

[INSERT Page 1: Executive Summary]

II. History of State versus Federal Meat Inspection

Introduction

When the state of Missouri reinstated its state meat and poultry inspection in January 2001, it brought to 27 the number of states providing slaughterers and processors the option of having their facilities inspected by state instead of Federal personnel, in cases where meat and poultry products are destined for sale within the state. Minnesota and North Dakota have also recently joined the ranks of states maintaining state inspection programs (in 1999 and 2000, respectively). At the same time, however, states such as Florida and Alaska are discontinuing long-standing state meat and poultry inspection programs in favor of the all-Federal inspection model followed by the 23 states without state meat and poultry inspection.

Why do some states opt for state meat inspection programs but others do not? What do processors think about state meat inspection programs? The purpose of this project is to provide information from governmental officials and processors that help to shed light on some of the advantages and limitations of state meat inspection programs.

Background

The first government inspection programs were established in the early 1900's and were administered by states or municipalities. In 1907, the Federal Meat Inspection Act was passed, which required that all meat and meat products destined for interstate commerce be processed in Federally-inspected facilities.

By 1967, 85% of the meat sold in the U.S. was inspected under the Federal program.¹ The remaining 15% was comprised of animals custom-slaughtered for producers, meat sold in local meat markets and butcher shops, and products purchased at retail and wholesale outlets, provided that the meat had not crossed state lines. States and municipalities generally had developed systems for monitoring the safety and sanitation of these intra-state establishments, but there were wide disparities in sanitation requirements and in the effectiveness of their enforcement.

During this same period, there were accounts of unsafe handling practices and unsanitary conditions, prompting concerns about the lack of consistent for non-federally inspected meat.² In 1967 and 1968, the Federal Meat Inspection Act and the Federal Poultry Inspection Act were

¹ "Custom Slaughtering Operations and State Meat Inspection." Hearings before the Committee on Agriculture and Forestry, United States Senate, Ninety-First Congress, S. 3512, S. 3592, and S. 3603. April 16 and 27, 1970.

amended to include the provision that slaughter and processing facilities not already inspected by the USDA were required to undergo inspection by state officials, who were to use standards “at least equal to” those followed in the Federal program.

At the time that the 1967 and 1968 amendments (referred to collectively as the “Wholesome Meat Act”) were passed, a few states had already developed statewide inspection programs. Most states had not, however, and even those that did have pre-existing state programs still needed to make changes in order for state inspection to be “at least equal to” Federal inspection. The Wholesome Meat Act allowed states two years in which to create a state inspection program and bring it up to Federal standards. States failing to do so were to become “designated” under the Act, whereby the Federal government would assume responsibility for inspecting both interstate and intrastate operations within the state.³

The intent of the Wholesome Meat Act was to put the states in charge of intrastate commerce and to leave the Federal government in charge of interstate commerce in meat and poultry products.⁴ Soon after the legislation was passed, however, many states opted to forego the cost of maintaining a state inspection program and became “designated”⁵ under the USDA program. Such was the case in Nebraska, which became a designated state in 1971. Their main reason for doing so appears to have been frustration with a Federal mandate that required inspection to be “equal to” Federal inspection, but did not confer any of the benefits of Federal inspection. Despite early assurances from the USDA that states’ “equal-to” programs would be allowed to certify interstate sales, in 1970 the Department was still maintaining that such an allowance would be premature.⁶

The Current Status of State Meat Inspection

In 1999 the USDA finally reversed its opinion about the advisability of interstate shipment of state-inspected products. The Department now officially endorses legislation to permit interstate

² Transcript of the Agriculture Committee hearing on Nebraska Legislative Bill 1092, February 1, 2000, page 56.

³ “Custom Slaughtering Operations and State Meat Inspection.” Hearings before the Committee on Agriculture and Forestry, United States Senate, Ninety-First Congress, S. 3512, S. 3592, and S. 3603. April 16 and 27, 1970, pp. 19-21.

⁴ “Custom Slaughtering Operations and State Meat Inspection.” Hearings before the Committee on Agriculture and Forestry, United States Senate, Ninety-First Congress, S. 3512, S. 3592, and S. 3603. April 16 and 27, 1970.

⁵ When a state opts for designation, it relinquishes to the Federal government the full authority for inspecting commercial meat and poultry within the state. In doing so, a state also turns over to the USDA the full responsibility for the cost of meat and poultry inspection within the state.

⁶ “Custom Slaughtering Operations and State Meat Inspection.” Hearings before the Committee on Agriculture and Forestry, United States Senate, Ninety-First Congress, S. 3512, S. 3592, and S. 3603. April 16 and 27, 1970.

commerce for state-inspected meat.⁷ In addition to increased confidence in state inspection programs, the USDA's shift in position may also have been prompted by budgetary considerations. Whereas states with meat and poultry inspection programs share the cost of inspection with the Federal government, states without inspection programs rely entirely upon the Federal government for inspection services within the state. Allowing interstate shipment may be one way for the USDA to encourage some states to readopt state meat and poultry inspection, and thus re-shoulder some of the costs.

The Federal government is not the only party encouraging designated states to re-adopt state meat inspection. Small and medium-sized slaughter and processing plants are also some of the staunchest supporters of state inspection programs, which they feel are fully equal to Federal programs in terms of food safety yet better suited to their operations than are Federal inspection programs. To a certain extent, this perception has its basis in the history of the Federal program, which was intended for plants engaging in interstate shipment. These plants tended to be large and modern at the time of the legislation. Some owners of small and medium-sized plants argue the need for state programs on the basis that Federal inspection was never intended to serve their genre of operation. Indeed, the intent of the Wholesome Meat Act was to establish state programs that would work in tandem with the Federal inspection program.

Twenty-seven states do maintain their own inspection system with assistance and oversight from the USDA. These programs afford meat slaughtering and processing facilities the choice between federal or state inspection. (A third option, "custom exempt," is discussed in the following paragraph.) Although state inspection requirements are intended to be "equal to" Federal standards, state programs are still subject to Federal oversight and state inspected meat can only be sold within that state. State inspection personnel and owners of state-inspected facilities feel that this constitutes a double standard, and they are lobbying the U.S. Congress to overturn this "interstate shipment ban."

The USDA, for its part, also sees value in greater harmonization of inspection services by allowing the interstate shipment of state-inspected products:

There has been some controversy both among consumer groups and our international trading partners about what constitutes "at least equal to" inspection standards. Moving from a statute that requires States to operate "at least equal to" Federal inspection programs to a

⁷ Glickman, Dan. "Interstate Shipment of State-Inspected Meat and Poultry Products: Letter of Transmittal, November 2, 1999." USDA-FSIS: <http://www.fsis.usda.gov/OA/congress/iship2.htm>

seamless system where national requirements are enforced at all meat and poultry plants will bolster consumer confidence in the meat and poultry supply.⁸

Some slaughter and processing facilities operate on a custom-exempt status. Unlike state- or Federally-inspected facilities, an inspector is not required to be present for slaughtering at custom-exempt plants. Instead, custom-exempt facilities are inspected on a monthly or quarterly basis for proper facilities and sanitation. Because of these less rigorous standards, meat processed at a custom-exempt facility is stamped “not for resale” and is intended to be used only by the original owner of the animal and his or her family. In other words, custom-exempt plants offer a service to their constituencies, but are not in the business of marketing products. Because they provide a service and not a product, it would be legal for custom-exempt slaughterers to do business with livestock owners from other states. It is important to remember, however, that custom-exempt facilities are generally very small family-owned and operated businesses, and interstate transactions of this sort would likely occur only in communities situated very close to state lines.

A final category of meat processing establishments is “retail-exempt”, which refers to operations that purchase meat or carcasses from state- or Federally-inspected slaughter facilities and further process or trim the meat into more consumer-ready items such as steaks, fillets, or hamburger. Because the slaughtered animal has undergone ante-mortem and postmortem inspection, consumer products from retail-exempt establishments are allowed to enter the retail stream. Only if the initial inspection of the animal is conducted by Federal authorities, however, can the carcass or any subsequent products enter into interstate commerce.

Many grocery store meat counters operate on a retail-exempt basis, buying whole carcasses and cutting the meat to customers’ specifications. It is also common, particularly in rural areas, for a single operator to conduct both custom-exempt and retail-exempt operations from a single establishment. In such cases, care must be taken to ensure that uninspected carcasses from the custom-exempt side of the operation do not become commingled with state or Federally-inspected meat on the retail-exempt side.

⁸ Glickman, Dan. “Interstate Shipment of State-Inspected Meat and Poultry Products: Letter of Transmittal, November 2, 1999.” USDA-FSIS: <http://www.fsis.usda.gov/OA/congress/iship2.htm>

[INSERT Figure 1: blue and yellow GIS map of the U.S.]

III. State versus Federal Inspection in Nebraska

Federal law stipulates that state inspection programs must maintain standards “at least equal to” those in the Federal program. State programs require the same ante mortem and postmortem inspections, pathogen testing, Sanitary Standard Operating Procedures, and record keeping as the USDA program. However, proponents of state inspection assert that state programs provide states with the flexibility to enforce a common set of standards in a way that is more accommodating to small and medium-sized plants. As of January 2001, 27 states maintain state inspection programs, and the other 23 do not (See Figure 1). Most major meat-producing states in the Midwest are among the 27 that do maintain inspection programs, with the notable exceptions of Nebraska and Colorado.

Designing a state inspection program for Nebraska, proponents contend, will spur small business growth and value-added enterprise. The presumption is that processors currently operating on a custom-exempt basis are the candidates most likely to transition to state inspection, and that in doing so, they will automatically boost the value of the products they are producing. State-inspected meat can sold by the producer to restaurants, retailers, or consumers within the state, whereas the same products produced on a custom-exempt basis cannot.

In addition to bolstering small businesses within the state, advocates argue that a state inspection program will be critical if small processors ever do find themselves in competition with their counterparts in other states. In the event that the interstate shipment ban is lifted before Nebraska develops a state program, the fear is that state-inspected meats from neighboring states would flood into Nebraska leaving Nebraskans unable to capitalize on the same interstate commerce opportunities.

Skeptics point out that Nebraska producers are already engaged in niche marketing and direct-to-consumer sales using small to medium-sized federally inspected plants. Why spend tax dollars to design a program that is “equivalent” to a federal program in all aspects, except that it does not provide users access to the wide interstate market that the federal program does?

Opponents maintain that any benefits of state meat and poultry inspection are far outweighed by the costs. State meat and poultry inspection budgets ranged from \$220,579 in Wyoming to \$4,711,977 in Texas for Fiscal Year 1999 (see Appendix E). States without their own inspection programs have no such fiscal burden. Indeed, both Alaska and Florida recently discontinued their state inspection programs, citing cost as the main reason for doing so.

On the other hand, states such as North Dakota and Missouri are doing just the opposite: reinstating their own inspection programs decades after having dismantled them in the early 1970's. Such moves by neighboring states are part of the reason why processors and policymakers in Nebraska have begun to reexamine the state's decision to forego a state meat and poultry inspection program. State inspection has been discussed in the Nebraska legislature for each of the past two years, with opinion divided on whether the costs of state inspection outweigh the benefits or vice versa. Case in point: The Nebraska Association of Meat Processors (NAMP) is officially opposed to state inspection, and yet the most important impetus for state meat inspection is a NAMP member who has lobbied his state senator to introduce the proposal.

Bison producers, who face a unique set of circumstances in terms of bringing their product to market, are another significant group of state meat inspection proponents. Bison are categorized by the USDA-FSIS as "non-amenable" species, along with other wild game and exotic species such as deer, emu, and ostrich. Non-amenable meat products can be marketed retail or wholesale without the same anti-mortem and postmortem inspection required of amenable species. Regardless of what is required by law, however, bison producers claim that consumers demand that exotic meats like bison be inspected under the same standards that would be required for beef or chicken.

Inspection of non-amenable species by the USDA-FSIS can be requested, but because such inspection is not required by law, it is also not provided free of charge. The current USDA-FSIS rate for non-amenable species inspection is approximately \$40/hour. States with inspection programs often provide this service for free or at a much lower price. Some states even *require* inspection of wild game and exotic species, in which case inspection is nearly always provided free of charge.

One group that has remained largely outside of discussions of state meat inspection is consumers. In Nebraska, the issue has remained almost wholly in the legislature and in producer and agricultural interest groups. It is unclear whether consumers are even aware of the difference between state and Federal meat inspection, much less whether they feel it has implications for their own food safety and quality.

Proposed legislation in Nebraska would re-establish a state inspection program. If the legislation is not enacted, Nebraska will remain a designated state, and the USDA-FSIS will continue to be solely responsible for all meat and poultry inspection and facility sanitation reviews.

The project discussed in the remainder of this Report was conducted to examine some of the issues confronting Nebraska's legislature as it deliberates whether to enact a state meat inspection program. Research was undertaken to shed light on the implications of the proposed legislation as well as the implications of remaining with the status quo. Information was collected about the experiences of other states, both states that have pursued state inspection and states that have foregone it. The experiences of Kansas and Minnesota, two Midwestern states with their own inspection programs, are examined in greater depth.

IV. Research Problem

The intent of the research reported here is to provide Nebraska stakeholders with information about the characteristics and impacts of state meat and poultry inspection in other states. The goal is not to make a determination of which option would be best for the state of Nebraska, but rather to bring relevant information to bear on the discussion. The key research questions are:

1. Although state inspection programs are recognized by the USDA-FSIS as “equal to” the Federal program, are there differences between state and Federal meat and poultry inspection?
2. Given that all states have the same option to maintain a state meat and poultry inspection program, why do some states have such programs and others do not? What are the salient differences between Program states and Non-Program states?

The process of answering these two primary research questions also presented the opportunity to collect data on a third topic:

3. What are the characteristics that Program Directors deem important in the design of a state meat and poultry inspection program?

It should be reiterated that state programs are a supplement to, and not a substitute for, Federal inspection under the auspices of the USDA. In the 27 states that maintain state inspection programs, the USDA still provides inspection services to all plants exporting product across state lines. Plants in these 27 states opt for either state or Federal inspection based upon their own preference, the markets they are targeting, and perhaps other considerations as well.

V. Research Design and Methods

Two types of data collection were undertaken. First, information was sought from all 50 states. Thus, states with and states without state inspection programs were contacted.

Second, more in-depth inquiries were conducted in two Midwestern states with state inspection programs: Minnesota and Kansas. Several criteria were used to select these two states. First, Kansas and Minnesota are in close, geographic proximity to Nebraska and share many demographic and economic characteristics. Second, Kansas and Minnesota both maintain meat and poultry inspection programs (in contrast to North and South Dakota, which maintain only meat inspection programs with no poultry inspection). Third, Kansas and Minnesota have state meat and poultry inspection programs with very different histories. Minnesota reinstated its program in 1998, whereas the program in Kansas has existed ever since the passage of the Federal Wholesome Meat Act in 1967. This difference was important in reflecting the diverse histories of state inspection programs in the region.

The research project provides Nebraska stakeholders with both qualitative and quantitative information. For example, surveys included a mix of both fixed response questions and open-ended questions. The three research tools used in this study were:

1. in-depth personal interviews with the directors of the Kansas and Minnesota state meat and poultry inspection program.⁹
2. written surveys to state department of agriculture officials in all 50 states.¹⁰
3. written survey to all state-inspected meat or processing plants in Kansas and Minnesota.¹¹

Each method asked respondents to provide both qualitative and quantitative data intended to elicit insights regarding their views on state meat inspection. The quantitative information was important for pinpointing trends, such as small plants' projections for future growth. It was important to supplement this information with qualitative data, however, because even respondents providing similar answers to fixed-response questions often had different reasons for doing so. For

⁹ The interviews in Kansas and Minnesota were conducted first so that the background information provided by the interviewees could be used to guide the design of the subsequent survey instruments.

¹⁰ A pilot survey was sent to officials in Alaska and Florida, the two states that have most recently discontinued state inspection. The final survey sent to state department of agriculture officials reflected the suggestions provided by Alaska and Florida reviewers.

¹¹ A pilot survey was sent to a cross-section of Nebraska stakeholders, including meat processors, lobbyists, legislative aides, and university faculty. The final survey sent to Kansas and Minnesota plants reflected the suggestions provided by Nebraska stakeholders.

example, the research investigation found some plant owners planned on zero growth because of the lack of qualified workers, whereas others planned zero growth because of lack of demand.

Personal Interviews

The first stage of the research consisted of two formal interviews with personnel from the Kansas and Minnesota Food Inspection Divisions. The first interview was conducted in Topeka, Kansas, on October 30, 2000, with Program Manager Dr. Butch Kruckenberg and Technical Assistant Mr. Mike Pierce of the Kansas Meat Inspection Division. The second interview took place in St. Paul, Minnesota, on November 2, 2000, with Minnesota Department of Agriculture Food Inspection Division Supervisor Mr. Kevin Elfering. Both interviews were tape-recorded, with the consent of the interviewees.

Mail Surveys

In order to learn more about individual states' decisions to either adopt or forego state inspection programs, a set of two survey instruments were designed: one survey for Program States and one for Non-Program States. (These surveys can be found in Appendices B and C.) The surveys incorporated both fixed-response and open-ended questions in an effort to elicit both qualitative and quantitative information. Another goal of the open-ended survey questions was to allow respondents to elaborate on any important factors that they felt had not been addressed by the fixed-response items.

Officials in all states received either the Program States Survey or the Non-Program States survey in the mail with a pre-addressed, postage-paid business reply envelope in which to return the survey. Respondents were also given the option to return the survey via fax, and many of them in fact chose to do so.

Surveys to States

In Program States, copies of the survey were sent to the director of the state meat and poultry inspection program and to the state's representative to the National Association of State Departments of Agriculture (NASDA).¹² In Non-Program States, surveys were sent to the state

¹²The USDA's list entitled "State Officials: Cooperative Meat and Poultry Inspection Programs" was used as the mailing list for Inspection States. In most cases, this list contained two names for each state: the inspection program director and the Commissioner of Agriculture. In the cases of states where other officials were listed, each official received a survey in addition to the Agriculture Commissioner. States to which three surveys instead of two were sent: Indiana, Minnesota, Montana, New Mexico, South Carolina, and Texas.

veterinarian and to the NASDA representative. In all but one state,¹³ a single survey was returned on behalf of both survey recipients. The overall response rate, based on the number of states surveyed, was 88%, with 25 of 26 Program states responding (96%) and 19 of 24 Non-Program States responding (79%).

Surveys to Kansas and Minnesota Plants

During the personal interviews in Kansas and Minnesota, state inspection program directors provided complete mailing lists of the state-inspected plants in their state. These lists were provided with the understanding that the addresses would be used to send surveys to state-inspected plants in those states. The rationale for choosing to survey Kansas and Minnesota plants echo those for selecting Kansas and Minnesota as face-to-face interview sites included the geographic proximity of the two states to Nebraska, the fact that both state's programs included the inspection of both meat and poultry, and the fact that the two states had different lengths of experience with state inspection.

All state-inspected establishments in Kansas and Minnesota were asked to respond to the same set of survey questions (Appendix D) and were supplied with a business-reply envelope in which to return the survey. A reminder postcard was sent to all establishments one week after the survey was mailed, and a second copy of the survey with return envelope was sent to establishment owners whose response had not been received three weeks after the initial survey was sent.

As with the surveys to state officials, the survey to establishment owners incorporated both fixed-response and open-ended questions. Proportionally more fixed-response questions were included in the survey to the business owners, however, in an attempt to make the survey less time-consuming and thus more likely to be returned. Responses were received from 43 of 89 state-inspected establishments in Kansas (48.3%) and 17 of 27 state-inspected establishments in Minnesota (63.0%). The combined response rate was 51.7%.

("State Officials: Cooperative Meat and Poultry Inspection Programs", United States Department of Agriculture. <http://www.fsis.usda.gov/OFO/HRDS/STATE/stateoff.htm>, retrieved Aug. 29, 2000.)

¹³ Two different individuals from Alaska responded to the survey, both the State Veterinarian and a Development Specialist/Marketing-Inspection Supervisor. The factual information provided by the two respondents was similar; in cases where their answers to fixed-response questions differed, the response given by the State Veterinarian prevailed. The differences raise interesting questions about how different officials in the same state view state inspection programs. For example, would the differences seen in Alaska, though slight, be nonetheless consistent across the majority of states?

VI. Results

Interviews

History of State Inspection Programs¹⁴

The Kansas Meat and Poultry Inspection Program has operated continuously since the passage of the Wholesome Meat Act in the late 1960's. The Minnesota program, on the other hand, was discontinued in 1972 and then reinstated in December of 1998. In both Kansas and Minnesota, however, the support of the state Department of Agriculture, the governor, and small meat processors has been critical to the program's success. In Minnesota's case, these groups were instrumental in re-starting the program in 1998. In Kansas, the support of these three entities was critical to the survival of the program when it came under intense Federal scrutiny in 1998.¹⁵

Differences Between State and Federal Inspection

One of the main interview topics was the question of how a state inspection program can be "equal to" yet not the "same as" the Federal inspection program. The Kansas and Minnesota officials interviewed (see note 14) all asserted that state programs are equal if not superior to the Federal program in terms of food safety, yet quite different than the Federal program in terms of philosophy and approach. They noted that state programs pride themselves on being accessible and flexible while remaining dedicated to food safety, and they suggested a number of reasons why a state program may surpass the Federal program in meeting these tandem goals.

First, the ability of the Federal inspection program to be flexible may be effectively limited by the Federal inspectors' labor union. The Kansas officials, for example, noted that Federal inspectors are supposed to have access to an office with a shower in each facility that they inspect. The Federal program also adheres closely to its vacation schedule and its policy of charging \$40/hour for overtime and inspection of non-amenable species. The interviewees indicated that one benefit of state inspection programs is their ability to be flexible on rules such as these. State programs' decisions to reduce overtime and non-amenable species fees, for example, has a positive effect on a processor's bottom line without compromising food safety. In fact, all the interviewees felt that reduced non-amenable species fees might actually improve food safety; food safety would

¹⁴ Dr. Kruckenberg and Mr. Pierce of the Kansas Meat Inspection Division and Mr. Elfering of the Minnesota Food Inspection Division provided historical information about the inspection programs in their respective states.

¹⁵ Applehantz, Christie. "Ag boss trying to rescue state's meat program. (Federal government may take over inspections.)" *The Topeka Capitol Journal Online*, Sept. 20, 1998. http://www.cjonline.com/stories/092098/kan_allied

be enhanced by making voluntary inspection less cost-prohibitive and thus more attractive to game and exotic species processors. There was no equivocation on the part of the interviewees that a state program could be “equal to” the Federal program in terms of food safety without being “the same as” the Federal program in its approach.

In addition to potential food safety benefits, the Kansas and Minnesota officials also highlighted the economic benefits that can result from a state inspection program’s ability to be more flexible than the Federal program. For example, Kansas’ Dr. Kruckenberg provided the following: Federal rules require all slaughter plants to conduct generic *E. coli* testing, the frequency of which is based on a plant’s production volume (e.g., one sample per 300 cattle slaughtered.) Because such tests would be so infrequent in low volume plants, however, low volume plants instead conduct a more intense series of tests once per year during the summer months. Samples are drawn weekly until 13 consecutive samples meet the *E. coli* performance criteria.¹⁶ This concentrated series of tests is conducted only on a plant’s primary species – for example, a facility whose main species is cattle would send beef samples to the laboratory each week until 13 consecutive samples showed acceptable *E. coli* levels. Once this standard is reached, low-volume plants need not perform the generic *E. coli* tests again until the next year, unless a change in the facility’s operation occurs that would affect microbial control in the plant.

When the hog prices dropped dramatically in 1999, hog producers were desperate for an alternate sales route for their animals. Facilities that had begun or had completed their annual *E. coli* testing series for beef, however, were hesitant to buy and slaughter hogs for fear that doing so would require a new series of expensive pathogen testing, this time for pork.

Whereas starting a new testing series might have been required under the Federal interpretation of the rule, the Kansas inspection program defined a plant’s “primary species” using a more long-range definition, that is, a plant’s primary species over the past several years. This eliminated the concern about a new set of tests being required for a “surge species,” such as hogs in 1999. Beef slaughterers could help take some of the pressure off of the glutted pork market without concern about doubling their laboratory expenses. Kansas’ Dr. Kruckenberg used this as an example of how a state program can be more responsive than the Federal program to a state’s unique economic needs.¹⁷

¹⁶ <http://www.fsis.usda.gov/OA/background/keyday1.htm>

¹⁷ See also, Transcript of the Agriculture Committee hearing on Nebraska Legislative Bill 1092, February 1, 2000, p. 9.

Another key theme of the interviews was that state inspectors were more willing than their Federal counterparts to spend time explaining rules and regulations to plant owners, and that state inspectors were also more inclined to work together with an owner to devise ways of coming into compliance with standards. The Kansas and Minnesota officials saw the Federal approach as more enforcement-oriented and less focused on cooperation.

The interviewees were not entirely unsympathetic to the attitudes taken by some Federal inspectors. On the one hand, they offered a number of anecdotes to support small plant owners' claims that Federal inspectors can be unhelpful and impatient. On the other hand, the Kansas officials noted that Federal inspectors as individuals are actually part of a larger, tightly-scheduled inspection system that has not built in any extra time for conversation or consultation with plant owners. They did not so much blame individual inspectors for being disinterested in small plants, but rather felt that Federal inspectors' ability to work with small plants was hindered by a USDA-FSIS system that was never designed to take the needs of small businesses into account. They felt that state inspectors were more willing to work with individual plants precisely because the time to do so was built into the state program.

The interviewees also believed that state inspection programs lead to more rigorous reviews of custom-exempt establishments, whereas the Federal-only system may actually contain disincentives for frequent and thorough custom-exempt sanitation reviews. In areas where funds for Federal inspection are already stretched thin, for example, spending time at custom-exempt establishments occurs at the expense of spending time at large Federally-inspected establishments, whose products are far more widely distributed than those from custom- or retail-exempt operations.

In addition to assigning a higher budgetary priority to custom-exempt reviews, the Minnesota official pointed out that state programs are held to a higher degree of accountability than the Federal program when it comes to the condition of custom-exempt facilities. State programs are accountable to an overseeing agency (the USDA-FSIS) for the cleanliness of custom-exempt plants, whereas there is no such oversight in a Federal-only system. Experience in both Kansas and Minnesota has demonstrated that sanitary conditions in custom-exempt facilities are an important element in a state's ability to pass Federal review. Thus state programs interested in preserving their own existence have an incentive to shut down custom-exempt plants or to require them to make structural or procedural improvements when sanitation is lacking. The Federal program faces no such risk of being dismantled due to the condition of custom-exempt plants.

Other Insights

Directors of both the Kansas and Minnesota programs have found it important for state programs to maintain consistently high standards. States that allow their standards to slide will inevitably be forced to undertake “belt-tightening” measures at some point, an issue that was addressed specifically by the Kansas officials. In addition to being difficult for state personnel, such an ordeal is especially difficult for plant operators, who find themselves attempting to operate a business on shifting regulatory sands.

Consistent enforcement is also important because the state program will continue to be reviewed by the USDA-FSIS, and the Federal government has an obligation to assume inspection responsibilities in any state whose inspection program falls short of being “equal to” the USDA-FSIS. Although the Federal government’s right to conduct involuntary designations or “takeovers” is undisputed, the actual risk of it doing so may be slim. Kansas’ Dr. Kruckenberg, for example, felt that in reality the USDA-FSIS will do everything in its power to preserve a state program if state officials express their desire to retain it. He noted that Kansas was told in August 1998 that it deserved to be designated (i.e., have its state program terminated), but the Federal government had neither the resources nor the desire to take on inspection of all of Kansas’s state-inspected facilities. Instead of dismantling the state program, it worked with the state of Kansas to turn the program around.¹⁸

Future of State Inspection Programs

Despite being largely in agreement on most interview topics, the inspection directors in Minnesota and Kansas expressed markedly different outlooks for the future of meat and poultry inspection in their home states. In Minnesota there has been steady growth in the number of plants requesting state inspection and several new inspectors were hired recently (Figure 2). This growth trend is expected to continue in the near future.

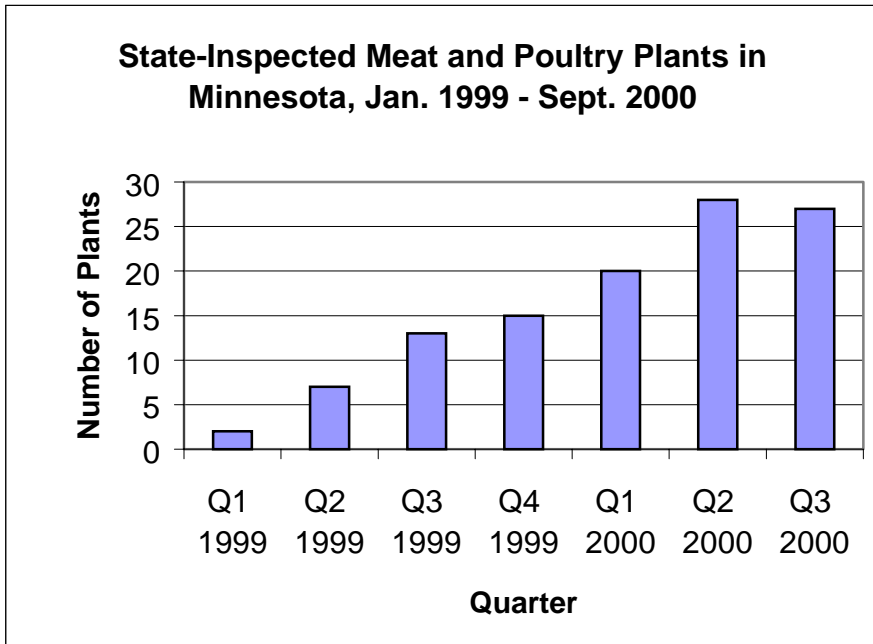
Kansas inspection personnel, on the other hand, have watched the number of plants under inspection decrease steadily over the past two decades (Figure 3). They cite a number of reasons for this trend. First, the reinvigoration of Kansas’s inspection standards in 1998 forced a number of plants out of business.¹⁹ Second, the new HACCP requirements, which came into effect in January

¹⁸ “Budget Issues” memo from Kansas Secretary of Agriculture Jamie Clover Adams to Governor Bill Graves, Nov. 19, 1999. (provided by Butch Kruckenberg, Kansas Meat Inspection Division.)

¹⁹ Applehantz, Christie. “State closes four meat plants Federal violations cited; one plant official blames politics.” *The Topeka Capital Journal Online*, Sept. 1, 1998. http://www.cjonline.com/stories/090198/kan_meatplants.shtml

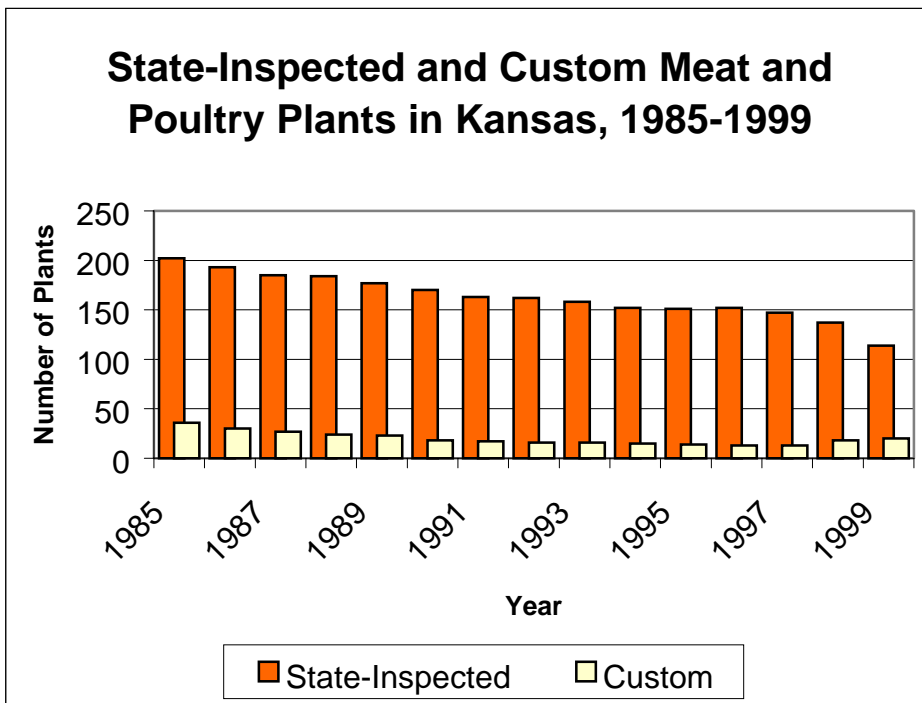
of 2000, caused a number of plant owners to opt for early retirement or a shift to custom-exempt status. Finally, a desire to engage in interstate sales prompted several plants to seek Federal inspection. Whereas the attrition due to the first two causes has run its course, the desire to ship products interstate is an ongoing consideration for state-inspected plants in Kansas. The Kansas officials feel that their state's inspection program will flourish once the interstate shipment ban on state-inspected products is lifted. If interstate shipments are not enacted soon, however, they project that the Kansas inspection program will be dismantled within the next five years.

Figure 2:



* numbers taken from "MDA Quarterly" (Newsletter of the Minnesota Department of Agriculture), Autumn 2000.

Figure 3:



* numbers provided by Dr. Kruckenberg, Kansas Meat Inspection Division, Oct. 30, 2000.

Survey of State Officials In Program States

A five-page survey, the “Survey of Meat and Poultry Inspection Systems: States with State Meat and/or Poultry Inspection Programs,” was sent to the 26 states which maintained meat and/or poultry inspection programs as of November 1, 2000.²⁰ (The survey instrument can be found in Appendix B.) Twenty-five of 26 states completed the survey for a response rate of 96%.

Characteristics of State Inspection Programs

Although all state inspection programs must share important similarities with the Federal inspection program in order to be certified as “equal to,” state programs vary from one another and from the Federal program in a number of respects. All states that maintain inspection programs have responsibility for conducting reviews of custom-exempt plants; however, five of the 25 responses indicated that responsibility for custom-exempt reviews was shared by the state and Federal inspection services.

States also have a number of different options for handling wild game and species such as buffalo and deer, which are non-amenable under the Federal Inspection Act. Thirteen of the 25 states that responded require mandatory inspection of some or all of the species exempted by the USDA-FSIS. Twelve of the 13 mandatory states indicated they provide such inspection for free.

Inspection of non-amenable species is not mandatory in the remaining 12 states that responded. It is provided for an hourly fee in 11 of these 12, non-mandatory states; the remaining state provides voluntary wild game and non-amenable species inspection for free.

The 10 respondents who provided information about their states’ hourly fee for non-amenable species inspection revealed a great range in fees, with a minimum charge of \$5.00 and a maximum of \$38.44. The average hourly fee charged by state inspection programs was \$20.50, compared to the rate of approximately \$40.00 per hour that is charged by the USDA-FSIS.

The total number of state-inspected establishments (meat and poultry combined) varies widely between states, from nine in Vermont to 300 in Wisconsin. A majority of respondents (61%) reported that the number of state-inspected establishments in their states had decreased over the past five years. A frequent explanation for this decrease was the introduction of HACCP requirements in January 2000. As one respondent explained, “Due to HACCP requirements in

²⁰ In January 2001, the state of Missouri re-instituted its state inspection program. For the purposes of this survey, which was sent in November 2000, Missouri was considered a Non-Program State, since it would have been questionable to survey Missouri officials about their experiences with a program that did not yet exist at the time. Please refer to Appendix E for a complete list of Inspection States.

inspected establishments, some plants opt to change to CE (custom-exempt) operations rather than implement HACCP.” Another state official elaborated, “With the HACCP requirements going into effect on Jan. 26, 2000, we lost 25 establishments from official status. I expect the plants that stayed to continue under state inspection.”

Projections for future growth were less uniform, with 24% of respondents predicting an increase in the number of state-inspected operations, 29% predicting a decrease, and the rest anticipating the number of facilities under inspection to remain the same. State directors again indicated that Federal rulemaking, this time in the form of interstate shipment legislation, would have a major influence on the number of state-inspected facilities retained and added to the program. Their perspectives included the following:

“[Number of federal plants] will increase if federal inspection is the only way into interstate commerce. In the last few years, three state plants have gone federal; over time, maybe 20 plants have gone federal. Five to 10 plants are considering going federal now in the wake of the loss of the interstate commerce legislation in the last congress.”

“If interstate shipment for state plants is approved the number of Federal inspected plants will show a dramatic decrease.”

“We have lost 3 plants this year to Federal because interstate shipment not passed by Congress - they would rather stay state but are forced to go Federal to cross state lines.”

Reasons for Maintaining State Inspection

Twenty-one of the 25 respondents indicated that their state inspection program had operated continuously since the implementation of the revised Meat and Poultry Inspection Acts in 1969. The four exceptions were Minnesota, Montana, North Dakota, and Wyoming. Despite the fact of longevity for a vast majority of the respondents, the factor of “historic precedent” was not one of the most important reasons why states chose to maintain state inspection programs (see Table 1).

According to the survey respondents, the most important factor in their states’ decisions to maintain inspection programs is “the desire for greater responsiveness to the unique needs of producers and processors in the state.” Written comments to this effect included the following:²¹

“State inspection program officials are more accessible to small plant owners and operators than are Federal inspection program officials.... Often times, in a large Federal system, the small operator cannot easily access Federal officials because they are occupied with dealing with large plant problems. A state program provides an environment more conducive for new small businesses to start and grow into larger businesses. A state program also provides

²¹ See Appendix G for additional responses to open-ended questions.

an environment in which small business can more readily survive and negotiate the regulatory waters because help is not very hard to get from a state program.”

“The biggest advantage of a state inspection system is the personal attention that can be given to the meat industry. Labels can be approved immediately, equipment and construction questions answered promptly and the ability to obtain immediate assistance in the daily problems that arise in the meat packing industry.”

“We provide inspection services to small establishments which FSIS does not want due to size and remote locations; most of them prefer state inspection due to our accessibility and flexibility in accommodating their schedules of operation; many would close if required to be Federally-inspected thus increasing unemployment and reducing state revenues.”

Table 1: Reasons for Maintaining State Meat and/or Poultry Inspection

Reasons	Not a Factor	Minor Factor	Significant Factor	Essential Factor	# of Total Responses
to be more responsive to the unique needs of producers/processors in the state	0.0%	0.0%	16.7%	83.3%	24
demand for a state program from meat processors	0.0%	0.0%	20.0%	80.0%	25
desire to develop local or “niche” markets	0.0%	8.3%	29.2%	62.5%	24
opportunity for more local control	0.0%	4.2%	45.8%	50.0%	24
demand for a state program from farmers and ranchers	4.0%	16.0%	32.0%	48.0%	25
desire to provide employment opportunities	4.2%	33.3%	37.5%	25.0%	24
demand for a state program from consumers	0.0%	37.5%	50.0%	12.5%	24
historic precedent	20.8%	45.8%	25.0%	8.3%	24
proposed Federal legislation to lift ban on interstate shipment	33.3%	20.8%	20.8%	25.0%	24

Another key factor in the decision to maintain state inspection was “demand for a state program from processors.” As one respondent explained:

“When there is a problem they [processors] know they can talk to the Program Director directly. They do not think this would happen if they needed to discuss a problem with someone in Washington.”

A third motivating principle for Inspection States was the “desire to develop local or ‘niche’ markets.” One of the respondents noted:

“By providing individual attention and guidance to small and very small business, the environment is conducive to the development and success of those processors. This provides a positive economic impact to local economies by additional jobs and market places for raw materials.... Also small business feeds small business. That is, small farmers supply small packers, who supply small jobbers, who supply small retailers, who supply small populations (communities).”

Cost of Maintaining State Inspection

Even though state inspection programs receive Federal matching funds for 50% of their costs, Program States still spend an average of \$1,882,319 on meat and poultry inspection. As one state commissioner noted, “[state inspection programs] must have state dollars to use Federal money.” State expenditures ranged from \$220,579 in Wyoming to \$4,711,977 in Texas for Fiscal Year 1999. (See Appendix E for a complete list of respondents’ budgets.)

When asked whether their state had ever considered discontinuing its state inspection program, 13 of 25 respondents answered in the affirmative, almost universally citing cost as the reason. The following comment illustrates one frequently-cited scenario:

“[O]ccasionally we are looked at when elected officials want to downsize state government; these actions have been defeated through support of industry, who much prefer the state’s more personal approach and accessibility.”

Sixty-eight percent of respondents reported that the cost of maintaining an inspection program had increased over the past five years, and similarly 64% expected program costs to increase over the next five years. Some attributed the larger budgets to normal cost-of-living increases. Other reasons cited by two or more respondents were:

- increased laboratory costs due to new USDA-FSIS mandatory testing requirements; and
- increased expenditures on computers to implement the FSIS Field Automation and Information Management (FAIM) program.²²

²² The FAIM program requires that each inspector be equipped with a computer, usually portable, which allows “immediate access to, and [the] ability to retrieve information from, FSIS technical references, directives, manuals, and notices that are stored on each inspector’s computer. This has eliminated the need for inspectors to file and search through thousands of paper documents.”

[See “Today’s Technology Helps Meat and Poultry Inspectors Improve Job Performance,” (Press Release). Food Safety Inspection Service-United States Department of Agriculture, Nov. 1, 2000. <http://www.fsis.usda.gov/oa/news/2000/faim.htm>]

Other Challenges of Maintaining State Inspection

The cost of meat and poultry inspection is not the only challenge faced by state inspection program directors. When posed the question, “What aspects of state and Federal meat inspection present the most challenge or difficulty in your state?,” a common theme emerged surrounding state employees’ frustration in working with the USDA-FSIS. Examples included the following:

“Currently, the most challenging aspect is keeping abreast of just where USDA-FSIS is going with HACCP inspection and pathogen reduction. Politics, the courts and the Federal Inspector’s bargaining unit all seem to be headed in different directions.”

“The major challenge is USDA-FSIS and knowing their ‘current thinking’ on any inspection-related matter. We adopt Federal rules for our state program, but we know only what USDA-FSIS communicates with us. Sometimes we read about things in the newspaper that we should have received in the mail.”

“Being forced to follow ‘by the letter’ Federal rules is very difficult. It is hard to force small plants to follow the same rules as large plants. It is well known that one size doesn’t fit all. USDA should provide more advice and research and less executing old fashion ‘control and command’.”

“Main detractors [of state meat inspection] are the members of special interest groups who see more profit in less competition and the federal inspector’s union who want to hold all inspection jobs for their members.”

Survey of State Officials In Non-Program States

The three-page, “Survey of Meat and Poultry Inspection Systems: States without State Meat and/or Poultry Inspection Programs,” was sent to the 24 states which did not maintain meat and/or poultry inspection programs as of November 1, 2000. (The survey instrument can be found in Appendix C.) Nineteen of 24 states completed the survey for a response rate of 79%.

Reasons for and against Re-adoption of State Inspection

Among the 19 officials from non-program states who responded to the survey, a minority felt that their states would benefit from the implementation of a state meat and poultry inspection program.

Even those respondents who did not feel that state inspection was a good option for their own state were generally able to suggest reasons why state inspection would be beneficial in the abstract. With the exception of six respondents who felt that there were no advantages to state meat and poultry inspection whatsoever, most non-program states volunteered at least one of the following potential benefits:

- More local control of the policy; state policymakers are more influenced by local producers and less influenced by IBP than their Federal counterparts.
- More user-friendly; state is better-equipped to work with small and very small plants.
- Easier access to training and technical assistance.
- Reduces bureaucracy; more flexible schedule.
- Overtime and exotic fees lower.
- Lends itself more readily to value-added marketing.
- Better handle on custom-exempt facilities.
- Improved local awareness of food safety issues and safe handling practices.
- More cost-effective than the Federal program.

It is striking that state officials would regard state inspection as more “cost-effective” than Federal inspection, even though state inspection costs a state much more than the (free) Federal program. What state officials appear to be suggesting, however, is that in terms of the most efficient use of overall tax dollars, both state and Federal, state inspection programs are able to offer the same services at a lower price than the Federal program. Nevertheless, the most important overall factor indicated regarding why states choose not maintain inspection programs is “cost” (Table 2). Another factor frequently noted was “lack of political support for a state program.”

Table 2: Reasons for Forgoing State Meat and Poultry Inspection

Reasons	Not a Factor	Minor Factor	Significant Factor	Essential Factor	# of Total Responses
cost of maintaining a state inspection program	0.0%	0.0%	16.7%	83.3%	18
lack of political support for a state program	11.1%	5.6%	27.8%	55.6%	18
no need for both state and Federal program	11.1%	11.1%	44.4%	33.3%	18
no interest or insufficient demand from consumers	33.3%	5.6%	33.3%	27.8%	18
no interest or insufficient demand from processors	33.3%	11.1%	27.8%	27.8%	18
no interest or insufficient demand from producers	44.4%	11.1%	11.1%	33.3%	18
lack of qualified inspectors/other personnel	50.0%	16.7%	16.7%	16.7%	18
Opposition from processors	50.0%	33.3%	5.6%	11.1%	18
Opposition from producers	62.5%	25.0%	0.0%	12.5%	16
Opposition from consumers	70.6%	17.6%	0.0%	11.8%	17
food safety concerns	72.2%	16.7%	11.1%	0.0%	18

Cost

Although the cost of state inspection was a universal concern for respondents from Non-Program states, the way in which these respondents framed the issue of cost varied significantly. Based on respondents’ answers to the open-response questions, several varieties of cost-based objections emerged.²³

The first group of respondents objected to the cost of state inspection relative to the size of the state’s potential clientele. Officials from Connecticut, New Hampshire, New Jersey, and Nevada all cited the paucity of slaughter and processing establishments as the main reason for the lack of a state program. As New Hampshire’s state veterinarian noted, “We could not justify a state meat or poultry inspection program with only two slaughter establishments. They do not operate their facilities a total of 40 hours a week.” Although survey responses were not received from

²³ See appendix F for selected responses to open-ended questions.

Maine, Massachusetts, and Rhode Island, one might hypothesize that these states find themselves in similar situations in terms of the lack of potential users for a state inspection program.²⁴

A second group of respondents framed the issue of cost in the context of tight state budgets and the lack of interstate shipment. Members of this group were the most likely to suggest that their states might adopt a state meat and poultry inspection program if changes in budgetary priorities and interstate shipment were to occur.

The final group of respondents framed the cost of a program not as something to be weighed against potential benefits, but rather as one of a whole number of disadvantages to state meat and poultry inspection. Other drawbacks of state inspection listed by these states included added liability to the state, increased bureaucracy, and jeopardizing food safety and consumer confidence.

²⁴ On the other hand, the northeastern states of Vermont and Delaware do maintain state inspection services, in Vermont's case for a total of nine establishments. The head of the Vermont Meat Inspection Service points out that "Vermont also has a program of licensing and inspecting meat-handling retail establishments. This is an effective use of inspectors during slow periods and is very successful in inspiring consumer confidence."

Survey of State-Inspected Facilities In Kansas and Minnesota

Plant Size and Activities

Table 3: Employees in Kansas and Minnesota State-Inspected Plants

	Full-Time Employees			Part-Time Employees			Average Hourly Wage		
	Min	Max	Mean	Min	Max	Mean	Min	Max	Mean
Kansas	0	30	6.2	0	30	4.4	\$6.00	\$12.00	\$8.60
Minnesota	2	9	5.3	1	11	4.2	\$8.00	\$13.00	\$9.85

As seen in Table 3, nearly all of the state-inspected facilities surveyed were very small.²⁵ Kansas and Minnesota facilities were also similar in terms of the types of slaughter and processing activities in which they were engaged (Table 4). Approximately ¼ of the facilities in both states describe themselves as processing establishments only (having no slaughter operation), with the rest engaging in either state-inspected slaughter, custom-exempt slaughter, or slaughter of non-amenable species, or some combination of the three. Roughly ¾ of Kansas respondents and • of Minnesota respondents engage in slaughter under state inspection. The percentages of Kansas and Minnesota respondents engaged in slaughter and processing of game or exotic species were also similar. The percentage of establishments offering custom-exempt slaughter differed substantially between the two states, however, with custom slaughter and processing being far more common in Minnesota state-inspected plants than in their Kansas counterparts.

Table 4: Slaughter/Processing Activities Among Kansas and Minnesota Plants

	State Slaughter	Custom Slaughter	Game/ Exotics	Only Processing	# of Total Responses
Kansas	76.2%	7.1%	40.5%	21.4%	42
Minnesota	64.3%	64.3%	50.0%	28.6%	14

*Respondents were asked to select all categories of slaughter that applied.

Plant Growth Projections

Estimates of future growth vary significantly between the Kansas and Minnesota plants. Fifty-six percent of Minnesota respondents anticipate that their operations will get larger in the next five years, compared with 32.4% of Kansas respondents. Reasons for growth projections included

²⁵ The USDA’s standardized plant size categories are: “large” (greater than 500 employees), “small” (10-499 employees), and “very small” (fewer than ten employees or annual sales of less than \$2.5 million).

increasing demand, development of new product lines, strong sales in recent years, and increased business due to the closure of neighboring small plants.

None of the Minnesota respondents foresaw their businesses getting smaller over the next five years, whereas 13.5% of the Kansas respondents anticipated declines. The most common reasons cited for negative growth expectations were a declining rural population and reductions in the number of local producers.

Fifty-four percent of Kansas respondents and 46.2% of Minnesota respondents anticipated neither growth nor decline, and they offered a number of reasons for their projections. Two of the most common were a lack of physical capacity to expand their buildings and a lack of qualified and willing personnel. In addition, a number of Kansas respondents planned no expansion because they planned to retire within the next five years.

Eliminating the prohibition on interstate shipment of state-inspected products was seen by both Kansans and Minnesotans as providing opportunities for growth. Differing degrees of optimism on that issue, however, may have contributed to the uneven growth projections between Kansas and Minnesota. Thirty-one percent of Minnesota respondents considered it “very likely” that the ban would be lifted within the next five years, and only 15% considered such an event to be “very unlikely.” Kansas respondents were more doubtful, with only 14% assessing Federal legislation as “very likely” and 24% assessing it as “very unlikely.”

Plant Ages and Years Under Inspection

The Kansas Meat and Poultry Inspection Program has been in operation since 1968; the Minnesota program was reinstated just two years ago. Hence the average number of years under state inspection varied considerably, with Kansas respondents averaging 25.9 years under state inspection and Minnesota plants averaging 1 ½ years.

The average age of the buildings differed markedly as well: 38.0 years in Kansas, 19.7 years in Minnesota. As shown in Table 5, of particular note is the difference in the percentages of buildings constructed after the implementation of the Wholesome Meat Act in 1969. Owners who constructed facilities within the last 32 years would have had the option of designing their buildings with an eye towards the uniform set of Federal standards. Those constructing facilities over 32 years ago, however, did not have that same information when contemplating plant design and

building materials.²⁶ A facility that was built without consideration for the Federally-mandated separation between slaughter and processing areas, for example, would likely require some substantial retrofitting in order to be deemed “equal to” Federal standards.

States such as Nebraska should consider the characteristics and physical condition of small facilities within the state when projecting the likely participation rate in a state inspection program. Plant age and condition will largely determine the cost of any necessary repairs and upgrades to a prospective state-inspected facility, and may in fact determine whether a custom-exempt operator can afford to become state-inspected or not. The likelihood of this cost being passed on to the consumer should also be considered.

Table 5: Age Ranges of Kansas and Minnesota State-Inspected Facilities (Age of Building)

Age (yrs.)	Kansas (Cumulative %)	Minnesota (Cumulative %)
0-4	0.00%	0.00%
5-9	2.44%	38.46%
10-14	9.76%	46.15%
15-19	12.20%	61.54%
20-24	14.63%	69.23%
25-29	34.15%	76.92%
30-34	48.78%	76.92%
35-39	60.98%	84.62%
40-44	70.73%	92.31%
45-49	70.73%	92.31%
50-54	82.93%	92.31%
55-59	90.24%	92.31%
60-64	95.12%	100.00%
65-69	95.12%	100.00%
70-94	100.00%	100.00%
# of Total Responses	41	13

(Shading indicates facilities constructed after the passage of the Wholesome Meat Act in 1969.)

Reasons for Choosing State Inspection

Survey respondents were given a number of potential reasons for choosing state over Federal inspection and were asked to indicate all that applied. (See Table 6.) In both states, the

²⁶ This is not to say that plants built recently were necessarily built to the 1969 Federal standards. On the other hand, it is certain that plants built before that year were not.

two most frequently cited reasons for choosing state inspection were “I have no interest in shipping products interstate” and “I prefer to work with state inspectors rather than Federal.”

Table 6: Reasons for Choosing State Inspection over Federal Inspection

Reasons	Kansas Respondents	Minnesota Respondents
I have no interest in shipping products interstate	33.3%	50.0%
I prefer to work with state inspectors rather than Federal	40.5%	35.7%
I would have more rules to worry about under Federal	19.0%	35.7%
I have to make changes to my facility/equipment before going Federal	21.4%	21.4%
I don't have enough information about how to go Federal	14.3%	7.1%
I am in the process of seeking Federal inspection	7.1%	14.3%
I have to change my normal operating procedures to go Federal	14.3%	7.1%

* respondents were asked to select all responses that applied.

VII. Summary and Implications

The three research questions investigated by this study were:

1. Although state inspection programs are recognized by the USDA-FSIS as “equal to” the Federal program, are there differences between state and Federal meat and poultry inspection?
2. Given that all states have the same option to maintain a state meat and poultry inspection program, why do some states have such programs and others do not? What are the salient differences between Program states and Non-Program states?
3. What are the characteristics that Program Directors deem important in the design of a state meat and poultry inspection program?

State vs. Federal Inspection: What is the Difference?

Each of the 27 state inspection programs now in existence has been approved by the USDA-FSIS as having requirements “equal to” those in the Federal system. The results of this study indicate, however, that “equal to” is not equivalent to “same as” when it comes to state versus Federal meat and poultry inspection. The consensus among state personnel and small plant owners was that the economic, social, and food safety implications of state inspection programs can be quite different than those of the Federal program. The four key categories of differences are outlined in the following sections: Qualitative Advantages to State Inspection, Quantitative Advantages to State Inspection, Quantitative Advantages to Federal Inspection, Qualitative Advantages to Federal Inspection.

Qualitative Advantages to State Inspection

Some of the most important findings in this study were related to the qualitative advantages of state meat and poultry inspection. Kansas and Minnesota plant owners, as well as state personnel from both Program and Non-Program states, used terms such as “easier to work with,” “more reasonable,” and “more accessible” in describing state inspection personnel. The following captures many of these sentiments: “We have a good relationship with our Topeka office and staff that may not be with Federal inspection. State inspection is designed for small plants and Federal inspection is for large plants.” Another respondent framed this observation in even more direct language: “I have been federal and they are a pain in the ‘butt’ - the state people have worked with us, and we still turn out a wholesome product.”

Although Federal inspection theoretically should be available to any facility seeking inspection services, much of the survey data indicates that small facilities face either actual or perceived barriers in obtaining Federal inspection. The following comment from a Minnesota plant owner illustrates the point: “The program opens up marketing options for the local producers and also for us as a processor. It allows us to expand sales to other retail stores and institutions.”

If this state-inspected facility is currently meeting standards “equal to” Federal regulations, then theoretically it should have been able to pass Federal inspection two years ago before the Minnesota state program came into effect. Whether true or not, state inspection is at least perceived as providing opportunities that would be otherwise unavailable to small processors. The following comments from Kansas processors suggest that the barriers to Federal inspection are not merely a matter of owners’ perceptions, but rather reluctance on the part of Federal inspectors to take on small and very small operations:

“I am in a very rural area of the state (NW corner) and do not have a Federal inspector within traveling distance. I also operate part-time (4 days per week).”

“I need to work more than 8 hours a day - if Federal I couldn't do this.”

“Separation of products and species are treated differently by the state and FSIS. [Also] We have 1 large freezer that has a wood floor which is unacceptable to FSIS, while in turn wooden pallets are used to ship many of USDA inspected products.”

“The last time [the cost of necessary upgrades] was estimated it was \$150,000 unless things have changed.”

A number of state personnel also suggested that the Federal program has neither the resources nor the interest to take on inspection responsibilities for small and very small operations. As the Director of the South Carolina Meat and Poultry Inspection Department wrote, “I do not believe FSIS wants to deal with very small, mom and pop plants that require more assistance to deal with such programs as HACCP systems.” Dr. Kruckenberg of the Kansas Meat Inspection Division also observed that when Federal inspection is requested by small plants, especially those in remote areas of the state, Federal site evaluators appear to put substantial effort into coming up with a reason for refusing inspection.

Another common but difficult-to-prove assertion was that state inspection programs improve the safety of the food supply. A number of plant owners, including the following respondent,

indicated that state inspection and the introduction of HACCP had made their sanitation practices more consistent:

“We are a retail natural foods grocery - we only became state inspected so that we could supply other natural foods stores that did not have meat operations. Overall, I think that becoming a state inspected facility has improved the cleanliness and operating procedures of our facility.”

Many state directors also asserted that state inspection programs improve the overall safety of the meat and poultry supply. This is particularly true in regards to reviews of custom-exempt operations, which are generally conducted more frequently under state jurisdiction than under Federal.

Quantitative Advantages to State Inspection

In addition to the qualitative advantages of state inspection, states have the option of tailoring their state inspection program to the needs of the state in a number of easily-quantified ways. Concrete differences that have been made by some states include:

- lower overtime fees and non-amenable species inspection fees;
- training requirements that surpass Federal standards;
- faster turnaround time on approval of labels and other paperwork; and,
- more frequent reviews of custom-exempt operations.²⁷

The variety of approaches to non-amenable species, for example, suggests that within certain acceptable parameters, states are selecting the inspection approach that is best suited to local conditions rather than using the “one size fits all” Federal approach. In some cases these differences alone are enough to convince plant owners that they would be unable to operate profitably under Federal inspection. One non-amenable species processor in Kansas indicated that he would be absolutely unable to continue operating if he were required to pay the \$40 per hour non-amenable species fee charged by the USDA-FSIS. The non-amenable species inspection fee has been entirely eliminated in the Kansas state program. States also have the option of reducing the amount of the non-amenable species fee.

²⁷ It should be noted that these changes are options available to states with inspection programs, but not requirements. Whether or not a state actually provides lower overtime rates, quicker response time on labels, modification of Federal policies on training, or more frequent custom-exempt reviews is entirely the prerogative of the state.

Quantitative Advantages to Federal Inspection

If the qualitative advantages of state meat inspection are relatively more pronounced than the quantitative advantages, just the opposite is true when it comes to considering the advantages of Federal inspection. From the point of view of many state lawmakers, there is one quantifiable benefit to Federal inspection that trumps all others: Federal inspection is provided at no cost to states. Many Non-Program state personnel question the logic of spending state resources to duplicate services that the Federal inspection system is already providing in every state. Even one state-inspected facility in Kansas, a member of the population generally assumed to derive the most benefit from state inspection, offered the following opinion:

“The three meat/food inspection agencies [the Kansas Meat Inspection Division, the USDA-FSIS, and the Kansas Department of Health and Environment division responsible for restaurant and grocery store inspections] should be combined into one and put all food establishments under one Food Safety Inspection Service. It would be good for the consumer and would save at least 50% of our tax dollars.”

The other very important quantifiable advantage of Federal inspection is that Federally-inspected facilities can sell their products anywhere in the U.S. State inspection, on the other hand, provides only for shipping within the state. Given the uncertainty over the prospects for interstate shipment legislation, some plants and states alike have chosen to bypass any advantages of state inspection in order to have the certainty of interstate shipment rights.

Qualitative Advantages to Federal Inspection

Not surprisingly, state inspection enjoys a more positive image among state inspection administrators and state-inspected facilities than does Federal inspection. One key qualitative advantage that Federal inspection has over state inspection is its perceived uniformity. Some Non-Program states asserted that re-instituting a state inspection program in their states would be tantamount to creating an uneven playing field, and they could see no compelling reason for doing so. They also felt that creating a state inspection program would be a move away from a common standard of inspection that all consumers recognize.

Another advantage of Federal inspection is that it consolidates responsibility for rulemaking in the hands of a single agency, eliminating at least one element in the frustration expressed by this plant owner:

“State inspectors are not consistent when interpreting and enforcing rules and regulations. Federal inspectors review plants once a year and have another interpretation of rules and regulations.”

In addition to being a potential benefit for plants, consolidating responsibility for meat inspection in the hands of USDA-FSIS also has qualitative advantages for states:

“[Disadvantages of state inspection include] another entire set of regulations to administer, and increased liability to the state.”

State vs. Federal Inspection: How Do States Decide?

The numerous and sometimes conflicting viewpoints that were collected in the interviews and surveys reflect the complexity of the environment in which meat inspection policy decisions take place. There are clear and compelling reasons for states to develop state meat and poultry inspection programs, and there are also clear and compelling reasons for states to forego developing such programs. The fact that there is no obvious answer to the state meat inspection question is underscored by the fact that in the last 5 years, two states have eliminated their state inspection programs while three states have adopted programs.

Results from the surveys to state department of agriculture personnel suggest a number of important differences between states that ultimately choose state inspection and those that opt for all-Federal inspection. Key factors include:

- the size of the slaughter and processing industry in the state;
- level of demand for a state program from processors;
- level of support for a state program from producers; and,
- current USDA-FSIS Federal inspection initiatives.

The impact of the latter is discussed below.

Level of Optimism Regarding Interstate Shipment

One of the key questions for plant owners and personnel in both Program and Non-Program states is whether the interstate shipment ban will be lifted by Congress. Kansas inspection personnel feel that the future of their program hinges on this question, and a number of plant owners in Kansas and Minnesota echo this sentiment in regards to their operations. Although some owners will opt for Federal inspection if interstate shipment does not become a reality, differences in state and Federal inspection lead other owners to believe that Federal inspection is out of their reach.

Slaughter and processing operators in Kansas and Minnesota provided very mixed outlooks in their projections for the passage of interstate shipment legislation, with Minnesotans being relatively more optimistic than Kansans. (It is probably worthwhile to note that some Kansans have

been waiting for interstate shipment legislation to clear Congress for the past 30 years.) Kansas plant owners were more likely to indicate impatience with the state-Federal double standard that requires state plants to meet all Federal requirements but prevents them from shipping products interstate:

“I think that [the Kansas inspection division’s] training program is very weak. They also waste a lot of tax money trying to send a person to the plant everyday. We already have a person 2 days a week because of our kill schedule. They act as though they don't trust anybody. They do serve a purpose but if they are going to be in the plant everyday we may as well be Federal.”

Given the relatively lower average plant age in Minnesota, however, Minnesota plant owners may find the prospect of eventual Federal inspection more likely than their counterparts in Kansas. (In fact, two of the state-inspected plants in Minnesota indicated that they had already been approved for Federal inspection.) Wisconsin Director of Meat Safety and Inspection echoed this observation: “When new businesses start, they are usually under state inspection. As business grows, and shipping in interstate commerce, they have to go federal.” Whereas Minnesota seems to be experiencing a surge in new business growth due to the new state inspection program, such a surge has long since passed in Kansas, where comments such as the following were more common:

“I am 64 years old and don't anticipate being in business 5 years from now. Also plant is older and would have to be major remodel if other people bought it.”

Nebraska's Decision: Framing the Debate

It is important for Nebraska policymakers and stakeholders to keep in mind that there are significant differences between state and Federal meat inspection programs. This is perhaps not as obvious as it seems. For example, a number of stakeholders who provided information for this study indicated they believe state inspection programs merely duplicate the services offered by the Federal inspection program. Despite such perceptions, there appears to be sufficient, contradictory evidence from the surveys and interviews to conclude otherwise. This study has found that there are various possibilities, as well as responsibilities (fiscal and otherwise), that arise as a function of having a state meat inspection program and that are not present in the Federal program.

The fact that state programs are different than the Federal program is not by itself an indication that states should either adopt or not adopt state meat and poultry inspection programs. A clear understanding of the differences between state and Federal inspection is merely a first step in the larger process of evaluating which option is best suited to Nebraska. Selecting the right option for Nebraska requires a thorough evaluation of the state's current operational context relative to meat and poultry monitoring and inspection.

What are the salient features of Nebraska's operational context? The following questions are designed to help stakeholders assess this question. They are based on data collected and recommendations obtained from state Program and Non-Program state officials, as well as from operators of state-inspected facilities in Kansas and Minnesota. These questions can be used by policymakers in Nebraska when evaluating the implications of state meat inspection for the state of Nebraska.

Considerations when Contemplating a State Inspection Program

1. Is there demand from local processors?
 - Do processors perceive the need for an alternative to Federal inspection?
 - How impenetrable does the Federal system seem to be?
 - How do smaller establishments plan to take advantage of state meat inspection?
 - Are state Associations of Meat Processors or other appropriate organizations and agencies able to help small establishments already, without the state having to incur the costs and added bureaucratic layer that would exist if Nebraska adopted a state meat inspection program?
2. What are the level of interest and support from agricultural producers and their trade associations?
3. Is there demand from consumers? Are there local and statewide markets in Nebraska on which state-inspected plants could capitalize, absent Congressional authorization of interstate shipments?
4. Is there a level of food safety concern regarding custom-exempt and retail-exempt operations that suggests a need for more frequent inspection of these establishments?
5. How significant is the cost burden, given the state's fiscal climate and other competing needs?
6. Are there alternatives to state inspection that should be considered? Examples include:
 - one-time grants or loans for upgrades to small and medium plants;
 - support for inspection of bison and other non-amenable species with tax dollars;
 - a state program solely for inspection of custom- and retail-exempt operations (as in California, Colorado, and New York); and,
 - more state-sponsored food safety trainings for small plants, like those that were provided by the University of Nebraska for plants developing HACCP plans.
7. What are the prospects for Federal interstate shipment legislation? If it is likely, can the state afford not to be prepared to enter the interstate shipment marketplace immediately upon Federal authorization? If the guess about Federal authorization is wrong, what are the consequences?

Considerations When Implementing a State Program

1. Departmental Jurisdiction of the program
 - many program directors advocate management by the Agriculture Department (rather than the Health Department);
 - assess the opportunities for cross-utilization of resources, equipment and personnel with other state agencies; and,
 - importance of buy-in from law enforcement and the need for adequate penalties (both civil and criminal, felony and misdemeanor) for violations of food safety codes.
2. Personnel
 - Develop qualifications for inspectors
 - Evaluate the need for USDA certified trainer
 - Consider the need for cross-supervision
3. Variations of Federal rules regarding Custom-Exempt operations, wild game and field slaughter, 4-D slaughter, and overtime and non-amenable inspection fees.

In closing, it is important to recognize that this and all other policy questions are deliberated in an ever-changing policy context. New Federal legislation, changes in industry leadership, and even trends in consumer preferences have the potential to reconfigure the current evaluation of state meat inspection costs and benefits and may well prompt a reversal in previous policy decisions. Regardless of changes in the operating environment, however, the two-step process of first understanding the advantages of each policy outcome, and then assessing Nebraska's likelihood of capitalizing on those advantages, will continue to be relevant.

The lack of a clear conclusion on the merits of state meat inspection was captured well by this meat slaughterer and processor in Kansas:

“It seems ironic that I feel so unsure of Federal inspection and you [Nebraskans] feel the same way about state inspection. Is this just a ‘grass is greener on the other side’ thing?”