

# Upper Midwest Meat & Poultry Processor Needs Assessment Brief



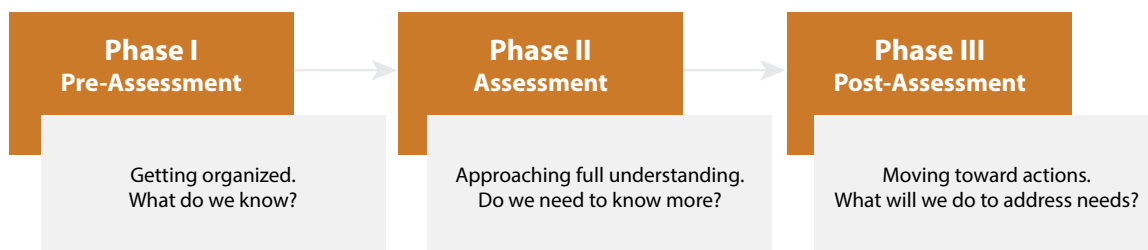
This brief describes the process and results from a needs assessment conducted to better understand the challenges facing meat and poultry processors in the Upper Midwest.

## Background

In September 2021, the Agricultural Utilization Research Institute (AURI) and the United States Department of Agriculture, Agricultural Marketing Service (USDA-AMS) signed a multi-year cooperative agreement focused on the Upper Midwest's small meat and poultry processors. The project explored opportunities to strengthen industry resiliency and create solutions to position the processors for success.

AURI conducted a needs assessment to better understand resource gaps and opportunity areas among the region's very small and small meat and poultry processors, as they contribute significantly to the Upper Midwest's livestock industry. AURI followed a three-step process to assess industry needs (Figure 1).

Figure 1. Needs Assessment Three-Phase Model, Credit: Altschuld and Kumar



In the pre-assessment phase, the team decided to focus the needs assessment on bottlenecks and challenges facing the regional and local meat industry in the Upper Midwest. AURI conducted a literature review to gain a baseline understanding of these challenges. Specifically, the literature review centered around the impacts of the COVID-19 pandemic on very small and small meat processors. Heading into the pandemic, the average small plant survival rate was less than 10 years and survival was related to product and market channel diversification. The pandemic created plant closures, workforce supply challenges, increased demand for very small and small meat processor services, as well as livestock harvesting and processing delays. In 2021, the USDA developed several initiatives to support the meat and poultry supply chain through capital infrastructure investments.

In the second phase, AURI conducted focus groups and one-on-one interviews with processors, inspectors, and industry stakeholders to further explore bottlenecks and challenges and how to overcome them. During this phase, researchers interviewed 26 participants representing 21 organizations across the five-state region of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin. Participants included very small and small meat and poultry processors, representatives from state meat inspection programs, and industry stakeholders (farm organizations, state meat association boards of directors, and meat cutting program instructors). Refer to Figures 2 and 3 for a breakdown of participants by location and organization type.

Figure 2. Number of Participants Interviewed by State

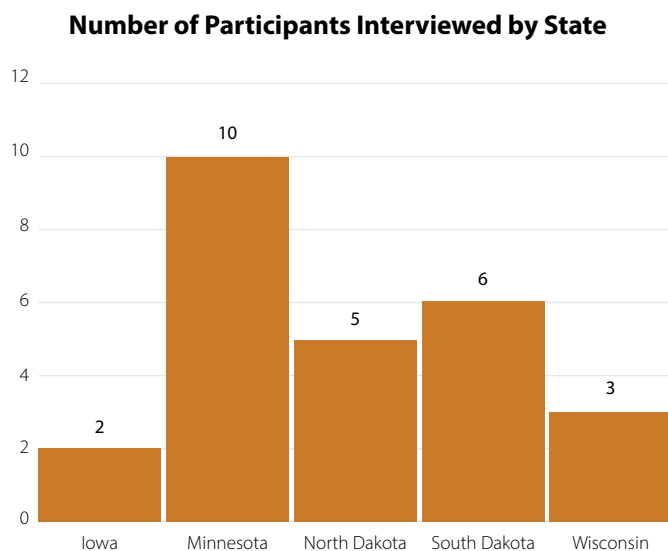
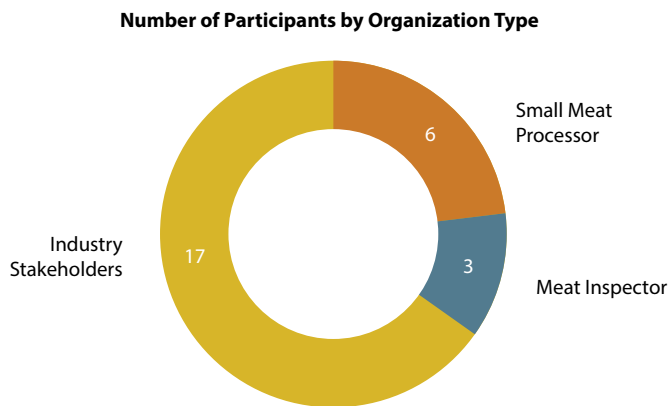


Figure 3. Participants by Type of Organization



In the final post-assessment phase, the pilot’s Regional Advisory Task Force, AURI, and USDA-AMS prioritized several deliverables based on interview findings to support resiliency in the local and regional meat processing industry.

A regional advisory task force provided guidance on the pilot’s main pillars of work. The task force included industry representatives across the five-state region and convened quarterly during the pilot to advise AURI and USDA-AMS staff.

The six most critical categories of needs identified through the assessment were:

- Supply chain challenges
- Networking and collaboration
- Operational efficiency
- Regulatory compliance
- Workforce
- Education and training

Based on the identified needs, the task force prioritized several deliverables supporting resiliency in the local and regional meat processing industry. These included the development of a [Resource Database](#), a [Byproduct and Hide Utilization Study](#), a [Cold Storage Assessment](#), and several [meat and poultry processing short courses](#).

## Needs Assessment Findings

### Supply Chain Challenges

Multiple processors and other participants shared supply chain challenges related to the COVID-19 pandemic that resulted in disruptions from producer to consumer. In the early period of the pandemic, a backlog of animals caused wait times for inspectors to dramatically increase and forced producers to book harvest times up to 18 months in advance with processors.

#### Identified Needs:

- Coordination and collaboration are needed between processors and producers.
- Delays in the availability of equipment, ingredients, and packaging materials must be overcome.
- Rising input costs must be mitigated.
- Consumer desire for smaller cuts or volumes of meat due to limited home storage must be satisfied.

#### Recommendations:

- Implement contracts to secure a consistent supply of animals months in advance of harvest dates and reduce no-shows and last-minute cancellations.
- Identify solutions to maintain and satisfy consumer demand for local meat products.

### Networking and Collaboration

Meat processors expressed a desire to network and collaborate in their state and region. Often deeply rooted in their communities, they share common values around legacy and independence. Participants frequently referred to their interaction with other processors as important aspects of participating in state meat processing associations and trade show events.

#### Identified Needs:

- Connections are needed with other processors and relevant entities along the supply chain, such as food service buyers, consultants, equipment and supply vendors, and producers.
- There is a desire to learn about best practices and mistakes made by others so that one can avoid repeating them in the future.
- Seeking and identifying resources is time-consuming.

#### Recommendations:

- Facilitate peer-to-peer learning and mentorship opportunities to overcome the steep learning curve new processors encounter.

- Increase collaboration between producers and processors to enable premium marketing opportunities, such as co-developed branding or a storefront location.
- Develop a resource database to address processor requests for a centralized hub.
- Work cooperatively with other processors to address needs for more capacity or animals to even out supply and demand inconsistencies.

### Operational Efficiency

Meat cutting is the core function of a processing business. It requires intensive management, leaving less time to focus on other business operations activities. Small meat processors often lack dedicated staff to handle essential tasks such as regulatory compliance, finance, marketing, sales, and human resources, creating difficult operational trade-offs. Furthermore, aging facilities can impact a processor's bottom line by making it challenging to conduct day-to-day processing activities efficiently.

#### Identified Needs:

- Better guidance and technical assistance to help operators balance managing plant processing flow with regulatory compliance, managing employees, and handling other essential business tasks.
- Expertise in completing and evaluating complex business plans, feasibility analyses, marketing studies, or grant applications.
- Access to low-interest financing, ability to meet feasibility study requirements and underwriting expectations, and aid in supplementing working capital during or immediately following upgrades.
- A broad range of support to upgrade processor HVAC systems and/or expand cold storage space.
- Strategies to better utilize and add value to hides, other byproducts, and inedibles.

#### Recommendations:

- Provide technical assistance for operational efficiencies such as facility optimization, floor layout, and other process flow considerations.
- Explore the opportunity for industry benchmarking to provide insights into how various aspects of the business could be improved.
- Investigate the availability of planning templates to guide scale decisions, as well as the number of species and animals, expected payback and other input requirements such as labor for new plant starts or expansions.

- Develop resources providing equipment comparisons, options, costs and benefits.
- Explore cold storage options and solutions.
- Explore utilization opportunities for hides, as well as other byproducts and inedibles.

## Regulatory Compliance

Regulatory compliance was a common theme throughout the interviews as regulations can be complex and hard to understand. Aging facilities and outdated equipment, freezer space, and HVAC/airflow systems not only impact operation efficiencies, as noted above, but can also impact a processor's ability to maintain regulatory compliance.

### Identified Needs:

- Better understanding of complex regulations.
- More state and federal inspectors. The overwhelming shortage creates challenges for processor compliance or changes in inspection status.
- Proactive information and guidance for startup meat processing facilities, including what certifications and permits are required before commencing slaughter and carcass breakdown.
- Answers related to municipality and county-level regulations, which can vary considerably from one location to the next.
- Guidance related to aging facilities and standard compliance challenges.

### Recommendations:

- Address the shortage of meat inspectors at all levels.
- Regularly provide food safety Hazard Analysis and Critical Control Points (HACCP) certification training and coaching.
- Explore the potential for a dedicated HACCP advisor role to provide valuable testing and corrective actions, food safety training, quality management and controls training, and labeling assistance for processors and producers.
- Provide technical assistance to help processors navigate wastewater rules and guidance, zoning and permit requirements, and identify pathways to address compliance issues related to aging facilities.

## Workforce

Concerns about the workforce of the future are top of mind as gaps may limit future processing capacity and impact overall business profitability. These roles span harvest, processing, operations, maintenance, trucking, and so forth. In general, the five-state region is experiencing a tight labor market.

### Identified Needs:

- Methods to attract employees as meat processing jobs are physically challenging and not necessarily a desirable line of work.
- Competitive employee benefits, typically limited by processors' nominal purchasing power in the insurance market.
- Strategies related to labor retention, incentives, improving labor reliability, and reducing turnover.

### Recommendations:

- Increase industry outreach efforts through 4-H, FFA, and middle and high schools about meat industry careers.
- Build awareness of meat processing careers amongst minorities and women.
- Explore internships, scholarships, and tuition reimbursement to encourage students to pursue careers in the meat industry.
- Invest in automation and other technologies that can be downscaled to fit within small-scale meat processing facilities.

## Education and Training

Training the existing workforce is critical to providing the necessary skills for ongoing operations and enabling future growth. Developing new training opportunities and raising awareness of existing resources are equally critical. In terms of mode of delivery, there is interest in both remote and in-person formats. A few participants felt customized training opportunities at a processor's site would be effective, if feasible.

### Identified Needs:

- Training is needed in the following areas:
  - Management
  - Byproduct utilization
  - Operational efficiency
  - Regulatory compliance
  - Meat product development
  - Marketing
- Educational opportunities must be accessible in terms of time, cost, languages, and availability.

### Recommendations:

- Maximize outreach of existing training opportunities to reach a broader audience and catalog these opportunities in a centralized hub.
- When creating new training opportunities, consider multiple modes of delivery, such as remote and in-person training, developed in shorter, truncated modules.
- Consider bringing hands-on training to the processor at their location to train multiple employees at once or other meat processing employees in the area.

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