

To: Greg Hargett, Deputy Director, Ohio Department of Agriculture
From: Megan Shoenfelt, Program Coordinator
Agroecosystems Management Program, OARDC
Date: February 25, 2009
RE: Poultry Processing Working Group Summary

Overview

Per your request at our meeting at ODA last week, this report is intended to provide the detailed information to supplement your decision making process concerning the development of a mobile poultry processing unit for Ohio. Since October of 2008, a stakeholder group has met to discuss the possibility of securing a mobile poultry processing unit, approved for use by the Ohio Department of Agriculture (ODA). The goal is to provide a state inspected processing facility to service smaller poultry producers that do not have a processing plant near enough to economically utilize. The group consists of representatives from the Ohio Agricultural Research and Development Center (OARDC), ODA, Food Technology Technical Support personnel from Center for Innovative Food Technology (CIFT) and Appalachian Center for Economic Networks (AceNET) and representatives from several producer groups.

The following objectives were identified at the first meeting held October 31, 2008:

- *To discuss and brainstorm scenarios in which state inspected poultry processing facilities/units can be established to support an increase in small to medium sized poultry enterprises on Ohio farms and eliminate the identified "Butchering Bottleneck".*
- *To identify interested partners who can assist in the management, financing and/or support needed to successfully establish processing facilities.*
- *To look for opportunities to support entrepreneurs or private enterprises that have or could have an interest in owning/operating a poultry processing unit.*

Processing capacity throughout the state is limited to one existing facility in SE Ohio that has ODA certification for contract butchering. Group discussions have identified several pockets of interest where a Mobile Processing Unit (MPU) is needed to promote and support increased development of poultry enterprises. The consensus of the group was to proceed with the planning necessary for a pilot project. Our most recent meeting held at OARDC on February 11, 2009 identified two potential networks of producers, processors and marketers that may meet the criteria for support by the Ohio Department of Agriculture - a NE Ohio group, centered in Wayne County, Ohio and a working group focused on developing a network for central Ohio.

Either group could function as the pilot program to increase poultry production on small to midsized Ohio farms and increase distribution and availability of wholesome local products to Ohio consumers.

Several hatcheries serving the state have provided letters of support for a MPU and consumer demand continues to grow. Demand includes meat processed under various certification programs such as Kosher and Organic.

Presented in this report are summaries of the stakeholder meetings and many hours of discussion. The justification for the project is detailed along with several possible management scenarios for the MPU. Early on in this process, the Director's Office of the Ohio Department of Agriculture was involved in a tour of a MPU under construction at the Brothers Body and Equipment manufacturing facility in Galion, Ohio. The unit was being built for the State of Vermont and subsequently has been shipped. It was after seeing the unit that ODA expressed interest in financially supporting a mobile processing unit project for Ohio. Per a recent conversation with Michael Horn of Brothers Mfg, two comparable trailers remain on their lot, are somewhat shorter than the Vermont trailer and would be very suited to outfit for MPU's here in Ohio. Some of the decisions that will impact how a unit could best be developed and utilized are dependant on the level of involvement and regulatory compliance issues under the purview of the ODA.

Some of the issues for ODA consideration are:

- Approving the use of galvanized over stainless steel processing equipment which would greatly impact the initial cost of the MPU
- Design consideration and approval of MPU capacity based on space limitations and chill time requirements
- Available financial assistance – terms and conditions
- Assistance in developing an operational hub to service the MPU and other value added agricultural enterprises
- The ability for ODA to subsidize any operational expenses
- The necessity to create a business entity that could qualify for additional grants or operational loans

The Involvement of the OARDC Agroecosystems Management Program (AMP)

AMP has taken a leadership role in the planning process up to this point as a result of a pastured poultry workshop held for regional producers last fall. It was apparent at that meeting that growers felt the lack of processing impacted much of their production potential. It was also at the AMP sponsored 2nd Annual Stinner Summit, held last September, that attendees identified the lack of processing as a significant problem and a deterrent to small scale poultry production on Ohio farms.

AMP convened the initial planning meeting in an effort to establish a collaborative task force in keeping with the program's objectives of supporting strong, diverse and profitable agricultural communities in Ohio. AMP hosted the subsequent meetings and distributed reports, updates and meeting notices among the working group stakeholders.

AMP has interest in creating a working model of this collaborative process that could be used elsewhere within the agricultural community in Ohio by identifying a need and supporting and encouraging stakeholder participation in pursuing viable solutions. AMP has support from the USDA for further developing this kind of networking facilitation in support of local food systems, with the ultimate goal of balancing social, environmental and economic goals of Ohio farms and farmers. An ongoing AMP partnership with the Ohio Department of Agriculture to facilitate this kind of networking activity would be a welcomed outcome. The Agroecosystems Management Program also is offering to continue its facilitation role in this project by convening

and managing a review panel for the evaluation of business plans submitted by commercial enterprises interested in the MPU.

The Need for Additional Poultry Processing Facilities

The lack of adequate poultry processing/butchering capacity within the state has been identified as the bottleneck, discouraging small to medium sized farmers from establishing poultry enterprises.

The need to address this lack of processing capacity has gained more importance in recent years due to increased interest in pastured poultry enterprises and their suitability as an additional diversified farm enterprise for Ohio farms. The rationale for this increased interest includes:

- Relative ease in growing high quality poultry products
- Good use of pasture resources
- Good use of pasture in an integrated grazing operation
- Low cost of entering into the enterprise
- Good to high demand/consumer preference for “natural” and/or grass fed products
- The growing part of the enterprise tends to have low labor input
- Can easily increase on-farm production diversity
- Suitable enterprise for small acreages
- Adaptable to some season extension and/or seasonal confinement

The butchering process requires certain equipment, skilled labor, and specific handling procedures to ensure humane, clean and properly chilled poultry products suitable for off-farm sale, especially to retail establishments, restaurants and institutions.

The cost of the equipment and the nature of the work itself – the time for the processing and clean up, the labor requirements and the economies of scale collectively discourage casual entry into poultry processing enterprises. The cost of regulatory compliance, waste handling and disposal practices must also be considered.

On-farm poultry processing can be done under an USDA and ODA inspection exemption limiting a farmer to processing less than 1000 birds per year. Throughout Ohio, birds from small flocks are being processed under variable conditions without inspection on farm.

A farm wanting to optimize a pastured poultry enterprise would need to create an on-farm processing plant or plan to ship birds to western Ohio to the only small scale but state inspected contract facility. It is important to make a few starting assumptions:

- A processing facility meeting the standards of ODA inspection helps assure a higher quality poultry product from a food safety perspective
- ODA inspected facilities support higher consumer confidence which allows more marketing opportunities for Ohio growers
- Restaurants, grocers and institutions need to secure product from an inspected and insured facility with a documented Hazard Analysis and Critical Control Points (HACCP), quality control and tracking plan

- Only birds processed in an USDA inspected facility can be shipped across state lines
- There is increasing consumer preference favoring small scale, sustainable production

In recent years, interest has increased in the development of mobile processing units as a possible solution to the butchering bottleneck. The unit could be (or not) designed to meet the state inspection requirements. Estimates within the industry suggest that a mobile facility can work well when establishing new or building existing grower networks. A mobile facility may provide flexibility and a lower cost entry into processing. A permanent brick and mortar facility could be viable when processing numbers consistently exceed 10,000 head per yr.

At the recent stakeholders meeting, discussion focused on using a systems approach to create an interdependent and strong network along the production chain. This could allow several business enterprises to develop and prosper along with the MPU. Specifically, this would consider the needs and impact to a hatchery, feedstock provider, brooder, farm production and marketing enterprises when evaluating any MPU business plan.

Scenario #1 - The MPU Travels from Farm to Farm

Based on some of the design criteria to be determined by ODA, the unit and equipment could be sized to process a smaller number of birds per day. The unit could be managed by an independent contractor or ODA employee. Labor would be provided by the farm. The unit would need to be equipped with a hot water source, accommodate disposal and/or holding capacity for black and gray water discharge, ice making and holding capability, a generator and would also require a 1 ton or greater sized heavy duty vehicle for towing (which may also require a CDL). The farm would need to provide proof of approved potable water supply.

Product could be sold off the farm to various individuals or marketed cooperatively. Our discussions pertaining to this scenario focused on whether this could be an economically viable enterprise. Given that most pastured poultry production units are in groups of 100, would the unit be able to efficiently process 100 to 200 per day or because of the ice requirement and chill time, would the unit be limited to smaller production runs to have state inspection approval? Would a minimum per day bird count need to be set in order for ODA to provide inspection services?

A modification of this system could be where an area farm serves as a hub for local processing. The unit could set up and area farmers would bring their birds to the unit on a predetermined schedule. Two issues seem to discourage this from being a viable option. A greater amount of waste would be generated and would require additional handling by the “home” farm at some additional cost. The issue of bio-security also becomes a larger concern by increasing the possible contamination and disease critical control points.

Scenario #2 - The MPU Docked at a Regional Agricultural Processing Hub

Another management scenario for a mobile facility includes the establishment of a centralized hub system where farmers from surrounding areas can contract for processing and deliver the birds to the unit. The hub provides a vital service by allowing certain functions to be done within

a “clean room”, saving room in the MPU and increasing slaughter capacity. The approved potable water source and waste water disposal system of the stationary hub would provide a higher degree of proper waste handling and other regulatory compliance assurances.

The MPU management could enter into a purchase/loan payback agreement with ODA. The management would provide labor and have the organizational responsibility to schedule production and maximize the unit efficiency and capacity. The MPU could be designed on a smaller trailer frame (than the Vermont unit), would have less hauling requirements and decrease some of the upfront cost of the MPU.

Possible disadvantages with this scenario include the additional cost to outfit a hub that would offset the cost savings of constructing a smaller trailer. This system would also limit where the unit could be used.

Possible Business Structures

Many organizational and business structures could be utilized within a hub/MPU system. Some discussions have focused on possible funding opportunities that may be available by establishing a cooperative business structure for all or a portion of the overall production chain.

One scenario, in particular, was vetted at length and seems to have the majority support of the stakeholders within the NE Ohio working group. This network has participation from several producer groups including the Green Field Farms Organic Cooperative; a group committed to marketing a certified Kosher product to NE Ohio, an established pastured poultry operation previously in the contract processing business and representatives from local and regional agricultural economic and community development.

A hub would be centrally located as close to the production areas as possible. The hub would allow the MPU to be docked and have convenient access to a clean room. This room would house ice making, cooler/freezer capacity, restroom/hand-wash facilities as well as provide working space for vacuum packaging and other value added activities.

The concept of a Hub/docking facility has other justification as well. Establishing a series of hubs, each servicing multiple county regions within Ohio, creates a network of facilities devoted to value-added food processing. The poultry MPU could service several hubs. As poultry markets increase, customers of the MPU could expand or create spin-off businesses that “incubate” within these processing hubs.

Other types of mobile processing units could be developed as well. A hub clean room with the cooler and freezer capacity could service a mobile blanching /quick freeze unit bringing additional processing options to vegetable and fruit producers. The room could function as an approved facility for egg breaking or other value added enterprises. ODA involvement with creating a prototype of this kind of facility could be an exciting and valuable resource to the agricultural community as well as significantly contributing to the Ohio economy focused on local food production.

The existing Apple Creek (ACDC) facility is routinely mentioned as a perfect example of a hub location that could provide the needed infrastructure for this type of enterprise and would require only nominal retrofitting for this purpose. The infrastructure includes all utilities and wastewater management. Other locations within this region may also be perfectly well suited and available, but for the purpose of explaining a possible production flow, the Apple Creek facility will be used as the Hub example.

The table below identifies the process flow from type of product to the marketing options. Some subsets exist along the chain providing opportunities to supply chicks and feed to growers (similar to large scale integrated poultry operations); providing brooding and distribution services to growers and other transportation functions to the network.

Process Flow Diagram

Product	Possible Producer Groups	MPU	HUB	Marketing Options
Natural and/or pastured poultry	independent producers	Owned and operated by private entity (purchased from ODA with long term loan payback)	Managed by a non-profit entity or a producer/processor cooperative capable of seeking grant funding.	Various producers return product to farm for direct sale or consumption
	cooperative of producers			
	existing production from Tea Hill Poultry or other established operations			
Organic	Green Field Farms organic Cooperative or other certified organic producers	Contracts/schedules processing with producer groups OR Facility is leased or purchased from ODA by a cooperative of producers	Leases space per sq ft from Township/village	Product marketed by cooperative (brand) of producers to consumer, retail, restaurant, institutional, etc.
Kosher	A network of producers contracted to supply by Kosher Marketing Group	Contracts/schedules processing with producer groups	Contracts/schedules use of hub facility. Clean room also available for other value-added processing for poultry and other commodities	Product is marketed under the certification entity as organic and/or Kosher to consumer, retail, restaurant, institutional, etc.
Kosher Organic	Green field or other certified organic producers contracted by Kosher Group			Product is available for direct sale at the hub
Turkey/game bird/fair birds	Multiple producer categories			

Evaluating the process flow helps identify where natural groupings, marketing possibilities and networks become obvious enterprise opportunities. Forming the appropriate business and organizational structures for these entrepreneurial enterprises depends upon the strategy of involvement from the Ohio Department of Agriculture.

Resources and References

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