

Testimony to the Vermont Senate Committee on Agriculture

Given by: Ellen Kahler, Vermont Sustainable Jobs Fund

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Topic: Meat Processing Capacity in Vermont

As you know, there is a continuum of slaughter and meat processing infrastructure in the state, each serving a particular purpose, scale of operation, and intended market and customer base. These are on-farm slaughter with direct sales to customers who pre-buy a whole or portion of an animal; custom slaughter and processing plants (typically small in scale) – again for direct sale to customers; state inspected slaughter and processing plants (for retail sales mainly in VT – but recently permitted to be sold across state lines); and federally inspected slaughter and processing plants (for retail sales and cross border sales). Each has its place in the overall system of harvesting animals for personal use and/or sale to customers through a variety of market channels.

During the month of May, the VSJF contracted with 4 consultants¹ with familiarity with the meat industry and/or had a strong background in running a business in order to reach out to the commercial meat processing plants in the state to inquire about 3 main issues:

- 1) how were they doing in obtaining enough PPEs for their workers and how were they operationalizing the changes they needed to make to comply with the Governor's executive orders related to COVID-19;
- 2) how were they doing financially and were they sufficiently planning for the possibility of having to shut down for a couple of weeks if there was a COVID outbreak at their plant; and
- 3) whether or not existing plants had additional processing capacity because of increasing demand by consumers (due to COVID-19) that were leading producers to want to harvest more of their animals and also because of the dairy crisis and the then soon to be implemented quotas that were going to lead to many dairy cows being culled and otherwise sent out of state for slaughter at often unfavorable rates. Thus, we were interested to find out if any plants had additional capacity to assist with the cull dairy needs and perhaps being able to couple this with the stated interest by the VT Foodbank to purchase up to 11,000 pound of ground beef per week, if they could get it.

Over the course of the month we had conversations with the following commercial slaughter and processing plants: Adams Turkey Farm; Vermont Packerhouse; Westminster Meats; Brault's Market; VT Livestock Slaughter & Processing; Misty Knoll Farm; NPC Processing; Royal Butcher; Maple Wind Farm; Northeast Kingdom Processing; Stonewood Farm; Green Mountain Smokehouse; PT Farms. There was only one plant that we did not connect with as they never responded to emails and voice mail messages we left. Due to a lack of funding and capacity, we were not able to reach out to custom operators or

¹ The consultants we deployed included: Rose Wilson (a consultant who has worked with a lot of livestock producers and meat processing facilities over the years, helping them with market assessments, business planning, and grant writing); Randy Quenneville (who retired 2 years ago from the VAAF where he was the chief of the meat inspection team at the Agency for many years); Chris Bailey (a successful entrepreneur who used to own and run VT Smoke & Cure); and Lawrence Miller (a successful entrepreneur, former ACCD secretary and someone working to stand up a more robust emergency feeding operation with the VT Foodbank, Capstone Community Action and others).

those inspected plants that were making more specialty items such as jerky, sausage, etc. Instead, we wanted to focus on the capacity and issues that were affecting the inspected commercial scale operations.

Here are our take aways from our outreach calls:

- Plants are doing a pretty good job (some better than others) in instituting the health and safety protocols they need to. NOTE: Our team had no way to physically verify what was verbally told to us.
- Plants seem to be financially healthy and could withstand a short shut down, if required. The main impact would be increasing the backlog on the production side.
- Every plant reported being at max processing capacity. At the time there were 2 exceptions but as more workers have been brought on board and additional equipment acquired, it does appear now that all commercial plants are operating at maximum capacity. In fact, in order to ensure steady access to slaughter slots, [Walden Meats](#), recently became an investor in VT Packerhouse, thereby ensuring that 40% of all slaughter slots could be filled with their animals. This means there are 40% fewer slots available to accommodate slaughter needs by small producers – although it does increase the amount of local/regional meat ultimately reaching consumers given who Walden Meats sells to (the point here is to indicate the severity of the bottleneck in processing capacity we are now experiencing across the system).
- Plants are turning away new accounts asking for ground beef (including new accounts in MA); most plants are scheduling out into February and March at this time.
- Small producers are now not able to get additional slots for several months out, even if they already are regular customers. While they may have been able to retain their existing slots, the increased demand from local consumers that may provide an opportunity for local producers to increase the available supply on their end cannot be supported due to existing plants being at full capacity.
- While a couple of plants are interested in hiring and need to find workers, they are not interested in hiring laid off restaurant employees (would require too much training and would be additional vectors to manage). Thus, as we saw pre-COVID, there is a general workforce shortage of trained individuals in the meat industry.
- While the current situation was brought on by COVID, it is not going to change anytime soon – and even if the local demand stays 25% higher than pre-COVID (as some are projecting), there still is not enough processing capacity to accommodate the demand. A recent focus group session which VT Farm to Plate conducted with some grass-fed beef producers is projecting that they could almost double their output and sales (from \$14million to ~\$26million) over the next 10 years given what they are seeing in consumer demand **BUT ONLY IF** additional processing infrastructure is brought on line.
- Other New England states have expressed interest in having more VT meat available for sale in their states, due to the national supply chain challenges brought on by the over-consolidation in the US meat industry – which we have become more aware of due to recent COVID-19 related plant closures in other parts of the US.
- We have concluded that Vermont needs at least 1 and perhaps 2 additional commercial slaughter and meat processing plant to come on line at the scale of VT Packerhouse given what is happening with local and regional consumer demand for Vermont-sourced meat and producer demand for services.

It will take some time for a new commercial plant or two to be developed (plant owner/operator(s) identified, physical plant(s) developed, permitting acquired, capital raised, skilled workers hired). Thus, in the interim, it may be advisable to increase the level of on-farm and custom slaughter happening in the state. In the near term, this would enable many more farmers to increase their sales of meat to interested consumers – both increasing farm revenue and providing high quality meat to Vermonters. If on-farm slaughter numbers are increased to higher threshold levels, we don't believe this will create un-do competition for commercial plant operators as consumer demand is growing and they have stated that they are currently at maximum plant capacity. If/when additional commercial plants come on-line it is conceivable that some livestock producers who were participating in on-farm slaughter could turn (or return) to commercial plants to have their animals harvested once again. Others may choose to continue to do on-farm slaughter at the higher thresholds because they have consumers willing to purchase their animals in this way.

Some next steps ...

- Consider the on-farm slaughter threshold levels to enable increased harvesting of livestock to meet growing consumer demand
- Increase the Working Lands Enterprise Fund allocation in FY21 (to a minimum of \$750k) with the hope that there may be applications for new custom plants and/or additional equipment to support existing commercial facilities (both state and federally inspected facilities) increasing their capacity (e.g., improved packing equipment, new scales, additional coolers). WELF is essential as it does not carry the 12/31/20 deadline that CRA funds require – and increasing capacity takes more time than the 4 months we have left until the end of the year.
- Through VT Farm to Plate, a new livestock producer and meat processing supply chain task force is being assembled in order to address the longer term needs of the industry and to do what we can to enable 1 or 2 new commercial facilities to come on line. Level funding the VSJF's VT Farm to Plate allocation through VAAFAM is also important at this time.