Characterizing Demand for Local Meat Processing: A *Needs Assessment for Livestock Processing Services in San Francisco's East and South Bay*

Executive Summary
December 2015

Summary

Livestock producers in San Francisco's East and South Bay region have expressed concern about access to slaughter and processing services for many years, as well as the limitations that this lack of access places on the growth of niche meat production to meet growing regional demand. *Characterizing Demand for Local Meat Processing: A Needs Assessment for Livestock Processing Services in San Francisco's East and South Bay* is an effort to quantify demand for meat processing services including slaughter and secondary processing or "cut and wrap" within this region. The assessment was completed through a series of interviews with local producers, butchers and restauranteurs to determine if sufficient demand exists to pursue the establishment of additional processing facilities as well as to examine other means of addressing limitations in local meat processing. This report was developed with support from a United States Department of Agriculture (USDA) Local Food Promotion Program (LFPP) Grant and focuses on Alameda, Contra Costa and Santa Clara Counties. Findings suggest that the distance to area facilities is an impediment to access and that some dissatisfaction with services exits. However, it also finds that current demand for these services is not sufficient to merit a new facility at this time. Several collaborative solutions were explored and significant interest exists in pursuing a cooperative or aggregating business model that might streamline niche production and help bring additional conventional producers into niche markets.

Findings

A total of 24 interviews were conducted across the three county grant area engaging 25 stakeholders. It is estimated that these interviews reached approximately 80% of those currently involved with niche meat processing. Of the 24 interviews, 21 were conducted with livestock producers and 3 with retail or butcher representatives. 14 of the 21 producer interviews were conducted with those currently processing meat at facilities within the region.

Producers primarily utilize USDA inspected slaughter facilities, none of which are within the grant area and driving distances average 92 miles (1.5-2 hrs) one way. For secondary processing services, producers utilize both USDA and state inspected facilities, depending on the ultimate market for the meat product. Many prefer to utilize state inspected facilities when the product is not intended for resale in light of greater proximity. The average driving distance to cut and wrap services is 88 miles one way.

Just over half of interviewees expressed satisfaction with services provided by both slaughter and cut and wrap facilities within the region. Producers cited a range of complaints, however there was little clustering of these complaints aside from long waits, traceability and insufficient hang times for slaughter, and poor packaging quality for cut and wrap. This feedback does not capture the over-riding concern that meat processing services are too far away to be readily accessed, therefore creating a barrier to successful niche meat production. When asked about collaborative solutions to slaughter and processing challenges, interviewees were most

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enthusiastic about a cooperative or aggregating business model whereby several or all aspects of production and processing would be combined under one umbrella.

Conclusions

Research and prior experience suggests that even a small slaughter plant with limited services will require throughput of approximately 1130 beef equivalent[1] per year to break even.[2] Alameda, Contra Costa and Santa Clara counties are likely to provide less than a half that number. Even when combined with beef equivalents from the Central Coast, where a similar study was conducted in 2015[3], the total number is still insufficient.

At present, the total number of producers regularly requiring slaughter and processing services within the assessment area is quite limited – likely not exceeding 20. This may be, in part, a reflection of a perceived scarcity of processing facilities and associated challenges that thereby limits interest in these markets, as well as climate and forage base, which limits grass-based finishing during much of the year. Total slaughter and processing demand is fairly equally spread between cattle, pigs, goats, sheep and lamb and animals slaughtered in association with county fairs constitute a significant percentage of this total. Notably, potential additional demand for niche beef processing services is significant with several large-scale producers currently considering expansion into this market. However, in the near term, these additions are not likely to be sufficient to merit a new facility.

Systemic Solutions

A production cooperative or aggregating business model appears to be a promising first step towards addressing processing demand in the East and South Bay. Additionally, it would help to build supply for rapidly growing Bay Area Markets from within a community of producers with demonstrated interest and latent capacity.

In the face of near term constraints on the ability to enhance slaughter and processing services in the region, members of the Steering Committee for this assessment proposed several more system-wide solutions. These include the following: public policy solutions and/or State Meat and Poultry Inspection Programs (MPI).

Specifically, this report recommends the following ongoing next steps:

- Continued discussion amongst the stakeholder community, most critically niche producers, about the development of a cooperative/aggregating business model. This discussion can be supported by outside experts but should be driven by stakeholders.
- Continued discussion about public policy solutions such as ecosystem service payments for processing facilities serving small and mid-size niche producers.
- Continued collaboration with other producer groups and issue experts throughout the region and the state to build on previous work and dovetail current efforts.
- Continued open communication between producer groups and area processors to better address the needs of both constituencies.

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[1] One beef equivalent is equal to two pigs or three goats or lamb.

[2] Gwin, Lauren, Arion Thiboumery, and Richard Stillman. Local Meat and Poultry Processing: The Importance of Business Commitments for Long-Term Viability, ERR-150, U.S. Department of Agriculture, Economic Research Service, June 2013.

[3] Quanbeck, Kathryn, "Options for Increased Processing Capacity in California's Central Coast Region," Niche Meat Processor Assistance Network (2015).

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