NATIONAL SUSTAINABLE AGRICULTURE COALITION

June 21, 2021

Bruce Summers
Agricultural Marketing Service
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, D.C. 20250

Re: NSAC Comments on Supply Chains for the Production of Agricultural Commodities and Food Products

Submitted via Regulations.gov (FR Docket AMS-TM-21-0034)

Dear Administrator Summers,

The National Sustainable Agriculture Coalition (NSAC) welcomes the opportunity to submit comments to inform the U.S. Department of Agriculture's (USDA) report to the President that assesses the supply chains for the production of agricultural commodities and food products, as requested in the Federal Register Vol. 86, No. 20652 (pages 20652-20654) on April 21, 2021.

The National Sustainable Agriculture Coalition is a national alliance family farm, food, rural, and conservation organizations[1] that together take common positions on federal agriculture and food policies to advance sustainable agriculture. NSAC has worked extensively with our members, Congress, and the Administration over the past year in responding to the ongoing pandemic and

[1] Agriculture and Land-Based Training Association Salinas, CA; CCOF Santa Cruz, CA; California FarmLink Santa Cruz, CA; C.A.S.A. del Llano (Communities Assuring a Sustainable Agriculture) Hereford, TX; Catholic Rural Life St Paul, MN; Center for Rural Affairs Lyons, NE; Clagett Farm/Chesapeake Bay Foundation Upper Marlboro, MD; Community Alliance with Family Farmers Davis, CA; Community Involved in Sustaining Agriculture South Deerfield, MA; Dakota Rural Action Brookings, SD; Delta Land and Community, Inc. Almyra, AR; Ecological Farming Association Soquel, CA; Farmer-Veteran Coalition Davis, CA; Florida Organic Growers Gainesville, FL; FoodCorps, OR; GrassWorks New Holstein, WI; Hmong National Development, Inc. St Paul, MN and Washington, DC; Illinois Stewardship Alliance Springfield, IL; Institute for Agriculture and Trade Policy Minneapolis, MN; Interfaith Sustainable Food Collaborative Sebastopol, CA; Iowa Natural Heritage Foundation Des Moines, IA; Izaak Walton League of America St. Paul, MN/Gaithersburg, MD; Kansas Rural Center Topeka, KS; The Kerr Center for Sustainable Agriculture Poteau, OK; Land Stewardship Project Minneapolis, MN; LiveWell Colorado Denver, CO; MAFO St Cloud, MN; Michael Fields Agricultural Institute East Troy, WI; Michigan Food & Farming Systems – MIFFS East Lansing, MI; Michigan Organic Food and Farm Alliance Lansing, MI; Midwest Organic and Sustainable Education Service Spring Valley, WI; Missouri Coalition for the Environment St. Louis, MO; Montana Organic Association Eureka, MT; The National Center for Appropriate Technology Butte, MT; National Center for Frontier Communities Silver City, NM; National Hmong American Farmers Fresno, CA; Nebraska Sustainable Agriculture Society Ceresco, NE; Northeast Organic Dairy Producers Alliance Deerfield, MA; Northern Plains Sustainable Agriculture Society LaMoure, ND; Northwest Center for Alternatives to Pesticides Eugene, OR; Ohio Ecological Food & Farm Association Columbus, OH; Oregon Tilth Corvallis, OR; Organic Farming Research Foundation Santa Cruz, CA; Organic Seed Alliance Port Townsend, WA; Rural Advancement Foundation International – USA Pittsboro, NC; Union of Concerned Scientists Food and Environment Program Cambridge, MA; Virginia Association for Biological Farming Lexington, VA; Wild Farm Alliance, Watsonville, CA; Women, Food, and Agriculture Network Ames, IA.

ensuring that emergency relief is not only available but accessible and appropriate to farmers of all scales and markets. We have witnessed firsthand the impacts of supply chain disruptions and an inherently vulnerable and consolidated food system.

In that light, NSAC makes the following recommendations to assist USDA in implementing the President's Executive Order 14017 in order to build more resilient, diverse, and secure food and agricultural supply chains, and likewise more resilient, diverse, and secure food systems across the United States. Included below is both a discussion of critical elements underlying agriculture and food supply chains as well as recommendations and policies that the USDA should pursue in order to increase resilience throughout the food system.

Our comments are divided into two broad categories: 1) an analysis of the current U.S. food and agriculture system, and 2) a detailed series of recommendations that are critical to achieving the policy objectives listed in E.O. 14017 and development of "resilient, diverse, and secure supply chains to ensure our economic prosperity and national security."[2]

The first section is structured as a response to several "elements" for which USDA has requested specific comments. Our comments focus primarily on "*The critical goods and materials underlying agricultural and food product supply chains"* and "*other essential goods and materials underlying agricultural and food product supply chains"*. However, they are not limited to just those elements and include a number of the other elements of interest discussed in (iii) through (viii) of the Federal Register request for comments. The second broad section of this document is focused on responding to (ix) and (x), by providing a detailed series of recommendations that are critical to the development of "resilient, diverse, and secure supply chains to ensure our economic prosperity and national security."

A theme throughout these recommendations is support for the development of shorter domestic supply chains and redundancy through the food system through the development of local and regional food systems[3]; and the maintenance and expansion of the infrastructure and underlying components that are critical to domestic agriculture and food supply chains. While supporting local and regional food systems are central components of our comments, we also focus on the foundational importance of climate change and the impact it will have on agriculture and food supply chains. There cannot be a truly resilient food system without addressing the risk climate

[2] https://www.federalregister.gov/documents/2021/03/01/2021-04280/americas-supply-chains

[3] For NSAC local and regional food systems generally refer to place-specific collaborative networks of businesses and organizations involved in the production, processing, distribution, marketing, consumption, and waste management of food in a manner that incorporates values of local ownership and environmental, social and economic sustainability throughout. Local and regional food systems inherently feature short domestic supply chains and are often discussed in terms of the development and expansion of direct-producer-to-consumer marketing, direct-to-retail, direct-to-institution and sales through intermediated supply chains.

change poses to production and distribution of food and the adoption of these recommendations would further the Administration's efforts to build greater resilience into our food system.

We thank you for the consideration of our recommendations and would welcome the opportunity to provide additional details and insight as part of our ongoing dialogue.

Sincerely,

Eric Deeble

Part I. Analysis: US Food Systems and Resilience

Shorter domestic supply chains are an essential element for the development of local and regional food systems. The shorter the supply chain, the fewer opportunities for disruptions and if disruptions do occur, the impact is more localized. In contrast, longer and international supply chains include many more points of vulnerability and opportunities for disruption. And those disruptions are more difficult to isolate and often lead to ripple effects, where disruptions in one section of the supply chain impact other sections and regions throughout the country. The impacts of meat processing plant closures at the height of the pandemic on the availability and cost of animal protein products throughout the country is a prime example of how disruptions in long, national supply chains can have ripple effects across the country.

The last 10 years has seen an explosion of interest in local and regional food systems that have resulted in increased investments from Congress and the USDA in programs that support producers and organizations engaged in marketing direct-to-consumers and to local and regional institutions from intermediated channels.

Much of the discussion related to local and regional food systems development focuses on the geography of the production and distribution of food with an emphasis on replacing globally sourced, undifferentiated commodities with local and regionally produced commodities with locality or identity preservation maintained throughout the supply chain. This approach to local and regional food systems maintains, to a large extent, current processing, aggregation, distribution and marketing systems. However, resilient and adaptable local and regional food systems are not defined by where a product is produced and the location in which it is marketed and consumed. Who owns the land, the equipment, the facilities and infrastructure involved in the production, processing, distribution, and marketing of those products is just as important as the distance between production and consumption.

Market Competition

The absence of fair market competition across agricultural sectors threatens food system resilience and is the root cause of many issues in the food supply chain, including system failures in the face of disasters like the COVID-19 pandemic.

Today, a small handful of corporations overwhelmingly dominate our food supply. Just four corporations globally are responsible for 65 percent of sales in the agrochemicals market, 50 percent of the seed market, and 45 percent of farm equipment sales. In the United States, four companies

represent 73 percent of beef processing, 67 percent of pork processing, 54 percent of chicken processing, and 45 percent of the retail grocery market.[4]

This concentration – and indeed rising consolidation, or vertical integration-where manufacturers, processors, and packers increasingly control all stages of production and inventory through commodity ownership– has profound implications for everyone connected to the food system, from farmer to consumer. Economists agree that an industry is no longer competitive when the market share of the top four companies is 40 percent or higher, and that ceiling has been clearly exceeded across the agriculture industry. This level of concentration in any industry may lead to an exclusion of competitors, reduced wages for workers, a price increase for consumers, a decline in product quality, and depressed innovation and research.[5]

In the agriculture supply chain, market concentration and consolidation is responsible for the evolution of farming from a diversified, localized industry where small, midsized, and large producers competed in the marketplace, to a system where many small farms directly serve local markets and far fewer very large farms serve national markets through a complex web of distribution and manufacture.[6] In today's farm landscape you are either big or small, and the hollowing of the range of farm sizes has created a bifurcated food system that is neither sustainable nor resilient in the face of disruption.

Last year, the COVID-19 pandemic highlighted and exacerbated a number of persistent concerns in our food supply chain: meat processing bottlenecks, farmers' declining share of the food dollar, the loss of biodiversity and erosion of soil health, and the inability of beginning and BIPOC farmers to access credit or purchase land, among other challenges. We are frequently reminded that what is often touted as "efficiency" in the food supply chain is inversely related to resilience.

For example, slaughterhouses owned by the four major meatpacking companies became some of the worst COVID-19 hotspots in the country when they continued to operate without adequate worker safety precautions even as the Center for Disease Control (CDC) issued worker safety recommendations. Their market dominance resulted in severe disruptions to the entire livestock

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[4] Hendrickson, Mary K., et al. (2020). *The Food System: Concentration and Its Impacts*. Family Farm Action Alliance. https://farmactionalliance.org/wp-content/uploads/2020/11/Hendrickson-et-al.-2020.-Concentration-and-Its-Impacts-FINAL.pdf

[5] Jarsulic, Ethan Gurwitz, Bahn, Kate, Green, Andy. (2016). *Reviving Antitrust: Why Our Economy Needs a Progressive Competition Policy*. Center for American Progress. https://cdn.americanprogress.org/wp-content/uploads/2016/06/28143212/RevivingAntitrust.pdf?_ga=2.97772063.1005040545.1606861489-472143441.1606861489

[6] MacDonald, James M., Hoppe, Robert A., Newton, Doris. (2018). *Three Decades of Consolidation in U.S. Agriculture.* United States Department of Agriculture, Economic Research Service. https://www.ers.usda.gov/webdocs/publications/88057/eib-189.pdf; Parker, Mario. (2019). *Big, Small, or Bust: The Hollowing Out of Mid-Sized U.S. Farms*. Bloomberg. https://www.bloomberg.com/news/articles/2019-04-10/big-small-or-bust-the-hollowing-out-of-mid-sized-u-s-farms

supply chain when they were eventually compelled to close or slow down production.[7] With just twelve slaughterhouses processing more than half the cattle in the country,[8] and similar concentrations in pork and poultry, problems in even just a few slaughterhouses can – and did – lead to a breakdown in the entire system nationwide.

In many rural parts of the country, market concentration leaves farmers with few options but to do business with livestock and poultry integrators, inviting abusive contracts and market terms.[9] Under such arrangements, farmers and growers are often given take-it-or-leave-it, non- negotiable "contracts of adhesion," with language drafted by the integrator in a manner designed to maximize the company's profits and shift risk to the grower. Black poultry growers are especially susceptible to discriminatory abuse under contract and have been almost systematically forced into bankruptcy through conditions outside of their control.[10] These imbalanced contractual relationships meant that while existing supply chains unraveled during the COVID-19 pandemic, contract poultry growers were forced to abandon flocks, unable to sell directly to producers, losing an estimated $175 million.[11]

In crop production, the central conflict created by market concentration is the drive to generate and maintain a constant state, or at least a general trend, of overproduction and depressed commodity prices that benefits the largest agribusiness actors.[12] Input suppliers, including biotechnology and seed corporations, can sell their patented products to a client (farmers) always seeking to expand their operations, while a concentrated number of food processors on the other end of harvest season are able to purchase commodities for a price driven down by excess supply. This relationship traps conventional farmers and allows agribusiness corporations to amass record profits and an ever-greater share of the food dollar – at the expense of those farmers.[13]

During the COVID-19 pandemic, net farm income in 2020 would have been well below the sector's average from 2000 to 2019 without the record $22.4 billion provided in government payments.[14] Meanwhile, the largest food processing and retail companies have grown their bottom-lines or, at

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[7] Corkery, Michael, and David Yaffe-Bellany. (2020). *The Food Chain's Weakest Link: Slaughterhouses*. The New York Times. https://www.nytimes.com/2020/04/18/business/coronavirus-meat-slaughterhouses.html

[8] USDA Livestock Slaughter 2019 Summary (April 2020) at page 60.

[9] See the Campaign for Contract Agriculture Reform recommendations to the Biden-Harris Administration for more history and context. https://sustainableagriculture.net/ccar-biden-transition-recommendations-2/

[10] Arnsdorf, Isaac. (2019). *How a Top Chicken Company Cut Off Black Farmers, One by One*. ProPublica. https://www.propublica.org/article/how-a-top-chicken-company-cut-off-black-farmers-one-by-one

[11] Dorfman, Jeffrey H. (2020). *Estimating Economic Losses by Contract Growers in the Poultry Sector due to COVID-19*. University of Georgia. https://www.caes.uga.edu/research/impact/impact-statement.html?statementid=9639&statement=Estimating-Economic-Losses-by-Contract-Growers-in-the-Poultry-Sector-due-to-COVID-19

[12] Ray, Daryll E. (2003). *Rethinking US Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide*. The University of Tennessee. https://inmotionmagazine.com/ra03/APAC.pdf

[13] See the National Farmers Union's "The Farmer's Share" online tool: https://nfu.org/farmers-share/

[14] Farm Aid. (2020). Understanding the Economic Crisis Family Farms are Facing. https://www.farmaid.org/blog/fact-sheet/understanding-economic-crisis-family-farms-are-facing/#15text

worst, emerged with minimal losses.[15] This structure in which farmers routinely benefit less than the suppliers and buyers, enabled by market concentration, threatens food system resilience and is unsustainable in the long-term for American producers and unfair to consumers who face higher prices and fewer choices.

These risks to food supply chain resilience are largely born of farm policy decisions made in the past half-century that increased market concentration and consolidation. This outcome was avoidable and may still be reversed if a comprehensive effort to support local and regional food systems, with an emphasis on small and mid-sized farms and small and mid-sized meat and poultry processing facilities, is once again made the center or our national agricultural policy.

Though limited by capacity constraints, many small, local and regional marketing farmers and ranchers as well as small processing facilities adapted readily to meet the rapidly evolving needs of consumers at the beginning of the COVID-19 pandemic even as conventional "efficient" national operations failed to provide for American families. Flexible processing and sales methods that allowed for social distancing as well as direct lines to market enabled these businesses to continue operating during the pandemic and fill supply chain gaps across the country.[16] *Small and mid-sized farms and ranches that provide for local and regional markets should serve as a model for the future of food and farming in the United States as they have demonstrated real resilience during a time when larger, consolidate interests could not.*

Farm Structure

Market concentration and vertical consolidation of agribusiness corporations played a key role in shaping a bifurcated farm structure described above. Taken together, this "structure of agriculture" is the foundation of the subsequent development, growth, and maintenance of longer and more international supply chains which are more susceptible to disruption. Reversing concentration and consolidation would enable Congress and USDA to build a policy, program, and market framework that encourages more resilient food systems with shorter supply chains.

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[15] MacMillan, Douglas, Whoriskey, Peter, and O'Connell, Jonathan. (2020). *America's biggest companies are flourishing during the pandemic and putting thousands of people out of work*. The Washington Post. https://www.washingtonpost.com/graphics/2020/business/50-biggest-companies-coronavirus-layoffs/ ; Lindamen, Teresa F. (2020). *For giant food companies, the pandemic has field growth – and challenges*. Pittsburgh Post-Gazette. https://www.post-gazette.com/business/money/2020/09/21/kraft-heinz-consumer-packaged-goods-grocery-shopping-meals-pandemic/stories/202009170161

[16] National Sustainable Agriculture Coalition. (2020). *Meat and Poultry Supply Chain Complications and COVID-19*. https://sustainableagriculture.net/blog/meat-and-poultry-supply-chain/; White, Nora E. (2021). *Farming in the Time of the Pandemic: Small Farmers Demonstrate Flexibility, Innovation, and Hope*. https://www.foodsystemsjournal.org/index.php/fsj/article/view/942; *Washington Farmers Adapt to the Pandemic with Online Sales.* (2020). Oregon Public Broadcasting. https://www.opb.org/article/2020/10/21/bc-wa-online-farmer-sales/; *Farmers Adapt to Survive During the Pandemic.* (2020). NBCS San Diego. https://www.nbcsandiego.com/news/investigations/nbc-7-responds/farmers-adapt-to-survive-during-the-pandemic/2331125/

Federal crop insurance and commodity programs are also contributing factors to the current trend towards fewer, bigger farms and the consolidation of farmland ownership. The current system by which crop insurance premiums are subsidized regardless of farm risk mitigation practices or income should be reexamined to determine whether the farm safety net, as a risk management strategy, could be of greater utility for farms and farmers that adopt sustainable farming practices, like cover cropping and integrated crop-livestock systems, that build long-term resilience and economic durability of farming businesses, that protect natural resource and contribute to a resilient supply chain.[17]

Without fundamental reform, crop insurance programs will encourage the largest operations to grow ever bigger at the expense of smaller producers as federal support flows to a limited number of commodity crops and a relatively small number of farmers.[18] Currently, any farmer or landowner – even multimillionaires and billionaires not actively engaged in farming – can receive unlimited premium subsidies. The public benefits of the crop insurance program are thus skewed to the largest operations, restricting resources from small and mid-sized farms, or low-resource, young, and socially disadvantaged (SDA) farmers, that should be prioritized in the service of resilient supply chains and rural economic vitality and quality of life.

Federal crop insurance premium subsidy payments have also played a central role in the consolidation of farmland. According to a study by agricultural economists from Cornell University and the University of Illinois – the first study to focus exclusively on crop insurance – crop insurance contributed to a four to nine percent increase in forage and rangeland values.[19] Another study that looked only at the impacts of direct payments eliminated by the 2014 Farm Bill and found that those payments caused an increase of about $18 per acre in cropland value.[20]

To demonstrate one aspect of how farm consolidation limits resilience a review of land tenure shows that 40 percent of farmland in the United States was rented from others in 2017.[21] Farmers who rent, rather than own, the farmland they cultivate are rightly wary that investments that they make to build soil health and long term resilience are unwarranted on ground that may be asked to leave at the end of any contract period. This particularly affects small and midsized, SDA, and

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[17] AGree. (2019). *Integrated Crop-Livestock Systems: Strategies to Reduce Risk and Increase Farm Resilience.*https://foodandagpolicy.org/wp-content/uploads/sites/4/2019/09/2019-April-Integrated-Crop-Livestock-Systems_Strategies-to-Reduce-Risk-Increase-Farm-Resilience.pdf

[18] National Sustainable Agriculture Coalition. (2017). *How Farm Subsidies Encourage the Big to Get Bigger.* https://sustainableagriculture.net/blog/farm-subsidies-encourage-big-get-bigger/

[19] Clark, Ed. (n.d.). *Crop Insurance Likely Adds 4% to 9% to Farmland Value*. Farm Journal. http://www.agweb.com/article/crop-insurance-likely-adds-4-to-9-to-farmland-value-ed-clark/ ; Jennifer, Shang Wu and Todd Kuethe. (2014). *The Impact of Pasture Insurance on Farmland Values.* Agricultural and Resource Economics Review 2014. (43):390-405. http://ageconsearch.umn.edu/bitstream/190993/2/ARER2014%20 43x3%20Ifft.pdf

[20]Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign. *Payments on US Cropland Values.* (2015). https://farmdocdaily.illinois.edu/2015/05/influence-of-direct-payments-on-cropland-values.html

[21] U.S. Department of Agriculture. (2019). *2017 Census of Agriculture Highlights: Farms and Farmland.* https://www.nass.usda.gov/Publications/Highlights/2019/2017Census_Farms_Farmland.pdf

beginning farmers who do not have the resources to purchase land, effectively limiting the ability of the next generation of farmers and would-be innovators to engage in sustainable practices, and thus committing them to participation in long, unstable food supply chains.

These misalignment of federal supports contribute to the instability of the food supply chain with less diversity and redundancy, increased farmland consolidation, and longer supply chains with increased vulnerability to disruptions. These undermine long-term resilience, including the ability of the next generation of farmers and ranchers to access affordable land, potentially threatening the viability of sustainable agriculture in the coming decades.

Climate Change

All supply chains, whether they are short, long, domestic, or international, are imperiled by climate change and therefore it is critical to address climate change if we are to develop more resilience in supply chains. Climate change has already affected agriculture and will continue to impact agricultural productivity in the U.S. as mean temperatures increase, rainfall patterns shift, and pest and disease patterns change. Increasing climate volatility will make it more difficult for farmers to continue operating as they face climate-related obstacles and natural disasters in addition to an already challenging farm economy.

Elevated temperatures due to climate change play a critical role in increasing the rate of drought onset, overall drought intensity, and drought impact through altered water availability and demand. Yields from major U.S. commodity crops are expected to decline because of higher temperatures, especially when these higher temperatures occur during critical periods of reproductive development. According to the National Oceanic and Atmospheric Administration, 2020 was one of the warmest years on record for the U.S. In addition to drought, there were 22 extreme weather disasters – each resulting in at least $1 billion in damage – that caused a total of $95 billion in losses. The disasters included a severe derecho in the Midwest, devastating Western wildfires and seven tropical cyclones and were following record-breaking Midwest flooding in 2019, intense land-falling hurricanes in 2017 and 2018, and historic droughts in California in 2014 to 2017.This state of perpetual disaster highlights the urgent need to help producers build the resilience of their operations to ongoing and future impacts of climate change.

Projected increases in daily maximum temperatures and heat waves will also lead to further heat stress for livestock leading to an overall drop in livestock industry production. Heat stress negatively impacts the physiological functions of animals, decreases reproductive efficiency, and adversely affects pasture and range conditions and reduces forage crop and grain production, thereby reducing feed availability for livestock. The dairy industry expects to see production declines related to heat stress of 0.60 percent to 1.35 percent for the average dairy over the next 12 years, with larger declines occurring in the Southern Great Plains and the Southeast due to increasing relative stress.

Additional Critical Underlying Components

In addition to the challenges caused by climate change, the structure of agriculture, and lack of real market competition, there are additional obstacles to improve the resilience of all agricultural and food production supply chains that are of particular importance to local and regional food systems that feature shorter supply chains.

Soil health

Rapid global climate change and the conversion of forests and wild land for agriculture and livestock use is impacting agriculture in a variety of ways, including more frequent and extreme weather events and an expected increase in the incidence of global pandemics. To cope with rapid and unpredictable climate change, and for agriculture supply chains to remain economically viable in the face of these challenges, agricultural systems must be resilient and able to adapt to a changing climate. Therefore, restoring and maintaining soil health is imperative to the resilience of agricultural supply chains. "Soil is an ecosystem that can be managed to provide nutrients for plant growth, absorb and hold rainwater for use during dryer periods, filter and buffer potential pollutants from leaving our fields, serve as a firm foundation for agricultural activities, and provide habitat for soil microbes to flourish and diversify to keep the ecosystem running smoothly."[22] Local, regional and national capacity to produce food to meet the needs of the country rests on the foundation of soil health. Improving soil health and investing in the preservation and rehabilitation of the country's natural resources is critical to functioning agriculture and food production supply chains.

Meat and Poultry Processing Infrastructure

There is a clear need for USDA to support a meat and poultry supply chain that ensures small plants, serving small and midsized producers, are able to create a more resilient supply chain for this sector. Support for small processing will result in better farmer prices, reduced emissions due to both shorter supply chains and more opportunities for more sustainable livestock transitions, and continued processing availability in the result of a single plant being taken out of commission due to a national health emergency or other causes.

The lack of scale appropriate processing infrastructure in some areas of the country has been a top concern for small livestock and poultry producers for the last several decades.[23] The country's meat and poultry processing infrastructure demonstrated its weaknesses during the pandemic as shutdowns (which highlight the impact of consolidation[24]) caused herds destined for slaughter at

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[22] Further reading on the importance of soil health and how soil health is measured and managed can be found at NRCS *Soil Health* https://www.nrcs.usda.gov/wps/portal/nrcs/main/soils/health/

[23] See https://www.ers.usda.gov/webdocs/outlooks/37459/28829_ldpm216-01.pdf?v=9739.6

[24] See examples of large plant closures over the last three years here: https://www.dtnpf.com/agriculture/web/ag/news/article/2019/08/12/tyson-beef-plant-near-garden-city; https://www.desmoinesregister.com/story/news/politics/2020/05/28/coronavirus-outbreak-confirmed-tyson-foods-storm-lake-pork-processing-plant-kim-reynolds/5274618002/;

large, central plants to be diverted to smaller facilities that serve local and regional markets. This strained the ability of small plants to continue to process small, pasture raised, and grassfed based livestock and poultry production.[25] These, among other weaknesses in this supply chain, existed prior to coronavirus pandemic, but were further exacerbated by the pandemic supply chain disruptions.

In the first few months of COVID-19, consumers suddenly found they were unable to purchase meat from the large corporate brands in the grocery stores as large plants closed due to COVID-19 outbreaks. Many of these consumers shifted to purchasing their meat and poultry products directly from farmers or more niche meat brands. The shorter supply chains that brought those products to markets allowed both farmers and processors to quickly adapt and respond to the pandemic with fewer supply chain disruptions that were common for the larger meat and poultry companies.[26] However, the increased demand from both new and existing customers took a considerable toll on the nation's existing small plant infrastructure. Many small plants now have a backlog for slaughter and processing dates of 1-2 years which greatly limits the opportunities for sustainable livestock producers and those wishing to enter the sector.

The ripple effects of plant closures in this country have shown the vulnerability of our food system due to consolidation where over half of cattle slaughter occurs at just 12 large plants, almost 60% of hog slaughter occurs at 14 large plants, and only 3 plants conduct 48% of the sheep and lamb slaughter in the U.S.[27] When large plants close, it is impossible for the rest of the industry to be able to fully respond and accommodate the diverted production.

For decades, there has been a decline in the number of small plants and an increase in consolidation of meat slaughter and processing. Today there are 683 federally inspected cattle slaughter plants, but in 1974 there were 1,350 cattle slaughter plants.[28] There were 1,268 federally inspected livestock slaughter plants in 1990, compared to 808 in 2016,[29] a 36% decline. Poultry slaughter plants also decreased during this time, with the 350 federally inspected poultry slaughter plants in 1990

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https://www.ehstoday.com/covid19/article/21140670/poultry-plant-closed-after-covid19-kills-8-sickens-392; https://www.usatoday.com/story/money/2020/04/17/tyson-foods-officials-call-plant-close-over-coronavirus-cases/5158361002/; https://coloradosun.com/2021/03/05/jbs-meatpacking-plant-shuts-down-so-workers-can-get-covid-19-vaccine-shots/; https://www.usatoday.com/story/money/shopping/2021/06/01/jbs-cyberattack-worlds-largest-meat-supplier-closes-5-beef-plants/7493850002/.

[25] See e.g., https://www.npr.org/sections/thesalt/2015/10/15/448942740/small-meat-producers-take-their-slaughterhouse-gripes-to-congress; https://www.bloomberg.com/news/articles/2017-05-23/there-aren-t-enough-slaughterhouses-to-support-the-farm-to-table-economy ; https://www.agalert.com/story/?id=14593

[26] https://civileats.com/2020/05/19/as-covid-19-disrupts-the-industrial-meat-system-independent-processors-have-a-moment-to-shine/

[27] USDA Livestock Slaughter 2019 Summary (April 2020), https://downloads.usda.library.cornell.edu/usda-esmis/files/r207tp32d/34850245n/5712mr72x/lsan0420.pdf

[28] https://www.ers.usda.gov/webdocs/publications/47232/17816_tb1874e_1_.pdf?v=3949.6 ; https://www.extension.iastate.edu/agdm/articles/schulz/SchMay21.html

[29] https://downloads.usda.library.cornell.edu/usda-esmis/files/b5644r52v/jd473028z/7w62fc23r/SlauOverview-10-27-2016.pdf

compared to 310 in 2015.[30] Non-federally inspected livestock slaughter facilities have also decreased since 1990, when there were 3,281 plants compared to 1,910 plants in 2016. This significant increase in consolidation has left farmers and ranchers with fewer options to bring their herds and flocks to market.

Overall, NSAC agrees with USDA's recognition of the role that small meat and poultry processing plants and shorter supply chains have in creating a more resilient food system.[31] While there is a great deal of work to be done to decrease existing consolidation in the processing industry, investing in small processing in the near term will provide more options for farmers and ranchers who are looking to transition away from the large-scale system which failed them during the pandemic. Also, small, local and regional farmers that saw an increase in demand for their products can continue to grow and expand their operations if there are significant investments in small processing infrastructure. If farmers are unable to have their animals processed at a facility that will allow them to raise and sell their animals independently, then the result will certainly be even greater levels of consolidation with a negative impact on the diversity and resilience of our supply chain.

There is a clear need for more local small-scale slaughter and processing infrastructure and support to ensure these small plants can continue to serve small farmers and independent meat brands, outside of the consolidated meat sector. The shorter supply chain allows for quick responses to farmers and ranchers needs and furthers investments in the local community.

Small Meat Processing Needs and Solutions

The steady decline in small plants over the years is due to several reasons including small plant economics, workforce shortages, and new regulatory requirements. To increase small processing capacity, there are several key needs that USDA must address, including the lack of access to capital for small processors and the sector's need for skilled workers.

The high costs of operating a small plant are often a barrier for expansion. The average costs to establish a small plant include over $1 million for the building alone, plus an additional $300,000-$400,000 for equipment[32] which limits the number of individuals or operations that can afford to open a new facility.

Similarly, there are many factors including intergeneration transitions of ownership and large corporations purchasing independently owned plants that may lead to small plants no longer

[30] https://downloads.usda.library.cornell.edu/usda-esmis/files/b5644r52v/jd473028z/7w62fc23r/SlauOverview-10-27-2016.pdf

[31] See https://www.usda.gov/media/press-releases/2021/06/08/usda-invest-more-4-billion-strengthen-food-system "The pandemic highlighted challenges with consolidated processing capacity. It created supply bottlenecks, which led to a drop in effective plant and slaughter capacity. Small and midsize farmers often struggled to compete for processing access. USDA will make investments to support new and expanded regional processing capacity."

[32] https://animalscience.tamu.edu/2020/07/06/so-you-want-to-build-a-slaughter-plant/ ; https://www.nichemeatprocessing.org/wp-content/uploads/2016/08/CrashCourseThree.Final_revised_8.31.pdf

offering their slaughter and processing services for independent farmers and ranchers in that area.[33] For example, a cooperatively owned plant recently shut down due to financial wastewater issues. This plant was sold and is now owned by one of the top livestock processing corporations which restricted access to a limited number of herds further increasing consolidation in the industry.[34]

For small processors operating on thin margins,[35] the increased costs of COVID-19 compound the issues facing this sector's growth and survival. As existing small plants worked to accommodate the increase in demand for their services due to COVID-19 they have borne additional costs related to worker protection and inspection service overtime. Small plants have paid anywhere from $25,000 to well over $150,000 for PPE costs, temperature screenings, new barriers and infrastructure expenses necessary to remain operating. These extra costs have hobbled small plants that could have used additional revenue to support much-needed expansion projects to serve more farmers and ranchers. Most small plants operate on thin margins, with a 5-8% profit each year which limits their access to credit which is essential to expand. USDA assistance for this sector should be prioritized to prevent the loss of any additional independently owned, small processors.

Existing grants and loans have not been easily accessible for some small processors. For example, small plants oftentimes cannot access credit from banks, even with current USDA Rural Development loan guarantees for which some small processors are eligible. This is due to the lack of collateral and thin operating margins typical of small processors. Buildings designed or converted to serve as small plants are considered devalued because they are generally not fit for other purposes, which limits their sale value; therefore, it may not always be possible to use the facility as collateral. Additionally, with increased costs from COVID-19 and future market shift considerations, small plants are hesitant to take out loans for expansions.

We appreciate USDA's efforts and consideration of including small processors in future USDA funding programs, including both grants and direct loans. However, small federally inspected plants have so far been left out of the opportunity to receive USDA funds to expand.[36] Historically, the "solution" to limited slaughter capacity has been to provide financial assistance to "new" facilities even as older facilities serving thousands of local small farmers are in desperate need of upgrades to avoid closure, but have no opportunity to apply for or receive such funding.[37] Existing facilities often need to update their coolers, rail systems, holding pens, or other infrastructure to continue to meet USDA standards and to serve more customers.[38] For example, in New York and New England, 68% of small plants surveyed stated that cooler size and space constrained their ability to

[33] https://www.agalert.com/story/?id=14593
[34] https://civileats.com/2020/08/14/closure-of-western-lamb-processor-by-jbs-could-devastate-the-ranch-economy/
[35] https://www.agalert.com/story/?id=14593
[36] See generally https://www.politico.com/news/2020/06/15/small-meat-processors-financial-aid-319822
[37] Waro, MacKenzie, et al., The State of The USDA Inspected Red Meat Harvest & Processing Industry in New York & New England (March 2019).
[38] Waro, MacKenzie, et al., The State of The USDA Inspected Red Meat Harvest & Processing Industry in New York & New England (March 2019); https://sustainableagriculture.net/wp-content/uploads/2021/04/NSAC-Comment-on-AMS-COVID-19-Grants.pdf

serve more customers.[39] Expansion projects at existing small federally inspected plants could build upon this robust local supply chain, which was able to respond quickly to area farmer needs, and could create a more resilient local and regional meat and poultry sector.[40]

Access to processing has not historically been an issue in every region of the U.S. so the USDA must proceed with caution before investing in hundreds of new processing establishments in areas where they may not be able to thrive financially. If there are too few local and regional independent farmers and ranchers that would utilize a small plant in a certain area, the small plant may fail, or worse, cause other processors serving the existing needs in the area to also go out of business.[41] Therefore, USDA must first ensure that the appropriate USDA funded analysis and feasibility studies are conducted and appropriate business plans are produced before spending funds on new facilities.[42] USDA should support the entire supply chain, including existing small federally inspected, state inspected, and custom or poultry exempt processors.

Other barriers have halted the growth and expansion of small processing, including a lack of skilled labor or capacity to train new employees.[43] In small plants the jobs are not on an automated line, but instead require knowledge of the breaking down of entire animals. While new technology may address workforce issues in larger facilities, small facilities do not have the space of ability to dramatically increase mechanization. There is a need for more education, outreach, and technical assistance to help new small plant employees learn meat cutting skills and to support the next generation of small processors and butchers to ensure this sector is able to expand and grow.

Another issue frequently faced by small processors is the result of USDA FSIS's one-size fits all rulemakings. While NSAC appreciates USDA's dedication to a safe and humane food supply, FSIS regulations can have negative impacts on small plant operations. For example, when the Hazard Analysis and Critical Control Points (HACCP) regulatory requirements were written, several small plant cited these new regulations as a reason for their decision to cease operations.[44] The USDA's enforcement of the Humane Methods of Livestock Slaughter Act of 1978 has also resulted in a

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[39] Waro, MacKenzie, et al., The State of The USDA Inspected Red Meat Harvest & Processing Industry in New York & New England (March 2019).
[40] Amy Hadechek, *Small Meat Processors Expand in the Wake of the COVID-19 Pandemic,* Livestock (Jan. 4, 2021), https://www.agupdate.com/livestockroundup/news/livestock/small-meat-processors-expand-in-the-wake-of-the-covid-19-pandemic/article_9316f204-3fd8-11eb-bbf9-e3dcbe765b08.html. https://civileats.com/2020/05/19/as-covid-19-disrupts-the-industrial-meat-system-independent-processors-have-a-moment-to-shine/
[41] See https://animalscience.tamu.edu/2020/07/06/so-you-want-to-build-a-slaughter-plant/ ; https://www.nichemeatprocessing.org/meat-processing-feasibility-studies/
[42] See, e.g., https://www.ers.usda.gov/webdocs/outlooks/37459/28829_ldpm216-01.pdf?v=4196.8; https://www.ers.usda.gov/webdocs/publications/45094/37949_err-150.pdf?v=6074.1; https://www.buylocalfood.org/local-meat-processing-study/#research_majorfindings
[43] Mike Simons, *2 Oklahoma Tribes to Build a Bison Meat Processing Plant*, TULSA WORLD, May 16, 2019, https://tulsaworld.com/ap/state/oklahoma-tribes-to-build-a-bison-meat-processing-plant/article_c0354a08-701f-5ca1-ac54-18109e109afd.html. https://civileats.com/2020/05/19/as-covid-19-disrupts-the-industrial-meat-system-independent-processors-have-a-moment-to-shine/; https://foodprint.org/blog/meat-processing-plants/
[44] See, e.g., https://www.kslpa.org/wp-content/uploads/2019/08/r-03-04.pdf.

disproportionate negative impact on small plants compared to large plants, as well as lengthy small plant closures that have financially hurt both the plants and farmer customers.[45]

Additional small plant guidance, support, and training related to FSIS regulatory requirements are all necessary to ensure that these requirements are not a financial burden for small processors. Small and very small plants are the majority of all FSIS constituents and should be prioritized. FSIS should ensure education and training for small plants and small plant inspectors remain a top priority, and that a true partnership which prioritizes safety at every level, exists between FSIS and plant operators.

Other barriers to supporting the niche meat supply chain include local regulations and zoning permits which prohibit expansion or the construction of new facilities,[46] and the seasonal nature of small scale processing. Prior to the pandemic, some small processors had capacity to conduct slaughter without a backlog in the offseason from February to May, but the cyclical nature of farm operations caused an annual imbalance of demand and capacity.[47] Incentives for farmers to process in the offseason might also help support this sector.

For small sustainable livestock and poultry producers, several factors limit their ability to have their animals processed. For farmers and ranchers that rely on small plants, the backlogs in slaughter and processing dates are still 12-24 months in some areas.[48] Long travel distances are also a problem in some areas. However, to address long travel distances, and to support the creation of new facilities, in some areas there must be additional independent producers with their own meat brands to support these small processing facilities and to ensure financial stability for these new plants. Therefore, USDA support for education and technical assistance for producers to create and support their own, sustainable meat brands is an essential part of ensuring farmers in certain areas have closer processing options. For investment in processing to be viable, animal production for local slaughter must increase, which must include increasing the capacity of local farmers and growing the market for local meat.

The processing constraint for locally raised meat is a complex problem that requires addressing supply and demand factors, access to capital, investment in processing facilities, training of meat cutters, capacity building in regenerative pasture-based farming systems, and marketing programs. NSAC looks forward to continuing our work with USDA to address these issues.

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[45] See Chris Scott, *Knocked,* MeatingPlace, October 2019.
[46] https://www.agalert.com/story/?id=14593
[47] https://www.agalert.com/story/?id=14593; Waro, MacKenzie, et al., The State of The USDA Inspected Red Meat Harvest & Processing Industry in New York & New England (March 2019).
[48] See generally https://foodprint.org/blog/meat-processing-plants/ ; https://www.politico.com/news/2020/06/15/small-meat-processors-financial-aid-319822 ; https://cofoodsystemscouncil.org/wp-content/uploads/2021/04/MeatValueChain_4-20-21.pdf; https://www.npr.org/sections/thesalt/2015/10/15/448942740/small-meat-producers-take-their-slaughterhouse-gripes-to-congress

Unique Challenges Facing SDA Producers and Processors, BFR, Small Businesses and Tribal Communities

Ensuring the success of the future agricultural workforce is a cornerstone to building more resilient supply chains within the food and agriculture sector. We can borrow lessons from conservation which demonstrate the importance of diversity across farm landscapes to ensure resilience in the face of crisis – whether it be a pest infestation, market disruption, or prolonged drought. Diversity is equally as important in our workforce as it is on the farm. Ensuring that every farmer has equal opportunity to succeed and to help build the diversity and strength of our food and agricultural workforce is paramount to creating more resilient supply chains.

We know that farmers across the country have faced massive uncertainty over the past year, as markets were disrupted or disappeared entirely. While the pandemic's impact has spared no farm, business, or sector, we share the Administration's concern for the disproportionate impact this outbreak has had on particular sectors of the food and agricultural workforce. This includes the impacts on small farms and businesses, new and beginning farmers, BIPOC producers – including tribal communities, and limited resource producers. These communities have been chronically underserved by federal food and agricultural policy and programs and they often have the fewest resources to draw on in times of crisis.

Furthering this disparity, SDA producers have been forced to contend with persistent and pervasive systemic racism, which has prevented many BIPOC producers from accessing federal programs and resources, securing credit and capital, purchasing land, building and expanding their businesses, and generating wealth to pass down to the next generation. We applaud recent actions taken by both Congress and the Administration to attempt to begin to rectify some of these disparities, albeit not without significant pushback. For far too long, many have operated under an assumption that the impacts of systemic racism are behind us and the false belief that all farmers have equal opportunity to succeed in agriculture. However, disparities persist to this day in participation rates across nearly every USDA program for beginning farmers, limited resource farmers, BIPOC farmers (including tribal producers) and small producers.

What's troubling is that these trends continue despite significant efforts over the past few decades to reverse these trends – especially concerning the next generation of farmers. While there has been a modest increase in the number of both BFR and SDA farmers, according to the most recent Census of Agriculture, overall farm profitability and viability still remains a major concern. It continues to be rare that these farmers will be able to afford to farm full-time, and more often, we are seeing an over-reliance on off-farm income to keep the farm in business. Unfortunately, these trends are true for the majority of small and mid-scale farmers as well.

Many specific challenges that are unique to beginning, BIPOC, small, and other underserved farmers impact their ability to succeed, chief among them being access to credit, risk management, markets,

land, training and technical assistance. It is necessary to look at what policy changes can be made within each of these areas if we are to succeed in leveling the playing field for new and underserved farmers. Until we do address these specific concerns, and more broadly the current structure of agricultural production shaped by federal policy over the past four decades, we will be resigned to a system that is inherently unsustainable financially, environmentally, and demographically with fewer new farmers being able to farm successfully even as an increasing number of older farmers leave their operations.

Food Safety

Another issue that arises for small farmers and businesses throughout the food supply chain is food safety regulatory requirements that disproportionately impact small businesses. For example, very small and small farms face significantly higher compliance costs for the Food Safety Modernization Act's (FSMA) Produce Safety Rule – 6.04 to 6.77 percent of annual sales, as compared to 0.92 percent for large farms.[49] Additionally, food hubs and small farms were also required to receive food safety certification to participate in new markets when the coronavirus limited sales options, and food safety certification (GAP) was also required to participate in the USDA's Farmers to Families Food Box Program.[50] Unfortunately, for some small businesses, the cost of food safety certification and meeting these requirements prevent them from entering into new markets and participating in USDA commodity procurement.

USDA should create a food safety financial assistance opportunity for small farms and businesses to help address these barriers. Ensuring a safe food supply is a collective endeavor with clear public benefits. Yet, the increasing demand for third party food safety certification due to new FSMA regulations makes it clear that farmers – particularly small-scale operations – will disproportionately shoulder the burden of these new food safety requirements.

Seeds and Breeds

Diversification is a central tenet of any good risk management plan, whether applied to business and finance or food and farming. In agriculture, biological diversity is key to ensuring success; having a variety of well-adapted crops not only reduces the impacts of extreme weather, pests, and disease, it also protects against price fluctuations in the market. Diversity is also a hedge against potential disruptions and shocks to a system that supports increased resilience.

Today, we are increasingly losing diversity in our seed stocks. Historically, control over our national seed stocks and breeding research laid in the hands of our country's farmers and land-grant institutions. However, over the last several decades, the development of seed stocks has become increasingly consolidated and privatized. As a result, innovation and growth has been stifled, our

[49] https://www.ers.usda.gov/webdocs/publications/89749/eib-195.pdf?v=43319
[50] See https://www.chlpi.org/wp-content/uploads/2013/12/F2F-Food-Box-Report-Online-Final1.pdf

national seed stocks have become less diverse, public breeding research has been woefully underfunded, and our food supply is considerably less secure.

Farmers are natural innovators and know best what kind of performance and traits they need from their seeds and crops. By supporting farmer-driven plant breeding research, we can better ensure that all farmers have access to high performing, locally-adapted seeds – no matter where they farm or what they grow. Expanding publicly-supported plant breeding research will also give farmers more choice and control, allowing producers viable alternatives to privately owned and international seed corporations. These private options typically focus on a narrow handful of major crops with heavily engineered and expensive stackable (and sometimes unnecessary or undesired) traits that result in fewer and increasingly more expensive and restrictive seed choices for farmers.

Capital and Financing

As stated previously, the COVID-19 pandemic has exposed the fragility of a national food system that has valued efficiency driven low-cost commodities above all other values. Access to credit, and the risk mitigation programs that undergird it, are drivers of hyper efficient, large-scale, monoculture farms we see today. If we are to undertake the task of building a more resilient food system, we must look beyond the efficiency of production – and preoccupation with yields – to the resilience and sustainability of all production systems and the federal credit policy and programs that have enabled the creation and persistence of this system even as it harms farmers, farmworkers, rural communities, and the health of our nation.

Equitable access to appropriate credit through federal programs is especially important to beginning, BIPOC, and other farmers not well served by the private credit market. Rarely do beginning farmers have the resources to purchase equipment, inputs, and land outright. Credit allows farmers to purchase the supplies they need and get a crop in the ground before the fruits of that labor are available. Beginning farmers often need smaller loan amounts with reasonable interest rates and reduced asset requirements. It is critically important that available credit opportunities for underserved farmers are appropriately scaled and able to meet the needs of farmers at multiple points in their careers.

Part II. Policy Recommendations

The following section of this document primarily addresses elements (ix) and (x) of the Federal Register request for comments and consists of a series of recommendations that are critical to the development of "resilient, diverse, and secure supply chains to ensure our economic prosperity and national security."

Market Competition

President Biden and Vice President Harris campaigned, in part, upon a promise to strengthen antitrust enforcement to address agricultural market consolidation and assure farmers access to fair markets and fair prices, as described in the following excerpt from the campaign platform document to Build Back Better in Rural America:

> **Strengthen antitrust enforcement.** From the inputs they depend on – such as seeds – to the markets where they sell their products, American farmers and ranchers are being hurt by increasing market concentration. Biden will make sure farmers and producers have access to fair markets where they can compete and get fair prices for their products – and require large corporations to play by the rules instead of writing them – by strengthening enforcement of the Sherman and Clayton Antitrust Acts and the Packers and Stockyards Act.[51]

Thousands of farmers and ranchers have risked sharing their stories, to their potential detriment, to document how market concentration and consolidation threaten their businesses and livelihoods. It is time that USDA listens to them and acts to mitigate their real concerns.[52]

We urge USDA to consider the following recommendations to implement reforms to ensure fair, competitive markets for farmers and ranchers, and to address the vulnerability of our nation's food supply, and to build a more resilient food system for the benefit of consumers and producers alike.

- **Issue revised Farmer Fair Practice rules** that support the original intent of the Packers and Stockyards Act, to ensure that poultry and livestock corporations treat American livestock and poultry farmers fairly, including but not limited to a competitive injury clarification, clearly designating the poultry tournament system and similar practices as undue or unreasonable preference, and strengthening whistleblower and association protections for growers.
- **Restore the Packers and Stockyards Division (PSD) within the Agricultural Marketing Service**, originally the Packers and Stockyards Administration, to a standalone agency within USDA charged with jurisdiction over Packers and Stockyards Act enforcement. Consider broadening the mandate of the agency, reconstituted as the Fair and Competitive Markets Administration. In lieu of this, support legislation to give PSD full enforcement authority over poultry, to parallel the agency's authority to address unfair and deceptive trade practices in the livestock and swine sectors.
- **Implement stricter financing requirements for federally backed loans made for contract animal agriculture facilities** to ensure that production contract lengths equal the length of the loans, that production contracts include binding delivery requirements (weight, flocks, etc.) when federally backed loans are used to finance a facility, and that a signed

[51] See the Biden-Harris Plan to Build Back Better in Rural America, https://joebiden.com/rural-plan/
[52] Department of Justice, Competition and Agriculture: Voices from the Workshops on Agriculture and Antitrust Enforcement in our 21st Century Economy and Thoughts on the Way Forward. (2012), https://www.justice.gov/sites/default/files/atr/legacy/2012/05/16/283291.pdf

contract must be in place in order for a contract production operation loan to be made, even for preferred lenders.

- **Use existing lending discretion to achieve the goals defined in the Grassley-Tester bill (S.3693)** to prevent packers from achieving captive supply levels above 50%, which represents a meaningful solution to the chronic erosion of competition in the U.S. cattle market.
- **Direct the Office of the Chief Economist to conduct a comprehensive study of shifting land ownership patterns**, including increasing purchases of prime agriculture lands by private equity firms and other non-farming, corporate entities, and the anticipated impact on private ownership of farming or ranching lands in the coming decades.

USDA must also work with the Department of Justice (DOJ) and the Federal Trade Commission (FTC) to vigorously enforce the Packers and Stockyards Act and antitrust laws to create a more competitive market and protect the rights and livelihoods of farmers and ranchers.

- **Implement a plan for the vigorous enforcement and regular review of new Farmer Fair Practice rules** with roles for USDA, DOJ, and the Federal Trade Commission to create a more fair and competitive market and protect the rights and livelihoods of farmers and ranchers.
- **Create an Office of Special Counsel at USDA** to bring Packers and Stockyards Act and Agricultural Fair Practices Act enforcement cases, in coordination with the DOJ and the Office of General Counsel.
- **Consider proposed mergers and acquisitions**, joint ventures, and investments in food, seed, fertilizer, pesticides, and other inputs, and distribution companies as 'of national significance' and eligible for heightened regulatory scrutiny.

Farm Structure

The current structure of the farm safety net encourages land consolidation and undermines long-term efforts to build shorter and more resilient supply chains. In return for taxpayer support of the farm safety net, the American public deserves crop insurance and commodity programs that are effective, accountable, and transparent while also supporting family farmers and rural communities, advancing natural resource conservation, and building long-term resilience.

Addressing the structure of agriculture both from an administrative and legislative front will be fundamental to building a resilient 21st century food supply chain. To begin this transformation, USDA should revise the final rule on farm program subsidy eligibility and payment limitations. The department should reject revisions advanced by the department under Secretary Perdue in October 2020 to the rule governing "actively engaged" requirements and instead issue a revised rule that builds on the original rule from August 2020. This rule included strong, reform-minded definitions

of "active personal management" and "significant contribution" to activities performed on a "regular, continuous and substantial basis."

In addition to revising the final rule on farm program subsidy eligibility and payment limitations, the following administrative recommendations relative to crop insurance and farm programs should be implemented in support of building a more equitable and resilient food supply chain:

- **Ensuring Racial Equity in Crop Insurance**
    - **RMA bi-annual report** – Require the Risk Management Agency (RMA) to produce a bi-annual report on its activities to promote access among underserved minority and socially disadvantaged (SDA) farmers. This should include statistics about minority usage, as is currently required of the Small Business Administration.
    - **Risk Management Education Priorities** – Require each of the four Risk Management Education Program (administered by National Institute of Food and Agriculture) regions to include a priority for outreach to minority and SDA communities in their Request for Applications (RFA). This is already included in the statute, but not in the RFAs.
    - **Risk Management Partnerships** – Modify the Risk Management Partnership Agreements (administered by RMA) statute to include crop insurance education and risk management training to minority and SDA communities. The RFA for the program already includes this as a priority, but it is not in the statute.
    - **Crop Insurance Company Reporting** – Require reporting by crop insurance companies on their outreach activities to beginning and SDA farmers and farmers in areas where crop insurance use historically has been low.
    - **FSA County committees NAP Rulings** – FSA County Committees should be required to publish online Non-insured Crop Disaster Assistance Program (NAP) indemnity, loan, and disaster payment rulings.
- **Whole Farm Revenue Protection Reforms**[53]
    - **Address agent and adjuster resistance** – Explore reasons for the resistance from crop insurance agents and adjusters to provide information about WFRP to farmers and identify avenues to remove barriers. These steps may include agent education, a national hotline to answer agent questions, simplification of the WFRP application, and renegotiating the Standard Reinsurance Agreement (SRA) with Approved Insurance Providers (AIP) to ensure a compensation structure that does not disadvantage WFRP.
    - **Education and technical assistance** – Farmers of many crops across many locations do not have access to revenue-based crop insurance but may be interested if they learned about WFRP or had the technical capacity to sign up. RMA should use their cooperative agreement authority to partner with CBOs to develop

[53] See NSAC's most recent letter to RMA, which includes and expands on the recommendations below, https://sustainableagriculture.net/2021-wfrp-letter-final/

educational and technical assistance opportunities around WFRP, especially for diversified farms and specialty crop producers. In addition, RMA should create an online tool for farmers to organize needed documents in advance of visiting an agent.

    - **Reduce paperwork and reporting burden** – Improve the utility of WFRP by eliminating expense reporting requirements, requiring that applicants only need to provide tax records as sufficient documentation in calculating revenue guarantees and in determining indemnity payments, counting indemnity payments as historical revenue for claims adjustment purposes, and removing the Expected Value and Yield Source Document Certification worksheet.
    - **Price and production expectations –** Prohibit adjustment of price and production expectations at the time of a loss claim. The alarmingly common practice of adjusting the production and price information at the time of a loss claim, always resulting in a reduction of the farmer's indemnity payment, destroys the farmer's confidence in the revenue guarantee and coverage that they have signed up and paid for.
- **Organic Insurance** – Continue RMA support for an annual NASS Organic Production Survey beyond 2020 to continue to expand offerings for organic price elections based on actual market prices and contract price addendums without any artificial limit.

When it comes to the policies and programs that are central to the structure of agriculture, many of the reforms that are necessary to move the U.S. agricultural and food systems in the direction of greater resilience, diversity, fair competition, and shorter supply chains cannot be addressed administratively. The most important reforms related to the structure of agriculture can only be addressed through Farm Bill reform.

The legislative process to rewrite the Farm Bill in 2023 is likely to begin in earnest in fiscal year (FY) 2022. The Biden-Harris Administration and USDA should take an active role in shaping the 2023 Farm Bill, including championing farm programs and crop insurance legislative reforms that will prove important to build a more resilient food supply chain. The administration should champion the following recommendations:

- **Premium Subsidy Limitation** – Cap federally funded annual crop insurance subsidies at $50,000 for commodity crops and pasture and rangeland policies, with a separate higher premium subsidy limit of at least $80,000 for specialty crop policies. These limits must be paired with a strong actively engaged in farming rule as mentioned above that would set a strict limit of one subsidy per operation, regardless of farm size or the number of farm managers or non-farm investors.
- **Adjusted Gross Income Cap** – The USDA should support and advocate for efforts that seek to apply a $900,000 Adjusted Gross Income limit on eligibility for Federal Crop Insurance Program premium subsidies. Limiting the ability of farmers with a high Adjusted

Gross Income (AGI) to receive crop insurance premium subsidies should be undertaken in combination with a cap on total premium subsidies. Together, these two policies ensure that federal crop insurance spending is targeted at the farmers most in need – not the largest and wealthiest farms.

- **Harvest Price Option** - Continue to offer the Harvest Price Option as part of the Federal Crop Insurance Program but do not provide premium subsidies for its use.
- **Yield Transfer** – Remove the ability for established farmers to transfer their yields from their existing farm to newly purchased or rented land.
- **Revenue Insurance** – Expand the availability of revenue insurance to all crops that do not currently have a revenue insurance option by requiring RMA to develop revenue policies for the top 20 crops by acreage without revenue policies.
- **Beginning Farmer Definition** – Bring the beginning farmer definition used by RMA into conformity with the definition used by all other USDA programs and agencies, so that Farm Bill provisions apply for a producer's first 10 years in operation rather than five years as is currently observed by RMA.

Climate Change

Regardless of whether an agricultural community undergoes extreme drought or flooding, new or intensified pest and disease outbreaks, or disrupted fruit set due to altered temperature patterns, the results will be the same[54]: individual farms forced out of business, community economies in decline, and shrinking supplies of vital food crops to human or livestock nutrition. USDA policies and programs must work to:

- **Enhance soil health** by incentivizing widespread adoption of soil health practices that contribute to climate change mitigation by building soil organic carbon (SOC) to remove carbon dioxide (CO2) from the atmosphere, and to climate change adaptation by making soils, crops, and agro-ecosystems more resilient to weather extremes through increased water infiltration, drought tolerance, and yields.

- **Support biodiversity** through an increased diversity of crops and cropping systems that will enhance SOC sequestration, as well as the ecological and economic resilience of farms and ranches to climate change. Diverse and perennial agricultural systems help conserve and protect water resources, support natural enemy insects and birds, control soil erosion, and provide other conservation benefits in addition to climate mitigation and adaptation.

[54] A more comprehensive look at the impacts of climate change on agriculture can be found in the National Sustainable Agriculture Coalition's *Agriculture and Climate Change* report https://sustainableagriculture.net/wp-content/uploads/2019/11/NSAC-Climate-Change-Policy-Position_paper-112019_WEB.pdf

- **Conserve and re-establish woody habitats** that will sequester carbon, while also supporting natural enemy insects and birds that will help with pest control as new challenges arise because of changing pest phenologies brought on by climate change.

- **Breed for resilience** by developing new public crop cultivars and livestock breeds for increased input efficiency, wide adaptability, performance under organic and sustainable management, and genetic diversity that will result in more resilient agricultural systems.

- **Fund the transition away from fossil fuels** to low-carbon renewable energy alternatives like wind (to generate electricity or power pumps) and solar (to generate electricity and heat water or buildings) to create more resilient farming operations. On-farm energy production eliminates the need to run electric lines or pipelines to remote locations. It also allows farmers to decrease their reliance on increasingly expensive fossil fuels and overall avoid or minimize costs.

NSAC released a comprehensive report on agriculture and climate change that includes recommendations on how to build a more resilient agricultural system that USDA should consider.[55]

The following recommendations will help to address the intersection of climate change and agriculture and support greater resilience for all the U.S. food and farming system:

Restore and increase funding for the Conservation Stewardship Program (CSP) and expand the program's focus on soil health and soil organic carbon sequestration.

- The CSP program can help prepare farmer's operations to withstand the impacts of an increasingly unpredictable climate and therefore create more resilient supply chains. The 2018 Farm Bill directed USDA to highlight soil health and increased payment rates for key soil health/carbon sequestration practices including cover crops, resource-conserving crop rotations, and managed rotational grazing. A key addition to CSP suggested in the *Agriculture Resilience Act* (H.R. 2803 and S. 1337 is the creation of a new CSP On-Farm Conservation Stewardship Innovation Grant program for on-farm research and development and pilot testing of innovative conservation systems and enhancements. Through CSP On-Farm Conservation Stewardship Innovation Grants, farmers and ranchers could develop, test, and implement regionally adapted climate mitigation conservation practices and encourage widespread adoption of these practices.

Fund public plant and animal breeding for a climate-resilient agriculture.

- Climate change will result in rapid and unpredictable changes in the growing regimes for

[55] https://sustainableagriculture.net/wp-content/uploads/2019/11/NSAC-Climate-Change-Policy-Position_paper-112019_WEB.pdf

crops and forages and conditions for animal agriculture that will likely vary on a regional basis. NSAC recommends that this administration ensures an initial investment of $50 million in annual extramural research funding within USDA starting in 2021, ramping up to at least $100 million by 2026, as well as $50 million in annual USDA intramural research funding to support public cultivar and breed development and ensure a supply of regionally-adapted seed varieties in the face of a changing climate. In addition, USDA should support recruitment and training of new professionals in plant breeding and cultivar development, thereby ensuring a viable "pipeline" of the next generation of plant breeders.

Place an emphasis within Value-Added Producer Grants (VAPG) – under the new Local Agriculture Market Program (LAMP) – on awards that help farmers create new markets for third and fourth rotational crops for row crop systems (including perennials) that promote soil health and increase soil organic matter (SOM) and SOC.

- Feasibility and working capital grants through the VAPG program to support new markets and mid-tier value chains for new uses for existing crops (e.g., oats, alfalfa) or for new emerging crops (e.g., kernza, pennyroyal) could accelerate farmer-owned approaches to more diversified and climate friendly cropping systems. The results of such a new emphasis could be improved farm income, higher levels of entrepreneurship, and new viable production systems that enhance climate mitigation and adaptation. USDA must prioritize VAPG awards that support the creation of new markets and supply chains.

Allow for greater economic use for the cover crop conservation practice and all of the cover crop conservation enhancements under federal conservation programs.

- Currently, restrictions apply on whether a producer can hay or graze cover crops under the cover crop conservation practice standard (CPS 340) and multiple cover crop enhancements. We urge NRCS to reconsider these restrictions and modify the practice standard and enhancements to allow for haying and grazing of cover crops in a way that preserves the conservation benefits of cover crops but allows for their economic use as well.

Increase funding for ACEP to protect our farm and ranch land from development pressures.

- ACEP has helped farmers and ranchers keep their land in agriculture across the country. Farmland protection has been shown to avoid future greenhouse gas emissions, but insufficient funding has limited the utilization of this program. When agricultural lands are developed, the greenhouse gas emissions associated with that land increase significantly. One study found that an acre of urban land emits 70 times more greenhouse gas emissions than an acre of irrigated cropland and 100 times more than an acre of rangeland. The USDA must protect our farms and ranches to ensure this vast and important land is available for both food production and carbon storage.

Increase support for small-and mid-sized slaughter and processing capacity to build resilience and incentivize widespread transition to pasture-raised livestock and poultry.

- A key limiting factor in the local, sustainably-raised meat value chain is the lack of available processing services, exacerbated by increased demand for local meat resulting from pandemic-driven supply chain backlogs. Limited access to processing keeps current producers from expanding and new producers from entering the market, when we should incentivize transition from an industrialized system that contributes to climate change to a pasture-based system that, when responsibly managed, contributes significantly to carbon sequestration and soil health. The USDA must prioritize measures to support small-scale slaughter and processing facilities that have enabled farmers and ranchers to access slaughter and processing, particularly now as we witnessed the vulnerability of our current processing infrastructure seen through the prominent 20 closures of large-scale plants during the COVID-19 pandemic, which further proved the need to transition from our current large-scale system that harms farmers, workers, the planet, and consumers.

Support diversification and reduced concentration of processing facilities, especially in meat packing, with support for diverse local meat processing plants

- Resilient agricultural systems must be the goal of all efforts to combat climate change. The recent COVID-19 crisis has revealed a lack of resilience in supply chains due to the concentration of processing in a few large plants owned by a handful of companies. When these plants had to close, farmers were forced to plow under vegetables, pour milk down the drain and euthanize animals. Meanwhile store shelves were bare, and prices skyrocketed for consumers. USDA Rural Development's Value-Added Producer Grant (VAPG) program was established to help producers create locally-owned processing and marketing facilities. VAPG should be expanded to help diversify and de-concentrate the processing of food – especially meat. Just as VAPG was initially modeled after successful state programs, in expanding VAPG, USDA should look to state programs such as Kentucky Agricultural Development Board's recent push to support local meat processors.

Ensure historically underserved farmers and ranchers, including beginning, socially disadvantaged, military veteran, and limited-resource farmers and ranchers, are fully supported and empowered in their climate resilience and mitigation efforts.

- Overall participation by farmers of color and limited-resource farmers in conservation and other USDA farmer programs has lagged enrollment of white farmers. In addition to the urgent need to build agricultural and community resilience for those most vulnerable to the worst impacts of climate disruption, every producer who is not served by the programs that could help them build healthy, resilient, climate-mitigating production systems is a missed opportunity, and every farm that goes out of business due to lack of USDA program support can negatively impact local supply chains and can lead to a dramatic

increase in net greenhouse gas emissions if the land is converted for residential or commercial development.

Expand support for organic certification by increasing funding for the National Organic Certification Cost Share Program and by increasing cost share payments.

- Organic food is a rapidly growing sector of the American food economy. Domestic production has been growing, but much of the organic food and fiber American consumers and manufacturers purchase is imported. The gap between domestic supply and consumption that is currently filled by imports is an important market opportunity for American farmers and ranchers. In addition to the market opportunity that organic farming presents, organic farming builds soil health, stores carbon, releases fewer greenhouse gases, and builds resilience to the effects of climate change.

Throughout all USDA REE supported programs and funding streams, provide additional priority for sustainable and organic research, education, and extension to maximize agriculture's role in mitigating climate change and ensuring that U.S. agriculture can remain resilient in the face of anticipated climate change scenarios (e.g., increasing frequency of extreme weather events, unpredictable weather patterns, increasing temperatures, etc.).

- The USDA should make greater efforts to promote sustainable and organic agriculture as systems of production that can build soil health, improve nutrient cycling, lower fossil fuel energy inputs and thereby lower GHG emissions from agriculture. Targeted, on-farm research with innovative farmers will improve sustainable and organic systems so that tillage-associated carbon losses, soil nitrous oxide (N2O) and methane (CH4) emissions, and fossil fuel use can be lowered even further. Major funding increases or redirection should be made to pursue these lines of inquiry through the Agricultural Research Service (ARS) and through the National Institute for Food and Agriculture's (NIFA) competitive and capacity programs (including Hatch, Smith-Lever, McIntire-Stennis, and Evans-Allen). Particular attention should be given to ensure the continuation of existing research and establishment of new research that includes long-term comparative studies of farming and cropping systems and of systems for livestock and poultry production.

Support farmland preservation by reducing the amount of agricultural land conversion

- The administration should support the national goal for farmland preservation established in the *Agriculture Resilience Act* (H.R. 2803; S. 1337) introduced by Rep. Chellie Pingree (D-ME) and Sen. Heinrich (D-NM) of reducing the conversion of agricultural land to development and grassland to cropland by at least 80 percent by 2030 and eliminated by 2040. As urban, suburban, and low-density residential development demands increase, we are losing thousands and thousands of acres of agricultural land. Converting agricultural land to

development results in significant increases in greenhouse gases emissions and diminishes our ability to store carbon in our soils. Long term, this development also poses a threat to our food security and our rural economies.

NSAC submitted extensive climate change comments to the USDA two months ago, and we hope USDA will include relevant supply chain considerations from these comments in their supply chain efforts.[56]

Capital and Financing

Ensuring that small food and farm businesses are able to secure the capital they need to retool, expand, or build more sustainable operations is fundamental to the Department's goal of creating more resilient food and agriculture supply chains. Access to credit is often the limiting factor that will determine whether a farmer can purchase land or launch or expand their businesses. Credit is also fundamental in times of crisis and can often determine whether a family can hold onto their farm in times of uncertainty or prolonged stress. Federal credit programs are a critical part of the financial infrastructure of agriculture but have often been structured in ways that are antithetical to achieving a sustainable and resilient food and agriculture system.

As stated previously, the well-established history of USDA discrimination and continued differential program implementation, specifically as it relates to FSA lending, demonstrates that any reform must start with new mechanisms for public accountability for the agency that are sufficient to rebuild trust with the public, especially for communities of color, and within the agency staff. There are several steps the Administration should undertake immediately to reshape agricultural finance to rebuild trust, increase access to appropriate and timely credit for those currently underserved by agricultural lending, and reorient lending towards building a more resilient food and farm economy.

Specific actions include:

- Requiring automatic provision of receipt for services provided by FSA county offices for all farmers, and conducting robust oversight to ensure every county office is adhering to this statutory mandate;
- Reforming FSA oversight to ensure timely, Federal-level review of all denied FSA loan applications or applications where farmers indicate possible discrimination or abuse, withdrawn FSA loan applications, and withdrawn NAD appeals;
- Issuing guidance on equitable relief and heirs property provisions of the 2018 Farm Bill
- Streamlining or allowing for pre-approval on FSA ownership loans to allow farmers to move more quickly when they find suitable farmland;
- Changing USDA commodity price list to recognize higher prices of agricultural production for judging viability of farmer's business plan;

[56] https://sustainableagriculture.net/nsac-comment_response-to-eo-on-tackling-climate-crisis_04292021-2/

- Expanding loan officer training on emerging markets and entrepreneurial agricultural enterprises to expand their acceptance of income from these enterprises in loan applications and farm business plans;
- Creating a pilot loan program to allow farmers with an FSA farm ownership loan to have a portion of their loan forgiven if a conservation easement is placed on the farm;
- Piloting programs that provide low or no collateral loans in communities of color through intensive technical assistance and oversight;
- Allowing farmers to consolidate or restructure non-farm debt such as medical debt, student loans, or high-interest credit card debt into FSA loans;
- Providing multi-year working capital loans that are tailored to the farming operation and markets rather than single-year operating loans;
- Allowing the pro-active use of existing debt servicing mechanisms such as interest-only payments, disaster set-aside, and debt restructuring to prevent loan delinquency rather than respond to loan delinquency;
- Increase funding for relending programs to fund the development of innovative model financing programs to address the needs of under-served communities by diverse financial institutions that are community-based and have proven capacity to serve the needs of racially diverse communities with both access to financing and technical assistance.

It is also necessary to increase oversight and accountability for guaranteed lenders to ensure that private lenders are not just extending credit to underserved producers, but actively prioritizing and incorporating their specific needs into loan terms and financing. Specific actions include:

- Requiring lenders to meet target participation rates established for beginning and socially disadvantaged farmers as a prerequisite to be approved as an FSA Guaranteed Loan Preferred Lender;
- Prioritizing use of all loan restructuring tools to prevent foreclosure, including requiring that guaranteed lenders participate in mediation to create a loan work out plan as a prerequisite for exercising their guarantee;
- Establishing a goal for FCS institutions to reinvest 10 percent of profits into community reinvestment grants that support technical assistance, asset development and other services for under-served and sustainable agriculture producers, including young, beginning, small, and BIPOC producers, as well as those serving local and regional markets.

Training and technical assistance is also essential in ensuring that producers are equipped with the financial skills, knowledge, and resources to not only succeed in agriculture, but understand what is needed to ensure overall farm resiliency in the face of future disruptions to supply chains or another crisis. Specific actions USDA should consider include:

- Scaling up and targeting technical assistance funding in programs such as Risk Management Education, the Beginning Farmer and Rancher Development Program, the Outreach and Technical Assistance for Socially Disadvantaged and Veteran Farmers Program (i.e., Section

2501), and the Rural Microentrepreneur Assistance Program toward 1:1 technical assistance and financial counseling models;
- Assuring sufficient funding and staffing for county-level USDA offices for staff to provide technical assistance for farmer program access;
- Funding financial literacy programs and provide customized technical assistance tailored to the specific needs of the farmer, including scaling up programs that provide hands-on financial management support for beginning farmers for them to build strong financial management capacity;
- Increasing funding for relending programs to fund the development of innovative model financing programs to address the needs of under-served communities by diverse financial institutions that are community-based and have proven capacity to serve the needs of racially diverse communities with both access to financing and technical assistance.

Soil Health

Restoring and maintaining soil health is imperative for food, fuel, and fiber production. The following recommendations are important reforms that USDA can make administratively to support improved soil health:

- Direct the Office of the Chief Economist to conduct a comprehensive study, in coordination with the Administrator of the Risk Management Agency, on the impact of the federal crop insurance program on the adoption of farming practices and their impacts on climate change, leading to recommendations on how the programs can better support and reward farmers who have invested in crop and animal diversity, soil health, water conservation, or value-added production activities that increase climate resiliency and reduce risk.

- Improve cover crop termination guidelines to make guidance clearer and more farmer friendly and remove obstacles to crop insurance coverage by adding the increasingly common practices intercropping, interseeding, relay planting, strip intercropping, and planting green as practices that do not affect the insurability of crops.

- Modify the Good Farming Practices handbook to make clear that all NRCS conservation practices and enhancements are Good Farming Practices, without caveat or exception.

Processing Infrastructure

As the food system begins to recover from COVID-19, there is still a significant need for financial investments from Congress and USDA to address the backlog at small-scale slaughter and processing facilities that are utilized by farmers and ranchers across the country. Unfortunately, the

backlog in slaughter and processing access is not a new concern, but one that has been exacerbated by the pandemic as producers seek alternate pathways to markets through existing small-scale processors. This is an opportune time for Congress and USDA to help address a long-standing issue for thousands of small livestock and poultry producers.

Additionally, small and very small plants are 93.5%[57] of all the FSIS constituents and should be prioritized. As mentioned above, one-size-fits all regulations that have prioritized larger scale facilities have contributed to consolidation of processors and the decline in small plants. We also have included multiple administrative recommendations to create a more resilient small processing sector that supports worker safety, food safety, and supply chain resilience.

NSAC is grateful that food processing is part of USDA's $4 billion to Strengthen the Food System, and we believe the following recommendations will help USDA successfully invest in new and expanded regional processing capacity.[58]

1. Create infrastructure, equipment, and expansion grants for small-scale federally inspected facilities – and for new facilities, where needed.

USDA should utilize COVID-19 relief funds from the Consolidated Appropriations Act, 2021, and The American Rescue Plan Act of 2021,[59] to create a small plant expansion grant program for small-scale federally inspected facilities. The program would complement the AMS Meat and Poultry Inspection Readiness grants for state inspected and custom exempt facilities.

The grant program for small plant expansion could be structured like the AMS Meat and Poultry Inspection Readiness program, but with a focus on expanding slaughter and processing capacity for small federally inspected plants. Grants of up to $500,000 for small-scale federally inspected facilities could help with much-needed expansion. Eligible costs should include:

- Upgrading processing lines;
- Building expansion and upgrades;
- Additional cold storage space;
- Processing equipment;
- Slaughter and humane handling infrastructure, such as holding pens, knock box structures, and share structures;
- Waste management and waste water solutions;

[57] USDA FSIS, FSIS - Establishment Demographic Data - Meat and Poultry Inspection (MPI) Directory Supplement. (2020), https://catalog.data.gov/dataset/fsis-establishment-demographic-data-meat-and-poultry-inspection-mpi-directory-supplement.

[58] https://www.usda.gov/media/press-releases/2021/06/08/usda-invest-more-4-billion-strengthen-food-system

[59] USDA can use its broad authority in Section 751 of the Consolidated Appropriations Act, 2021 and Section 1001(b)(3) of the American Rescue Plan Act of 2021 to create this grant program.

- Labeling machines;
- Developing and maintaining a Hazard Analysis and Critical Control Points (HACCP) plan;
- Becoming a certified organic processing facility under the National Organic Program;
- Developing feasibility studies for expansion or for a new facility;
- Composting;
- Training new employees; and
- Other related infrastructure and equipment.

Eligible entities should include any federally inspected small and mid-sized processor, which should be defined as any plant with less than 200 employees and could also include new facilities with strong feasibility studies or proposals that include a feasibility study.

The grant program should prioritize any proposal that would increase access to slaughter and processing within a 200-mile radius for the farms and ranches in that area and for any minority-owned businesses, defined as for-profit businesses where not less than 51 percent of such business is owned by 1 or more Black American, Native American, Hispanic American, or Asian American individuals.

Before investing in new small plants, USDA must ensure there is a true need in that area, and that the business will remain financially viable. A feasibility or business plan or study should be included or submitted as part of a grant proposal for any new facility, to ensure it is meeting an unmet need and is financially viable.[60]

2. Enter into education and technical assistance Cooperative Agreements.

In addition to AMS Cooperative Agreements with organizations like the Niche Meat Processors Assistance Network (NMPAN) for grant outreach and technical assistance for the Meat and Poultry Inspection Readiness program, AMS should also enter into cooperative agreements with organizations serving small plants to provide education and training for small plant operators and employees. Workforce training delays have also contributed to the backlog at small processors. Small plant managers and operators often do not have the time or resources to train new employees, due to their own increased workload since the start of COVID-19. AMS should enter into Cooperative Agreements with these organizations, other experts, and Cooperative Extension programs with a history of providing small plant education and technical assistance to help address small plant workforce training needs.

Additionally, as hundreds of plants hope to participate in the AMS Meat and Poultry Inspection Readiness grant program, there will be a huge need for technical assistance and education to ensure these plants are able to achieve federal inspection. Technical assistance will be necessary to ensure these state inspected and custom exempt plants achieve federal inspection.

[60] See https://www.nichemeatprocessing.org/meat-processing-feasibility-studies/.

USDA should utilize funds from Section 751 of the Consolidated Appropriations Act, 2021 and Section 1001(b)(3) of the American Rescue Plan Act of 2021 for Cooperative Agreements with organizations and experts, like NMPAN, to provide this much-needed training. The Cooperative Agreements should prioritize training on the following topics: humane handling best practices for plant operators and slaughter employees, HACCP, labeling approval and processes, and other necessary support.

These Cooperative Agreements could also help support other educational efforts throughout the local and regional meat and poultry supply chain, to ensure there are enough farms and ranches in the area to support all the new and expanding small plants. Cooperative agreements should support professional development and education for producers. For example, AMS could enter into cooperative agreements with organizations that provide technical assistance for meat brand development, with a focus on highlighting local and regional products and regenerative practices.

3. **Pilot apprenticeship program grants for small plant workforce development**.

AMS or another USDA agency should use Section 751 of the Consolidated Appropriations Act, 2021 and Section 1001(b)(3) of the American Rescue Plan Act of 2021 funding to pilot 6-7 regional small plant apprenticeship program grants. These pilot grants would pay a small plant to train and support their local processing workforce. The program would provide a grant to a small processor for their efforts to train the apprentice, and to financially support the apprentice's wage of at least $20 per hour. USDA could then analyze the training methods and employee benefits, and determine if the pilot could be expanded to other small processors across that region or the country.

4. Direct loan program for small scale meat processors to expand and for new facilities.

For new facilities or existing facilities, the costs of infrastructure and equipment may extend from $600,000 to $4.4 million,[61] and grants alone are insufficient to support the expansion of this sector. Furthermore, for some small state inspected and custom exempt processors, achieving federal inspection may require a greater investment beyond a $200,000 grant.

A direct USDA loan with a reasonable interest rate may provide this much needed financial support. A forgivable loan option, supported by the COVID-19 funding USDA received, would also help this sector grow quickly.

USDA should consider using funds from Section 751 of the Consolidated Appropriations Act, 2021 and Section 1001(b)(3) of the American Rescue Plan Act of 2021 to create a small plant expansion loan option. Eligible entities should include any small federally inspected processor with less than

[61] https://www.nichemeatprocessing.org/wp-content/uploads/2016/08/CrashCourseThree.Final_revised_8.31.pdf

200 employees, a new facility with a strong feasibility study, and any plant that is eligible for the AMS Meat and Poultry Inspection Readiness program grants.

5. Ensure Scale Appropriate Regulations for Small Processors.

NSAC submitted numerous recommendations to the USDA as it relates to scale appropriate regulations for small plants in our transition team document and other memorandum.[62] NSAC recommends that USDA prioritize the following three recommendations:

- FSIS should develop an education program for inspectors specific to small and very small plants, and include small plant operators in the design of the program. As mentioned above, education and training of inspectors can ensure that there is a true understanding and partnership between inspectors and small plants, and a culture that ensures a safe, equitable approach to inspection.

- The National Advisory Committee on Meat and Poultry Inspection must have at least an equal number of independently owned, small plant stakeholders serving on the Committee as the largest meat and poultry companies. The USDA should ensure the committee includes equitable participation, including plant employees and BIPOC small plant operators and farmers and ranchers. NSAC also recommends that at least one farmer or rancher that utilizes small scale slaughter plants for their products can serve on the committee.

- FSIS should move forward with implementing the recommendations in the study commissioned in the 2018 Farm Bill on "USDA FSIS Guidance and Outreach to Small Meat Processors" written by NMPAN at Oregon State University, and commit to implementing these recommendations by 2025. The study includes specific ideas for small plant inspections and other regulatory issues, including the scale appropriate regulations mentioned above.

6. Prioritize the report on the effectiveness of existing federal funding for small plants.

The study and report on analyzing the effectiveness and availability of existing federal financial assistance for federally inspected plants in Sec. 765 of the Consolidated Appropriations Act, 2021 should be led by AMS. AMS has prior experience providing information on these federal programs to small plants, and has issued reports analyzing federal grant programs' effectiveness for small processors.[63] AMS should prioritize this report within the next year, to help inform USDA and Congress's future efforts to financially support small processors and address the existing supply chain issues. AMS should consider entering into cooperative agreements with organizations that support small processors to ensure the study contains robust stakeholder input.

[62] https://sustainableagriculture.net/wp-content/uploads/2020/12/NSAC-Final-Transition-Team-Document-2020.pdf
[63] See https://www.ams.usda.gov/services/local-regional/lessons-learned.

7. Update the Economic Research Service study on Slaughter and Processing Options and Issues for Locally Sourced Meat.

The 2012 Economic Research Service study on Slaughter and Processing Options and Issues for Locally Sourced Meat[64] evaluated the availability of slaughter and processing for local meat production. This study provided some insight as to where increased access to slaughter and processing was needed to support the farmers and ranchers in that area. The study should be updated to ensure that new facilities are financially viable and able to be supported by the farmers and ranchers in that area.

Research

Research supports all critical elements of a resilient agriculture and food systems. Robust investment in agriculture research is necessary to ensure the U.S. agriculture and food supply system remains competitive, increases productivity, and improves the profitability of producers. Increased investment will also attract, retain, and develop new scientific expertise to address the challenges of a changing climate and pressures on our natural resources. Emphasis is needed to:

- Prioritize climate change mitigation and adaptation agricultural research across USDA's REE mission area to include research and development of new technology, processes, materials, and practices that can meet the changing needs of the U.S. agriculture system.
- Direct USDA's AFRI program to invest in research and Cooperative Extension System activities that focus on developing and deploying rapid, reliable, and readily adoptable strategies across the food and agriculture enterprise that enables the agricultural system to become more resilient in the following areas: health and security of livestock; food and food processing; well-being of the farm workforce, food service providers, and rural Americans; and economic security.
- Require the Economic Research Service (ERS) to assess agronomic, economic, social, and food-supply chain issues arising because of the impacts of COVID-19 including impacts on food safety, food prices, household food expenditures, food insecurity, utilization of nutrition assistance programs, farm prices, farm family incomes, and planting and other management decisions that are being driven by the pandemic.
- Direct USDA (NASS, ARMS) to collect data across the U.S. food supply system to improve the understanding of the impacts food prices, food processing and safety, farm workforce, livestock and economic security. Further data on the prevalence of agricultural practices and tools that help farmers reduce emissions and adapt to climate change, including practices that preserve soil health (such as cover crops, agroforestry, perennials, advanced grazing management and conservation crop rotations) are also needed.

[64] https://www.ers.usda.gov/webdocs/outlooks/37459/28829_ldpm216-01.pdf?v=8633.4

- Increase funding for the SARE program research and educational outreach to offer farmer-driven grants and programming to improve farmer access to knowledge and resources to build climate resilience.
- Provide increased funding for organic research, including OREI and ORG programs. To better coordinate organic research across USDA, reinstate the position of Organic Coordinator to ensure that USDA organic research addresses priorities identified through the work of the National Organic Program (NOP), the Risk Management Agency (RMA), the Natural Resources Conservation Service (NRCS), the National Agricultural Statistics Service (NASS), and other agencies; and that research outcomes inform the work of these agencies.

Availability and accessibility of seed and cultivars that are well-adaptive and resilient to the pressures of climate change is imperative for procedures to maintain productivity and profitability across the U.S. food supply. Increasing the availability of these seeds requires:

- Increased federal funding for more public cultivar development and germplasm collections;
- Public release and availability of new seeds and cultivars without utility patent restrictions;
- Establishment of a White House Office of Science and Technology Policy Liaison for Public Breeding. Additionally, USDA's Research, Education, and Extension Office (REEO) should coordinate public plant and animal breeding activities within and between REE agencies and in coordination with the National Genetic Resources Advisory Council (NGRAC) to ensure that USDA can continue to maintain and build a diversity of crops and livestock breeds with climate-adaptive and other beneficial traits that are broadly accessible to all US farmers;
- Increased organic seed research and production to supply the requirement of certified organic production.

Local and Regional Food Systems

NSAC recognizes that major investments in infrastructure are needed to support rural economies and the development of more resilient food and agriculture supply chains, including rail and water transportation, renewable energy production and distribution, and broadband. In addition to these traditional areas of concern, we believe significant investments in infrastructure that connect farmers to consumers, diversifies market opportunities, increases resiliency, and expands access to healthy food are needed to support the development of short supply chains and resilience through the U.S. food and agriculture system.

Building upon and expanding successful local and regional food systems programs and forging innovative public-private partnerships, will help farmers keep pace with the growing demand for local and regional food while building more robust and resilient supply chains. The following are a

series of recommendations for building upon and expanding successful local and regional food systems programs and initiatives:

- The Administration should **launch a cross-agency 'Regional Resilience Initiative'** that builds upon the successful 'Know Your Farmer, Know Your Food' initiative and focuses on how the development of more robust local and regional food systems can boost community food security and resilience in the face of disruptions such as the ongoing coronavirus pandemic.
- Create a **Local and Regional Food Systems Resiliency Director** position within the Office of the Secretary to identify opportunities and coordinate existing USDA resources to better serve and promote resilient local and regional food systems.
- **Expand access to the Farmers Market and Local Food Promotion (FMLFPP)** for smaller lower-resourced entities with by using the authority granted by the 2018 farm bill to establish a simplified application for FMPP grants under $50,000 and prioritize applications serving socially disadvantaged producers and underserved communities.
- **Write a new a rule for the Value Added Producer Grant program** (VAPG) to allow an option for VAPG applicants to apply directly for food safety financial assistance (both for food safety-only applicants and working capital applicants) with priority given to infrastructure and equipment upgrades that will improve on-farm food safety practices. (more detailed information is provided in a following section).
- **Expand the new Regional Food Systems Partnership** and foster more resilient food regional food systems through the development a memorandum of understanding or interagency agreement with other federal agencies as warranted to expand the list of current programs (VAPG, FMPP, and LFPP) to which grantees/partnerships can apply on behalf of partner organizations and farmers (as authorized in the 2018 Farm Bill) to include:
    - Specialty Crop Block Grants (AMS)
    - Rural Microentrepreneur Assistance Program (RBCS)
    - Business and Industry Local and Regional Food Enterprise Guaranteed Loans (RBCS)
    - Rural Cooperative Development Grants (RBCS)
    - Healthy Food Financing Initiative (RBCS)
    - National Organic Certification Cost-share Assistance (FSA)
    - Direct Loans and Microloans (FSA)
    - Gus Schumacher Nutrition Incentives Program (NIFA)
    - Beginning Farmer and Rancher Development Program (NIFA)
    - Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers (OPPE)
    - Community Food Project Grants (NIFA)
- Create a **new "EBT and Food Systems Director"** position within the Office of the Under Secretary for Food, Nutrition, and Consumer Services to lead the development and

implementation of a comprehensive department wide strategy to support the use of EBT at farmers markets, other direct marketing outlets, cooperatives and retail grocery stores.

- Ensure that plans surrounding the implementation of funding included in recent COVID response legislation[65] to expand Online SNAP, conform with legislative intent as envisioned by Senator Durbin's S. 313 The Expanding SNAP Options Act of 2021 and invest in the creation of an online portal to provide universal access for all small businesses.[66]

Food Safety Financial Assistance

Through the creation of the Local Agriculture Market Program (LAMP) in the 2018 Farm Bill, Congress added new authorities to VAPG to address food safety certification and practice upgrades. Specifically, LAMP authorizes the financial assistance for "expenses relating to costs incurred in obtaining food safety certification and making changes and upgrades to practices and equipment to improve food safety." This language was included in LAMP as a new "eligible activity" for VAPG grant projects.

The 2018 Farm Bill also included a $6,500 cap on the amount per grant under each program that can be used to purchase or upgrade equipment to improve food safety. Within VAPG, a maximum of 25 percent of the program's annual funding can be used for the food safety certification and infrastructure upgrades. Beyond these provisions, however, LAMP does not provide many details as to how the program's new food safety authorities and funding should be implemented. Furthermore, VAPG operates under a federal rule, therefore a federal rulemaking is necessary to implement this authority.

Unfortunately, the USDA has not completed such rulemaking, nor have they indicated plans to via the updated spring 2021 Unified Regulatory Agenda. As mentioned above, USDA should move quickly to develop and write a new a rule for VAPG to allow an option for VAPG applicants to apply directly for food safety financial assistance (both for food safety-only applicants and working capital applicants) with priority given to infrastructure and equipment upgrades that will improve on-farm food safety practices.

We urge USDA to explore ways in which they can make food safety resources easily accessible in a simplified manner to producers, and not require additional value-added activities be included in

[65] SEC. 703 of the Consolidated Appropriations Act of 2021 and SEC. 1012 of The American Rescue Plan

[66] One of the core components of the Expanding SNAP Options Act was the inclusion of funding and direction to the USDA to invest in the creation of an Electronic Benefit Transfer (EBT) Online Redemption Portal to expand options for and access to food for eligible households by making the online redemption of program benefits, including the acceptance of EBT cards, more widely available to grocery stores, small retailers, and farmers who face barriers in implementing their own online payment portals. The EBT Online Redemption Portal was envisioned as a universal portal that would level the playing field for small businesses and allow universal access to online EBT for all SNAP authorized small businesses whether that is a small retail grocery, online grocery, a local cooperatively run grocery store or a direct to consumer agriculture operations.

order to be eligible for funding. The congressionally directed administration of the program in a streamlined manner with a simplified application process allows for the creation of a separate option. Producers who need financial assistance for food safety upgrades to reach new markets should be able to apply for food safety financial assistance-only grants through VAPG, without having to propose a full working capital grant application.

VAPG has historically been administered with two options: "planning/feasibility grants" and "working capital grants." Given the new 2018 provisions, NSAC recommends a third option be created for food safety assistance. In administering VAPG under the 2014 Farm Bill, a simplified "working capital grant" option was available for requests under $50,000. NSAC recommends that USDA take a similar approach to food safety assistance and create an appropriately simplified application for producers who are seeking only food safety assistance for market access and expansion purposes.

USDA should also explore other opportunities for food safety financial assistance through the funds provided to them in the American Rescue Plan Act, 2021, and as part of the USDA's more than $4 Billion to Strengthen Food Systems proposal.[67] This would ensure that producers have the assistance and grant opportunities they need to grow production and provide healthy, safe, local foods to consumers. Eligibility for food safety financial assistance should extend to all producers and handlers, as well as established grower groups like food hubs, grower cooperatives and other farmer support organizations.

AMS should also provide reimbursements for the direct cost of an audit service performed by AMS, an AMS-licensed state inspector, or an accredited third party auditor for GAP audits to every state.[68]

Priority for food safety financial assistance should be given for beginning, socially disadvantaged, and veteran farmers. Noncompetitive cost-share assistance for actual practice changes and equipment upgrades would also be available to small farms – with higher levels of assistance available for beginning, socially disadvantaged, or veteran producers – for practices or equipment necessary to pass a GAP audit. Reimbursement payments would be capped at a set value per year.

Support for SDA, BFR and Small Farmers and Businesses

In order for these aforementioned recommendations to be effective, the Administration must first tackle the long overdue task of rebuilding trust with farmers that have historically been underserved, marginalized, dismissed, discouraged, or discriminated against by the Department. While it is important to address all historically underserved communities (beginning, small, limited resource, socially disadvantaged, veteran, women), it is most critical that the Administration take concrete

[67] https://www.usda.gov/media/press-releases/2021/06/08/usda-invest-more-4-billion-strengthen-food-system
[68] 16 states already receive free GAP Audits for certain farmers.

steps to address the well-documented history of racial discrimination and inequity in program implementation by USDA.

First and foremost, USDA must create a culture of accountability and transparency in both program design and implementation in order to rebuild trust with those farmers who have been underserved or faced direction discriminatory action. It is equally important to ensure that farmers who have been subjected to discrimination or abuse have adequate and timely redress.

Specific actions that USDA should take include:

- Take concrete and immediate actions to reform the culture of USDA to ensure zero tolerance for unfair treatment for any farmer based on race, gender, sexual orientation, enterprise, markets, age, tenure, etc. Everyone who walks through USDA's doors should be treated equitably and as a legitimate farmer. There should be no tolerance for any form of discrimination or mistreatment including the subtle discouragement and patronizing attitude that often tells farmers that they are not welcomed or supported by the USDA.
- Reform USDA practices and policies across all programs to ensure that all county offices are adequately staffed to meet producer needs and that county office staff reflect the full diversity of the communities that they serve.
- Institute an annual, systematic review of USDA county and program staff portfolios, especially FSA, for discriminatory action, with appropriate actions taken in cases where discrimination or other forms of abuse are indicated including but not limited to direct supervision, more in-depth investigation, probation, and dismissal.
- Ensure that demographic data is uniformly and consistently collected and publicly reported across all USDA programs (including for existing customers)
- Create an independent Civil Rights Oversight Board to oversee civil rights within USDA and to protect the rights of farmers and ranchers.
- Establish an Equity Commission to study the legacy of discrimination against Black agricultural producers, including by investigating discrimination in FSA county committees and recommending solutions to improve the status of socially disadvantaged producers.
- Require automatic provision of receipt for services provided by all county offices for all farmers and conduct robust oversight to ensure every county office is adhering to this statutory mandate.

In addition to rebuilding trust, it is also important to increase access to USDA programs and resources – including pandemic assistance – for underserved producers to ensure their farms are able to weather future disruptions in supply chains. USDA must ensure the effective implementation and monitoring of existing tools (such as loan set-asides, the EQIP advance payment option, CRP-TIP, etc.). USDA should also increase its partnerships with groups on the ground who not only serve, but who also have the long-established trust and working relationship with farmers who have often been excluded or dismissed by USDA. This includes establishing long-term cooperative

agreements with community-based organizations who can be USDA's "boots on the ground" in providing needed technical assistance for underserved producers.

The Administration has already recognized that more needs to be done to support the next generation of farmers, including new farmers of color. In addition to the recommendations above, we would further recommend that the Administration:

- Create a longer-term vision for what is truly needed to make farming a viable career for future generations.
- Develop a strategic plan for the Beginning Farmer and Rancher Development Program to ensure funded new farmer training programs reflect the unique regional and industry specific short, medium, and long-term needs.
- Launch a USDA-wide initiative to expand opportunities for new farmers and farmers of color, with focus on farm transfer, farmland transition, and farmland access.
- Quickly implement the new Heirs Property relending program and data collection efforts on farmland ownership trends.

NSAC also submitted recommendations on the AMS COVID-19 grants addressing the needs of small farmers and food business, socially disadvantaged and beginning farmers, and others throughout the supply chain that are still in need of COVID-19 relief and support.[69] We hope USDA takes these recommendations into consideration not only for the AMS COVID-19 grant program, but also for the $4 billion to Strengthen the Food System.

[69] https://sustainableagriculture.net/wp-content/uploads/2021/04/NSAC-Comment-on-AMS-COVID-19-Grants.pdf