	$786,000	NA		NA
Goats	# Farms	34	62	106	55	257	293		-12.3%
	# Inventory	630	1,006	1,014	588	3,238	4,049		-20.0%
	# Farms	18	40	54	15	127	73		74.0%
	# Sold	416	717	597	110	1,840	1,064		72.9%
	$ Sold	$66,000	$128,000	$96,000	$16,000	$306,000	NA		NA
Meat Goats	# Farms	22	24	49	38	133	NA		NA
	# Inventory	NA	396	450	308	1,154	NA		NA
	# Farms	13	18	22	9	62	NA		NA
	# Sold	NA	256	NA	83	339	NA		NA
	$ Sold	NA	$38,000	NA	$14,000	$52,000	NA		NA

*Some data not available/not included in total

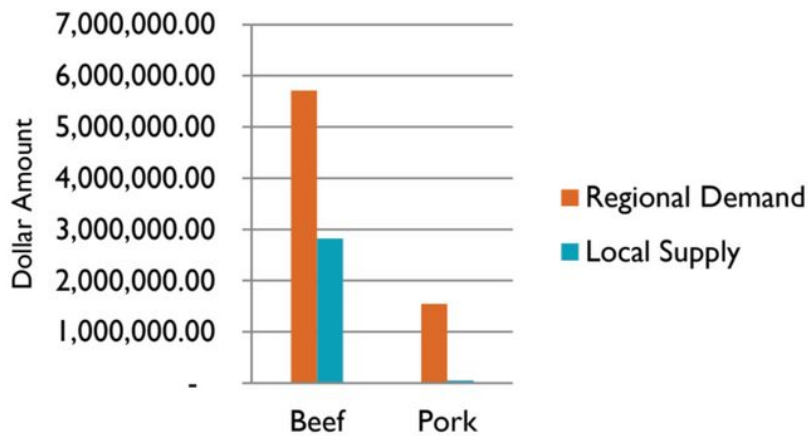
Note: For goats, 2002 data not available and 2007 data is used for comparison

The above table suggests that livestock numbers have been increasing for most categories over the period covered by the various reports that have been reviewed as part of this study.

Demand for Local Meat

According to the "Local Food and Agriculture" study adopted in 2014, the local demand for meat is significantly greater than local meat production:

Figure FA17: Comparison of Local Supply to Demand - Meat



Source: Keep Berkshires Farming Surveys

Livestock Processing Capacity

Although the supply of local livestock for meat appears to be increasing and the demand for local meat outstrips the supply of local meat, it is unclear that there is actually a shortage of processing capacity for local producers.

Based on facilities identified by BAV and conversations with local ag organizations, there are nearly 40 livestock processing facilities available to producers in the region, including 11 USDA red meat facilities, 5 USDA poultry facilities, 6 USDA cutting/wrapping facilities, 7 state inspected custom slaughter facilities and 10 state inspected custom poultry facilities.

Current slaughterhouse capacity vs. demand

Using cattle as a surrogate for the total livestock processing capacity available to the region:

- The inventory of beef cows is approximately 7000 animals that potentially are available for slaughter (based on the livestock inventory on pg. 6). This would assume harvesting of all available animals.

- According to the USDA Livestock Slaughter 2019 Summary, there were a total of 34 USDA inspected plants that slaughtered 38,348 head of cattle in New York and 26 USDA inspected plants that slaughtered 25,339 head in New England. This works out to about 1000 head/slaughterhouse annually.
- 11 facilities @ 1000/facility = 11,000 head of cattle slaughtered/year at facilities available to the region's beef producers.
- The above suggests that the facilities available to the region's livestock producers have enough capacity to accommodate the current demand for processing.

In addition, one of the existing value-added facilities has been purchased and the new owners have plans for a significant investment to expand capacity and the services offered. Also, there are plans to build a new red meat slaughter facility in Washington County, NY. This new facility would add significant slaughter capacity to the region, although they already have commitments that will use much of this additional capacity. Significant federal funding has been secured in support of both of these projects.

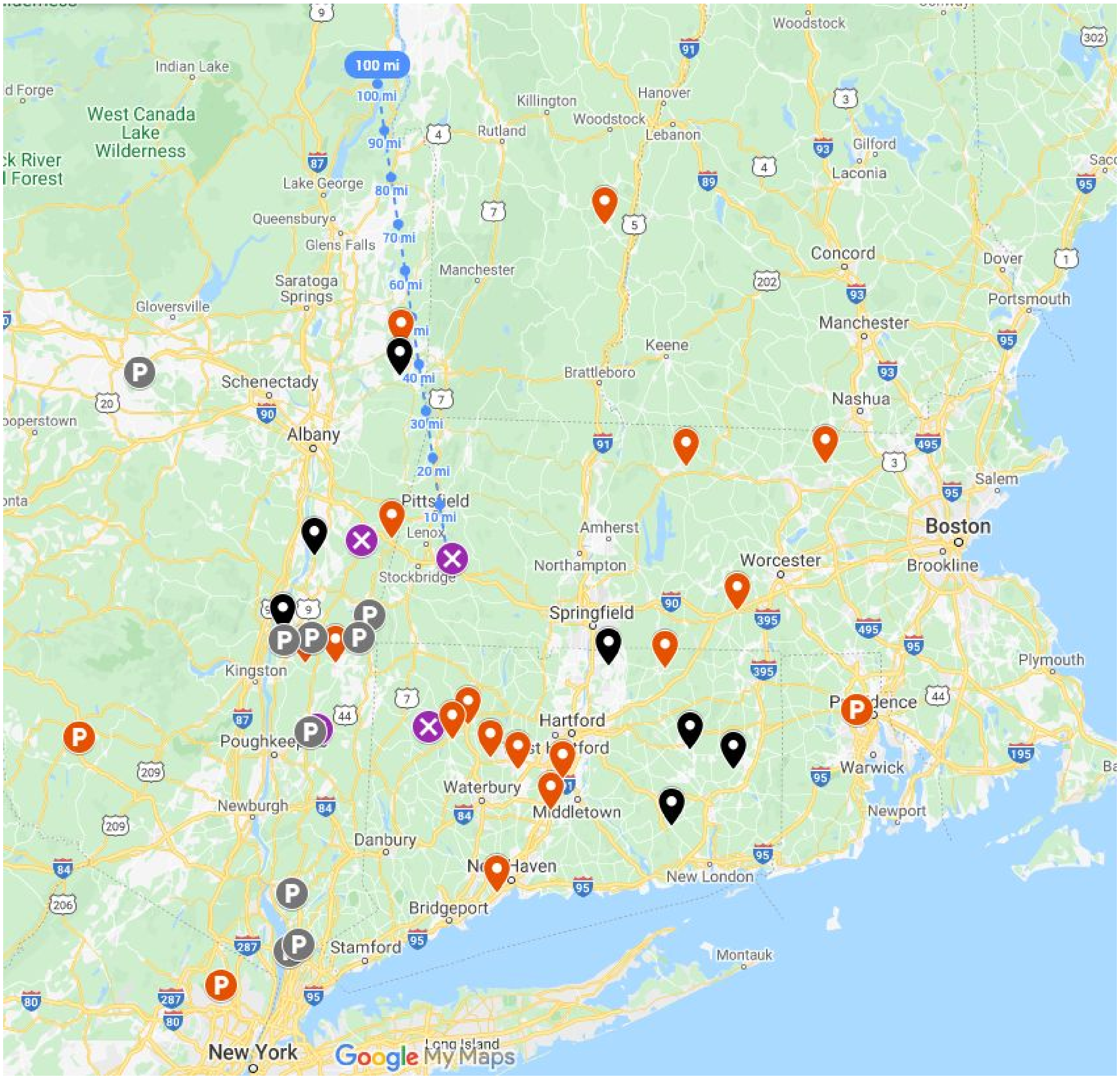
Discussions with Dan Carr of BAV, who is also a local producer, and Martin Broccoli, Cornell Cooperative Extension Ag Economic Development Specialist suggest the following:

1. There are seasonal bottlenecks (typically from September – December) when slots for slaughtering animals need to be scheduled months in advance.
2. Producers also report inconsistent quality of the services provided by processors, including problems with packaging and labeling.
3. Some processors have also experienced food safety issues.

These issues seem to be consistent with the 2019 Cornell study that found similar issues with processing bottlenecks caused by seasonal fluctuations in volumes and challenges of maintaining operations and profitability[3]. Smaller producers in the region (which are typical of the region's producers) are more likely to experience processing issues, as they may have little leverage with processors in scheduling and they may have less established relationships with processors. For larger, more sophisticated producers, local processing capacity may be sufficient to meet their needs.

[3] The State of the USDA Inspected Red Meat Harvest & Processing industry in New York & New England

Mapping the Region



Dan Carr provided a list to KTC of both USDA and Custom and State slaughter and processing facilities (for red meat and for poultry) used in the region (see here for more details on each facility). This list may not be 100% up to date but is comprehensive enough to be used to ascertain the general geographical location, density and type of facilities available to regional farmers. Black & Grey icons are Custom or State facilities while Red are USDA. The "P" denotes a poultry processing or slaughter facility.

You can view the interactive map of these facilities here:
https://www.google.com/maps/d/u/0/edit?mid=1ugamZ84wUsqimBGFa49yqvz6txcy2E0w&usp=sharing
All but one of these facilities fall within a 100 mile radius of Berkshire County with the majority being located within a 50 mile radius. Please note that these are radiuses and not necessarily driving distances. You can use the interactive map to find a specific driving distance from a desired point to one of the facilities.

Impact of COVID

While slaughter capacity may generally be sufficient to meet the needs of the region's farmers, the global pandemic had a significant impact on the meat processing supply chain in 2020. The result was that processors were not able to keep up with demand from producers. This was noted in the BAV farmer audit, as well as in conversations with a number of individuals knowledgeable about this situation, including:

1. Cynthia Pansing, Executive Director of Berkshire Ag Ventures
2. Dan Carr, Outreach & Technical Assistance Coordinator for Berkshire Ag Ventures and livestock farmer
3. Todd Erling, Executive Director of Hudson Valley Agribusiness Development Corporation
4. Martin Broccoli, Cornell Cooperative Extension Ag Economic Development Specialist
5. Sherry Bertramsen, USDA Livestock Slaughter Specialist

This input and analysis of the information collected suggest the following:

1. Not unlike the demand for toilet paper, consumers anxious to fill their freezers with meat created a short-term run on meat supplies.
2. Concerns about safety at large meat processing facilities and food security issues in general increased demand for locally sourced meat.
3. Residents of New York City and Boston fleeing to weekend and summer homes in the Hudson Valley and Berkshires also created additional demand for local meat, with less concern about pricing.

4. The ripple effect of COVID disruptions to operations at large meat processing facilities around the country reached local processors, creating increased demand competing with local producers for slots. Evidence of this is found in national statistics that show year-over-year declines in processing volumes at commercial facilities and increases in volume at custom exempt facilities.
5. While producers have limited ability to increase their supply of animals to meet increased demand due to the lead times required to bring animals to market, it's likely that market conditions did encourage producers to slaughter more animals than would have otherwise been the case.
6. Due to limitations of available labor, capital, and cold storage, local processors have limited flexibility to expand their capacity to meet surges in demand. Once a bottleneck occurs, further increases in processing demand only serve to increase the queue of farmers lining up to have their animals slaughtered.

The impact of the above was likely even more severe for the smaller producers of the region that have little leverage with processors and less well-established relationships that can be relied upon to get the services they need during such challenging times.

To the extent that the above explains the experience of producers and processors in 2020, it does not necessarily foretell how the demand for processing will change in future years. There is evidence, based on USDA statistics showing more USDA slaughter facilities operating on Saturdays, that processors are catching up with demand. While increased consumer preference for local meat may have been spurred by the impact of the pandemic, how much this will impact future demand is unknown. As these trends existed prior to COVID, it's likely that they will continue, but perhaps not at the unprecedented levels experienced in 2020.

Any specifics as to 'how much' of the demand and market share local meat will command after COVID is anyone's guess at this moment. There is simply not enough information to make an accurate assessment at this time. Michigan State University has noted:

> *"The "buy local" movement was on the upswing prior to COVID-19, so that is expected to continue and strengthen now that additional consumers have experienced farm markets, farmer's markets and direct sales of fruit, vegetables, beef and other protein products. How much of an increase is hard to gauge but it would be worthwhile for direct market producers to plan on increased 2021 sales and adjust production and marketing. Those not doing direct marketing should consider direct marketing if they are in a position to sell a portion of their products in this manner. Beef producers selling locally should also consider increasing herd size since local beef demand will probably remain high. Farm supply businesses will probably also have increased demand in chicks in ducklings for at least 2021.[4]"*

Note that how much to increase is still a guess at this point. A University of Kentucky article[5] though directly contradicts the recommendation from Michigan stating:

> *"My guess is most of the new producers who are taking up processing capacity will only be in this for the short-run. Finishing cattle is a long-term commitment. Pasture finishing typically requires around 1.5 years after weaning, and the short-term impacts from the Coronavirus will hopefully be over far before that time-period is up.*

Additional Feedback

Prior to completion, this report was shared with other stakeholders to get input on its conclusions and proposed next steps. Feedback was received from the following individuals who participated in Zoom calls to discuss the report:

- Amanda Freund, Freund's Farm dairy farm
- Mike Webster, Tory Hill LLC and producer
- Kathy Orlando, Sheffield Land Trust

Feedback from these discussions included the following:

1. Although the data suggests that there is sufficient slaughterhouse capacity, in practice this does not reflect the experience of producers in the Berkshires that struggle to get slots for their animals, even during the slower months.
2. In addition, the quality of services provided is also a problem.
3. Better service and better access to processing are needed to allow livestock producers to expand and be more profitable.
4. There could be significant philanthropic support in the Berkshires for building additional slaughterhouse capacity.

[4] Michigan State University Extension, 2020; "How food purchasing changed in 2020 – Did we get it right?". https://www.canr.msu.edu/news/how-might-covid-19-change-food-purchases-this-summer
[5] University of Kentucky, Halich, G. 2020; "Locally Produced Beef and Coronavirus Impacts". http://agecon.ca.uky.edu/locally-produced-beef-and-coronavirus-impacts

5. There needs to be a long-term plan to address the issue of slaughterhouse/processing capacity.
6. Processors need to be included in these discussions.
7. Labor is a big challenge for processors.
8. Facilities need to be USDA inspected.
9. There is a demand for poultry facilities and it may be more efficient to combine with a red meat facility.
10. Communities need to be educated about the need for these facilities to support local food and agriculture and towns need to be engaged in these discussions.
11. Consider providing a “toolkit” for processors to help them get USDA inspected and improve operations.
12. Supporting existing facilities may be more feasible than creating a new facility.
13. Many existing facilities are very much in need of improvements.

Phase I Conclusions

1. Prior studies suggested that a small scale facility might be feasible, but only if capital requirements are limited/with significant grant funding, management of volume, and support from producers & community.
2. None of the studies previously completed resulted in a new facility and no one stepped up to operate a new facility. If a new facility would be built now, who would operate this facility?
3. In addition to the conclusions of prior feasibility studies, reports of financial distress causing the closure of some facilities and new/expanded facility capacity coming online all suggest that the significant investment in another new facility would not be justified.
4. Although a number of studies reported waiting lists for processing and significant costs to transport animals to processing facilities, it is not obvious that there was not sufficient processing capacity to meet the needs of producers prior to the pandemic.
5. Any challenges pertaining to livestock processing have a more significant impact on smaller producers and these impacts were likely exacerbated by the pandemic.
6. The global pandemic may have accelerated trends related to the increased demand for locally produced meat and, in turn, highlighted the limitations of the local meat processing infrastructure.
7. The financial viability of slaughterhouse facilities is negatively impacted by the seasonal nature of current livestock finishing schedules, limited cooler capacity, as well as limited availability of labor and capital.

8. Rather than incurring the cost of building and operating a new facility, it may be more prudent to invest in improvements to existing facilities, including infrastructure, cold storage, labor and safety enhancements that would improve the quality of services offered and provide greater flexibility to meet increased demand.
9. Improved scheduling of animal slaughter would facilitate reduced lead times for producers and improved efficiency and profitability for producers.
10. Coordinating transportation of animals to slaughterhouses would also improve efficiencies and provide improved access for livestock producers.
11. It's unclear if producers will expand production if access to processing is improved.
12. There appears to be sufficient capacity at existing slaughterhouses to be able to meet the region's demand for processing.

Next Steps (Phase II)

Objective

Identify solutions to help the region's livestock producers address processing challenges in the short and long term so that these farmers grow and become more profitable.

Opportunities for Further Consideration Generated During Phase 1

1. Establishing a meat producer association was recommended by BAV: Our Regional Landscape, Local Food and Agriculture, Keep Berkshire Farming, Pride of Vermont, Hudson Valley Livestock Marketing Taskforce studies
2. Coordinated scheduling/adjustment of production schedules
3. Coordination of transportation
4. Regional marketing/branding
5. Investment in existing facilities (capacity, service, refrigeration) to better serve producer needs
6. Formation of a 'slaughterhouse SWAT' team made up of financial and processing professionals to guide processors through actionable efficiency and capacity improvements (boots on the ground/in house)

How We Meet Our Final Objective

Forage

Purpose: To brainstorm as many potentially good ideas from the community for future analysis
Process: Identify relevant ideas/options by interviewing/surveying the BAV advisory group of 30, leveraging Marty Brocoli's survey of processors, and other outreach.
Criteria: Any and all ideas that seem reasonable
Deliverable: List of opportunities with a sentence or two of description + scoring process.

Crowdthink

Purpose: Using the advisory group's collective knowledge. experience, and gut instincts, we will quickly narrow the field to a reasonable number of opportunities that can be more deeply assessed.
Process: Score all opportunities using criteria in order to develop an average score for each opportunity. Use average score to rank opportunities.
Criteria: Likely to help increase processing efficiency, likely to be viable, likely to find a driver
Deliverable: 5 good opportunities.

Thinning

Purpose: To use data and research to have a more thoughtful potential thinning of the top 5 opportunities in order to further focus the research.
Process: Research and present information in a concise and consistent manner to inform and empower the committee to select the final 5 opportunities to pursue.
Criteria: The size of the investment, level of economic impact, potential to identify a person who is responsible for carrying out the opportunity and willingness to invest.
Deliverable: 3-5 GREAT opportunities that have been vetted by the group and with focused market and industry research evidence.

Harvest

Purpose: To summarize and document all strategies in a cohesive, well-organized report.
Process: Outlines top opportunities for meeting the ultimate objective, identify specific programs, facilities, or organizations to test drive the initiatives. Include recommendations for stages of growth, funding required and provide the underlying financial models, research data, and opportunity scoring tools used in the project. Include both long-term regional strategies (5 - 10 years), and detailed and actionable implementation plans for short-term (1-2 year) and mid-term (3+ year).
Deliverable: A cohesive and actionanable road map for meat processing in the Berkshire region.

We anticipate that the execution phase after Phase 2 will take three years with an eye on reforming and replicating the action plan over the course of ten years.