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Northwest Meat and Livestock Processor and Producer Survey on State Inspection Program

Catherine Durham
Associate professor
Food Innovation Center
Oregon State University

Jerry Gardner
Business development manager
Oregon Department of Agriculture

Laura Ann Geise
Faculty research assistant
Food Innovation Center
Oregon State University



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Overview

The U.S. government allows for the implementation of a state–federal meat inspection program for products sold within the state in which they are slaughtered and processed. Currently, 27 states participate in these programs, which are funded jointly by state operating funds and the USDA Food Safety and Inspection Service (FSIS). These state–federal programs generally focus on establishments that can benefit from more personalized assistance in developing food safety operations.¹

Oregon and Washington canceled their cooperative agreements with USDA in the early 1970s. As a result, meat and poultry slaughter and processing inspection was transferred to USDA. The reinstatement of state slaughter and processing inspection programs could provide new opportunities for processing facilities and livestock producers. A survey to assess interest in a state–federal meat inspection program in Oregon and Washington was conducted in April–May 2008. Forty-eight livestock processors and 69 livestock producers responded.² The majority of respondents were located in Oregon, and our discussion will focus primarily on Oregon.

Livestock processors were identified through Oregon Department of Agriculture licensing records. The processor sample was not a random sample, but it does provide for useful comparisons of custom and USDA-inspected slaughter operations and meat processors.

Due to the large number of livestock producers in Oregon, a complete list of producers was not available. The producer mailing list was compiled initially by locating producers previously showing interest in alternative markets.³ A sample of conventional marketers was then identified in order to allow examination of differences between conventional Oregon livestock producers and alternative marketers. The producer survey respondents therefore do not represent a random sample of livestock producers in Oregon.

Overall, livestock processing facilities currently operating with USDA inspection foresaw fewer benefits from a state meat slaughter and processing inspection program than did custom exempt⁴ processing facilities. USDA-inspected facilities were concerned that fees for state inspection would increase the price at which they could sell meat, reducing their competitiveness. Because a state program would have to be “at least equal to” or “better than” the federal program, USDA-inspected processors were also concerned that a state program would require compliance with the same federal regulations and would still represent the same costs as does USDA inspection.

¹ A report on currently operating state inspection programs in the United States is available in a companion document subcontracted to Ron McKay by Oregon State University under the USDA-RBEG grant titled State Meat Inspection Program. Available at http://fic.oregonstate.edu/sites/default/files/mcKay_finalcdcCleanA.pdf

² Not all respondents answered every question.

³ We define alternative marketing as custom sales of live animals or direct retail sales of meat.

⁴ Custom exempt processing facilities are those facilities that process meat only for use by the animal’s owner. They are exempt from USDA inspection.

Custom exempt processors were more positive about the possibility of a state meat slaughter and processing inspection program. Custom exempt facilities reported operating at lower volumes than USDA-inspected facilities and foresaw possible growth in their business with a state inspection program. Half of the custom exempt processors predicted adding at least one full-time employee if their business were state inspected. Custom exempt processors often expressed a greater willingness to work with a state employee than with a federal inspector. These processors believed a state program would improve communication between processors and regulators.

One of the main factors processors said limits potential increases in production is a lack of skilled employees. Both USDA-inspected facilities and custom processors said they could increase the size of their business if more skilled labor were available. Both USDA-inspected facilities and custom processors were interested in training programs sponsored by Oregon State University and the Oregon Department of Agriculture. Most processors were interested in food safety (e.g., HACCP)⁵ and butcher/meat cutter training programs. These training programs could potentially increase the skilled labor pool and allow processors to operate at higher levels.

Sixty-six percent of responding processors reported being able to accommodate increased input. Nonetheless, many livestock producers reported a lack of capacity at processing facilities. Some producers indicated a need to schedule processing dates months or even a year in advance. Several producers commented that they run out of product for their customers on a regular basis while waiting for space at a processing facility. According to many processors, however, capacity exists. A number of processors explained that the perceived lack of capacity is due to the seasonality of processing demand.

Many producers reported having to travel considerable distances to processing plants. Almost a third of responding producers travel more than 150 miles one-way to a processing facility, and increasing fuel costs were a concern for many. In eastern and central Oregon, over 40 percent travel more than 150 miles. A livestock survey conducted by Ecotrust in 2005 reported that 16 percent of livestock producers in Oregon and Washington travel more than 120 miles to their processors (Ecotrust, 2005). The Ecotrust report did not include information on location, but it seems to have heavily sampled alternative marketers in western Oregon and Washington.

A state inspection program could benefit long-distance producers by increasing the number of facilities that are inspected. Some producers indicated they travel greater distances to processing facilities because closer plants are not USDA inspected. In Oregon, most USDA-inspected slaughter facilities are in the Willamette Valley and along the I-5 corridor in western Oregon. Custom slaughterhouses and processing facilities are located across the state; by adding state inspection, they could serve producers in remote locations, thus reducing transportation costs.

Currently, state-inspected meats can be sold only within the state. A provision in the 2008 Farm Bill will allow smaller state-inspected processors to sell across state lines, but this provision has not yet been implemented. Awareness of this provision might have increased interest in a state inspection program, but this factor was not assessed in this survey.

Survey respondents believed that the most likely markets for state-inspected meats would be restaurants, farmers markets, direct sales, and local retail. Of the 86.6 percent of responding producers who thought there would be a market for state-inspected meat, 84.2 percent thought a state inspection program would help them expand, or switch to, direct marketing options. Many processors and producers were interested in marketing meats directly to consumers and thought there would be a niche market with high demand for local meats.

⁵ Hazard Analysis and Critical Control Point

Custom processors and livestock producers foresaw an increase in the number of facilities from which the meat processed could be sold at retail if a state inspection program were instituted. A state inspection program might help small and/or custom processors comply with the safety regulations for retail and wholesale marketing, thus increasing slaughter and processing options for livestock producers around the state.

Not surprisingly, processing facilities that are already USDA inspected have less interest in state inspection. There would be little or no need for USDA-inspected facilities to be state inspected. There was more interest on the part of USDA facilities that do custom as well as USDA-inspected processing and those that have part-time inspectors. A state inspector could fill in at these facilities, allowing for an increase in meat production for retail sales. Some producers felt this would increase the number of inspected facilities available, reduce transportation costs for producers, and fill a niche market for locally produced food.

I. Introduction

In Oregon and Washington, livestock, poultry, and their products represent one-third of the total market value of agricultural products. Oregon's 13,600 cattle operations make up 34 percent of the total number of farms. In Washington, there are 8,900 cattle operations, accounting for 25 percent of the total number of farms. Ranches and other livestock and poultry farms have considerable economic and social impacts on rural and urban communities.

Although these industries remain important, the number of farms producing livestock is decreasing. From 1997 to 2002, the number of operations with cattle inventory in Oregon decreased by 18 percent, and farms with lambs or sheep decreased by 7 percent. In Washington, the number of ranches with cattle inventory decreased by 30 percent, while farms with lambs or sheep increased by 10 percent (USDA-NASS, 2002). Further evidence of the decline of ranches in the Northwest is seen in the preliminary 2007 Agricultural Statistics. Oregon showed another 12 percent decrease in the number of farms raising beef cattle between 2002 and 2006. The number of Washington beef cattle ranches increased by 1 percent during the same period (USDA-NASS, 2007). While beef cattle numbers in Oregon declined sharply from 1997 to 2002, they seem to have been fairly stable from 2003 to 2007 (OAIN, 2008).

Most beef cattle produced in Oregon are sold live and shipped out of state for slaughter or feeding. According to FSIS (Food Safety and Inspection Service) records, 12,000 to 15,000 head of cattle were slaughtered annually in Oregon under federal inspection between 2001 and 2004. On average, 415,000 head of cattle and 196,000 calves were marketed annually during the same period.

Most cattle production is in the less populated eastern region, while most of the slaughter and processing facilities are in the western half of the state. Oregon has 12 USDA-inspected slaughter facilities, of which 9 are in western Oregon. For this reason, most ranchers who wish to produce livestock for immediate processing must travel long distances to reach USDA-inspected facilities.

In Oregon and Washington, FSIS currently oversees inspection of slaughter and processing of meat animals. Meat animals are defined as cattle, hogs, sheep, goats, emu, chickens, and turkeys. A USDA inspector must be present during slaughter and processing in order for meat to be sold to the public. Inspection costs are covered by FSIS, but meat grading is not. Grading is overseen by the USDA's Agricultural Marketing Service and is paid for by processors.

USDA-inspected processing facilities must meet specific requirements related to building codes, slaughter practices, and inspector amenities. These regulations include developing a HACCP program and providing a private office and laundry service for the USDA inspector

(U.S. CFR Parts 307.1–307.3, 381.27, and 381.36 (a)). Some facilities have part-time inspectors. This arrangement allows for limited on-site facilities for the inspector as long as adequate facilities are in a convenient nearby location. Nonetheless, many small operations are discouraged by federal regulations (or by their perceptions of regulations and the challenges of working with federal regulators) and opt not to obtain USDA inspection.

Slaughter and processing facilities that are not USDA inspected may process meats only for consumption by the animal's owner. These facilities are known as custom exempt processors. These processors may be livestock producers who process meat for personal use, but more often they offer processing to hunters or to households who buy a meat animal live from the producer. This practice appears to be increasing.

The U.S. government allows for the implementation of a state–federal cooperative meat inspection program for products sold within the state. A provision of the 2008 Farm Bill will allow state-inspected meat to be sold across state lines. These state programs provide a state inspector to oversee slaughter and processing of meats and poultry. State inspectors can replace the USDA inspector for meat sold to the public.

The 1967 Federal Meat Inspection Act and the 1968 Wholesome Poultry Act require state–federal cooperative inspection safety standards to be “at least equal to” or “better than” standards maintained by the federal program, thus assuring federal control over national standards for meat and poultry inspection. Nine components make up a state meat inspection program: statutory authority and food safety regulations, inspection, product sampling, staffing and training, humane handling, other customer protection, enforcement, civil rights, and funding and financial accountability. These components must be part of any state inspection program. Other building regulations and USDA inspector amenities, such as a private office and restroom, are not necessarily required for a state inspection program.

Currently, 27 states participate in state meat inspection programs, and 25 states participate in state meat and poultry inspection programs. These programs are funded jointly by the state and FSIS. In recent years, federal funding has covered about 48 percent of program costs. State operating funds may pay all or part of the state's share of the cost. If state operating funds do not cover all costs, licensing fees make up the difference. For example, Utah assesses a licensing fee of \$75 per year, and Arizona uses a sliding scale fee ranging from \$10 to \$80, depending on the number of animals processed (McKay, 2008).

State meat slaughter and processing programs focus primarily on establishments that benefit from more personalized assistance in developing food safety operations or that do not have facilities that can accommodate a USDA inspector. Small processors seem more likely to work with a state inspection program than with a federal program. State inspection programs may help smaller processors stay in operation or increase their operation size, and they can be used as a stepping stone toward full USDA inspection.

Oregon and Washington canceled their state inspection programs in the early 1970s, resulting in a transfer of all meat slaughter and processing inspection to USDA. The reinstatement of state slaughter and processing inspection programs could provide new opportunities for processing facilities and livestock producers. Information on perceived benefits of state meat slaughter and processing inspection and interest in such a program was acquired by surveying Northwest meat processors and livestock producers. The purpose of this study is to gather information on state meat processing and slaughter that will provide policy makers, federal program managers, and other meat industry participants a better local picture of potential benefits and interest in these programs. The documentation collected and the summary report produced by McKay (2008) provide information on the cost of state programs.

II. Methods

Survey methods

Two surveys were developed to target livestock producers and processors in Oregon and Washington, respectively. In addition to mailings, the processor survey was distributed at the Northwest Meat Processors Association (NWMPA) Annual Convention in Redmond, Oregon in March 2008, and the producer survey was distributed at the Oregon Cattlemen's Association meeting in June 2008.

A mailing list of slaughterhouses and processors was obtained from the Oregon Department of Agriculture Food Safety Division's meat processing license records. In March 2008, 122 processor surveys (Appendix A) were mailed to all businesses licensed under the categories slaughterhouse, custom meat processor, custom mobile slaughter, or custom stationary slaughter. (Duplicate names were deleted.) Eighteen surveys were returned from the initial mailing (15 percent response rate). Fifteen were completed at the convention. (Some of these processors would also have received a mailed survey, although six responses were from Washington firms.) A follow-up survey was sent to 104 processors who did not respond to the initial mailing. The follow-up mailing, along with a reminder in the NWMPA newsletter, resulted in 16 more responses. One response was eliminated because it contained no answers other than location. Thus, there were 48 usable responses.

The total number of livestock producers in Oregon and Washington is greater than 20,000, and a public mailing list is not available. Producer mailing lists were initially compiled from lists of producers registered with Farmer–Chef Connection, Eatwild.com, the Eat Well Guide, Food Alliance, Oregon Tilth, Inc., and Local Harvest. In May 2008, 188 surveys (Appendix B) were mailed to the compiled list. Eight surveys were returned as undeliverable and 40 surveys (a 21-percent response rate) were returned completed. Three surveys that were distributed to meat sellers at farmers' markets around the Portland metro area were returned.

This group of primarily alternative marketers does not provide a good picture of the average producer in Oregon or Washington. To obtain a sample of producers that were not primarily alternative marketers, a number of steps were taken. First, a list of 30 medium-size farms (150 to 250 head) in central Oregon was obtained, and surveys were mailed to these farms in May 2008. Two surveys were returned as undeliverable, and three (11 percent) were returned completed. Next, surveys were distributed to attendees at the Oregon Cattlemen's Association meeting in June 2008. Eighteen of these surveys were returned. An additional 10 surveys were distributed in northeast Oregon, and 5 were returned. In the final sample of 69 farms, responses indicated that about half are alternative marketers and half are live market sellers. More detail is provided in the producer section.

Statistical analysis

All statistical analysis was completed using SAS software version 9.1.

III. Livestock Processor Survey

Characteristics of respondents

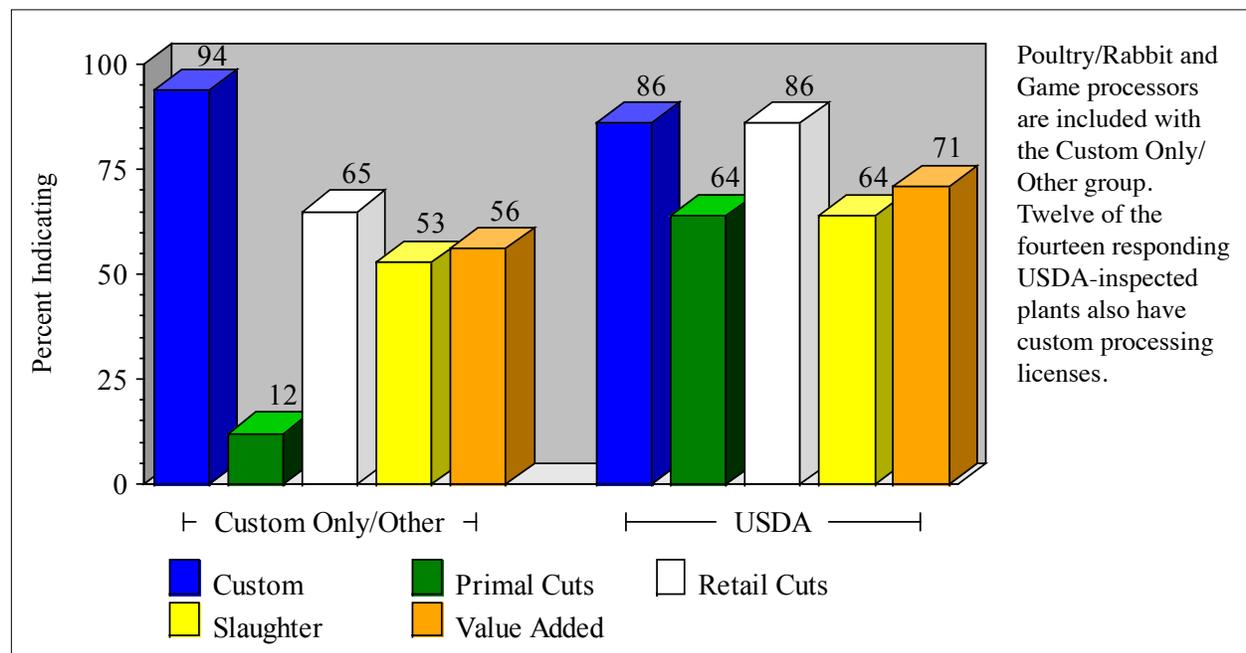
Of the 48 processors responding, 42 (87.5 percent) were in Oregon, representing 27 counties. Six (12.5 percent) were in Washington, representing six counties. Fifteen of the Oregon processors (and all the Washington processors) were in the western region (essentially, west of the Cascades), five in the central counties, and six in the eastern counties.

Fourteen (29 percent) of the responding processors were USDA inspected for processing or for slaughter and processing. Twelve (25 percent) offered both custom and USDA-inspected processing. Thirty-four respondents (71 percent) were custom (USDA-exempt) facilities only. Twelve (86 percent) of the USDA-inspected facilities responding to the survey were located in western Oregon or Washington. Only two central Oregon USDA-inspected processors responded, and none responded from eastern Oregon. The locations of slaughter facilities and some processing facilities are shown in Figures 9 and 10 (pages 24 and 25).

Nine of the 14 responding USDA-inspected facilities offered slaughter in addition to meat processing. The survey targeted slaughter facilities because slaughter is the main bottleneck for state livestock processing. Thus, there were fewer respondents to the survey from the category “non-slaughtering food processors.” Most of the USDA-inspected non-slaughtering meat processors are restaurants or grocery stores and would be unlikely to branch into slaughter. Additional certification of USDA-inspected facilities included one plant with halal certification and four plants with USDA organic certification. None of the responding facilities was kosher.

Figure 1 shows the type of processing offered by respondents. Nearly all respondents reported doing custom processing. The primary difference between USDA-inspected and custom plants was the lack of primal cut production by custom plants. Retail cuts and value-added processing (e.g., smoking, aging, etc.) were the most common types of processing offered by all facilities (Figure 1).

Figure 1. Percent of responding Oregon and Washington processors by types of meat processing (n=48).



Respondents were asked whether their processing plant had a minimum processing requirement based on total charges or pounds. Five (36 percent) of the USDA-inspected processors had a minimum processing requirement; two of these processors offered slaughter and three of them offered only processing.

Only six of the 34 custom-only processing facilities (18 percent) had a minimum processing requirement. Custom processing facilities are smaller in general and may be more willing to accommodate small customers.

Minimum quantities varied, but 25 pounds was the most commonly reported minimum processing requirement. Several processors had minimum requirements only when producing value-added products.

Forty-one of the responding facilities (77 percent) processed cattle in 2007. Ten of the USDA-inspected plants (71 percent) reported processing cattle or beef, and 30 of the custom-only processors (88 percent) processed cattle. Ten of the USDA-inspected processors (71 percent) reported processing pork, one reported processing poultry, and seven (50 percent) reported processing lamb. Two respondents reported processing bison or buffalo, and two reported goats in the “other” category.

USDA-inspected slaughter facilities typically processed more animals than custom exempt facilities. Three of the responding USDA-inspected slaughterhouses expected to process more than 20,000 head of beef, pork, and/or lamb in 2008, while 90 percent of custom processors reported processing fewer than 3,000 head per year. One custom-only processor reported processing more than 4,000 poultry. Current Oregon and Washington regulations require USDA inspection only if more than 20,000 birds are processed each year.

During hunting season, processing facilities process game, including deer and elk. Non-USDA-inspected facilities were more likely to process game. Ten of the custom-only processors (29 percent) reported processing game, compared to two USDA-inspected processors (14 percent). Five custom

processors reported processing 300 or more game animals per year.

In general, USDA-inspected plants reported processing more livestock and having more full-time employees. A breakdown of reported number of employees is shown in Table 1. Over 45 percent of the USDA-inspected facilities reported having 25 or more employees, while no custom/other processing facility was operating at this level. The largest non-USDA-inspected facility employed 15 to 24 people, while over 80 percent had 9 or fewer employees.

Table 1. Processing facilities according to employee size and type (n=46).

Number of production employees			
Number of production employees	Custom/ Other	USDA-inspected	All
	%	%	N
Fewer than 1	12.1	0.0	4
1 to 3	33.3	23.1	14
4 to 6	33.3	7.7	12
7 to 9	15.2	15.4	7
10 to 14	3.0	7.7	2
15 to 24	3.0	0.0	1
25 to 34	0.0	23.1	3
35 to 44	0.0	15.4	2
45 to 59	0.0	0.0	0
60 or more	0.0	7.7	1

Processor capacity

In contrast to reports by livestock producers, 67 percent of custom/other facilities and 64 percent of USDA-inspected facilities indicated they could accommodate increased input. One important reason for this difference in perception is seasonality. Livestock producers wish to process animals to take advantage of seasonal weight gain, which may vary somewhat by location but generally occurs summer through fall. Game hunting seasons also are in fall. A number of processors indicated that they had excess capacity from January through August.⁶ Of the custom and other processors able to handle additional animals, 50 percent indicated they were not running at full capacity, and 50 percent said they could accommodate increased input by implementing specific changes. Nine mentioned they would add more workers. The USDA-inspected processors simply indicated they were not at full capacity.

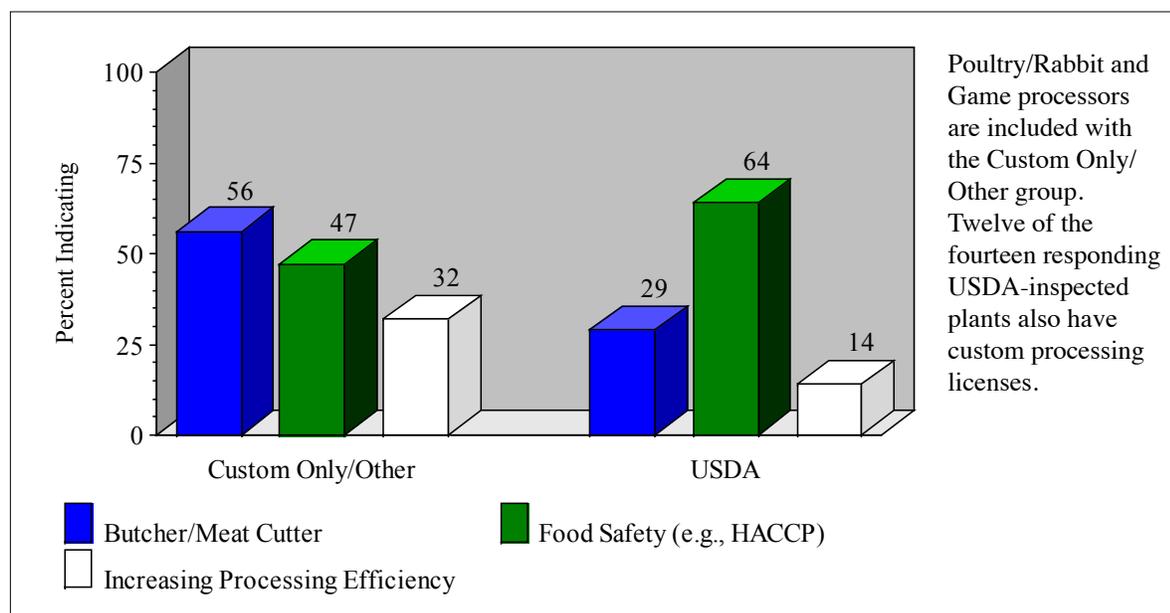
Three of the processors specifically mentioned needing more skilled and experienced meat cutters. The lack of skilled labor may be the main limiting factor preventing expansion of both USDA-inspected and non-USDA facilities. One processor stated that his facility could do twice as much volume if he could find employees who wanted to work.

Interest in training programs

Processors were asked whether they would be interested in training programs sponsored by Oregon State University and the Oregon Department of Agriculture. Programs such as these might help both USDA-inspected and custom processors train and retain qualified workers. Over 48 percent were interested in a butcher/meat cutter program, while one suggested on-the-job training (Figure 2). Three processors were interested in technique training and technical meat processing procedures,

⁶ Three of the processors who said they could not handle a larger supply noted they were not running at full capacity during the off season (January–August). These responses are therefore included in the 67 percent of custom facilities that could accommodate increased input.

Figure 2. Percentage of processors expressing interest in training programs.



such as smoking, chicken nugget production, rendered fat production, and pet food production. The most popular training program suggestion was a food safety (e.g., HACCP) program, with 52 percent reporting interest.

Overall, custom processing facilities were more interested in specific training programs except in the case of food safety training. Fifty-six percent of custom processors were interested in butcher/cutter training, but only 29 percent of USDA-inspected processors were interested in this type of training (Figure 2). Sixty-four percent of USDA-inspected and 47 percent of custom processors were interested in food safety training.

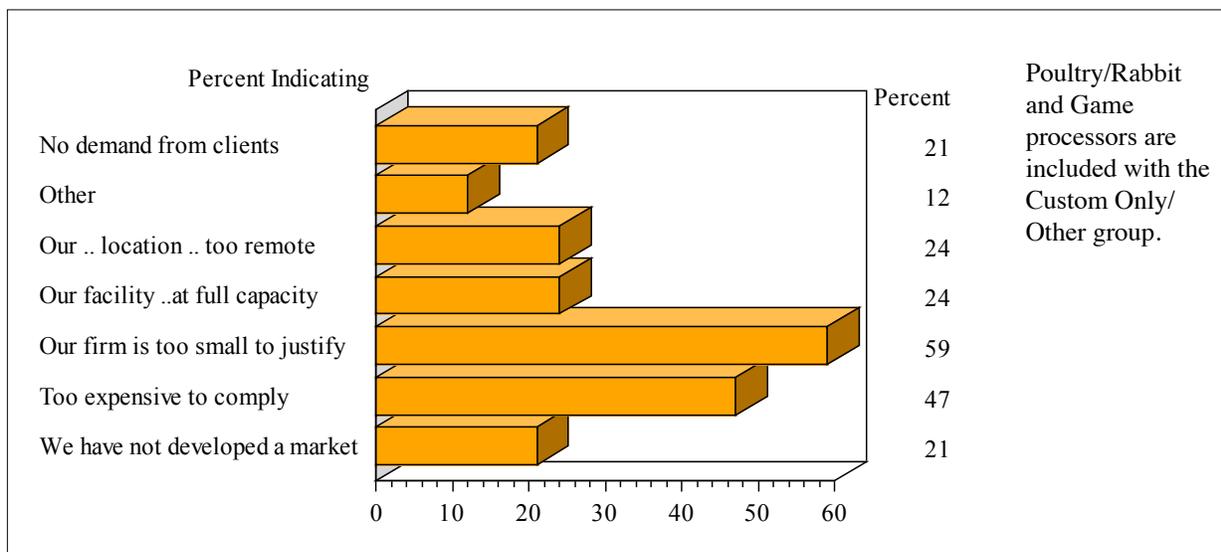
Attitudes toward USDA inspection

Although USDA inspection is funded by FSIS, complying with USDA standards for inspection involves costs for meeting safety standards, maintaining a HACCP plan, and providing accommodations for the inspector. These regulations include requirements for private offices and individual phone lines for inspectors (U.S. CFR Parts 307.1–307.3, 381.27, and 381.36 (a)). These costs are borne by the processor.

In other states, a state inspection program is often a stepping stone toward federal inspection. Thus, processors eventually need to meet USDA requirements if they grow. The shift to federal inspection for interstate sales of meat once a plant reaches a certain size (25 employees) is required in the 2008 Farm Bill provision that will allow interstate sales of state-inspected meat.

Processors without current USDA inspection were asked to indicate the main reasons they had opted not to be inspected (Figure 3). The most common reasons were: (1) the firm is too small to justify the costs (59 percent), and (2) it is too expensive to comply with USDA regulations (47 percent). Eight respondents (24 percent) said they were at full capacity with custom processing. Twenty-four percent thought their location was too remote. Twenty-one percent indicated they had not developed a market for inspected products, and 21 percent said there was no demand from their clients for inspected meats.

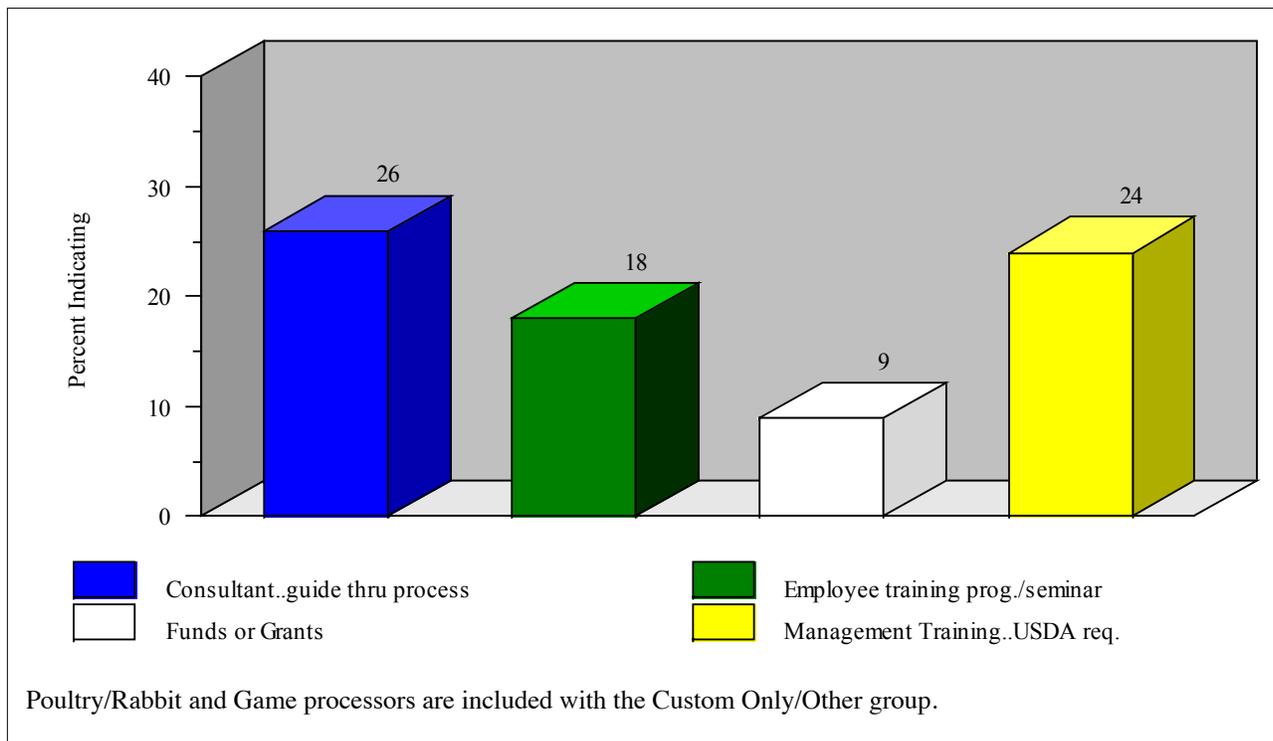
Figure 3. Reasons for not being USDA inspected.



Processors were asked to explain any other reasons they had for choosing not to be USDA inspected. Two processors said the time and energy to meet requirements would call for an extra full-time employee. Three commented that their facilities did not meet ADA accessibility and office specifications, but one was building a facility to accommodate USDA regulations. One custom processor used to have USDA inspection, but lacked faith in the system's "adversarial approach" and dropped USDA inspection to process custom-cut meats only. Another custom processor was USDA inspected in the past but found that custom processing was 90 percent of their business and dropped USDA inspection. From other sources, it was learned that one currently inspected plant in Oregon is unable to adjust the start time of USDA inspection to a standard working day that would better accommodate clients due to limited availability of USDA inspectors. This type of scheduling problem might also occur with state inspection, although having both alternatives might help.

Figure 4 shows processors' interest in programs that might help their facilities achieve USDA inspection. Ten (28 percent) of the "custom only/other" processors were interested in help from a consultant to meet USDA requirements, and 26 percent were interested in management and/or employee training programs to meet USDA requirements. In explaining a response of "other," 9 percent indicated they needed funds or grants to achieve USDA-inspected status. Four respondents (12 percent of custom-only/other respondents) indicated they were not interested in help to achieve inspection or were not interested in having USDA inspection at their facility.

Figure 4. Interest in programs to become USDA inspected.



Perceptions of state meat slaughter and processing inspection

Where state meat slaughter and processing inspection programs exist, one benefit of these programs is more personalized assistance in developing food safety operations (McKay). Processors were asked about perceived benefits of a state inspection program. Thirty-four processors commented. Table 2 shows the number of positive and negative responses.

Positive comments

Fourteen of the custom/other processors (41 percent) had positive comments about state inspection (Table 2). Four of these processors thought they would have a better relationship with an inspector from the state government than with a federal employee. One custom processor in Oregon commented it would be easier to work with a state program because concerns would be addressed by policy makers in Salem. Other benefits perceived by custom exempt processors included being able to sell locally grown meats in Oregon and being able to fill a niche market for local foods. A poultry processor thought inspected meat would be perceived as higher quality.

Five USDA-inspected processors (36 percent) had positive comments about state inspection. Four of these thought it would be easier to work with a state program than with USDA. One USDA-inspected processor indicated that a state inspection program would be good for mobile slaughter.

Negative comments

Fifty-seven percent of USDA-inspected processors made negative comments or simply responded “none” to the question about potential benefits of a state program, compared to only 14.7 percent of custom processors. In most cases, these USDA-inspected processors simply indicated “none” with no specific reason. Some processors were concerned that the fees spent on a state inspection program would increase the price of meat. One USDA-inspected processor felt that state inspection would be a deterrent to the meat processing industry. Another noted that what the industry needed was assistance in “attaining affordable liability insurance.”

Potential effect on employment

The general appeal of a state inspection program is that it might enable small processors to produce meat that could be retailed because the processing had been inspected, thus increasing market access and profitability of their operations as well as giving producers more processing

Table 2. Responses to question regarding potential benefits of a state inspection program.

Perceived benefits of state inspection					
Types of comments	Custom-only/ Other		USDA-inspected		All
	%	N	%	N	N
No comment	38.2	13	7.1	1	14
Unknown	5.9	2	—	—	2
Negative or none	14.7	5	57.1	8	13
Positive	41.2	14	35.7	5	19
All	100.0	34	100.0	14	48

options. This could lead the firms to grow as well. In general, USDA-inspected facilities process higher volumes of animals and employ more people than custom processors. Processors were

Table 3. Facilities' projected increase in production employees with a state meat inspection program (n=48).

Expected increase in employment with state inspection				
Projected increase in employees with a state inspection program	Processor type		All	
	Custom only/ Other (%)	USDA-inspected (%)	N	%
None	50.0	64.3	26	54.2
1 to 2 people	14.7	7.1	6	12.5
3 to 4 people	11.8	7.1	5	10.4
5 to 6 people	14.7	7.1	6	12.5
7 to 8 people	5.9	0.0	2	4.2
9 to 10 people	2.9	7.1	2	4.2
>15 people	0.0	7.1	1	4.2

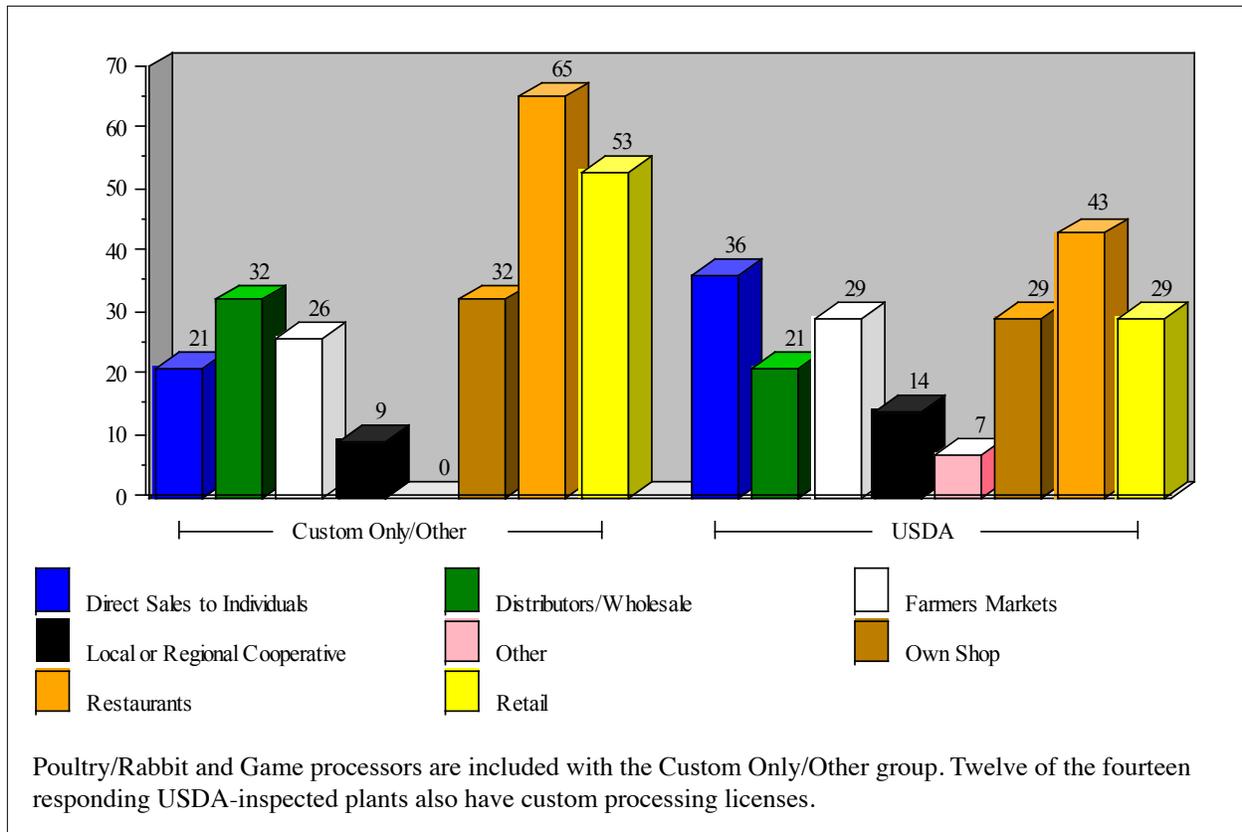
asked how much a state inspection program might increase their number of full-time production employees. Table 3 shows the percentage of facilities projecting an increase in employees. Most USDA-inspected processors did not project an increase in production employees; 64.3 percent responded "none." Fifty percent of custom processors did not project adding new employees, but 14.7 percent thought their business would grow by one to two people, 26.5 percent

thought their business would grow by three to six people, and 8.8 percent projected an increase of seven or more full-time employees. Those not planning to use state inspection probably felt that their business would not change.

Perceived markets for state-inspected meat

Currently, meat inspected by the state can be sold only in-state, although a provision in the 2008 Farm Bill will allow interstate meat sales by processors with fewer than 25 full-time employees. Processors were asked about the most likely markets for state-inspected meats in Oregon and Washington. The largest number of both custom and USDA-inspected plants (65 percent and 43 percent, respectively) selected restaurants as one of the top three most likely markets for state-inspected meat (Figure 5, next page). Retail was the second most common choice (selected by 53 percent of custom processors and 29 percent of USDA-inspected processors).

Figure 5. Processors' perceptions of most likely markets for state-inspected meats (n=48).



Additional comments

Additional comments from processors highlighted their concerns about a state meat inspection program and other issues facing the meat industry. One thing processors do not like about USDA inspection is the amount of paperwork and “red tape” associated with inspection. Because a state inspection program would have to be “at least equal to” or “better than” the USDA program, many processors fear that a state program would require the same effort.

On the other hand, a number of processors supported the idea of a state agency to work with if it used a practical inspection process. Others felt that a state inspection program would be an advantage when issues need to be addressed due to greater accessibility of state regulators.

One processor was in business when Oregon had a state–federal cooperative agreement and felt that Oregon did a better job than USDA. This respondent noted that the Northwest meat industry had declined since the state program was turned over to USDA. Although a number of factors contributed to this decline, this opinion does illustrate the serious antipathy some processors feel toward federal inspection.

Other topics mentioned as concerns by processors included the lack of qualified employees, uncertainty about marketing overseas, and the lack of a state tallow company.

Summary of processor survey results

Of the 48 processors returning the survey, 34 were custom/other processors and the rest were USDA inspected. In general, USDA-inspected facilities processed more animals and reported more employees than custom processors. Although about half of both custom and USDA-inspected processors said they could accommodate more volume, the most common limiting factor was a lack of skilled labor. This problem is reflected in the interest in butcher/meat cutter training. Custom processors were more interested in training programs than were USDA-inspected facilities, possibly because skilled labor is limiting growth at facilities not running at full capacity. Both types were interested in food safety training programs (e.g., HACCP).

The top two reasons custom processors were not USDA inspected involved the costs of coming into compliance. Most thought their plant was too small to justify costs and/or thought it was too expensive to comply with USDA requirements. Less than one-fourth of custom processors indicated they did not use USDA inspection because there was no demand for USDA-inspected meats from their customers or because they had not developed a market for inspected meats. Fewer than half of custom processors were interested in programs that would help them achieve USDA inspection through training and consulting.

The 48 processors who responded to the survey were divided regarding interest in state inspection programs. Custom exempt processing facilities were more positive about a state inspection program, with perceived benefits ranging from being able to sell locally produced meat in their communities to the ease of working with the state instead of the federal government.

Most negative responses about state inspection were from USDA-inspected facilities, although some custom processing facilities were not willing to work with any part of the government for state or federal inspection. Negative views of state inspection included concerns that inspection fees would increase the price of meat, that a state program would be the same as the federal program, and that it would be no easier to work with a state program than with the USDA program.

Custom processors were split on the possibility of increasing employment, with half saying that state inspection would lead them to add at least one full-time person.

Since state-inspected meats can currently be sold only in-state, until the 2008 Farm Bill provision is implemented, marketability of state-inspected meat is important. Processors thought restaurants would be the most likely market, followed by retail markets. Selling directly from their own shop, direct sales to individuals, and farmers' markets were also seen as possible markets for state-inspected meats.

The expense of becoming USDA inspected is a deterrent for smaller processors that do not have facilities to accommodate a USDA inspector. Some processors were more open to working with the state, feeling their needs are more likely to be met by people in Salem than by officials in Washington, DC. The concerns that a state inspection program would involve the same rigid regulations as USDA inspection could be addressed by providing processors with more information on programs in other states.

Processor comments are provided in Appendix C.

IV. Livestock Producer Survey

Characteristics of respondents

A large percentage of the responding producers were smaller farms that had already shown an interest in alternative markets. Therefore, these results do not represent the average livestock producer in the region. We define alternative marketing producers as those that already have custom sales of live animals or direct retail sales of meat. Of the 69 respondents, 33.3 percent reported making live custom sales (delivered for processing), and 30.4 percent reported selling product directly as meat. Overall, 50.7 percent of respondents reported marketing through one or both of these methods. Results of the survey must be interpreted on this basis. In most cases, we compared the responses of those already direct and/or custom marketing to those not doing so. Even among those not currently marketing livestock through alternative channels, however, it is likely that the response rate was higher among those interested in alternative markets.

Of the 69 producers responding to the survey, 65 were in Oregon, 3 in Washington, and 1 in Idaho. Twenty-six were in western Oregon or southwest Washington, 24 were in the central Oregon counties, and 18 were in the eastern counties or Idaho. (One respondent did not report county.)

Fifty (72 percent) of respondents raise cattle. Thirty-eight percent of respondents raise sheep/lambs, 17 percent goats, 13 percent poultry, and 13 percent hogs. Of the 12 farms marketing goats, two reported marketing more than 150 animals in 2007 and the rest fewer than 50. Some farms raised multiple species of livestock for meat production.

Producers were asked about production techniques used on their farms as well as techniques they were considering implementing. Figure 6 shows the percentage of those using or considering various practices.

The most commonly reported production technique was natural production. Fifty-nine percent of conventional marketers (producers who do not have direct meat or live custom sales) reported using natural production techniques, and 7 percent were considering doing so. Eighty-one percent of those marketing through alternative channels were using natural production techniques, and 3 percent were considering doing so.

Generally, “natural production” is taken to mean raising cattle principally on the range or on grass without the use of antibiotics or hormones, but a specific definition was not used in the survey. Even when animals are raised by what are considered natural production techniques, however, they often are sold for further finishing, which may not meet the criteria for “natural,” so the meat from the producers who use natural methods may or may not be marketed as natural meat.

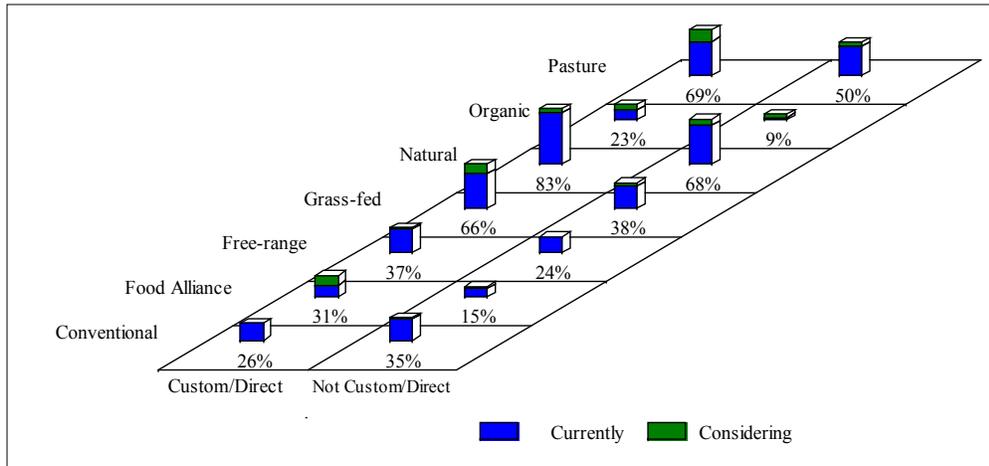
Some respondents reported being members of the Country Natural Beef cooperative, which does meet natural definitions. As members of a cooperative, these producers are also using a type of alternative marketing, although not the definition of alternative marketing (custom live or direct retail sales of meat) used to compare the producer responses.

Thirteen percent of those using direct marketing were certified organic, and another 6 percent were considering organic certification. Nineteen percent of the direct/custom marketers were Food Alliance Certified, and 19 percent of all producers responding were considering becoming Food Alliance Certified.

Current marketing practices

With respect to current marketing practices, 45 percent of the farms reported using some sort of custom meat processing, and 33 percent reported using on-farm slaughter for at least a portion of their production. On-farm slaughter is preferred by many small producers because it reduces

Figure 6. Current and considered production practices of survey respondents by current marketing practice.

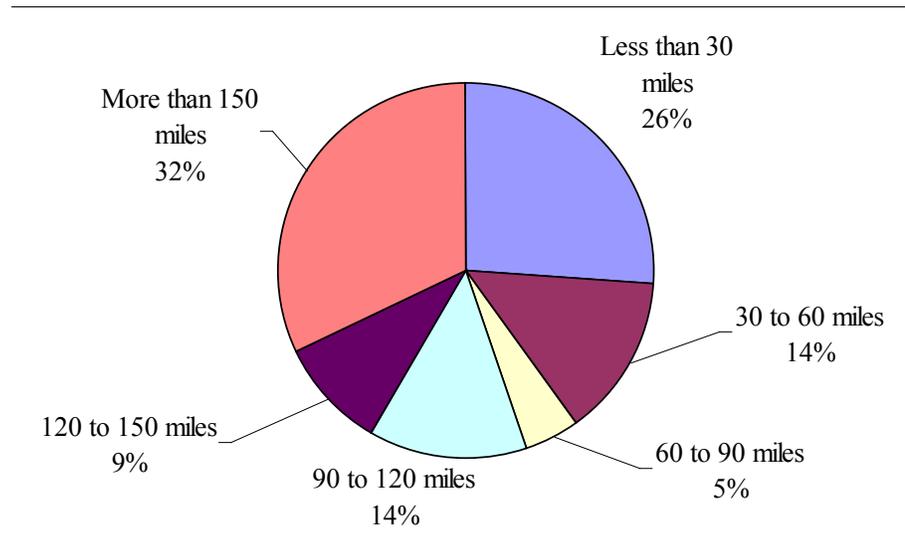


transportation costs and stress on livestock. Currently, no mobile slaughter units operate with USDA inspection in Oregon, although some are in Washington.

Although four farms reported being USDA certified organic, only one was using a USDA organic processing facility. These farms may have sold some animals on the live market, but all four reported selling animals for custom processing. Few responding producers reported use of processing facilities with other certifications such as eco-label, halal, or kosher.

Many producers travel long distances to a processing plant, depending on their processing needs. Figure 7 shows the one-way distance traveled to reach a processing facility. Thirty-two percent of respondents reported traveling more than 150 miles one-way to reach a processing facility.

Figure 7. One-way distances traveled by producers to primary processor (n=65).



Thirty-two percent of producers reported that a closer facility existed than the one they use. Five producers did not use the

closer facility because it was not USDA inspected, two because it wasn't organic, and 11 for other reasons, including "poor management/quality issues," "too booked/too small," or "doesn't process

a certain livestock type.” Two producers reported being part of the Country Natural Beef co-op, which requires them to have their cattle processed at a specific location.

Table 4 shows distances producers travel in different regions in Oregon and Washington. In central Oregon, 47.6 percent of responding producers reported traveling more than 150 miles to a processing facility. In eastern Oregon, 47.1 percent of responding producers

reported traveling more than 150 miles. In western Oregon, only 11.5 percent of responding producers reported traveling more than 150 miles. Respondents in western Oregon had the shortest travel distances, with more than half traveling fewer than 60 miles to process their livestock.

Table 4. Distance traveled to processor in different regions.

Distance traveled to processor				
One-way distance to current processing facility	Western Oregon/Wash.	Central Oregon	Eastern Oregon/Idaho	All (64)
	%	%	%	N
Fewer than 30 miles	23.1	28.6	29.4	17
30 to 60 miles	30.8	4.8	0.0	9
60 to 90 miles	11.5	0.0	0.0	3
90 to 120 miles	23.1	4.8	11.8	9
120 to 150 miles	—	14.3	11.8	5
More than 150 miles	11.5	47.6	47.1	21

Perceptions of state meat slaughter and processing inspection

State meat slaughter and processing inspection could benefit smaller processors by helping them come into compliance with state requirements without some of the infrastructure costs of USDA inspection. If custom processors implement a state inspection program, or new processors are encouraged to establish operations by the availability of state inspection, producers might also benefit. Benefits to producers could include increased demand for live animals by local processors, the ability to sell meat (rather than live animals) directly to customers, or shorter distances to processing facilities.

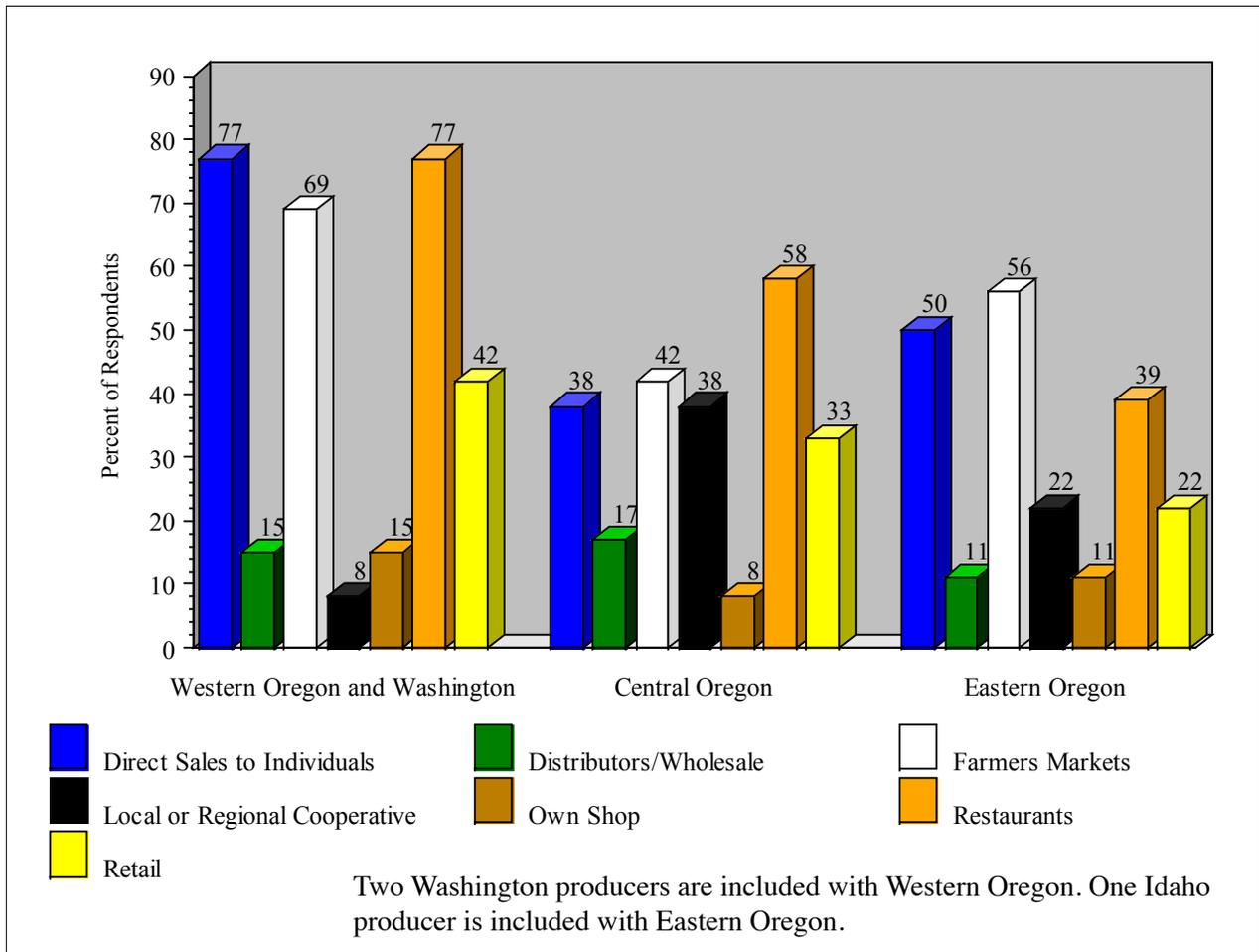
Livestock producers responding to the survey were generally positive about the benefits of a state inspection program. Producers stated that a state inspection program would allow them to expand or begin direct marketing. They also felt that transportation costs might be reduced if nearby processors were state inspected rather than custom processors only.

Perceived markets for state-inspected meat

Of the 86.6 percent who felt state-inspected meat would have a market, 84.2 percent thought it would allow them to “expand/switch to direct marketing options (e.g., local farmers markets, direct to consumer, or local retailers and restaurants).” One producer thought there would be a market for state-inspected meat, but would not switch to direct marketing of meat using state inspection. Those who felt state-inspected meat would have a market were *not* significantly more likely to already be making live custom or direct sales of meat.

As with processors, producers were asked to identify the top three most likely markets for state-inspected meats (Figure 8, page 21). The most often selected market was restaurants (chosen by 75 percent of producers). Nearly all producers thought direct sales (69 percent) and farmers’ markets (67 percent) were also among the top three likely markets.

Figure 8. Producers' perceived markets for state-inspected meat (n=67).



Producers' responses varied somewhat depending on region. In western Oregon, more than 75 percent of livestock producers thought they would market meat directly to buyers. Producers in central Oregon and Washington were less likely than other areas to choose farmers' markets as a likely market for state-inspected meats than were producers from other areas. Fifteen of the 22 producers selecting farmers' markets were in the western region, where there is a higher density of active farmers' markets. Livestock producers in central Oregon thought restaurants would be a more likely market for state-inspected meats.

Anticipated use of state-inspected processing facilities

Only 13.6 percent of producers indicated they would *not* use a processing facility with state inspection if it were as close as or closer than their primary facility. Only 9.7 percent of alternative marketing producers and 17.9 percent of other respondents indicated they would not do so.

Over 60 percent of alternative marketers said they would use a state-inspected processor to certify a portion of the meat they currently have in custom cut production. Seven producers indicated they would switch all of their custom-sold animals to state-inspected processing if it were available, and another seven producers would state certify 50 to 90 percent of their custom-sold production.

A third of all responding producers said they would use a state-inspected facility for a portion of current live sales production. Twelve percent of producers reported they would use a state-inspected facility to process 50 percent or more of their current live sales.

Fifty-seven percent of alternative marketers and 29 percent of conventional marketers indicated they would increase their “amount/kind of production for state-inspected marketing sales.”

Processing costs

Producers were asked about their normal processing costs, and responses varied widely. Some cattle producers apparently reported slaughter costs only. Those ranged from \$35 to \$100 per head. A small number gave an overall figure for slaughter plus processing, but information was not requested for different degrees of processing. One response indicated \$300 for custom processing and \$500 for USDA-inspected processing. Where per-pound costs were given, we estimated per-head costs by assuming a live size of 1,150 pounds and a cut-out meat percentage of 49 percent.

Overall, the stated and estimated processing costs for producers having cattle processed for personal use or as custom sales ranged up to \$300 per head. For producers having cattle “processed under USDA inspection for our direct sale as meat,” costs sometimes exceeded \$500 per head. (Seven of the 19 producers reporting a processing cost reported a cost over \$300, and five reported a cost over \$400, which we infer is for processing with USDA inspection.) Based on an 1,150-pound “average steer,” \$400 on 563 pounds of meat produced would represent a processing cost of 71 cents per pound for retail sellable meat.

Fees for state inspection

Fees for a state program would presumably be passed to producers when they retain ownership of the meat. Producers were open to a fee if state inspection would reduce their transportation costs and open up new markets. Producers almost universally indicated they preferred a per-head fee to an annual fee based on farm size. Per-head fees would depend on species of livestock and amount of processing.

About half of respondents estimated the per-head fee they would be willing to pay. For cattle, the acceptable fee ranged from zero to \$100, with 5 of the 13 producers indicating a fee between \$25 and \$30. Two indicated no fee, two \$5, two from \$15 to \$20, and two \$50 or more. One indicated willingness to pay the amount that would be saved in transportation costs, currently estimated at \$50 per head. One suggested \$10 per head plus a service fee, a system similar to that used for brand inspection. Another 22 simply indicated willingness to pay a fee but did not indicate an amount. Four lamb producers suggested fees ranging from \$1 to \$10. Only one producer suggested a specific fee for poultry, from \$0.25 to \$0.50 per bird.

Additional comments

In additional comments, six producers made positive remarks regarding the potential for a state inspection program to increase the amount of local meat available on the market. As the public becomes more concerned about the source of food and about problems such as mad cow disease, producers believe that the market for locally produced meat is increasing and feel that a state inspection program would help producers meet this demand.

The main concerns addressed in additional comments were the lack of processing capacity and the costs of transporting livestock long distances for processing. One producer commented on the lack of infrastructure in the Northwest, specifically the lack of a rendering plant and limited

availability of processing. Many small processors have to book kill dates months in advance and run out of product for customers before their scheduled dates.⁷ One producer said he has had to sell live animals when there was no room at the local processing facility. Thus, for producers, the positive response to a state inspection program may to a great extent represent a desire for more available processors rather than a preference for state inspection.

One producer did not think state inspection would add value to a commodity of any kind. Other concerns related to the possibility that the public would not understand state food safety requirements and would view state-inspected meat as a lower grade meat. There was also concern about the lack of a state grader in Oregon, since grading is required for sale to some markets. One producer said that small businesses need relief from regulations and innovative ways to comply.

Summary of producer survey results

Of the 69 respondents to the livestock producer survey, 50.7 percent reported using alternative marketing methods. Most of these producers were recruited for the survey through their registration with Farmer–Chef Connection, Eatwild.com, the Eat Well Guide, Food Alliance, Oregon Tilth, Inc., Local Harvest, or through local farmers’ markets. Sixty-five responding producers were in Oregon, three in southwest Washington, and one in Idaho.

Seventy-three percent of producers reported raising cattle, and 38 percent reported raising lambs or sheep. Less than 20 percent of respondents reported producing hogs, poultry, or goats. Some producers produced multiple species.

Most of the cattle were being sold live for finishing (contract, auction, or feedlot) or for immediate processing (packer, processor, or auction). About one-third of all cattle raised by respondents was being marketed through direct sales under the farm’s brand, which requires USDA-inspected processing and slaughter. Although some farms were USDA Certified Organic, only one reported using a processing facility with organic certification. Very few producers were using eco-labels, halal, or kosher-certified processing facilities.

Transportation costs were a concern for producers traveling long distances to processing facilities. More than 30 percent of respondents reported traveling more than 150 miles one-way to a processing facility, even though in some cases a closer facility existed. Some reasons for not using closer facilities included “no USDA inspection,” “not USDA Certified Organic,” “quality issues,” and “facility has full schedule.” Producers from central Oregon reported the longest distances traveled for processing.

Over a quarter of producers believed existing facilities were at full capacity and thought more processing plants were needed in Oregon and Washington. Many suggested the Willamette Valley as a location for a new processing facility. This region has the greatest density of producers, and a large number of respondents were in this area.

⁷See discussion of seasonal capacity in the processor section, page 10.

Figure 9 demonstrates the current availability of processors in Oregon. It shows all processors with USDA-inspected slaughter, retail poultry processors, and plants that have USDA meat processing inspection along with some state custom license for slaughter or processing. Most of the USDA-inspected meat processors that do not provide slaughter or custom services are restaurants, grocery stores, or general food processors. These facilities would not be expected to mitigate the slaughter bottleneck and are not included on the map.

Figure 9. Inspected slaughter and processing locations and county livestock production in Oregon.

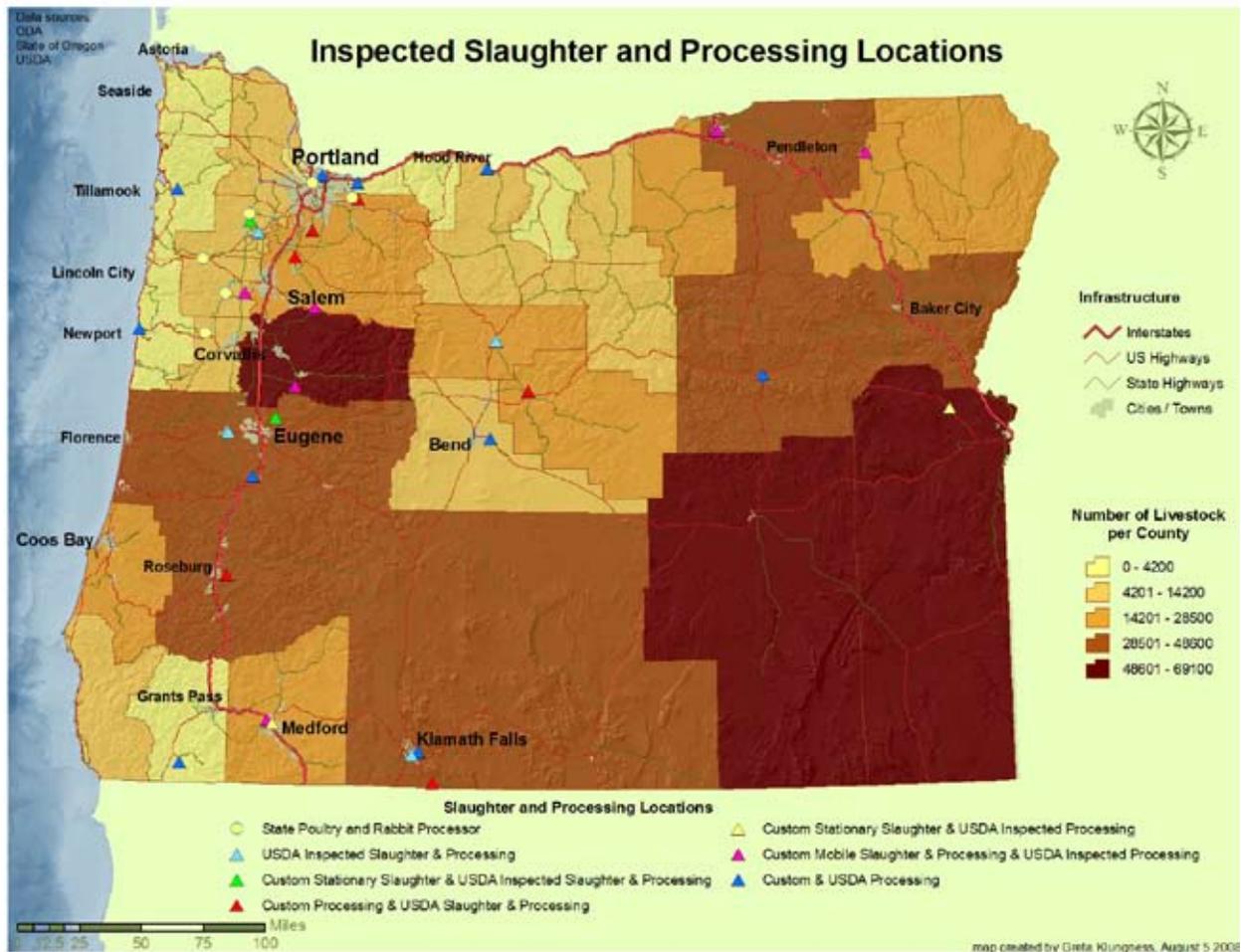
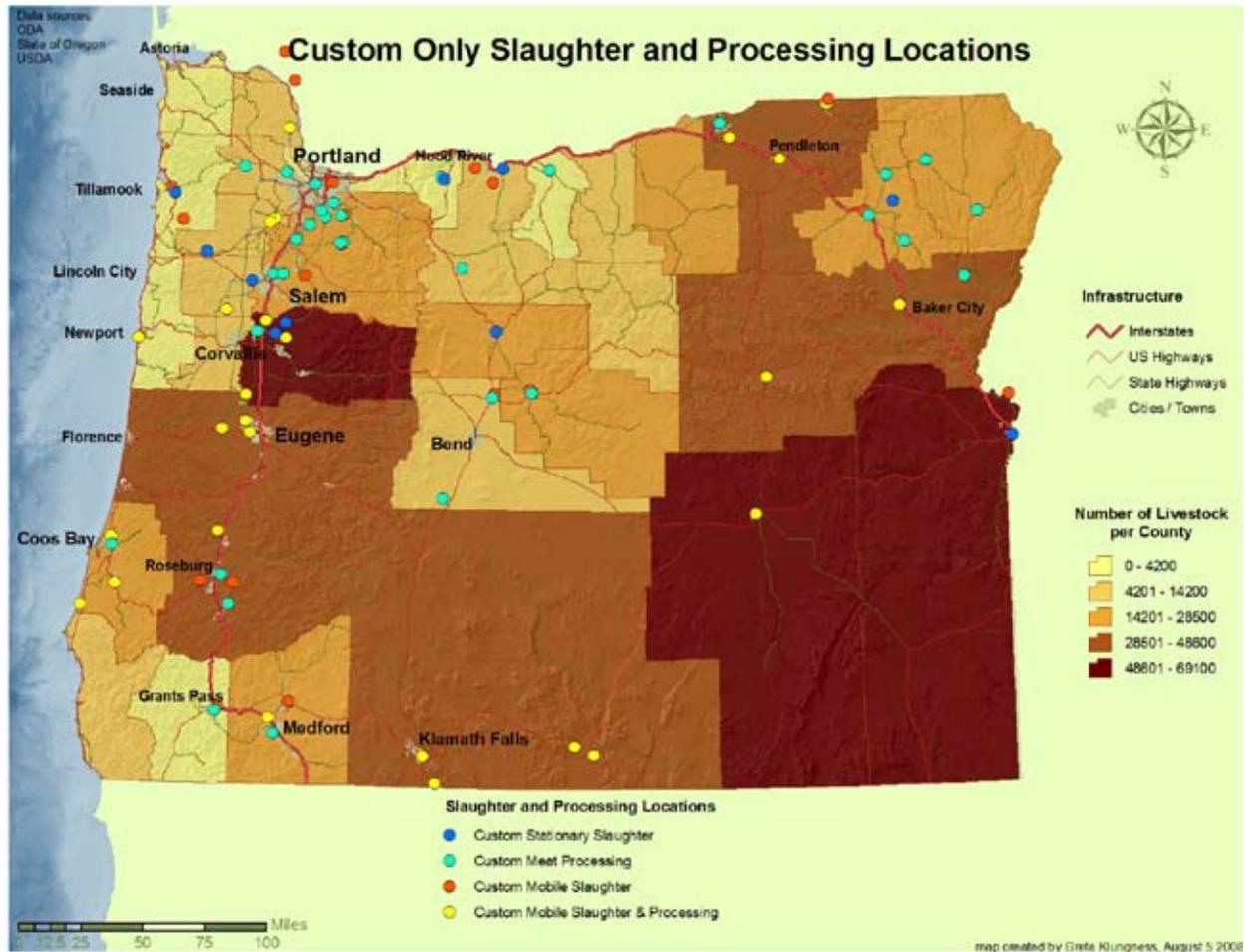


Figure 9 also shows the level of beef cattle production in each county in order to examine the relationship between production and processing location. Beef cattle production is highest in the eastern and southern portion of the state, while most processors—particularly those with USDA inspection—are in western Oregon. Having greater capacity for inspected meat in other parts of the state—whether USDA or state inspection—would improve marketing opportunities, although the extent of improvement cannot be measured from this survey. A likely transformation is for custom slaughter and meat processors to become state inspected. Figure 10 shows the location of custom processors and demonstrates that custom processors are better distributed in the eastern part of the state than are USDA operations.

Figure 10. Custom-only slaughter and processing locations in Oregon.



Many respondents believed that a state inspection program for livestock slaughter and meat processing could open new markets for small producers and processors. Responding producers thought that direct sales to individuals would be the most likely market for state-inspected meat (48 percent), followed by farmers' markets (38 percent). Only a quarter of producers selected local restaurants as the most likely market for state-inspected meat, although this market was among the top three likely markets selected by the largest share (75 percent) of responding producers.

Direct sales to individuals and farmers markets were selected as one of the three most likely markets for state-inspected meat by 69 percent and 67 percent of respondents, respectively. Producers in eastern Oregon were most likely to choose farmers markets as an outlet for state-inspected meats. Eighty-three percent chose this as a possible outlet in eastern Oregon, compared to 71 percent in western Oregon and 50 percent in central Oregon. Eastern Oregon producers were less likely to put restaurants in the top three (58 percent), compared to central (81 percent) and western (79 percent) Oregon producers.

A state meat slaughter and processing inspection program probably would not be fully funded by the state and FSIS, and the program would need to be approved by the state legislature. A fee schedule would probably be implemented to pay for the service. While some states have a licensing fee, others have a fee per head of livestock. Processors presumably would pass inspection fees to producers, at least if the producer retained ownership of the meat.

Producers were asked what type of fee schedule seemed fair for state inspection. A per-head fee was chosen by all respondents over an annual fee based on farm size. Some producers suggested dollar amounts based on the kind of livestock. Cattle producers suggested fees ranging from zero to \$100 per head. One suggested that fees should operate like brand inspection, with a per-head fee of about \$10 plus a service fee. A direct marketing producer noted he was already paying \$50 per head for shipping, so if a state inspection program were available from a closer processor, his business would benefit as long as the new transportation cost plus the fee totaled less than \$50.

Overall, producers were interested in a state meat slaughter and processing inspection program and predicted an increase in production and sales to local markets. Producers also thought a state inspection program would increase the availability of processing capacity and reduce problems with over-booked facilities. In addition to the current lack of processing capacity, producers were concerned about rising transportation costs and saw a state inspection program as improving the situation if more processors opened or if some custom-only processors became state inspected.

V. Conclusions

An Oregon state–federal cooperative meat inspection program is likely to be supported by producers and custom processors.

Forty-nine processors and 69 producers responded to a survey assessing interest in a state meat inspection program in Oregon or Washington. Processors responding to the survey included both USDA-inspected and custom processing facilities.

The focus of state meat inspection programs in other states is on smaller processors that benefit from more personalized assistance in developing food safety standards. Processor responses seemed to support this approach in their discussion of program benefits.

Processors were divided in terms of interest in a state meat inspection program. USDA-inspected facilities did not foresee as many benefits as smaller custom processing facilities. In general, USDA-inspected plants process more volume and have more employees. Some USDA-inspected processors were concerned that a state inspection program would lead to higher meat prices because of the potential for inspection fees. They also were concerned that they would face similar difficulties working with the state as with USDA. USDA-inspected facilities did not think a state program would increase the number of employees at their facilities.

Custom processing facilities were more positive about potential benefits of a state meat inspection program. The main deterrent to inspection is the initial expense related to compliance. Custom processors viewed a state inspection program as an avenue to providing local meat to their communities without having to work with the federal government.

Sixty-six percent of processing facilities overall reported being able to accommodate increased input, but the main limiting factor was a lack of skilled employees. Processors suggested that an increase in the number of skilled workers could increase their production. In contrast, many producers believed that processing facilities were operating at full capacity and stated that processing must be scheduled months in advance. Processors noted that excess capacity is seasonal because beef and game processing have their own peaks.

Both USDA-inspected facilities and custom processors were interested in food safety training programs sponsored by Oregon State University and the Oregon Department of Agriculture, but custom processors were more interested in butcher/meat cutter training. There are a limited number of skilled employees available to work in processing facilities, and this shortage might be alleviated

by butcher/meat cutter training classes. A training program might increase the number of available skilled employees, allowing both USDA-inspected and custom processors to operate at a higher volume.

Increasing transportation costs were a concern of producers. More than a quarter of producers reported traveling more than 150 miles to a processing facility, even though in some cases a closer facility existed. Reasons for not using the closer facility ranged from “not being USDA inspected” to “poor quality control at the plant.” Very few processors in central and eastern Oregon are USDA inspected. All but two of the USDA-inspected processors responding to the survey were located in western Oregon. Producers in central and eastern Oregon reported traveling the farthest, with about 60 percent going more than 120 miles one-way to a processing facility.

Producers thought that closer custom processing facilities would adopt state inspection, thus increasing market opportunities, and they also viewed new facilities as a possibility. Producers interested in a state inspection program foresaw decreased travel costs and time if a state-inspected facility were closer. It should be noted that, unlike processors, producers in general were willing to pay a fee for state inspection.

There was no significant difference between alternative and conventional marketing producers regarding the belief that state-inspected meat would have a market, with 86.6 percent overall agreeing. This result indicates that producers in general (not just alternative marketers) think that a market would exist for state-inspected meat. Thus, even among a broader sampling, most producers might still believe there would be a market for state-inspected meat.

Of producers who thought there would be a market for state-inspected meat, 84 percent indicated that a state inspection program would help them expand or switch to direct marketing options. Market options for state-inspected meat are important because at this time state-inspected meat cannot be sold across state lines. (Interstate sales should be possible within the next few years, based on the 2008 Farm Bill provision.) Processors and producers both thought local restaurants were a likely market for state-inspected meat. Local retail was the second most frequently selected market identified by processors, while producers chose direct sales to individuals, followed by farmers markets. Few producers chose sales from their own shop, co-ops, distributors, or wholesale.

Many custom and other smaller processors were interested in working with the state to provide local meats to their communities. Fifty percent of custom/other processors foresaw an increase in their number of employees with a state inspection program. Larger USDA-inspected processors did not see as many benefits from state inspection, and a state program would probably not have a large impact on these businesses.

An increase in processing facilities with state or federal inspection could decrease transportation costs for producers as well as fill a niche market for locally produced foods. The possibility of a state inspection program has generated considerable interest among producers and food and rural interest groups, reflecting the need for rural development and opportunities in niche and local meat marketing. Further exploration of ways to meet these goals should be considered in policy formulation.

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For related livestock industry updates, go to:

<http://fic.oregonstate.edu/economic-and-marketing-research>

Appendix A— Processor Survey

Northwest Meat and Livestock Processor Survey

When completing this survey, any comments would be appreciated. Providing specific examples for questions is also useful when developing recommendations for the future.

1) Where are you located? State _____ County _____

2) What type of processing does your facility presently offer? (*Check all that apply*)

- Slaughter Custom processing USDA inspected
 Primal cuts Retail cuts Value-added (smoking, aging, etc.)

Other (please specify) _____

Certification:

- Halal Kosher USDA organic

Other (please specify) _____

3) Do you have a minimum processing requirement?

- No
 Yes Minimum charge? _____
and/or Number of animals/species? _____/_____
_____, _____/_____, _____/_____,
_____/_____

Does not apply

4) How many (full-time equivalent) production employees do you currently have? (*Please circle answer*)

Less than 1 1–3 4–6 7–9 10–14 15–19 20–24
25–29 30–34 35–39 40–44 45–49 50–59 60 or more

5) How many animals did you process in 2007, and how many are you estimating for 2008?

Please indicate if you are reporting by: week month year

2007

Cattle _____

Pork _____

Poultry _____

Lamb _____

Other (specify) _____

2008 (estimate if different)

Cattle _____

Pork _____

Poultry _____

Lamb _____

Other (specify) _____

6) If you had access to a larger supply of animals in the future, would your facility be able to accommodate the increased input?

- Yes, please select one of the following:
 - our facility is not operating at full capacity
 - our facility could accommodate increased input by implementing the following changes
(e.g., hiring more workers): _____
- No, our facility is already processing at maximum capacity
- Other _____

7) If your facility is USDA inspected for slaughter and processing, what is the availability of a USDA inspector at your facility?

- A USDA inspector is on-site at all times
- A USDA inspector is on-site part-time _____ hours/week
- Other (please specify) _____
(Continue to question 9 if USDA inspected)

8) If your facility is NOT USDA inspected during slaughter and processing:

a. Why not?

- Our firm is too small to justify cost
- We have not developed a market for inspected product
- Our facility is at full capacity with custom processing
- Our geographic location is too remote
- No demand from clients for USDA inspection
- Too expensive to comply with USDA inspection requirements
Please give example/explain: _____
- Other: _____

b. What would help you achieve USDA inspection? (*Check all that apply*)

- Consultant to guide through process
- Employee training program/seminar
- Management training on requirements
- Other (please explain) _____

Oregon and Washington currently do not have state slaughter and processing inspection programs. A state meat inspection program could be an alternative to USDA inspection for meat and poultry sold in-state. The following questions ask about possible programs in the Northwest.

9) Since state inspection programs must enforce food safety standards “at least equal to” or “better than” federal requirements, what benefits do you foresee with a state inspection program? (*Please explain*)

Give an estimate of how much a state inspection program might increase your number of production employees (in full-time equivalents). (*Please circle answer*)

0 1-2 3-4 5-6 7-8 9-10 11-15 >15

10) Please rank the three most likely markets for state-inspected meat (1=most likely).

_____ Restaurants	_____ Retailers
_____ Farmers markets	_____ Distributors/Wholesalers
_____ Direct sales to individuals	_____ Local or regional marketing cooperative
_____ Own shop	_____ Other _____

Oregon State University and Oregon Department of Agriculture often sponsor educational programs. Are there types of training that would be beneficial to your business?

- | | |
|---|--|
| <input type="checkbox"/> Food safety (e.g., HACCP) | <input type="checkbox"/> Butcher/meat cutter |
| <input type="checkbox"/> Increasing processing efficiency | |
| <input type="checkbox"/> Other (please explain) _____ | |

Additional comments: _____

Please provide your contact information if you would like to receive further information on the progress of state inspection or training related to meat processing.

Your contact information will be provided only for distributing further information. If you have any questions about the use of the address lists, please contact the numbers at the end of this page.

Name: _____

Address: _____

Phone #: (_____) _____ Fax #: (_____) _____

E-mail: _____

Preferred contact by regular mail by fax by e-mail

Please return by **June 10th**. If you have any questions about this survey or wish to find out more about efforts to determine state inspection viability, please contact the Food Innovation Center at (503) 872-6680 or by e-mail at fic@oregonstate.edu. Note that your inquiry is about the Meat Producer Survey.

Appendix B—Producer Survey

Northwest Meat and Livestock Producer Survey

When completing this survey, any comments would be appreciated. Providing specific examples for questions is also useful when developing recommendations for the future.

1) Where are you located? State _____ County _____

2) Which livestock species do you raise for meat production?

- Cattle Hogs Sheep/lamb Bison
 Poultry Goats Other (please specify) _____

3) How many animals did you sell live or take to slaughter in 2007. *Please report by year.*

	<u>Cattle</u>	<u>Pork</u>	<u>Poultry</u>	<u>Lamb</u>	<u>Other</u>
<i>Sold live for finishing (contract, auction, or feedlot)</i>	_____	_____	_____	_____	_____
<i>Sold live for processing (to packer, processor, or auction)</i>	_____	_____	_____	_____	_____
<i>On-farm or custom slaughter for personal use</i>	_____	_____	_____	_____	_____
<i>Delivered to slaughter/custom processing for a customer</i>	_____	_____	_____	_____	_____
<i>Processed under USDA inspection for our direct sale as meat</i>	_____	_____	_____	_____	_____
<i>Other (Please describe)</i>	_____				

4) What types of production techniques are you currently using or considering using in the future? (*Check all that apply*)

Currently	Considering	Production techniques
<input type="checkbox"/>	<input type="checkbox"/>	Conventional
<input type="checkbox"/>	<input type="checkbox"/>	USDA Certified Organic
<input type="checkbox"/>	<input type="checkbox"/>	Food Alliance Certified
<input type="checkbox"/>	<input type="checkbox"/>	Natural (no antibiotics, no hormones, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	Pasture-raised
<input type="checkbox"/>	<input type="checkbox"/>	Grass-fed
<input type="checkbox"/>	<input type="checkbox"/>	Free-range
<input type="checkbox"/>	<input type="checkbox"/>	Other (Please specify) _____

5) What type of slaughter/processing methods are your animals being processed under?

(Check all that apply)

- Custom meat processing
- USDA-inspected facility
- halal
- USDA organic
- Eco-label (e.g., Food Alliance)
- kosher
- On-farm slaughter
- Does not apply/Only sell live animals (Please skip to question 8)
- Other (Please specify) _____

6) What is the one-way distance between your farm and your primary slaughter/processing facility?

- <30 miles
- 30–60 miles
- 60–90 miles
- 90–120 miles
- 120–150 miles
- >150 miles

7) Is there a facility closer than the one you use?

- No
- Yes If yes, why doesn't it meet your needs?

- Not USDA inspected
- Not USDA organic
- Other _____

8) What county/state do you think would most benefit from a new processing facility?
Please explain: _____

Oregon and Washington currently do not have state slaughter and processing inspection programs. A state meat inspection program could be an alternative to USDA inspection for meat and poultry sold in-state. The following questions ask about possible programs in the Northwest.

9) Do you feel there is a market for state-inspected meat? Yes No
(skip to #12)

10) Would a state inspection program help you expand/switch to direct marketing options (e.g., local farmers markets, direct to consumer, or local retailers and restaurants)?

- No Please explain: _____
- Yes Please explain: _____

11) Please rank the three most likely markets for state-inspected meat? (1=most likely)

- | | |
|---------------------------------|---|
| ___ Restaurants | ___ Retailers |
| ___ Farmers markets | ___ Distributors/Wholesalers |
| ___ Direct sales to individuals | ___ Local or regional marketing cooperative |
| ___ Own shop | ___ Other _____ |

12) If there were a processing facility with state inspection as close as or closer than your primary facility, would you: (*Check all that apply*)

- Not use it (please continue to question 16)
- Use it to state certify a portion of my current custom-cut production

What percent? _____

- Use it to state certify a portion of my current live sale production for in-state sales as meat

What percent? _____

- Use it and increase the amount/kind of production for in-state sales as meat

Please explain _____

- Other** _____

13) A state inspection program may not be fully funded by the state. What type of fee schedule would be reasonable to use for producers interested in this service? (*Check all that apply*)

- Annual fee based on farm size How much? _____
- Per-head fee How much? _____
- Other Please specify _____

14) What are the normal processing costs per head for your main livestock species? Please indicate species. _____

15) Give an estimate of how much a state inspection program could increase your production.

- No increase Increase by # _____ animals

16) With a state inspection program, would you consider raising different livestock?

- No Yes, Please specify species _____

17) Additional comments about state inspection or other marketing needs of the industry: _____

Please provide your contact information if you would like to receive further information on:

- State inspection Workshops on organic, natural, or Eco-label production techniques
- Alternative markets

Your contact information will be provided only for distributing further information. If you have any questions about the use of the address lists, please contact the numbers at the end of this page.

Name: _____

Address: _____

Phone #: (_____) _____ **Fax #:** (_____) _____

E-mail: _____

Please return by June 10th. If you have any questions about this survey or wish to find out more about efforts to determine state inspection viability, please contact the Food Innovation Center at (503) 872-6680 or by e-mail at fic@oregonstate.edu. Note that your inquiry is about the Meat Producer Survey.

Appendix C—Livestock Processor Comments

If you had access to a larger supply of animals in the future, would your facility be able to accommodate the increased input?

~Yes, our facility could accommodate increased input by implementing the following changes:

Need a larger workforce.

More workers

We could process more at certain times of the year (Jan–Aug).

6 months of the year we could process more animals.

More workers

More demand, more supply

Skilled workers

Finding experienced workers that are good

We are in the process of new construction.

Skilled slaughter floor and meat cutting (only skilled)

More workers, 2nd shift

Alternate facility available

If your facility is NOT USDA inspected during slaughter and processing, why not?

~Too expensive to comply with USDA inspection requirements, explain:

Time and energy required to meet requirements

To keep up with all data kept, [would need] one full-time employee.

Would have to add a kill floor.

Our plant was built to USDA specs, but I don't have faith in the system. In the past their approach has been adversarial as opposed to friendly, helpful, and cooperative.

We're retail first and custom cutting as a service to ranchers.

If your facility is NOT USDA inspected during slaughter and processing, why not?

~Other comments:

We were USDA inspected in the past. 90% of our business is custom.

We are currently working to build a USDA facility.

Our processing facility is not handicap accessible, and cannot be made to be. We do not have an office, bathroom, private entrance, or land phone line for USDA inspector.

What would help you achieve USDA inspection?

~Other comments:

Any help we could get

Not interested

New plant

Grants or funds guaranteed by USDA

We don't want it.

Never on my watch

Note: USDA regulatory requirements are back breaking.

Not interested

Since state inspection programs must enforce food safety standards “at least equal to” or “better than” federal requirements, what benefits do you foresee with a state inspection program?

Custom/Other Processors

1) customer perception of better quality 2) ability to process more than 20,000 birds/year

Being able to sell smoked and further processed meats.

Dealing with Feds is not fun.

Future inspection for our processing. The benefit would be to have a product that we could wholesale.

I believe a state inspection program would end up being paid for by the production and drive up the costs of meats.

I could sell our specialty sausage and products to local stores and restaurants without USDA inspection and it could boost my sales and open up positions for new employees.

Inspectors who know our area better. Lower costs?

Local control by local people. A call to Salem would have more impact than my call to Washington DC. I've been involved in meat business since before the USDA took over for the state. Things worked better then.

More state money going to waste

Possible increase in smoked meat and sausage products

Access to a viable program that would allow smaller and remote producers to fill a niche market

At the time being more fits inspection that my plant needs to do what we're doing. If I was federal it would be overkill on inspection.

Locally raised meat products to sell to local customer

No benefit

None

Not having to deal with the federal government on a daily basis

(continued next page)

CONTINUED—Since state inspection programs must enforce food safety standards “at least equal to” or “better than” federal requirements, what benefits do you foresee with a state inspection program?

Custom/Other Processors

Not sure

Population eating safer food products

Probably have a better relationship with a state inspector

Unknown

USDA-inspected Processors

Pro: Would keep issues to a more local level. Con: Start-up is a problem.

The food safety requirements that could be controlled by a smaller body of regulators. The plant-by-plant review process that could be adjusted for plant size. Not a bunch of big wigs that have never worked in a slaughter floor. There needs to be a financial grant process for processors. The USDA grants are cumbersome and mostly do not apply to processors. If the meat plants were classified as an agriculture business, the workers comp could be reduced, the farm licensing. Liability insurance, DEQ improvement grants. The cost to operate as required is too high.

A state inspection program equal to would be a “federal” program.

A state program would be more productive way of working because state is easier to work with and is better equipped to work with small shops at this level.

Best benefit would be for USDA inspection for mobile slaughter.

Easier access to decision makers, less bureaucracy

Instead of spending tax dollars on state inspection and thus producing a product that cannot be sold interstate commerce, there is a need to assist in attaining affordable liability insurance to attract larger customers who assume larger coverage.

None

None, USDA is more than enough.

None—if they are equal or better why not commit to doing USDA? We had no choice when the state dropped inspection. What is the big concern 30+ years late? We process for other people to sell their animals first. That wouldn’t change because all the small producers wouldn’t process their own to sell direct.

None—more complications

None—this stringent of policy, i.e., HACCP, would be a definite detriment to meat processing in southern Oregon. I would foresee at least half of all meat processing plants quit business or raise prices to such a degree as to make processing financially impossible.

Oregon State University and Oregon Department of Agriculture often sponsor educational programs. Are there types of training that would be beneficial to your business?

On-the-job training program

I would like to know about a smoked meat seminar.

Regulatory requirement application—a how-to for a small plant

Broth production, chicken nugget production, rendered fat production, pet food production

Technical meat processing procedures and technique trainings

Additional comments

Hard to find qualified employees. Impossible.

I am always looking to improve the quality of my products and business. It would be good to handle it all locally.

State inspection would be a costly addition to the budget and wouldn't allow for interstate shipping.

It's my belief Oregon could do a better job than the USDA. Oregon's meat industry has been in decline since the USDA took over for the state. Jobs have been lost, markets have been lost, some never to be regained.

Those of us that went from state inspection to USDA when we had to and made it work are still here. We survived when no one cared where their meat came from and went to the cheaper source. Now that lots of people want to know where their protein comes from, why do you want to change the rules again? If the state programs are equal to or better than USDA, then there shouldn't be any need for both. Our plant could do twice as much volume if we could find people that wanted to work. That's where the problem is. Not in the plants or the inspection. Just people need to physically work.

I believe a lot of custom processors are not USDA inspected because of the ridiculous amount of red tape. If state inspection will make them come to USDA standards, there would be no reason to ask for this service. Once you have seen all the detail USDA demands, you would see that unless a person had extremely good reason financially the headaches that come with that level of inspection are not worth the frustration. After HACCP was implemented in 2003, the number of USDA plants went from 4,000 to about 1,500. Figure THAT out.

I would like to see more time spent marketing to domestic customers. The majority of foreign customers need a very large packer. We are more suited to domestic customers interested in ground beef sales, but don't have a large enough product liability policy and we are unable to afford the 20 million required.

If the inspection services could be handled by a smaller agency that had a practical process. I support the strict monitoring of the USDA. I do not support the fact that in order to protect the government from being held responsible for a food safety failure they have turned the inspectors into "paper cops." The HACCP program is a good tool but lacks the practical plant-by-plant application. The enforcement is based on 80% on paper and 20% on processing application.

(continued next page)

CONTINUED—Additional comments

We were USDA for over 20 years. It became increasingly a pain. Inspector interpretation was so random, it was a joke. After dropping inspection we were able to increase production and still maintain sanitary and quality. I've cut meat for almost 40 years and am not interested in big brother looking over my shoulder. Only interested in pleasing customers.

I'd be 5000x more interested in a "small farm license" that would allow us to use our licensed processing facility for poultry 2 days a week, cheese making twice a month, and mead (wine) making several times a year. At our low volumes, why are we required to build SEPARATE \$100,000 buildings for each purpose and then so wastefully underutilize them? Our poultry facility is empty and unused 5 days a week.

I don't think you realize how difficult it is to operate without a state tallow company. Also, it is difficult to locate individuals that are trained to break down carcasses.

I just cut meat for my customers the way they ask for it and we get along just fine out here in the sticks! Still a free world as of this year anyway. They own the beef or pork, we cut it and also pay the state the licensing for each and every six months!

The cost is a big concern, inspectors to hire, training, compliance, office personnel, labeling, regulations, etc. Why not just make the Feds pay for it all?

Appendix D—Livestock Producer Comments

Would a state inspection program help you expand/switch to direct marketing options?

~Yes, please explain:

Assuming I could contract with on-farm slaughtering and process in Redmond

Be able to sell by pound

Better control of my animals

Could be less freight and overall expense. Could help compete against industrial food chain.

Desperately needed! We have a demand far larger than we can meet, and USDA processing requirements is a huge impediment!

Expand. Cost of current process reduces profitability. I assume state inspection would reduce processing fees for USDA-processed meats.

Farmers market and restaurants

Gives other options to pursue.

Hopefully a closer facility

I am already doing this, but it would allow us to sell meat by the cut, retail.

I could sell to local restaurants! And possibly our small town market.

I have a neighbor who wants legs and chops only.

(continued next page)

CONTINUED— Would a state inspection program help you expand/switch to direct marketing options?

~Yes, please explain:

If close enough and trustworthy

If I can still do on-farm slaughtering

Local sales of lamb and rabbit

Might allow a small plant to operate.

Place to slaughter cows and bulls

Possible new options

Reduce cost to slaughter/less travel, shipping expense.

Reduce costs and open more supply.

Restaurants

Slaughter of cull cows and bulls

Some of my production does not fit track load lots.

Somewhat. We sell individual packages, and USDA inspection is currently required for that.

There is an immense demand for poultry, rabbits, etc. from restaurants, chefs, caterers, individuals. Also big demand for kosher and halal meats. We would direct market even more.

There is no one who will kill less than 100/week.

There was great demand for this beef at the local market. The processing was not great. We have ceased USDA due to quality issues.

We could greatly expand production of poultry with a state inspection program.

Would allow us to sell at farmers markets by the cut rather than the whole animal.

Would be good for grass-fed in-state sales.

Would provide more selling options.

Would start killing 100+ year.

Additional comments

Affordable state-inspected processing is greatly needed in the poultry business. For the small (less than 500 birds per year) producer, driving over 200 miles round-trip is prohibitive.

Anything to open niche markets

Freight is the big factor. Hauling cows to Idaho and Washington is very expensive.

I think we need a large killing plant. We do not need state inspection, we need to improve USDA inspection.

I would definitely increase the size of my flock if there was enough of a local market. State or USDA inspection has been the only deterrent.

Many customers want state inspection; they are worried about mad cow. I feel my sales market would increase by 200% with state inspection and processing.

Need an eastern Oregon option.

Need local slaughter and processing facilities. Small business needs some relief from regulation and/or innovative ways to comply. Need programs to present options to youth.

Need to help processors already here and struggling. What we need is rendering facilities with less restrictions.

Oregon does not have an in-state meat grader. Many outlets will only buy graded meat, i.e., choice, select. A local grader would open up many markets.

Organic processing made common (easier to apply, more training to help the skills, products to comply).

Presently, there is very little competition between large packers. State inspection could provide more buyers for local consumption of locally grown meat (pork, chicken, lamb, beef, and goat).

Some states have mobile slaughtering systems that are inspected. We again prefer this method due to less transportation costs and less stress on animals prior to slaughter.

State inspection will not add value to a commodity of any kind.

Thank you! This was a proposal that went through legislature that I wrote on this very topic and it may have some helpful information. This info got a law changed, but what you are doing would be actually what I was asking for.

The cost of USDA plants is not the big problem. Lack of USDA plants and quality of service at those facilities has caused us to cease USDA slaughter. It is difficult for consumers to deal with the ¼ to ½ beef required by law with our very good custom meat processor.

The lack of packing houses limits the ability of branded products to establish and prosper.

The most significant impact for us is that we would have more options if we could use state-inspected facilities. If our current USDA facility closes, we would not have a butcher to work with. We have used nearly every other USDA facility and would not use them again. We are completely dependent on our current processor. Also, if we could use state-inspected facilities, we could significantly lower fuel costs.

This is desperately needed for the rapidly growing and demanding small farm/locavore/direct sales market. This is huge both economically and socially and environmentally.

Union in state won't let you operate.

(continued next page)

CONTINUED—Additional comments

USDA processing plants are very booked and difficult to increase number of animals. We consistently run out of product. We sell direct to customers at the farmers markets so could greatly benefit from a local processor.

We are a member of a co-op called Country Natural Beef. Our market is managed to provide the meat we sell.

We desperately need more processing capacity for ALL species of local livestock and poultry. The demand from restaurants, grocery stores, and individuals is HUGE! We routinely have to turn away business because we cannot get more animals processed, i.e., big/small restaurant chains here in Oregon.

We have no infrastructure, no rendering plant, no place to dispose, we have to book kill date and cut/wrap months in advance, have to sell animals live.

We need [state inspection] very badly.

We need a plant with enough scale to process livestock at competitive pricing with adequate storage so we could be competitive in the marketplace. Currently any premium we get over our product is spent on over-expensive processing.

We need an inspection program to allow small producers to participate in niche marketing opportunities.

We need improved inspection for safety. We need horse processing plants to handle the excess horses that have accumulated. This is a growing problem.

We need to break up the large monopolies that exist due to the USDA-only inspections. State level inspection would save transport costs and provide more local control. Please do it.

With high transportation expense, the industry needs to reach ways to finish our production and process it for export to other states.

With shortage of fed cattle in Oregon, slaughter of the fed cattle is not a factor. We do need a place to slaughter cull cows and bulls.

You seem to think this will create new facilities. It will not. If it is integrated into current facilities business it will not work.

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