

## MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman John Faber at 3:30 P.M. on February 14, 2008, in Room DSOB 783.

All members were present except:

Representative Clay Aurand - excused  
Representative Vaughn Flora - excused  
Representative Carl Holmes - excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department  
Hank Avila, Kansas Legislative Research Department  
Gordon Self, Revisor of Statutes  
Kristen Kellems, Revisor of Statutes  
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Carole Jordan, Director, Agriculture Marketing and Community Development, Department of Commerce  
David Schafer, Executive Director, Kansas Meat Processors Association, Manhattan, Kansas  
Homer Krehbiel, President, Kansas Meat Processors Association, McPherson, Kansas  
John Yoder, Past-President, Kansas Meat Processors Association, Yoder, Kansas

Others attending:

See attached list.

### **Informational Report from Kansas Meat Processors Association**

The Chairman welcomed those officials representing the Kansas Meat Processors Association, as well as their wives, and thanked them for coming before the committee.

Carole Jordan, Director, Agriculture Marketing and Community Development, presented testimony giving historical background on the state's meat inspection program beginning forty years ago (Attachment 1). She indicated that state inspected meat processors have not been allowed to sell products across state lines. Over the years, the Kansas Department of Agriculture has been a staunch advocate of interstate meat shipment knowing there were economic benefits for Kansas farmers and ranchers, as well as meat processors. Ms. Jordan said that when Congress approves interstate shipment of state-inspected meat and poultry products, there are plans to help meat processors explore new opportunities in the market. She highlighted the points of the program on page two of her testimony. Ms. Jordan concluded her remarks by stating that the program should be operational by early 2009 and is dependent on funding of the Farm Bill.

David Schafer, Executive Director, Kansas Meat Processors Association, introduced Homer Krehbiel, President of the Association, who outlined concerns of meat processors (Attachment 2). He said that the increased regulations, higher costs of property insurance and liability, and the competition level with large corporations has discouraged many in the business of meat processing to close down their operations; the economic effect is community-wide.

Mr. Krehbiel indicated that more flexibility is needed in the regulations when the inspection is not related to food safety. He spoke highly of the relationship with the Meat Science Department at Kansas State University (KSU), saying the annual workshops provide opportunities for improving meat processing businesses. He said KSU faculty member, Dr. Liz Boyle, provides support to individuals needing to establish a working format under the Hazard Analysis Critical Control Point, known as HACCP. A two-year grant from the Kansas Department of Agriculture is in place to provide an Extension Assistant to help in training anyone interested in the HACCP programs. Mr. Krehbiel's testimony highlights five areas processors are hopeful will be considered for continued funding of small family businesses in the meat processing arena (see attachment 2, page 1).

Ms. Phannensteil, Department of Agriculture, answered members' questions regarding state and federal

## CONTINUATION SHEET

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inspections under HACCP by stating that the basic inspection is the same; the difference is, each facility writes a plan pertinent to their individual needs and inspections are then based on those plans. Mr. Krehbiel continued by explaining that the federal government has laws for large meat processing plants; he said the conditions for inspection of small plants need flexibility. He said that if the resulting inspection does not include a health issue, there could be some exceptions made in the inspection if it is a unique situation.

Mr. Constantine Cotsoradis, Deputy Secretary, Department of Agriculture, was called upon to address the issue of mold as a health risk. A policy developed jointly with the Department of Agriculture and the Kansas Meat Processors Association, provides opportunity to address the problem of mold. Mr. Cotsoradis said after three violations if the mold problem is not corrected, processors are shut down. Processors have three choices now—state inspection, federal inspection or custom operation; only by following the USDA guidelines can these choices remain. Mr. Cotsoradis said that to encourage more small business meat processors to operate in the state, regulation changes must be made at the federal level.

The Chairman thanked those who came to the committee to express their concerns regarding this issue.

Two bills previously requested were, without objection withdrawn:

- Representative Feuerborn - regarding agricultural and farm trucks hauling lime; other vehicles hauling fertilizer.
- Brandy Carter, Kansas Cattlemen's Association - regarding prairie dogs.

The Chairman adjourned the meeting at 4:30 p.m. The next meeting is scheduled for February 18, 2008.



**Testimony to the House Committee on Agriculture and Natural Resources**

**February 14, 2008**

**Interstate Shipment of State-Inspected Meat and Poultry Products**

**Carole A. Jordan**

**Director, Agriculture Marketing and Community Development**

**Kansas Department of Commerce**

Good afternoon, Chairman Faber and members of the committee. I am Carole Jordan, director of the agriculture marketing and community development programs of the Kansas Department of Commerce. I'm here to give brief testimony regarding this state's state-inspected meat processors and plans to help them take advantage of new opportunities that will be available to them when the Congress approves interstate shipment of state-inspected meat and poultry products.

As I am sure you know, Kansas chose to maintain a state meat inspection program some 40 years ago. Both the meat inspection program and our state's producers have worked hard over the years to maintain an "equal to" federal inspection program. The state inspection program has provided a more adaptable inspection service at more reasonable fees than federal inspection for many of our small town meat processing businesses.

Despite maintaining the equal to status and providing safe meat and poultry products to consumers, these state inspected businesses have not been allowed to sell their products across state lines. The National Association of State Departments of Agriculture has been working for 30 years toward interstate meat shipment. The Kansas Department of Agriculture has been a proponent of interstate shipment over that entire span of years, and Secretary of Agriculture Adrian Polansky has continued to advocate allowing meat and poultry products to move across state lines, believing this will increase marketing opportunities for our farmers and ranchers, as well as the plants that want to participate.

Both the house and senate versions of the Farm Bill contained proposals for interstate shipment. The senate version, Title V of the Farm Bill, will likely be the version adopted in conference committee. The hardest part right now seems to be getting a Farm Bill. If we have no Farm Bill passed by March 15, the country would revert to the 1949 bill. I doubt anyone wants that, so I am hoping for passage by then. Funding, of course, is the biggest sticking point on the Farm Bill.

The proposed form of interstate shipment that is in the bill now is the result of a compromise worked on by NASDA and other groups last fall. Many state departments of agriculture were outraged when the Consumer Federation of America and the American Federation of Government employees began campaigning with congress and in advertisements against interstate meat shipment. They said interstate shipment would weaken food safety standards and stop federal inspection of meat and poultry.

The groups talked about weakening food safety standards and cited a recall that involved 25 illnesses and 21.7 million pounds of ground beef potentially contaminated with E. coli O157:H7. They failed to mention that this was product from a federally inspected plant. There has never been a documented food-borne illness from state-inspected meat and poultry products.

Here's how the farm bill provision looks:

- Creates a new, optional Title V program of federal oversight for state-inspected companies that want to ship products across state lines.
- If they use the Title V option, they must comply with all food safety requirements of the federal meat and poultry inspection acts.
- Establishments with up to 25 employees will be eligible for the new Title V program.
- USDA is directed in the bill to develop a procedure for larger establishments to transition to federal inspection.
- Companies will be required to use a federal mark on inspection.
- USDA will reimburse the states for no less than 60 percent of the costs of operating the Title V program.
- USDA will reimburse states for 100 percent of the costs if states provide additional microbiological verification testing exceeding the federal government-prescribed testing frequency.
- USDA will designate a federal employee as a state coordinator to provide oversight and oversee training and inspection.
- FSIS will establish a new inspection training division to help the small establishments and will provide funding to state agencies to likewise assist them.
- USDA will conduct compliance audits periodically.

Although the program likely will not be in place until the spring of 2009, we've been discussing how we can help maximize this opportunity for our producers. KDOC ag marketing will work together with the Kansas Department of Agriculture and Kansas State University to develop ways to assist our small producers who wish to take advantage of interstate meat shipment with regulatory compliance and marketing programs. We also will ask KMPA to work with us in designing useful and timely programs for their needs.

Thank you.

**Kansas Small & Very Small Meat Processing Businesses—A status report**  
presented at: Kansas House Ag Cmte hearing, Capitol, Topeka, KS, Th-2/14/08, 3:30P

**Represented by:** Kansas Meat Processors Association  
2104 Fox Meadows, Manhattan, KS 66503  
Ph: 785-539-7842; Em: kmpa@sbcglobal.net  
Membership: 65 meat plants, 52 suppliers

**Present:** President, Homer & Sarah Krehbiel, proprietor of Krehbiel's Specialty Meats, McPherson, KS  
Executive Director, Dave Schafer, Manhattan, KS, formerly KSU  
Professor & Extension Meat Specialist  
Past President, John & Joyce Yoder, Yoder Meats, Inc., Yoder, KS  
Others??

**Kansas Meat Processors Association's Executive Summary:**

1. We support the continued funding for the State Meat Inspection program, but do ask that the resources provided be most efficiently used.
2. We ask that a more market oriented philosophy for Kansas customers be taken by KDA-MPI in the implementation of meat inspection regulations. We ask that requirements not exceed those of the USDA-FSIS inspection program and wherever food hazards are not involved, there be increased flexibility, realizing regulations usually add to costs of doing business which eventually, customers must then bear.
3. We support and appreciate the KDA's efforts at the federal level to allow the interstate shipment and sale of "equal to" state inspected meats.
4. We appreciate and encourage the state's support of efforts by Kansas State University to bring us important new information and techniques, especially from the College of Agriculture's Research & Extension and Animal Sciences & Industry's Meat Science programs.
5. As legislation is considered, we ask that its full ramifications for small, family owned businesses scattered across our state in many rural areas with declining populations be kept in mind. We appreciate the opportunity to have this conversation and encourage its continuation.

**Statistics:** Very Small Plant Nos. in Kansas:  
State (fully) inspected-64  
State inspected Custom-31  
Federal inspected-~30  
Employees-875 (avg 7/plt), best estimate  
Beef, state inspected ('07)--24,647hd  
Pork, state inspected ('07)--24,057hd  
Sheep & goats, state inspected ('07)--1,687hd  
Bison, state inspected ('07)--400hd  
Beef, Custom processed ('07)-7,475hd  
Pork, Custom processed ('07)-4,027hd

### **Conditions/Situations:**

1. Small Plant Locations-scattered throughout our state; previously, one or more per county, now trade areas often reach a 50-60mi radius. In the early years (1930's to the 60's) prior to widespread home freezers, nearly every sizeable community had a "locker" plant where a few animals might be slaughtered and processed with rudimentary equipment and few restrictions. Then, in the early 1970's, with the advent of the 1967 federal Wholesome Meat Act, inspection of all meat that was to be sold was required. At that time, there were 187 registered small plants in Kansas with nearly all of them state-inspected. A handful were "custom" plants (processing meat only for animal owners). Nearly every county had at least one plant. Over the past 35yrs, an average of 2/yr have closed, often due to no realistic owner transition. Reasons might include: 1) no family member interested, 2) no capable employee interested, or 3) no outside entrepreneurial interest. Those decisions are affected by: 1) out-dated facility or poor business location, 2) declining business growth opportunity (population out-migration), 3) more stringent and complicated regulations in a quite specialized business. Over that 35 yrs, about 20 new plants were built, a few at the same location as fire demolished older plants, but several of the 20 are even now defunct and most of the remainder of newer plants exceed 25 yrs of age. New plants, fully equipped, could well cost \$500-750K today. A good proportion of all currently operating plants have made capital investment improvements, especially in equipment to adapt and improve their businesses. Currently, there are 64 fully inspected state plants, 31 state inspected custom plants and 30 federally inspected small plants. A few are specialized production plants, but most still slaughter, cut, freeze and process into cured and smoked products with an increasing range of processed meat products. The employment market is a continuing problem in attracting skilled, hardworking employees to small, rural communities with limited quality housing.

#### 2. Cattle industry-

- a. cow-calf segment in permanent pasture areas of state, ~1.5mil hd
- b. "backgrounding" calves from weaning to 800# by many small cattle producers wherever forages and some grain are grown in state,
- c. commercial "finish feeding" concentrated mostly in western Kansas. "Finish fed" ~7.5 mil cattle/yr.

Small meat processors are available to salvage numerous otherwise healthy animals that may be injured in the course of normal operations. The federal restriction, also implemented in our state, on not processing non-ambulatory cattle, even young (under 30 mo.) injured cattle, is a gross waste and overly cautious response to the BSE concern. Young animals less than 30 mos. of age have never been identified/implicated in any cases of BSE worldwide.

3. Swine/Pork industry-commercial pork production is found on many fewer family farms than 20-25 yrs ago. Pork farmer owned units today tend to be 500-1,000 sow units rather than 20-100 of years past. 300 pork production units now produce 95% of the 3.1mil head each year. When Schafer was first employed at K-State in 1972, Kansas had 8 meat plants slaughtering 50 or more (up to 3,000) head per day. Now, since the late '90's there are no larger plants. The closest large plants are in Guymon, OK, Crete, NE and the new producer owned plant in St. Joseph, MO. Small meat processors still provide markets for the remaining small producers and help supply fresh and processed pork products to scattered rural communities.

4. Larger Packing industry-beef packing plants in SW Kansas are still doing well with sustained cattle feeding in their areas although all are now 27 yrs old or older. The very recent announcement and closing of a major portion of the Tyson cattle slaughter-processing plant at Emporia, releasing 1,500 employees is a major blow to cattle feeders in eastern Kansas, to those 1,500 employees, to trucking firms transporting cattle and meat, to the community of Emporia and even to other smaller, local outlets (Fanestil Meats and their small meat plant customers). This is a serious loss to the state.

#### **Relationships:**

1. KDA-MPI--is generally improved, in that communication with the Program Manager is better than a few years ago. Listening to complaints or problems and offering reasonable solutions seems to be improving, but some of the entrenched institutional inertia still seems to impede "real" solutions to some problems. We need meat and poultry inspection to help assure our customers of meat wholesomeness, but we are very disappointed when it seems to get in the way of efficient, reasonable operation of our businesses. Current staffing is: 30 Ag Insp. II's with 7 vacant Ag Insp. II positions; 6 Ag Insp. III's with 4 Veterinarians. Budget total=\$2,595,353.54; state portion=\$1,346,719.49; federal portion=\$1,248,634.05.

2. USDA-FSIS--most of our guys who have switched to federal inspection have been reasonably pleased. They have done it for a variety of reasons, some to expand their markets beyond our state line, others to have more consistency and to get away from occasional pettiness of our state program.

3. KSU--good relationship with the Meat Science faculty of K-State. Dr. Liz Boyle and others are always very helpful and work at finding "best" answers. The annual Processed Meat workshop (31st completed last week) is a wonderful opportunity to learn how to do our businesses better. The addition of Dr. Terry Houser to the resident staff with a strong interest in processed meats is and will be especially helpful. With insufficient volumes of business to justify employed specialists in all areas, small businesses depend on services provided by other entities. K-State faculty who have helpful technical expertise and the mission to assist off campus citizens are especially appreciated. Also, our specialized business community which provides equipment, ingredients and lab services is critical to the success of small meat businesses, but their struggles to provide services as low volume costs continually rise is a problem. A recent development relating to HACCP (Hazard Analysis Critical Control Point) assistance from K-State is the termination of a USDA-FSIS grant that provided an Extension Assistant for the past 6 years. HACCP has been required of inspected meat plants since the mid-'90's. Much of what is in HACCP is just good common sense with an increased knowledge of potential hazards in the food manufacturing business. Experience over the years went far in avoiding hazards in the food supply. But, complicated operations required a more systematic approach and experience wasn't always present to avoid hazardous conditions, so HACCP plans must be devised by each plant for each product to systematically assure safe food if properly implemented. KSU (Dr. Liz Boyle) has had the benefit of a two year grant from KDA in the late-'90's, and the last 6 years a USDA-FSIS grant to provide an Extension Assistant to help in HACCP group training and individual consultations. The target audiences have been small and very small meat plant operators in Kansas and Missouri. That grant is now terminated, and the person in that position has taken a different job. Although the task may be carried on on an overload basis by Dr. Boyle, it



would be very helpful to provide some state assistance to pick up this needed responsibility as our processors try to adapt to this requirement. New businesses, especially, have little idea where to start in this process and need much help. Existing businesses need to update their plans as new requirements are implemented or they change their processes. A good number that would help a great deal to get this job done would be in the \$10-20,000/yr range.

**Issues/dilemmas for small meat plants and their owners:**

1. Aging of beef (Dry Aging) to improve tenderness and flavor and the incidental growth of mold on carcass surfaces later in the time period. Some customers are increasingly requesting this service on their beef. The state inspection requirement that everything must be stopped whenever slight mold is found on surfaces and trimmed even in the holding/aging cooler has caused several costly delays in operation. Normally, otherwise, care is taken when the carcass is removed from the cooler and surface trimmed just once. Repeated trimming is very inefficient, wasteful and runs the risk of just spreading mold and yeasts around on other surfaces. The health hazard is minimal at most and probably non-existent even though mycologists (mold guys) will say that a few known molds can be allergenic to a few people and rare molds might be toxic. Nobody will absolutely say that the species of molds found in refrigerated meat coolers are the ones that will cause these problems.

Experience over the decades has not demonstrated a serious safety issue other than deteriorated flavor quality when overdone which becomes self-limiting to the business. Certain species of molds are actually desirable in blue cheese and other food products, so not all molds are bad in all circumstances. We are not excusing conditions of poor sanitation or mold out of control, but neither do we think that closing operations down for debatable levels of incidental surface molds is an acceptable answer to a management problem. There are less severe methods of dealing with such problems. A recent scientific paper entitled, "Challenges to Meat Safety in the 21<sup>st</sup> Century," published in the Jan-Feb, 2008 issue Meat Science by Dr. John N. Sofos, microbiologist at Colorado State University, Ft. Collins, CO makes no mention of mold species being a food safety problem.

2. Inspectors on duty, being called away from their "every animal" inspection duties by their KDA-MPI supervisors and delaying the work of the plant. Every minute costs the plant in wages, utilities, and incidental costs. Inspection is required by the government and should not delay the efficient operation of the plant. It is irksome to have something required and then have the requirement impede the plant's efficient operation.

3. Limitation of meat sales across state lines for state inspected plants on/near our state borders when the state inspection program is "equal to" federal meat inspection.

4. Difficulty in finding and keeping excellent employees in a tight labor market, especially in smaller, rural communities.

5. Threat of recalls and costs incurred when small slipups occur even regarding other good food ingredients such as milk powder or wheat containing ingredients which may be allergens to some folks. Even medium to large businesses nationally have been brought to their knees or bankruptcy by some of these voluntary/regulated occurrences.

6. Big picture question is, how many choices do customers wish to maintain? Can good hearted, entrepreneurial types with family owned businesses survive in the highly regulated meat field of the future? What are the real hazards which everyone can agree must be controlled/eliminated, and how much else is nice to control, but quite costly for little gain? The threat of frivolous law suits and the incumbent costs to avoid them with liability

insurance is a weight over many legitimate, well meaning businesses that we all pay. Many rural communities in Kansas depend on our small processors to efficiently transform home grown feed and forages of local farmers/ranchers into quality food for farm and small town residents. It is a shame and not very wise community management if we don't support and encourage the services they provide. It has come to our attention, Iowa has a grant-funded initiative addressing these very same issues.

7. One small processor's observations

Small meat businesses have opportunities to fill service niches that large corporations do not want to mess with, but it is still very difficult to compete with the fringe benefits corporations and government provides for their employees, the quantity buying discounts and the economies of scale of large enterprises. Add on that, the high level of regulations on even small meat businesses, the high costs of liability and property insurance, workman's comp., unemployment, and the high cost of utilities, and small businesses have a high frustration level to contend with day in day out. In addition, in my particular case in a country situation, my waste water treatment system installation costs, due to regulations, ended up double what they needed to be, followed by an annual inspection fee for 15,000 gallons the same as a 1 million gallon minimum fee unit. The fee setting mechanisms are based on convenience and cost of inspection for the state, not proportional to the unit production level. Finally, it seems to me, if we are going to maintain state meat inspection at some cost to Kansas taxpayers (over \$1 million/yr), there ought to be some benefit to marketing Kansas grown agricultural products to our local markets. Where are the people of vision? I would like to see a group of processors, inspectors, legislators and ranchers work out regulations that provide: 1) Food safety 2) A strong Kansas market for Kansas agriculture and 3) encouragement for small processors.

With the closing of Tyson Meats, Emporia, where do locals take their beef? Some of the local ranchers are asking "Where do we sell our meat now?" With help from the Kansas legislature, small processors could help! .....statement from one of our KMPA members