

**Increasing Communication and Collaboration between New Hampshire
Meat Producers and Processors to Make Locally Raised Meat
More Accessible and Affordable**

**FINAL REPORT
to
U.S. Department of Agriculture
Local Food Promotion Program**



Environmental Mediation Center

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EXECUTIVE SUMMARY

Background

This project was funded by USDA's Local Food Promotion Program to identify challenges and develop strategies to increase production and processing of local meat in New Hampshire. New Hampshire's meat producers operate small pasture-based farms. Many producers are interested in expanding their operations but they have a higher cost of production than industrial-sized operations in other regions of the country. The vast majority of consumers typically buy commodity meat produced elsewhere because it is less expensive. New Hampshire's meat producers primarily sell directly to the small niche of consumers willing to pay more for locally produced food. Expanding their operations would require either increasing the niche of consumers willing to pay more for locally produced meat or opening up new marketing opportunities such as to institutions and grocery stores.

Process

In order to reach a wide cross-section of New Hampshire's meat producers, four focus group meetings were held throughout the state. In addition, an online and hard-copy survey was utilized to reach producers who could not attend any of the focus group meetings. The meetings and surveys identified the challenges facing producers and a list of possible strategies to explore. The four USDA-inspected processors were also interviewed to identify the challenges in operating their businesses and in interactions with producers.

Next, a Working Group of producers was formed to prioritize issues and develop a series of recommendations. Working Group members raise beef, hogs, poultry, deer, sheep, and goats. The Working Group invited staff from New Hampshire Department of Agriculture, Markets, and Food (NHDAMF), University of New Hampshire Extension (UNH Extension), non-profit organizations and other experts to guide deliberations and help form recommendations. Processors were invited to attend a meeting that addressed challenges related to scheduling processing appointments, packaging, and other producer/processor issues. The following list of recommendations was developed and approved by the Working Group; not every member approved each and every recommendation.

Recommendations

1. ***Improving Producers' Business Operations:*** Producers must know their exact cost of production and have a marketing plan tailored to their business and their customers. Producers should utilize online tools that enable them to compare profit margins of the available marketing channels and choose the most profitable option.
2. ***Increasing Demand for Local Meat and Expanding the Customer Base:*** Actions to increase demand and expand the customer base could include: a robust statewide label for meat that is produced and processed in New Hampshire; producers aggregating products to sell to grocery stores and institutions; developing "buy local" program with institutions;

producers and processors collaborating on improving packaging; and producers developing value-added products.

Labeling: A robust statewide label certifying that meat was produced in New Hampshire could boost sales by clearly identifying local meat to consumers. Producers could either utilize the existing NH Made label program used mostly by other sectors or create a meat- or agriculture-specific label. The label combined with a coordinated marketing campaign by producers, NHDAMF, UNH Extension and other organizations could highlight the advantages and availability of buying from local producers.

Selling to Institutions and Grocery Stores: Selling to institutions and grocery stores requires producers to provide a high volume of a particular cut of meat on a regular basis. Most small producers acting alone cannot meet those requirements. Producers who raise products following similar methods could aggregate and co-brand their meat under a joint and farm-specific label. Co-branding products would open up new marketing channels and is a simpler aggregation strategy than other options such as forming a cooperative.

In neighboring Vermont and Maine, “buy local” programs were established with major institutions. For example, requests for proposals for food contracts for university cafeterias required a certain amount of food to be purchased locally. While an effort was made years ago to create parallel programs in the state, the time is ripe to meet with institutions to explore similar options for New Hampshire.

Packaging: Producers want state of the art packaging that showcases their products, although there is not clear consensus on what that is. Processors expressed a willingness to investigate other packaging options but would like a long-term commitment, and possibly a shared investment from producers.

Value-Added Products: Several grocery stores already sell some local meat and did not see many significant opportunities for new vendors. However, several indicated that there is demand for locally produced, value-added meat products such as grass-fed meatballs.

3. **Adopting Efficiencies to Reduce the Cost of Production:** New Hampshire’s meat producers have a higher cost of production due to their small size, high transportation costs, higher processing fees, lack of access to pasture in the winter, and high cost of feed. There are no simple fixes, but the following recommendations could slightly lower the cost of production.

Transportation Costs: Due to the limited number of processing facilities, producers have high transportation costs because they must travel long distances to process livestock. While producers are reluctant to co-mingle herds because it increases stress to their animals, nearby producers could share picking up the processed meat from the processing facilities. Inventory tracking systems could ensure that each producer is receiving the meat from their herd.

Distribution Costs: Producers selling to grocery stores, institutions, and restaurants have high distribution costs because they must bring the livestock to the processor, pick up the meat, and then deliver it to the buyer. Producers and processors should explore whether the processor could make deliveries under the producer's label. This could be more affordable than hiring a delivery service and would provide another income stream for processors.

Scheduling Processing Appointments: Scheduling processing appointments in the late fall and early winter can be difficult because of peak demand on processing facilities. Some producers initially believed that developing additional processing facilities was the best way to alleviate the challenge of scheduling appointments during peak periods. Processors need to spread business throughout the year in order to meet fixed costs and could not survive if they were busy during peak demand and operated well below capacity during other seasons.

Producers and processors agreed that given the seasonal lulls in demand, investing a large amount of capital in additional processing facilities is not the solution. Instead, technical assistance to processors for cutting and wrapping meat would be a more affordable and effective investment to increase capacity.

This project created a forum for producers and processors to discuss their respective needs and expectations. Producers understand that processors prefer that they make appointments as early as possible and notify them of any changes as soon as possible. Processors understand that raising livestock is a dynamic process and that livestock does not always mature as predicted. Regular communication is essential and a trade association comprised of meat producers, processors, NHDAMF, and UNH Extension could be formed to meet at least annually to facilitate communication between producers and processors.

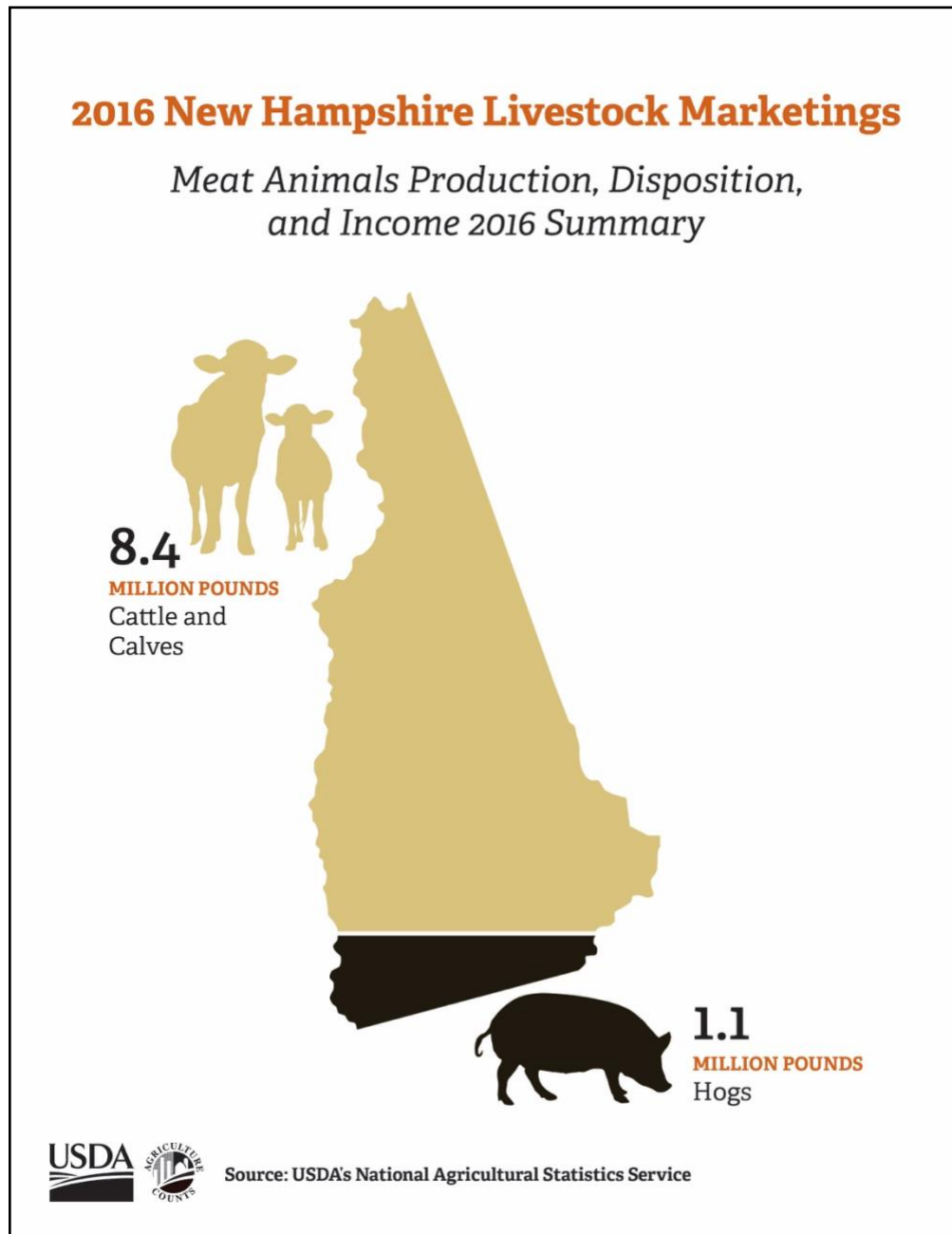
Demand-based pricing could create an economic incentive for producers to process more livestock during non-peak periods. Pricing structures could be developed that equalized the cost of raising and processing livestock regardless when the processing occurs. Some processors expressed an openness to consider this approach if there was interest from producers.

An internet-based scheduling program for processing appointments could be a "one-stop" place for producers to find the best available openings. This would also help processors fill their schedules.

Conclusion: New Hampshire's meat producers face many marketing challenges due to high costs of production. Implementing the proposed recommendations will require coordinated efforts by producers, processors, NHDAMF, UNH Extension, non-profit organizations, institutions, grocery stores, and others. Improved communications between producers and processors and alternative pricing strategies could help address other issues, such as scheduling bottlenecks during peak processing season.

INTRODUCTION & BACKGROUND

There is a strong demand for locally-raised and processed meat in New Hampshire. Local farmers raise prized beef, poultry, pork, sheep and goats. The state has hundreds of producers, but the vast majority of these are small pasture-based operations that produce a tiny fraction of the meat consumed in New Hampshire. The same is true for poultry producers.

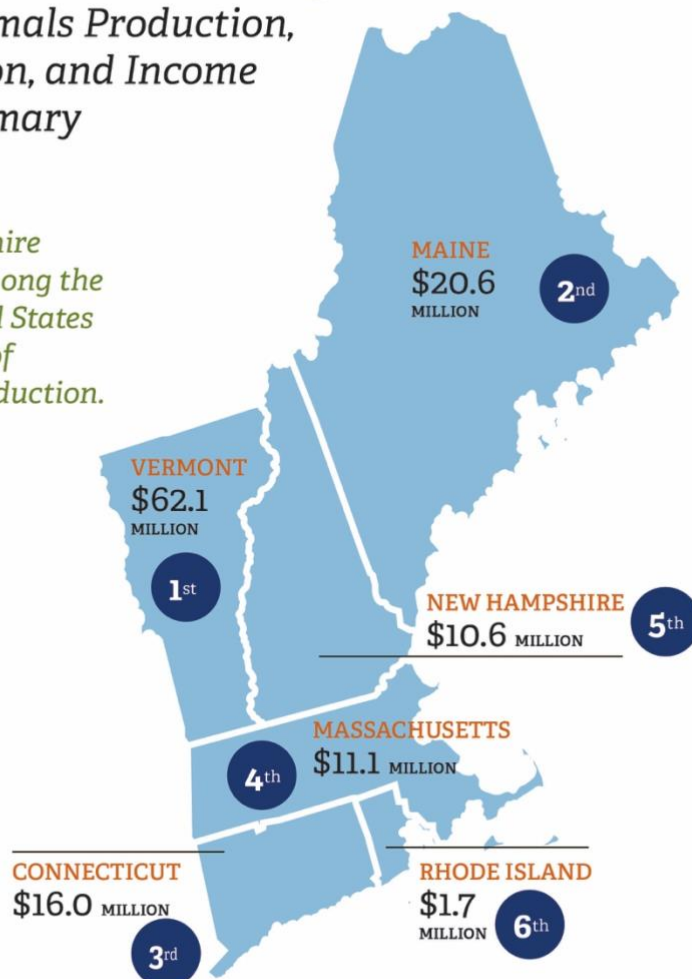


According to USDA's statistics from 2012, New Hampshire had 683 farms raising beef, but only 36 farms had annual sales greater than \$50,000. A total of 359 farms raised hogs and pigs, but only three had sales exceeding \$50,000. Of the 273 farms selling sheep and lambs and 111 selling goats, only two had sales over \$50,000. Most of the 387 farms selling poultry are also small operations. New Hampshire ranks fifth out of the six New England states in the value of livestock production. Based on production levels from nearby states, there are likely opportunities to increase production in New Hampshire.

2016 Value of Production for Cattle, Calves, and Hogs from Meat Animals Production, Disposition, and Income

2016 Summary

New Hampshire ranks 5th among the New England States in the value of livestock production.



Source: USDA's National Agricultural Statistics Service

Despite the strong demand for locally-grown products, many producers in the state are hesitant to increase the size of their operations because of challenges associated with marketing their meat through existing channels and scheduling meat processing.

In order to sell meat legally at farmers' markets, farm stands, restaurants, and grocery stores, livestock must be processed at a USDA-inspected facility. Currently, there are only four USDA-inspected facilities in New Hampshire.

Some New Hampshire meat producers also use USDA-inspected processing facilities in neighboring states. States can develop their own state inspection programs as a supplement to USDA-inspected facilities; state regulations and their enforcement must be at least equal to federal standards. Meat from state-inspected facilities can only be sold legally in that state. In 2011, New Hampshire took initial steps to revive its state inspection program, but it has only appropriated funds adequate to preserve the opportunity to launch the program at a later date. No recent progress has occurred on this effort.

New Hampshire also has several "custom" processing facilities that cater to hunters. Meat processed at these facilities cannot be sold and must be for personal consumption. Consumers could technically purchase a side of beef from a producer, who could then facilitate processing of the consumer's beef at one of these facilities. Use of such facilities by consumers is considered negligible.



The combination of many small producers and few processors results in scheduling challenges for processing during the “high season,” when most producers want to process their beef at the same time, and increased transportation and production costs when producers must find alternative facilities. These infrastructure constraints limit the ability of producers and processors to meet the demand for affordable locally raised meat. This project was funded by USDA’s Local Food Promotion Program to identify challenges and develop recommendations to increase local meat production and processing in New Hampshire.

GOALS & OBJECTIVES

The key objectives of this project included:

1. Convene focus group meetings with producers to identify a broad list of challenges to increasing production.
2. Convene focus group meetings with processors to identify potential efficiencies and develop strategies and recommendations to process more local meat and improve interactions with producers.
3. Form a Working Group to consider seasonal demand-related inefficiencies, transportation costs, explore additional marketing opportunities, and other identified challenges; develop recommendations.

PROJECT PROCESS

Focus Groups

In order to hear from a wide cross-section of New Hampshire’s meat producers and processors, we held a series of focus group meetings throughout the state and interviewed the owners of the four USDA-inspected processing facilities. Focus group meetings with meat producers were held in Lancaster, Newport, Tamworth, and Dover. Approximately 50 meat producers attended the focus group meetings. To supplement the focus group meetings, we developed an online and paper survey to identify and prioritize issues to be addressed. Fifty-four people responded to the survey.

This project was conceived with a major focus on addressing scheduling challenges that producers and processors face during peak season. Through the focus group meetings and survey results, it became apparent that the challenges limiting growth of meat production in New Hampshire were more diverse and complex. As a result, the scope of the project was broadened to identify these challenges and develop recommendations to all factors limiting growth. Thus, key challenges included:

- Scheduling for processing
- High cost of production
- Need for marketing assistance to open new channels to increase sales

Working Group

A Working Group was formed comprised of meat producers throughout the state. Initially, we planned to invite both producers and processors to join the Working Group. However, since many of the issues raised during the focus group meetings concerned only producers, we decided to have a Working Group of only producers and invited the processors to attend meetings concerning joint interests.

The Working Group members also invited experts and consultants to provide detailed information and assist them in developing recommendations.

The following producers attended Working Group meetings and we would like to thank them for their willingness to devote their time to this project and for sharing their ideas:

- Henry Ahern, Bonnie Brae Farms (deer)
- Mark Florenz, Archway Farm (pork)
- Jack Clarke, Clarke Farm (lamb & beef)
- Pamela Bruss, Silver Hill Farm (beef)
- Peter Kress, Stone Ridge Farm (beef)
- Steve Normanton, (beef, chicken & pork)
- Clay Pril, Zero Mile Farm (beef, pork & poultry)
- Denise Renk, Elmor Acres (pork, goat & poultry)
- Carole Soule, Miles Smith Farm (beef)

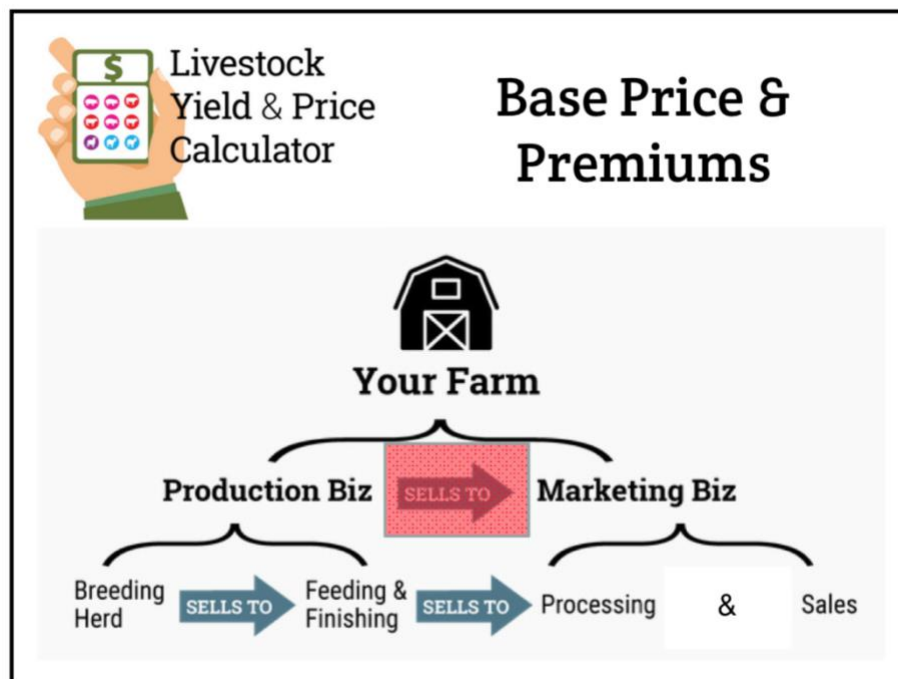
Invited guests included staff from the New Hampshire Department of Agriculture, Markets, and Food (NHDAMF), University of New Hampshire Extension (UNH Extension), USDA, non-profit organizations, and technical experts. The Working Group members and the facilitations team appreciate the interest, expertise, and contributions of the following people:

- Gail McWilliam-Jellie, NHDAMF
- Lynda Brushett, Cooperative Development Institute
- Rick Lemay, Lemay and Sons Beef
- Lionnel Lavoie, Granite State Poultry and Processing
- Arion Thiboumery, Vermont Packinghouse
- Edmund Lessard, Northeast Kingdom Processing
- Tom Collaro, USDA Food Safety Inspection Service
- Susan Isberg, USDA Food Safety Inspection Service
- Peter and Tara Roy, PT Farm
- Jeff Conrad, Riverslea Farm
- Dennis McClary, Far View Farm
- Joyce Brady, CJF Farm – The Meat House
- Elaina Enzien, UNH Extension Livestock Specialist
- Nada Haddad, UNH Ext. Agricultural Business Management Field Specialist

- Matt LeRoux, Cornell Cooperative Extension
- Peter Allison, Farm to Institution New England
- Stacey Purslow, NH Farm to School
- Chelsea Wagner, Hannafords
- Annie Rowell, Sodexo
- Lauren Kaskey, Health Care Without Harm
- Greg Marsh, Co-Op Food Stores
- Charlene Andersen, NH Community Loan Fund

The Working Group reviewed the information raised at the focus group meetings and surveys and determined which issues to pursue. This report contains recommendations approved by the Working Group as a whole. Each Working Group member did not necessarily endorse each and every recommendation.

In developing the recommendations, the Working Group recognized that the NHDAMF, UNH Extension, and non-profit organizations have limited resources and have been able to accomplish a lot with the resources they have. Working Group members also stressed that recommendations included in the report are in no way intended as criticisms; instead, the recommendations highlight a series of coordinated actions that all parties could undertake to help grow meat production and processing in New Hampshire moving forward.



The Working Group benefited from presentations on several topics. From Presentation: *Profitable Meat Marketing*, by Matt LeRoux, Tomkins County Cooperative Extension

RESULTS AND OUTCOMES: CHALLENGES

Working Group members identified key challenges that limit New Hampshire's ability to increase sales of locally-produced and processed meat. These factors increase the cost of production for New Hampshire's producers compared to other parts of the country.

Economy of Scale

Most producers in New Hampshire are small operations producing fewer than 50 head/year. Larger farms, especially industrial-sized operations in other parts of the country, have a lower cost of production due to economy of scale.

Higher Processing Costs/Few USDA-inspected Processing Facilities

Processing costs are higher in New Hampshire compared to other parts of the country, averaging around \$700 per cow. Processors in other regions of the country can specialize in certain livestock and handle much greater volumes and as a result charge close to half of what it costs in New Hampshire. In contrast, processors in New Hampshire are small operations that handle a wide variety of livestock. USDA-inspected processing facilities in New Hampshire are in extremely high demand; producers experience difficulty scheduling appointments during the peak season of late fall and early winter when they prefer to process their livestock.

Higher Transportation Costs

There are only four USDA certified meat processors in New Hampshire; as a result, producers have to travel considerable distances to and from processors, greatly increasing transportation costs.

Lack of Access to Pasture in Winter/High Cost of Feed

New Hampshire's short, cool growing season produces high-quality pasture, well suited for livestock. But in winter, producers must purchase feed from other regions of the country and related transportation costs make feed more expensive.

Supply & Demand

An additional challenge is that after a period of increasing demand for local food, demand has leveled off while supply has increased considerably. According to Matthew LeRoux from Cornell extension, the days of showing up at the farmers' market and selling out every time because demand was greater than supply are over.

Overall Cost of Production

All of the above factors result in a higher cost of production for meat produced and processed in New Hampshire compared to other regions of the country. For example, commodity ground beef averages \$3 to \$4 per pound, while local ground beef averages \$6 per pound. Grass-fed beef from other regions averages \$6 to \$8, while local grass-fed ground beef ranges from \$8 to \$10 per pound. (Price checks based on process in stores 2/18).

Because most of the factors contributing to the high cost of production are either out of producers' and processors' control, or not likely to change, New Hampshire's producers must sell meat at higher prices than producers in other regions. While it may be possible to take steps that could slightly lower the cost of production, such actions would be unlikely to make New Hampshire meat competitive. As a result, New Hampshire meat producers must target a small niche market of consumers who are willing to pay a premium to buy locally produced food.

RESULTS AND OUTCOMES: RECOMMENDATIONS

The diverse challenges facing New Hampshire's meat producers and processors require multiple strategies and coordinated actions by producers, processors, NHDAMF, UNH Extension, and non-profit organizations to grow this sector of agricultural economy.

The Working Group's recommendations are divided into four categories: 1) improving producers' business operations, 2) increasing demand for local meat and expanding the customer base, 3) adopting efficiencies to reduce the cost of production, and 4) improving USDA oversight of processing facilities and other issues facing processors. Recommendations are listed for producers, processors, agencies, and other organizations, as appropriate.

1. Improving Producers' Business Operations

Many meat producers expressed interest in growing their businesses but were hesitant because of uncertainty about future profitability. Some meat producers, especially small producers, do not know their exact cost of production and as a result do not know how much they need to charge to make a profit. Despite the small size of some producers, they still need to operate as a business, with a keen eye towards expenses and profit margins. Meat producers need to ensure they are setting prices based on the cost of production and what the market will bear.

In order to maximize profitability, producers need to understand their customer and the potential return from available marketing opportunities. Online tools available through Cornell Extension can help producers determine their cost of production and how much they need to charge for each cut to make a profit. These tools can help producers compare and choose the most profitable marketing channels, including wholesale and direct-to-consumer sales, which are critical considerations for producers who are considering expanding operations.

Meat producers must identify and understand their potential customers in order to effectively communicate with them. Producers should have a marketing plan that includes strategy, research, objectives and communication.

Recommendations for Producers:

- Meat producers should know their cost of production in order to ensure their operations are profitable.
- Meat producers should understand the available and most profitable marketing channels. This information will enable meat producers to make an informed decision about marketing opportunities and expanding their operations.
- Each producer should have a marketing plan tailored to their business and customers.

2. Increasing Demand for Local Meat and Expanding the Customer Base

Given that locally raised and processed meat cannot compete with commodity meat on price, increasing demand requires an effective campaign to educate consumers about the value and benefits of purchasing local meat. Strategies for a **multi-faceted marketing and education campaign** to expand the customer base would require coordinated actions by producers, NHDAMF, UNH Extension, and non-profit organizations. These actions could include: a robust **statewide label for meat** that is produced and processed in New Hampshire; producers **aggregating products** to sell to grocery stores and institutions; developing **“buy local” programs**; producers and processors **collaborating on improving packaging**; and producers developing **value-added products**.

a. Multi-faceted, Coordinated Marketing Campaign

Many consumers don’t understand why locally-raised meat often costs more or have misperceptions and presume a grass-fed label means it is locally-raised. Individual producers naturally focus on promoting their individual brands, not locally-produced meat in general. A joint statewide effort is necessary to promote the advantages of purchasing local meat to supplement individual farm’s marketing efforts. The marketing campaign should be an “all in” approach including producers, NHDAMF, UNH Extension, and non-profit organizations.

Although NHDAMF has limited resources, it can play a significant role in a marketing campaign that educates consumers about the advantages of locally-raised meat. NHDAMF’s existing agricultural promotion program could include meat sector specific ads on the advantages of local meat. NHDAMF could also expand the marketing campaign through social media, the NHDAMF website and its Market Bulletin publication.

Funding for new marketing campaigns is always a major challenge. Working Group members considered check-off programs where a small per-head fee is charged to producers and allocated to a marketing campaign, but did not support such a program because they saw few benefits from previous participation in check-off programs with other agricultural sectors. Instead, Working Group members urged NHDAMF, UNH

Extension, and non-profit organizations to seek grants and other funding opportunities to develop a joint, statewide meat marketing campaign.

UNH Extension and non-profit organizations can play a critical role in growing this sector of the agricultural economy. In New York State, Cornell Extension developed Meat Suite, an online resource that connects consumers with producers and helps consumers learn about meat produced from nearby farms. Meat Suite contains farm profiles, background information on terms and a buying guide to purchasing meat in bulk directly from the farmers. Cornell Extension actively promotes and updates Meat Suite on a regular basis. Cornell Extension will be offering a template for other regions to offer Meat Suite and the Working Group members believe it would help them grow their customer base. (www.meatsuite.com)

Recommendations for NHDAMF:

- Promote the advantages of buying local meat through the existing agricultural promotion program, social media, NHDAMF's website, and the Market Bulletin.

Recommendations for UNH Extension/Non-Profit organizations:

- Work with Cornell Extension to develop the Meat Suite platform in New Hampshire. If it is necessary for another organization to maintain it, facilitate the transition to ensure Meat Suite's continued operation.

b. New Hampshire-Produced Label Program

The New Hampshire brand has value to New Hampshire's consumers. New Hampshire regulations prohibit the advertising and labeling of products as "native," "our own," "local," "locally grown," or "locally produced," unless they were grown in New Hampshire. Title XL, Agriculture, Horticulture, and Animal Husbandry, Chapter 426, Standards for Farm Products, Section 426:5.



While this regulation is helpful, a prominent statewide and recognizable logo certifying that the meat was produced in New Hampshire would supplement the regulation and promote local food purchasing by consumers. An existing label program “NH Made” is utilized widely by other sectors such as the crafts industry, but not by many meat producers. New Hampshire’s meat producers could either work with the NH Made label or create a more robust and specialized labeling system with certification requirements tailored to meat production.

If producers request a robust meat specific labeling program, NHDAMF, UNH Extension, and non-profit organizations could play a role in developing certification standards. NHDAMF could certify producers similar to its organic program certification. Whether producers decide to use the NH Made label or a new meat-specific label, a robust labeling program would be a natural complement to the “Buy local” marketing campaign.

Recommendations for Producers:

- Utilize the existing “NH Made” label program, or seek assistance from NHDAMF, UNH Extension or non-profit organizations to develop a more robust state labeling program.

Recommendations for NHDAMF, UNH Extension, and Non-Profit Organizations:

- If producers request a more robust labeling program, work with producers to develop certification standards and launch the program.

c. Aggregating Products to Increase Sales to Grocery Stores and Other Buyers

Most meat producers in New Hampshire have an established customer base and sell directly to consumers through farm stands and farmers’ markets. Meat producers who would like to increase the size of their operation recognize that it requires expanding their customer base beyond direct sales.

The challenge is that restaurants, grocery stores, and institutions often require large volumes of particular cuts at a consistent volume throughout the year. Small producers acting independently have a hard time meeting those requirements.

The Working Group investigated opportunities to aggregate products ranging from informal collaborations between producers through formation of legal entities such as cooperatives. All the aggregation strategies share the same goals of opening new marketing opportunities to increase production.

After careful consideration, the Working Group decided that while there are many advantages to forming a cooperative, it requires a significant long-term investment in time and resources and that simpler aggregation strategies could still expand marketing opportunities. Simpler aggregating strategies include: one producer buying informally

from another producer to increase inventory; co-branding between an aggregator and local farm; and selling under an aggregator's brand. Under all these strategies, producers agree to meet certain standards in raising the livestock to provide a uniform product.



From Presentation: *Why NH Farmers Cooperate*, by Lynda Brushett, Ph.D.,
Cooperative Development Institute

Working Group members expressed interest in aggregating strategies but were hesitant about options that sacrificed brand identity. Under a co-branding model that includes both the producer's and aggregator's brand, the producer does not lose brand identity. Multiple producers who raise the same livestock under similar methods could aggregate their products with both a producer and an aggregator label to open up marketing opportunities to high-volume buyers.

Other agricultural sectors, such as the cheese industry, utilize co-branding strategies with great success. For example, Cellars at Jasper Hill produces cheese from its own dairy herd and also ages cheese in its cheese caves for other cheese makers. The cheese is co-branded with the individual producer and marketed by Cellars at Jasper Hill.

In addition to opening marketing opportunities, aggregation may also address other challenges including scheduling processing appointments and reducing transportation and distribution costs. (Further discussion below).

As smartphone technology becomes more ubiquitous, there may be opportunities to provide potential customers with more detailed information about the producer's farm and how the livestock was raised through QR or bar codes on packaging. Working Group members expressed interest in utilizing digital technology to maintain brand identity and connect consumers to the local farm.

Recommendation for Producers:

- Meat producers interested in expanding their operations should look for producers who follow similar production methods and have similar products to collaborate on a co-branding venture.
- Co-branding between producers utilizing both the farm name and aggregator name can allow producers to expand sales to buyers who require larger and more consistent volume than an individual producer can provide.
- Given the growing utilization of digital technology, meat producers should utilize QR and bar codes to build connections to consumers and build brand identity.

d. Developing "Buy Local" Programs with Institutions

The NHDAMF, UNH Extension, and non-profit organizations can play a transformational role in expanding marketing opportunities for meat producers with New Hampshire's institutions. Lessons from other states may prove helpful. In Vermont and Maine, the Agencies of Agriculture, university agricultural extension programs, and non-profit organizations worked with institutions and dramatically increased purchasing of locally-produced food by institutions. Several years ago, NHDAMF met with institutional buyers, but their efforts were met with some resistance; the local food movement may have been further advanced in Vermont and Maine at the time of similar efforts.

In Vermont, Sodexo launched "Vermont First," a commitment to increase local food purchasing at all of Sodexo's 14 Vermont accounts. They are currently purchasing 15.5% of food locally. Sodexo created a full-time position to run the initiative, track local purchasing, and work with Vermont stakeholders to identify opportunity growth areas for local purchasing.

Similar to the Vermont approach, Sodexo launched a sister program in Maine called "Maine Course," and hired an additional Sodexo employee tasked with tracking local purchases and facilitating stakeholder relationships. In 2015, the University of Maine System (UMS) request for proposals included a requirement that a set percentage of food had to be locally purchased. The contract was awarded to Sodexo, and Maine Course has created the systems for all UMS campuses to meet the goal requirements.

Non-profit organizations such as New Hampshire Farm to School, Health Care Without

Harm, Farm to Institution New England, and the New Hampshire Food Alliance, are all important players undertaking critical work promoting local food purchases by schools, hospitals and other institutions. As these efforts develop, New Hampshire may develop a critical mass of producers and infrastructure to convince institutions to buy more local products.

The Working Group strongly encourages the NHDAMF, UNH Extension, and non-profit organizations to schedule another meeting with institutions to find out what commitments to increase local purchasing can be made now and what conditions are necessary for commitments like those in Vermont and Maine.

Several strategies exist to make locally-produced meat fit within constrained institutional budgets. Providing meat for special events, as opposed to regular service meals could address volume limitations. Plant-based center of the plate menu development is a fast-growing trend in institutional markets supplemented by smaller portions of high quality local meat (“less meat, better meat”). Some producers have also mixed local ground beef with other food such as roasted mushrooms to create more affordable local products. Producers interested in this initiative could contact the following organizations.

- Farm Forward
- Forward Food (a program of the Humane Society)
- Better Buying Lab (an initiative of the World Resources Institute)
- Menus of Change

Recommendations for Producers:

- Producers could begin to establish relationships with institutions by selling meat for special events. Once relationships are established, producers and institutions could explore other opportunities.
- Producers should take advantage of the advertising campaign “less meat, better meat” to market small portions of high-quality locally-produced meat to institutional vendors.

Recommendations for NHDAMF, UNH Extension, and Non-Profit Organizations:

- Develop local food promotion program with institutions modeled on Vermont and Maine.

Producers and Processors Collaborate on Packaging

New Hampshire’s meat producers are selling a premium product and prefer premium packaging to showcase their product. For processors, purchasing high-end packaging equipment is expensive; they need to know it would be a worthwhile investment. Given the diversity of livestock they process and the relatively low volume compared to other regions of the country, the return on investment in state-of-the-art packaging equipment is uncertain at best.

Processors located near industrial-scale livestock operations specialize in processing specific livestock and are able to offer state-of-the-art packaging options tailored to the product. Processing, including premium packaging at the commodity meat processing facilities, is often more affordable because of the economy of scale.

The Working Group brought New Hampshire's meat producers and processors together to share their perspectives. Despite producers' desire for premium packaging, there was not a clear consensus on what that means. Ultimately, given the volume and diversity of processors' businesses, New Hampshire's meat producers and processors will need to work together to determine the best affordable packaging that serves a wide variety of needs.

Recommendation for Producers and Processors:

- Producers and processors need to collaborate in choosing the best packaging that meets the needs of most producers yet is still affordable to processors. Producers must recognize that processors may request a long-term commitment and possibly a shared investment before purchasing new premium packaging equipment.

e. Partnering with Vegetable Farmers to Expand Customer Base

Through personal experience, Working Group members agreed that meat-only Community Supported Agriculture (CSA) ventures are generally not viable. It is simplest for both parties for the producer to sell one-quarter or one-half side of beef directly to the consumer. However, consumers may be interested in having meat included in their vegetable CSA and producers should investigate partnering with vegetable CSAs to create additional marketing opportunities.

Recommendations for Producers:

- Producers should seek out partnerships with existing vegetable farmers who operate CSAs to include meat as an optional add-on to weekly offerings.

f. Value-Added Products

Many commercial buyers from grocery stores stated that they already sold meat from local producers and were not looking for new vendors; however, they added that there was demand for local value-added meat products, such as meatballs from grass-fed beef. Producers with culinary skills and an entrepreneurial spirit could propose offering value-added products made from local meat.

Selling a value-added meat product requires access to a USDA-inspected meat facility and there are no existing meat processing facilities available for short-term rental in New

Hampshire. The lack of an easily accessible USDA-inspected facility prevents New Hampshire's producers from developing and selling value-added meat products.

In Vermont, the Mad River Food Hub is a USDA-inspected facility that rents out meat processing facilities for \$150/day. Producers seeking to market value-added meat products outside of New Hampshire would need access to a similar facility.

Recommendations for Producers:

- Producers interested in selling a value-added meat product should contact local grocery stores and institutions to see if there is interest in purchasing their products.
- If there is a critical mass of producers seeking to market value-added meat products, they should investigate developing a USDA-inspected meat processing facility. Grants to subsidize the cost may be available. Producers should seek assistance from non-profit organizations to seek out grant opportunities.

g. Increasing Sales of Fresh Meat

Many consumers prefer to purchase their meat fresh, not frozen. Most New Hampshire meat producers sell their meat directly to consumers and sell it frozen because fresh meat has a short shelf life. In order to sell their meat fresh, New Hampshire's meat producers must have a steady and predictable demand that is right-sized for their operation. Since grocery stores often want higher volume than most producers can supply, there may be opportunities to utilize aggregation strategies discussed earlier to sell fresh meat to grocery stores.

Recommendations for Producers:

- Producers should consider aggregating meat with other producers to be able to supply the necessary volume of fresh meat that grocery stores require on a regular basis.
- Producers should request that local meat is displayed prominently to promote sales.

3. Adopting Efficiencies to Reduce the Cost of Production

Most of the major causes of the high cost of production, such as a limited growing season, limited pasture, and high cost of feed, are fixed challenges beyond producers' ability to change. As a result, it is hard to significantly reduce the cost of meat production in New Hampshire. However, there are operational modifications meat producers can adopt that may result in a small, but still important, decrease in the cost of production.

These strategies include collaborating with other producers and processors to **reduce transportation and distribution costs**, investigating **other models of production**, including

buying young stock in bulk orders (aggregating orders with other producers) each spring, and collaborating with processors to **minimize scheduling problems** for processing.

a. Reducing Transportation Costs

With only four USDA-certified processors in New Hampshire, most producers have to travel an hour or longer to processing facilities. Since most producers sell their meat through farm stands and farmers' markets, they need to deliver the livestock for processing *and* pick up the product. Transportation costs are a disproportionate share of the cost of production for small producers who typically transport a few animals at a time. While some Working Group members have hired livestock haulers, those fees can eat up narrow profit margins.

One potential solution is for nearby producers to schedule processing appointments together and share transportation costs; however, many producers are reluctant to co-mingle herds during transportation to the processors because it increases stress to their herd.

Even if producers are hesitant to share transport of livestock, they could share the cost of transporting processed meat back to the farm. Nearby farms could collaborate to schedule processing appointments at the same time and take turns picking up the meat. Processors could play a role in helping producers share transportation expenses when orders from nearby farms are ready for pickup. An inventory tracking system could guarantee that each farm is receiving the meat from their livestock. This same strategy could be utilized to reduce the cost of delivery services.

Recommendations for Producers:

- Producers should cost-share with other producers for transporting product from the processors.
- Cooperating producers should work with processors to schedule processing appointments around the same time so that orders can be picked up together.

b. Reducing Distribution Costs

Currently, producers selling to grocery stores, restaurants, and institutions must make three trips: transport livestock from the farm to the processor; pick up the packaged meat from the processor and take it back to the farm; and deliver the product to the buyer. Transportation takes a considerable amount of time from their already busy schedules.

Delivery services charge a 10-15% commission which is not economically feasible for many producers given narrow profit margins. Producers often can't afford to pay delivery service

fees yet don't have the time to make regular deliveries to grocery stores, restaurants, and institutions.

Producers can work with processors to explore options for reducing the number of trips from three to one. Producers and processors should discuss whether it is more efficient to have the processor make deliveries under the producer's label. While not part of most processors' services, this service could result in another income stream for the processor and a more affordable delivery service for the producer.

Alternatively, producers aggregating products with other producers could simultaneously open up new market opportunities and facilitate shared deliveries. Such an approach could increase production while reducing distribution time and costs.

Recommendation for Producers and Processors:

- Producers and processors should investigate whether it would be more efficient to have processors deliver meat under the producer's label.
- Producers should investigate collaborating with other producers to share accounts with buyers and take turns providing and delivering the meat.

c. Exploring other Models of Raising Livestock

Most producers purchase local calves and raise them until they are ready for processing. A few producers have experimented with purchasing young stock in early spring from out of state farms and raising them on New Hampshire pasture until they are ready for processing in the late fall or early winter. Processing appointments would have to be made well in advance but it may be a more profitable model.

Recommendation for UNH Extension:

- UNH extension should study different models of raising livestock to determine if other models such as buying young stock in the spring may have a lower cost of production for producers.

d. Producers and Processors Should Communicate and Collaborate to Minimize Problems Scheduling Appointments

Producers and processors are interdependent but the needs of their respective operations present challenges concerning timing. Meat production in New Hampshire is optimally seasonally based, while processing is year-round. Producers prefer to process animals in the late fall because of increased costs to board livestock during the winter. Processors have fixed costs all year including maintaining a highly skilled work force and thus need to process livestock all year to have a viable business.

Scheduling processing appointments during peak demand in late fall is difficult. Seasonal spikes and lulls in demand creates challenges for processors. Producers and processors agree on the root of the problem, but there is no easy solution.

1) Increasing Processing Capacity Is Not the Solution

Producers' initial reaction when they can't get the coveted late fall processing appointment is to say that New Hampshire needs more processing capacity. However, increasing processing capacity in New Hampshire would require a huge investment. Processing facilities need to be busy year-round to maintain cash flow and a skilled labor force. (Gwin, L. & Thiboumery, A., 2013; From Convenience to Commitment: Securing the Long-Term Viability of Local Meat and Poultry Processing. Oregon State University: NMPAN Technical Report). Producers recognize that given the current timing of demand for processing, building additional facilities may not be economically feasible because the new plant would face the same challenges with the seasonality of demand.

New Hampshire's "dormant" State-inspection program receives a small amount of funding each year to preserve future options. If there was an operative state inspection program, the meat could only be sold within the state, but even with that limitation, an additional facility would help free up space at USDA-inspected facilities for producers who sell meat out of state. However, there is not likely adequate demand for a new processing facility.

The Working Group also discussed developing a mobile slaughtering facility to serve regions with high concentrations of meat producers. After slaughter, the carcasses would be transported to processing facilities. Theoretically, utilizing five regional locations could reduce producer travel distance to 20 miles or less. The Working Group did not recommend pursuing developing a mobile slaughtering facility after hearing from experts that mobile slaughtering is less efficient and has a higher total cost of processing than doing all the processing in one facility. Thus, there were no specific recommendations for increasing processing capacity at this time.

2) Technical Assistance for Processors

According to processors in New Hampshire, the "bottleneck" in meat processing is in the cutting and wrapping of the meat, not the slaughtering. Federal and state programs exist to provide technical assistance to producers but few, if any, exist to help processors improve their operations. Technical assistance could be expanded to help processors identify challenges, streamline work flow, and improve capacity. USDA Rural Development business grants may be available and other funding opportunities should be investigated. Vermont made a series of grants to processing facilities and provided technical support through the Farm Viability Program to processors. A similar effort in New Hampshire would help the state's processors increase capacity and enable them to better handle high-demand periods during the late fall.

Recommendation to Processors:

- Research available grants that provide business consulting to increase the efficiency and capacity of the facility.

Recommendation for NHDAMF and UNH Extension:

- Expand opportunities to provide business technical assistance to processors to increase capacity.

3) *Better Communication between Producers and Processors*

Producers and processors have a mutualistic relationship: each one's success depends on the other's success. Understanding each other's needs and better communication will help but won't fully alleviate scheduling problems during peak periods. The Working Group created a forum for producers and processors to exchange perspectives.

Processors stated that producers should make appointments far in advance (e.g., when they purchase the livestock), commit to keeping the appointments, and bring exactly the number and kind of livestock scheduled for processing. **Producers** responded that raising livestock is a dynamic process and it's hard to predict when a particular animal will reach its ideal weight for processing.

Through the dialogue, producers and processors gained a greater understanding of each other's needs. **Processors** understood that raising livestock doesn't always go according to schedule and that sometimes producers need to make changes to processing appointments. **Producers** understood the need to make appointments as far in advance as possible, commit to keep the appointments whenever possible, and communicate as early as possible about any needed modifications to appointments.

A trade association comprised of meat producers, processors, NHDAMF, and UNH Extension could be formed to meet at least annually to facilitate regular communication between producers and processors. Some producers and processors may have chosen their line of work because of an aversion to attending meetings, but given the interdependence between the two groups, participation in a regular forum could be benefit all interests.

The Working Group discussed whether an entity could function as a clearinghouse for scheduling appointments by directing producers to processors who have availability when they need it. Although a potentially appealing option, producers and processors were uncertain where the money would come from and whether it would be economically feasible.

Alternatively, it may be possible to develop an internet-based service that would enable processors to provide current information about their openings. The website could be a “one stop” place for producers to look for open processing appointments. This would enable producers to find the best available processing appointment and processors to fill up openings on their schedules.

Recommendation for Producers and Processors:

- Producers should communicate with processors as early as possible (at least 6 months in advance for peak season) to schedule processing appointments and commit to the appointments. Any requested modifications to the appointments should be communicated to the processors as soon as possible.
- Producers and Processors should consider forming a trade association to facilitate regular communication.

Recommendations for UNH Extension or Non-Profit Organizations:

- Explore developing an internet-based scheduling tool that would facilitate producers and processors in scheduling appointments.

4) Demand-Based Pricing

Many producers are willing to pay a premium for fall processing appointments. Demand-based or variable pricing is common in other industries such as the hotel sector. Producers and processors would need to quantify the additional cost to board livestock through winter. Processors could develop a pricing structure that reflects the additional expenditures for winter boarding and incentivizes late winter/early spring processing by charging less for those appointments. Under a demand-based pricing structure, the profit margin for producers would be similar regardless of what season processing occurred and processors would have more even distribution of processing year-round.

Processors were uncertain about utilizing demand-based pricing. One tried it but stopped because they didn't think it was necessary anymore. Other processors were willing to consider it if the producers were willing to pay more for late fall processing.

Recommendation for Producers and Processors:

- Processors should survey producers to see if they should adopt demand-based pricing, and if so, determine how much of a premium to charge for late fall processing appointments.

4. *Improving Oversight at USDA-Inspected Processing Facilities and Other Issues Facing Processors*

a. Processors' Concerns over the USDA Inspection Program

Processors stated that some USDA inspectors are not familiar with handling livestock. Processors suggested that USDA inspectors would benefit from additional training on working with livestock and offered to work with producers to arrange for farm visits so inspectors can learn more.

Processors also stated that enforcement for violations must be rational and proportionate to the violation. When there are violations, they believe the administrative process takes too long and any shut downs are costly. Processors would like to have an opportunity to meet as soon as possible with inspectors because they believe some violations may be based on misunderstandings. The USDA agricultural mediation program may be a good resource to facilitate these conversations and help the parties reach resolution. The mediations would have to be scheduled as soon as possible if the processor is shut down because of the violation.

Recommendations for Processors and USDA Inspection Program:

- Schedule regular meetings between USDA and processing facilities to discuss general concerns before they develop into bigger problems.
- USDA should ensure that inspectors have adequate training and consider the opportunity to have inspectors spend time on farms to increase their knowledge and handling skills of livestock.
- USDA should explore utilizing its state agricultural mediation programs to provide mediation services for any compliance issues with processing facilities.

b. Labor Issues at Processing Facilities:

Processors stated that it is difficult to find and maintain a skilled work force. Labor shortages cause disruptions to their work flow and reduce their capacity to process livestock. New employees often lack training and experience and it takes several months for them to get up to speed. Processors requested that UNH Extension provide training programs for the meat industry as a whole and not just for production.

Recommendation for UNH Extension:

- Research developing training programs for jobs in the meat industry, including at processing facilities.

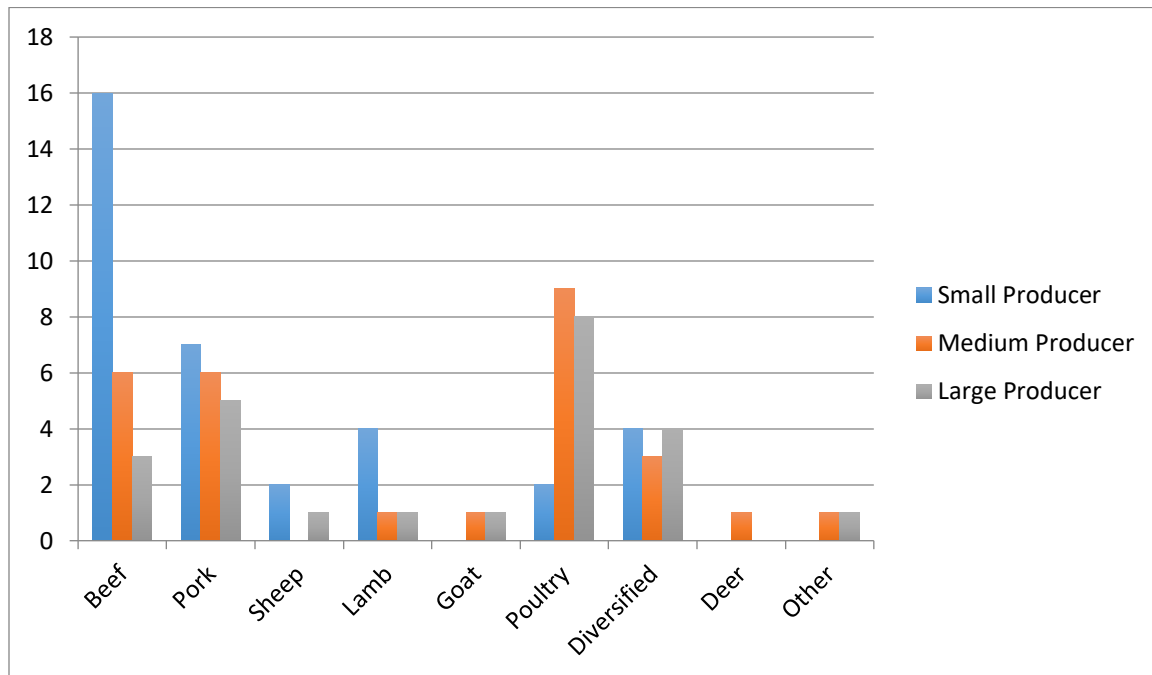
CONCLUSION

New Hampshire's meat producers face many marketing challenges compared to other regions of the country due to their high cost of production. While some measures could possibly lower the cost of production, the impact will not be great enough to make locally produced meat competitive with commodity meat.

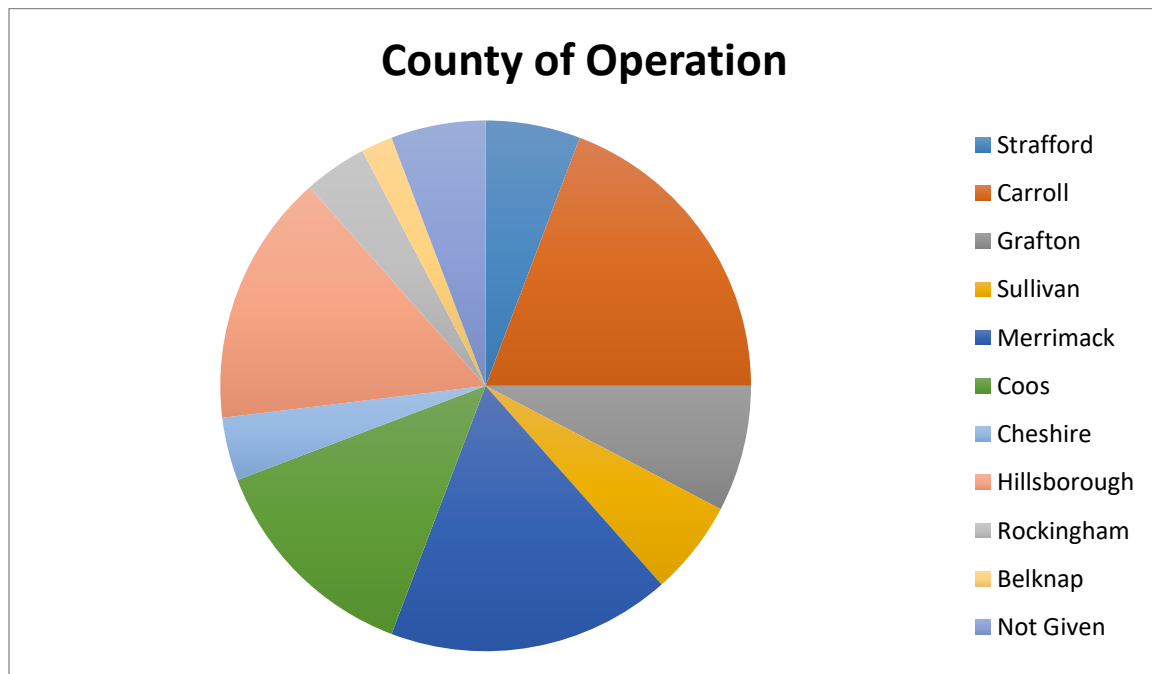
As a result, most of the recommendations focus on marketing strategies to expand the number of consumers and institutions willing to pay slightly more for locally produced meat. The marketing strategies will require coordinated efforts by producers, processors, NHDAMF, UNH Extension, non-profit organizations, institutions, grocery stores, and others.

This project created a forum for New Hampshire's meat producers and processors to talk about their respective needs and expectations. Improved communications between producers and processors will enable them to avoid many problems. Scheduling bottlenecks during peak processing season could be alleviated by utilizing demand-based pricing or internet-based scheduling programs. At this juncture, the scheduling problems may be a tolerable headache for producers and processors. Increased production by producers would exacerbate these challenges and may be a catalyst for their adoption at a later date.

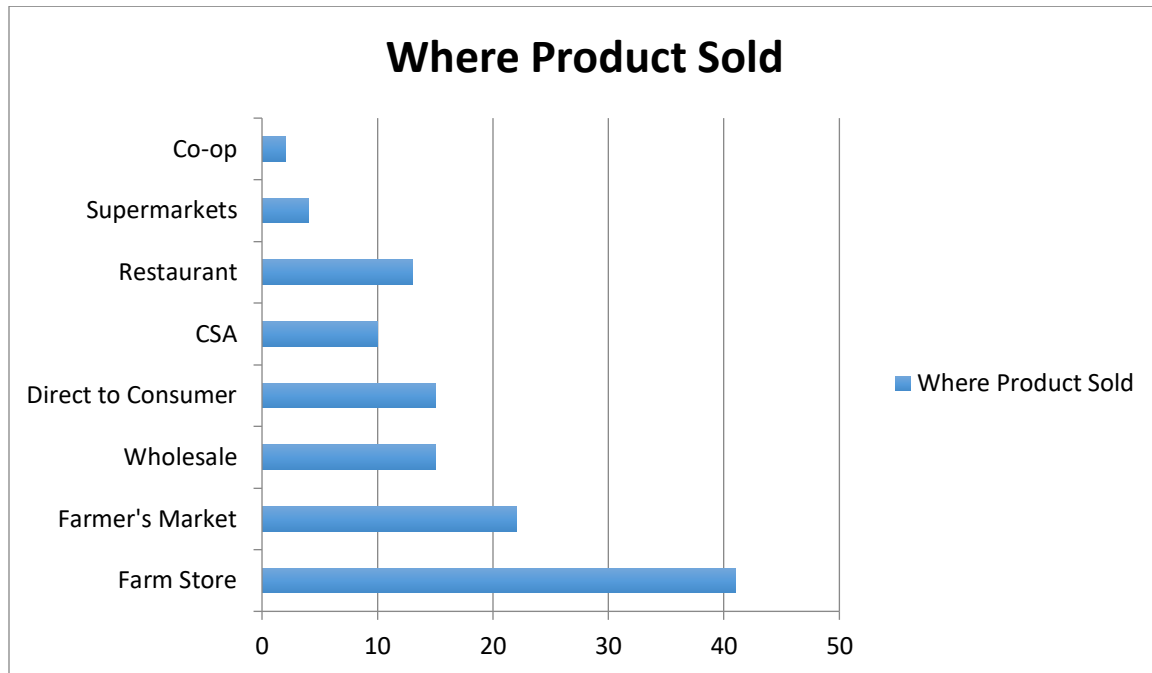
APPENDIX: New Hampshire Meat Producer Survey Results



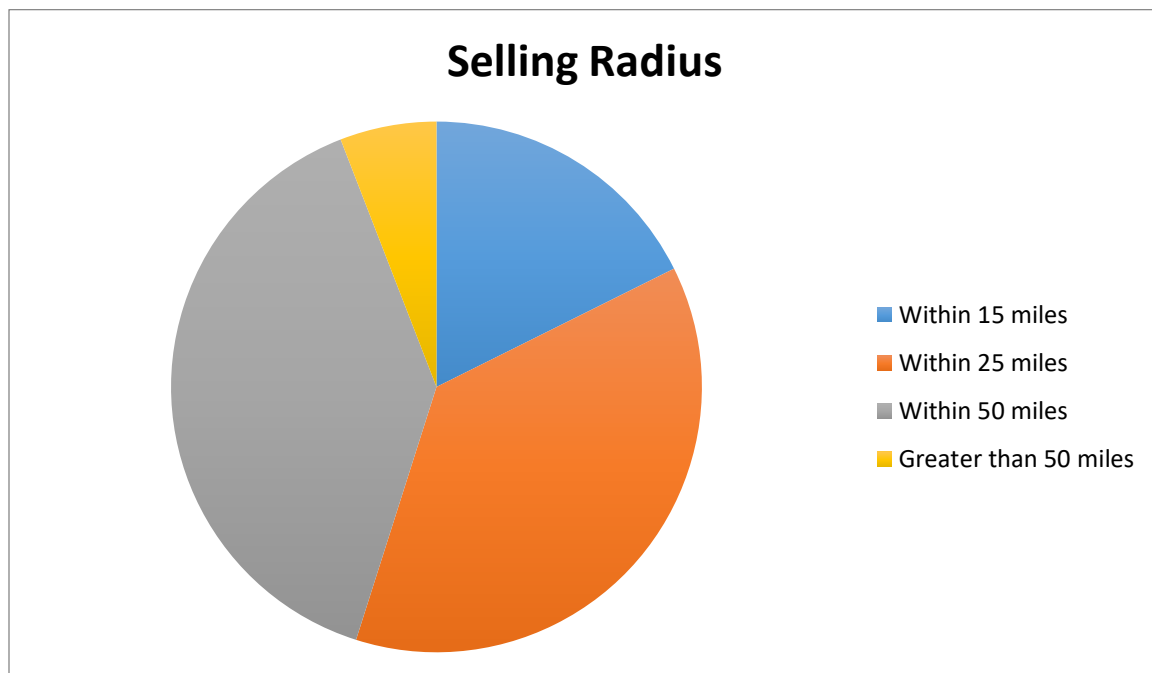
Type and size of farming operations



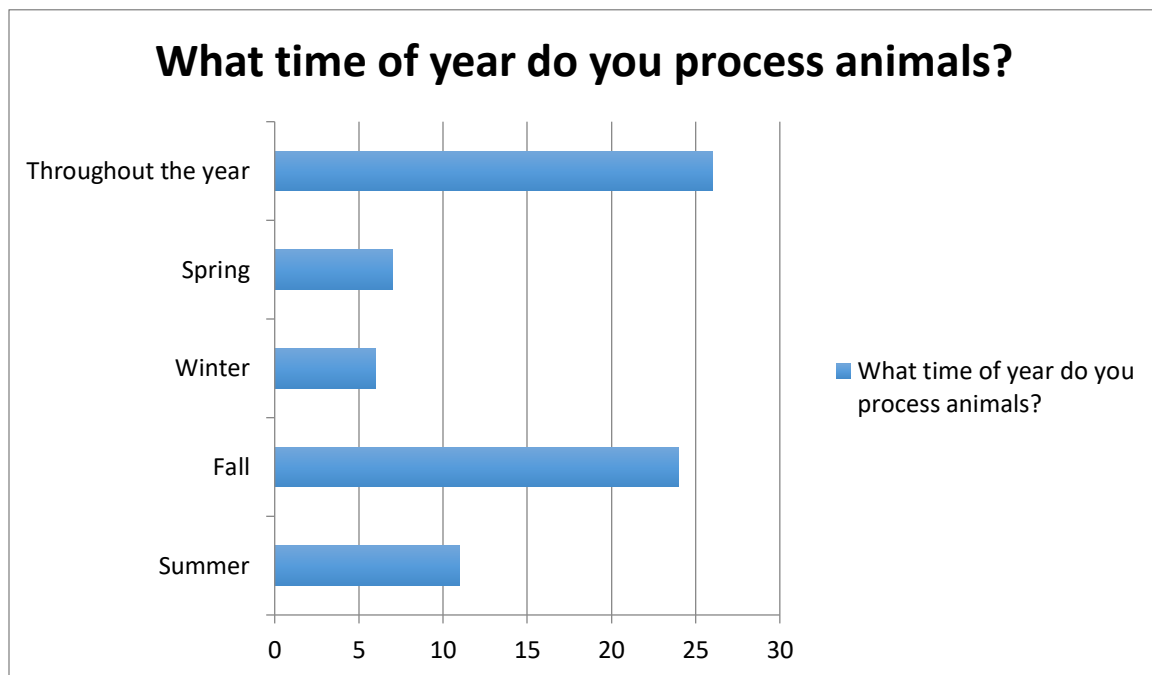
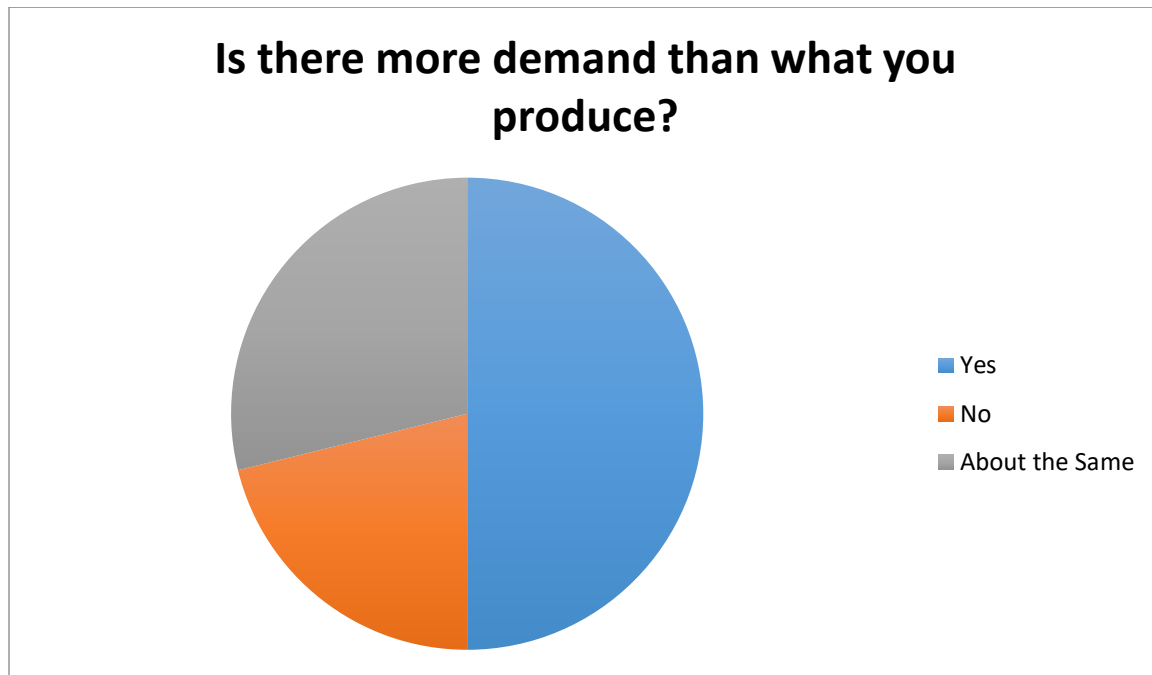
* 2 large producers and 1 small producer did not identify which county they farm in.



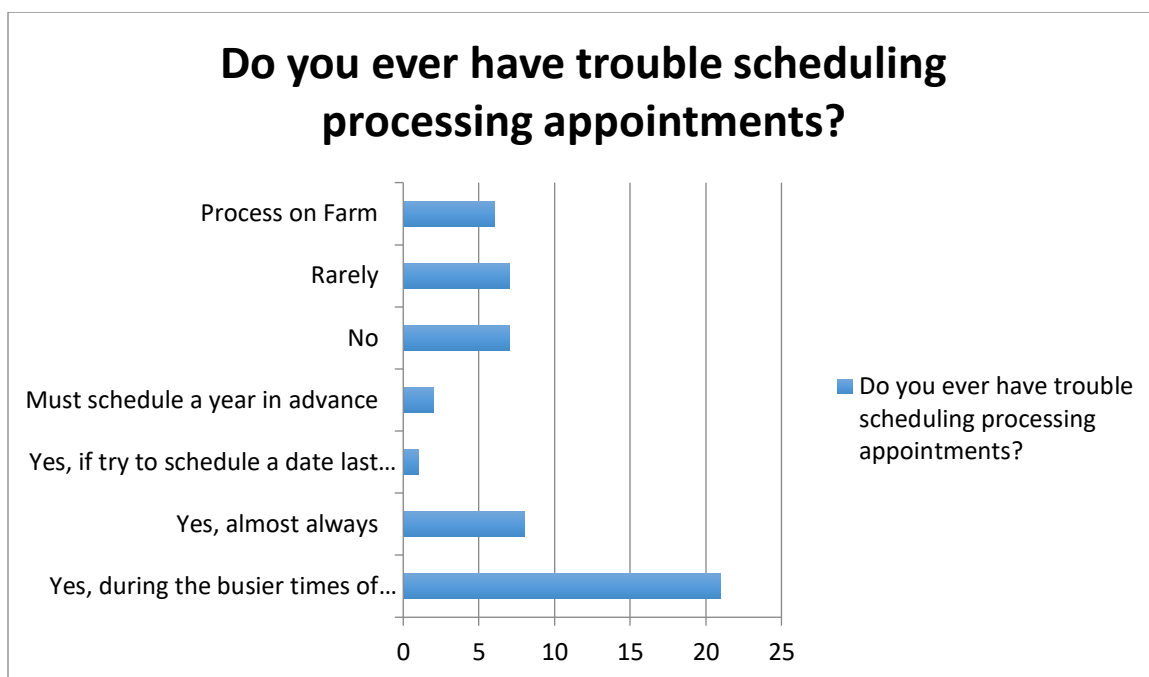
* 1 small producer did not respond to this question.



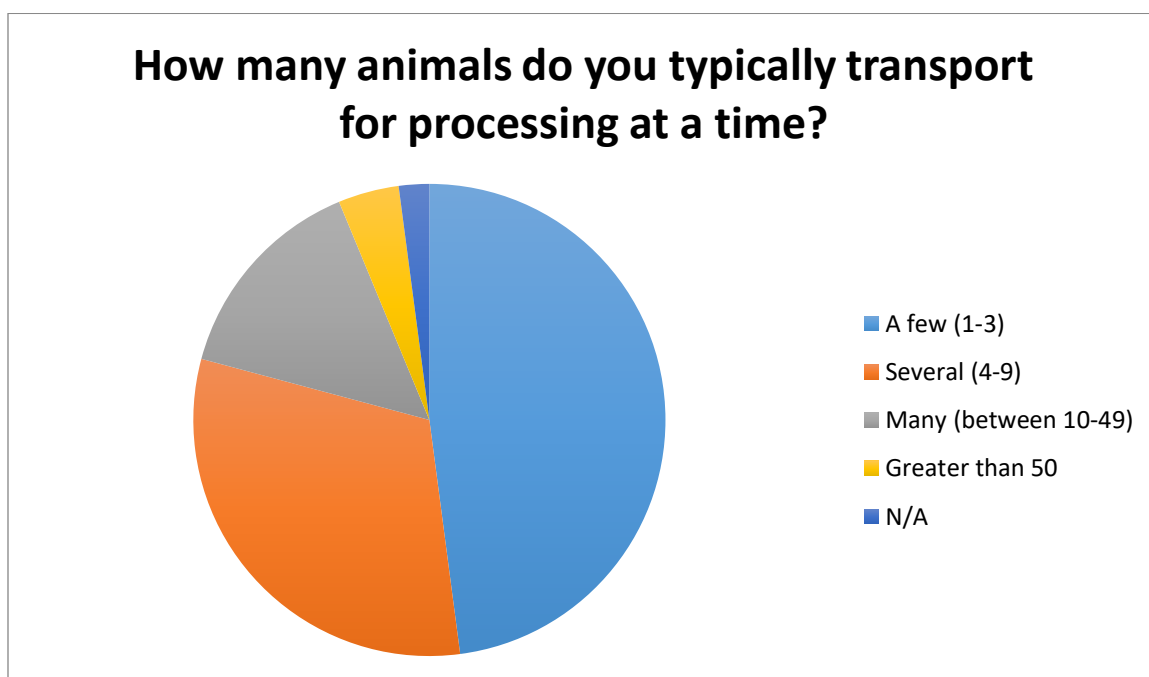
* 2 producers did not answer.



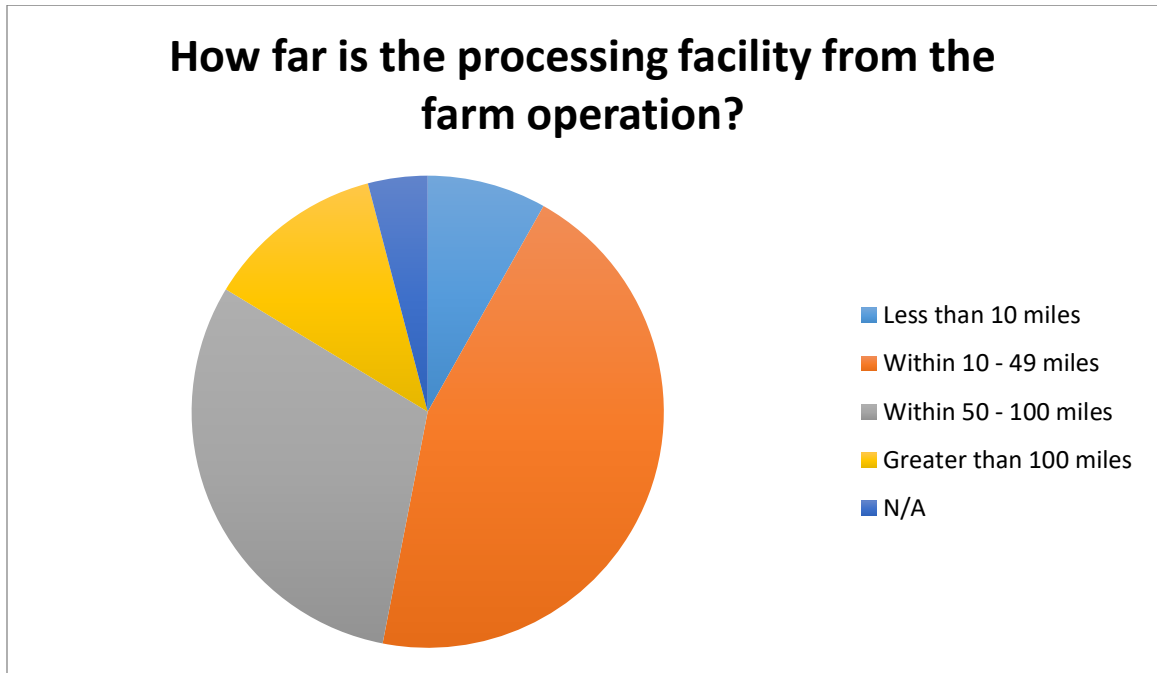
*1 producer did not respond.



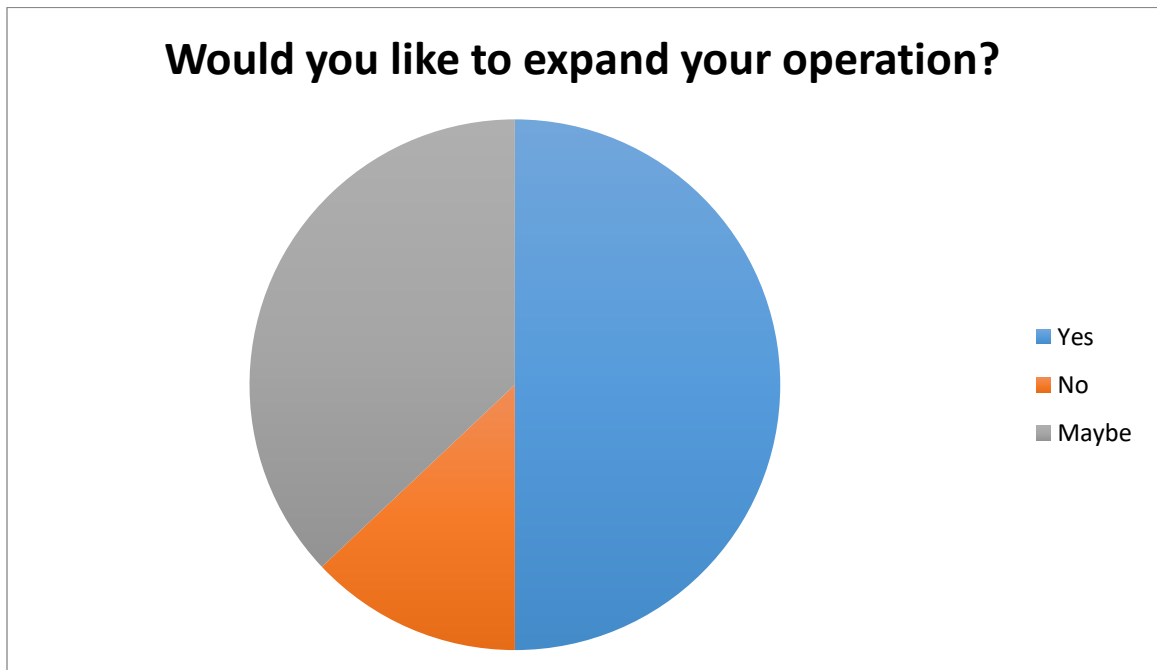
* 1 producer did not respond



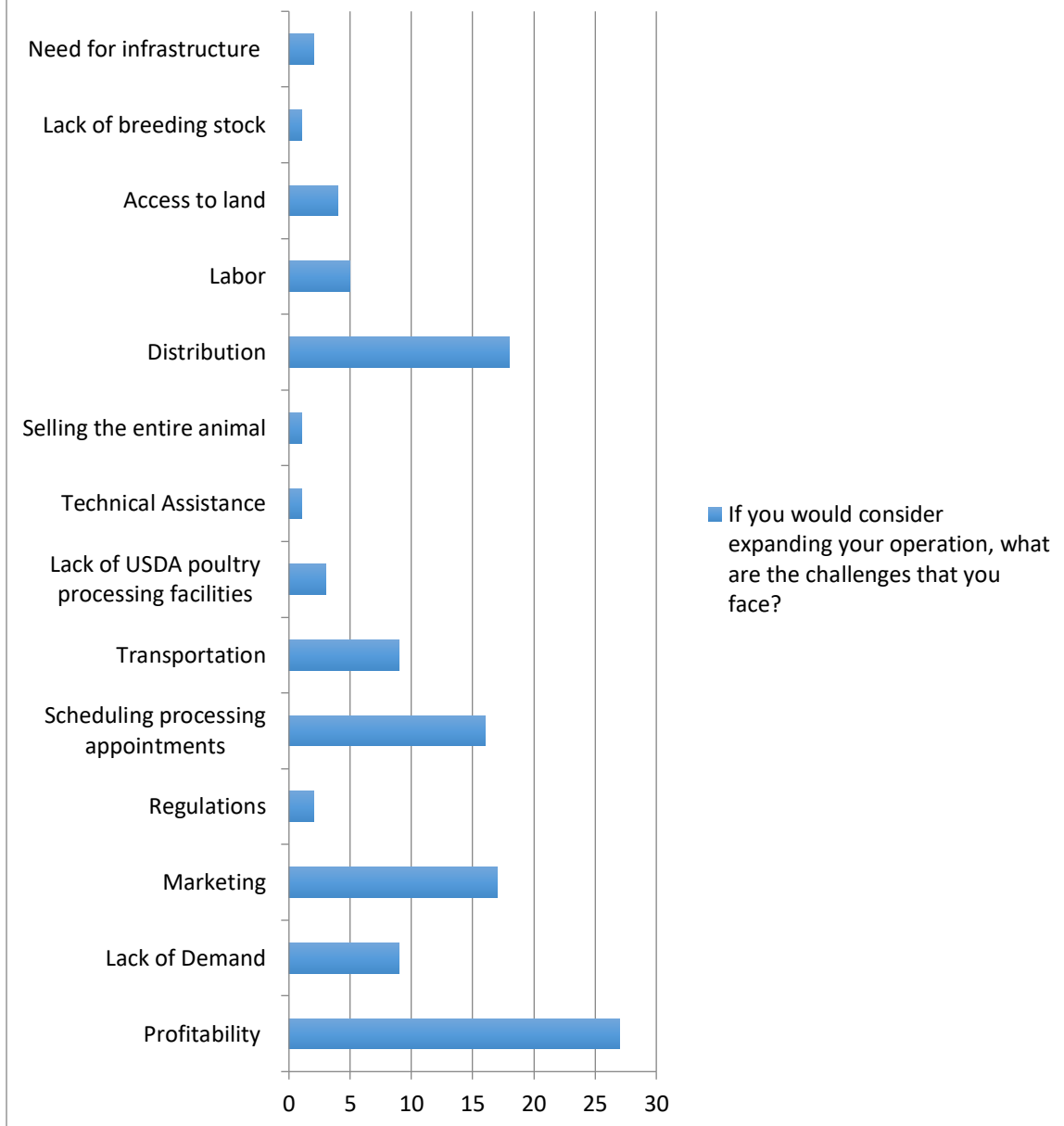
*5 producers did not respond.



*3 producers did not respond.



If you would consider expanding your operation, what are the challenges that you face?



*4 producers did not respond.

Survey Participant Comments

Please share any additional thoughts about challenges and/or strategies to increase production and processing of locally raised meat in New Hampshire:

- People "talk" preferring local farms but usually buy at supermarket for the convenience.
- I believe we need a few more USDA certified butcher shops. And more marketing for farm fresh produce.
- With advanced planning, I have no issues with scheduling processing for pigs and lambs. We do about 180 turkeys. Adding more would require more processing capacity.
- For us the major hurdle has always been the mortgage. We started from scratch, no generational operation. Every time we expand it's a burden on the mortgage payment, yet the expansion is critical to become profitable.
- Mobile USDA Processing trucks, they have become a reality in other parts of the country. In addition to providing greater scheduling flexibility, these mobile units would provide opportunity for small flock or herd owners to legally sell their extra produce. Avoid CAFO's as I sincerely believe that they degrade the quality of the finished product as well as increase the use of antibiotics.
- I have somebody who comes at my farm to process 50 chickens at the time with his equipment. My operation is small so I need to buy organic feed per bag which is expensive, I would need to buy it bulk to get a better price and then I need to buy 3 tons at the time. I would need to expand my business from 100 to 300 broilers and then invest in a silo to stock the feed etc... and find the market for that.
- Regulations in general, EPA regulations, marketing grants, land needed and money needed to purchase land.
- Land access for hay and grazing.
- I think there are far too many wannabe producers with "good intentions" that are eating up the propaganda and feeding it out to clueless consumers. It is my belief that we already have a base of educated producers that could, with the right leadership, supply our local restaurants and consumer base. This becomes more of a time management issue as most of these producers have other jobs and don't have the time or money to put into these endeavors. You also have the problem of everyone wanting their own branding, etc. We have used various slaughterhouses in Maine, NH and Vermont and have had very few problems as long as we set appointments ahead of time. We have more issues with lamb than beef as we lamb out when the weather is nicer and they are all ready to slaughter at the busy time of year. It takes a lot more care, knowledge, organization, time and commitment to lamb out of season or calve out year round (as in dairying) and without additional profit most people are not going to pursue that path.
- We are certified organic producers and as far as I can tell, we are the only ones around for pork however we don't have the means and time to market our products. It has been very costly to raise organic pork and without sales soon, we will get out of the organic market. I would love to see a NH distributor represent the farms who could monitor what we have up and coming, know how to price our products competitively and fairly, and sell to supermarkets and restaurants for us on our behalf without jeopardizing our profit margin. I have marketed directly to wholefoods and have posted products as they have required but don't hear back. I also don't know what others are charging for wholesale cuts so I can't tell if we priced ourselves out of the market or there is no demand. It is very difficult.