Livestock Program Work Team

Cornell Cooperative Extension

Reports - News

Red Meat Processing in NYS: Bottleneck in the Local Food Economy

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Executive Summary

The livestock industry provides value to NYS by contributing approximately $893M in sales to the economy and supplies nutrient-dense food for local consumers. The COVID-19 pandemic highlighted the weaknesses in the current NYS livestock supply chain, especially the bottleneck of meat processing.

This study was developed to clarify challenges, specifically barriers to increasing processing capacity in NYS. To meet this goal a survey was developed and administered via one-on-one interviews to 112 USDA, Custom Exempt, and 5A processors over the course of 6 months from Oct 2020 to Feb 2021.

The results of the survey showed that there is interest by processors in increasing capacity. Of the Custom Exempt processors, 31.6% would be interested in transitioning to USDA especially if funding was made available (20.3% without funding), and 59.1% of USDA processors would be interested in increasing capacity if funding was made available (54.6% without funding).

In addition to accessible grant funding for meat processors, additional efforts would be needed to increase the supply of NYS-raised meat, including: 1) a staff position(s) to provide technical and logistical assistance to new

and existing processors and farmers, 2) defined pathways to employment as a meat cutter, 3) more value-added processing facilities, and 4) investment in creating and maintaining an updated directory of all meat processing facilities that serve farmers in NYS. Together with grant funding for processors, these investments would build a more robust local food supply chain, one that is better equipped to overcome COVID-19-like shocks to our food system.

Introduction

The livestock industry provides value to the NYS economy. According to a 2014 analysis on the economic impact of agriculture, the non-dairy livestock industry contributes $893 million in sales to the economy, and an extensive and diverse range of products to local and regional markets.[1]

Prior to the COVID-19 pandemic this industry already showed potential for growth, as demand 2for local products had been on the rise for several years.[2] This demand was mirrored by a 2017 Cornell Small Farms Program poll where 85% of livestock producers surveyed believed that the NYS livestock sector had potential for growth.

In 2020, the COVID-19 pandemic caused a spike in demand for local meat. The increase in local meat sales resulted in increased need for the services offered by the small processors, who could not accommodate the surge. Many reported having hundreds of names on a waiting list and telling their farmer customers they could not accept new bookings through 2021. As a result, [3],[4]. panicked livestock producers were scrambling to provide for their customers. In July 2020, the Cornell Small Farms Program surveyed NYS livestock producers about the impacts of COVID-19 on their businesses. Of the 650 farmers responding, 85% reported that demand for their products had increased, but 81% could not meet this increased demand because of inadequate processing capacity [5].

This study was developed in response to this need with the hope to answer the questions 1) is there an interest by existing processors to increase capacity; 2) what are the perceived barriers to increasing capacity; 3) how would the opportunity for external funding affect the interest of increasing capacity and; 4) what recommendations can be made to help the livestock industry in NYS. Additionally, we intend to build a searchable directory of processing facilities in NYS for farmers and other stakeholders.

Materials and Methods

A small team of CCE educators and Cornell Extension faculty developed and administered a survey via one-on-one interviews to NYS processing plants from October 2020 through February 2021. The call list came from NY Department of Agriculture and Markets and USDA, fine-tuned with personal knowledge, internet searches, and contacts.

Results

There are approximately 300 processing plants in NYS. They consist of USDA Inspected, Custom Exempt [6], and 5A facilities [7]. The focus of this paper will be on USDA and Custom Exempt plants. Educators made 184 calls and completed 112 surveys. Table 1 lists the type and percentage of plants that completed the survey.

Table 1. Type of inspection listed by processors that completed the survey.

Type of Processor	Percent Reporting
USDA federal inspection	16%
Custom Exempt (may include venison processing for hunters)	52%
NYS 5A non-amenable livestock (e.g. farm raised deer, bison, rabbits) licensing	11%
NYS 5A poultry licensing	19%
None of the listed services are offered	2%
Total	**100%**

Beef and dairy cattle, small ruminants (sheep, goats), and swine make up the majority (65%) of the animals processed. These species are followed by hunter harvested deer (11%), poultry (7%) and other (bison, farm raised deer, and elk). While only 11% of the total, the timing of processing hunter-harvested deer coincides with a higher demand for livestock processing. This creates a seasonal Fall bottleneck.

Custom Exempt Transition to USDA

As shown in Table 2, without grant funding only 20.3% of Custom Exempt plants stated they would be interested in transitioning to USDA, 17.7% 'maybe', and 62.0% stated 'no'. If funding was made available those interested increased to a total of 31.6%, 'maybe' to 25.4%, and 'no' decreased to 43.0%. With 52% of the meat processing capacity in the state being Custom Exempt plants (Table 1), even if a small proportion of these plants transitioned to USDA inspection this would greatly improve the state of the livestock industry in NYS by increasing potential market channels for the producers.

Table 2. Interest in Increasing Capacity with and without external funding (Custom Exempt to USDA and USDA increase capacity)

	Custom to USDA	Custom to USDA (w/Funding)	Increase USDA capacity	Increase USDA capacity (w/funding)
YES	20.3%	31.6%	54.6%	59.1%
NO	62%	43%	22.7%	22.7%
Maybe	17.7%	25.4%	22.7%	18.2%

Of those surveyed, 31% said they did not know how much external funding would be required to transition, but 75% said they could cost share at least some of the external monies received.

USDA Increasing Capacity

Again, in Table 2, without funding 54.6% of USDA facilities stated they would be interested in increasing capacity, 22.7% stated 'maybe', and 22.7% 'no'. If funding was made available, those interested increased to a total of 59.1%, 'maybe' remained at 22.7% and 'no' decreased to 18.2%. The availability of external funding was not an incentive for those USDA processors that had no or moderate interest in increasing capacity.

The USDA processors indicated that the estimated cost to increase efficiency was over $200,000 and 82% of the plants said they could cost-share a portion of the external funding. Half of the respondents said they could cost-share 26%-50% of the cost to expand.

Barriers to Increasing Capacity

Both types of processors were asked to identify barriers (Table 3). For Custom Exempt operators, the major barrier was financial and labor constraints. The remaining factors were of lesser and similar value. For USDA processors, labor was the largest barrier followed by space. Financial, while important for USDA plants, was less so than for Custom processors. Based on conversations with plants surveyed, USDA operators appeared to have a better handle on the cost to add new equipment, machinery, cooling space, etc. Their concern was not in making the investment but in finding labor.

Table 3. Major barriers to transitioning from Custom Exempt or increasing capacity (%)

Barrier Type	Custom to USDA	Increase USDA capacity
Financial Constraints	46	32
Labor Constraints	41	68

Regulations	33	19
Space Constraints	32	50
Paperwork	29	0
Modernization	29	23

Values do not add to 100% because participants were allowed to rank barriers as "no barrier", "moderate barrier", or a "major barrier".

Recommendations

To overcome the identified barriers (financial, labor, and space), support is needed. To assist farmers and processors and strengthen the NYS food supply chain, specifically regarding livestock production and processing, we make the following recommendations:

1. *Extension Support*

   a. Support to existing processors for evaluating diversification (Custom Exempt to USDA, USDA increasing capacity), developing HACCP plans, business transition/succession, and labor.

   b. Support for interested parties in building new processing facilities.

2. *Pathways to Employment as a Meat Cutter.*

   With reliable labor a major barrier to processing expansion, no solution will be successful without creating new pipelines of employees.

3. *Accessible Grant Funding for Modernizing or Expanding Existing Processing Plants.*

   At least 18 other states have utilized CARES and other COVID-related funding to 8 provide grants to existing small meatpackers in their states.[8] Existing facilities have a proven track record for success, and they are willing to cost-share on external funding.

4. *List of packing plants and Development of a Farmer/Processor Network*

   Farmers and other stakeholders involved in navigating the supply chain are often not aware of the various processors available to them, and the list is constantly changing, old plants going out of business and new plant being started. By developing a list of packing plants in NYS and making it publicly available locating plants would not be such a challenge. In addition, there are many challenges beyond identifying plants that would benefit from an improved network between farmers and processors (possibly through the services of a third party).

5. *Support value-added processing facilities.*

a. The dairy industry is the largest animal industry in NYS. Market dairy cows could be a large supply of ground beef for institutional facilities, but we lack adequate processing for cull cows in NYS.

b. Support for the Farm to School program to get NYS meat in schools. The NYC school district requires cooked meat for their students. Infrastructure that includes a cooking facility would add value.

Working together--and with additional investments of staff positions and funding--Cooperative Extension, farmers, and livestock processors can build resiliency into New York State's meat supply chain.

For more information, please contact **Erica Frenay**, Cornell Small Farms Program Livestock Specialist, at ejf5@cornell.edu.

[1] Schmit, T. M. 2016. The Economic Contributions of Agriculture in New York State (2014). In: Cornell University (ed.), Dyson School of Applied Economics and Management.

[2] Thilmany-McFadden, et. al. The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments, and Choices. U.S. Department of Agriculture, Agricultural Marketing Service, March 2016. Web.

[3] Thilmany, D., Canales, E., Low, S.A. and Boys, K. (2021), Local Food Supply Chain Dynamics and Resilience during COVID-19. Appl Econ doi.org/10.1002/aepp.13121 Perspectives and Policy, 43: 86-104.

[4] Niche Meat Processor Assistance Network (NMPAN). *August 2020 Impact Assessment*. August 2020. Accessed September 2020/. lfscovid.localfoodeconomics.com/impact_assessments/niche-meat-processor-assistance-network-nmpan/

[5] July 2020, SFP Producer Survey

[6] A Custom Exempt plant is under the jurisdiction of the USDA, however, there is no Federal Inspector present while the animal is processed so the meat can only be consumed by the owner(s) of the animal.

[7] 5A facilities process non-amenable farm-raised game species such as bison, farmed deer, and rabbits, and depending on the market channel that is used to reach the consumer it may require federal inspection at a USDA facility.

[8] Niche Meat Processors Assistance Network: www.nichemeatprocessing.org/state-funding-programs-for-meat-processing-facility-improvements-upgrades-new-facilities/

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