

Testimony Submitted for the Record

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**Hearing before the House Agriculture Committee
To Review the State of the Livestock Industry**

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Chairman Scott, Ranking Member Thompson, and Members of the Committee, thank you for holding this hearing and providing me the opportunity to testify today about livestock market issues. I am François Léger, the owner of FPL Food (FPL), a family-owned beef business based in Augusta, Georgia.

FPL is a member of the North American Meat Institute (NAMI or the Meat Institute) based in Washington, DC. The Meat Institute is the nation's oldest and largest trade association representing packers and processors of beef, pork, lamb, veal, turkey, and processed meat products. NAMI members include more than 350 meat packing and processing companies, large and small, and account for more than 95 percent of United States output of meat and poultry products.

The Meat Institute submitted detailed testimony for the record for the Livestock and Foreign Agriculture Subcommittee's hearing on the state of the beef supply chain on July 28. That testimony analyzes the meat supply chain, particularly regarding the repercussions of the COVID-19 pandemic.

Today, I will discuss my business and provide my perspective on challenges we face.

I was raised on a farm in France and wanted to continue my family's proud farming legacy. I pursued a degree in agriculture and worked in the beef industry in France, Australia, South America, and the U.S. for more than 38 years. In 2004, I purchased a processing facility and a grinding facility in Augusta, Georgia, and began FPL.

There are two parts to FPL's business. First, we slaughter cull cows and bulls. We source cattle directly from producers and through auction barn purchases across the Southeast from more than a dozen states, from east Texas to the Carolinas, from Mississippi, Alabama, Louisiana, Virginia to Florida, and of course Georgia. Our plant creates a critical market for many Southeastern producers.

Second, we have a fed cattle operation. As the business grew, FPL purchased pasture and farmland in central Georgia in 2011, and built a cattle-feeding operation that rivals anything in the Southeast. My goal was to prove that great quality fed cattle could be raised and finished for beef production in the Southeastern United States. To achieve that goal, I sourced some of the best Angus genetics, and raised corn and other forage crops as feed sources. Today, FPL's Chatel Farms has a herd totaling more than 8,000 head including Angus and Akaushi (Wagyu), pure-bred seed-stock animals, and feeder cattle to support the FPL Food beef brands.

Chatel Farms also buys feeder cattle from producers in the region through a number of arrangements. Specifically, we work with producers who are committed to producing high quality, carcass-merit feeder cattle and who will raise their calves according to the standards of our brand. We've even instituted a buy-back program for Southeastern cattlemen who use our Chatel Ankony Angus genetics. For cow-calf producers who use our genetics in their herd, we will commit to buy their feeder calves. We also buy fed cattle on a cost-plus basis, providing more options to the producer.

Our brand is built on the principles of quality, sustainability, traceability, and animal welfare, all intended to satisfy customer demand. Being in the Southeast, far away from most of the nation's largest feedlots, we built a vertically integrated business model to achieve the company's goals, and we work closely with local producers on the supply of cattle that will produce the quality of beef our customers demand. Our structure, and the marketing options for producers, have a positive economic impact for the beef cattle industry in the Southeast.

To continue the vision of supplying high-quality Southeastern U.S. beef, FPL purchased a further processing facility in 2012. This facility, in Thomasville, Georgia, enables FPL to produce case-ready retail beef cuts and portioned steaks and burgers for the retail and foodservice industry.

We continue to grow our business through our brands and high-quality boxed beef. With our fresh and frozen grinds program and case ready products from our further processing facility, FPL Food supplies a comprehensive portfolio of quality beef products that meet our customers' needs and supports cattle producers in the Southeastern region.

Today, we have more than 1,600 team members at three facilities throughout Georgia — our farm, production plant, and further processing facility. These facilities supply multiple brands of beef products from cattle raised through a process that combines new innovations with traditional farming techniques.

FPL Food continues to grow: we are in the process of a major expansion of our plant to add cooler and deboning space to increase capacity, and we are rebuilding our rendering facility to better supply tallow for renewable and biomass-based diesel manufacturers.

The cattle and beef industry are driven by the supply and demand fundamentals of the free market, and the cattle industry is cyclical. Not that long ago the cattle market was the reverse of today – in 2013, 2014 and 2015, the herd was small, and producers were making record profits while packers were losing money. In fact, I had to sell one plant for my company to survive.

During the pandemic, with packing capacity operationally reduced and the cattle herd large, cattle prices dropped. FPL worked with the Georgia Cattlemen's Association to help support the cattle industry: we need cattle producers. And cattle producers need packers.

As Dr. Dustin Aherin, Vice President, RaboResearch Animal Protein Analyst, recently testified before the Livestock Subcommittee at the July 28 hearing, "Cattle are one of several inputs into beef production. Other major inputs include labor, physical capital, and technology." I can tell you from my experience in operating and growing FPL, he is correct.

Production in meat packing and processing plants is tied to the number of employees working the line. Currently, we see on average 20 percent daily absenteeism in our plant. I come to work every day and the first decision I face is which line to run and how to staff it. We have increased our starting salary to \$15 an hour, which also means we must increase all salaries up the chain. Our average salary is now \$20 an hour for plant workers, and yet we still cannot run at full capacity because of absenteeism. Our costs in salary alone have increased by \$7 million a year.

The meat industry has faced a labor shortage since before the pandemic, but it is acute today. The labor shortage affects not only processing lines, but also warehouse workers, maintenance positions necessary to keep production lines running, and other jobs also critical to maintaining the supply chain, such as truck drivers. For example, FPL is investing in tractor trailers just to help maintain our cattle supply. Moving cattle consistently and predictably is directly linked to slaughter capacity and, thus, producer sales. All these costs are in addition to higher costs for machinery parts and other materials FPL needs to maintain production levels.

In addition to the investments we are making regarding labor and physical capital, we are constantly evaluating how we advance our contributions to healthy people, healthy animals and a healthy planet. FPL is a strong supporter of the industry's

advancement goals. In July, NAMI and 11 other organizations representing farmers and companies who produce the vast majority of America's meat, poultry, and dairy products, and animal feed and ingredients, unveiled the Protein PACT for the People, Animals, and Climate of Tomorrow. The Protein PACT is the first joint initiative of its kind designed to verify progress toward global sustainable development goals across all animal protein sectors to ensure customers and consumers trust that meat aligns with their sustainability expectations.

Through the Protein PACT, Meat Institute members have developed robust metrics for continuous improvement and publicly committed to sustain healthy animals, thriving workers and communities, safe food, balanced diets, and the environment and align with the United Nations' 2030 Sustainable Development Goals.

We cannot achieve these goals in a restricted market that does not allow companies like mine to produce products that meet consumer expectations. USDA has announced plans to propose new Packers and Stockyards Act rules to regulate the interactions between packers and producers, and bills have been introduced in Congress that would place certain purchasing requirements on packers. Government intervention could jeopardize packers' ability to provide products customers and consumers desire. The industry needs to be customer oriented; we must provide the products customers want. Thirty years ago, I saw first-hand in France the result of direct government intervention into the meat industry, and it was a failure. I hope we avoid the same mistake here.