August 30, 2021

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

Re: Investments and Opportunities for Meat and Poultry Processing Infrastructure

Docket: AMS-TM-21-0058-0002

Dear Ms. Helming,

The Campaign for Family Farms and the Environment (CFFE) is a coalition of state and national organizations, including Dakota Rural Action (SD), Iowa Citizens for Community Improvement, Land Stewardship Project (MN), Missouri Rural Crisis Center, Food & Water Watch and Institute for Agriculture and Trade Policy. We work together to support family farmers, rural communities and a vibrant, sustainable food system. Through this work, we oppose national, state and local policies propping up corporate factory farms that are putting independent livestock producers out of business, extracting wealth from our rural communities, polluting our land, water and air, and threatening our national security. We appreciate the opportunity to provide comments on "Investments and Opportunities for Meat and Poultry Processing Infrastructure" that will guide USDA's $500 million investment in expanding meat and poultry processing capacity (Docket No. AMS-TM-21-0058-0002.)

This is a critical step for USDA to achieve the goals laid out in President Biden's Executive Order on Promoting Competition in the American Economy and to rebuild critical infrastructure for food systems that are resilient, competitive, sustainable and fair.

Like other sectors of agriculture, the meat and poultry processing sector has suffered decades of increasing consolidation that has led to extreme levels of control by just a handful of players in each market, with devastating consequences for farmers, rural communities, public health and the environment, and the ability of supply chains to bounce back quickly from a shock. This consolidation reduces farmgate prices for livestock, restricts consumer choice and contributes to a widening farm to retail price spread, as is clearly evident right now in the cattle sector. We encourage you to consult the comments submitted by the Open Markets Institute for a more detailed history of consolidation trends in this sector, which has led to the loss of small and mid-sized slaughter and processing facilities that are needed to connect independent producers with regional markets.

The limited options for slaughter and processing available to small and mid-sized livestock producers have been a problem for decades, and the disruption caused by the pandemic simply brought this problem into public view. The USDA's own statistics document the disappearance of processing infrastructure, with the number of federally-inspected meat processing plants declining by 36 percent from 1990 to 2016 and the number of non-federally inspected plants declining by 42 percent during the same period.[1] Decades of lax antitrust enforcement, a regulatory framework that is biased towards the largest operations and predatory marketing practices by the largest players have hollowed out livestock processing infrastructure across the country. Plants that used to serve regional or local markets have exited, leaving those producers who do not participate in commodity markets with few or no feasible options for processing their animals. During the pandemic, this lack of capacity became very clear and millions of animals backed up in the supply chain when large corporate plants were closed or slowed their production. There was nowhere near enough capacity in small or regional packing plants to make a dent in that oversupply of animals; many of the small plants that do exist were already booked to capacity before the additional surge in demand for their services last year.

The consolidation in the critical step in the supply chain of slaughter and processing has changed the landscape of who raises food animals, and how they raise them. The trend of consolidation in the slaughter and processing sector has led to a parallel trend of a dramatic increase in the sales midpoint for livestock, which has increased between 1987 and 2017. For hogs, the midpoint of sales has increased from 1,200 to 51,300 and in dairy the herd size increased from 80 to 1,300 cows.[2] It is a tragically common refrain at sustainable agriculture convenings to hear producers say that they see consumer demand for their product, they know they can produce more animals and keep their standards high, but that the lack of processing capacity is an obstacle that prevents them from expanding.

The decades-long shift of the livestock sector from smaller, independent operations to large intensive confinement operations has had serious consequences for rural communities. When corporations consolidate the market and fewer operations produce more food, the environment, public health, and rural communities suffer, in addition to individual farm families who struggle to access markets that are competitive enough to pay a fair price. An analysis by Food & Water Watch and the University of Tennessee Agricultural Policy Analysis Center found that as the hog industry consolidated (and started to function more like the vertically integrated chicken industry) over three decades in Iowa, the counties that sold the most hogs and housed the largest hog operations had declining county-wide incomes, slower growth in median household income and declining numbers of local businesses compared to the statewide average.[3] Food & Water Watch also examined counties in New York with different

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[1] National Agricultural Statistics Service, Agricultural Statistics Board, United States Department of Agriculture. "Overview of the United States Slaughter Industry." October 27, 2016. https://downloads.usda.library.cornell.edu/usda-esmis/files/b5644r52v/jd473028z/7w62fc23r/SlauOverview-10-27-2016.pdf

[2] Mary K. Hendrickson, Philip H. Howard, Emily M. Miller and Douglas H. Constance. Family Farm Action Alliance. "The Food System: Concentration and its Impacts." November 19, 2020. https://farmactionalliance.org/concentrationreport/

[3] Food & Water Watch. "The Economic Cost of Food Monopolies." November 2012. https://www.foodandwaterwatch.org/sites/default/files/Food%20Monopolies%20Report%20Nov%202012.pdf

scales of dairy production. Together the two examples illustrate what rural communities all over the country are experiencing – that the number of farms is more important to the health of the local economy than the number of animals. The trend of consolidating livestock production into fewer, larger operations is extracting wealth from the communities where this concentration is happening.[4]

In addition to rural communities' economic health, there are serious consequences of consolidation for the environment and public health. A report by Food & Water Watch called Factory Farm Nation: 2020 Edition outlines many examples of what happens to communities when livestock and their waste is concentrated in specific regions. Just one example of FWW's findings illustrates the problem: hogs on factory farms in Duplin County, North Carolina produce the same weight in manure as residents of Boston. But unlike human sewage, hog and other livestock waste is not treated before being released into the environment.[5]

USDA's investment in this critical infrastructure will not only strengthen the economic viability of independent, family-scale livestock and poultry producers who will be better able to access markets, it will also help rural communities and economies avoid the devastating impacts of industrialized factory farm operations.

We offer more specific feedback below in response to the technical questions posed by USDA. In addition to those comments, we urge USDA to keep some key principles in mind as you design the program to invest public resources into building a more independent and resilient meat and poultry processing sector:

- Diversity of crops, producers, practices and income is essential to the strength and resilience of land and economies. Independent producers are particularly important for diversification and resilience. A mix of different-sized independent producers is needed to provide a community with diverse choices, and these producers need to be able to access affordable and adequate processing for their livestock and poultry. The goal of this program, and others at USDA, should be to support infrastructure that allows a diverse meat and poultry sector to thrive in every region of the country.

- The goal of having a diversified meat and poultry sector in every region of the country is not just for the benefit of farmers and ranchers. It will also increase resilience and food security in the face of increasing climate disruption and volatility in transportation and other logistics. The large-scale disruptions in transportation that have happened just in the first half of 2021 include shortages of truck drivers, shortages of shipping containers, closure of critical shipping lanes, and closure of a fuel pipeline that served most of the East Coast. It seems clear that providing efficient transportation for agriculture will remain a challenge in the future. The USDA must prioritize approaches that decentralize

[4] Food & Water Watch. The Economic Cost of Food Monopolies.

[5] Food & Water Watch. "Factory Farm Nation: 2020 Edition." April 2020.
https://www.foodandwaterwatch.org/wp-content/uploads/2021/03/ib_2004_updfacfarmmaps-web2.pdf

food production, so that processing, transportation and distribution are not vulnerable chokepoints of connection between people who need food and the single region of the country that produces that food.

- In addition to funding, which can remove many of the obstacles that small and mid-sized plants face, USDA should re-examine the department's policies that create obstacles for this sector, including USDA policies and programs that are biased towards the largest operations. This includes the Food Safety and Inspection Service's (FSIS) meat and poultry inspection programs, food safety research conducted by and funded by USDA, procurement for nutrition programs and other grant and loan programs run by Rural Development and other USDA mission areas.

- FSIS deserves particular attention, as complying with federal inspection regulations under the Hazard Analysis Critical Control Point (HACCP) system has been a frustration for small and mid-sized plants for over twenty years. We encourage you to read the attached report from Food & Water Watch,[6] which details many improvements that could be made in the design and execution of HACCP to make the program less burdensome for small plants. Particular areas of focus should include:

    - Providing generic food safety plans for common procedures.
    - Streamlining the validation requirements for critical control points to ease the burden on plants that make a wide variety of products.
    - Streamlining the FSIS label approval process (small plants are more likely to make a large number of different products, change product formulations frequently and require more labels).
    - Hiring more FSIS inspectors so that vacancies in the ranks of inspectors do not create another obstacle to a new or expanding plant that has done the hard work of getting ready for federal inspection.
    - FSIS inspectors and veterinarians/inspectors-in-charge also need more training on the differences between small and large-scale plants in areas like humane handling, sanitation and recordkeeping; as well as the requirements for certifications such as organic, halal, kosher or specific animal welfare programs.
    - FSIS should embark on a long overdue examination of how microbial testing and performance standards impact small and mid-sized plants. This should include addressing how to take volume of production into account while designing testing regimes, as well as improving trace-back procedures to get at the root cause of contamination if it is first detected in further processing plants that do not slaughter.

- The challenges facing someone who wants to start a new small-scale slaughter facility are immense, including access to skilled labor, business planning for markets that can

[6] Food & Water Watch. "Where's the Local Beef." June 2009. https://www.foodandwaterwatch.org/wp-content/uploads/2021/07/wheres_the_local_beef_report_june_2009_07708584.pdf

fluctuate dramatically between seasons, costs for environmental compliance, and getting up to speed with organic certification or other marketing claims that are necessary to compete in niche markets.[7] We appreciate USDA's request for input on how to address these challenges with investment. But USDA cannot ignore the challenge created for new and existing plants when the largest players in the meat and poultry sector are allowed to use anti-competitive practices and overwhelming market power to create an unlevel playing field for everyone else. Public investment to increase meat and poultry processing infrastructure is welcome, and long overdue. But if USDA does not also prioritize robust enforcement of antitrust laws to level the playing field in these markets, these investments will have been wasted.

- We appreciate that USDA is asking questions about what small and mid-sized plants can do to ensure they are competitive in the very challenging industry of meat and poultry, and we offer some thoughts on those questions below. But we cannot pretend that the meat industry is structured as it is today simply because the dominant companies out-competed everyone else. The dominant companies did not get to this size and level of market share through efficiency and innovation – they grew through acquisition, in a decades-long wave of mergers designed to increase their market power. Federal regulators did little to stop them, and now we have a meat and poultry sector that is controlled by a tiny handful of firms that have created market conditions that are extremely challenging for everyone else. We encourage USDA to be thoughtful about how to make sure that the firms receiving this new investment have a good business plan and a reasonable chance at success. But we cannot pretend that simply investing in these plants will be enough, without long overdue action from USDA and other federal regulators to rein in the anticompetitive practices that have dominated this industry for so long.

- USDA should also examine the potential for federal procurement to bolster the investments it is making into small and mid-sized processing plants. Dedicating a portion of USDA nutrition program and other food purchases to products from very small and small processing plants could help these plants and the independent livestock producers they buy from achieve a new level of economic viability.

In addition to these principles, we offer the following comments in response to USDA's questions.

1. <u>General Considerations</u>

- What competition challenges and risks might new entrants face from high levels of market concentration or other relevant market conditions, and how can USDA and other Federal government agencies assist new entrants in mitigating those risks?

[7] Food & Water Watch. "Where's the Local Beef."

USDA's efforts to increase the resilience of the food supply chain must challenge the stranglehold by corporations over our agriculture system, which serves global agribusiness by driving over-production in crops, dairy and meat. This corporate driven over-production pushes down incomes for farmers and pollutes rural water and air – often in low income and communities of color. We need a dramatic transition in how we raise animals for food, that is centered on independent family farms and sustainable managed grazing systems, which can build healthy soils and sequester carbon. But that transition cannot happen without the processing infrastructure to bring livestock to market.

The competition challenges that new entrants will face are the result of failed federal policy and lack of enforcement. Therefore, in addition to investing in new and expanding small and mid-sized plants, USDA needs to work as quickly as possible to take on anticompetitive practices that have dominated livestock and poultry markets for decades.

A critical first step is for the USDA to swiftly complete rulemaking to fully utilize the authority of the Packers and Stockyards Act to address anticompetitive practices by meatpackers and poultry companies. The new rules should:

- Not include the "legitimate business justification" portion of the 2016 proposed rule.
- Not narrow the application of the statutory language.
- Make clear it is not necessary to show anti-competitive impact on the entire market to find an undue preference has occurred in violation of the Act.
- Recognize that undue preferences may arise in any aspect of transactions between packers and producers.
- Recognize that undue preferences may arise differently depending on the sector involved.
- Include the 2007 proposed rules regarding contract transparency and disclosure requirements.
- Include the 2008 proposed rules regarding the weighing of poultry, livestock, swine and feed.
- Include the 2010 proposed rules to address a broader set of criteria and standards regarding livestock and poultry company actions that would be considered violations of the Act.

An even more immediate step that should be taken is to provide consumers with information about how globalized some food supply chains are. The USDA should immediately close loopholes in the "Product of the U.S." standard for voluntary country of origin labeling of meat, and work with Congress to reinstate mandatory country of origin labeling of meat as soon as possible.

In addition to these steps by USDA, we urge the department to coordinate with other federal antitrust authorities to address the devastating levels of consolidation in meat and poultry markets:

- The Department of Justice should block the proposed acquisition of Sanderson Farms by Cargill and Continental Grain. This deal would have horizontal and vertical concentration impacts and further consolidate the already consolidated chicken sector, which is subject to dozens of lawsuits about anticompetitive conduct such as price fixing and wage suppression.

- The Justice Department and the Federal Trade Commission should strengthen the horizontal and vertical merger guidelines to end the reliance on the consumer welfare standard and explicitly address market share and market power.

- The Justice Department should also conduct retroactive merger investigations on some of the largest meatpacking acquisitions to determine if they violate antitrust laws and should be unwound.

- What type of investor, developer, or new entrant would be best positioned to build a new facility, or expand an existing facility, and who could fund it? What level of experience is necessary for success?

The comments submitted by the Niche Meat Processors Assistance Network offered some valuable perspectives on what has worked and not worked in past attempts to get new slaughter operations up and running. Their warnings about paying as much attention to the marketing of the final product as in procuring livestock and poultry point to a need for a team approach, with participation from local and state governments, economic development authorities, extension agents, large institutional buyers and others who can help facilitate the connections between all of the links in the supply chain that need to coordinate for a new plant to succeed.

As USDA designs its program to invest in this sector, we urge you to prioritize:

- Increasing slaughter capacity. Processing plants are obviously important for adding value and supplying emerging markets. But the critical need for many regions of the country is slaughter capacity. And there is some concern that increasing independent processing plant capacity without a corresponding increase in independent slaughter capacity could just be facilitating the growth of plants that grind or further process carcasses, boxed beef or primal cuts purchased from large-scale slaughter plants. While this might be useful for some small companies that occupy this part of the market, it would not help livestock producers who currently struggle to find markets for their animals.

- A balance between support for existing plants that would use grants or loans to scale up or improve their facilities, as well as support for new plants. In most regions, there is such a lack of capacity in small and mid-sized plants that the loss of any more of them would be devastating. We need these plants to continue to operate (and ideally expand in a responsible way), while the longer-term effort to get new plants online is happening.

- A balance between plants that can sell their products commercially (because they are federally inspected or state inspected) and those that cannot (custom and exempt plants.) While the direct market option offered by custom and exempt plants is a vital part of the business model for many producers, for regional food economies to develop to their full potential, producers need to be able to go beyond direct marketing and federal, state and cooperative interstate inspection programs allow that.

- The definitions USDA uses for meat and poultry plant sizes are impractical and USDA should not rely on them to make these investment decisions. The enormous range of what classifies as a “small” plant means that a plant with 11 employees is in the same category as one with 499 employees. This is ridiculous. These are not going to be the same type of operation serving the same type of markets, and USDA needs more useful size categories to adequately consider which types of plants to invest in. We suggest that USDA support be focused on:

    - Plants with under 200 employees.
    - Plants that are able to process more than one species.
    - Black, Indigenous, or People of Color (BIPOC)-led processing establishments and establishments that would increase access to slaughter and processing for BIPOC livestock and poultry producers in a region.
    - Cooperative business structures. This type of network could provide useful mechanisms for coordinating supply to avoid the common challenges of seasonality and adequate flow of animals to optimize plant performance.
    - Cost share requirements should be waived or be minimal to ensure these are not a barrier for small business participation.

We urge USDA not to invest in:

- A plant that is a subsidiary of a larger company.
- A plant that is foreign-owned.

    - A plant that is responsible for a significant (over 5%) portion of the national daily harvest for any particular species.
    - Any plant where a majority of the livestock are not born and raised in the U.S. For processing plants, the majority of the meat they source should come from animals that are born, raised and slaughtered in the U.S.

Finally, we urge USDA to carefully consider what measures of success to use to evaluate applicants. We strongly urge you to consider more than just the number of head or pounds processed and go further to consider proposals that will alleviate a regional bottleneck or create a new partnership with an institutional buyer that could begin to build new regional food networks. We urge you to consult state departments of agriculture, extension and other institutions on the ground about places where a new or expanded small or mid-sized plant could enhance the regional food system. The USDA's review process should also consider whether new plants can have done the outreach to secure commitments from independent producers and meat marketing programs to ensure sufficient demand for slaughter and fabrication services exists in their region.

- What key job working conditions, salary, benefits, and other facility and community attributes are needed to create and maintain an adequate workforce?

To help create and maintain an adequate workforce, USDA should:

- Require that operations that receive USDA investment may not retaliate against whistleblowers and require all recipients to establish and meet with independent worker health and safety committees.

- Require operations that receive USDA investment to provide paid family and medical leave.

- Investigate and support training in local vocational and community college programs, as well support the creation of apprenticeship programs in small and mid-sized operations so that jobs in these facilities set employees on a sustainable, long term career track.

- Coordinate with OSHA and incorporate worker safety into USDA decision-making process on issues like line speed regulations, what chemicals can be used in processing plants (carcass rinses or sanitizers used on equipment or in chiller water), and other practices that impact workers.

- To respond to the pandemic, work with OSHA to set enforceable workplace safety and health standards, prohibiting employers from retaliating against workers for reporting infection control problems or taking sick leave, and requiring tracking and public reporting of COVID-19 outbreaks in workplaces.

- What factors should be considered when siting and designing a facility or renovation related to environmental justice to encourage energy efficiency and minimize the climate and environmental impacts of the facility?

USDA should not invest in plants that plan to or already use vertical integration arrangements or contract growing systems that will facilitate the construction or expansion of concentrated animal feeding operations (CAFOs). This program should not be supporting more production based on the model of large poultry and hog companies that set up a "complex" of the tightly connected (or totally vertically integrated) system of slaughter and processing plant, hatchery or breeding facilities, feed mill and network of CAFOs in a prescribed radius. Instead, plants receiving this support should be procuring livestock from independent producers, as often as possible through cash markets like auctions.

- What metrics illuminate the extent of the competitive environment for the products or services that producers and growers offer, including at the local level? What factors up and down the supply chain affect that competitive environment?

For small and mid-sized plants to succeed, they need a fair market. Even if most of these plants do not attempt to compete in commodity meat markets, but instead focus on niche markets that emphasize sustainable, high animal welfare, or other specialized practices, the conduct of the biggest players producing commodity products still sets the overall parameters for the marketplace. This is also true for potentially important buyers like institutions that could use their procurement practices to rebuild regional food systems if they were not tightly connected to powerful food service and multinational meat companies. We encourage you to read the comment submitted by the Open Markets Institute, which details how practices used by large meat companies and large food service companies create unfair conditions in the potentially lucrative school food and other food service markets.

As discussed above, USDA should work quickly to finalize long-awaited rules to fully implement the Packers and Stockyards Act to make sure meat and poultry buyers are not unduly favoring large operations or using unfair one-sided contracts with producers. USDA also must close loopholes in the regulations for voluntary country of origin labels to require that meat displaying a U.S. label actually comes from animals that were born, raised and slaughtered in the U.S. and work with Congress to reinstate mandatory country of origin labeling for meat.

- How do processing needs and challenges vary by species and by value-added product types (*e.g.,* organic, local, grass-fed, kosher, halal)? Do these needs require special types of funding (*e.g.,* to encourage continued innovation)?

While there may be specific funding needs for different value-added or other specialized producers that they can point out in their application for support, there are some themes that USDA should keep in mind while designing the funding program.

USDA should consider funding plants for:

- Validation studies for HACCP plans for unique products.

- Upgrades to equipment and facilities, including construction of separate rooms for slaughter and processing, stainless steel equipment, or upgraded HVAC systems.

- Upgraded IT and digital recordkeeping systems (for food safety, organic certification or other recordkeeping purposes).

- Professional development and technical assistance for new plants, including staff training.

In addition to providing resources directly to facilities, USDA should commit to removing some of the common obstacles these types of plants face when dealing various USDA policies by:

- Providing assistance for small and mid-sized plants to access the USDA's Agricultural Marketing Service grading and/or process-verified claims at affordable rates.

- Training FSIS, NRCS, extension and other USDA employees on the range of certifications and practices used by small and mid-sized plants serving niche markets (organic, grass-fed, halal, kosher, animal welfare certifications, and others.)

- Streamlining the FSIS label approval process (small plants are more likely to have a variety of products and to change formulations more often, which requires more frequent FSIS label approvals).

- Lowering the cost of voluntary inspection for non-amenable species.

- Filling FSIS vacancies so that inspector shortages do not become a limiting factor for a new plant to come online or an existing plant to be able to expand production.

- Supporting agricultural extension services, with a requirement that a minimal level of meat industry expertise be available in every state.

- Supporting research into rendering and wastewater treatment options for small and mid-sized plants.

2. <u>Fair Treatment of Farmers and Workers and Ownership Considerations</u>

- What conditions should be included related to the sources of materials being used to construct or expand the facility (*e.g.,* buy American)?

We appreciate USDA's consideration of the importance of Buy American provisions. One note that we will offer is that because there are so few remaining small and mid-sized meat and poultry plants in the U.S., the equipment that is best suited for their specialized needs may no longer be produced here. Some small plant operators have told us that the best options for their plants come from European manufacturers because plants there tend to be smaller. Therefore, while we think it is appropriate for USDA to encourage grant or loan recipients to source as much of their construction materials as possible domestically, we do not think this funding should preclude recipients from buying specialized equipment they need to be most efficient that may come from international suppliers.

In addition to materials used to construct or expand facilities, we urge USDA to consider how to address the origin of the livestock and poultry to be processed in plants receiving USDA support. We strongly urge USDA to require recipients of this funding to source the majority of the animals, carcasses or birds they process from the U.S.

- What steps would require or encourage the creation of high-quality jobs for workers employed during construction and within the operational facility (*e.g.,* prevailing wages and fair opportunities to collectively bargaining)?

USDA should investigate and support training in local vocational and community college programs, as well support the creation of apprenticeship programs in small and mid-sized operations so that jobs in these facilities set employees on a sustainable, long term career track.

- What health and safety standards would encourage a safe and healthy workplace?

To encourage a safe and healthy workplace, USDA should:

- Require that operations that receive USDA investment may not retaliate against whistleblowers and require all recipients to establish and meet with independent worker health and safety committees.

- Require operations that receive USDA investment to provide paid family and medical leave.

- Coordinate with OSHA and incorporate worker safety into USDA decision-making process on issues like line speed regulations, what chemicals can be used in processing plants (carcass rinses or sanitizers used on equipment or in chiller water), and other practices that impact workers.

- To respond to the pandemic, work with OSHA to set enforceable workplace safety and health standards, prohibiting employers from retaliating against workers for reporting infection control problems or taking sick leave, and requiring tracking and public reporting of COVID-19 outbreaks in workplaces.

● Should USDA have the ability to block the sale of processing facilities built or invested in through federal funds to large or foreign-owned corporations? What other options should USDA consider in order to prevent new, expanded, and successful facilities from being acquired by the large corporations whose consolidated operations can suffer from bottlenecks and create significant supply chain vulnerabilities?

Yes. If a plant that gets funding from USDA through this initiative is sold to a large or foreign-owned corporation within 10 years the buyer should reimburse the USDA for the grant money the acquired plant received.

USDA also needs to make a concerted effort to address how the largest players in the meat and poultry sector use anti-competitive practices and overwhelming market power to create an unlevel playing field for everyone else in the market. For too long, federal regulators like USDA and the Department of Justice have failed to enforce antitrust regulations to stop anticompetitive conduct by the biggest players in meat and poultry markets. For small plants that get this USDA support to succeed, they need a fair market.

USDA should work quickly to finalize long-awaited rules to fully implement the Packers and Stockyards Act to make sure meat and poultry buyers are not unduly favoring large operations or using unfair one-sided contracts with producers. USDA also must close loopholes in the regulations for voluntary country of origin labels to require that meat displaying a U.S. label actually comes from animals that were born, raised and slaughtered in the U.S. and work with Congress to reinstate mandatory country of origin labeling for meat.

● Should the processer be required to purchase a minimum volume through auctions or other public transactions?

In regions of the country where viable spot markets exist, a plant receiving USDA funds should be encouraged to purchase livestock through public transactions like auctions. The loss of spot markets for poultry and hogs, and the declining viability of spot markets for cattle, have enabled price manipulation and abusive contact arrangements that are now commonplace through the livestock sector. USDA's investment in small and mid-sized slaughter and processing capacity could help to restore the critical pieces of a regional livestock marketing system that can provide economic viability for producers by encouraging the use of public transactions. But many small plants provide the service of slaughter and processing for customers who sell animals on the hoof and then take possession of the final product to market themselves. This business model will also continue to be important for small independent producers who may not be able to participate in spot markets.

- If contracts are utilized, should practices like tournament systems that have been found to be prone to anti-competitive abuse be prohibited? Should contracts have at least a portion of the payments to producers be based on wholesale meat prices?

Yes. These practices are tools used by largest players to create an unfair advantage over producers. USDA funding should not be supporting the expansion of these unfair practices, so recipients of this funding should attest that they will not use abusive practices like tournament pricing systems. But this funding program should not create a two-tiered system in which some high performing plants use fair contracts and transparent practices, while the largest players in the industry continue to lower the bar and base their business model on abusive contracts that exploit livestock and poultry producers. It is critical that USDA not limit their efforts to stop the use of tournament systems to just the plants participating in this funding program. The USDA must also prohibit this practice for all plants, ideally through the rulemaking process of developing new regulations to enforce the Packers and Stockyards Act.

- If contract grower relationships are used that require a purpose-built production facility, should the contract be required to cover at least the length of the loan term?

Yes. If a contract grower relationship is used, the meatpacker or poultry company should be required to provide long-term contract guarantees to the grower, with terms at least as long as the term of the loan used by the farmer to finance the construction of the facilities needed to service the contracts. Farmers should not be put in a position to take out large loans to finance these facilities without a guarantee of their ability to recoup their investments. Unfortunately, the dominant model for contract growing is for growers to be left with massive loans to repay if a company drops their contract, and few alternative uses for the confinement buildings used for contact poultry and hog production. And just as with the earlier question about restricting the use of tournament payment systems, it is critical that USDA not limit their efforts on matching contracts to loan terms to just the plants participating in this funding program. The USDA must also require this type of contract protection for all plants, ideally through the rulemaking process of developing new regulations to enforce the Packers and Stockyards Act.

5. Technical Assistance Considerations

- What are the top priorities for technical assistance that would facilitate processing expansion or increased capacity (*e.g.,* butchery for key markets, HACCP, humane handling best practices for plant operators, labeling approval and processes, brand and market development)?

To provide technical assistance, USDA should prioritize:

- Validation studies for HACCP plans for unique products.

- Upgrading IT and digital recordkeeping systems (for food safety, organic certification or other recordkeeping purposes).

- Professional development and technical assistance for new plants, including staff training.

In addition to providing technical assistance and resources directly to facilities, USDA should commit to removing some of the common obstacles these types of plants face when dealing various USDA policies by:

- Providing assistance for small and mid-sized plants to access the USDA's Agricultural Marketing Service grading and/or process-verified claims at affordable rates.

- Training FSIS, extension and other USDA employees on the range of certifications and practices used by small and mid-sized plants serving niche markets (organic, grass-fed, halal, kosher, animal welfare certifications, and others.)

- Streamlining the FSIS label approval process (small plants are more likely to have a variety of products and to change formulations more often, which requires more frequent FSIS label approvals).

- Lowering the cost of voluntary inspection for non-amenable species.

- Filling FSIS vacancies so that inspector shortages do not become a limiting factor for a new plant to come online or an existing plant to be able to expand production.

- Supporting agricultural extension services, with a requirement that a minimal level of meat industry expertise be available in every state.

- Supporting research into rendering and wastewater treatment options for small and mid-sized plants.

We appreciate the opportunity to comment on this critical subject and USDA's priorities. If you have questions or need more information, please contact Patty Lovera at (202) 526-2726 or pattylovera20@gmail.com.

Sincerely,

Campaign for Family Farms and the Environment