

August 30, 2021

Sarah J. Helming
United States Department of Agriculture
Whitten Building – Suite 312-E, 1400
Independence Ave SW
Washington, DC 20250

RE: “Investments and Opportunities for Meat and Poultry Processing Infrastructure”;
Docket Number AMS-TM-21-0058; FR Notice Pages 37728-37731

Dear Ms. Helming,

North Dakota Farmers Union (NDFU) appreciates the opportunity to comment on investments in meat and poultry processing. NDFU is the largest general farm organization in North Dakota, representing more than 50,000 farm and ranch families, members and their energy and agricultural supply cooperatives. NDFU strongly supports the United States Department of Agriculture’s (USDA) holistic approach to creating stronger, more resilient food supply chains.

Consolidation in beef slaughter has created chronic challenges for farmers and ranchers. In 2018, the four largest packers accounted for 85 percent of U.S. steer and heifer slaughter.¹ Consolidation in the beef packing industry has limited marketing options and profit margins for cattle producers. Lower profit margins have forced many cattle producers out of business. In fact, the number of operations with cattle and calves has declined by 25 percent in the last 30 years.²

Consolidation in meatpacking has also constrained supply chain development in many regions of the country. Four states (Colorado, Kansas, Nebraska and Texas) account for 67 percent of commercial cattle slaughter. On the other hand, North Dakota accounts for just 0.03 percent of commercial cattle slaughter.³ Because of the state’s limited processing capacity, North Dakota ranchers have fewer opportunities to feed and finish their own cattle and face tighter margins than producers located closer to processing facilities. North Dakota retailers also have few opportunities to market North Dakota beef.

¹ United States Department of Agriculture, Agricultural Marketing Service (2019, August). Packers and Stockyards Division Annual Report 2018. Retrieved from <https://www.ams.usda.gov/sites/default/files/media/PSDAnnualReport2019.pdf>.

² United States Department of Agriculture, National Agricultural Statistics Service (2019, April). 2017 Census of Agriculture. Retrieved from https://www.nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1_Chapter_1_US/usv1.pdf.

³ United States Department of Agriculture, Agricultural Marketing Service (2020, April). Livestock Slaughter 2019 Summary. Retrieved from <https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/34850245n/5712mr72x/lsan0420.pdf>.

In the last two years, it has become increasingly apparent that concentration has also jeopardized the beef supply chain's resilience. Since August of 2020, there have been three separate instances where beef processing plant disruptions caused boxed beef and live cattle prices to diverge dramatically. The most severe of those events were the disruptions caused by plant closures in the early months of the COVID-19 pandemic, which caused the spread between fed cattle and boxed beef prices to increase by more than 300 percent.⁴

In response to COVID-19 supply chain disruptions, NDFU established a rancher-led livestock committee to develop priorities for market reform. The committee's proposals are intended to strengthen competition and fairness, establish truth in labeling and increase local and regional slaughter capacity.⁵ The committee's recommendations continue to guide NDFU's broader efforts on supply chain and market issues.

Supporting Producer-Owned Cooperatives

NDFU has long believed producer-owned cooperatives are vital to the success of farmers, ranchers and rural communities. The cooperative business model is distinct from other business structures because a cooperative's purpose is to serve its members. As a result, a cooperative's primary motivation is to deliver the highest return to its members, not to maximize its own profits.⁶

Cooperatives have an important role to play in strengthening the resilience of food supply chains. When food and commodity prices diverge, a producer-owned cooperative often returns excess profits to its members through patronage dividends or higher commodity prices. In this way, cooperatives protect producers from the negative impacts of supply chain bottlenecks.

NDFU urges USDA to prioritize support for farmer- and rancher-owned cooperatives through its investments in meat and poultry processing infrastructure. It is important that USDA provide grants to support cooperative development. Undercapitalization can be a challenge for producer-owned cooperatives, in part because many farmers and ranchers simply do not have the capital to fully support establishment or expansion of a cooperative.⁷ Grants will be critical to a cooperative's ability to access additional debt financing. We also encourage USDA to provide interest rate buydowns that can lower financing costs for cooperatives.

⁴ United States Department of Agriculture, Agricultural Marketing Service. "Boxed Beef & Fed Cattle Price Spread Investigation Report." July 22, 2020. Retrieved from <https://www.ams.usda.gov/sites/default/files/media/CattleandBeefPriceMarginReport.pdf>

⁵ North Dakota Farmers Union. "Policy Priorities for Livestock Reform," July 2020. Retrieved from <https://ndfu.org/wp-content/uploads/2020/07/Livestock-Reform.pdf>

⁶ Chesnick, D. "Financial Management and Ratio Analysis for Cooperative Enterprises," Jan., 2000. RBS Research Report 175. United States Department of Agriculture, Rural Business-Cooperative Service.

⁷ Baarda, J. "Current Issues in Cooperative Finance and Governance," April, 2006. Current Cooperative Issues. United States Department of Agriculture, Rural Business Cooperative Service.



Creation of Upstream and Downstream Opportunities

USDA should give heavy consideration to the upstream and downstream opportunities created by investments in meat and poultry processing infrastructure. As highlighted above, geographic concentration of beef processing has constricted supply chain development. USDA should focus on supporting processors that create new upstream opportunities for cow-calf producers to feed and finish their own cattle. We also encourage USDA to consider opportunities for higher value production through identity-preserved and process verified programs.

Investments in meat and poultry processing can also shorten supply chains and create new downstream opportunities. Examples include direct-to-consumer marketing and value-added processing. We also encourage USDA to support innovative projects that would improve rural grocers' access to high quality meat and poultry products.

Considerations for Projects of Different Scales

Very small, small, and mid-sized processors all have an important role to play in building a stronger, more diverse supply chain. USDA currently defines very small slaughter establishments as having fewer than 10 employees and small slaughter plants as having between 10 and 499 employees. The wide range covered by USDA's current definition of small establishments encompasses plants with very different business models, marketing strategies, and financing needs.

NDFU encourages USDA to support facilities of various scales and to prevent competition between applicants of dramatically different sizes. We encourage USDA to establish separate pools of funding based on the total funding request or plant size. If USDA creates separate funding pools based on plant size, we encourage USDA to divide the small plant category into two separate funding pools.

Leveraging Existing Programs and Local Partnerships

In addition to its \$500 million investment for meat and poultry processing infrastructure, NDFU encourages USDA to leverage existing programs to provide continued support. Since 2014, USDA has reserved five percent of Business and Industry Guaranteed Loan funds for local and regional food-related projects.⁸ NDFU urges USDA to expand that set aside and to prioritize funding for food and agricultural processors.

The Rural Energy for America Program can also be a powerful tool for helping processing plants install energy efficient equipment and to establish adjacent renewable energy systems. The Value

⁸ United States Department of Agriculture, Rural Development. "Fact Sheet: business and Industry Guaranteed Loan Program and Urban Eligibility for Local and Regional Food Products." Retrieved from https://www.rd.usda.gov/files/Local_Food_Fact_Sheet_20150401.pdf

Added Producer Grant is an important opportunity for producers and cooperatives to produce and market value-added products.

While the above programs are available to meat processors, many producer groups and entrepreneurs looking to establish new plants often struggle to navigate the available resources. NDFU urges USDA to develop a resource guide that outlines Rural Development programs, Food Safety and Inspection Service protocols and technical assistance.

USDA can also maximize its investments by partnering with local and state institutions to leverage federal funds. For example, North Dakota has the nation's only state-owned bank, which provides the Ag PACE program to support new processors.⁹ North Dakota's Agricultural Products Utilization Commission provides grants to fund feasibility studies and marketing activities. The Agricultural Diversification and Development Fund provides grants, loans and interest rate buydown for value-added businesses.¹⁰

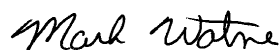
NDFU encourages USDA to devote Rural Development field staff specifically to food supply chain development. State-based staff can play an important role in coordinating access to federal programs and state programs. We also encourage USDA to engage partners including rural cooperative development centers, research and extension, state departments of agriculture and other stakeholders to provide technical assistance. Because the available resources vary from state-to-state, we encourage USDA to empower field staff to employ state-specific approaches. We also encourage USDA to designate headquarters staff to coordinate across state boundaries to help fill gaps in state-specific resources.

Conclusion

Thank you for the opportunity to provide comments on USDA's investments in meat and poultry processing infrastructure. We look forward to working with USDA to create a more fair and resilient food system. Thank you for your consideration.

Sincerely,

NORTH DAKOTA FARMERS UNION



Mark Watne
President

⁹ Bank of North Dakota. "Ag Pace." Retrieved from <https://bnd.nd.gov/ag/ag-pace/>

¹⁰ North Dakota Century Code Chapter 04.1-01. (2021).

