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ROLL NUMBER

DESCRIPTION

1134

2005 HOUSE AGRICULTURE

HB 1134

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1134

House Agriculture Committee

Conference Committee

Hearing Date 1--14--05

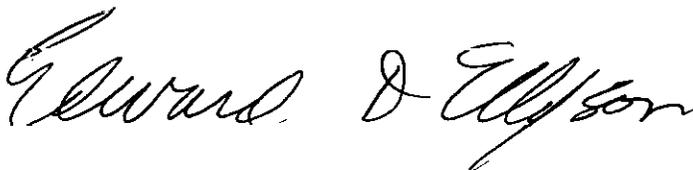
Tape Number
ONE

Side A
A

Side B

Meter #
00 TO 26.8

Committee Clerk Signature



Minutes:

CHAIRMAN NICHOLAS: Committee Members, we will open on HB 1134. Ok, who would like to give testimony in favor of HB 1134?

REPRESENTATIVE MEYER: DISTRICT 36 DICKINSON.

I support HB 1134. The Bill relates to licensing meat processors; and to provide a penalty.

I am in support of all the technical parts of this bill. I am going to leave the technical parts of the bill to Dr. Andrea Grondahl. What I am doing here today is just to tell you that you did the right thing in 1999 when you passed a state meat inspection program. This program has already been honored. We have already had awards given to Dr Andrea and Wayne Carlson.

On the implementing of this meat inspection program and it is a program that is working.

The intent of the 1999 bill was to allow small and medium livestock producers more opportunities to market their animal products and to provide a means for processing alternatives and non traditional livestock. More states are getting back into this concept. We went to the

large meat processors in the 1980's and now we find that it is that we keep these small plants open. There is a safety factor and as I said I passed out a lot of information for you to read.

CHAIRMAN NICHOLAS: Dr. Andrea.

DR. ANDREA GROUND AHL; Good morning Mr. Chairman and committee members.

For the record my name is Dr. Andrea Groundahl. I am the state meat inspection director for the Department of Agriculture. I am here to testify in support of HOUSE BILL 1134 which would allow for civil penalties if meat inspection laws are violated and provides for licensing of meat processing establishments.

[[[PLEASE SEE DR. ANDREA'S PRINTED TESTIMONY WHICH IS ATTACHED]]]

At the end of Dr. Andrea's testimony she made the statement. Mr. Chairman, members of the committee I urge a DO PASS ON HBO 1134. If you have any questions, I would be happy to answer them.

CHAIRMAN NICHOLAS: Dr. Andrea, how many violations are you seeing a year now.

How many do you consider serious in the state program?

DR. ANDREA: Mr Chairman In 2004 there were approximately seventeen. We are inspecting 102 plants. 13 of those are declared official establishments and 88 are not. The 88 are small.

REPRESENTATIVE KREIDT: What are the fines.

DR. ANDREA: A person who violates a provision is subject to a civil penalty not to exceed one thousand dollars.

REPRESENTATIVE KREIDT: Do you charge to be registered?

DR. ANDREA: The fee is ten dollars for small establishments and ten for the larger. Official establishments has on hand inspectors. Small plants do not. We do quarterly inspections.

REPRESENTATIVE BRANDBURG: We are passing civil penalties on every one. The news media will pick it up and devastate the industry.

ANDREA: History of the meat inspection in four years. There has been one, possibly where civil penalties have been considered. We deal with consumer complaints. We have to enforce should we discover a violation. We do get consumer complaints that are wondering why we don't do something about a particular plant.

REPRESENTATIVE BOE: Has a class B misdemeanor ever been considered. So that the fine structure would be in the statute and as that statute is updated then the fines would keep up with the times so that we don't have to re-address this in a few years. We will probably be back in five years saying that a thousand dollars is not enough. We have to keep up dating.

DR ANDREA: We do have in serious cases a Class B Misdemeanor. The Federal Government does not have mandatory fines. Surrounding states do have licenses and can be fined. Food born diseases are usually in large plants. The large plants have Federal Inspectors on duty.

REPRESENTATIVE KREDIT: Could we ever go on fines from one thousand dollars to five hundred. A thousand is a lot for a small producer.

REPRESENTATIVE WALL: Do we have the right to revoke a license.

ANDREA; No we can't revoke

ONSTAD: Would the fine be after a series of offenses or for just one? Would the fine be after a series of violations. Just kind of walk us through with the offender.

ANDREA: It depends on the nature of the violation. I can walk you through a consumer complaint. We have a compliance officer. He would contact the consumer that has the complaint. We would do an investigation of the plant. We would do a warning letter. We would do a quality review and safety review..to see if there is an compliance regulation. As to a high quality product. We would do an investigation if we knowingly new of an adulteration of the product. If we found this to be true in our investigation the person or persons would be turned over for prosecution. We do fine from twenty to fifty dollars. The one thousand dollar fine would be for a knowingly adulterating products and selling them. We have myself as a meat inspector, and we have five field inspectors. We have one inspector for 20 plants.

REPRESENTATIVE BRANDENBURG: Rep. Brandenburg and Rep. Kreidt were concerned as to the penalty etc. It was decided that we would hold up the Bill and appoint A Sub-committee to further study the effects of penalties.

REPRESENTATIVE KREIDT, BOE, AND BRANDENBURG WERE APPOINTED TO THE SUB-COMMITTEE.

CHAIRMAN NICHOLAS CLOSED ON HB 1134

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1134

House Agriculture Committee

Conference Committee

Hearing Date 1--20--05

Tape Number
THREE

Side A
A

Side B

Meter #
9.1 TO END

Committee Clerk Signature



Minutes:

VICE CHAIRMAN: Committee Members we will re-open the hearing on HB 1134.

What is your wish on HB 1134.

REPRESENTATIVE BRANDENBURG MADE A MOTION FOR A DO NOT PASS

REPRESENTATIVE BELTER SECONDED THE MOTION.

THE ROLL WAS TAKEN. THERE WERE 10 YES 1 NO 2 ABSENT.

REPRESENTATIVE KREIDT WILL CARRY THE BILL

WE CLOSED ON HB 1134

FISCAL NOTE
 Requested by Legislative Council
 01/03/2005

Bill/Resolution No.: HB 1134

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$3,000	\$0	\$3,200	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

This bill would give the Department of Agriculture the authority to license meat processing establishments and to assess civil penalties for violations of the law related to meat inspection.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

The license fees are as follows:
 Official processing and/or slaughter establishment-\$20 per year
 Custom exempt establishments-\$10 per year
 These license fees would generate \$2710 for the general fund for the 05-07 biennium and \$2900 for the 07-09 biennium.

A significant amount of revenue is not expected to be generated into the general fund through civil penalties. We are estimating approximately \$290 for the 2005-07 biennium and \$300 for the 2007-09 biennium.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

None anticipated.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

None anticipated.

Name: Jeff Weispfenning Agency: Agriculture

Phone Number: 328-4758

Date Prepared: 01/10/2005

|

1-20-05
HB 1134

Date:
Roll Call Vote #:

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.**

House **HOUSE AGRICULTURE COMMITTEE**

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *DO NOT PASS*

Motion Made By *BRANDENBURG* Seconded By *BELTER*

Representatives	Yes	No	Representatives	Yes	No
REP. EUGENE NICHOLAS CHAIRMAN			REP. TRACY BOE	✓	
REP. JOYCE KINGSBURY VICE CHAIRMAN	✓		REP. ROD FROELICH		
REP. WESLEY BELTER	✓		REP. PHILLIP MUELLER		✓
REP. M. BRANDENBURG	✓		REP. KENTON ONSTAD	✓	
REP. CHUCK DAMSCHEN	✓				
REP. CHAIG HEADLAND	✓				
REP. GARY KREIDT	✓				
REP. GERALD UGLEM	✓				
REP. JOHN WALL	✓				

Total (Yes) *10* No *1*

Absent *2*

Floor Assignment *KREIDT*

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 20, 2005 2:49 p.m.

Module No: HR-13-0793
Carrier: Kreidt
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1134: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO NOT PASS
(10 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1134 was placed on the
Eleventh order on the calendar.

2005 TESTIMONY

HB 1134



600 E Boulevard Ave., Dept. 602
Bismarck, ND 58505-0020

**Testimony of Dr. Andrea Grondahl
State Meat Inspection Director
North Dakota Department of Agriculture
House Bill 1134
Agriculture Committee
Peace Garden Room
January 14, 2005**

Chairman Nicholas and committee members, for the record, my name is Dr. Andrea Grondahl. I am the state meat inspection director for the Department of Agriculture. I am here to testify in support of House Bill 1134, which would allow for civil penalties if meat inspection laws are violated and provides for licensing of meat processing establishments.

The state meat inspection law currently is not as effective as it should be because of the inflexibility of handling violations through penalties. Although regulatory control action may be taken in the event of product adulteration, most violations now only lead to the issuance of a warning letter. This is effective in many cases but not all. The only other enforcement action available is criminal prosecution, which is reserved for only the most serious offenses, such as in the case of an individual knowingly shipping or selling adulterated product.

Establishing civil fining authority would create some "middle ground" and allow the state meat inspection program to be more effective in obtaining compliance and deterring repeat offenders.

Warning letters would continue to be utilized when it is believed they will adequately serve the public interest.

The second part of the bill provides licensing authority. The meat inspection program is currently only able to register meat processing establishments. Registration means that no one can be denied to carry out the activities which fall under the registration. It only allows the program to keep track of businesses in operation and access for inspections. The establishment's only obligation is to register and to keep current within relevant legislation. A license will mean establishments must first meet basic requirements prior to carrying out meat processing activities.

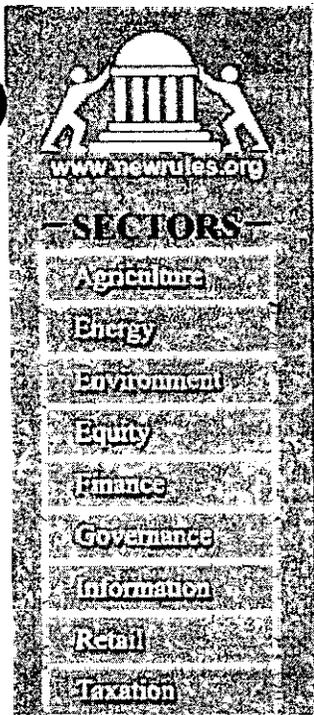
The state meat inspection program was developed to help provide opportunities for small meat processors and producers. I believe we have done this and will continue to do so. However, we are also obligated to protect consumers within our state and reduce the likelihood of food borne illness. Meat products are considered to be one of the highest risk foods because of their contamination potential. It is very important that meat is handled correctly in a sanitary environment and in a manner to preserve its wholesomeness. If it is not, there is a risk of food borne illness.

The large majority of meat processors understand the importance of sanitation and the need to adhere to regulations. It is the few individuals that are only interested in profit for which we seek this legislation. In order for the program to continue to be successful and expand, we must make sure the establishments under state inspection meet and follow state and federal regulations. Our

inspection staff must also have the tools necessary to effectively enforce the regulations, and ensure that only wholesome meat products are produced and offered for sale.

Mr. Chairman and committee members, I urge a "do pass" on House Bill 1134. If you have any questions, I would be happy to answer them.

Thank you.



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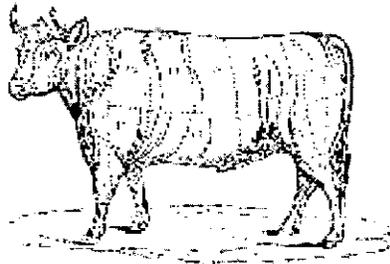
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The Journal of the New Rules Project - Winter 2001



State Inspections Revive Local Markets

After years of suffering heavy hits from industry consolidation and low prices, small livestock farmers and independent meat processors are getting a second chance through a long-forgotten policy. The recent resurrection of state meat inspection programs has given farmers the opportunity to market their own meat and is increasing business for small processors.

By Brian Levy

In the past 30 years, the meat packing industry has been shifting to ever-larger processing plants located in a shrinking number of counties that have huge livestock production enterprises. As a result, the industry is roughly ten times more concentrated geographically today than in the early 1960s. From 1976 to 1996, the number of federally inspected plants processing beef fell by more than half, from 1,665 to 812.(1) In 1997 the 14 largest of these plants (those with 1 million head of annual capacity or more) processed 63 percent of the steers and heifers in the U.S.(2)

Only the largest cattle slaughter plants - those that slaughtered more than 500,000 head annually - increased in number during the 1980s. Plants that slaughtered between 10,000 head and 100,000 head annually declined in number by 65 percent between 1980 and 1990, while plants that slaughtered fewer than 10,000 head annually declined in number by 44 percent.(3) This concentration of processing capacity has coincided with an even more severe concentration of ownership. Today, four firms process 81 percent of all steer and heifers, up from 36 percent in 1980.

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Dr. Dave

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Similar trends exist in hog processing. The number of federally inspected hog slaughter plants fell from 1,322 in 1976 to 770 in 1996. In 1995, the largest 33 of these plants processed over 87 percent of the hogs in the U.S. One Smithfield plant can process 32,000 hogs a day or more than 10 million a year. Nationally, the top four hog processors now handle over 50 percent of U.S. hogs. In the Southeast, Southwest and West, the four largest firms slaughtered more than 90 percent of the total federally inspected hogs in 1997.(4)

Gary Benjamin, vice president of the Federal Reserve Bank of Chicago, offers a glimpse of a possible future, "some 50 producers could account for all the hogs needed in the United States . . . fewer than 12 plants could process all of the country's hogs."(5)

Lacking alternative markets, small livestock farmers must sell to ever-larger and ever-fewer packing facilities. Fewer customers mean a lower take-it-or-leave-it price. Many of the packers own their own livestock or have contracts with large suppliers, which means the small producer stands at the back of the line. Farmers drive their animals to the nearest federally inspected packer. For some, this means shipping their animals hundreds of miles.

New problem, old solution

In response to these trends, smaller processors and farmers have called for new ways of processing and marketing their meat. This has led states to revive an old idea: small state-inspected processing facilities.

In 1906 Congress passed the first meaningful meat inspection law. The law required that all meat sold to foreign countries or across state lines be inspected by the federal government (eventually the United States Department of Agriculture (USDA) Food Safety and Inspection Service). The individual states (or in some cases cities and counties) had a variety of generally weak laws and ordinances concerning meat inspection. These remained applicable for all meat processed and sold in-state.

With the passage of the federal Wholesome Meat Inspection Act and the Wholesome Poultry Products Act in 1967, all state meat inspection programs were required to license state processing plants as "at least equal to" federal standards. The only exception to the rule was a stipulation that allowed very small meat processors to pack meat for individual customers (known as "custom" processors).

By 1970, almost every state maintained its own inspection system for meat processors, primarily because the relatively small packers who kept their products within the state did not want to be subjected to federal inspectors.

Over the next 10 years, however, the majority of states turned all inspection back to Washington. Some dropped the programs to save costs, while other programs were revoked when the USDA found them falling short of federal guidelines.(6)

With the programs gone, processors without federal inspection could only slaughter and process meat for the farmer who raises the animal or the consumer who purchases a live animal, stamping the wrapped meat "not for sale." Restricted to individual service, these custom processing plants slaughter livestock for local farmers, dress deer and store meat for customers. The plants

are by nature small - most process ten animals a day or less. These processors shy away from applying for federal inspection, wary of a USDA meat inspection program that caters almost exclusively to large, assembly line operations.

Recently, however, small processors and farmers have encouraged states to bring back state certification programs. The decision has suited the USDA, which finds it lacks the resources to cover additional state meat plants. Bringing back the programs has made it easier for the state's meat producers to sell their homegrown beef, pork and poultry directly to consumers in the state. Farmers may now take their livestock to a growing number of state-inspected processors that have been certified as "equal to" federal standards.

By selling directly to a smaller local processor, farmers avoid the trucking, brokerage and yardage fees associated with selling to a larger remote packing plant. Farmers typically receive the same spot market price as they would from large packers. Unlike the large plants, however, smaller processors can provide more individualized service, and may offer a higher price for specialty meats such as organic beef. Processors may then sell the meat in an adjacent meat market or through a private label distributed in-state.(7)

Many farmers have opted to retain ownership of the meat altogether. Using "co-packing" agreements, farmers work with a processor to cut and package their livestock, then sell the meat directly to consumers or through local grocery stores. The ability to direct-market the meat increases business for processing plants while providing higher returns to farmers.

States take the lead

Minnesota boasts an example of a revived state meat inspection program. In November 1998 the Minnesota Department of Agriculture (MDA) recreated the state's meat inspection program, which had been shut down in 1972. The state currently has approximately 360 slaughter and processing facilities, of which 100 are large USDA-certified plants. Most of the remaining 260 facilities are custom processors and are not certified to handle meat for sale.(8)

In the last two years 32 of the smaller plants have been state certified as "equal to" federal guidelines. They now collectively process about 200,000 pounds of meat per month for sale in Minnesota. (Ten of the plants do slaughtering and processing. The rest only process.) MDA's program has spurred construction of ten new meat processing facilities and the upgrading of many more small plants. The federal government pays half the cost of the state program's \$675,000 annual budget.(9)

Recently North Dakota became the 26th state to adopt a state meat inspection program to certify meat for marketing in-state. South Dakota has had its program for several years and is now inspecting over 100 facilities. Some states never ended their state inspection programs: Wisconsin has been inspecting meat for nearly 30 years, and now has more than 300 state-inspected plants and 100 inspectors.

Today state meat inspection programs cover about 3,000 smaller plants that account for about 7 percent of all meat and poultry products consumed in the United States.(10)

Now the challenge lies in allowing state-inspected meat to cross state lines. A

bill introduced by Senator Daschle (D-SD) would have allowed interstate meat marketing (S.1988, the New Markets for State Inspected Meat Act of 1999). The bill would also require state meat and poultry inspection programs to become seamlessly integrated with federal programs. Despite widespread support, the bill did not pass under the 106th Congress, but it will likely be reintroduced and passed in the next session.

Saving local meat

If past experiences portend the future, the meatpacking industry will further consolidate and move again. Seeking lower costs and less regulation, many of the major U.S. meatpackers already have plants abroad. To survive, livestock farmers and smaller processors must encourage consumers to build a rooted, regionally based food system. State meat inspection programs have helped them to take the first step.

Footnotes

- 1) Prepared statement of Keith Collins, chief economist of the USDA, before the Senate Committee on Agriculture, Nutrition and Forestry. *Federal News Service* (January 26, 1999).
- 2) MacDonald, Ollinger, Nelson and Handy. "Consolidation in U.S. Meatpacking," USDA/ERS Report No. 785 (2000): p.9.
- 3) Anderson, Donald W., Brian C. Murray, Jacqueline L. Teague and Richard C. Lindrooth. "Exit from the meatpacking industry: a microdata analysis," *American Journal of Agricultural Economics* 80, no. 1 (February 1998): 96.
- 4) Drabenstott, Mark, Mark Henry and Kristin Mitchell. "Where have all the packing plants gone? The new meat geography in rural America," *Economic Review* 84, no. 3 (1999): 65-82. Published by the Federal Reserve Bank of Kansas City.
- 5) Benjamin, Gary. In *Economic Perspectives* (January 11, 1997).
- 6) The USDA began revocation of some state meat inspection programs after several well-publicized cases of lax inspection enforcement. Interestingly, today the majority of widely publicized meat contamination cases are traced back to USDA-inspected plants. Processing plants are much larger today and contamination incidents at a large facility pose a much greater risk to public health than similar incidents at smaller facilities.
- 7) The economies of scale associated with meat processing in small facilities (15 animals/day or less) are largely undocumented. Most studies focus on plants that process 1,000 animals a day or more. However, different facilities serve different markets. In cattle, for example, small processors serve almost exclusively a custom, or niche market, while nearly all larger facilities specialize in boxed beef. Due to their size, larger processors are able to sell "drop" (miscellaneous non-edibles, blood, etc.) to secondary processors for \$100-120/head. Smaller processors create smaller, unreliable amounts of drop, and consequently receive \$17/head for the same material. In some cases, they must pay disposal fees. They are thereby at a competitive disadvantage from the start.
- 8) Lillywhite, Jay. AURI Meat Processors Census and Survey 2000. <http://www.auri.org>.
- 9) Personal conversation with Kevin Elfering, Minnesota Department of Agriculture.
- 10) Federal Document Clearing House Congressional Testimony, April 6, 2000. Carol Foreman, director of the Consumer Federation of America, for the Senate Agriculture, Nutrition and Forestry Committee on S.1988.



United States Department of Agriculture
Food Safety and Inspection Service
Washington, DC 20250-3700

Cooperative State MPI Programs

State Meat and Poultry Inspection (MPI) Programs are an integral part of the nation's food safety system. 2,100 meat and poultry establishments, are inspected under State MPI programs. All of these establishments are small or very small. State MPI programs are characterized as providing more personalized guidance to establishments in developing their food safety oriented operations. FSIS provides approximately \$43 million dollars annually to support the 27 State MPI programs currently operating.

State MPI programs operate under a cooperative agreement with FSIS. Under the agreement, a State's program must enforce requirements "at least equal to" those imposed under the Federal Meat Inspection Act and the Poultry Products Inspection Act. Establishments have the option to apply for Federal or State inspection. However, product produced under State inspection is limited to intrastate commerce. FSIS provides up to 10% of the State's operating funds, as well as training and other assistance. FSIS provides guidance to state MPI programs under these agreements.

FSIS is reassessing the criteria by which it evaluates state MPI programs in light of evolving food safety initiatives, including the need to better coordinate MPI activities with those of other food safety agencies. The goal is to update the cooperative state MPI program criteria and procedures and corresponding FSIS activities.

- * FSLGRS Cooperative Inspection Program Functions
- * Comprehensive Reviews of State MPI Programs
- * States with Meat and/or Poultry Inspection Programs
Lists the 27 State MPI Programs currently operating
- * Designated States
Lists the 26 states without poultry inspection programs and the 23 states without meat inspection programs. FSIS must provide for the inspection in the designated category regardless of whether the product is shipped in interstate commerce.
- * State Officials - Cooperative Meat and Poultry Inspection Program ~~Attachment~~

Last Update: 03/29/2004

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MEDIA: For more information, please call Sara Wagner at (701) 328-4766.

STATE MEAT INSPECTION PROGRAM HONORED

BISMARCK -- The North Dakota Environmental Health Association (NDEHA) presented its Merit Award to the State Meat Inspection Program of the North Dakota Department of Agriculture (NDDA) during the recent NDEHA annual educational conference in Mandan.

"The award was given for outstanding achievement in the development and implementation of the North Dakota State Meat Inspections Food Safety and Education Program," said Terry Ludlum, Fargo, NDEHA president. "The program has also been instrumental in providing much needed HACCP education to the various meat markets across the state."

HACCP is a seven-point process designed to prevent hazards that could cause food-borne illnesses by applying science-based controls from raw materials to finished products. The protocol was originally developed for the U.S. space program

Agriculture Commissioner Roger Johnson said the award is recognition not only for the implementation of the meat inspection program, but also for the program's subsequent growth.

"I am especially pleased that Dr. Andrea Grondahl and Wayne Carlson were singled out by the association for their work in developing and implementing the meat inspection program," Johnson said. "Thanks to them, the legislative mandate was met, the federal requirements were met and the state now has a first class program."

Grondahl directs the meat inspection program which is a division of NDDA's livestock industries program area, headed by Carlson.

Authorized by the 1999 Legislature, the State Meat Inspection Program provides inspection services to allow meat processors to retail and wholesale their products in the state. The program also ensures that custom exempt facilities meet sanitary standards.

At present 13 meat processing facilities are qualified as officially inspected plants. In addition, the program provides inspections to nearly 90 custom processing operations.

Founded in 1942 as the North Dakota Association of Milk Sanitarians, the North Dakota Environmental Health Association is a non-profit professional organization that promotes and protects the environmental health of the citizens of North Dakota. NDEHA members work in air, land, and water pollution control, community environmental control, fire and safety inspections, food protection, epidemiology, health and environmental laboratories, and federal, state and local community health agencies.

MEDIA: For more information, please call Dr. Andrea Grondahl at (701) 328-4762.

MEETINGS AND OTHER EVENTS

Nov. 13-14 -- Pride of Dakota Holiday Showcase, All Seasons Arena, State Fairgrounds, Minot.



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1/30/2003

States Get Back Into Meat Business

Inspection hurdles in Michigan separate farmers and eager consumers

By Patty Cantrell

Great Lakes Bulletin News Service

One of the biggest obstacles to small farm profitability in Michigan is the lack of convenient, affordable processing. Members of the Upper Peninsula's Big North Farmers Cooperative in the Sault Ste. Marie area, for example, must travel upwards of 200 miles to Escanaba for meat processing. The hauling distance costs them time, money, and quality, says John Dutcher, one of several cooperative members now supplying local consumers with free-range, locally produced beef.



Pat Owen

The rural area around the Dutcher farm near the eastern tip of the U.P., however, used to have several meat processors that served local growers. So did other communities across Michigan and the country.

One of the primary reasons these facilities now are far between is the high cost of regulations designed for much larger processing plants, says Dr. Lee Jan, president of the National Association of State Meat and Food Inspection Directors.

"The little guy kind of gets forgotten," Dr. Jan says of the current system in Michigan and 22 other states. United States Department of Agriculture inspectors, strapped for time and staff, are the only ones on the job of both inspecting meat and helping processors understand complicated rules. "The small processor

that kills two or three or 200 head a day doesn't get his questions answered in a timely manner compared to the large processor that kills 200 head an hour."

But that's changing in many states as economic developers and legislators recognize that more farmers need more processors to tap the huge market potential for new meat products — from organic chicken to specialty sausages.

Business Growth

Missouri and North Dakota are the latest states to reinstate meat inspection programs after having eliminated them, like Michigan, through budget cuts in the 1980s.

State meat inspection programs must follow the same regulations and provide the same level of inspection quality as USDA. But they are more valuable for farm business development because state programs can provide one-on-one assistance to smaller processors. That helps processors get into business, stay in business, and serve a growing number of meat marketers.

In Michigan

Michigan Department of Agriculture Director Dan Wyant says the state is open to rejoining the national total of 27 states that have meat inspection programs. In the meantime, it is working to help some processors, such as a large, farmer-owned turkey processing plant near Grand Rapids, meet federal requirements.

The cost of creating a state program is a significant hurdle, Mr. Wyant says, especially in a time of budget cuts.

The investment is arguably minor, however, compared to millions of dollars that state agencies put into other economic development initiatives. Dr. Jan estimates the average annual direct cost of a state meat inspection program is 1.8 million after the federal government pays half of the total.

The payoff for investments in state meat inspection is jobs, farmland protection, and development of new and important agriculture markets. Consumer demand for greater meat choices is growing at an astonishing rate, providing profit possibilities for a variety of farmers all across Michigan — from families selling at farmers markets to specialty companies creating their own brands of deli meats.

The market for organic meat, eggs, and poultry alone grew 64 percent between 1999 and 2000, according to the Organic Trade Association. Statistics for direct, local marketing of meat products in general are more difficult to find. But Dr. John Ikerd, professor emeritus of agricultural economics at the University

of Missouri, says on-the-ground experience with locally produced poultry, for example, suggests demand is well beyond supply.

"I haven't talked to anybody yet who could raise and process as many chickens as they could sell at almost any price they put on them."

Poultry Possibilities

The potential for more Michigan farmers to supply consumer markets hungry for local, free-range poultry is even more immediate than in beef and pork markets, which require full-scale state or federal inspection. Federal regulations allow for a greater range of processing arrangements for poultry farmers who produce between 1,000 and 20,000 birds a year. Most states, including Michigan, allow farmers to process up to 1,000 birds on their own farms with basic state inspection of sanitary conditions.

The problem, however, writes agricultural law expert Neil Hamilton of Drake University in his book, "The Legal Guide for Direct Farm Marketing," is that the federal rules "are so poorly written it is hard — even for the government officials — to determine exactly what they mean."

That's where Michigan and most states currently stand: In a gray regulatory area. As a result, no one from the state or federal government is providing clear guidance and inspection services so that farmers can move beyond the 1,000-bird limit into more profitable market territory.

Discussions are underway in Michigan on how to navigate the federal rules. Michigan Department of Agriculture officials recently met with farmers and USDA officials in a roundtable discussion that the nonprofit Michigan Integrated Food and Farming Systems organization initiated. MIFFS now is producing a manual as a result of the roundtable to help the state's small-scale poultry producers work with state and federal officials.

Other states are coming up with action plans for helping poultry producers reach eager consumers. The Texas Legislature, for example, recently increased the number of birds that farmers can process on their own with basic health and sanitation inspections — versus costly bird by bird inspection — from 1,000 to 5,000 per year.

Contacts: Dan Wyant, Michigan Department of Agriculture Director, 517-373-1052; Dr. Lee Jan, Texas Department of Health, 512-719-0205, lee.jan@tdh.state.tx.us; Kevin Elfering, Minnesota Department of Agriculture, 651-297-7453, Kevin.Elfering@state.mn.us; Tom Guthrie, Michigan Integrated Food and Farming Systems, 517-432-0712, miffs@pilot.msu.edu

"Lunch Ladies" Search For Local Food