

State Investments and Innovations in Meat Processing

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The COVID-19 pandemic created disrupted supply chains in many industries. Since 2020, it is not uncommon to visit a grocery store and see a lack of meat products. Though many factors contribute to these shortages, processing capacity in large facilities was reduced by labor shortages. Processing facilities are designed to have human labor efficiently working with machinery. While these spatial layouts allow processors to scale up their activities, they also force workers into close proximity in an enclosed space.

Consequently, large-scale meat processing facilities are not conducive to social distancing and are not easily reconfigured. In some cases, processing facilities became hotspots for the spread of COVID and the resulting labor shortages reduced the output of meat from these facilities. Combined with COVID-related labor shortages all along the supply chain – in distribution, transportation, and retail – meat supply often did not meet consumer demand in mainstream consumer venues.

Consumers responded to these shortages by searching for alternative venues for purchasing animal proteins. Some visited farmers markets or bought a share of an animal directly from farmers. Retailers also sought to fill gaps in their supply chain by buying from more local and regional processors and distributors.

Farmers and ranchers – some of whom lost accounts due to closures of restaurants and institutional dining halls due to COVID – saw market opportunities in direct sales. To take advantage of these opportunities required the use of small and medium-sized processing facilities. In general, these smaller processors lacked the capacity to deal with the influx of animals necessary to meet this consumer demand from direct purchases and retailers. Additionally, many smaller processors were not certified by the USDA which in some states excluded direct and intermediate sales, as well as sales in other states. Prior to COVID-19, the standard wait time for a farmer to get their animals into many of these smaller processors was 4-8 months. After the start of the pandemic, however, many processors were scheduled out 12-18 months.

Recognizing the fragility of meat supply chains that operate at a national scale, State Departments of Agriculture engaged in creative investments to improve the capacity of local and regional meat supply chains. By supporting small and medium-sized processors, states sought to improve market access for animal producers who serve consumers in their regions. These investments also focus on develop food systems that can operate effectively at a variety of scales during moments of disruption. In this Innovation Brief, we review some of the investments made by the state of Iowa, Colorado, and Kentucky. In particular, these investments focus on three areas: equipment and infrastructure, market development and policy initiatives, and technical assistance and education.

Equipment and Infrastructure Investments

Each state recognized the importance of improving the capacity of existing meat processing and distribution businesses that serve small and medium scale producers. They also sought to thoughtfully develop new facilities in places of need.

Iowa saw an increase in consumers turning to direct purchases from meat lockers – butchers or processing facilities that often have a store front – as the pandemic intensified national supply shortages. The State Department of Agriculture responded by materially supporting capacity expansion for these meat lockers with the intent of making it easier for farmers to process and sell meat within the state. Starting in 2020, they provided \$35k grants to individual meat lockers to buy equipment including labelers, bone saws, and smokehouses. This program was quite popular and resulted in over \$4 million in investments during that year. It enabled lockers to create more processing capacity as well as develop value-added products. In 2021, they developed a taskforce to make this program permanent – with \$50k grants that required a 1:1 match.

Kentucky had been investing in diversified meat processing capacity prior to COVID through funds from the Tobacco Master Settlement Agreement. These investments blunted the impact of supply chain disruptions, though additional investments were made in conjunction with CARES Act funding once COVID hit. Since COVID, \$12 million has been given to stakeholders to expand existing and create new processing facilities through the Meat Processing Investment Program.

These funds include a combination of state loans, forgivable loans, state and county grant funds, and CARES funds. All proposals are reviewed by a committee and grant applicants must have a business plan and work with a cooperative development organization. Smaller grants (under \$40k per facility) are given for improvements to existing facilities such as expanding kill floor and freezer space, buying grinders or other machines, or improving operational efficiency.

Larger grants (up to \$250k) are given to applicants interested in creating new facilities and requires a match. The committee reviews the geography of these proposals to make sure new facilities are not outcompeting each other due to over saturation. While over 150 individuals have inquired about new facility creation, only 10 have completed the application process.

Colorado has been investing in processing for many different types of agricultural products. They have a revolving loan program using state stimulus money to provide \$10 million to developing processing capacity in general (meat, produce, hemp, etc.). 40% of these loans are designated for animal processing capacity expansion. Some of these funds also go toward developing distribution infrastructure especially items like freezers and refrigerated trucks which support cold chain capacity. A separate loan program (\$5 million since 2020, \$4 million in the pipeline) was developed for broader variety of uses. These loans can be used to get access to land as well as equipment, especially for early career farmers and food businesses. They can also be used to expand existing processors. The focus of the latter was the expansion of custom processing facilities.

When COVID arrived, many ranchers tried to shift to direct sales, but it was difficult to find USDA-inspected facilities that operated at an appropriate scale.

Market Development and Policy Initiatives

States sought to capitalize on increased consumer demand for local meats by improving market access for farmers and promoting local products through marketing and policy initiatives.

Iowa used the pandemic to reinvigorate their “Choose Iowa” branding program. This program – which focused on improving consumer knowledge of food products made in Iowa – existed in the past but disappeared due to budget reasons. In 2022, state personnel wanted to bring it back to help meat producers take advantage of consumer interest in local meats. This consumer interest in local was driven not only by pandemic-related supply chain shortages, but also concerns with inflation and fuel prices.

Local meats – with shorter supply chains – became more competitive in terms of price. Buying meat shares and whole animals from local farmers may have started as a social trend and/or a response to pandemic risk mitigation, but this became a cost effective, common-sense food acquisition strategy. In any case, “Choose Iowa” increased the visibility of Iowa-grown animals – locally as well as to other states. This program encourages consumers to buy directly from meat lockers and processors with storefront sales.

Kentucky, via their committee for small scale meat investments, promotes innovations that increase the supply of Kentucky products to diverse market channels. In particular, developing wholesale opportunities is critical to supporting small- and medium-sized producers in the commonwealth. One particular strategy involves pairing a local processor with multiple small-scale producers to marketing the food product – often beef – under a common name. Our Home Place Meat, for example, is a multi-farm brand that uses a mid-size processor to reach an appropriate scale for regional distributor that focuses on providing chefs with local products.

Another example is the Beef Solutions, an initiative of the Kentucky Cattlemen, which involves aggregating cull cattle at a scale and quality for distribution in a major regional retail grocery chain. This brand – which uses local processors – creates value using meat that would normally be lost in larger-scale meat production systems. While Kentucky has the most beef cattle east of the Mississippi River, farmers generally operate cow-calf operations and are thus lower in the value chain. State investments in processing infrastructure have allowed smaller scale producers to find new value in their cattle operations.

Colorado, through investments in custom processors and cold chain logistics, is attempting to make it easier for farmers/ranchers to rapidly shift markets and access direct sales opportunities. One barrier, however, is that producers cannot sell meat from non-USDA approved processing facilities at farmers markets. While the state allows direct purchases of whole animals processed at these custom, non-USDA processors, farmers markets are classified differently. Potential changes to legislation might open new market opportunities for producers.

Technical Assistance and Education

States also invested in technical assistance and educational initiatives to facilitate producer capacity, marketing, and infrastructure development.

Iowa funded educational activities for workers at small meat lockers/processors. Community colleges and Iowa State University offered courses on business management, hands-on processing, and other topics necessary to expand processing opportunities within the state. They also offered internships for high school students to work at the front of the meat locker to get experience in and familiarity with the sales side of the industry. Finally, Iowa provided technical assistance to existing processors to achieve USDA certification – a designation that would allow these businesses to ship across state lines and build Iowa’s brand more regionally.

Kentucky supported infrastructure and equipment investments by collaborating with farmers to build business plans and manage their operations more efficiently. They also offered technical assistance on how to access direct market, aggregation, and collective branding opportunities. Finally, Kentucky developed a website that tells farmer-entrepreneurs what to consider when thinking about opening a meat processing facility. These details were critical for ensuring that applicants for the new facility funds were had viable proposals and business plans. KCARD – a cooperative development organization– provided these various forms of technical assistance.

Colorado offered funds to processors to hire grant writers to assist in applications for federal and state funds for infrastructure and equipment expansion. These funds were capped at \$5K per operator.

Additionally, the state offered technical assistance in support of developing business plans, financing, keeping records, accessing loans, using data for decision making, accessing land market capital, and developing grants. Their goals are to 1) encourage capacity development among small- and medium-sized processors, 2) use technical assistance to prepare producers for future events and disruptions, and 3) leverage expertise to give producers and processors a foundation for growing operations.

Overall Goals

In general, all states covered here are hoping to improve the capacity of producers and processors to scale up and reach diverse market channels within and beyond their borders. They see these investments as supporting shorter, more resilient meat supply chains that can offer alternatives to national- and international-scale industries. These investments also are focused on developing more robust and diverse market opportunities for smaller meat producers. Finally, these states borrow ideas from each other, so developing connectivity between technical assistance providers and state departments of agriculture will create innovations within and between regions.

Thanks for reading!

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For more information and resources on Local and Regional Food Systems Response to COVID: Recovery and Resilience, visit www.lfscovis.localfoodeconomics.com.

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