THREE MODELS OF PROCESSING FACILITIES

TO SERVE NEW JERSEY'S LIVESTOCK FARMERS

A NEEDS ASSESSMENT AND COMPARATIVE ANALYSIS OF

REPORT TO NEW JERSEY DEPARTMENT OF AGRICULTURE

USDA'S 2019 RURAL BUSINESS DEVELOPMENT GRANT PROGRAM

SUBMITTED: JUNE 19, 2020

KDC Cooperative Solutions

Our mission is to sustain communities, economies, and resources through cooperatively owned businesses

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CONTENTS

ABOUT THIS REPORT AND THE TEAM

This report presents findings from a New Jersey livestock farmer needs assessment for processors and a comparative analysis of potential models for USDA inspected custom slaughter, cut and wrap. Findings impact all of New Jersey farmers, processors, and consumers. The Keystone Development Center, Inc. produced this report under contract to the New Jersey Department of Agriculture. The project was funded by the Rural Business Development Grant (RBDG) program, a part of the United States Department of Agriculture's Business and Cooperative Programs. A total grant of $49,800 was awarded to the New Jersey Department of Agriculture in July 2019.

This project is a cooperative effort among several partners from industry, education, government, and the private sector. The project manager was Daniel Wunderlich, Coordinator Risk Management, Dairy Program, Manager Organic Program and Livestock Specialist with the New Jersey Department of Agriculture. Other team members include Margaret R. Fogarty serving as the Executive Director of the Keystone Development Center, Autumn Vogel and Hanna Mengel of Keystone Development Center, Michael Westendorf, Extension Specialist, Department of Animal Sciences at Rutgers University in New Brunswick, New Jersey, and Hank Bignell, Agriculture and Natural Resource Senior Program Coordinator in Warren County for Rutgers New Jersey Agricultural Experiment Station. Their professional qualifications are available upon request.

The primary author of this report is Margaret R. Fogarty, the Executive Director of the Keystone Development Center (KDC). KDC team members Autumn Vogel and Hanna Mengel contributed significant content to this report. In addition, Hank Bignell and Mike Westendorf of Rutgers Extension contributed valuable input, research and review for the project. For more information on this project, please contact the Keystone Development Center, Inc. 108F. N Reading Road, Suite 200, Ephrata, PA 17522.

EXECUTIVE SUMMARY

There exists an emerging crisis of inadequate access to custom processing facilities for New Jersey farmers seeking to capitalize on the direct-to-consumer market of livestock products. Since 1990, federally inspected plants have decreased by nearly forty percent resulting in NJ farmers traveling hundreds of miles out of state for USDA inspected custom slaughter and butchering. In order for livestock products to be resold at retail, these products must be processed at an approved source, defined as a livestock processing facility that is managed under inspection by USDA's Food Safety Inspection Service (FSIS) on both the slaughter floor and the processing floor.

The emergence of COVID-19 in March 2020 created complications in our ability to conduct in-person research, but it also shed light on a looming crisis on our country's food production, putting the supply chain dangerously at risk. Some of the worst COVID-19 outbreaks have occurred in industrial meat processing facilities. Infections occurring in employees of meat packing operations topped 11,000 cases by May 2020 resulting in plant closures nationwide. Based on industry published estimates the processing capacity of the 4 major companies representing more than 85% of the nation's slaughter fell to levels below 45% capacity on beef, pork, and poultry processing[i] [ii]. With restaurants, schools and institutions shuttered while the country was in lockdown, reports of farmers euthanizing their animals due to the loss of sales and the lack of access to processing are raising alarms. Farmers interviewed as part of this study express that they are unable to keep up with customer demand for their products, constrained by their processors' limited capacity.

On behalf of the New Jersey livestock farmers raising beef, swine, poultry, sheep, goats and other alternative livestock, The New Jersey Department of Agriculture set out to assess the needs for and the capacity of existing processors. NJ farmers contributed information on their farm business, location, years spent farming and number of employees. Through surveys, focus groups, interviews, and a farmer steering committee, 163 NJ livestock farmers contributed information on their production, farming practices, markets utilized, processors used, and distance and frequency they travel to their current processors. They also provided feedback on the barriers they face and their most pressing business needs.

KDC developed a series of questions and conducted interviews with New Jersey livestock processors. Processors were asked to provide a brief history of their business including year established, key changes over time, ownership, transitions to the next generation, and plans for the future. They also shared information about their services, value added products, species processed in their plant, and third-party inspections and certifications. They spoke about the size and scale of their operation, number of days per week, number of employees, training and benefits offered to employees, and the customers they serve. They shared their perspective on industry opportunities, barriers, pressures, and their greatest need for success in the next five to ten years. In addition to the interviews, KDC developed a list of 22 regional processors utilized by the farmers who participated in our research. (See Appendix B.)

Seeking solutions, the team set out to conduct a comparative analysis of compelling models which are emerging across the country to address the same needs expressed by farmers in NJ: a need for high quality, affordable slaughtering and processing of a variety of species at a conveniently located USDA inspected facility. We explored three models: 1) Building a new regional processing facility; 2) Retrofitting an existing NJ processing facility; 3) Clusters of smaller on-farm processing facilities available to local producers within different regions of NJ.

It is clear there is a need to increase access to appropriately scaled livestock processing facilities in the State of New Jersey. These facilities will need to have the proper practices and inspection status to deliver safe products to customer specifications. The solution, however, is not clear. Only twelve of the 163 survey respondents were willing to share financial benchmark information thus the financial projections we were able to acquire are not sufficient to provide clarity on the scale of the need. Processors will need steady, consistent business commitments to be willing to take the financial risk for upgrades or the development of a new facility. Processors will choose to make an investment based on what they perceive as a secure financial venture that will provide them with long-term profits.

It is beyond the scope of this project to provide specific recommendations and estimates for facility upgrades or the development of a new facility. USDA meat inspection requires humane handling designed for a safe environment and for both animals and plant operators. A well thought out and efficient flow reduces animal stress, possible injury, liability, and financial loss. The various research results were synthesized into a list of considerations.

Should a project emerge as a result of this study, there could be a significant economic development impact within a rural and economically challenged area or multiple rural or economically challenged areas statewide. A new facility would open processing capacity, allowing more farmers to move product through with increased flexibility in scheduling. A variety of ownership options exist for a new facility including private ownership, a public-private partnership, ownership by a cooperative of farmer member-owners, or ownership by a nonprofit or educational entity. Additionally, a new facility would create jobs, ensuring long-term services, which could result in increased production and profits for NJ livestock farmers.

A new facility or expansion of an existing facility should explore programs offered by the New Jersey Economic Development Authority (NJEDA) and economic stimulus program offered at the county levels as a means of identifying investment opportunities in rural areas of the state in support of additional livestock processing capacity. Processors recognize hiring skilled workers, training, and retaining quality employees as one of their largest constraints to business growth. A new, expansion, or relocation of a facility should consider locating in an area with high unemployment which is accessible to public transportation. KDC compiled a list of programs that provide low-cost, long-term bond financing, loans, guarantees and incentive grants. The research team also assembled studies of small-scale meat processing resources that could provide guidance to potential investors, owners and partners who are ready to take action to implement solutions.

REPORT OVERVIEW & SCOPE OF WORK

This report presents findings from a New Jersey livestock farmer needs assessment for processors and a comparative analysis of three potential models for custom slaughter, cut and wrap. Specifically, methods were explored for expanding access to livestock processing so NJ livestock farmers can increase their ability to direct market New Jersey-raised beef, pork, poultry, lamb and goats to NJ customers. This study explores the following:

1. Production Assessment
2. Market Opportunities and Production Standards
3. Cooperative Value
4. Access to Processors
5. Processor Interviews
6. Comparative Models Research
7. Considerations and Analysis
8. Legal/Regulatory Requirements
9. Facility Operation Considerations
10. Economic Development/Job Creation

PROJECT CONTEXT

IDENTIFYING THE PROBLEM

There exists an emerging crisis of inadequate access to processing facilities for livestock producers seeking to capitalize on the direct-to-consumer market to custom-processed livestock products. In order for livestock products to be resold at retail, these products must be processed at an approved source, defined as a livestock processing facility that is managed under inspection by USDA's Food Safety Inspection Service (FSIS) on both the slaughter floor and the processing floor. This means a federal employee must be on site and inspect every animal before and after slaughter. Smaller USDA-inspected plants who process meat for direct-marketing farmers are few and far between.

According to the USDA, the number slaughter facilities has fallen drastically in the past 30 years. "Since 1990, federally inspected establishments have decreased by 36 percent. In 1990, there were 1,268 federally inspected establishments versus 808 in 2016. Non-federally inspected establishments declined 42 percent since 1990 when there were 3,281 establishments versus 1,910 in 2016.[iii]" Of that total, the 215 "large" processing facilities, defined as those with 500 or more employees, now account for 75- to 90-percent of the country's total volume. Stuck in the middle are the small-to-mid-sized farmers, seeking to tap into the ever-growing demand for locally sourced and harvested livestock products but constrained by insufficient access to processing infrastructure.

As of January 1, 2016, Pennsylvania had the largest number of federally inspected slaughter plants with 83, while New Jersey has 16 federally inspected and at least 1 non-federally inspected. At the beginning of this project we understood there was no such plant operating in NJ providing complete custom slaughtering and butchering of animals. Through our research we have learned of a few operations provide some custom slaughter and butchering for hogs and small ruminants, but none for cattle. We also learned about one poultry slaughter facility that offers full service to the farmers. New Jersey's livestock farmers transport their products across state lines to eligible processing facilities in Pennsylvania, New York, Delaware, and Maryland. Reports of two-to three-hundred mile, seven-hour round-trip transportation times from the farm to the out-of-state location of slaughter are now commonplace among NJ livestock producers, as evidenced by the discussion at the recent Livestock Summit hosted by the New Jersey Department of Agriculture (NJDA), which is covered in the section that follows.

From the outset, this reality has presented significant logistical challenges, but the situation is becoming even more unsustainable, as evidenced by reports from livestock farmers across the state about capacity challenges at existing out-of-state facilities that have resulted in unmanageable scheduling limitations and, in the most severe instances, rejection of additional animals. Producers shared their experiences dealing with advance scheduling of a year or more. NJDA has been made aware of situations where producers have had to jettison expansion plans or cut down on existing herd sizes as a consequence of these same capacity limitations.

NEED FOR THE PROJECT

Given these emerging problems, NJDA convened a Livestock Producer Summit on January 15, 2019. More than seventy-five producers from throughout the state attended the event, which featured presentations from out-of-state livestock processors who focus on processing for resale at retail, a New Jersey livestock operator with an on-farm processing facility, and representatives from livestock processing industry support entities. Additionally, in March 2020, Rutgers University Board of Managers in conjunction with Rutgers Cooperative Extension convened a livestock producer summit with a focus on production and animal health. The event attracted similar numbers in attendance but was a completely different clientele. With the common goals being similar from both summits it was agreed that both the Department and Rutgers would work together to help this segment of the livestock industry. The Department of Agriculture took the lead with input from Rutgers and Three potential models emerged:

1. *A new regional processing facility:* This concept would result in the development and construction of a new facility, centrally-located in an area of the state designated as rural and managed by a cooperative of livestock producers, that would provide custom processing services for producers that are part of the cooperative;
2. *Expansion of an existing processing facility:* While New Jersey lacks for processing facilities capable of performing slaughtering and butchering services under USDA inspection, there are a number of existing processing facilities that could take on this work if it proved worthwhile financially and certain retrofitting work was done to come

into compliance with USDA FSIS facilities standards;

3. *Additional on-farm processing facilities:* New Jersey has only one USDA-inspected on-farm processing facility. Currently, this facility only processes livestock that are owned/raised by the farm on which the facility is sited. We will explore expanding their operation to serve farmers in their vicinity and replicating this model at several strategic locations throughout New Jersey provided that similar facilities could process animals raised not only on the "home farm," but also from clusters of surrounding livestock operations.

The principle takeaway from the summits were the need for a comprehensive assessment of NJ livestock farmers need for slaughter and processing. This study seeks solutions through a comparative analysis of three potential models for custom slaughter, cut and wrap and an evaluation of the viability of each of the aforesaid processing options. Additionally, given that at least one of the aforementioned models would require material and financial commitment from a group of livestock producers through the formation of a cooperative, another key result of the summit was the need for an assessment of the steps necessary in forming such a cooperative as part of the process to develop new in-state processing capacity.

Given that this issue surfaced for NJDA from feedback received by New Jersey's livestock industry about the challenges they are facing in identifying outlets for processing, producer input was fundamental in the development of this report. Production development required a comprehensive assessment of New Jersey's livestock industry to determine the volume of animals they are producing for sale annually, their current processing solution, and the lifecycle costs (from raising and processing to distribution and sale) of getting their products to market, among other things. Methods used to gather this data included the following approaches:

1. 2019 USDA National Agricultural Statistic Service
2. 2017 NJ Agricultural Census
3. 2016 NJDA Farmland Assessment Data
4. Comparative Model Research
5. USDA Food Safety Inspection Service legal and regulatory requirements
6. Livestock Producer Survey
7. Focus Groups
8. Farmer Steering Committee and Interviews
9. Processor Interviews

COVID-19 IMPACT ON MEAT PROCESSING

A novel coronavirus (COVID-19) spread throughout the world causing the US Secretary of Health and Human Services to declare a public health emergency on January 31, 2020. On March 11, 2020, the World Health Organization declared the rapidly spreading disease a global pandemic afflicting people in 114 countries. By March 12, 2020 it had infected people in 47 states resulting in the closing of all but essential businesses nationally.

As the world was directed to lock down, restaurants, schools, institutions, and hospitality food service companies were shuttered. Americans were ordered to shelter in place. Food manufacturers were dealing with an oversupply of some major commodities due to disrupted supply routes. As restaurants were forced to close their dining rooms, reports of farmers euthanizing their animals due to lack of access to processing and changing markets are raising alarms. Identified as essential businesses, food manufacturers continue operating, struggling to adjust product that had formerly gone to wholesale operations and restaurants to product suitable for retail to consumers. Meanwhile grocery stores, overrun with sales, struggle to stock their shelves as our entire population eats all of their meals at home.

The U.S. has only four major processors handling as much as 90% of our meat production. As processors like Smithfield and Tyson are shutting down due to the effects of COVID-19, the bridge between farm and supermarket is collapsing, leaving local farmers and communities in crisis.

COVID-19 has resulted in a looming crisis on our country's food production, putting the supply chain dangerously at risk. Some of the worst COVID-19 outbreaks have occurred in industrial meat processing facilities like Tyson, Cargill, Smithfield and JBS resulting in shutdowns which is pointing to a potential meat shortage. "The U.S. has only four major processors handling as much as 90% of our meat production. As processors like Smithfield and Tyson are shutting down due to the effects of COVID-19, the bridge between farm and supermarket is collapsing, leaving local farmers and communities in crisis.[iv]" During the month of May 2020 the country's three largest meat processors seen employee infections rise from 3000 to over 11,000 cases[v].

Consumers seeking a safe alternative are turning to local farmers who direct market. Farmers interviewed as part of this study express that they are unable to keep up with demand for their products, constrained by their processors' limited capacity. While it is too early to predict with certainty the long-term impacts of the COVID-19 epidemic, it is clear that, at least in this moment, we are seeing intensified demand for local meat coupled with an inability to access USDA-inspected custom processing under normal market conditions.

Solutions are needed quickly to end the current crisis but also to seek long term solutions to a system which has been intensifying over the years. The PRIME (Processing Revival and Intrastate Meat Exemption) Act first introduced in 2019 is being reintroduced to amend the Federal Meat Inspection Act. The PRIME Act would allow state meat inspection programs to designate exempted custom cut and wrap operations to process meat from local farmers to be sold to the consumer, to restaurants, or to grocery stores within the state. It should be noted that the PRIME Act would not override state laws that prohibit sales of uninspected products through these markets.[vi] Exempted processors are already required to be inspected by state health officials but the State of New Jersey does not have an active meat inspection program that

would license and inspect such operations that could be operated if the Prime Act is passed. Most of the exempted facilities cannot justify the upgrades and costs to have a full-time USDA inspector on-site. If the Prime Act is passed and New Jersey had an USDA accredited state meat inspection program could be a plausible solution to this long-standing problem.

PRODUCTION ASSESSMENT

According to the National Agricultural Statistic Service (NASS) data from the 2017 census of agriculture, NJ had 9,883 total farms of which more than 37% of the farms in the state had meat type livestock being produced on the farms. The Census reports that NJ has 9,370 head of beef cattle; 9,017 head of hogs and pigs; 17,791 head of sheep and lambs; 10,843 head of goats; and 217,559 head of broilers and other meat-type chickens.

The 2016 farm land assessment data shows that the NJ livestock industry had available over 70,000 acres of pasture land, 114,000 acres of alfalfa and hay acres, 73,000 acres of corn for grain and/or silage production and over 110,000 acres of additional grain production acres that could be utilized to sustain and expand the current livestock numbers in the state. In addition, our team conducted research through a New Jersey Livestock Producer Survey, Livestock Farmer Focus Groups and Farmer Steering Committee and Interviews.

NEW JERSEY LIVESTOCK PRODUCERS SURVEY REPORT

PROJECT BACKGROUND AND STUDY APPROACH

The New Jersey Livestock and Poultry Survey was designed and broadly distributed using various methods. The survey had three main goals:

1. To better understand the characteristics of livestock and poultry farmers in the region.
2. To evaluate the current and future production for the next three years including species, quantities, practices, locations, and cost of where they currently process their meat, and delivery methods already in place.
3. To assess NJ livestock farmers willingness to take leadership in a cooperatively owned facility to serve their mutual need.

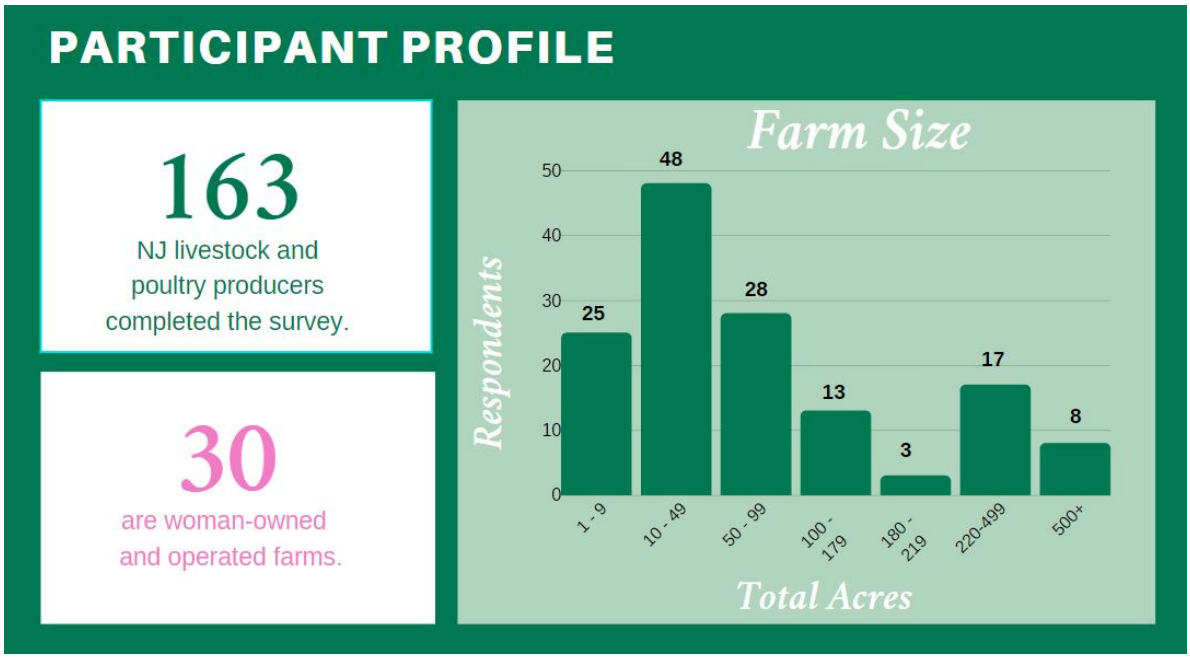
The project team compiled a comprehensive list of livestock and poultry farmers operating in New Jersey. A letter describing the survey and its purpose was written by the Director of Marketing at NJDA, Thomas Beaver and co-signed by the Director of Rutgers-NJAES, Brian Shilling. Both organizations distributed the letter and an invitation to participate in the survey by email to their list of livestock farmers in NJ. Each organization included promotions and a link to the survey on their websites and through social media. The survey was promoted broadly including through an announcement about the survey in the New Jersey Farm Bureau newsletter. The survey was also promoted at two events, the Farm Bureau meeting on November 18-19, 2019 and at Rutgers Warren County Grazing School November 14th, 2019.

The survey was available both online and in paper form. The online survey was open from October 4, 2019 through December 6, 2019. In that time, 190 participants engaged in the survey with 163 of those participants currently raising livestock and/or poultry in NJ. One hundred percent (100%) of the completed surveys were obtained through the online version. All reported data comes from the 163 participants who are currently raising livestock and/or poultry; any answers from the 27 participants not raising livestock or poultry have been omitted.

Findings from this survey are woven throughout this full report and include the following information:

1. About the Farm: county, acres, species raised, crops raised, market outlets used.
2. About Production Practices: growing methods and certifications.
3. Livestock Processors: state where processor is located, types of processors used, distance traveled, frequency, cost of transportation.
4. Benefits of Cooperation: services desired, willingness to participate in focus group and steering committee
5. About the Farmer: number of years farming, generation of family farm, percentage of income from farming operation, number of employees, and ownership by women, minorities, and veterans. Contact information was optional.

RESPONDENT CHARACTERISTICS



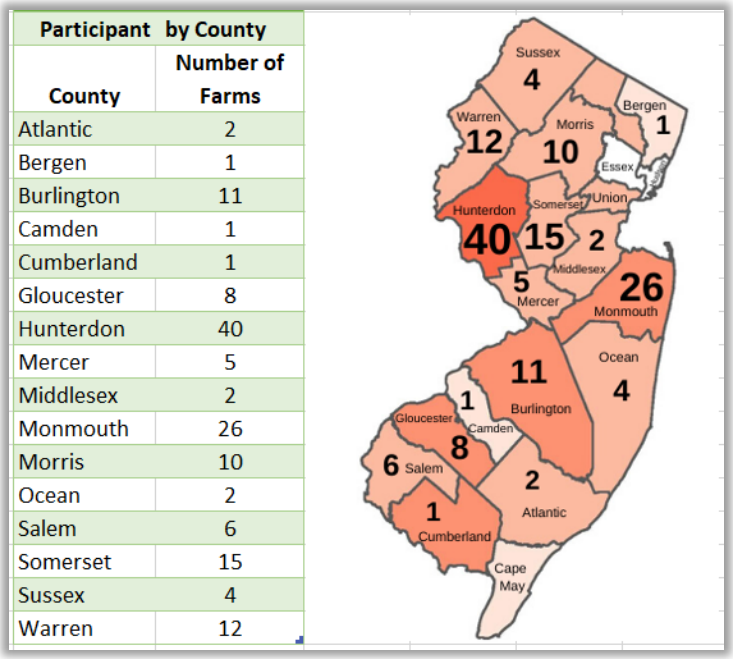
One-hundred-sixty-three (163) farmers currently raising livestock and poultry completed the survey of which 30 indicated that they were a woman-owned and operated farm, 8 were veteran owned, and 3 were minority owned. One-hundred forty-two respondents reported the size of their farms. Twenty-five producers have 1-9 acres, forty-eight have 10 – 49 acres, twenty-

eight have 50 – 99 acres, thirteen have 100 – 179 acres, three have 180 – 219 acres, 17 have 220 – 499 acres, and eight (8) have over 500 acres.

PARTICIPANTS BY COUNTY

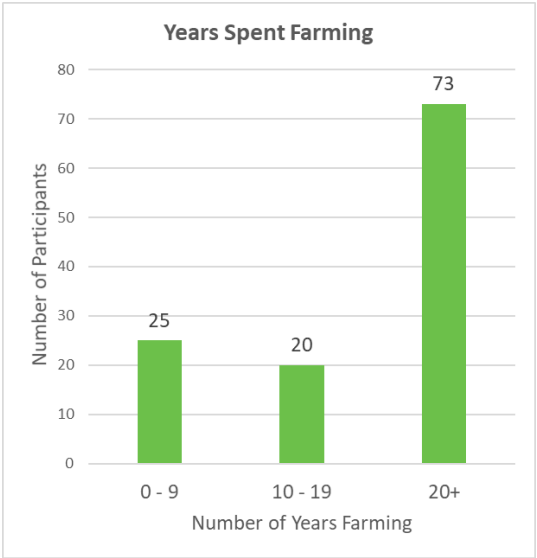
One-hundred-forty-three (143) participants provided the county in which their farm is located. The Participants by County chart and map below displays the number of participants by county. The number of farms by county reflects survey participation and should not be interpreted as an indication in the distribution of livestock farms throughout the state. Rutgers Cooperative Extension Livestock Agent retired after nearly 4 decades which we later learned had left a hole in survey distribution to livestock farmers in Southern New Jersey.

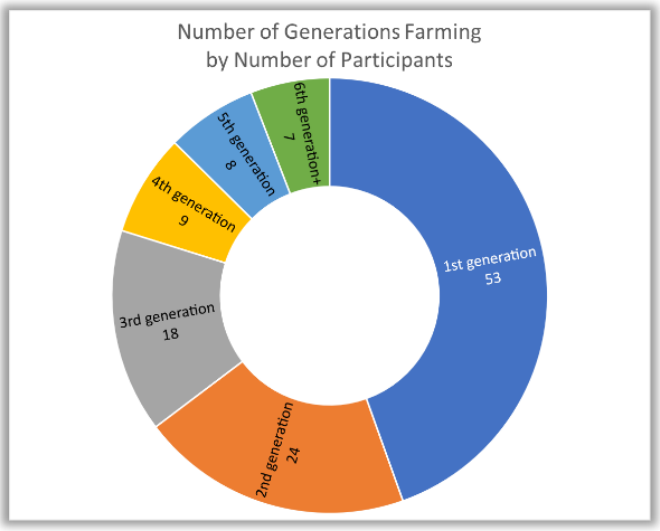
Participant by County	
County	Number of Farms
Atlantic	2
Bergen	1
Burlington	11
Camden	1
Cumberland	1
Gloucester	8
Hunterdon	40
Mercer	5
Middlesex	2
Monmouth	26
Morris	10
Ocean	2
Salem	6
Somerset	15
Sussex	4
Warren	12



FARMING HISTORY

Participants varied in years of experience raising livestock and poultry. Overall, the farmers responding to this study have been raising livestock and poultry for many years. The average number of years of experience as a farmer for those interviewed was 24 years but the range spanned from less than one year to over 50 years. Of the 118 farmers who answered the question, 25 farmers have been raising livestock and/or poultry for 0-9 years, 20 have been raising livestock and/or poultry for 10 to 19 years, and 73 farmers have been raising livestock and/or poultry for over 20 years.

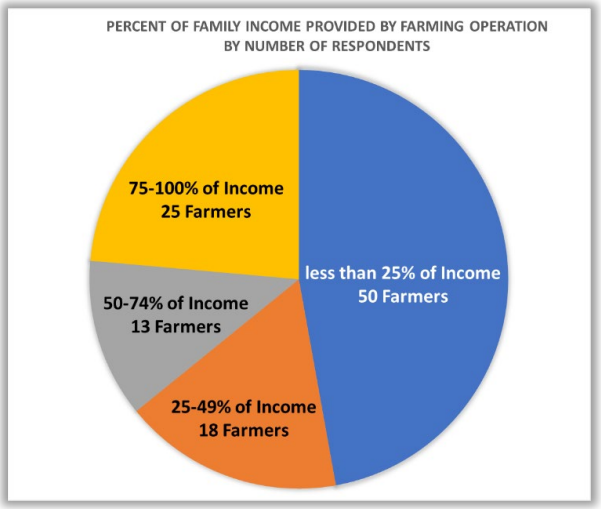




Many farmers who particpated in the survey were first-generation farmers (53 of 119 farmers) or 45% of participants. Second and third generation farmers represented 35% of participants, with 24 second-generation farmers and 18 third-generation farmers pariticipating. 20% of the survey participants come from multi-generation families including 9 forth-generation, 8 fifth-generation and 7 participants with sixth generations of farming in their family line.

FAMILY INCOME & LABOR BY FAMILY

Participants were asked the question "What percent of your family's income does the farming operation provide?"106 responded. Fifty (50) of 106 farmers responding rely on their farming operation for 25% or less of their family income. Eighteen (18) producers rely on their farming operation for 25-49% of their family income. Thirteen (13) respondents obtain 50-74% of their family income from the farm business, and twenty-five (25) participants rely on the farm for 75-100% of their family income.



"We all work other jobs to keep our farms going."

HIRED WORKERS

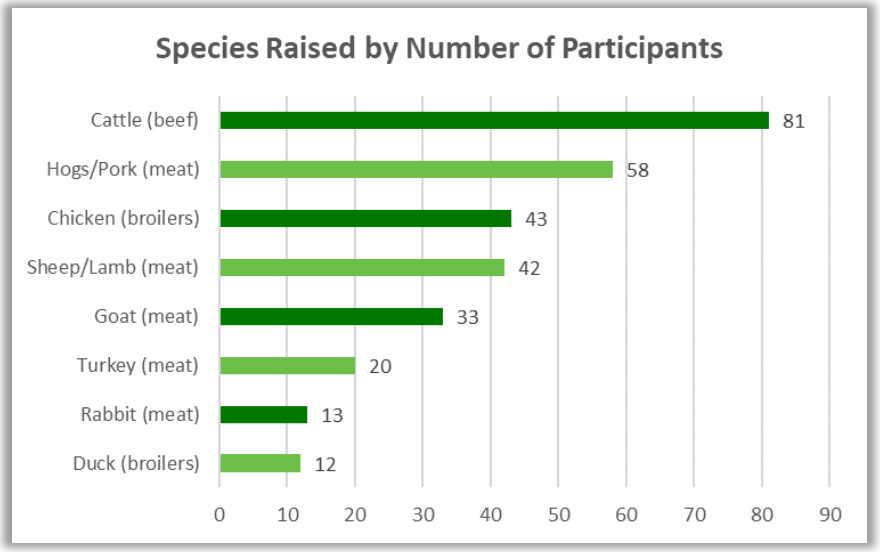
Family members complete 75% or more of work on the farm for 96 farmers, 72 of which conduct 100% of the work with family labor. Family members provide 50-74% or more of the work on the farm for 24 of the respondents. Nine (9) farmers report that their family members provide less than 25% of the work on the farm.

One-hundred-ten (110) farmers responded with details about hiring workers on their farm. Sixty-four (64) of 110 farmers do not hire works, and 46 do hire workers. Of the 46 who hire

labor, their combined employment accounts for 109 full-time jobs, 85 part-time jobs, and 290 seasonal jobs. The largest of those reponding hires 26 full-time employees and 200 part-time seasonal employees and another hires 11 full time, 10 part time and 45 seasonal workers. On average, those 46 farms who reported hiring workers, employ 3 full time, 3 part time and 5 seasonal workers.

SPECIES RAISED

Participants were asked which species they currently raise on their farm. In total, 17 species were reported raised. Most popular species raised are beef cattle (raised by 81 farmers), pig/pork (by 58 farmers), chicken (by 43 farmers), and sheep/lamb (by 42 farmers). The Species Raised by Numbers of Participants chart summarizes the 143 responses. Farmers were asked to report on all livestock raised on their farm. The scope of this study is to focus on livestock processing for meat, thus we did not include horses, mules, dairy cows and sheep chickens for eggs, or sheep, goats or llamas for wool in this report. Additionally, species raised for meat by fewer than 10 farmers such as are not included such as bison, deer, elk, water buffalo, yak, geese, quail, pheasants, and peacocks.



Of 129 farmers that grow their own feed, crops, or pasture, 113 raise pasture for grazing, 78 grow their own hay, 20 grow their own field corn, 16 grow grains, and 7 grow soybeans. Four (4) farmers reported that they grow fruits, vegetables, and trees.

NEW JERSEY LIVESTOCK FOCUS GROUPS REPORT

Qualitative research utilizes open-ended interviewing to explore and understand the attitudes, opinions, feelings, and behavior of individuals or a group of people. It provides depth, specificity, range, and context to ideas or concepts. Through an organized method of gathering information from small-sized samples, a facilitated discussion can uncover strengths and weaknesses of the project; gain an understanding of the needs and personalities of potential cooperative members; identify leaders, identify the primary trade areas; surface potential community conflicts; brainstorm ideas and strategy; investigate brand/service positioning; use it

as a pre-survey to develop the hypothesis to be quantified; or in post-survey to explore in-depth the quantitative findings.

A series of focus groups were held as part of this project to better understand the hopes, values, and concerns of NJ livestock farmers as we explored the viability of a cooperative facility owned by livestock farmers to serve their mutual need. A series of questions were developed by the research team to drill down on specifics after conducting the survey. Focus groups were held at two locations, one in southern New Jersey and the other in central New Jersey. The sessions were held in the evening at Rutgers Cooperative Extension facilities. Participants were provided with a light meal and beverages allowing time for people to mingle, sign consent forms, and enter the focus group room together. Interviews were conducted by Keystone Development Center (KDC), a non-biased external entity. NJ Department of Agriculture and Rutgers Extension agents were not in the focus group room to allow for anonymity.

PARTICIPANT PROFILES

Forty-three (43) New Jersey Livestock and Poultry Survey respondents self-identified as willing to participate in a focus group. These producers were mailed a postcard invitation and responded with an RSVP allowing us to limit the participation on a first-come, first-serve basis to 12 participants at each location. Overall, 20 farmers participated in the focus groups, 6 in the southern New Jersey, representing five farms and 14 farmers in northern New Jersey, representing 11 farms. All participants were owners of their farms except two employees of a farming operation.

Seven (7) farms across both focus groups had raised dairy cows before closing their dairy operation and switching to other livestock, most commonly beef cattle. The southern group of six consisted of all beef cattle farmers, but they also had cow/calf operations, raised hogs, and grow feed. They varied in number of years operating farms from multi-generational to first-time farmers. Acreage also varied from 110 to 600 acres. The northern group of fourteen was larger, thus more diverse. They raised beef cattle, hogs, poultry, sheep, laying hens and feed. And ranged in size from 40 to 200 acres.

Current markets for farmers include direct marketing through seasonal and year-round farmers markets, on-farm retail, direct to consumer by the half and quarter, direct to restaurants and wholesale (formerly at auction), some sell breading stock. Two (2) farm operations sell through e-commerce with 1 providing home delivery.

ASSESSING NEED

Farmers were asked to discuss their biggest barriers and stressors including marketing, processing, transportation, and access to feed. They were asked to consider how working together might resolve some of their common issues.

Farmers at these focus groups were forthcoming with the barriers they face. For farmers in the south, *overhead costs* were a common burden. These costs include high taxes and the cost of insurance on their equipment. According to one farmer, "We all work other jobs to keep our farms going." The cost of land in southern New Jersey makes it difficult for new farmers to enter the field, and the value of land makes selling farmland for development enticing for long-time farmers. *Access to feed* is another barrier faced by farmers in southern New Jersey. As one farmer explained, "We're an hour away from every dealer. No feed mills. We have to make our own feed."

Farmers across northern and southern New Jersey find common ground in the difficulty posed by the shortage of processors, especially of USDA inspected processors. Seven (7) of the farmers in the northern New Jersey focus group indicated that they currently use a USDA inspected processor. USDA inspected processors are necessities for many farmers. As one farmer explained, "You can't make any money wholesale. You have to do value-added in New Jersey."

MARKETING OPPORTUNITIES

DIRECT SALES AND MARKETING OPPORTUNITIES FOR NJ LIVESTOCK FARMERS

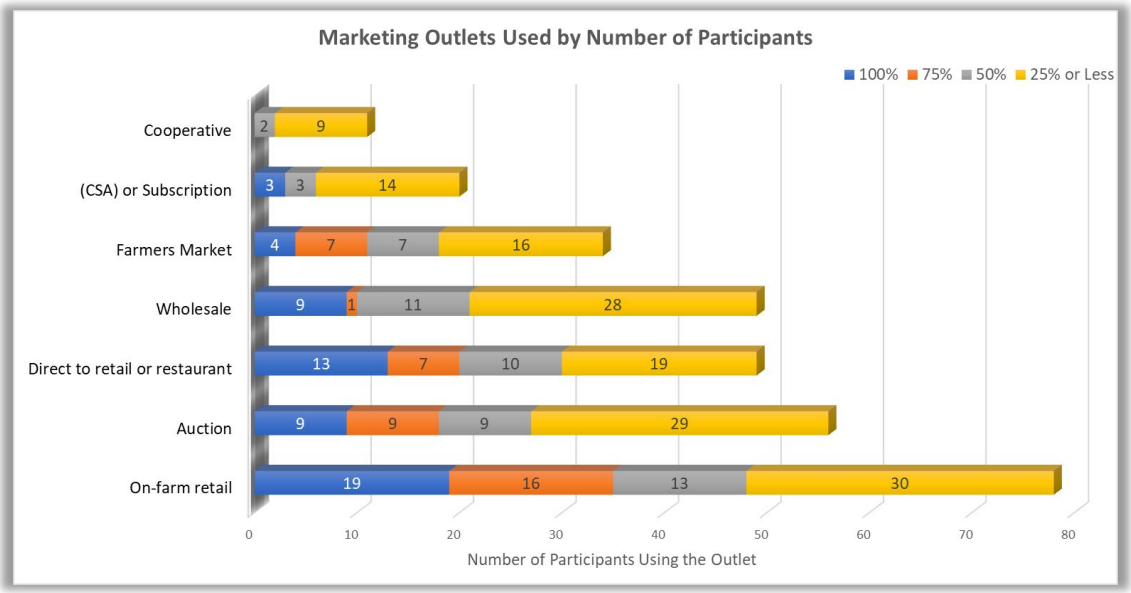
With the emergence of and growth in direct-to-consumer marketing channels available to farmers throughout New Jersey, more and more farm businesses across the state have incorporated a direct marketing component as part of their larger business model. The market potential is significant. The USDA-National Agriculture Statistics Service's 2015 Local Food Marketing Practices Survey found that New Jersey ranked 9th among all states in direct-to-consumer sales. The Greater New York City/Philadelphia Metropolitan Area, the area within which much of New Jersey's agricultural products including livestock are marketed, accounted for 22% of the US total in direct farm sales.

From Community Supported Agriculture (CSA) operations, roadside farm stands, on-farm retail markets, online sales and the more than 150 community farm markets across the state, the direct-to-consumer marketing opportunities available to New Jersey producers are expanding. Livestock producers across the state have increasingly taken notice, shifting a portion of, or in some cases their entire business model, to custom processing of their livestock products for resale at such retail venues.

MARKET OUTLETS

Survey participants were asked to identify which market outlets they currently sell their products through. Responses show that livestock farmers who direct market rely on a mix of market outlets. The most frequently used market was on-farm retail, used by 78 of the 136 farmers who responded to this question. This was followed by auctions (56), direct to retail or restaurant (49), wholesale (49), farmers markets (34), community supported agriculture or subscription (20), and through cooperatives (11).

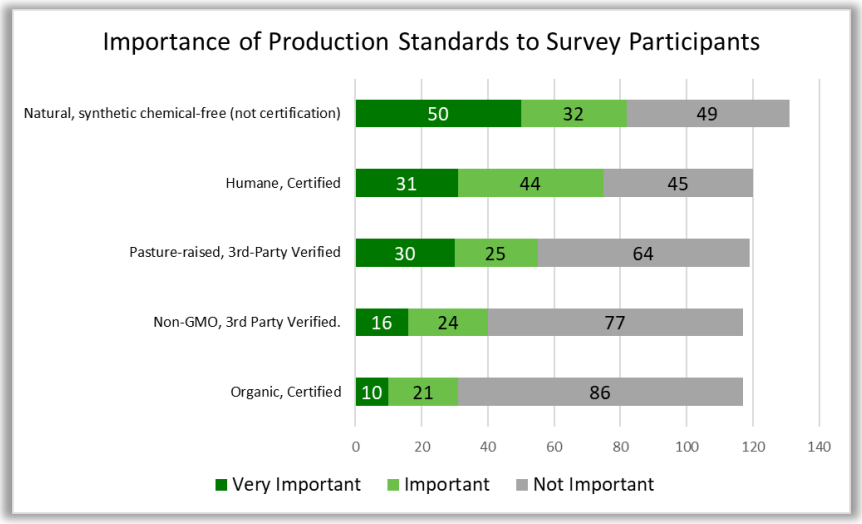
Very few of the respondents rely on only one market. Of the 136 respondents, 57 generate 100% of their sales through only one market outlet, with 19 selling 100% through on-farm retail, 13 to retail or restaurant, nine each to auctions and wholesale outlets, four to farmers markets and three to CSA's. The table below shows the balance of the market mix used by the survey participants. It is the mix of outlets that support farmers who direct market with the largest response in every case making up 25% or less of the market share. The least utilized market used by livestock farmers is the cooperative model since there is only one livestock agricultural marketing cooperative located in the far north-western corner of the state in Hackettstown, NJ.



PRODUCTION STANDARDS

The livestock farmers in NJ are diverse in terms of the species they raise, their marketing methods and production practices. Both northern and southern farmers in the focus group series and subsequent interviews concluded that bringing product under one label would mean consistent farming and production practices and they perceive that it would be too difficult.

Forty-seven (47) farmers participating in the NJ Livestock and Poultry Survey are part of the Farmland Preservation Program. Thirty-eight (38) farmers employ natural, synthetic, and chemical-free farming practices but are not certified. Some farm operations are third-party certified or verified: 23 are pasture raised verified, 23 have Good Agricultural and Handling Practices certification, six (6) are certified organic, and 22 hold other third-party certifications.



NJ Livestock and Poultry Survey participants' reported levels of importance of particular agricultural practices are reflective of reported certifications and verifications. Natural, synthetic chemical-free practices regardless of certification is most important to a majority of farmers with 82 of 136 farmers reporting such practices as "Very Important" or "Important" while only 49 reporting such practices as "Not important." Humane certified is "Very Important" or "Important" to 75 of 136 farmers and "Not important" to 45 farmers. Other certifications and verifications are less important, overall. Verified pasture-raised is "Very important" or "Important" to 55 of 136 farmers and "Not important" to 64 farmers. Verified non-GMO is "Very important" or "Important" to 40 farmers and "Not important" to 77 farmers. Certified organic is least imporant, with 31 farmers indicating such a practice as "Very important" or "Important" and 86 farmers indicating "Not imporant."

Consistency has also been raised as a concern to farmers who pride themselves on the breeds they raise, feeding practices, and methods they have developed to provide their customers with quality products. Several farmers in each focus group raise grass-fed beef, while others do not. There is concern that either farmers raising grass-fed beef would have to forego the premium they could otherwise charge for their product or that farmers raising livestock conventionally would need to change their practices. Neither scenario seems feasible. Farmers in both the

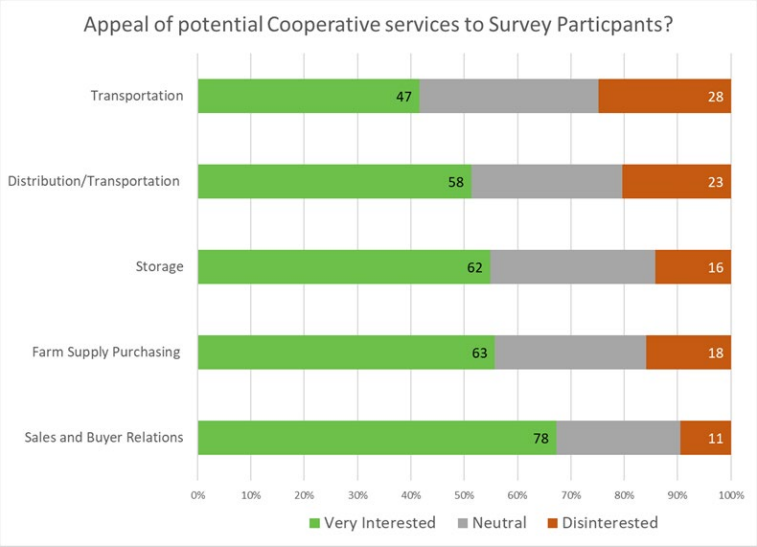
north and south suggest instituting a local labeling campaign supported by the state. Ideas for "Jersey Raised" or "Jersey Bred" were brought up in comparison to the "Jersey Fresh" program for produce.

COOPERATIVE VALUE

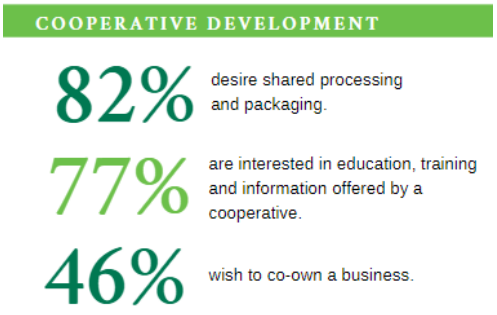
Survey, focus group, and interview participants expressed that they are currently struggling to remain profitable as input costs continue to increase while prices for their products remain stable or falling. The livestock farmers participating in this study are adjusting their business practices to break out of this cycle by taking advantage of the premium available for local, environmentally sustainable meat products. The economic conditions for livestock and poultry farmers could be further improved with assistance for them to organize among themselves, improvements to their access to USDA inspected processors, lower per farm transportation and associated costs, and increase opportunities for New Jersey-branded meat products. They engage in direct marketing practices such as on farm retail, famers markets, and local foods branding. The niche is widening and the demand for their product is increasing. Specifically, the farmers engaged in this project believe that they can do the following:

- Provide access to new markets
- Deliver economies and efficiencies of scale in product handling and marketing
- Improve the commercial viability of their products
- Improve farm income and quality of life
- Promote the growth and sustainability of livestock and poultry farming in New Jersey

Overall, many farmers are interested in the potential services of a cooperative. Of 116 farmers who responded to this question, 78 are very interested in sales and buyer relations, 99 are very interested in processing and packaging, 62 are very interested in shared storage, 47 are very interested in farm to co-op transportation, 58 are very interested in coordinated distribution/transportation to wholesale/retail/buyers, 63 farmers are very interested in farm supply purchasing coordination. Farmers voiced needs for other cooperative services including navigating the USDA and certification programs, marketing and advertising, and large animal veterinary services.



Most farmers report interest in the potential benefits that a cooperative enterprise could offer. Of 119 farmers who answered this question, 92 are very interested in the education, training, and information that a cooperative could offer, 80 are very interested in a community and fellowship of growers, 63 are very interested in a share of the profit. Finally, 55 of 119 farmers are very interested in co-owning a business together equally with other famers.

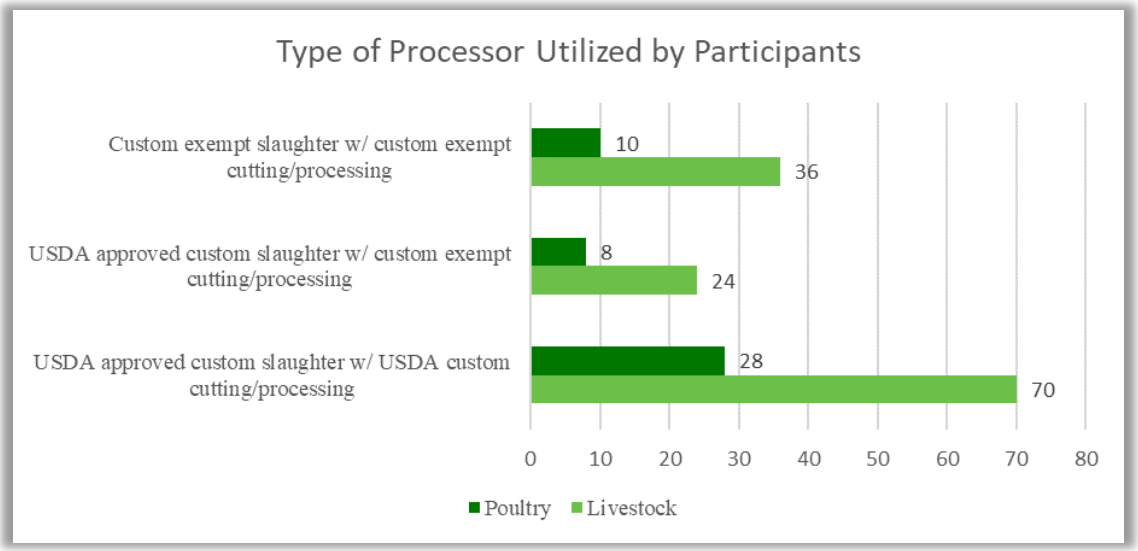


The potential for cooperative leadership is promising with 67 of 96 farmers willing to attend producer meetings and informational sessions, 49 farmers willing to be part of a committee or working group, and 33 farmers demonstrating a willingness to serve on a steering committee or interim board of directors. The opportunity to gather further information is promising as well with 70 of 79 farmers willing to participate in livestock producer group discussion and 55 farmers willing to participate in an interview. Only 11 farmers were willing to share financial benchmark data.

An in-person meeting on January 22, 2020 at the Rutgers Cooperative Extension of Mercer County drew 13 farmers. Ten (10) of those farmers representing nine (9) farm enterprises committed to serving on a Steering Committee. The Steering Committee convened for a virtual meeting in February of 2020 and subcommittees were established. The Model Comparative Research subcommittee convened in March of 2020 and provided feedback on the models laid out for consideration. Steering Committee members were contacted on an individual basis to provide details on processing costs. This group of farmers is now in communication with one another and meets regularly to provide feedback and take on tasks to move the project forward. While many share in the same struggles, ideas for how to move forward vary. Any cooperative endeavor would require a concerted effort to align visions and objectives.

ACCESS TO PROCESSORS

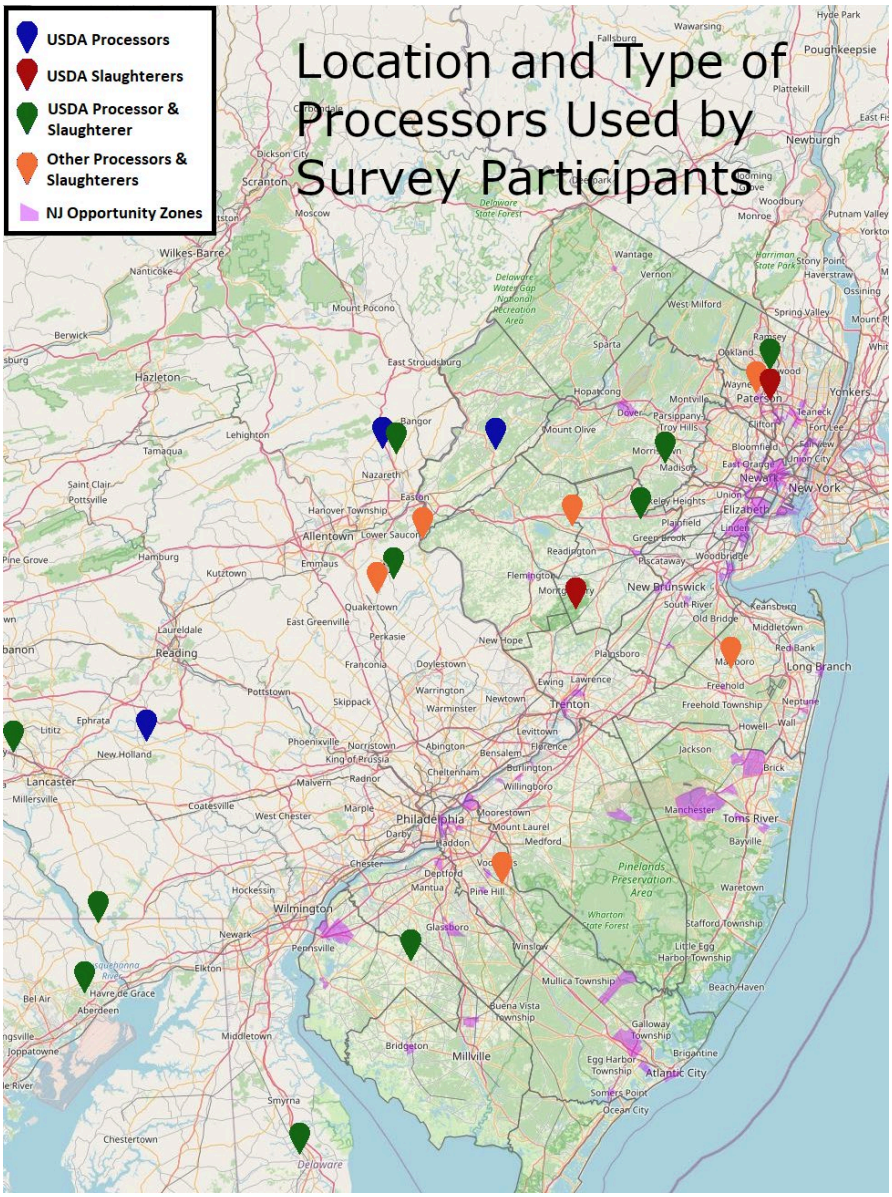
Most respondents raising livestock and poultry in New Jersey are using USDA approved facilities in order to direct market to their customers. Of 104 farmers, 70 livestock farmers and 28 poultry farmers use a USDA approved custom slaughter with USDA custom processing. Twenty-four (24) livestock farmers and eight (8) poultry farmers use a USDA approved custom slaughter facility with custom exempt processing. Thirty-six (36) livestock farmers and ten (10) poultry farmers use custom exempt slaughter with custom exempt processing. Some farmers may use more than one type of processor, as they were encouraged to check all that apply.



When surveyed, seventy-eight (78) NJ livestock farmers identified 14 USDA custom inspected and 8 exempted processors that they have used in the past two years. Most commonly used producers include Springfield Meat Company, Lehigh Valley Meat Co., Nello's Specialty Meats, and Goffle Road Poultry Farm. Goffle Road Poultery Farm is able to provide for much of the need for NJ poultry farmers who wish to direct market. Their operation is explored in more detail later. Dealaman Enterprises and Keemeyer & Merkel are able to provide USDA inspected slaughter service the needs of farmers who wish to direct market hogs, sheep and goats but not USDA inspected cut and wrap.

USDA Custom Cut and Wrap	State	Number of Responses
Springfield Meat Company	PA	31
Lehigh Valley Meat, LLC	PA	14
Nello's Specialty Meats	PA	13
Goffle Road Poultry Farm	NJ	11
Smuckers	PA	5
Dealaman Enterprises, Inc.	NJ	4
Kleemeyer & Merkel Inc.	NJ	3
Arctic Foods USA, LLC	NJ	2

What brings farmers to leave the state most often to process cattle. There are only two known facilities that slaughter cattle, Springfield Meat Company in Richlandtown, PA and ENA Meatpacking in Patterson, NJ which is Halal certified. Of the seventy farmers who reported seeking USDA custom cut and wrap of cattle, only two indicate they used Arctic Foods USA, LLC, the only known NJ facility who provides this service. Arctic Foods does not slaughter but will pick up carcasses at USDA inspected slaughter facilities. So if farmers need to head to Pennsylvania to have their animals slaughtered, they choose to also have the cut and wrap done at Nello's which is 30 minutes away. It should be noted that most of the PA processors used by NJ farmers are just over the NJ state line. Farmers also stated that some NJ based processors are seen as less desireable because they are percieved to have a lower quality product. Additionally, farmers do not use some NJ processors even if they are more convenient because they do not offer value added products such as specialty cuts or sausage.



SCHEDULING WITH PROCESSORS

Scheduling with processors arose as a key concern among farmers across New Jersey. The shortage of processors means that processing is condensed to the handful of USDA-inspected processors operating in and around New Jersey. These busy processors must schedule with farmers several months out, unless farmers have arranged a standing appointment, which was the case for several farmers in the focus groups. New farmers or farmers using a new processor often schedule the processing of their livestock many months in advance. As one farmer explained, “NJ is a state of small farmers. There’s a number of people interested in doing small farming. It’s going to be limited if this drags on forever. If the opportunity’s not there, if the butcher has to schedule a year out, people will leave the industry.”

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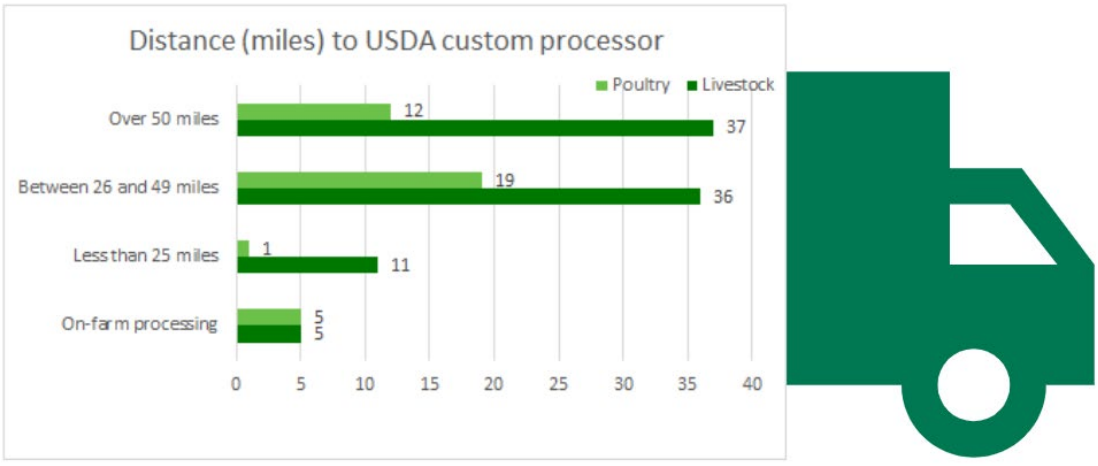
The shortage of processors is perceived to be growing, due in large part to some owners are aging out. Several farmers in northern New Jersey indicate concern about the future of Springfield Meats. As reported by these farmers, the owner/operator of this slaughter facility is nearing retirement. Many farmers in northern New Jersey use Springfield Meats to slaughter and Nello's to process. There is concern that if the owner of Springfield Meats retires, they will need to make other arrangements for slaughter. A farmer expressed concern about the potential closure of Springfield stated that the "…other closest (slaughter facility) is Smucker's. It's close to 2 hours away. They're 6 months out. I can't schedule like that!"

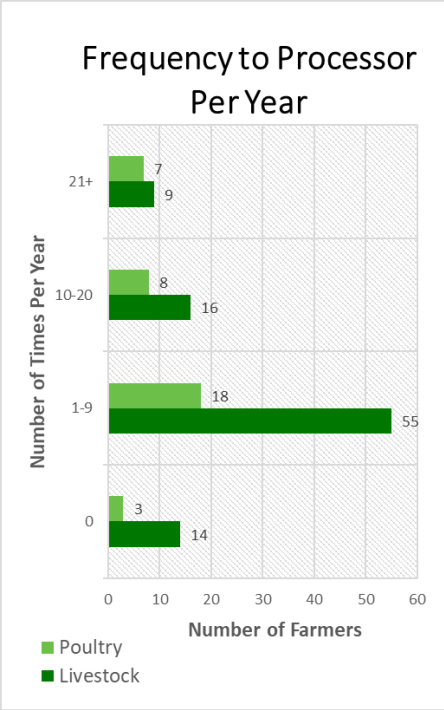
DISTANCE TRAVELED TO PROCESSOR

Focus group participants were asked to discuss where they have their animals processed, the services they seek, how far they travel, the costs, how long they must wait to schedule for processing and any other challenges related to processing. The shortage of USDA inspected processors across the state means that producers must travel farther to harvest and process their products. This increases costs of processing and means more time off the farm. All northern NJ farmers who participated use slaughter and processing facilities in Pennsylvania including Nello's Specialty Meats, Springfield Meat Company, Lehigh Valley Meats LLC, New Holland Meats, and Smucker's Meats. Participating farmers in southern NJ use these same processors with the addition of Haas in Dover, DE.



New Jersey Livestock and Poultry Survey respondents were asked to provide details about how far they travel to have their animals processed. Eighty-seven (87) of 101 livestock producers

responding transport their products to processors themselves. Thirty-five (35) of 39 poultry processors transport their products to processors themselves. Thirty-seven (37) livestock farmers and 12 poultry farmers travel over 50 miles to the USDA inspected custom processor that they use most frequently. Thirty-six (36) livestock farmers and 19 poultry farmers travel between 26 and 49 miles to a USDA inspected custom processor. Eleven (11) livestock farmers and one poultry farmer travel less than 25 miles. Five (5) livestock farmers and 5 poultry farmers process on-farm.



The number of times farmers transport product to processors annually varies greatly, with some farmers making weekly trips and others not transporting at all. Fourteen (14) livestock farmers and three (3) poultry farmers do not make any trips to processors in a given year. Fifty-five (55) livestock farmers and 18 poultry farmers make one to nine trips to processors each year. Sixteen (16) livestock farmers and eight (8) poultry farmers make ten to 20 trips to processors each year. Nine (9) livestock farmers and seven (7) poultry farmers make more than 21 trips to processors every ear.

Seventy-seven (77) farmers out of 112 report spending $999 or less annually on transportation costs to process livestock or poultry. Twenty-five (25) farmers report spending between $1000- $2499 on processing-related trasportation annually, five (5) spend between $2500 and $4999 and five (5) spend over $5000. There is reason to believe that farmers did not factor in the value of their own time spent transporting their livestock and poultry, therefore actual costs may be much higher.

PROCESSOR INTERVIEWS AND BIOGRAPHIES

KDC developed a series of questions and conducted interviews with New Jersey livestock processors. Processors were asked to provide a brief history of their business including year established, key changes over time, ownership, transitions to the next generation, and plans for the future. They also shared information about their services, value added products, species processed in their plant, and third-party inspections and certifications. They spoke about the size and scale of their operation, number of days per week, number of employees, training and benefits offered to employees, and the customers they serve. They shared their perspective on industry opportunities, barriers, pressures, and their greatest need for success in the next five to ten years. In addition to the interviews, KDC developed a list of 22 regional processors utilized by the farmers who participated in our research. (See Appendix B.)

BRINGHURST MEATS

KEY POINTS

1. Exempt slaughter cut and wrap
2. Key anchor customers make up 50% of business
3. Retail sales over the past 4 years have experienced record highs

SUMMARY

Bringhurst Meats in Winslow Township, Camden County, New Jersey, offers custom-exempt processing services including slaughter, fabrication, packaging, and value-added production. They operate on a fee-for-service basis processing beef, pork, lamb, veal, goat, bison, and alpaca. They run a catering service offering a variety of meats, giving customers the option to choose from a prepared menu or to create their own menu. The business has been in the Bringhurst family since 1934.

HISTORY

Bringhurst Meats was started in 1934 on the Bringhurst sweet potato farm by the current owner's father and uncle, Ralph and Howard Bringhurst. The Bringhurst brothers delivered their produce to The Philadelphia area and throughout Camden County. Customers began frequently inquiring about animal products which inspired the Bringhurst family to transform their carriage shed into a slaughterhouse. Initially, they were only harvesting hogs and delivering them to their customers, but it didn't take long before interest among the community transpired and the Bringhurst family started delivering products to a variety of neighborhoods in Camden County. In the late 1930's, they began processing beef as well as other animals expanding their services to harvest and process custom animals. During the 1940's, they opened their retail store and built their first building, which is the center of the present structure. Ralph's sons, Jeff and Ralph Jr., and Howard's son, Alfred, took over management in 1982. Sometime during the 1990's, Alfred decided to sell his portion of the business. The current owners of Bringhurst Meats are Jeff, Ralph Jr., and Ralph Jr.'s son, Dave Bringhurst.

SERVICES

The business offers custom-exempt only services, although they previously operated under USDA inspection beginning in 1975. Their business services included retail meat sales, custom processing, and game processing. Starting in 1985, they added catering services. By the early 2000's, they were doing private label processing for individual farmers and large supermarkets. Eventually, the business was running above capacity which began to complicate the paperwork and requirements of the USDA. Faced with the decision to sell the business or exclude USDA inspection, they chose to restructure the business model resulting in the eliminate USDA inspection. "Let's go back to our heritage – go back to the small individual farmer, do the custom processing for them, and meet the needs of our retail." Their focus remains on retail, catering, game processing and custom processing for individual farmers.

Bringhurst provides numerous custom processing services for pigs, goats, lambs, calves, beef, and deer. They offer harvesting, dividing, workup and wrapping, vacuum packing, and freezing. They provide a variety of custom smoking options, including curing and smoking, nitrate-free curing and smoking, bacon slicing, ham cutting, and freezer wrapping. Curing and smoking for fish is also available. Customers must make an appointment to bring their animals in and then are instructed to complete a cut card to place their orders.

Bringhurst's retail store provides an abundance of products made directly in-store. Some of their specialty products include dry aged steaks, hickory-smoked hams and turkeys, beef jerky, and all-natural sausages. Customers can also purchase Bringhurst all-natural pet food products that have zero artificial flavoring, additives, or preservatives. There are also cooking tips included on the website for customers to utilize. Having such a wide variety of products allows them to serve customer needs across a broader spectrum.

PLANS FOR EXPANSION

Bringhurst Meats does not have any solidified plans to expand. However, the owners are exploring expanding their retail in a new location to meet growing customer needs and business opportunity. They are limited in expanding in their existing physical location since they are in one of the most strictly controlled areas of the pinelands. It is also difficult to find skilled labor that is versatile since their staff includes a dual-purpose workforce who provide both processing and customer service. "It's pretty much an art and you have to love what you do."

Bringhurst Meats' mission statement is "to give customers the best products and services that we can," placing a lot of value on customer service. The owners believe that having a cut floor only operation would be a viable business, as it would limit the extensive regulatory requirements needed for a slaughter facility. Their profits have increased about 20% each year and retail sales continue to climb. The Bringhurst family are in the planning stages of ownership transition in the event of retirement. Management will either be passed onto Ralph Jr's son Dave Bringhurst or a hired manager, but ownership will remain between Jeff, his brother Ralph Jr. and son Dave Bringhurst.

NEEDS, BARRIERS, AND ABILITY TO SERVICE NJ LIVESTOCK FARMERS

Bringhurst Meats offers a variety of custom-exempt services including slaughter, cut and wrap, paper and vacuum packing, and boxing. They face limits to the amount of custom cut up work during peak times, usually occurring during the months between September and January. The upsurge in work is mostly due to customer needs of getting their animals processed before the winter season. The amount of work they can take on also depends on the number of employees at the time.

Bringhurst Meats operates at 100% capacity during peak times, during the months of September through January. This requires customers to schedule appointments up to twelve weeks in advance. During the rest of the year, they operate at 75% capacity, however, this depends on

the available trained workforce. They slaughter one day per week, processing approximately six head of beef, twenty head of hog, and ten head of lamb.

Bringhurst serves about 500 livestock customers per year, key anchor customers making up 50% of the business. The average number of head per customer at a time is approximately two beef and four hogs, however, there is no minimum number of animals at a time required. Their livestock customers are generally from New Jersey, and the average travel time ranges from local to two hours. To improve the quality of livestock being delivered to Bringhurst Meats, Jeff Bringhurst believes that producers need to incorporate better feeding and animal genetics into raising their livestock. The owners have considered adding other species to the plant for processing and are open to it; “Whatever the customer is asking for.”

DOUBLE BROOK FARM

KEY POINTS

- One of two on-farm USDA inspected slaughterhouses in the United States
- Process only animals raised on their farm
- Products are sold through affiliated businesses Brick Farm Market and Brick Farm Tavern

SUMMARY

Established in 2004, Double Brook Farm is one of only two USDA on-farm slaughter facility in the nation for red meat and poultry. The original purpose to start the farm was to raise livestock and poultry but has developed into a closed-loop local meat and vegetable operation. The farm sells 100% of their products through their own retail store, Brick farm Market, and a restaurant, Brick Farm Tavern. All three businesses operate year-round and are in Hopewell, Mercer County, New Jersey.

HISTORY

The original intention of the farm was to raise animals for the owner’s personal consumption. However, the owners began raising a larger number of animals in order when an interest sparked throughout the community. Through research, they identified marketing and distributing issues among local farmers, and quality and consistency issues among retailers, chefs, and restaurants. Finding a solution to these obstacles became the foundation for Double Brook Farm’s business model. Their goal was to create a model that included a farm, an on-site slaughter facility, a retail market, and a restaurant.

The initial model of the farm was a closed-loop food system, meaning everything would be born, raised, and harvested on the farm. The products would then be sold through the two outlets - the market and restaurant. As the business developed, they began to work with other farmers,

leasing and purchasing land. Presently, their cattle are raised on two different farms, one in Virginia and the other in Pennsylvania.

SERVICES

Double Brook Farm raises animals on over 800 acres of owned and leased land. The farm raises pigs, sheep, chickens, ducks, and turkeys. Conscious of the impact on quality as well as the importance of humane animal treatment, the owners place a great deal of value in how the animals are raised from the time they are born to the time they are processed. All animals are pasture-raised on a rotational grazing system which allows them access to shelter and freedom to roam the land. Beef and sheep are raised on a 100% grass-fed diet increasing the quality of meat, while the rest of the animals forage for part of their diet. Pigs, chickens, and turkeys have a supplemented diet enriched with a locally grown feed consisting of vegetables, legumes, and minerals. At birth, the animals are arranged into social groups in which they remain with for the entirety of their lives. According to the owners, this is a crucial aspect in producing quality meat because it decreases the level of stress hormones released, providing a better taste. All measures are taken with the purpose of providing the best product possible to customers.

The on-farm slaughterhouse has proven to be beneficial in many different aspects of the business. Traveling to a processor can greatly change the quality of the product and present concerns among producers about whether they are receiving the animal they raised back. Because McConaughy's animals are raised on a grass-fed and locally grown diet, it was essential that the animals they raised were returned to them after being processed.

PLANS FOR EXPANSION

The owners' ultimate goal is to establish a farm that uses energy from a natural source, has zero outside inputs, no extraneous animal feed or fertilizer, and a limited carbon footprint. They also strive to provide a true farm-to-fork experience, which is accomplished by having an on-farm slaughterhouse. Their next projects entail constructing a compost pile and building walking paths around the farm. McConaughy believes his farm could offer opportunity for surrounding school districts to incorporate interactive and experiential learning in the curriculum.

NEEDS, BARRIERS AND ABILITY TO SERVICE NJ LIVESTOCK FARMERS

Their state-of-the-art USDA inspected facility slaughters animals one day each week. Double Brook Farm only processes its own animals; however, the business is permitted to process up to 49% of total business of other producer's livestock under the Right to Farm Act. Carcasses are processed on-site by a butcher. To date, they have been paying for waste removal, but they are now transitioning to composting waste. Building their facility cost $475,000, though Jon believes that similar operations could be built at a total cost of $375,000. Their slaughtering and processing operation costs $175,000 annually. "To have a facility at every farm and to have the butcher travel is so much more economic for everybody involved." The business saves money by paying the butcher hourly and the product does not suffer from to the stress of travel typically endured by livestock, and the farm saves money on transportation and fees.

According to Jon, they are slaughtering and processing at 1/3 of their capacity. Their products are sold through their retail outlet, Brick Farm Market, and supplies their restaurant, Brick Farm Tavern. The farm operates on one slaughter day per week, with two staff members working in slaughter. They process approximately 300-400 chickens, 30-40 ducks, 20-30 turkeys, 10 pigs, 10 sheep, 4-5 goats, 2 steers, and 1 calf per week. “While it may seem like a lot to pull off, we hope that by taking a responsible, thoughtful approach to local farming and food production, we will actually be simplifying how good food gets to our table and yours.” They have determined not to expand their operation to serve farmers in their vicinity but instead support replicating this model at several strategic locations throughout New Jersey provided that similar facilities could process animals raised not only on the “home farm,” but also from clusters of surrounding livestock operations. The McConaughys have no plans to process animals from other farms to reduce biohazards which could risk the health of their own animals.

Jon envisions on-farm processing as the logical, environmental, and ethical way forward for small-scale producers. According to Jon, “Central processing of anything is extremely inefficient.” Jon proposes training farmers with a butcher for several months, readying them to do their own processing on-farm, or that several farmers equipped with on-farm processing facilities employ a traveling butcher.

Obviously, most farmers do not possess the same capital needed to build an on-farm processing facility as had the McConaughys. However, such an option should not be ruled out. Grants and creative financing opportunities exist to make such a project cost more feasible. Additionally, as mentioned above, a mobile slaughtering unit could serve as an incubator for an on-farm processing facility.

GOFFLE ROAD POULTRY FARM

KEY POINTS

1. USDA inspected poultry processor
2. Key anchor customers make up 30% of business
3. Planning to expand an additional 15,000 square feet

SUMMARY

Goffle Road Poultry Farm is a USDA-inspected processor in Wycoff, Bergan County, New Jersey, that offers slaughter, fabrication, packaging, and value-added production on a fee-for-service basis. They process chicken and turkey, handling about 700,000 head of chicken and 60,000 head of turkey each year. Their slaughter services include exempt slaughter of various poultry, including religious exempt, and USDA slaughter of chicken and turkey. They offer conventional slaughter and are certified to do organic slaughter of chickens and turkeys. They also offer cut and wrap services, paper and vacuum packaging, boxing, private labeling, and co-packing. The sell a variety of products in their retail store. The business was established in 1948 and has remained in the family since then.

HISTORY

Goffle Road Poultry Farm has been a privately owned business, raising poultry through contracts with farmers and processing live poultry for 71 years. The business started as an exempt slaughter poultry market only, handling chickens, turkeys, rabbits, guinea hens, pheasants, and quail. In 1985, the business evolved into a full poultry retail service offering cutup poultry, parts, cutlets, chicken sausages, chicken and turkey chop meats, boning services, as well as packaging services for freezer orders. In 1995, Joseph Silvestri took over the business succeeding his father, and has transformed the $1 million business into a $10 million business. It is now a four-generation business and is co-owned and operated by Joseph and his son, Brian.

SERVICES

In 2013, Goffle Road Poultry Farm started a USDA division to offer similar products wholesale and to service requests from other farmers for similar services. They raise a portion of their poultry on their farm, but also work with poultry farmers in Pennsylvania. They average two to three days a week for USDA slaughter, which changes depending on customer needs. In 2018 Goffle Road obtained Organic Handling Certification permitting them to process chicken and turkeys under organic standards. The capacity of daily processing is 8,000 chickens or 3,000 turkeys per slaughter day. Goffle Road Poultry Farm offers grinding, casing, cooking services, as well as USDA portion cutting. They also offer all-natural, organic, and antibiotic and hormone-free products. More recently, Brian Silvestri created a raw pet food line that uses damaged product and processes it into a variety of pet food. The product consists of quality ground meat and bone that may have been damaged at some point during processing. Pet food products are only available for purchase in their retail store, but they are considering the possibility of eventually selling to outside markets.

The business operates year-round and employs 45 full-time workers and 15 part-time workers. Every employee completes a training program, but no prior training is required. They operate at 70% capacity most of the year but reach 110% capacity during the fall season with November being their busiest month. Generally, customers are encouraged to schedule their appointments two to seven days ahead. The business faces no limits to the amount of custom cut up work due to the retail store. They have the capability to provide fresh and frozen products, and they are fully certified and inspected by weights and measures.

Due to the amount of growth in recent years, the business has faced challenges with limited space to grow all their birds on their land. To relieve pressure while still preserving their strong value on free-roaming and all-natural birds, they began a partnership with Amish farmers in Pennsylvania. This allowed them to continue to raise quality birds and produce quality products.

PLANS FOR EXPANSION

The current location sits on 3000 square feet which induces limitations in space. Due to the growing success of the business, Goffle Road Poultry Farm intends to expand and build a larger facility. They plan to build a 15,000 square feet new facility with the goal of bringing in more customers while offering lower prices. While they have no plans to expand in species, they are planning to offer more cutting, processing, and packing services. This new facility will operate as a separate legal entity. They plan to include on-site farming and live slaughter, as well as retail store and processing center. They also plan to incorporate a training center for new employees. "What we do is complex. It requires management and knowledge."

Joseph Silvestri plans to work full-time for another ten years, then will allow Brian to continue to run the business as the fourth-generation owner. Brian has brought substantial value to the business by constructing a training program for new employees, creating the website, establishing a customer online ordering option, and establishing a scale system. Goffle Road Poultry's mission is to provide the highest quality product at the lowest cost possible. The place high value in supplying customers with all-natural, custom grown, and processed product free of antibiotics, hormones, animal by-products, and preservatives.

NEEDS, BARRIERS AND ABILITY TO SERVICE NJ LIVESTOCK FARMERS

Goffle Road Poultry have the capacity to provide service to more farmers, especially with expansion. They are offering to provide slaughter and further processing for a co-op. They caution that opening a new poultry processing facility poses many obstacles to an emerging business. Goffle's are committing to reduce the obvious barrier producers face in traveling so far north to their facility. To minimize costs and provide efficiencies in logistics, they are offering a drop off and pick-up station for poultry farmers in central New Jersey, ideally at the same plant utilized to process red meats. It would essentially be a hub or transfer station involving the local group of farmers. A start-up facility would face many barriers including the capital required to purchase equipment, space, hire and train labor, and stringent government regulation will require extensive and expensive administration. Goffle recommend pre-arrange drop off days for slaughter and cut sheet instructions. They could pick up poultry and return the finished, fresh product to the transfer station the following afternoon. Billing could be done by email or phone.

This could be a way of providing the value-added services needed by the farming community without inflating costs, suffering an exaggerated startup time, keeping pricing economical, and reducing travel time, thus allowing farmers to do what they do best…farm.

MODELS FOR COMPARISON

Compelling models are emerging across the country to address the same needs expressed by farmers in New Jersey: a need for high quality, affordable slaughtering and processing of a variety of species, mostly beef, at a conveniently located USDA inspected facility. To meet the

needs expressed by farmers in a series of focus groups, a new processing option must offer flexible scheduling and should be nearby to allow for short travel, minimal time off the farm, and a reduction of overall costs. Farmers also would like to see an educational component that trains new processors, as a shared concern is the aging out of trusted processors and a lack of newcomers to the field. The following are a few examples:

ON-FARM SLAUGHTER AND PROCESSING

MOBILE SLAUGHTER UNITS

> "Mobile slaughter units provide ranching families with both affordable and local facilities for processing their animals. I support the use of these affordable units to help local ranchers develop niche markets and reduce transportation stress on their animals." Dr. Temple Grandin

Mobile slaughter units (MSUs) provide high quality slaughtering services on-farm. MSUs are USDA inspected slaughtering operations, typically an outfitted trailer, that travel from farm to farm thereby alleviating the need to transport animals to a stationary slaughter facility. On farm slaughtering reduces the stress on the animals that comes from gathering, transporting, and holding in stockyards which is attributed with negatively impacting the quality of the meat product. After slaughtering, waste is composted on farm according to state regulations. New Jersey does allow for on-farm composting of animals raised on the farm. Typically, slaughtered animals are then sent to a stationary processor where they are aged and then cut, wrapped, and labeled in compliance with the farmer's requirements. In an MSU, all normal food safety regulations are enforced. A schedule of operations must be supplied to the USDA District Office two weeks in advance.

Ten red meat MSUs had been in operation in the early 2000s (as listed on www.nichemeatprocessing.com), but only six are still in operation. While the circumstances of each of the four closures are difficult to find, they presumably shut down due to the common hurdles associated with MSUs: high cost per animal; difficulty in coordinating processing elsewhere; difficulty scheduling if the unit travels; limited storage; weather restrictions; and regulations regarding waste and water management. Three of the currently operating MSUs service niche markets; one processes reindeer for farmers in an indigenous community in Alaska; one slaughters bison for a single ranch; and another slaughters venison, antelope, and wild boar. Several others operate on a single farm/ranch.

Two MSUs stand out as the most relevant models for consideration by livestock farmers in New Jersey. The Island Grown Cooperative in Box, WA operates the first MSU built in North America which received USDA inspection in 2002. Their unit serves cooperative members and non-members in five counties in Washington state. The cooperative also leases a processing facility where cutting, wrapping, storage and some retail take place. The business, owned by the member-producers, is directed by an elected board and managed by a hired General Manager.

Bruce Dunlop designed their USDA inspected trailer, which cost $175,000 to outfit. Their MSU has the capacity to slaughter 10 heads of cattle per day, at a cost to the farmer of $105 per animal. Up to 40 sheep ($37/head) or 24 pigs ($53/head) can be handled daily.

A second model for consideration is the Renewable Harvest MSU in Nebraska. With financial support from Nebraska Environmental Action Coalition (NEAC), a local affiliate of the Socially Responsible Agriculture Project (SRAP), the 501(c)3 Renewable Harvest outfitted a trailer that passed USDA inspection in 2011. The MSU cost $156,000 to build, including a $38,000 water purification system that has not worked as planned and a generator that is not in use because the MSU is able to access electricity from the site farm. They partnered with Ranch Foods Direct who was looking for new ways to process. Mike Callicrate of Ranch Foods Direct paid operating costs, and, in return, the MSU was parked on his ranch. The MSU is used at Callicrate's ranch in Kansas to slaughter his beef cattle. Carcasses are shipped to Ranch Foods Direct in Colorado Springs. The MSU is operated by two butchers and two helpers, who are otherwise employed by the ranch. The MSU has essentially operated as an incubator; now, Callicrate is ready to build his own on-farm slaughter facility. Laura Krebsbach, the MSU designer and project lead, and Renewable Harvest offer free consulting services to livestock producers across the country interested in launching an MSU. Krebsbach has three stipulations for interested producers:

- They must be able to provide evidence of a real market for the meat.
- They must be able to prove ownership of or guaranteed access to an inspected cut and wrap facility.
- They must have a specific person who is qualified and willing to operate the MSU.

Two viable uses of the MSU that may suit the needs of New Jersey livestock farmers are:

1. A mobile slaughter unit that is either owned and operated by a cooperative of livestock producers and travels farm-to-farm.
2. A mobile slaughter unit that acts as an incubator slaughter facility to test the market and prepare producers for stationary on-farm slaughtering.

A traveling MSU could serve a greater number of farmers, alleviating some of the stressors and costs of traveling for slaughter. This could be a viable choice considering the fear of Springfield Meat's closure, giving Nello's another avenue for slaughter. In this sense, there is also potential here for private partnership. An incubator MSU could pave the way for stationary on-farm slaughtering which could prove to be a compelling long-term strategy and is explored more below.

STATIONARY ON-FARM PROCESSING

Innovations are being made in alternative USDA inspected on-farm processing. New Jersey is home to Double Brook Farm, the second USDA on-farm processing facility in the nation. See Biography on Double Brook Farm above.

The first stationary USDA on-farm processing facility is White Oak Pastures in Bluffton, Georgia. This farm has been owned by the Harris family for over 150 years and is operated by their 155+ employees. Their processing facilities were designed by Dr. Temple Grandin (designer of Double Brook Farm's facility). Dr. Grandin is a leading voice on humane handling and slaughtering practices and is responsible for the design of humane slaughter facilities around the world. (https://www.grandin.com/temple.html).

The Harris's practice what they refer to as "regenerative agriculture" in their "vertically-integrated, zero-waste" operation, raising, slaughtering, processing, and disposing of animals all on their farm. They began processing livestock on their farm in 2008. Their livestock processing facility now has the capacity to process 30-35 heads of cattle daily. They began processing poultry in 2010 and can now process upwards of 3000 chickens per week. As White Oak Pastures' website stresses, their work is not efficient, but it is humane (https://www.whiteoakpastures.com). Both of their abattoirs are zero-waste, with all animal byproducts being used post-processing. All blood is digested to make liquid organic fertilizer; bones are ground into bone meal; all viscera is composted. All these organic fertilizers are used as soil amendments for certified organic pastures. Hides are turned into leather or dehydrated for pet chews. Fat is rendered to make soaps, candles, and lotions. Wastewater is treated through their own water treatment system and is used for irrigation. Solar panels provide power to the facility.

Their processes also prioritize workers' well-being. Employees work on non-mechanized lines, which they consider safer and healthier than the automated assembly lines of high-volume slaughterhouses. Workers on both the kill floor and in the cutting room are trained as artisans in their craft and are cross trained in other departments on the farm to give them more exposure to the vertically integrated production system at White Oak Pastures.

According to a 2015 New York Times article about the farm, William Harris III, the current owner of White Oak Pastures, had borrowed about $7.5 million to finance his operation. Additionally, he received several unspecified government and industry grants. Financials are not readily available, however, the farm did generate $28 million in sales in 2014.

While the economics of White Oak Pastures are not readily available, the environmental impacts are. Several studies have found that the farm stores more carbon in the soil than their cows emit during their lifetimes. Therefore, this method of farming, processing, and disposing is believed to be able to help to curb climate change[vii].

An on-farm processing facility can process products from other farms though not to exceed 49% of its total processing. It could be possible that a network of on-farm processing facilities may be able to meet the needs of NJ producers with Double Brook Farm's on-farm processing in operation in Hopewell in northern New Jersey, and an additional two or three placed strategically throughout the state. However, such would require a great deal of investment on the part of the farmers, as USDA-inspected on-farm processing facilities require a large financial investment and a great deal of time, learning, and planning on the part of the farmer. Should

this be a viable option, financial resources and other support would be required, potentially from federal and state capital investment grants.

EXPANSION OF AN EXISTING FACILITY

Facility Assessment interviews conducted in December 2019 found that several New Jersey livestock and poultry processors are looking to expand their capacity to better serve farmers' needs across the state. The expansion of a USDA inspected facility, or a non-USDA inspected facility that would become USDA inspected, could prove to be a relatively streamlined way to meet the demand of local producers. Farmers would not bare the risk or financial burden of an on-farm or cooperatively owned facility, but they also would not have decision-making power, nor would they see any financial gains if the plant is successful.

The expansion of an existing facility still requires time and planning. In the article "Integrated Planning for Food Processing Facility Expansion," advisor Cory Wendt implores processing plant owners looking to establish the business case for expansion and clarify the proposed expansion's current and future purpose[viii]. A team should be built around a project manager who complements the business objectives. That manager should evaluate the limiting factors for the business case to success and assess the effectiveness of people and departments involved to identify where outside expertise is needed. It is recommended that expertise be sought on engineering design, wastewater and utility infrastructure, state and local government regulations, tax structure, capital and incentives procurement, and/or construction management.

The business case for expansion helps to select the site, utilities, and incentives. Because processors are large users of utilities, finding a site with preexisting utility infrastructure can account for 10-20% of total project costs. Working with environmental and regulatory agencies early on can help to identify which utilities' services have the capacity to take on an expansion. An informed, long-term plan to approach utilities can save money over time and facilitate growth and future expansion. For instance, Perdue Premium Meat Company completed an expansion to their Sioux Center, Iowa harvest facility in January 2020. Their $29 million project makes them a state-of-the-art facility, fully wind-powered with a closed-loop wastewater system. Such innovations are likely to make a project more appealing for local and state incentives. Any expansion should look for incentive opportunities like Tax Increment Financing; Property Assessed Clean Energy; or utility rebate programs.

Furthermore, it is recommended that an expanding company work through the preliminary engineering phase with engineering, procurement, and construction firms and with technology suppliers to secure detailed capital costs up front. This allows the company to run scenarios that the sales team deem possible and the production team deem feasible. Utilizing available credits and incentives, under the actual utility rate arrangement, will allow the expanding company to accurately sculpt their cash flow.

The previously mentioned Perdue Premium Meat Company's expansion includes an on-site wellness center for staff, a new training center, improved ergonomic equipment, and an

expanded cafeteria. Such measures are important now more than ever as we see processing plants closing temporarily and permanently due to the rapid spread of COVID-19 among employees in the close quarters of meat processing lines.

CREATION OF A NEW USDA INSPECTED FACILITY

A new processing facility centrally located in the heart of New Jersey could be explored along with innovative business ownership and diversified offerings.

THE LIVESTOCK INSTITUTE OF SOUTHERN NEW ENGLAND

The Livestock Institute (TLI) of Southern New England's Meatworks processing facility (https://www.thelivestockinstitute.org/) is a 501(c)(3) non-profit organization dedicated to addressing issues facing livestock farmers in southern New England by providing producer resources, educational programming, and processing services through its facility Meatworks. TLI is a membership-based nonprofit of 30 livestock producers (according to their website), and 25 food advocates and agriculture supporters. TLI is overseen by a seven-member board of directors. Their members receive discounts for feed and educational programs including the annual livestock conference; seminars for livestock farmers, backyard farmers, youth and the general public; and apprenticeships and trainings for individuals interested in working in the meat processing industry. It is unclear if their members receive discounted processing services through Meatworks.

In the fall of 2018, TLI opened Meatworks, a 10,000 square-foot state-of-the-art USDA inspected multi-species processing facility for cattle, hogs, sheep, and goats. As described by one of their members, "Meatworks is a solution to a problem that a group of local farmers had." Meatworks offers humane handling, full traceability from drop off to pick-up, vacuum packaging, and value-added services. Their processing facility has the capacity to process the equivalent of 16-20 heads of beef per day. In early 2019, the facility added an on-site retail store that sells fresh beef and pork Monday – Saturday. The project was financed with $5.5 million in loans.

SHENANDOAH VALLEY MEAT PROCESSING CENTER, LLC

Shenandoah Valley Organic (SVO) is a privately-owned, multi-faceted processing facility which started as a poultry growing operation in 2012 before growing creating Shenandoah Valley Meat Processing Center, LLC. Based in Harrisonburg, VA, this certified organic facility processes their own chickens and organic and all-natural chickens raised by independent farmers and purchased by SVO. They also offer custom processing for independent poultry farmers. SVO labels, markets, and distributes fresh, seasoned, and fully cooked chicken products to major grocery chains on the east coast. They also sell online through CostCo and through subscription services like Butcher Box and Fresh Direct. A four-letter farm ID lets customers trace the product to the farm on which it was raised. SVO has also done creative work to engage and educate the public through collaborations with food writers, a collaborative farm-to-table dining event series in their community with a local chef featuring local foods, and a cooking show that they produce and share on their website. This business model – in particular the structure for ownership of

the product, the system in place for marketing under a shared label, their retail outlets, and their educational efforts – are compelling models that could be replicated by single owner or a cooperative of farmers.

WALDEN LOCAL MEAT

Walden Local Meat is a certified public benefit corporation that purchases, processes, and distributes the products of their partner farms directly to customers across the east coast, including into central New Jersey. Walden Local Meats does not require exclusive contracts with partner farmers, but they do audit 95% of their partner farms quarterly to ensure that animals are being raised humanely and naturally. They support their partner farmers in obtaining certifications like Global Animal Partnership, Organic, American Grass-fed Association, Animal Welfare Approved, non-GMO, and more, though such certifications are not required. In 2019, they provided a 154% premium to partner farmers across all proteins. Most product is sold directly to customers who purchase a share that is delivered directly to their door. Walden Local Meat recently opened a retail butcher shop in Boston, MA. One percent (1%) of volume (27,000 meals in 2019) is donated to local charities that feed the underserved.

The Walden Local Meat business model is another that could be replicated by a New Jersey-based processing facility or a cooperative of producers. Since their products are sold direct to consumer, it may even be possible that a non-USDA-inspected facility could adopt such a model.

LPCA CATTLE PRODUCERS OF WASHINGTON

LPCA Cattle Producers of Washington processing plant in Odessa, Washington is a cooperatively owned processing plant. This USDA inspected plant processes a variety of species including beef, pork, and lamb opened in 2013. The cooperative closed briefly in 2015 and reopened with limited cooperative membership. The Oregon State University Extension Service released a useful article in October 2017: “Lessons Learned in Local Meat Processing: The Livestock Producers Cooperative Association.” Reflections are listed below and KDC takeaways regarding each reflection are bolded.

- LPCA Cattle Producers of Washington received build-out financing from Community Economic Revitalization Board (CERB) loan, from cooperative owner dues (2% of total), and from private loans and lines of credit. Despite this mix of financing, they still had a 2% funding gap starting out. New cooperative processors should have a realistic start-up financing plan with as little debt and the lowest interest possible.
- The cooperative needs more committed member-owners and more consistent product. Their plant operates at between one-third and one-half of its capacity. New cooperative processors should assume that founding members will overestimate production and their use of the facility thus they are likely to operate at a loss. Secure firm commitments from founding members and recruit additional members to increase use of the plant. A new cooperative should prioritize member engagement to create a culture of enthusiastic members-owners.

- The LPCA processing plant was built too small to accommodate value-added processes like smoking. Designs for a new plant should provide ample space for value-added processes.
- The cooperative faced a challenge incorporating smaller animals on a regular basis because the processing fees do not cover labor costs. Prices should be set to cover labor costs or a creative scheduling solution may need to be developed.
- The plant currently services one large producer and many small producers. They would prefer more mid-sized producers to be balance and be more resilient. Recruiting mid-scale producers as early member-owners could help a new plant to be less reliant on one large producer.

Additionally, hiring an outside operations manager has been cited as a factor for success for coops that do (Island Grown, Grass Roots Farmers Coop) and a reason for failure of those that do not (Tall Grass Prairie Coop). An abundance of resources for planning a new processing facility exists at www.nichemeatprocessing.org/planning-a-new-facility-or-expansion/.

ANALYSIS OF FINDINGS

Several viable options exist to meet the processing needs of livestock and poultry farmers in New Jersey. A mobile slaughter unit would require the least monetary investment up front of any new facility but would require ample cold storage for slaughtered product before it goes to processing. A MSU would also require a firm commitment from a processor for reliable processing of products. Therefore, this does not address the limited capacity of the processors in New Jersey, many of whom are not USDA inspected. A mobile slaughter unit could be a viable option as an incubator for stationary on-farm processing units.

A network of stationary on-farm processing units could be a viable and innovative option to meet the needs of New Jersey livestock and poultry farmers. With the establishment of Double Brook Farm, the start of a network already exists. While Double Brook has no intention of processing for other farmers, they are willing to serve as a model and consult with farmers looking to explore on farm processing. Depending on the placement of facilities, this approach could greatly reduce the travel time and costs that currently burden livestock and poultry farmers across the state. This model would also bring many farmers into the business of processing, addressing the fear of trusted processors aging out of the industry. This approach would require much support to be viable, necessitating a great deal of financial investment. Additionally, with this model, farmers take on the role of butcher and would require training. Farmers willing to take on such a commitment would need to be incentivized. While each on-farm processing unit would be owned by the site farm or farmer, coordination among the network should be formally established.

The creation of one or two new, centrally located, state-of-the-art processing facilities would also require large financial investment; support in the form of grants and low-interest loans would be invaluable in making such a project feasible. A new facility would open processing capacity, allowing more famers to move more product through with increased flexibility in

scheduling. Additionally, a new facility would create jobs, bringing new processors into the field ensuring long-term services. A variety of ownership options exist for a new facility including private ownership (Shenandoah Valley, Walden Local Meats), ownership by a cooperative of farmer member-owners (LPCA Cattle Producers of Washington), or ownership by a nonprofit governed by users (Livestock Institute's Meatworks). Any model of collective ownership – either a cooperative or a nonprofit – would require ongoing support from a cooperative development center like Keystone Development Center.

Finally, the expansion of an existing processing facility to become USDA inspected requires the least amount of financial investment up front. However, such an approach would limit the control of user farmers. Farmers would not have control over quality, scheduling, location, or future planning for the business. While this model is "low-hanging fruit," it falls short of addressing some of the most pressing needs expressed by farmers.

FARMERS' CONSIDERATIONS FOR A NEW FACILITY

Focus group participants explored solutions including three proposed models, 1) Building a new regional processing facility; 2) Retrofitting an existing New Jersey processing facility; 3) Clusters of smaller on-farm processing facilities available to local producers within different regions of NJ. The discussion explored what challenges a NJ facility might solve for their farm, where it should be located, who should own it and what services they would like a new processor to provide.

SERVICES

A new or expanded facility would need to be USDA inspected for both the slaughter and cut floors. "There's no purpose in bringing a processor here if they're not USDA inspected." Desired services include slaughter, butchering, ageing, wrapping, vacuum sealing, weighing, labeling, and selling. Whichever the model, they would need provide USDA slaughter and processing for a variety of animals to fit the needs of the diverse producers in New Jersey, including "rabbit, poultry, chicken, beef." Farmers would like a to address their need for access to feed.

Most important to farmers across New Jersey, they are seeking high quality custom processing. As one farmer put it, "Quality, that's number one." Another went on to say, "We would love to get someone local. If someone local isn't going to process to quality, we'd still need to get it to Nello's or a good processor." A shared desire is for a processor with the capacity to provide private labels. Selling products under a shared label was discussed but, ultimately, was determined not favorable. One farmer indicated the desire for a new processor to be able to execute custom recipes. Other farmers agreed that such could be coordinated by capable management. Farmers suggest State-offered incentives for new butchers enter into custom processing and for private cutting facilities to offer USDA inspected slaughter.

LOCATION AND ACCESSIBILITY

A new processor would need to be convenient, flexible, and accessible. Farmers desire a processor that is accessible in terms of scheduling and operating hours. They should be large enough for trucks to load, unload, have holding areas for livestock and plenty of cooler capacity. Location is a primary concern, particularly for farmers in southern New Jersey. Farmers in the south do not want to drive north. According to one farmer, "You'd need two (processors)." Southern New Jersey farmers suggest treating Trenton as a center point and launching new facilities in northern New Jersey and one in southern Burlington County or Camden County.

Several farmers have experience in a cooperative including Hackettstown Cooperative Auction and Land O'Lakes Cooperative. They cautioned that a cooperative need to be responsive to users' needs. Another one of these farmers offers, "A coop would be a good thing in this situation but there's a lot of strong personalities. We've all got to be in it together to make it work." When asked if they would participate if the cooperative would require that the farmer sell *only* through cooperative, the farmer "wouldn't do it."

"My hope is that if it ever comes to fruition, it never loses its grassroots. That it's not someone with an ag degree. It's controlled by the people who are putting the work in."

One farmer suggests working with already operating processors to become USDA inspected. According to that farmer, "We have the nuts and bolts." Alternatively, both competition from a new facility and incentive programs through the state are suggested ways to encourage already operating processors to become USDA certified.

New Jersey livestock producers suggest that the Rutgers New Jersey Agriculture Experimentation Station Food Innovation Center could expand its offerings to include a USDA

"It isn't one dimensional. You can't just look at kill facility. You can't just look at a cutting facility. You need an integrated facility. "

inspected meat harvest and processing facility. A processing facility that is part of the Food Innovation Center could house any of the models. One farmer in northern New Jersey presents a very clear, comprehensive vision for what the future of livestock processing could look like in New jersey:

> "It isn't one dimensional. You can't just look at kill facility. You can't just look at a cutting facility. You need an integrated facility. You need five buckets. Education is the first. You need to engage the young people through vocational school. We're working with Warren County Community College right now to develop a butchering and packaging facility. Then you have processing, the kill and the packaging. It has to be done in a building that's state-of-the-art. That's a

> real estate project, that you're leasing space. Then it's marketing and distribution, and that's what everyone needs help with because you can't do that either. We gotta get into that middle section of the market somewhere in production and distribution. That's not what's being taken care of right now. There's a need for it in the food space, people want our local food. We gotta blow this thing up to a bigger picture. This is a billion-dollar industry. We need to be talking about a long-term facility that's tied into education partners and tied in with the distribution. "

Concern was voiced that such a large, forward-thinking vision would push the potential farther down the road. One farmer countered saying, "(It's) just a matter of – do you crawl before you walk or go right into the rocket ship?" There was consensus, though, that if the rocket ship "landed," farmers would "absolutely" use it.

LEGAL AND REGULATORY REQUIREMENTS

The United States Department of Agriculture Food Safety and Inspection Service (FSIS), founded in 1862, is responsible for setting appropriate food safety standards, inspection, oversight, and regulatory enforcement. Industry is accountable for producing safe food. Various acts establishing procedures to keep our food supply safe have been evolving over time as we learn more about food safety. In 1996, the passage of the Pathogen Reduction/HACCP System (Hazard Analysis and Critical Control Point) rule moved food inspection from a reliance on sight, touch and smell to a focus on microbial pathogens in response to an outbreak of E. coli O157:H7 in 1993. The implementation of these new practices is attributed to an overall decline in foodborne illnesses and a 46% decrease in E. coli O157:H7 by 2004.

Based on farmer focus groups, regulations were perceived as the largest challenge for processors. The common understanding is that state and federal regulations imposed on processors have discouraged many local processors from pursuing or maintaining USDA certification. As one farmer described, "We have regulations for regulations in New Jersey."

"You can't make the standards less but you have to have that possibility to allow the mom and pop stores to function. And that's what happened years ago. They got put out of business because they had to meet the standards of the big boys. And it hurt our industry."

Several farmers attributed the increased regulations to the consolidation of processing and control that big processors have. "You can't make the standards, less but you have to have that possibility to allow the mom and pop stores to function. And that's what happened years ago.

They got put out of business because they had to meet the standards of the big boys. And it hurt our industry."

Livestock processing plants had to comply by January 2000. From 1996 through 2000, U.S. plants as a group spent about $380 million annually and made $570 million in long-term investments to comply with USDA's 1996 Pathogen Reduction/Hazard Analysis and Critical Control Point (PR/HACCP) regulation, according to a survey initiated by the Economic Research Service.[ix] These investments include administrative costs: recordkeeping, planning, testing, and capital outlays as well as the costs of hiring the workers necessary to remain in regulatory compliance, and the additional capital outlays necessary to bring each plant up to the standards necessary for regulatory compliance. Food manufacturers must obtain prior approval for labels of meat and poultry products before they can be marketed. Statutory, regulatory, policy and procedural requirements assure that labels are truthful, accurate, not misleading, and not misbranded to bear the USDA mark of inspection.

Small processors have limited financial resources or qualified staff to develop and implement HACCP plans. To assist very small establishments, FSIS created a draft HACCP plan and created a Meat and Poultry hazards and Controls Guide which was updated March 2018. The guide includes slaughter sections for beef, swine, and poultry. It lists potential biological, physical, and chemical hazards and recommended frequently used controls and preventative measures.[x]

To get USDA certification status granted through USDA-FSIS, a processor must develop and implement a HACCP Plan, have developed a written Sanitation Standard Operating Procedure, and have a suitable facility for a slaughter and/or operation. They must also complete the FSIS FORM 5200-2, Application for Federal Inspection. The approval process typically takes 4-6 weeks to be processed. Once given approval, and federal inspector will be provided by FSIS at no charge up to 40 hours per week. Any overtime or voluntary charges will be charged at $50-70/hr. No operation requiring inspection shall be conducted except under the supervision of the federal inspector. The facility is required to provide an office, rent free, for the exclusive use for the federal inspector and include a lockable storage cabinet, locker suitable for the protection and storage of program supplies, a suitable facility for the inspector to change clothing and provide outer work clothing and laundry service.

All facilities must supply water that complies with the National Primary Drinking water regulation which can either be municipal water or a private well which must be tested semi-annually. For mobile slaughter units (MSU), it is permissible to transport water in a tank to the slaughter location if there is a water report certifying the potability of the water source.[xi] All water test documentation must be made available to the FSIS inspector. Hand washing and toilet facilities are also required for all processing facilities including MSU.

The facility must dispose of sewage in a system separate from all other drainage lines. If the sewage system is private, it requires approval from a State or local health authority. MSU must

provide both water and sewage documentation for each specific site of operation. Some MSU may have a holding tank and will haul waste water for discharge at the MSU docking station, however if blood and waste water is dispersed on the producer's property, it must be away from any stream or drainage as approved by the local health authority. Proper carcass and offal disposal must be implemented according to the local health authority. MSU might be allowed dispose of denatured meat or poultry offal on the farm to be composted for use as a soil amendment when permitted by local regulations thereby improving soil nutrients and avoiding the cost of rendering.

FACILITY OPERATION CONSIDERATIONS

One outcome of this study is the finding that Goffle Road Poultry, are interested in expansion to grow their business and serve the needs of NJ poultry farmers, even going so far as to assist in transportation. A limiting factor for Goffle is the perception that they are too far away and difficult to get to, but there are methods to overcome that. A facility in the southern end of the state would help, but they are willing to take birds from all over New Jersey, which certainly takes the pressure off the poultry industry.

It is beyond the scope of this project to provide specific recommendations and estimates for facility upgrades or the development of a new facility. USDA meat inspection requires humane handling designed for a safe environment and for both animals and plant operators. A well thought out and efficient flow reduces animal stress, possible injury, liability, and financial loss. The various research results were synthesized into the following considerations.

Physical Plant

1. Kill Floor Equipment
2. Water, sewage, composting and disposal
3. Utilities
4. Cooling, chilling and drying areas
5. Processing/counting/packaging area
6. Docks raised to truck height for loading or offloading.
7. Grounds to handle trucks, employee parking, and animal holding areas.
8. USDA Inspector personal office space
9. Employee and staff office space for a desk, a filing cabinet, computer
10. Break area with light kitchen appliances, a table, and chairs
11. Employee bathrooms and showers

Operations

1. Number of animals processed per day
2. Species of animals handled by the facility
3. Services offered

4. Hazard analysis and critical control points plan (HACCP)
5. Labeling and tracking systems for meat, carcasses and orders

Ownership and Labor

1. Governance and Ownership
2. Number of staff, hours, pay rates, benefits
3. Hiring, training, and employee turnover
4. Employee skills, roles, responsibilities
5. Policies, procedures, and regulations such as OSHA
6. Insurance, workers compensation, general liability, directors, and officers liability

ECONOMIC DEVELOPMENT/JOB CREATION

A new facility or expansion of an existing facility should explore programs offered by the New Jersey Economic Development Authority (NJEDA) as a means of identifying investment opportunities in rural areas of the state in support of additional livestock processing capacity. Processors recognize hiring skilled workers, training, and retaining quality employees as one of their largest constraints to business growth. A new, expansion or relocation of a facility should consider locating in an area with high unemployment which is accessible to public transportation.

Several programs worth considering include low-cost, long-term bond financing, loans guarantees, and incentive grants. Several competitive grant funds authorized by the 2018 Farm Bill under the Local Agriculture Marketing Program which would support the development and implementation of regional food systems include but are not limited to the following:

- The Federal-State Marketing Improvement Program (FSMIP) offers grants with a one-to-one dollar match to assist in exploring new market opportunities for U.S. food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

- Rural Business Development Grant (RBDG) offers grants to public bodies and non-profit corporations so that they may assist small and emerging businesses and/or non-profits in their communities to create and support jobs. To leverage investments in rural property, the Agency also encourages projects located in rural Opportunity Zones where projects should provide measurable results in helping communities build robust and sustainable economies. RBDG funds may be used to: Acquire or develop land, buildings, plants, equipment; access streets and roads, parking areas, utility extensions, necessary water and supply and waste disposal facilities; provide technical assistance; establish revolving loan funds; and to create, expand, or operate rural distance learning programs that provide educational or job training instruction related to potential employment or job advancement to adult students.

- The Regional Food System Partnerships (RFSP) program supports partnerships that connect public and private resources to plan and develop local or regional food systems. Effort is focused on building and strengthening local or regional food economy viability and resilience by alleviating unnecessary administrative and technical barriers for participating partners.

- The Local Food Promotion Program (LFPP) funds projects which develop, coordinate and expand local and regional food business enterprises that engage as intermediaries in indirect producer to consumer marketing to help increase access to and availability of locally and regionally produced agricultural products.

- The Value-Added Producer Grant (VAPG) program helps agricultural producers enter into value-added activities related to the processing and marketing of new products. The goals of this program are to generate new products, create and expand marketing opportunities and increase producer income.

Project developers would benefit from contacting the Council of Development Finance Agencies (CDFA) Food Systems Finance Resource Center. Recognizing that food systems are an important driver for local economic development, CDFA offers webinars, guidebooks and technical assistance to navigate support local food systems, such as bonds, tax increment finance, tax credits, revolving loan funds, and other tools which support investments in agricultural infrastructure and small food-related businesses.

NEW JERSEY OPPORTUNITY ZONES

The Federal Opportunity Zones Program which was enacted in 2017 as part of the Tax Cuts and Jobs Act which was designed to spur economic development and job creation through long-term capital investments in low-income rural and urban communities. “Reinvested capital gains are deferred from taxation until exit from a Qualified Opportunity Fund or December 31, 2026, whichever comes first. However, the original gains reinvested in Qualified Opportunity Fund investments held for the long term are taxed at reduced rates, with taxable gains discounted by 10% at the 5-year mark and by an additional 5% discount at the 7-year mark. Any new gains from Qualified Opportunity Fund investments held for at least 10 years will be permanently excluded from the capital gains tax.[xii]” Other development regions that offer financial incentives include Brownfield Development Areas.

CONCLUSION

It is clear there is a need to increase access to appropriately scaled livestock processing facilities in New Jersey. These facilities will need to have the proper practices and inspection status to deliver safe products to customer specifications. The solution, however, is not clear. Only eleven of the 163 survey respondents were willing to share financial benchmark information thus the financial projections we were able to acquire are not able to provide clarity on the scale of the need. Through an organized method of gathering information and providing opportunities for farmers to come to discussion on their common needs, a group of leaders emerged where they were able to brainstorm ideas and strategy. However, at the conclusion of this study, there is a hesitance among farmers to commit financially to a shared business and a lack of interest around marketing under a shared label or shared marketing.

Processors will need steady, consistent business commitments to be willing to take the financial risk for upgrades or the development of a new facility. Processors will choose to make an investment based on what they perceive as a good venture that will provide them with a long-term profit. "Expense estimates suggest that, to be profitable, even a small processing plant providing very basic services must annually process approximately 450 head of cattle, or the revenue equivalent in combinations of other livestock, spread out fairly evenly over the year. Operations that offer more sophisticated services require significantly higher volumes, making it more challenging to reach the critical mass of local livestock to support such plants."[xiii]

Our hope is that this report will provide guidance and inspire ongoing conversations amongst stakeholders which could encourage new business growth either from existing New Jersey processors adjusting to serve the needs of the farmers in their community, the emergence of several new small processors, or one larger integrated facility.

Keystone Development Center stands ready to serve in the role of organizational and leadership development should producers wish to continue the exploration of a cooperatively owned business. It is highly recommended that the New Jersey Department of Agriculture, Rutgers Cooperative Extension, and Keystone Development Center work in unison to further the development of the producers models. Any successful business venture the emerges from this research will be strengthened by the continued involvement of the producers and processors who participated in this research, on the steering committee, and any new stakeholders who may emerge as the project advances. Education and outreach will be the key to sustaining and advancing value added custom livestock products for consumers served by New Jersey agriculture.

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APPENDIX B: CUSTOM PROCESSORS BY STATE

NEW JERSEY-BASED CUSTOM PROCESSING AND SLAUGHTER

ARCTIC FOODS

Established in 1957, Arctic Foods is a family-owned and operated, USDA-inspected processing facility in Washington in Warren County, NJ. They offer custom processing of beef, pigs, bison, lambs and goats, specializing in certified Piedmontese Beef. They house a retail operation, The Meat Shoppe, in addition to their online store, catering service and home delivery.
www.arcticfoods.com

BRINGHURST MEATS

Bringhurst Meats, established in 1934 in Berlin in Camden County, NJ offers custom-exempt slaughter and processing services for beef, pork, lamb, veal, goat, bison, and alpaca. They run a catering service and a retail location.
www.bringhurstmeats.com

BURLINGTON BEEF

Burlington Beef is a family-owned USDA-inspected slaughter and processing facility in Monroeville in Gloucester County, NJ. They offer custom processing for area beef farmers and also buy beef cattle that they process and sell through their wholesale and retail operations.
www.burlingtonbeef.com

DEALAMAN ENTERPRISES, INC.

Established in 1905, Dealaman Enterprises, Inc. is a family-owned and operated USDA-inspected slaughter and processing facility located in Warren in Somerset County, NJ. They specialize in processing and selling wholesale and retail suckling pigs, roasting pigs, kid goats, and baby lambs. They also sell feed hay. They are USDA-approved to receive immediate slaughter swine and are approved to receive cattle from Canada.
www.dealamanenterprises.com

DOUBLE BROOK FARM

Established in 2004, Double Brook Farm is one of only two USDA on-farm slaughter facilities in the nation for red meat and poultry. The farm sells 100% of their products through their retail store, Brick Farm Market, and a restaurant, Brick Farm Tavern. All three businesses operate year-round in Hopewell, Mercer County, NJ. Double Brook Farm only processes their own animals.
www.doublebrookfarm.com

ENA MEAT PACKING

Founded in 1989, ENA Meat Packing began as a small halal slaughterhouse in Whippany New Jersey but expanded and relocated to Paterson in Passaic County, NJ after a fire. ENA Meat Packing is the largest halal meat slaughterhouse in the US, doing 100% halal slaughter for wholesale, retail, and custom work. ENA Meat Packing is approved by USDA to receive immediate slaughter for cattle, sheep and goats and are approved to receive cattle from Canada.
www.enameatpacking.com

GODEK'S FARM

Godek's Farm in Marlboro in Monmouth County, NJ operates a live-bird market and offer exempted slaughter and processing of all species.
www.godeksfarm.com

GOFFLE ROAD POULTRY FARM

Established in 1948, Goffle Road Poultry Farm is a family-owned, USDA-inspected processor in Wycoff in Bergen County, NJ that offers custom slaughter and processing of chickens and turkeys on a fee-for-service basis. They also raise their own chickens that they sell through their retail store. Their slaughter services include exempt slaughter of various poultry, including religious exempt, and USDA slaughter of chicken and turkey.
www.gofflepoultry.com

GREEN VILLAGE PACKING COMPANY

Green Village Packing Company is a family-owned and operated slaughter and processing facility established in 1948 located in Green Village in Morris County, NJ. Green Village Packing Company offers USDA-inspected slaughter and processing for goats, sheep, and pigs as well as USDA-exempt beef slaughter and exempt processing for other animals. They do wholesale and retail.
www.greenvillagepacking.com

SENAT POULTRY

Senat Poultry, located in Warren in Passaic County, NJ offers 100% halal processing of chickens that they raise in Lancaster County, Pennsylvania.
www.senatpoultry.com

V ROCHE AND SON BUTCHER SHOP

V Roche and Son Butcher Shop, established in 2010, is in Whitehouse Station in Hunterdon County, NJ. They provide USDA-exempt slaughter and processing producing kielbasa, jerky.

PENNSYLVANIA-BASED CUSTOM SLAUGHTER AND PROCESSING

BARINGER BROS. MEATS, LLC.

Baringer Bros. Meats, LLC. provides custom exempt slaughter and butchering located in Richlandtown, Bucks County, PA. established in 1947. They have a retail store and go to the Allentown Farmers Market where they sell their fresh and home smoked meats, bologna, sausage, and scrapple. Two farmers in the survey reported using Baringer Bros. Meats.

https://www.facebook.com/BaringerBrothersMeats/

FRIGID FREEZE LOCKERS

Frigid Freeze Lockers located in Riegelsville, Bucks County, PA established in 1940. They provide custom exempt processing. Three farmers responding to the survey report using Frigid Freeze.

https://www.facebook.com/pages/Frigid-Freeze-Lockers/165337000160015

LEHIGH VALLEY MEATS LLC

Lehigh Valley Meats LLC is in Nazareth, Northampton County, PA, established in 2014. They slaughter, cut and package under USDA inspection along with doing our custom work for beef, pork, goat, lamb and deer. In conjunction with our inspected process we also have a growing roasting pig wholesale business. Specializing in supplying both fresh and frozen roasting pigs to Caterers, wholesale companies and individuals. Fourteen farmers surveyed in who participated in The New Jersey Livestock and Poultry Survey reported using Lehigh Valley Meats.

https://www.lvmeats.com/

NELLO'S SPECIALTY MEATS

Nello's Specialty Meats is in Nazareth, Northampton County, PA, established in 2014. They provide USDA inspected custom processing. They process beef, pork, veal, chicken, turkey, lamb, boar, bison, and elk. Nello's provide custom butchering, and specialize in artisan sausages, and salami. They smoke with natural hickory wood.

http://nellosmeats.com/

NEW HOLLAND MEATS

New Holland Meats, established in 1927, has been operating for 5 generations in New Holland, Lancaster County, PA. All their products are USDA Approved and Inspected. They offer fresh dressed beef and pork and sausages but specialize in smoked and dried jerky products. They also offer all-natural pet snacks. They have a retail location at the Green Dragon Farmers Market, Ephrata, PA.

https://www.newhollandmeats.com/

RISING SPRINGS MEAT CO.

Rising Springs Meat Co. established in 2012, is a small-scale USDA inspected slaughter and processing facility in Spring Mills, Centre County, PA. They process beef, pork, lamb, chevon, bison and ostrich.

http://www.risingspringmeats.com/

SMUCKER'S MEATS LLC

Smucker's Meats LLC in Mt. Joy, Lancaster County, PA established in 1965, is now in their third generation. They offers slaughter, specialty cuts, curing and packaging options. They operate under USDA inspection for both slaughter and processing for cattle, bison and hogs.

https://www.smuckersmeats.com/

SPRINGFIELD MEAT COMPANY, LLC

Springfield Meat Company LLC, located in Richlandtown, Bucks County, PA provide custom USDA inspected slaughter and processing for beef, hogs, goats, and lamb.

https://www.facebook.com/pages/Springfield-Meat/161132327242096

OTHER STATES PROVIDING CUSTOM SERVICE TO NEW JERSEY LIVESTOCK FARMERS

HAASS' FAMILY BUTCHER SHOP, INC.

Haass' Family Butcher Shop, Inc. Dover, Kent County, DE provides USDA-inspected slaughter and USDA-inspected custom processing for beef and pork. They also have a retail store.

https://www.haassmeats.com

BOWMAN'S BUTCHER SHOP, LLC

Bowman's Butcher Shop, LLC established in 1942, is in Aberdeen, Harford County, MD. They are a third-generation business. This woman-owned butchery providing USDA custom slaughter and processing of beef, lamb, goat, and wild game. They do not slaughter hogs but do provide USDA inspected custom processing of pork products. They have a retail store where they sell fresh and dry-aged beef, fresh pork, sausage, poultry, and exotic meats. Est. 1942.

https://bowmansbutchershop.grazecart.com/home

GALVINELL MEAT CO., INC

Galvinell Meat Co., Inc established in 1968, is in Conowingo, Cecil County, MD. They provide USDA inspected custom slaughter and processing of beef, hogs, goats, and lamb. They specialize in ground chuck, pork BBQ, scrapple, sausage, and bacon in their retail store.
`https://www.galvinell.com

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