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August 28, 2021

Mae Wu
Deputy Under Secretary
Marketing and Regulatory Programs
U.S. Department of Agriculture
Washington, D.C.

RE: Docket AMS-TM-21-0058
Submitted via Regulations.gov

Dear Deputy Under Secretary Wu,

The National Bison Association, a membership organization representing 1,200 ranchers, processors, marketers and enthusiasts in 49 states, is submitting the following comments on the Request for Information on Investments in Opportunities for Meat and Poultry Processing infrastructure.

For too long, the concentrated, industrialized meat processing sector has operated like the Wizard of Oz, with its weaknesses hidden by a curtain of “conventional wisdom” regarding resilience and efficiency. COVID-19, along with recent ransomware attacks and other factors, has pulled back that curtain to expose the lack of resiliency in the meat processing system.

Because the U.S. bison business relies exclusively on a processing structure of small and very small processing plants, we were largely shielded from some of the direct impacts of the closure of the large processing facilities. However, our industry faced significant ancillary impacts as producers of mainstream commodities overwhelmed the capacity of small and very small processors across the country.

Our recommendations on improving the resiliency of the meat processing sector were filed as public comments on June 20, 2021, in response to the April 21, 2021 Federal Notice requesting input on President Biden’s Executive Order to Support Resilient, Diverse and Secure Supply Chains.

We are pleased that USDA is now requesting input on how best to utilize the $500 million in resources allocated under the American Rescue Act to strengthen the nation’s meat processing infrastructure. Many of our comments mirror the recommendations already submitted by the Niche Meat Processors Assistance Network. Other portions reflect our industry’s experience in reliance on small and very small processing plants.

As a general overview, we recommend:

- Providing new subcategories within the current classification of “small” processors.
- Assistance be directed to facilities with fewer than 250 employees;
- Resources first be allocated to existing facilities to assist in expansion and upgrades; and
- All resources must be made available to processing facilities conducting voluntary inspection.

The following lists our specific responses to the sections of the RFI relevant to the bison business.

1. General Considerations

What competition challenges and risks might new entrants face from high levels of market concentration or other relevant market conditions, and how can USDA and other Federal government agencies assist new entrants in mitigating those risks? What resources exist at the State, tribal, and local level, as well as at academic research centers, to assist new entrants in addressing competition challenges, and how can the Federal government support the effectiveness of those resources?

These questions are central to the ability to diversify and strengthen the meat processing and distribution system throughout the United States. The large, centralized meat processing plants utilize a number of uncompetitive, deceptive and manipulative practices to preserve their dominant position in the meat economy.

While the bison business does not contain the same degree of anticompetitive behavior that is evident in commodity meat and poultry sectors, our markets tend to be impacted by the ripple effects of that behavior.

Accordingly, addressing these anticompetitive practices in the commodity met sector should include, but not be limited to:

- Stricter enforcement of the Packers & Stockyards Act; and
- Eliminating the ability of companies to market any product as “Product of the USA,” unless the meat is actually sourced from animals born and raised domestically.

Additionally, resources at all levels of government, and within the academic institutions, should identify means to improve the ability of smaller processors and marketers to get their products into the marketplace.

The recently chartered Center of Excellence for Bison Studies housed at South Dakota State University can play a leading role in supporting the continued development of a diversified processing and marketing structure for the U.S. bison business. USDA and other federal agencies can support the Center of Excellence by directing resources to support research into small scale processing technologies.

What type of investor, developer, or new entrant would be best positioned to build a new facility, or expand an existing facility, and who could fund it? What level of experience is necessary for success?
What business and operating structures (e.g., cooperatives, farmer-owned facilities, sole proprietorship, limited liability company, B corporation, etc.) can sustain these operations?

The answers to these questions are dependent on a variety of factors. The nature of the business should determine the structure, not vice versa. A variety of ownership structures exists successfully throughout the bison business, including cooperatives, limited liability companies, individual corporations and Tribal ownership.

From the standpoint of USDA, additional resources should be dedicated to assisting the development of producer-owned enterprises (cooperatives, L.L.C.’s, etc.). However, sole proprietorship business and small corporations should not be excluded from accessing funds for development, expansion and improvement.

How can workforce recruitment, training, and retention needs be addressed to maintain or increase processing capacity?

Job duties in plants with fewer than 250 employees, and especially very small meat plants, are significantly different from those within larger plants. Specifically, the small meat plant workers must have the ability to conduct nearly every aspect of the butchering and further processing system, whereas workers in large plants conduct limited—and often highly repetitive—tasks. Consequently, training requirements for those employees is more extensive. Processers with fewer than 250 workers would benefit greatly from having USDA underwrite a portion of an employee's wages during the training period.

Community colleges, Tribal institutions and universities can play a large role in assisting in workforce recruitment, retention and training by developing butchering and/or meat processing certification programs. Those institutions should have access to federal funding to develop that capacity. Financing considerations should be given to new and existing processing plants that can design their floorplans and training to include the capacity for instruction (observation areas, classrooms, etc.).

What regions show demonstrated processing needs, at what levels, and for which species?

For bison, there is a clear need for additional processing capacity east of the Mississippi, and along the Pacific Coast. This does not necessarily require construction of new facilities. Existing facilities that process beef can generally handle bison, if they have the proper handling equipment prior to slaughter. Funding should be available to enable those plants to upgrade their animal handling facilities.

Additionally, the cost of voluntary inspection is a major impediment for plants to process bison or other nonamenable species. We urge a significant reduction—or elimination—of the cost of voluntary inspection.

What constitutes sufficient actual demand for small and very small processing facilities to keep a business operational with appropriate cash flow? For context, USDA defines a ``small'' establishment as those with 10 or more employees but fewer than 500 employees; a ``very small'' establishment is one with fewer than 10 employees or less than $2.5 million in annual sales. Any establishment with 500 or more employees is considered ``large''; there is no mid-scale size category.

The definition of small meat plants is simply too broad. A facility employing 50 workers faces significantly different challenges than a facility with 450 workers. We recommend three subcategories for facilities currently classified as "small:

- 10 – 100 employees
- 101 – 249 employees; and
- 250 – 499 employees

How can USDA support access to processing services for smaller-scale producers? Are there opportunities for producers to engage in cooperative or collaborative arrangements with each other or other facilities to both ensure access and provide a sufficient supply for a plant to operate? If so, what government assistance would be needed to facilitate that type of arrangement?

One key priority would be to provide resources for smaller processors to work with their rancher-suppliers to finish their animals for optimal harvest quality, either through grain finishing or grass finishing regimens. Many cow-calf producers would benefit from a retained ownership program but have few options beyond selling their calves to commercial feeders or conducting on-ranch finishing. Providing resources for the development of more diversified finishing facilities located near the processing plant would provide greater stability and profitability for the ranchers, and for the processors.

As mentioned above, reduction or elimination of the cost of voluntary inspection would increase the access that bison producers have to smaller scale facilities. Because those facilities process fewer animals, the per-animal cost of voluntary inspection is significantly higher than the costs experienced in larger plants with higher throughput.

What metrics illuminate the extent of the competitive environment for the products or services that producers and growers offer, including at the local level? What factors up and down the supply chain affect that competitive environment?

Critical factors impacting the competitive environment for bison include:

- Proximity of a facility to the available supply of animals for harvest;
- Distribution of finished products; and
- Full carcass utilization.

Because of the nature of the animal, a significant share of bison production is conducted in relatively remote and isolated areas. For bison producers, connecting with a processing plant often entails hauling animals significant distances, which results in shrinkage and potential loss of meat quality.

Processing plants located in areas where bison are produced face a similar problem in economically distributing and marketing the finished products. Some processors in bison-heavy regions are more than 800 miles from a significant commercial retail or foodservice distribution center. Transporting LTL shipments of finished product to those distribution centers incurs significant costs, which must be passed on to the end consumer.

The largest competitive challenge for small and very small processing facilities, though, is full carcass utilization. This is particularly true for byproducts. The large meat processors receive relatively low prices for most byproducts, but they at least receive some revenue. Many small and very small meat processors have to pay to have those byproducts hauled to a landfill. Resources that will help the processors put up byproducts in a manner that can then be utilized by the pet food or other industries would be a huge benefit for these small plants. Alternatively, funding could be made available for plants to install incineration equipment that would convert the byproducts into energy that can then be used to offset the power costs for the facility.

What seasonal throughput issues (e.g., under- and over-utilization during parts of the year) or regional challenges need to be considered for plant expansion or development?

The biology of bison presents a significant challenge for processors and marketers to provide a year-round supply of meat for the market. Unlike cattle, there is virtually no fall calving in bison. Thus, the annual supply of calves are born between early April through mid-June in most of the country. This means that the majority of the animals naturally reach harvest weight between October and February.

Altering bison to produce more fall calves is not the answer. The spring calving in bison evolved over thousands of years and fits with the natural cycles of the North American grasslands.

Processors focusing on a frozen meat program could benefit by having access to funds for additional cold storage to keep inventory on hand throughout the year. For processors relying on a fresh meat program, investment in finishing facilities will be beneficial to allow for helping to regulate the time in which the animals reach harvest weight.

How do processing needs and challenges vary by species and by value-added product types (e.g., organic, local, grass-fed, kosher, halal)? Do these needs require special types of funding (e.g., to encourage continued innovation)?

As mentioned above, the annual calving cycle for bison concentrates the number of animals available for harvest in a relatively narrow timeframe each year. Funding to assist producers in making the finishing cycle more even, and to allow processors to increase cold storage and value-added capacity, are important.

Again, the cost of voluntary inspection continues to impede the ability of small and very small processing plants to handle bison and other nonamenable species.

In regard to the other issues (organic, grassfed, halal, etc.) these specialized markets offer a significant opportunity for smaller processors. Large meat plants don't want to slow their line speed to handle one truckload of organic or grassfed animals.

As such, adequate resources need to be available to assist small and very small meat processors in being equipped for specialized certification.

How can USDA and industry stakeholders partner with institutions of higher education, including community colleges and other academic institutions invested in the local community, such as Tribal colleges or land grant institutions, or other partners to start up or expand meat and poultry operations including workforce development and training programs related to entrepreneurship, meat cutting, or other necessary skills? Could these programs serve as technical education opportunities for non-university students? What type and level of funding would be required to support such programs?

As mentioned previously, community colleges and Tribal collages can provide a significant resource in training qualified workers for small and very small facilities. Institutions wanting to implement a meat cutting/butchering certificate program should have access to funding to purchase the processing equipment required for realistic training purposes.

2. Fair Treatment of Farmers and Workers and Ownership Considerations

What conditions should be placed on federally funded projects to ensure fair and equitable outcomes (e.g., requirement that jobs that can support families; transparency in pricing; fair dealing)? What conditions should be included related to the sources of materials being used to construct or expand the facility (e.g., buy American)?

While these considerations are all important, it is imperative that any special requirements be imposed on all processors. Otherwise, small and very small processing plants being constructed or looking to expand will face additional competitive barriers with the large processing plants. For example, Buy

America is a very worthy goal, but requiring a small plant to buy domestically produced equipment, while large products can buy from cheaper foreign suppliers, would compound the disadvantage those small plants already face in the cost of construction and expansion. Unless any federal funding factors in the additional cost incurred, the recipient of those funds will be at a competitive disadvantage against the larger plants.

What steps would require or encourage the creation of high-quality jobs for workers employed during construction and within the operational facility (*e.g., prevailing wages and fair opportunities to collectively bargaining)?*

Again, any requirements that will increase the costs of construction, expansion or operation of a processing facility mut be uniform across all sizes of operations. Requiring small and very small facilities to adhere to these provisions, while allowing large plants to ignore them, only amplifies the competitive disadvantage already borne by small and very small processors.

If those provisions are included in any federal grants or loans, those provisions should be well-known at the outset because they will impact any bids or contracts developed by the processing facilities.

Should the processer be required to purchase a minimum volume through auctions or other public transactions?

No. The problems associated with captive supplies of animals are relevant for the large meat processors but are not an issue for small and very small plants. These smaller processors work to cultivate a relationship with their customer base, and contracts are rarely used.

3. Loans and Other Financing Considerations

What financing tools facilitate access to capital for small meat and poultry processing companies? In your response, please consider the stage of corporate development (e.g., startup, onsite expansion, restarting an idled facility, new location), the potential use of funds (e.g., working capital, construction, credit lines, equipment), and the type of financing (e.g., grants, installment loans, balloon payment loans, equity like investments). Please also consider the prospective borrowers' type of business model (e.g., cooperative, farmer joint-ownership, employee-ownership, mobile meat- and poultry processing operations).

What are the most pressing needs of the meat and poultry processing sector with regard to financing, and what action should USDA take in the immediate term to improve access to capital for small and very small meat and poultry processors?

Grant funding through USDA Rural Development or USDA Agricultural Marketing Service should be expanded to allow for feasibility assessment for new facilities, and business expansion for existing facilities.

For construction or expansion of facilities, based upon the results of a reliable feasibility analysis, grant funds with a matching requirement would be very useful. Another option would be low-interest or zero-interest financing through Rural Development RDL&G or B&I programs.

Developing value-added capacity is a key priority for plants to optimize carcass utilization. Similar grants or zero-interest loans should be available to support the acquisition of value-added processing equipment.

We recommend that $200 million to allocated to create a plant expansion direct loan option, with amounts ranging from $1 million to $3 million per eligible applicant (facilities with fewer than 250 employees)

Additionally, grant funds should be made available to small and very small meat processing enterprises to conduct market research and brand development for their products.

What type of upstream analysis of customers/product demand is needed to justify the level of lending or financial support?

Every pound of meat processed from an animal should ultimately have an outlet in the marketplace.

The lack of market information and analysis is a significant hurdle for small enterprises committed to penetrating the retail or food service sectors. USDA Economic Research Service (ERS) is a good source of data, but much of that information is outdated by the time it is published. And many ERS market studies offer a snapshot of conditions at one point in time, without ongoing analysis of trends. Additional resources dedicated to ERS for more rapid analysis, along with ongoing market studies, would be very beneficial to entrepreneurs.

Additionally, grant funding should be made available so that small processing/marketing enterprises can access market data through IRI, SPINS or other services. And those grants should support consumer research including focus groups and market basket surveys.

What barriers, if any, exist that reduce access to capital for very small and small meat and poultry processors? In your response, consider collateral, capital, capacity, and other factors.

Meat processing is a low-margin, high-risk business, and is subject to a number of economic factors beyond the control of any individual plant owner/operator. Conventional lenders are very averse to financing small and very small meat processors.

Direct, low-interest loans, and loan guarantees offered through USDA, would be extremely helpful in making more capital available for small and very small facilities.

4. Grant Considerations

Would a small plant expansion program structured similarly to USDA's Meat and Poultry Inspection Readiness Grant (MPIRG), but with a focus on expanding slaughter and processing capacity for small federally inspected plants, be beneficial? If so, at what award ($) level per grant and for what types of costs?

Yes, we support a similar program, but stress that any small plant grant program should be created in a manner that is more comprehensive and flexible than the current Meat and Poultry Inspection Readiness Grant Program.

We fully support the recommendations filed by the Niche Meat Processors Assistance Network, which recommend that small and very small inspected facilities should have access to grant funds ranging from $25,000 - $500,000 for the following purposes:

- Upgrading processing lines;
- Building expansion and upgrades;
- New buildings;
- Mobile slaughter facilities;
- Additional cold storage space;
- Processing equipment;
- Slaughter and humane handling infrastructure, such as holding pens, knock box structures, and share structures;
- Waste management and wastewater solutions;
- Byproduct utilization;
- Labeling machines;
- Developing and maintaining a Hazard Analysis and Critical Control Points (HACCP)
- plan, directly or through the assistance or training of a consultant or course;
- Becoming a certified organic processing facility under the National Organic Program;
- Developing feasibility studies for expansion or for a new facility;
- Composting;
- Training new employees, including staff wages for employees who train and those who
- are the trainees to ensure a livable wage;
- Pilot programs for small plant apprenticeships;
- Support for independent producers marketing options; and
- Other related costs of any facilities, equipment, processes, or operations necessary for the establishment to comply or keep in compliance with the Federal Meat Inspection Act (21 U.S.C. 601 et seq.) or Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

Existing facilities should have first access to these funds in order to be able to expand their capacity and improve their efficiency. Loans and grants of up to $1 million will enable these facilities to become more resilient and competitive.

Also, priority should be given to applicants that would increase access to slaughter and processing within a 200-mile radius for independent farms and ranches in that area.

What types of planning grants are necessary that are not already covered by an existing USDA grant or other financial assistance program? What other federal programs could finance or have funded processing efforts and with which USDA could partner? Are sufficient grants available now for business planning for new ventures, or is that a gap that needs to be filled?

More emphasis needs to be given to feasibility and planning assessment for distribution and marketing in commercial retail and foodservice channels. Existing programs provide assistance for farmers market and direct-to-consumer marketing, and for marketing in export markets. However, there is a lack of sufficient funding available for processors to explore market potential in domestic commercial markets, and to develop information for the development of branded products.

Are grant funds (or other funds) needed for marketing or outreach activities, including recruiting new participants in the industry?

Yes. Small enterprises—particularly start-up ventures—face daunting hurdles when attempting to gain traction in a marketplace dominated by large corporations with an army of marketing experts, ready access to real-time market research, and millions of dollars in marketing funds.

Grants to assist small enterprises in developing marketing materials, secure participation in trade shows, and to conduct other marketing activities, will position these small enterprises in being able to compete against the established corporations.

5. Technical Assistance Considerations

What are the top priorities for technical assistance that would facilitate processing expansion or increased capacity (e.g., butchery for key markets, HACCP, humane handling best practices for plant operators, labeling approval and processes, brand and market development)?

Would regional or local cooperative agreements with strategic partners be the best way to provide this type of assistance, or are alternative ways preferable and more effective?

Technical assistance on HACCP, humane handling and other regulatory requirements would be a top priority for new plants, and for custom exempt plants transitioning to federal and/or state inspection. There are currently several consulting firms providing services to plants on these topics. Grants to the small and very small plants to cover part of the cost of that consulting would be very advantageous.

Additionally, expanding food safety training and regulatory compliance programs through land grant universities, community colleges and Tribal colleges will provide small and very small plant operators with ongoing access to important resources.

USDA should ensure approximately $50 million for small processor education, technical assistance, and workforce development grants and cooperative agreements.

6. Partnerships and Combined Funding Considerations

Who can USDA partner with to best leverage the federal funds (e.g., State and local governments, private investors, philanthropic organizations)?

Coordination with state and local governments, Tribal governments, and with philanthropic organizations all offer the potential to expand the reach of any federal funding. Coordinating with the National Association of State Departments of Agriculture and the National Conference of State Legislatures could provide the ability to identify successful initiatives in individual states, and to promote expansion of those programs in other states.

Producer-controlled development projects should be allowed to utilize any funding from philanthropic organizations to qualify as matching requirements for any federal grant.

The Center of Excellence for Bison Studies, housed at South Dakota State University, is a strong potential partner for initiatives relating to the processing and marketing of bison meat and bison products. The Center of Excellence, in cooperation with the National Buffalo Foundation and the National Bison Association, is soliciting funding and focusing research on issues related to the health of bison herds and the economic stability of the bison business. Research and outreach projects to strengthen the processing and distribution infrastructure of the bison business will comprise a significant segment of the Center of Excellence’s functions.

Should loans and grants be combined to support these facilities? If so, what criteria should be used to determine what portion of the funds are offered as loans versus grants?

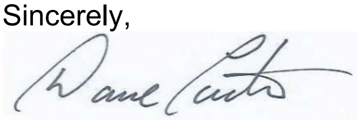
Yes, development of new facilities, as well as expansion and improvement of existing facilities, requires financial resources beyond the scope of most individual grants. Allowing for small processors to combine grants or loans can address that capacity gap. Additionally, this will foster the potential to optimize the potential impact of federal, philanthropic and private financial resources.

What conditions should be placed on grants or loans? If those conditions are not met, should the grants require repayment? If the conditions are met, should the loan be forgivable?

Performance requirements definitely need to be included in any loan or grant program in order to assure that the funds are effectively utilized. Structuring loans as forgivable if conditions are met provides a strong positive incentive for recipients to efficiently utilize any funds received.

Again, the National Bison Association appreciates this opportunity to provide input on behalf of bison ranchers, processors and marketers across the country.

Sincerely,



Dave Carter
Executive Director