

Where's the Beef? Regulatory Barriers to Entry & Meat Processing

I am Greg Gunthorp, artisan farmer, processor, and meat distributor. Thank you, Mr. Chairman, for the opportunity to present today. I grew up on a diversified family farm in the 1970s & 80s. After attending a land grant university, I came home to farm with my family. In 1994 the hog market dipped and Dad said the hog industry was over for the independent hog farmer. My wife & I bought the sow herd & went off on our own. We found out in '98, Dad was right. The market crashed. We sold live pigs for less than what my grandpa sold them for in the depression. After selling pigs in the commodity market for four generations, we sold our first dressed pig to a restaurant in Chicago. Our first customer, Charlie Trotter, was rated #1 in the world for food & wine by Wine Spectator Magazine. We capitalized on the popular farm to table movement. Had we filled out the paperwork, we'd have made the Inc 5000 list in 2011 as one of the fastest growing independent businesses in the United States, with product being served at O'Hare Airport, the Sears Tower, Wrigley Clubhouse, and Disney, to name a few. Today, we are in a fight for our life.

I'd love to tell you that rural America has thrived with niche marketing opportunities like I once had. I'd love to tell you that dealing with USDA is easy, rather than the major challenge it is. Finding, keeping, and affording a skilled workforce in today's deskilled industry is impossible. Market access for small local/regional plants in today's predatory and concentrated marketplace is no longer possible.

Food that tastes better, and is better for you, agriculture that rebuilds soil and communities, food system resilience, greater biodiversity, and more opportunities for all should be the goal. The global food supply is in peril. For too long, get big or get out policies touting false efficiencies and economies of scale, have favored today's failed top-down controlled and concentrated food system, wiping out the safer, more dependable, and resilient local/regional infrastructure, essential to our food security. This issue to me is like the local little league committee. We aren't here to argue balls and strikes. We need a new game, where everyone has a chance for success, including the smaller scrappy players who are willing to put their time and energy into it.

New processing plants quickly realize that attaining a grant of inspection from USDA is a difficult hill to climb. Only after we climb the USDA inspection hill do we see the mountain – fair market access - today's insurmountable challenge.

Fixing USDA inspection issues is a first step in rebuilding local/regional food systems. I've spent several decades of my own time and resources doing advocacy work for the independent family farm and the small processor. If we want successful local and regional food systems, we need:

- Subsidy reform
- Antitrust enforcement
- Truth in labeling/labeling reform
- Inspection reform

- And we must support that infrastructure with government purchasing

Here are my suggestions on Inspection Reform and Antitrust Enforcement:

- Redefine establishment size. **This impacts regulation implementation dates, overtime fees, grant funds, and procurement funds.** (needs better explanation)
Current definition is:
 - 0-10 employees, Very Small
 - 11-499 employees, Small
 - 500+ employees, Large
 My recommendation:
 - 0-25 employees, Very Small
 - 26-150 employees, Small
 - 151-500 employees, Mid-Scale
 - 500+ employees, Large
- Create an ombudsman to deal with USDA dysfunction concerning existing and prospective small and very small establishments. Small plants have more issues with the process than they do with the regulations. It's 1st, 4th, and 14th amendment issues, i.e. the ability to challenge and criticize without retribution; the differences in opinion when plants have facility, product, or equipment retained; and the ability to have realistic due process during unprofessional inspector behavior and/or differences of opinion. There are too many nightmare stories.
- Ensure that rulemaking processes are complete before USDA enforces rules. Salmonella Performance Standards in poultry slaughter plants gave large plants a free ride while giving USDA the opportunity to harass small plants.
- Expand Talmage Aiken or Cooperative State Inspection to more states. Implement a program to increase the inspection force by recruiting local veterinarians and vet techs to serve as part and full time USDA inspectors. This will save USDA money while helping fill the need for large animal vet clinics in rural communities.
- Restore truth in labeling. Every viable niche we come up with has been stolen by Big Ag without any meaningful change in production practices. Country of Origin labeling is only a beginning. Grassfed, organic, natural, gestation crate free, pastured, etc., are all meaningless and misleading.
- The USDA procurement program should prioritize purchasing from local/regional suppliers. USDA should build relationships now rather than when there are issues with the food supply and they are scrambling.
- Fix agency revolving door and ethics issues.
- Restore strict antitrust enforcement. Oligopolies and monopolies harm both producers and consumers. It's clear that cheap food isn't cheap.

Today, the essentially unregulated big food cartel continues to extract the wealth and resources of rural America, while local independent businesses, claimed to be the backbone of America, fail under abusive regulatory pressure and lack of market access. The people who best steward

our land and livestock, and who grow and process our nation's agricultural production are being left to die under the boot of monopoly power, unprotected and unrepresented at all levels of government. It's time for a change.