



STRATEGIES FOR GROWTH IN THE UPPER PENINSULA'S MEAT VALUE CHAIN

December 2016

EXECUTIVE SUMMARY

The Upper Peninsula's meat sector is poised for growth. The demand for locally grown meat is unmet and likely to grow, and many farmers in the region want to scale up their operations. Rainbow Packing, the region's only USDA-inspected slaughter and processing facility, operates at full capacity during the busy season. Bottlenecks in the supply chain, along with challenges related to the U.P.'s geography and infrastructure, constrain potential growth that would bring greater financial benefit to the region's farmers, processors, and food businesses, while also bringing more locally grown meat to the region's residents and tourists. Targeted investments, increased collaboration among stakeholders, and the creation of a Meat Value Chain Coordinator position would support and encourage incremental growth in the region's sector, and help realize the vision of a vibrant and thriving U.P. meat value chain.

PREPARED FOR

Marquette County Planning Division and
the U.P. Multi-species Processing Feasibility Study Project Advisory Committee

BY

KarenKarp&Partners

27 East 21st Street, 3rd Floor
New York, NY 10010

t. 212.260.1070
f. 917.591.5104

kkandp.com

This report is the outcome of a study initiated by a group of stakeholders including Marquette County, MSU Extension, Upper Peninsula Food Exchange, Farm Bureau, and regional planning organizations. The initiative was a response to challenges in the region's slaughter and processing capacity, and was initially framed as a feasibility study for a new facility. Karen Karp & Partners, a national food and agriculture consultancy, was retained to complete the research and prepare recommendations for the region's stakeholders. The research effort consisted of literature review, analysis of secondary data, two surveys of the region's farmers, extensive interviews with stakeholders and experts in the region, and on-site engagements.

Current Conditions: **Demand for local meat**

Consistent with national trends, demand for local meat in the Upper Peninsula is unmet and growing, though without a major urban center as anchor market, scale and growth of demand is more modest than in some regions elsewhere in the U.S. Nevertheless, more than two-thirds (68%) of farmer survey respondents said that they are not able to meet their customers' demand for local meat. The U.P.'s geography (about 320 miles east-to-west) and population distribution (52% rural) are important considerations in understanding how to meet that demand. The central U.P., where population and purchasing power are concentrated, is likely to be the anchor market for increased local meat purchasing. And with an estimated \$392 million in food spending in 2010, tourism is another key component of demand. The characteristics that draw visitors to the U.P. – pristine, natural, unadulterated – align well with the qualities that motivate many people to eat locally, and eating locally is one way for tourists to experience the culture of a place. Finally, understanding the motivations and priorities of different customer segments – tourists, residents, institutions, restaurants, and retailers – will help the meat sector tap into the region's demand for local meat.

68% of farmer survey respondents said they are **not able to meet their customers' demand for local meat**

"I can't raise meat fast enough for our customers' demands, especially our grass-fed beef" – survey respondent

\$392 million in tourist food spending in 2010

Current Conditions: **Meat production in the Upper Peninsula**

All counties in the U.P. are home to some level of meat production, though highest volumes are found in the central and eastern areas of the region. Beef production is concentrated in the south central and eastern portions of the U.P., while the Houghton County area is home to many small operations. Marquette County leads in pork and goat production (though goat production is quite small), while Alger leads in poultry and Chippewa leads in sheep and lamb. Production of meat in the U.P. is highly seasonal, with annual spikes for livestock processing in August through November, and for poultry processing from May to September; although year-round production is not impossible, it requires significant investments in feed and labor to enable overwintering. Over a third of survey respondents identified "access to USDA-inspected slaughter and processing" as their top barrier to expansion. Other top barriers were distance to processor, access to capital, and cost of production.

Current Conditions: **The U.P.'s slaughter and processing capacity**

The Upper Peninsula has just one USDA-inspected slaughter and processing plant, Rainbow Packing, centrally located in Escanaba. Farmers on the eastern or western ends of the peninsula have USDA-inspected options in Lower Michigan and Wisconsin, but these involve substantial travel distances. Several custom exempt processors operate across the peninsula, some of which offer slaughter services as well; Love Meats, in the eastern U.P., is in the process of incorporating USDA-inspected slaughter to its operations. There are no USDA-inspected poultry processors in the U.P. – a significant constraint to potential growth of U.P. poultry production.

The production calendar causes significant processing bottlenecks in the fall, during which time Rainbow operates at or near full capacity, and processing appointments there can be difficult to secure. Farmer survey respondents expressed a desire for improved access to USDA processing: in aggregate, they said they would process about two and half times as many beef and pigs as they currently process if they had access to “an ideally situated USDA facility.” Customer service, convenience in location and scheduling, and a range of services were among the most desired characteristics of a USDA processor. Improved transportation options and infrastructure, especially freezer space, could increase efficiency and capacity in the region.

Key findings

This study was initiated to assess the feasibility of a new multi-species processing facility in the U.P. Based on a general finding of insufficient volumes to support a new facility, the project team concluded that such a facility would not be feasible at this time.

The team did, however, find a clear need for increased slaughter and processing capacity in the region. This need is evidenced by farmers’ expressed desires for increased capacity (in interviews and surveys); Rainbow’s operating at capacity during the busy season; and seasonal bottlenecks in the supply chain. Our research team concludes that targeted initiatives could increase the region’s capacity and throughput by nurturing incremental growth in production, processing, and demand. Investments in the region’s existing assets are central to this recommended approach.

Recommendations

The Upper Peninsula’s meat sector is poised for incremental growth as demand for locally produced meat increases. The project team offers four overarching recommendations, each with a set of specific strategies, that will guide the U.P.’s meat sector toward greater efficiency, higher volumes, and increased economic impact. These recommendations and strategies are informed and justified by our research findings, and in particular aim to achieve growth through better communication, education (of consumers and supply chain actors), innovation, and the leveraging of existing assets in the region.

1. Facilitate effective communication and coordination across the U.P. meat sector.

Opportunities exist to communicate more through quarterly stakeholder meetings, maximize collaboration and use of existing assets with a new coordinator position, achieve efficiencies through shared transportation partnerships, and educate producers and processors on relevant regulations.

- 1.1 Convene Quarterly Meat Sector Meetings
- 1.2 Hire an Upper Peninsula Meat Value Chain Coordinator
- 1.3 Develop Educational Materials on State and Federal Regulations
- 1.4 Develop Transportation Support and Partnerships

2. Cultivate and tap into greater demand for U.P.-produced meat.

By working from multiple angles in branding and design development and support, producer coaching and consumer education around local meat, and wholesale customer outreach, the community of stakeholders in the U.P. can help ensure the marketplace is better equipped to align supply with demand.

- 2.1 Provide Marketing, Branding and Design Assistance to Farmers
- 2.2 Support Development of U.P. Agriculture Co-Brand
- 2.3 Consumer Education on Value and Benefits of Local Meat
- 2.4 Locate and Acquire Wholesale Customers for U.P. Meat Products
- 2.5 Develop Advance Meat Commitments from Wholesale and Retail Customers

3. Provide tools, guidance, and advocacy to farmers for increasing production.

By educating farmers on best practices for year-round production, assisting them with pricing and cost-modeling guides, and providing access to capital for farm equipment and feeder animals, MSU Extension and other regional stakeholders may be able to nurture increased production across the peninsula.

- 3.1 Educate Farmers on Opportunities for Year-Round Production
- 3.2 Develop Cost and Pricing Models for Producers
- 3.3 Develop Avenue for Policy Advocacy
- 3.4 Access to Capital for Producers and Processors

4. Expand processing capacity in the U.P.

There is a range of strategies available to increase the region's processing capacity, both in terms of overall kill slot availability and optimization of those slots. These strategies include infrastructural investment, pricing strategies, personnel training, plant upgrades, prescriptive scheduling and business-to-business communication improvements.

- 4.1 Increase Overall Processing Capacity and Service at Rainbow Packing
- 4.2 Maintain Processing Sector through Training and Succession Planning
- 4.3 Help Custom-Exempt Plants Upgrade to USDA Inspection

Finally, we present a long-range vision for an Upper Peninsula "meat center": an accessible and sustainable state-of-the-art processing, smoking, and curing facility for added-value products. If a significant portion of the recommendations and strategies presented in this report are successfully executed, some of the positive outcomes will likely include:

- Increased capacity and throughput at Rainbow Packing for USDA-inspected slaughter, cutting, and processing of beef, pork, and lamb. The facility features improved equipment, increased freezer storage, and improved quality overall
- Increased production of beef, pork, and lamb on U.P. farms and higher percentage of that production being processed and consumed on the peninsula, increasing the beneficial cycling of local food expenditures
- Active USDA-inspected fee-for-service poultry processing
- The return of a small-scale U.P. poultry growing sector, selling through direct local retail and intra- and inter-state wholesale

In any meat system dealing in whole animal units, there are products that sell easily and others that drag, some that are of peak value as raw meat only and others that can deliver more value through processing. With respect to beef and pork in particular, increased production in the U.P. will bring with it additional opportunities for value-added products, as well as the potential for inventory challenges. Through investment in a processing facility capable of generating all or some of these products, Marquette County and other stakeholders would be contributing to the long-term sustainability of the U.P.'s meat sector.

For more information on the project or implementation of the recommendations:

Michelle Walk
Community Food Systems Educator, MSU Extension
(906) 635-6368
walkmich@msu.edu

Thyra Karlstrom
Senior Planner, Marquette County
(906) 225-8192
tkarlstrom@mqtco.org

The full report can be found online at upfoodexchange.com