

# An Examination of Pennsylvania's Meat and Poultry Processing Industry

*A report by:*

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## **EXECUTIVE SUMMARY**

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Although Pennsylvania ranks among the top 10 states for slaughter in commercial plants for all major categories of livestock, the commonwealth loses 4 to 5 percent of its federally inspected meat and poultry processing plants each year. This research project examined the industry's strengths and weaknesses to better understand any role that state government can play in supporting this industry sector.

Data were collected through a mail survey of processing plants, and roundtable discussions and phone conversations with processors, livestock producers, and industry representatives and organizations.

The results show that the major obstacles to the success of meat and poultry processors are labor costs, including wages, workman's compensation and taxes; finding and retaining qualified employees; regulatory compliance; and the cost of equipment, supplies, packaging, and ingredients. To address these obstacles, the researchers suggest the following policy considerations.

1. Support existing U.S. Department of Agriculture inspected plants by instituting job training, certification and/or apprenticeship programs in both English and Spanish; and developing programs and strategies for dealing with the waste products of meat processing.
2. Study the feasibility of re-instituting the State Inspection Program.
3. Form creative alliances and/or cooperative ventures within the industry, with state agencies and general agriculture-related organizations, to strengthen the industry.
4. Support marketing for the meat and poultry industry by continuing and increasing support for programs that offer consumers choices for locally grown products.



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## INTRODUCTION

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Pennsylvania ranks second in the nation in the number of small meat processors and has more than 400 federally inspected meat and poultry processors. With over half of the U.S. population located within 300 miles of eastern Pennsylvania, there are many opportunities to grow and expand the meat and poultry processing industry. Because many consumers in the state's metropolitan areas are following the national trend toward buying fresh, locally produced products, Pennsylvania has nine counties listed in the top 100 nationwide that generate direct sales of farm products for human consumption, according to the 2002 U.S. Census of Agriculture.

Each year Pennsylvania loses 4 to 5 percent of its federally inspected meat processing plants, according to data from the U.S. Department of Agriculture/Food Safety Inspection Service (FSIS). The reasons for this trend of closings are not known. However, these losses must be abated to maintain competitive livestock markets and adequate facilities to process livestock and meat products for producers who wish to market their products directly to consumers.

Pennsylvania has a diverse agricultural base that varies widely throughout the commonwealth. According to the *Pennsylvania Agricultural Statistics, 2005-2006*, livestock and their associated products account for more than two-thirds of overall cash receipts to the state's farmers. Furthermore, Pennsylvania ranks in the top 10 of all states in terms of "slaughter in commercial plants" for all major categories of livestock, including cattle, calves, hogs, sheep and lambs.

It is no wonder, then, that Pennsylvania also maintains in operation more U.S. Department of Agriculture (USDA) inspected slaughter plants than any state other than California. In addition, Pennsylvania has an ample list of custom plants that are exempt from full USDA inspection criteria. Many agricultural states have witnessed crises in terms of maintaining a strong and diverse base of animal processing options. In response, Minnesota, Maine and Missouri have all recently re-implemented State Meat Inspection programs to maintain their processor base and provide assistance for the custom-exempt plants. Wyoming and Kentucky have seen the number of USDA slaughter plants go down to the point where the state or regional marketing group has purchased mobile slaughter facilities to assist with the local processing of livestock. Maryland is also considering the purchase and implementation of such equipment.

To address the concerns and opportunities outlined above, in 2004, researchers from Pennsylvania State University and the Pennsylvania Association for Sustainable Agriculture (PASA), with guidance from the Pennsylvania Technical Assistance Program (PENNTAP), Pennsylvania Department of Agriculture, Pennsylvania Association of Meat Processors (PAMP) and the American Association of Meat Processors (AAMP), conducted this research.

## METHODOLOGY

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Using the list of USDA plants in Pennsylvania provided by the USDA/FSIS office in Philadelphia, the researchers mailed a survey to 420 companies (19 were returned for lack of proper address). Personal visits and phone calls complemented the mailing to provide the most complete information possible. The response rate for the survey was 23 percent. A second survey mailing included the 150 USDA custom-exempt plants whose responses would be of importance to livestock producers who are marketing directly to consumers. The response rate for this survey was 45 percent.

The surveys produced a current list of processors and an inventory of existing primary (slaughter) and secondary (processing for re-sale in commerce) processing capabilities and of products produced in the state. The inventory consisted of more than 550 Pennsylvania abattoirs (slaughter facilities), packers, and processors by type, size, location, and structure.

### Definitions

The researchers used the following size categories, originated by the Small Business Administration (SBA) and adopted by USDA/FSIS, for processing plants.

- Very small = 10 or fewer employees or less than \$2.5 million in annual sales
- Small = 11 to 500 employees and greater than \$2.5 million in annual sales
- Large = more than 500 employees

The other category of plants used in this analysis is non-USDA inspected. These plants fall into the category "Custom Exempt" or "Retail Exempt." The data from these plants are reported as non-USDA regardless of the number of employees. All reported fewer than 10 full-time employees.

Processor type consisted of: those who slaughter and process under USDA inspection; those who slaughter under inspection but process under custom or retail exemption; and those who both slaughter and process under the custom exemption. Since there are only four “large” plants in Pennsylvania and only two responded to the survey, the researchers did not analyze those results separately to the extent they did for the small, very small and non-USDA inspected plants.

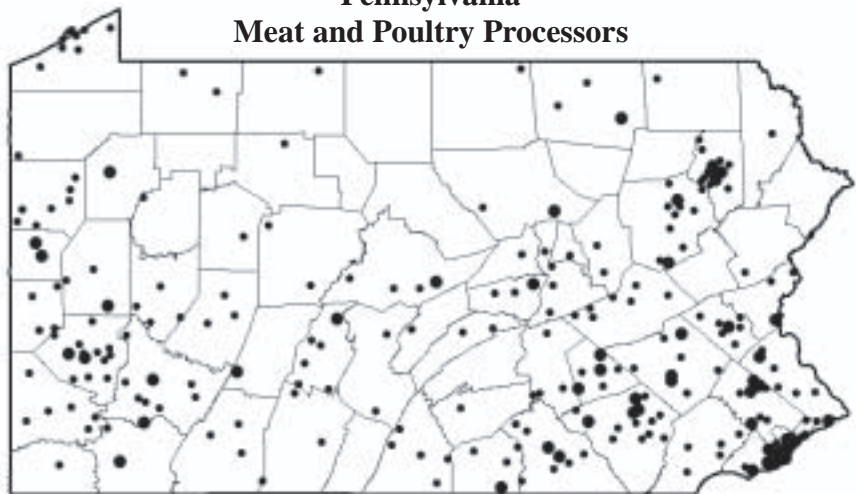
The survey also documented the opportunities and barriers faced by small processors and included an assessment of needs for educational programs on a wide variety of topics, such as food safety issues, technical courses to improve product quality and enhance processing efficiency, and business-related educational programs like cost analysis, employee relations, marketing and finance.

To aid with the opportunities and needs assessment, three roundtable meetings were held with very small and small processors, livestock producers, and industry representatives and organizations to discuss common

problems, find solutions to problems, and identify opportunities or needs that surfaced from the survey and analysis.

Finally, the researchers held a meeting with regulatory officials from USDA and the Pennsylvania Department of Agriculture to determine the interest and need for changes in regulatory control of non-inspected plants and very small USDA inspected plants.

## Pennsylvania Meat and Poultry Processors



*Data source: USDA/FSIS 2007. Note: Data only includes processors regulated by USDA/FSIS. Location approximate by zip code.*

- 1 processor
- 2 or more processors

## **FINDINGS**

### **Characteristics of Pennsylvania Meat Processors**

#### ***Employees***

The meat processing industry in Pennsylvania directly employs more than 20,000 people (2005 U.S. Census County Business Patterns). Through employment in related jobs, such as transportation, manufacturing of packaging materials, construction, maintenance, financial and other related businesses, another 30,000 jobs are likely supported. The number of employees in plants that responded to the survey ranged from one to 1,600. Both very small and non-USDA plants averaged between four and five employees. Half of very small plants had four or fewer full-time employees. Small plants had an average of 82 employees, and half had 43 or fewer employees.

Twenty-eight percent of very small plants had two or more family members employed in the business. In small plants, half had three or more family members involved. The business with the most family members directly involved was a non-USDA plant with seven.

#### ***Business foundation and growth***

Nearly one in four meat processing businesses in Pennsylvania has been at its current location for more than 50 years. Very small plants had the longest time at their location with almost 29 percent existing in the same location for more than 50 years. For both the small and very small plants, the average time in the current location was about 39 years. The average of the non-inspected plants was 25 years, with half being in the current location for 21 years or fewer.

For about one-third of respondents, it had been less than 10 years since the last plant expansion or capital improvement. Thirty-seven percent of small plants, 33 percent of non-USDA plants and 26 percent of very small

plants had expanded in the past nine years. It is interesting that significantly more non-USDA plants expanded than did very small plants. In fact, more than 10 percent of very small plants had not had an expansion or capital improvement in more than 20 years.

### ***By-products***

The value of by-products produced from primary and secondary meat processing has fallen dramatically over the past 10 years. Instead of being a revenue source, by-products have become a cost of doing business. This survey did not attempt to discover the costs of disposal of rendering but did attempt to identify the companies who pick up these products and to identify meat processors who are using composting as an alternative means of disposal.

The survey found four major companies providing disposal of rendering and nine others mentioned by at least one processor. Although educational programs exist to demonstrate the proper use of composting meat processing waste, the survey shows that just 9 percent of small and very small plants and 25 percent of non-USDA plants use composting to dispose of by-products.

### ***Distribution fees and importing***

To make a processor's products available to restaurants or institutions, food service distribution representatives may assess marketing fees. Retailers collect "slotting fees" from processors for the retail case space used to sell their products.

The survey asked meat processors if they paid slotting fees or marketing fees to their customers. Very small plants did not pay either fee, but 21 percent of small processors paid slotting fees to retailers, and 39 percent paid marketing fees to distributors.

Imported meats are processed in the country of origin under USDA inspection criteria equivalent to those for products produced in the U.S. The primary use of imported meat, particularly beef, is as a lean ingredient in manufacturing or grinding. The U.S. uses some domestic lean for this purpose, but the supply is not adequate. The survey found that 58 percent of small processors use imported product, as do 29 percent of very small plants and 7 percent of non-USDA plants.

### ***Financial records and accounting***

To determine the means of record keeping and finances, the survey included two questions on the handling of financial affairs. The results showed that,

first, computers were used for records and accounting by 97 percent of small plants, 44 percent of very small plants and 26 percent of non-USDA plants. Second, 83 percent of small plants used an outside accounting firm, compared to 69 percent of very small plants and 48 percent of non-USDA inspected plants.

### ***Food safety***

The three issues addressed with regard to food safety were quality assurance for pathogen reduction, cleaning and sanitation, and microbiology testing.

With the advent of the federal Pathogen Reduction Act of 1996 (9CFR Part 304), the regulatory requirement for a new proactive method of food safety control, called Hazard Analysis and Critical Control Point (HACCP), was implemented. The survey asked whether companies have a separate Quality Assurance (QA) department and whether they use outside consultants for HACCP. Seventy percent of small plants have QA departments and nearly 32 percent use an outside HACCP consultant. Among very small plants, 7 percent have a QA department and 20 percent use HACCP consultants. As expected, very few (4 percent) non-USDA plants had QA departments, and only 3 percent use HACCP consultants.

The study also gathered information about cleaning and sanitation programs, as well as the microbiological testing and how those affect potential training requirements for these plants. The greatest obstacle reported by meat processors was finding and retaining qualified employees. Accordingly, many plants prefer to use outside companies for the cleaning and sanitation programs and microbiological testing to improve accountability and eliminate the need for staff training. The survey found that 33 percent of small plants hire a private cleaning company, as do 7 percent of the very small and 4 percent of non-USDA plants.

The study also found that 77 percent of small and 69 percent of very small plants use private laboratories for microbiology testing. Since the non-USDA inspected plants have no mandatory testing requirements, only 22 percent use a private testing lab. Many of the very small plants are not required to conduct pathogen testing, so they may be doing their testing for monitoring and verification within the plant. Many plants with no employees trained to operate a microbiology lab use outside laboratories. Another reason to use outside labs is to avoid the incubation of pathogens in the plant and potential spreading of these to production areas.

## Obstacles and Barriers to Success of Meat and Poultry Processors

A research objective was to determine issues of importance to meat and poultry processors. Packers and processors were asked to respond to a list of items to identify obstacles or barriers to their success, based on a scale of 1 to 5, with 1 being not important and 5 being very important.

Although there were differences by plant type, there was generally close agreement with the issues that appear to be the biggest roadblocks to success. The following are the obstacles that were cited most often by survey respondents.

### *Major obstacles*

#### *Labor costs, including wages, workers' compensation and taxes*

Labor is a major issue and the major cost for most companies. Much discussion at the roundtable meetings focused on costs, such as medical insurance and employee benefits, more so than wages or other benefits. In addition, many written comments returned by processors indicated that labor cost was a major problem to overcome. Several processors commented on the fact that health insurance and workers' compensation costs are prohibitive. One plant was unionized and experienced large increases in benefit costs. Many comments indicate that in small companies, the cost of labor is a serious impediment for growth.

#### *Finding and retaining qualified employees*

Finding and retaining employees was a major concern of nearly all plants, regardless of size or type. No effort was made to define a "qualified" employee. For some, this might be a person with previous meat cutting experience, while for others, it may be a person willing to learn and work hard under less than ideal conditions. Comments from some packers indicated there was a lack of qualified employees, especially those willing to work as hard as required in the physically demanding meat business. Many plants have a wide diversity of ethnicity, as immigrants are often most willing to work in meat processing conditions. There was concern about the lack of employees' commitment to come to work regularly and about the quality of their work. This problem is not as apparent in the very small plants as there may be more family involvement and part-time workers in those plants. In the small plants, nearly 80 percent of respondents indicated "quality employee" as important or very

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important. Since the small plants employ about 80 percent of the workforce in the meat industry, it is imperative that they be able to find qualified employees.

#### *Regulatory compliance*

Based on previous meetings with plants and regulators, it was anticipated that regulatory compliance would be a major issue, especially for very small plants. In fact, it was a major obstacle, but the survey results did not reflect the degree of concern as much as the written comments. Written comments expressed serious concern about inspection and regulatory burdens on their operations. Many small plant respondents were critical of the regulations on several fronts; rapid changes, "qualified" inspectors, increasing paperwork, over-regulation, and expense.

For example, more than 75 percent of the very small plant respondents had problems with inspection, including the regulations on "non-ambulatory" cows<sup>1</sup>, even though it was a small portion of business for most plants. Plant operators seemed to view this as excessive governmental intrusion because, although the regulation for "non-ambulatory" was intended to remove cows potentially infected with BSE (Bovine Spongiform Encephalopathy), all the animals received by these plants were animals either injured in handling, unable to walk due to general lameness or paralyzed

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<sup>1</sup> FSIS regulations on non-ambulatory livestock were issued in 2004 in response to the diagnosis by USDA of a positive case of Bovine Spongiform Encephalopathy (BSE) in an adult Holstein cow in the State of Washington. These regulations and the notice were designed to prevent human exposure to materials that scientific studies have demonstrated as containing the BSE agent in cattle infected with the disease. Non-ambulatory disabled livestock, including cattle, are livestock that cannot rise from a recumbent position or that cannot walk (FSIS Notice 5/04, 1/12/04, <http://www.fsis.usda.gov/OPPDE/rdad/FSISNotices/5-04.htm>).

from calving difficulty. Plant operators did not view it as a food safety issue.

Larger plants have more resources to hire staff to deal with these issues and management is more informed through industry meetings and contacts. Very small plants are at the biggest disadvantage as they have fewer employees with less time to work on regulatory issues. The management of these plants generally has attained a lower level of education and has fewer resources to spend on sending employees to meetings and training. Very small plants are the most constrained to meet these requirements and non-USDA plants have fewer problems since they are not under the same regulatory requirements.

#### *Cost of equipment, supplies, packaging, and ingredients*

Meat processing equipment is quite specialized and predominately foreign made. One of the biggest discrepancies between inspected and non-USDA plants is the cost of equipment and facilities to meet USDA requirements. USDA must approve equipment as meeting cleaning and sanitation requirements. In addition, as more advanced packaging technology has become available and has been adopted, the costs of packaging equipment increase. In some cases, specific packaging equipment is necessary to enter the retail markets. Other costs, such as equipment and supplies associated with food safety, have risen with increasing regulatory requirements.

#### ***Moderately important obstacles***

##### *Declining customer base*

Declining customer base was of moderate concern to both small and very small plants. This may be due to the small customer base and changing demographics. While the customer base is different in each type of plant, there are many issues for a plant in maintaining customers. Plants catering to livestock producers for cutting sides and quarters in some areas have seen a reduction in the number of livestock producers and fewer families wanting a whole side or quarter. A declining customer base may be a sign that the very small plants are not providing products or services to deal with a changing customer base. Several non-USDA plant respondents cited a decline in the number of farmers in their area and consumers not buying large quantities of meat.

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##### *Risk management (insurance and recalls)*

Although the vast majority of plants have not had recalls, the threat of product liability is great. Recalls are self-initiated if a problem is discovered or can be initiated by the USDA if it finds a problem with a product in commerce. All plants under inspection are required to have a written recall plan. Generally, plants will hold a product that has been tested for pathogens in their plant until the lab results are received.

The USDA/FSIS publishes all recalls on its website so one can track the amount of product involved, the distribution area, the cause of the recall and the amount or product recovered. In 2003 there were fewer than 80 recalls nationwide and there were generally only a few (1 to 2 percent) in Pennsylvania's 440 inspected plants. However, when recall does occur, it can be devastating to the plant and large recalls can lead to bankruptcy and plant closure. One survey comment expressed the concern of small processors; "being a small company, we could never afford a major recall."

There is also concern among plant operators as to the type and amount of insurance necessary for adequate protection from lawsuits. Other liability issues involve employee accidents and injuries and product loss through equipment failure or negligence.

##### *Environmental restrictions and regulations*

Environmental issues were equally important across all plant sizes and types. Many of the written comments expressed concerns about local government regulations and new housing developments. This not only causes problems with odors and waste disposal, but also displaces livestock producers who might normally use the services of the custom plants.

##### *Competitors selling lower cost products*

In regard to competitors selling lower cost products, the ratings of "very important" were about the same across all plant types and sizes; while the "important" category was much higher for small plants. Comments indicated that pricing by large national discount stores and large national food distribution companies signifi-

cantly hurt business. Some processors indicated they could purchase wholesale cuts cheaper from chain discounters than they can from the company that sells to such stores. Much of this has to do with volume and transportation costs. One comment was received about “predatory” pricing by one large company in Pennsylvania. Many of the large national companies market to convenience stores at a very competitive price, and with the efficiency of volume, it is possible for them to manufacture some products much less expensively than a very small local plant.

#### *Pathogen testing*

Since non-USDA plants are not held to the same regulatory standards as USDA plants, non-USDA plants do not have concerns with the pathogen-testing requirement. However, for very small plants, pathogen testing is an expensive proposition. Laboratory fees vary widely, with the highest charges going to plants that use the labs less frequently. Several written comments were received, indicating that testing is a problem for some. In addition, plants far from large metropolitan areas have more expense in overnight shipping charges, as there is not a pick-up service in the more remote areas.

#### **Roundtable Meetings and Telephone Conversations**

Through the fall of 2004, the researchers hosted roundtable meetings in Columbia, Westmoreland and Lancaster counties to gather information to complement the written surveys. The purpose of these meetings was to bring livestock producers, meat processors and leaders (regulatory and educators) together to share ideas and develop common concerns and goals. At each meeting there were both small and large producers, meat processors who provided custom processing services, and those who purchased livestock locally. At each meeting, notes were recorded and the summaries of discussion points were sent to participants for agreement as to their accuracy. A fourth meeting, which included officials of the Pennsylvania Department of Agriculture and USDA, was held in Harrisburg to discuss the various regulatory issues involved.

The concerns of processors at the three regional meetings regarded costs, competition, regulatory compliance, and maintaining a qualified workforce.

- Processors were very concerned about by-product disposal. Some producers reminisced that in years past, their profit margins were approximately equivalent to their rendering checks, while today the

handling of waste products is a significant expense. This reversal of fortune is largely due to heightened concern about BSE and other newly significant communicable diseases. Whatever the cause, it is clear that new strategies for dealing with the by-products of processing must be found if any but the largest processors are to survive.

- Processors commented on the stress and strain involved with maintaining a well-trained and committed team of employees. Some were willing to close shop now if they could not identify a successor. Most agreed there is little glamour involved in meatpacking and wondered why any capable young person today would choose it as a profession. This clearly constitutes the greatest long-term challenge to the industry, especially in smaller plants where essentially no white-collar positions exist. Also, several employers, not unlike their counterparts in other industries, were decrying their inability to keep up with the increasing cost of health insurance and other benefits that might attract good employees.
- All discussions eventually turned to the subject of regulations and regulatory compliance. The most important point here is that few complaints were heard regarding the regulations themselves. Rather, most problems are perceived to stem from those who enforce the rules.

#### ***Concerns of livestock farmers***

Livestock farmers involved in these discussions were more focused in their concerns, which came down to a single top priority of marketing. Producers want processors who are nearby, hassle free and diverse in terms of offering options for marketing products under specialty labels. It makes little sense to them to maintain organic certification or raise free-range poultry, for instance, if no local processing plants exist to support those options. Many producers have identified local or regional demand for their products, but find a dearth of processing options to be their principle barrier to success. These processors were clear they did not wish to see new or “improved” regulations unless designed for the express purpose of removing impediments to farmers in reaching their markets.

#### ***Telephone conversations with custom-exempt processors***

Nearly 70 USDA custom-exempt meat processors were interviewed by phone. Their concerns about obstacles to their businesses’ long-term success paral-

leed those heard from the USDA inspected meat processors. These concerns included shrinking markets, finding skilled labor willing to work hard, long hours, the time and financial burden of regulations and related administration, and the increased cost of production items, especially the cost of rendering the by-products of livestock slaughter and processing.

Many in the custom-exempt meat processors' group were interested in improving both their production technology and business management skills, mostly dealing with improved food science and safety, improved or new production technology, such as specific product fabrication or processing products for ethnic markets, and improved business skills. A few were interested in this training for the next generation who were starting out in the business.

For a large group of these processors, much of their yearly profit comes from processing deer meat for Pennsylvania hunters. They reported that, with changes in deer management over the last several years, their deer processing numbers have dropped off.

### ***Meetings with government officials***

In the meeting with officials of USDA and the Pennsylvania Department of Agriculture, participants discussed the options states have of assuming responsibility for inspecting custom processors, which results in a 100 percent reimbursement of costs from the federal government, and for conducting a state meat inspection program, where the federal reimbursement stands at 50 percent, depending somewhat on fund availability. In addition to these discussions, meeting participants agreed to the following very general objectives:

1. To maintain the current number of processors, if possible.
2. To make USDA inspection more user-friendly and encourage some custom operators to upgrade their operations to this level.
3. To use existing programs to add value to Pennsylvania products wherever possible.
4. To increase the profitability of smaller processing plants and the farms that supply them.

## **CONCLUSIONS**

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Analysis of the surveys from and discussions with small, very small, and non-USDA inspected processors indicate the top obstacles faced by these enterprises are difficulties covering costs of labor and equipment, finding labor, and achieving regulatory compliance.

The roundtable further illuminated these results. For instance, the top-rated obstacle of labor costs probably has more to do with increases in the cost of various employment taxes, such as workers' compensation, unemployment and benefits, than with increasing wages. Also, problems with regulatory compliance often had more to do with attitude (real or perceived) and interpersonal factors regarding USDA inspectors than with actual difficulty meeting regulations. The cost of equipment and supplies likewise reflected, at times, advice of inspectors that existing equipment had to be upgraded.

Discussions with processors centered more on the difficulty of finding and retaining qualified employees than on any other factor. A close second in terms of the frequency of discussion was the effect of competition, reflecting the survey concerns of a declining customer base. Processors of all sizes were feeling the effects of cheaper products entering the market, primarily through larger retail chain stores. Many "survivors" had adopted or were experimenting with various innovative strategies to increase their customer base, including use of direct marketing, retail exemptions, organic certification and informal alliances with local farmers. So, while the survey gave processors the option of indicating a declining customer base, a more accurate description, at least for those who were thriving, would be a "changing customer base."

When looking at the three categories of processors surveyed separately, some variation with respect to size of operations was observed.

- As would be expected, regulatory compliance is a bigger problem for the small and very small than for the non-USDA inspected plants.
- Various fixed costs pose a somewhat more difficult challenge to very small and non-USDA plants.
- Market forces are a bigger factor for the small plants (the largest plants in this study), most likely because they experience more head-to-head competition with the larger packers and retailers.



## ***POLICY CONSIDERATIONS***

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The goal of the following policy considerations is to maintain a strong, locally-based meatpacking industry in Pennsylvania that serves to support traditional agricultural production and marketing systems as well as new enterprises that are more oriented toward consumer interest in locally grown products. These recommendations come at a critical time for the meatpacking industry as a whole in the commonwealth since the future of many smaller processors depends on their ability to remain profitable, retain full employment and attract the interest of a new generation into the business.

Considerations focus on four primary categories of policy action that would likely be helpful to the smaller meatpackers of Pennsylvania: support for USDA inspected plants; re-institution of a state inspection program; creative alliances and cooperative ventures; and marketing support.

### **I. Support Current USDA Inspected Plants**

#### ***Institute job training, certification and/or apprenticeship programs, in both English and Spanish***

The overwhelming message from the research results was the difficulty and importance of finding and retaining good employees. The possibility of reimbursement for such training through the state's various workforce development programs could be explored, working with existing processors and their current employees wherever possible. Formal outreach to various communities (such as Hispanics) with specific job training might result in a larger, more diverse and better-prepared workforce.

#### ***Develop programs and strategies for dealing with the waste products of meat processing***

A joint effort of the Departments of Agriculture and Environmental Protection to expand efforts to compost waste might result in a better understanding of options available and may result in a useful byproduct.

### **II. Re-instituting the State Inspection Program**

#### ***Study the feasibility of returning to state inspection***

After the Wholesome Meat Act of 1968, Pennsylvania was one of the first states to discontinue its state meat processing inspection program in favor of relying totally on USDA for such services. However, in light of considerable changes in market structure and several other relevant changes since that time, a task force could be appointed and charged by the Pennsylvania General Assembly to study the feasibility of returning to state inspection and to guide implementation should that become the consensus of the group.

This study indicated potential benefits to livestock producers, meat processors and the consuming public if state inspection were re-implemented as an option for those who wish to participate in more localized markets. However, this conclusion is tempered by the warning, echoed by more than a few participants in the study, to the effect that "another layer of bureaucracy is not needed. . . unless it results in more sales for the producer, profits for processors and/or high quality products for consumers."

Should state inspection be re-instituted, examination of the many issues involved may lead to the recommendation that the program be managed in conjunction with the current Pennsylvania Preferred program as: Pennsylvania Preferred is a marketing program that supports intrastate sales of farm products, which is what a state meat inspection program would also do; and there is the potential within Pennsylvania Preferred to emphasize quality standards that might ultimately make state inspected meat a "preferred" option in some respects as compared to that available through USDA inspection.

One possible step on the way to re-instituting state meat inspection would be for the commonwealth to assume responsibility for inspecting all the non-USDA or custom-exempt plants that are currently in operation. The state would be prepared to promote the best of the custom plants to state-inspected status once the latter option came available. It is notable that the federal government will reimburse states for 100 percent of the cost of inspecting custom plants. The reimbursement rate for implementing state inspection is 50 percent, depending on available funds.

### **III. Creative Alliances and/or Cooperative Ventures**

#### ***Consider ways to create alliances and encourage cooperation***

Such alliances might be the most straightforward and effective way to address some of the problems facing Pennsylvania's smaller meat processors. There are many opportunities for cooperation, any or all of which can be encouraged through minimal intervention of the state legislature or executive branch.

Examples may include arrangements for collective marketing of specialty and/or value-added products and strategies for dealing in economically feasible ways with waste (offal) and other byproducts of processing – even creating some potentially high-value products from otherwise unused components. There may also be a need for some processing plants to come under cooperative, producer ownership. A particularly strong opportunity may exist for cooperative ownership and operation of mobile slaughtering units in different regions of the state, focusing on poultry products especially.

### **IV. Marketing Support**

There are marketing aspects of each of the recommendation categories above, but marketing is such a critical part of the picture and of the chances of success, that it warrants special attention.

The Pennsylvania General Assembly and Department of Agriculture may consider continuing and increasing support for programs that offer consumers choices for locally grown products.

Having such choices results in a reciprocal and multiplying benefit for the commonwealth's farmers, smaller meat processors, independent food retailers, and rural communities.

Specifically, state government could continue support for the Pennsylvania Preferred program and increase support for the under-funded Agricultural Marketing Matching Grant program, especially as it might apply to small and medium-size livestock production and processing operations. It may be appropriate to include money for such marketing in a comprehensive bill that establishes meatpacking apprenticeships; implements state meat inspection; and rewards cooperation between producers, processors and supportive nonprofit groups.



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