



FARM

STAND



IN THEIR OWN BACKYARD

DESPITE DEBATE OVER THE MEANING OF "LOCAL" AND THE ACCEPTABLE DISTANCE IT MAY COVER, **SMALL PROCESSORS ARE BANDING TOGETHER** WITH SMALL PRODUCERS TO TAP A MARKET MUCH IN DEMAND BY CONSUMERS. **by Michael Fielding**, managing editor of technical content

BACKYARD

For several months, Andy Cloud has worked with a local pizza restaurant to promote his processing facility's locally sourced toppings. But he laughs: "It's all local. Who else am I gonna source from?"

The Carthage, Mo.-based owner of Cloud's Meats admits that sourcing from his neighbors is "something we've always done, but we've just never told the story."

He's telling it now, as are dozens of other small processors across the country, seeking to tap into consumers' infatuation with all things "locally" grown.

According to marketing and ad agency Sullivan Higdon & Sink's (SHS) 2016 report "Evolving Trust in the Food Industry," three in 10 consumers say it's "very important" to have locally sourced food in their kitchens.

"It's almost flipped on its head from 2000 when I started working on this issue. Now it's all about the history of the food before it arrived at my plate. It's really topical," says author and environmental lawyer Nicolette Hahn Niman, who is married to rancher and sustainable food activist Bill Niman.



For an interactive map highlighting pending legislation that supports local food, visit meatm.ag/meatlocal

Opportunities exist for small processors beyond custom processing, catering and the occasional farmers market, all of which typically make up the bulk of their profits.

WHAT IS “LOCAL,” REALLY?

“Local” is an alluring addition to a meat or poultry label, but the term lacks a standard definition, and observers agree that consumers are often confused.

“The USDA is trying to define local, but it’s a fool’s errand,” says Lauren Gwin, associate director of Oregon State University’s Center for Small Farms and Community Food Systems and the co-founder of the Niche Meat Processor Assistance Network (NMPAN). “It’s so different for different products.

“If it’s solely based on geography, then my Coca-Cola plant here in Corvallis is ‘local Coca-Cola.’ Who cares? There are concerns about abuse of the word ‘local’ and consumers being hoodwinked about what it means and doesn’t mean, but a strict geographic definition isn’t going to solve that.”

It’s generally understood that farmers in the “very local” chain often sell live animals directly to one or more household buyers, based on whole, half or quarter-carcass orders; that “local independent” farmers handle distribution and marketing through multiple direct and local channels; that in the “regional-aggregated” chain, several farmers sell finished animals to a central entity that arranges for processing and distribution and handles marketing.

Yet many others farmers and processors defy these simple categories of local and regional players.

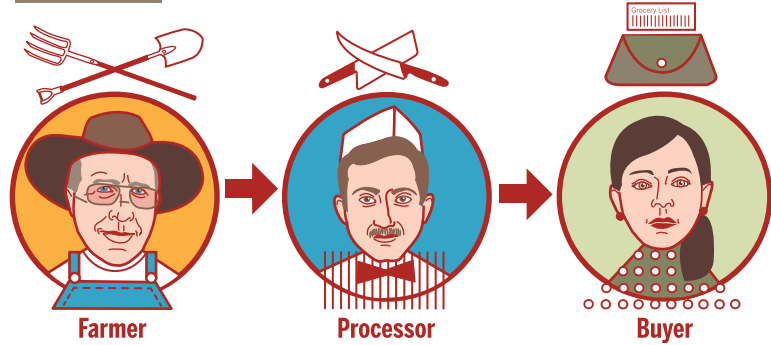
“‘Local’ is a big thing for us: no-added hormones, no antibiotics, locally raised on small farms. I think ‘local’ is the big thing — being able to say something about the farms we get the animals from,” explains Samantha Gloffke, general manager of Applestone Meat Co. in New York’s Hudson Valley. “But it was never about being old-fashioned. It’s always been about being sustainable.”



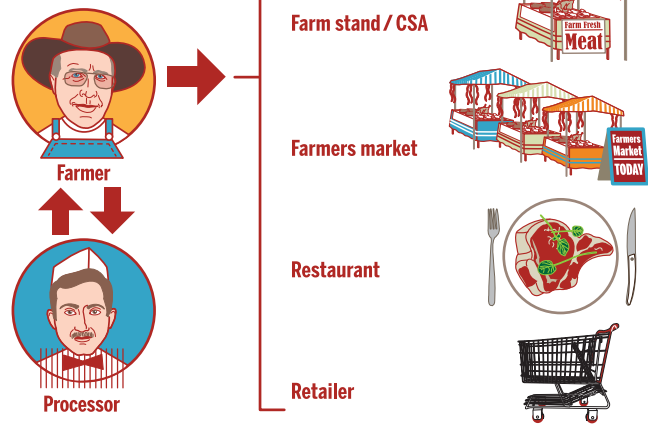
This is part of a multimedia package (see p. 52) that examines the growing consciousness among consumers for sustainable food — and how both producers and processors are responding.

Three types of local

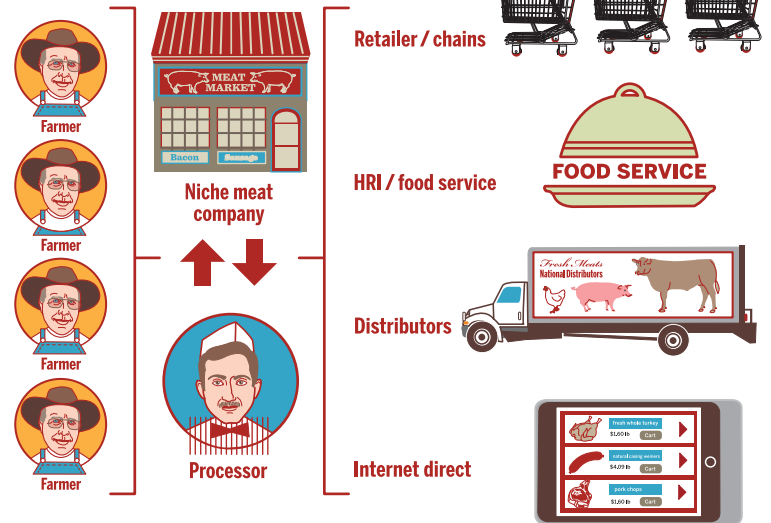
Very local



Local-independent



Regional-aggregated



Since no strict geographic definition exists for what “local meat” is, it can range from meat produced within a county to a multistate region, according to Lauren Gwin of the Niche Meat Processors Assistance Network. She authored a 2013 report that highlighted the importance of business commitments for long-term viability. Although some research defines “local” by market channel (direct-to-consumer and intermediated direct-to-restaurant/grocer), the authors argue that there are three basic types based on a variety of factors — not just geography but also product format, market channel, regulatory requirements and supply chain participants. This chart illustrates differences in the three chains. Source: Niche Meat Processors Assistance Network

Toni Damkoehler

CATEGORIES OF SMALL PROCESSORS

Very small custom-exempt

- » 2,000 sq. ft. facility
- » Slaughters/fabricates beef, pork, sheep, goats
- » Limited sausage making, smoking, curing services
- » All raw meats packaged in butcher paper and frozen
- » Option for some vacuum packaging for cooked sausages
- » No scale labeling (applying labels with actual, 'catch' weight to individual packages or cases)
- » 4 FTE employees

Small inspected

- » 4,000 sq. ft. facility
- » USDA- or state-inspected; may still do custom-exempt work
- » Slaughters/fabricates beef, pork, sheep and goats
- » Sausage making, smoking and curing services
- » All raw meats packaged in butcher paper and frozen
- » Vacuum pack cooked sausage, boneless cured meats
- » Very basic scale labeling
- » 10 FTE employees

Regional inspected

- » 15,000 sq. ft. facility
- » All product USDA-inspected
- » Regular third-party audits (GMPs, food safety, animal welfare, certified organic)

CONTINUES ON P. 36

(For more on Applestone Meat, see "Automated for the people," p. 52.)

On the other hand, consumers understand that it's not possible for every ingredient (or even every product on the plate) to be sourced locally, says Lynn Dornblaser, director of innovation and insights at Chicago-based research firm Mintel. What they really seek is to know where their food is from and why it's there, she says.

"Consumers want you to tell them straight

about anything — if it's from a farm that's 10 miles away or from a farm across the country," Dornblaser says.

"Transparency is no longer optional, especially when trust is the goal," says Donna Moenning, senior program director for the Center for Food Integrity. "If you aren't transparent, you are perceived as hiding something."

And regardless of how it's defined, the demand for "local" meat is on the rise: "Locally sourced

LEGISLATING LOCAL FOOD

The local food movement is booming at a time when consumers are, on the whole, more optimistic about the food system overall, according to the Center for Food Integrity (CFI).

In 2013, respondents to a survey conducted by CFI found that just 34 percent thought the food system was headed in the right direction; by 2015 that number jumped to 40 percent. Meanwhile, those concerned that the system is heading down the wrong track dropped to 27 percent in 2015 from 38 percent just two years earlier.

However, the USDA's focus on assisting meat and poultry producers is selective, critics and small farmers have argued.

Public funding for R&D in agriculture (based on purchasing power parity in 2005 dollars) was \$3 million in 1981. Thirty years later, the government's contribution was barely \$4 million. Similarly, less than one-third of USDA ag research funding was allocated for animal science each year from 1998 to 2010, with the rest used for plant sciences.

Now legislation pending in Congress may assist small farmers as they seek to address the growing demand for locally sourced and produced meat products.

In July 2015, grass-fed beef producer Rep. Thomas Massie (R-Ky.), introduced the Processing Revival and Intrastate Meat Exemption (PRIME) Act. The bill would allow small farmers seeking to sell their product at retail within state lines to process their meat at federally inspected slaughterhouses without requiring that an inspector be onsite to oversee daily operations.

The PRIME Act has been criticized by some of the industry's biggest players, including the North American Meat Institute (NAMI), which represents companies that process 95 percent of red meat and 70 percent of turkey products in the United States.

"[NAMI] members care about the wholesomeness of the food products they market to American consumers. Federal Inspection, or state inspection compliant with the same standards, plays a vital role in ensuring that outcome. Food safety standards should not be compromised for the convenience of a market segment," according to the organization.

Meanwhile, proponents of small farms hope the bill, which has remained idle for a year, will get a boost from lawmakers. One hopeful sign is that Agriculture Secretary Tom Vilsack has been vocal in promoting expansion of what he's called the "diversity" of food and agriculture. "We are committed to making sure that no matter what size operation you have you've got opportunity to succeed with assistance from USDA," he said during the 2016 Food Tank Summit held in April in Washington, D.C. The summit aims to promote food hubs, businesses or organizations that manage the aggregation, distribution and marketing of locally produced food.

An average food hub employs around 20 people and is a multi-million operation, and Vilsack said he hopes to see consumers work with local governments to support local investments in systems such as food hubs.

The number of food hubs in the United States has more than doubled within the last decade, with more than 350 now operational around the country. Food hubs aggregate products from small and midsize farms and distribute them to large-volume regional buyers, such as grocery stores. With produce and dairy making up the bulk of a typical food hub's product line, meat and poultry usually fall into the "other" category. Sales of those "other" products vary from 5 percent to 10 percent of total sales, depending on the season.



“I THINK THE PRICE THAT CONSUMERS GO TO FOR LOCAL OR SMALLER BUTCHER SHOPS ... **VIEW WHOLE FOODS AS A STANDARD WITH THEIR PRICING.**”

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meats and seafood” top the 2016 list of dozens of food trends compiled by the National Restaurant Association, which surveyed nearly 1,600 professional chefs on which food and themes would be seen on menus in 2016. “Hyper-local” sourcing, “natural” ingredients and new cuts of meat also made the top 10.

LOCAL-MOTION

While the details get worked out in the public policy arenas, the idea of “local” is being used to benefit both small producers and small processors. Applestone Meat Co. — owned by the founder of the nose-to-tail butchery movement, Josh Applestone — operates two federally inspected processing facilities from which he sells the meat from local livestock direct to consumers through a unique mix of a delivery service and fresh meat vending machines.

Amid the buzz of “local” and “sustainable” meat, smaller producers and processors have an advantage: Right or wrong, consumers inherently have more trust in small farms than large farms, according to data provided by the Center for Food Integrity.

In just one year — between 2014 and 2015 — consumers showed a 10-percentage-point swing in strongly agreeing/strongly disagreeing with the statement that “small farms are likely to put their interests ahead of my interests.”

Over the same period, they remained unmoved in their sentiment toward



For more on the niche processor network, go to meatm.ag/nmpan

“large” farms, with nearly half of all consumers agreeing that “large farms are likely to put their interests ahead of my interests.”

The same goes for national food companies: In 2015, 54 percent of consumers agreed that “national food companies are likely to put their interests

ahead of my interests.”

“The perception is, ‘big is bad,’ Moenning says. “But we all know that throughout the food industry the actions of an individual are not dictated by size; they’re dictated by the ethics of that individual.

“Sharing your values, no matter the size of our company, that’s what people are looking for. For many people, the label ‘local’ helps deliver that value statement.”

**IN 2012, JUST 8%
OF ALL AMERICAN
LIVESTOCK FARMERS
SOLD THEIR PRODUCTS
THROUGH LOCAL
FOOD MARKETING
CHANNELS.**

ROOM TO GROW

In a study of local marketing channels, Matt LeRoux, ag marketing specialist with Cornell (N.Y.) Cooperative Extension, Tompkins County, found from a survey of 200 consumers and 40 producers that, “There’s tremendous room for growing the local meat scene even in a well-developed local meat system,” he noted in a 2015 NMPAN webinar.

Out of the survey grew New York’s Finger Lakes Meat Project, which includes an online statewide directory of small farms and leasable freezers available to consumers, which LeRoux said “offers a sweet spot ... between wholesaling live animals ... and direct marketing, but not as labor-intensive as farmers’

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the ISSUES

» QA department monitors sanitation, product safety, quality, shelf-life via microbial testing, sensory evaluation

» Slaughters/fabricates beef, pork

» Sausage making, smoking & curing services, exact weight retail portions

» Exact weight portion cutting of steaks and roasts offered

» All raw and cooked meats are vacuum packaged fresh or frozen, usually Thermoformed roll stock for retail sale

CONTINUES ON P.38



markets. It is the best channel for the farmer in the sense of premium pricing is still available, you don't take on inventory management, you don't take on storage, the sales time per quarter or half can be relatively small."

Gwin argues that the best business strategy for any business depends on a variety of factors, including production style, marketing skills, risk tolerance and financial goals. Still, interested

Lauren Gwin, associate director of Oregon State University's Center for Small Farms and Community Food Systems, advises that producers don't just see their processors as service providers but rather as partners in the supply chain who need each other.

small processors, many of whom do little to no marketing, can get a piece of the "local" marketing action by aggregating, she says.

Then there's the inescapable fact that consumers overwhelmingly shop primarily on price,

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» 60 FTE employees

» Offers health insurance and retirement matching benefits

Source: Niche Meat Processors Assistance Network

"I would love that the Farm Bill becomes the Bill of the people, a Farm Bill that will help the smaller farmer, the smaller producer, the smaller fisherman, to feed America better," chef and restaurateur José Andrés has said.



although surveys show that most of them say they are willing to pay more to ensure that the livestock were raised in an environmentally conscious, humane manner.

"The cost and the price of locally sourced meat is significantly higher than commodity meat, and a lot of people don't understand why," says Terry Ragasa, owner of Sutter Meats specialty butcher shop in Northampton, Mass.

In fact, at the end of the supply chain, the "locally sourced" product can cost nearly twice

"THE USDA IS TRYING TO DEFINE LOCAL, BUT IT'S A FOOL'S ERRAND."

the price of the commodity product; marketing, distribution and retail are among the largest costs for local processors, eating up 44 percent of the final price of local beef and nearly doubling

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the ISSUES



the final product cost, according to a 2013 NMPAN report.

And according to USDA, a pound of locally produced, sliced bacon costs an average of \$2 more than the same size package of commodity bacon.

“We’re constantly trying to figure out pricing in our store. There’s the price you see at the major supermarket chain, there’s the price you see at the smaller markets, then there’s the price you see at Whole Foods,” says Ragasa, who works with about a dozen farms to supply the 60 head of beef and 175 head of pork processed annually. “I think the price that consumers go to for local or smaller butcher shops ... view Whole Foods as a standard with their pricing.”

Small farmers also point to a lack of government-inspected slaughterhouses as the reason for the high costs of the final product. Between 2001 and 2013, the number of small federal-



DATA DIVE

In April, the USDA announced the Local Food Marketing Practices Survey as part of its continued support of local and regional food systems. USDA's National Agricultural Statistics Service (NASS) is conducting the first-time survey to produce official benchmark data on the local food sector in the United States.

USDA launched the "Know Your Farmer, Know Your Food Initiative" in 2009 to support the growing demand for local and regional food systems, and locally sourced food increasingly has been on the radar of local, state and federal agencies since then. "The information NASS collects in this survey is vital to providing data to understand the benefits of local and regional food systems," said Agriculture Secretary Tom Vilsack.

The Local Food Marketing Practices Survey asks producers for information on their production and local marketing of foods during the 2015 calendar year. Information includes the value of food sales by marketing channel (i.e. farmers markets, community supported agriculture arrangements, restaurants, roadside stands and food hubs), value of crop and livestock sales, marketing practices and expenses.

"More than 160,000 farms have direct and inter-mediated sales and industry estimates suggest the value of the local foods market was nearly \$12 billion in 2014," Vilsack explained. "This is important information that was used to inform support for local and regional food systems in the Agricultural Act of 2014."

Data from the Local Food Marketing Practices Survey will be used for programs that support local and regional food systems.

ly inspected beef slaughter plants (under 10,000 head per year) declined by 12 percent, according to the USDA's 2015 "Trends in U.S. local and regional food systems" report.

In addition to higher prices, locally sourced meat doesn't make logistical sense for everyone.

"It's difficult to find [a local farmer who] can provide me with the amount that I need," says Billy Oliva, executive chef at venerable Manhattan steakhouse Delmonico's. "I want to buy the prime cuts. I don't always want the whole animal. I would have nowhere to store all the byproduct."

Surprisingly, Niman — the activist and vegetarian — agrees. "We argue that 'local' is a good idea, but when talking about meat, what's much more important is supporting livestock in the right locale," she says. "It actually makes sense to transport meat a long distance in some cases."

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