



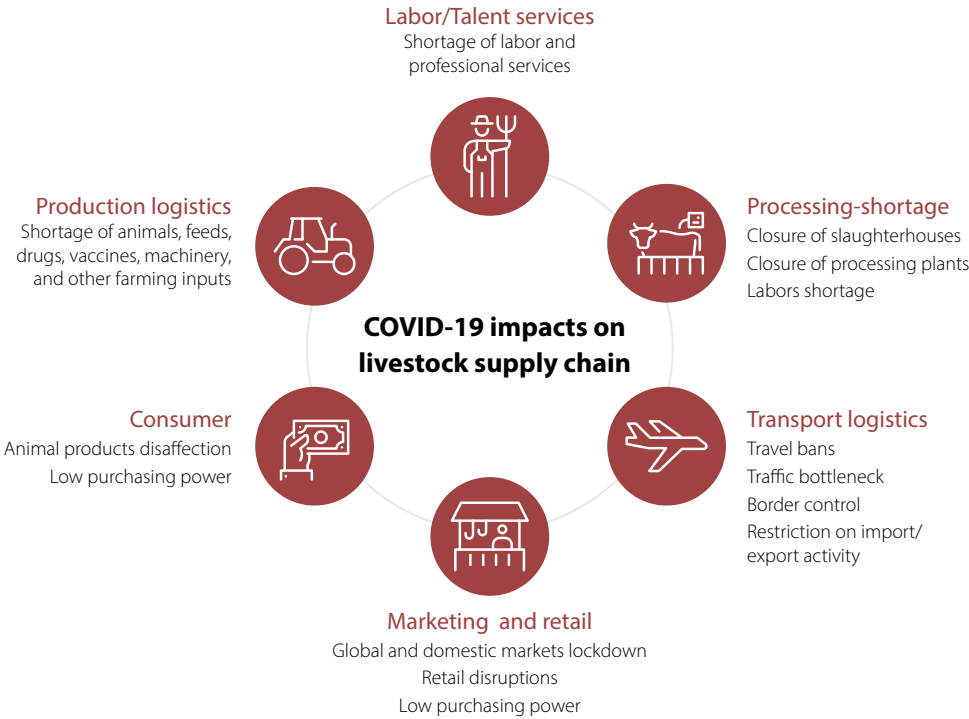
Project Overview Brief

This brief describes efforts to strengthen industry resiliency and create solutions to position the Upper Midwest's local and regional meat and poultry processors for success.



Background

In 2020, the United States Department of Agriculture (USDA) ramped up efforts to support the local and regional meat processing sector. This sector was severely impacted by supply chain disruptions resulting from the COVID-19 pandemic. Supply chain challenges occurred from the producer to the consumer and included shortages of farm inputs, labor gaps, plant closings, logistical restrictions, retail disruptions, and changes in consumer buying habits.



While the COVID-19 pandemic created significant disruptions to the entire meat industry, the industry has been experiencing change for decades. Industry trends of note include:

- Over the last 40 years, the share of the four largest meatpackers' purchases of cattle and hogs has doubled while the number of very small and small processors has declined (ERS) .
- Consumer interest in local foods continues to grow. The small meat processing industry represents a significant market pathway for producers and retailers to link local meat production to local demand (ERS) .
- Local and regional meat facilities fulfill a vital link in the local meat supply chain and provide numerous economic development benefits. (Leopold Institute) and (UMN) .
- Many very small and small processors operate state-inspected or custom-exempt facilities, which are prevalent in the Midwest and are a key linkage in the local meat supply chain (USDA)⁹.

Recognizing the fundamental role local and regional meat processors play in the industry, the USDA developed initiatives to support the supply chain through capital infrastructure investments for meat and poultry processors. As these programs came online, 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. Efforts began during the fall of 2021 to explore opportunities to strengthen industry resiliency and create solutions to position the local and regional meat and poultry processors for success. The project was entitled Empowering Local and Regional Meat Processing in the Upper Midwest. It was designed as a regional pilot that could be emulated in other regions of the country. For this agreement, the Upper Midwest was defined as the following five states: Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin.



Research Approach

The goal of this research was to comprehensively analyze obstacles and identify possible opportunities for small and very small meat processors. To achieve this goal stakeholder engagement was prioritized to ensure relevant parties provided input into the project. This included regular communication, consultation, and collaboration with industry stakeholders to review and validate findings, solicit additional insights, and co-create solutions. Specifically, AURI convened representatives from across the region to serve on a Regional Advisory Task Force and a Finance Working Group. Input from both groups, alongside in-depth interviews, provided guidance during the development of several deliverables, including the needs assessment, cold storage assessment, and financial barriers report. In some cases, AURI contracted with outside research entities to inform the development of a benchmarking tool, the identification of emerging technologies for the utilization of hides and other byproducts, and an assessment of cold storage capacity in the Upper Midwest.

Deliverables

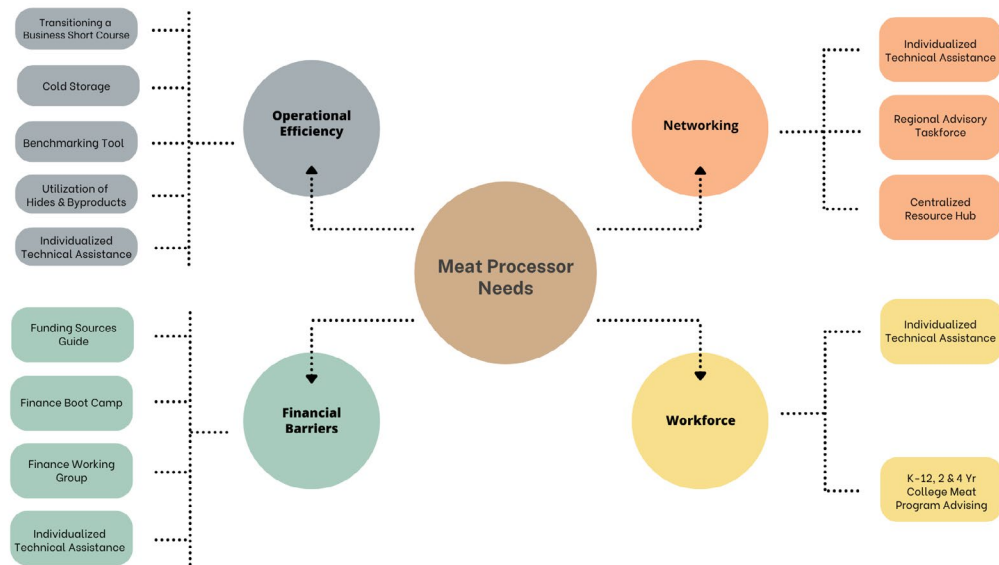
Needs Assessment

The needs assessment identified bottlenecks and challenges facing the local and regional meat and poultry processing industry and was a primary driver in the identification of the pilot's deliverables. The following categories of needs were identified:

1. Supply Chain Challenges
2. Networking and Collaboration
3. Operational Efficiency
4. Regulatory Compliance
5. Workforce
6. Education and Training

AURI developed several deliverables as follow-on activities based on feedback from the Regional Advisory Task Force. A mind map of deliverables and activities portrays an overall view of the efforts comprising the project; see Figure 1 below.

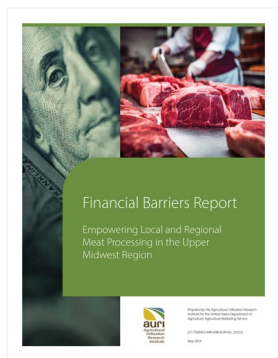
Figure 1. Mind Map of Upper Midwest Pilot Project



Resource Database

Knowledge of existing resources was a critical gap for many meat and poultry processors in the Upper Midwest. Specifically, processors indicated it was time-consuming to search online for reliable guidance and opportunities. Therefore, AURI categorized over 160 resources in an easy-to-navigate [online database](#). This tool provides direct links to resources for each of the five states as well as at the national level.

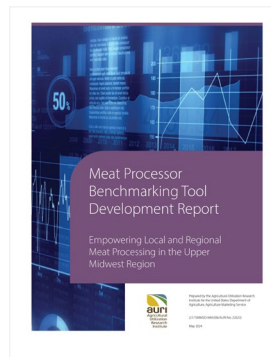
an overview of available federal, state, and regional funding opportunities relevant to local and regional meat and poultry processors.



Financial Barriers Report

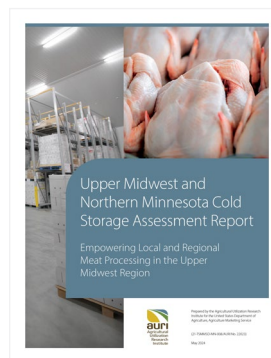
This [report](#) describes findings from the Finance Working Group (FWG) related to financial barriers facing meat and poultry processors. Roughly 20 representatives from food policy centers, community development financial institutions (CDFIs), commercial lenders, financial institutions, local economic

development organizations, and other meat industry leaders from across the Midwest and other regions of the United States served on the FWG. The FWG identified challenges facing the local and regional meat processing industry and explored solutions that entities could utilize to accelerate their ability to start or expand a meat processing business.



Benchmarking Tool

AURI worked with a third party to create a [benchmarking tool](#) for local and regional meat processors. This tool benchmarks the financial and operational performance of very small and small meat processing facilities. The tool and several supporting documents were created in preparation for its launch to processors in 2024.



Cold Storage Assessment:

AURI contracted with two third parties to conduct a [Cold Storage Assessment and Feasibility Study](#). Researchers utilized secondary source reviews from available online resources to gather information on cold storage needs in the United States, with a focus on the Midwest. Following the secondary

source review, researchers conducted in-depth interviews to provide commentary on their experience in the cold storage sector. Participants were located in the Upper Midwest region and included four independent meat processors with high

Funding Sources Opportunities Guide

An online [Funding Sources Guide](#) was created to provide

volume and faster-growing businesses that need additional cold storage; two meat processor association executive directors; three land-grant university staff members; one regional cold storage financier; one cold storage/logistics director who works for one of the nation's leading frozen food manufacturers; and four state meat inspectors. Cold storage facility locations and independent processors were identified and mapped.

Individualized technical assistance included business development assistance, such as feasibility analysis, market assessments, and financial planning. AURI food science and meat specialists also guided clients through a range of technical issues, including product development, test production, labeling, and the development of Hazard Analysis and Critical Control Points (HAACP) plans.

Conclusion

Future funding considerations

- Providing funding for:
 - small-scale construction projects through more favorable cost-shares or project minimums and include custom-exempt processors as eligible applicants.
 - off-site cold storage facilities in areas with low population penetration, often in areas closer to meat processors.
 - projects specifically reducing the cost of byproducts and hides disposal, or projects that add value to these waste streams.
 - automation technologies for very small and small processors that span the needs of a meat enterprise, from slaughter and processing to operations and management.
 - simplified feasibility study templates aimed at smaller processors with limited resources.

Sustaining Project Outcomes

Continued meat technical assistance: AURI will continue to provide services through the MPPTA as a Technical Assistance Provider.

- AURI will promote and maintain the resource database as a centralized hub for a multitude of regional meat processor resources.
- AURI is committed to hosting future meetings of the Regional Advisory Task Force.
- AURI will collaborate with partners in the five-state region to leverage the project's deliverables and explore new opportunities such as training seminars.

Nutrient recovery and adding value to byproducts: AURI is actively involved in the identification of higher-value uses for agricultural processing waste streams. The organization is working in the areas of anaerobic digestion, renewable natural gas, coproduct valorization, and green fertilizer. These opportunities may provide valuable market pathways for local and regional meat processing sector byproducts.

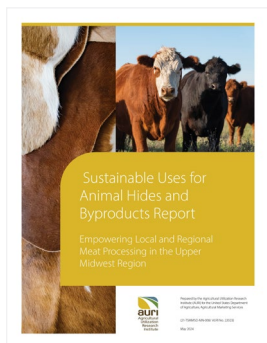
Utilization of Hides and Byproducts Guide

This [study](#) reveals waste management strategies for animal hides and byproducts generated by very small and small meat processing and rendering establishments. It examines waste management techniques to reduce the costs of byproduct disposal. Pet

food markets, niche consumer products, composting, and anaerobic digestion offer opportunities to add value to hides and other byproducts and limit waste.

Short Courses

Short courses were of great interest to participants. Based on the task force rankings, [three online short courses](#) were created on the topics of financing a meat processing business, byproduct and hide utilization, and transitioning a meat processing business for sale.



Individualized Technical Assistance

Throughout the project, AURI provided direct technical support to eight meat and poultry processing enterprises.

Closing Remarks

Through its research, AURI discovered many common challenges existing nationwide for regional and local meat processors. Yet, the solutions are not necessarily universal. Different regions across the country have unique characteristics to consider, such as concentration of livestock production, concentration of meat processors by size and inspection status, workforce readiness, as well as differences related to proximity to major markets and metropolitan areas. These distinct attributes may require a different strategy to create a more resilient meat and poultry processing industry.

Acknowledgements

The Agricultural Research Institute (AURI) and The United States Department of Agriculture, Agricultural Marketing Services (USDA-AMS) would like to extend gratitude to all meat and poultry processors in the five-state region, finance working group members, regional advisory task force members, and other industry stakeholders that contributed to the efforts of the Empowering Local and Regional Meat Processors in the Upper Midwest Project.

This report was created in fulfillment of a cooperative research agreement between the United States Department of Agriculture Agricultural Marketing Service (USDA AMS) Local and Regional Foods Division (LRFD) and the Agricultural Utilization Research Institute (AURI). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the USDA. USDA is an equal opportunity provider, employer, and lender.

References

- ⁱ Economic Research Service. Outlook. https://www.ers.usda.gov/webdocs/outlooks/37459/28829_Idpm216-01.pdf?v=8280. Accessed 2024
- ⁱⁱ Economic Research Service. Outlook. https://www.ers.usda.gov/webdocs/outlooks/37459/28829_Idpm216-01.pdf?v=8280. Accessed 2024
- ⁱⁱⁱ Leopold Institute. Iowa State University. <https://www.thepacker.com/news/sustainability/study-examines-impact-small-meat-processors-iowa>. Accessed 2024
- ^{iv} University of Minnesota Extension; Department of Community Development, Feasibility of a Meat Processing Facility in Central Minnesota: A Report of the Economic Impact Analysis Program, Authored by Brigid Tuck and Ryan Pesch, Updated November 2023
- ^v USDA. Slaughter and Processing Options and Issues for Locally Sourced Meat. https://www.ers.usda.gov/webdocs/outlooks/37459/28829_Idpm216-01.pdf?v=8280